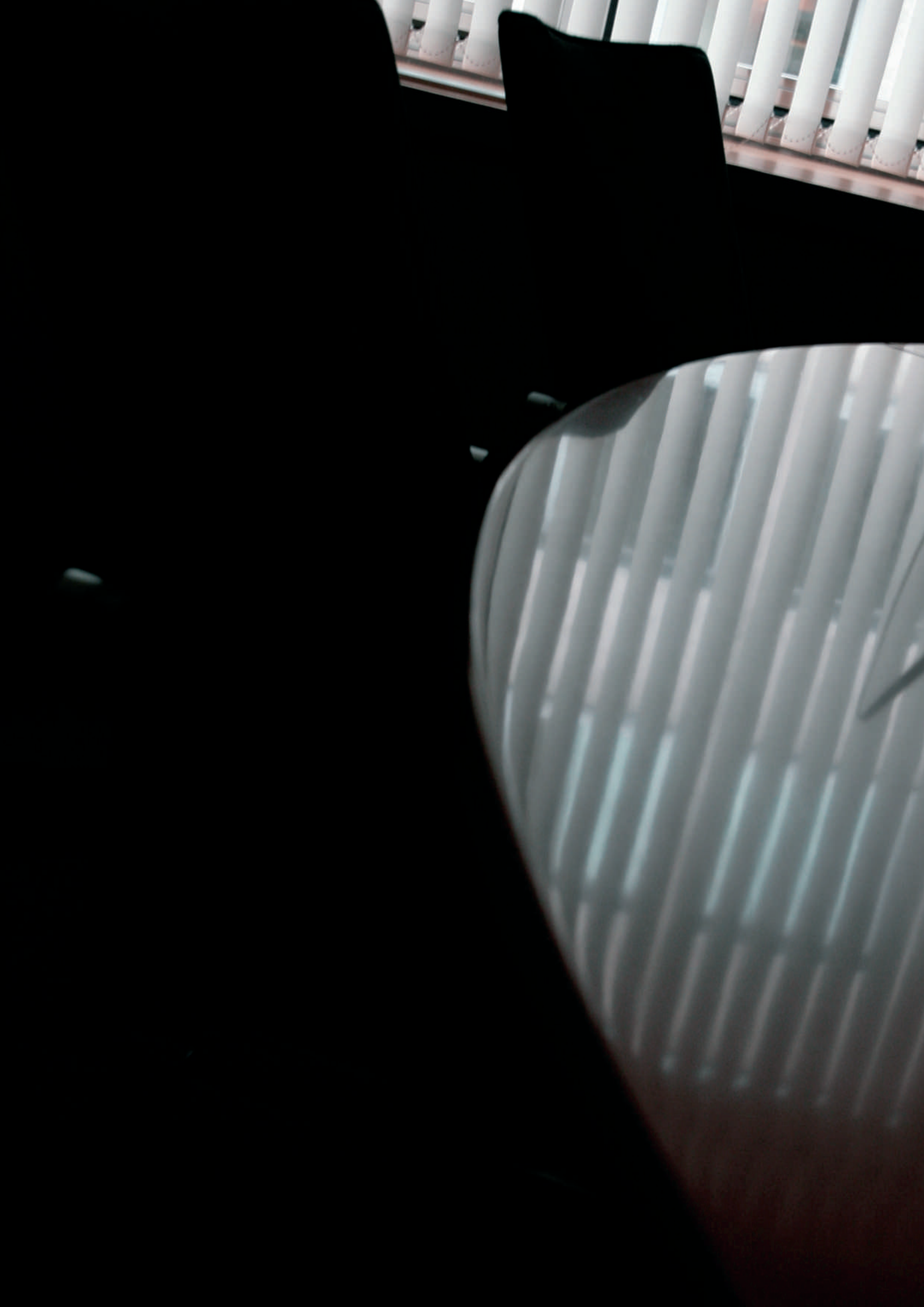
ANNUAL REPORT **2009**

KBL EUROPEAN PRIVATE BANKERS

MEMBER OF KBC GROUP


KBL EUROPEAN PRIVATE BANKERS
Puilaetco Dewaay PRIVATE BANKERS
KBL SWISS PRIVATE BANKING
THEODOOR GILISSEN PRIVATE BANKERS
KBL EUROPEAN PRIVATE BANKERS POLSKA
BROWN SHIPLEY Private Banking
KBL MONACO PRIVATE BANKERS
KBL ESPAÑA EUROPEAN PRIVATE BANKERS
MERCK FINCK & CO PRIVATBANKIERS
KBL RICHELIEU BANQUE PRIVÉE



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Situation as at 31 December 2009

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

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.

Herman AGNEESSENS
Managing Director of KBC Bank N.V. and Member of the Executive Committee KBC Group N.V.
Chief Financial Officer & Chief Risk Officer (until 29.04.09)

Edmond MULLER
Industrialist

Jan Maarten de JONG
Company Director

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

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

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

Diego du MONCEAU
Company Director

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.

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

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

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

EXECUTIVE COMMITTEE

Etienne VERWILGHEN
Chairman

Jean-Paul LOOS

Philippe PAQUAY

Jacques PETERS

SENIOR MANAGEMENT

Philippe AUQUIER
Finance

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 / Credits

Philippe VAN DOOREN
Operations Management

Irène BRACHMOND
Organisation

Carlo FELTEN
Buildings and Logistics

Vincent SALZINGER
Compliance

Bernard SIMONET
Human Resources

Thierry THOUVENOT
Internal Audit

1. Search for a new financial partner for KBL *epb*

On 18 November 2009, KBC Group announced its strategic plan to repay government aid and to undergo restructuring. The plan has been formally approved by the European Commission.
KBC Group is looking to refocus on its core business of bancassurance on its domestic markets (Belgium and Central Europe) and has decided to dispose of certain high-quality assets, including KBL *epb*.

The Executive Committee of KBL European Private Bankers has been asked by KBC to oversee the search for a new shareholder. To date, it has identified several partners for which KBL European Private Bankers would represent significant added value.

2. Results – towards an end to the crisis

Despite being directly impacted by the financial crisis and other exceptional elements, the consolidated net profit of KBL *epb* totalled EUR 119.2 million, compared with a net loss of EUR 145.9 million in the previous year.

As a combined result of these volume and market effects, private client AuM, including Vitis Life, totalled EUR 37.4 billion as at 31 December 2009, a net increase of 5.6% (+EUR 2 billion). More specifically, in its onshore business, this represented an increase of EUR 2.1 billion (+9.5%) over 12 months. Including Vitis Life, AuM totalled EUR 47.1 billion as at 31 December 2009, an increase of 6.5%.

3. Refocusing on core business and cost control

In the context of the global financial crisis, we are concentrating our efforts on safeguarding our clients' assets.
Activities that do not form part of our core business have been scaled back sharply, particularly credit, which has undergone radical restructuring.
In 2008 a voluntary plan to reduce costs by 5% was launched across the whole KBL *epb* network and a policy of strict cost control was followed in 2009.

4. The construction of a network of European private banks continues

There was the first stage in the planned rollout in Central and Eastern Europe of the European network of private banks, with the opening, on 1 April 2009, of a branch in Poland.
Preparations are being made to open a branch in Spain, due to take place in the second quarter of 2010.
Finally, in a bid to optimise the internal synergy of its network, KBL *epb* intends to acquire all the shares of the insurance company Vitis Life Luxembourg S.A. in the first half of 2010.

5. Employees

As at 31 December 2009, the total staff of the KBL *epb* network amounted to 2,661 employees as against 2,854 at the end of 2008, down by 7%. This reduction is mainly due to reorganisation within the main subsidiaries. Of the 2,661 staff in the KBL *epb* network, some 57% work in the subsidiaries outside Luxembourg.

KEY consolidated FIGURES

(Consolidated figures as at 31 December)	2007	2008	2008	2009
			Underlying result (*)	
RESULTS (in EUR million)				
Net banking income	756.3	396.0	653.5	**664.9**
General expenses	-509.9	-683.7	-517.7	**-526.4**
of which: Other operating expenses	-475.5	-475.6	-475.6	**-504.4**
Impairments	-37.5	-210.2	-44.3	**-24.7**
Pre-tax profit	246.4	-287.7	135.8	**138.5**
Income taxes	-38.1	141.8	18.2	**-19.4**
Net consolidated profit, Group share	208.3	-145.9	153.9	**119.2**
DIVIDENDS (in EUR million)	201.4	0.0	-	**59.6**
FINANCIAL RATIOS (in %)				
Core Tier one ratio – Basel II	9.3%	5.8%	-	**9.1%**
Tier one ratio – Basel II	10.9%	6.9%	-	**10.7%**
Solvency ratio – Basel II	18.2%	12.2%	-	**18.4%**
Regulatory capital / balance sheet total	6.8%	5.6%	-	**7.9%**
Loan-to-Deposit Ratio	-	14.0%	-	**14.1%**
ROAE	13.7%	-13.6%	14.3%	**12.9%**
ROAA	1.0%	-0.8%	0.8%	**0.8%**
Cost/Income Ratio	62.9%	120.1%	72.8%	**75.9%**

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

(Consolidated figures as at 31 December)	2007	2008	2009
BALANCE SHEET TOTAL (in EUR billion)	20.3	16.2	**13.9**
ASSETS			
Loans and advances to credit institutions and investment companies	8.9	5.4	**4.8**
Loans and advances to customers	1.9	1.5	**1.3**
Transferable securities	6.5	6.5	**6.2**
LIABILITIES			
Amounts owed to credit institutions and investment companies	6.0	3.8	**3.4**
Amounts owed to customers and debts evidenced by certificates	11.9	10.4	**8.4**
of which: Subordinated debts	1.0	0.8	**0.8**
Total equity	1.3	0.8	**1.0**
AuM (in EUR million)			
Assets under management	54,462	44,040	**46,087**
Of which: Private banking customers	41,041	34,575	**36,373**
Volume impact	+1.3%	+6.2%	**-5.7%**
Price impact	+0.6%	-22.0%	**+11.0%**

1. General comments on the results

Net consolidated profit, Group share, as at 31 December 2009 totalled EUR 119.2 million compared with EUR -145.9 million as at 31 December 2008, and EUR 153.9 million including underlying earnings.

As at 31 December 2009, net banking income had grown by 2% compared with underlying net banking income to stand at EUR 664.9 million. This was largely due to the increase in the net interest margin, capital gains realised on the sale of own securities and foreign exchange gains and changes in fair value of securities held. These various improvements make up for the reduction in fees, largely due to the temporary absence of investors from market trading and average AuM in 2009, which were lower than in 2008; however assets under management rose 5% to EUR 46.1 billion at the end of 2009 compared with EUR 44.0 billion at the end of 2008.

Operating expenses rose 6% to EUR -504.4 million. This is mainly due to non-recurring items recorded under staff costs in 2008 and 2009, largely owing to the re-discounting of provisions for early retirement.

As at 31 December 2009, impairment charges totalled EUR -24.7 million compared with EUR -44.3 million as at 31 December 2008 (after neutralisation of exceptional impairment on positions in capital notes, in the Loans and Receivables portfolio and in the AFS portfolio, recorded at the height of the financial crisis in late 2008).

Excluding impairment charges, the stability of general overheads confirms that costs remain under control.

With the economic recovery still tentative and with various parties adopting a wait-and-see approach, the balance sheet total was down 14% compared with the end of 2008, mainly in interbank transactions.

At the end of the financial year under review, Tier 1 core equity capital calculated in accordance with CSSF Circular 06/273, as subsequently amended, defining capital ratios under Basel II, amounted to EUR 640 million, while the consolidated solvency ratio of core equity was 10.7%, compared with 6.9% at the end of 2008.

It should be noted that in view of the positive results recorded in the first half of 2009, the Board of Directors of KBL *epb*, at its meeting on 27 August 2009, decided to allocate EUR 59.6 million to the payment of an interim dividend.

2. KBL *epb* mission

KBL *epb* focuses on the development of pure-play private banking in key 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 targeting the countries of Western Europe (Germany, Belgium, France, the Netherlands, the United Kingdom, Switzerland, Monaco and soon Spain), our network of private banks is now extending its reach into Central and Eastern Europe, starting with Poland, where a new branch has been operational since April 2009.

Our vision of a network of private banks sees the autonomy of each member as a key factor for success. Since 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, of a human dimension, work under their own name and with their own culture. 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, the heart of our business

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

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

Lastly, we want to assert ourselves as a ***trusted employer***. To achieve this we offer an attractive career to private bankers who make a difference in their job. To ensure that they have the best possible support, we surround them with professionals, skilled in all aspects of banking, which allows us to optimise the work and performance of our private bankers.

We are convinced that in the coming years, once the current unprecedented financial crisis has passed and we have a new financial partner, this private banking-centred model will provide a genuine engine for growth.

2.1.3. Business management processes tailored to context

Following the turbulence of 2008, a proactive plan to cut costs by 5% was launched across the entire KBL *epb* network. The aim was to curb excess spending without hurting productivity. The plan has paid off and we are now maintaining strict control over administrative costs.

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 our Bank. To maintain our dynamism in today's uncertain climate, we have geared our efforts towards an internal communication and training campaign designed to maximise the value of the efforts of our staff, rewarding personal initiative and creating a sense of belonging to KBL *epb*.

In addition, through its cultural and corporate sponsorship projects, KBL *epb* encourages its employees to take part in cultural, social and charity work. This year for example, we supported a microfinance project in Vietnam, while in 2010, around 10 members of staff will take part in a voluntary scheme to share professional know-how with the local structure on the ground.

2.2. Positive evolution of AuM for Private Banking clients

The majority of KBL *epb* onshore private banks (Merck Finck & Co Privatbankiers, Puilaetco Dewaay Private Bankers and Brown Shipley Private Banking) recorded positive net income in 2009. Theodoor Gilissen Private Bankers, however, suffered in a price war on deposits in the Netherlands, resulting in a net withdrawal (mainly in the smallest client segments) and the departure of an external manager. In France, KBL Richelieu Banque Privée witnessed growth in the number of private clients, but saw a net withdrawal from its funds.

As for our offshore subsidiaries, these performed well in a challenging environment.

All of the banks in our network also benefited from a favourable price effect in 2009 (+13% for onshore subsidiaries, +8% for offshore subsidiaries).

The combined result of these volume and price effects was private client AuM of EUR 37.4 billion, an increase of 5.6% (+EUR 2 billion). In onshore, this increase was 9.5% (+EUR 2.1 billion) over 12 months. Including Vitis Life, AuM totalled EUR 47.1 billion as at 31 December 2009 (EUR 46.1 for KBL *epb* alone), following the elimination of dual accounting. This included EUR 37.4 billion (EUR 36.4 for KBL *epb* alone) in private banking AuM.

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* has developed for its members a set of services in Luxembourg grouped within the Hub Service Centre concept of private banking.

KBL *epb* wants to offer its members 'state-of-the-art' facilities with regard to quality, flexibility, cost management, specialist ICT tools and back-office execution 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 been successfully introduced in France (KBL Richelieu Banque Privée), the United Kingdom (Brown Shipley Private Banking), in Belgium (Puilaetco Dewaay Private Bankers), in Poland (KBL *epb* Polska) and in Switzerland (KBL Swiss Private Banking).

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

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

4. Complementary niche activity

4.1. Global Investor Services

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

The GIS professionals, some 60 experts, provide tailor-made services to professional and institutional clients and offer them products developed within the Bank and more particularly within the Dealing Room, one of the last working ones in Luxembourg. They are assisted in their task by technical devices, such as the Hub's integrated operational platform and top-flight financial communication and information systems from Bloomberg and Reuters.

Parallel to the commercial side for professional and institutional clients, the GIS, through its Global Market Sales division and its Investment Desk in particular, is now more than ever the favoured partner of KBL *epb* subsidiaries, to whom it provides private banking products. Its experience and know-how allow it to target accurately the individual needs specific to each national market. KBL *epb* Polska, the latest branch to date, set up in April 2009, was also able to take full advantage of our Investment Desk's expertise in developing its business.

While investors have not yet completely returned to collective investment products, the UCI & Global Custody Services division, experts in the field of administrative and banking services essential for the smooth running of the UCI of our professional and institutional clients, has nonetheless been able to sign an impressive number of new service contracts. *(For more details see 4.2. UCI below.)*

Furthermore, for the first time, our Bank has been named best sub-custodian in Luxembourg for 2009 by Global Finance, an international financial magazine appearing in some 163 countries.

This year, despite the ongoing difficult financial backdrop, the GIS continued more than ever to extend its one-stop shop range in the field of asset management while its Institutional Asset Management Services (IAMS) division, created in 2008, pressed ahead with developing institutional management. Furthermore, a global distribution agreement for investment structures was signed with KBC in June. Thanks to this, IAMS can now offer the full range of Group funds to professional and institutional clients, including many investment structures, which allows them to achieve their yield targets while not forgetting risk factors.

KBL *epb*'s Asset Management Portal, a genuine financial platform, managed by IAMS, already gives KBL *epb* members and their subsidiaries access to KTL's investment ideas and detailed information on financial markets. From this year on, IAMS can count among its clients several External Asset Managers and the private banking business of KBC, CBC and Centea.

The GIS teams, in cooperation with IT groups, have finalised the first phase of the eKBL look-up tool, which allows professional and institutional clients to follow their assets and those of their clients in real time on the Internet in a totally secure and user-friendly way. The second phase, that of sending orders, will be finalised towards the end of the first half of 2010.

In the course of 2009, marked by a very uncertain economic and financial environment, professional and institutional clients continued to show confidence in the GIS professionals who are, more than ever, eager to listen and provide a very high quality service thanks to their extensive knowledge and vast experience of the financial world.

4.2. UCI

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

After a difficult year in 2008, the investment fund sector returned to growth in 2009, expanding from EUR 1,559.7 billion at the end of 2008 to EUR 1,840.9 billion in net assets at the end of 2009, an increase of 18%.

Although the economic environment remained tough, there was net growth in UCI, with 92 new structures established by promoters. As a result, Luxembourg remains more than ever Europe's leading market for UCI and, after the United States, still represents the world's second largest investment fund market.

The trend that emerged in 2008 continued throughout 2009. In particular, 2009 saw a significant expansion in alternative funds. Alongside venture capital investment companies (SICAR) – 236 companies at the end of November 2009, compared with 215 the previous year – it was Specialist Investment Funds (SIF) that led the field. Less than three years after the introduction of this flexible but regulated private equity investment vehicle, 971 SIF structures had been created by December 2009. The majority of them are funds which follow an alternative investment strategy: property, non-listed companies, hedge funds, microfinance, socially responsible investments, etc.

In regulatory terms, the following were on the agenda:

- consultation and discussion ahead of the AIFM (Alternative Investment Fund Managers) Directive, with European governments keen to regulate alternative products in the wake of the Madoff affair. The Directive is expected by early 2010;
- the new European UCITS Directive, commonly referred to as "UCITS IV", which will deal with subjects such as cross-border fund mergers, master-feeder structures, the management company passport, the simplification of the notification procedure and a new version of the simplified prospectus.

4.2.2. Growth in assets

In a difficult financial environment, net assets nonetheless remained at a satisfactory level of EUR 37.2 billion as at the end of December 2009.

The number of sub-funds grew by a net 39 units, an increase of 5% compared with the end of December 2008. In addition, a significant number of new relationships were formed with promoters from different backgrounds in 2009. In terms of new mandates, we managed to exceed the average rate of growth for Luxembourg as a whole.

4.2.3. European Fund Administration

Since 1998, KBL *epb*, as the central UCI administration, has sub-contracted accounts management and maintenance of registers of investors to a specialist company, European Fund Administration (EFA), in which KBL *epb* is the principal shareholder. At the end of 2009, EFA was managing over 2,815 sub-funds containing total net assets worth EUR 103 billion.

EFA Private Equity, the business line providing tailor-made services for real estate investment trusts and venture capital/private equity funds, which was set up in April 2008, saw its business grow considerably in 2009.

EFA France, a subsidiary of EFA Luxembourg, also enjoyed some handsome commercial successes in 2009.

1. General balance sheet performance

At the end of the 2009 financial year, the balance sheet total stood at EUR 12.3 billion, EUR 2.4 billion less than as 31 December 2008.
Interbank volume fell sharply in 2009 in what continued to be a lean year for the financial sector.
As from this year, the non-consolidated annual financial statements include those of our Polish branch, which opened on 1 April. The impact is marginal at this stage.
The ratio of liquid assets to short-term debts remained above the regulatory minimum. The Bank still has a comfortable liquidity position.

2. Developments in the net interest margin and net commission income

The net interest margin rose by some 8%. However, in what remained an unstable economic environment, fee income was down 16%, mainly due to the contraction in assets under management and the reluctance of investors to invest in the market.

3. Fall in dividends

Following the widespread fall in banking and corporate results in 2008, dividend income halved in 2009.

4. Other net income

The sharp rise in other net income results from capital gains recorded on disposals of some positions in our bond portfolio following a change in strategy, the solid results of market trading and a change in fair value of securities held by the bank.

5. Containment of staff and administrative expenses

Excluding extraordinary items, such as the rediscounting of the early retirement provision and the Bank's charges and partial recoveries in connection with the Icelandic banks affair, these expenses are under control.

6. Write-down of assets

While in 2008 the financial crisis caused us to set aside significant provisions on both our bond and equity portfolios, impairment booked in 2009 mainly concerned two of our shareholdings.

7. Income taxes

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

8. Change in profit

Following a difficult year in 2008 due to turbulence on the financial markets, the Bank reported a profit of EUR 86.9 million in 2009.

Annex 1: Minority shareholders and treasury shares held

Repurchase of treasury shares prior to 31 December 2009

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

However, the Board of Directors resolved on 22 December 2008 to suspend the buyback offer. Nevertheless, 145 ordinary shares were repurchased in early 2009 at a price of EUR 150, since their repurchase had been requested shortly before the Board's decision. These 145 shares represent 0.0007% of the Bank's capital. No other ordinary or preference share was purchased between 31 December 2008 and 31 December 2009.

As at 31 Decembrer 2009, the number of shares:
- still held by minority shareholders totalled 17,807 (10,719 ordinary shares and 7,088 preference shares), representing a total of 0.09% of the Bank's capital; and
- held in the Bank's portfolio totalled 844 (844 ordinary shares and zero preferred shares), representing a total of 0.004% of the Bank's capital.

Annex 2: Compliance risk

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

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

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

The threefold role of advice, prevention and control in these various areas of activity of course form the core work of the Compliance Division. This also monitors compliance and management risks across the whole KBL *epb* network.

2.1. Advice and prevention

In addition to ongoing supervision of subsidiaries and provision of specific support for subsidiaries where necessary, in 2009 the Compliance division and the Money Laundering Reporting Officer (MLRO) also devoted particular attention to the following areas:

- Monitoring the deployment across the KBL *epb* network of the Compliance Awareness programme developed in 2008. This programme is notably based on a long-term systematic and structured approach to training, with training sessions for bank staff which vary in terms of frequency and level of detail depending on the degree of Compliance risk exposure of the employees concerned. The programme is accompanied by regular updates for employees and executives on Compliance risks depending on (internal and external) events at the time.

- Activities following the transposition by Luxembourg of the third Anti-Money Laundering Directive (special briefings and training for all employees, adaptation of work procedures, etc.).

- Two years after MiFID's entry into force, employees with the highest level of exposure were reminded of the principles of investor protection through training sessions focusing on the most sensitive issues arising from the application of this directive.

- The Bank has an e-learning tool which it acquired as part of the awareness-raising programme and which has been made available to the entire KBL *epb* network. More than 1,500 employees have already benefited from this new tool, which joins the existing suite of regulatory training products.

- In light of the financial crisis and to retain the trust of its clients, the Bank has set up a Committee on the Authorisation and Supervision of Financial Products, in order to further strengthen the product selection and marketing process. This has resulted in a notable improvement in the information and alerts sent to our clients, in line with the investor profile concerned.

2.2. Control

In terms of checks and balances, in addition to the strengthening of certain tests, the Compliance Control Unit continued to oversee its Compliance Monitoring Programme (CMP). This tool maps compliance risks and is designed to check on a regular basis that these risks remain sufficiently under control. Where appropriate, recommendations are made on how to improve the system.

Performance of these checks and balances by our subsidiaries was also monitored in Luxembourg. Where appropriate, support was given to some Group entities.

In addition, 2009 saw the introduction of specialist anti-money laundering software (SIRON). This tool is currently operational in Germany, Luxembourg, France, the Netherlands and Monaco. It will be rolled out to other Group subsidiaries in 2010. This solution seeks to improve the review processes of Group clients, whether new or existing, both by analysing client behaviour (before and after) and by comparison with international wanted lists.

Special attention is given to improving "Best & Timely Execution", one of the aspects linked with the implementation of MiFID, with the development of expertise in Luxembourg in extending Hub services provided to the banks in our network.

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

In general, 2009 was a year in which Compliance procedures were reinforced within the Group, with regular forums and discussions both with our network and KBC Group Compliance Officers. This has been particularly useful in sharing best practice between the Group's entities.

Annex 3: Risk Management

1. MISSION AND ACHIEVEMENTS 2009

During the 2009 financial year and as part of the new mission assigned by the Executive Committee in January, KBL *epb* Risk Management stepped up its activities in the Bank's two core businesses: Group-wide private banking and Global Investor Services (GIS) in Luxembourg. Risk Management, set up following the break-up of the Finance & Risk Division, has been recognised as an independent division in its own right. In January 2009, Risk Management was integrated with the Financial Analysis division, which has the task of monitoring the credit risk of investment portfolios. This report therefore combines Annex 2 (Credit Risk) and Annex 3 (Risk Management) from the 2008 report in one section.

While the same teams carried out an increasing number of control and reporting tasks in the customary Risk Management areas (trading, ALM, liquidity and counterparty risks), in 2009 special attention was given to improving the detection of potentially risky exposure in client portfolios. In 2010, the new targeted controls introduced shall be refined. Best practice is already shared with subsidiaries in this area, and this is due to continue in 2010. This new aspect of Risk Management is briefly described in the section on client risk below.

For its global custody activity, Risk Management issued opinions about specific transactions for the first time in 2009. The nature of global custody clients and assets requires non-standard, tailor-made solutions where the roles and responsibilities of the various players must be precisely defined. The fallout from the Madoff affair serves as a reminder that the complex nature of these investments requires careful supervision. A dedicated task force has been set up and has already made several recommendations aimed at tightening existing controls in this area.

In 2009, reporting by Risk Management to the KBL *epb* Audit & Compliance Committee was extended in order to cover all proprietary and client risks. This procedure is also designed to give wherever possible a consolidated picture of the Group's risks. This document serves as a reference for our reports to the various stakeholders concerned within the Group. The section of this report which deals with the various risks is in fact drawn from this document.

Lastly, the new role of the KBL *epb* Risk Management teams in Luxembourg is designed to strengthen the functional links and management of the Risk Management units within its subsidiaries. While recognising the principle of subsidiarity and basic local level management of the risks inherent in the business model, steering by Luxembourg staff of the eight subsidiaries considered signficant in terms of risk was phased in during 2009. This has resulted in a peer-to-peer exchange which is much more open and proactive compared with the previous situation. Level 3 reporting in the form of a standardised document to all local Audit & Compliance Committees has been introduced, enabling Group Management to have a more uniform view of the risks specific to each subsidiary. The head of Risk Management at the parent company in Luxembourg now attends meetings of the Audit & Compliance Committees of subsidiaries. KBL *epb* Risk Management has also taken steps to strengthen the local Risk Management teams of subsidiaries. In both cases, the new management positions have been filled by executives from the parent company. Staff in some entities have also received specialist training.

A Group Risk Committee (GRC) was set up in 2009. Its members include the CROs of key subsidiaries and it is chaired by the CFRO of KBL *epb*. It meets once a quarter to share feedback and to ensure fundamental Group-wide coordination of risk management initiatives.

Lastly, Risk Management within the parent company has supervised the introduction of a control environment for our new branch in Poland in areas within its remit. A similar process is being deployed ahead of the forthcoming launch of our Spanish branch.

2. STRUCTURE AND ORGANISATION

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

- Operational Risk Management, with 3.6 FTE in 2009 and 4.6 FTE as from February 2010, which mainly uses incident analysis (Loss Event Reporter), the Group's operational risk standards, Risk Self-Assessments and Case Studies to monitor risk. Together with KBC, it is also in charge of managing the insurance scheme for the KBL *epb* Group and introducing and updating the BCP for KBL *epb*.

- Market Risk Management, with 5 FTE, is responsible for the methodological monitoring of market risk issues in the KBL *epb* Group. This department monitors ALM and liquidity risk issues. Basel II is also addressed through developments linked to pillar 1 and the introduction of the ICAAP (pillar 2). This department also provides support to subsidiaries in accordance with local regulatory requirements. Lastly, it is within this entity that new controls are developed regarding potential risk within client portfolios.

- Credit Risk Management, with 3.8 FTE, is in charge of monitoring credit risk for the KBL *epb* Group. It includes the former Financial Analysis department, which until the end of 2008 was part of Corporate Banking. Credit risk mainly results from Lombard loans granted to private clients, credit facilities arranged for investment funds, bond investment (FRN and SAS) portfolios and unconfirmed bank lines, covering counterparty risk.

- The Risk Controlling department (with 11.7 FTE), consisting of Middle Office and Collateral Management, which is in charge of recurring level 2 audits of the Markets Division. This essentially involves:

  - checking the integrity and reliability of positions and trading results and the reporting of these;
  - controlling the usage/overruns of limits and monitoring and consolidating residual trading risk of subsidiaries;
  - monitoring counterparty/country risk (unconfirmed lines);

- managing the Bank's collateral in relation to Repos, Securities Lending and Derivatives, in addition to monitoring the quality of guarantees received from counterparties under framework agreements.

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

3. RISK APPETITE

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

This risk aversion is based on the following four principles:

1. A global strategy aimed at reducing the volatility of net earnings and ensuring steady earnings growth that also generates significant liquidity.

- Over the past 10 years, the Bank has built up a network of banks in nine European countries, enabling it to benefit from geographical dispersion and to be present in markets which

are at different stages of development. Growth is guaranteed at the local level through the takeover of small banks or the recruitment of private bankers attracted by our business model of pure-play private banking.

- This expansion has taken place onshore, a steady growth market, while offshore, which represents the historical base of KBL *epb*, has been undergoing consolidation for a number of years. Onshore entities act as the safety net for clients looking to exit offshore markets. In just a few years, the proportion of onshore to offshore has shifted towards the former.
- Over the years, the Group has encouraged the development of asset-based fees rather than transaction-based fees. Discretionary management, advisory, UCI investment and unit-linked life insurance products satisfy this need for stable overall income.
- The core businesses of private banking and GIS are natural sources of liquidity. Structurally, the Group is a net lender on the financial markets. In the absence of regulatory constraints, subsidiaries transfer their liquidity to KBL *epb*, which reinvests it via KBC Bank or on the market. When conditions are favourable, KBL *epb* focuses on secured reverse repo transactions. Limits are monitored closely. The Bank also has considerable room for manoeuvre to obtain additional liquidity by converting eligible portfolios into liquid assets with the ECB or on the repo market.

2. For subsidiaries, the overall strategy focuses on eliminating non-core activities and reducing business risk.

- All bond and equity trading activities have ceased. Current trading positions are simply a natural legacy from client activity, mainly in forex and treasury.
- Tactical ALM positions have been frozen or sold and only structural or limited positions remain.
- Corporate lending has been discontinued and is now geared towards private clients as an ancillary service.
- Subsidiaries now focus purely on B-to-C services through global custody, market and ICT support services offered by Hub teams in Luxembourg. The Group platform, Globus, while suited to local requirements, helps to generate significant operational savings.

3. The overall strategy seeks to limit the risks of the non-core activities of KBL *epb* in Luxembourg:

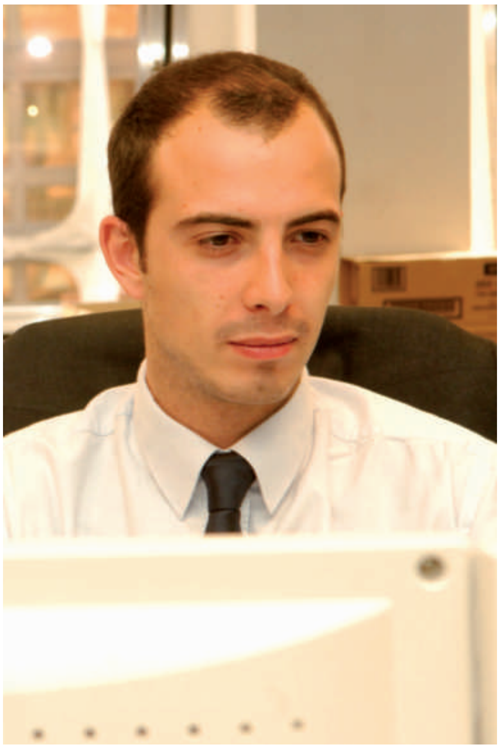
- lending has been restructured to focus on ancillary products for private clients and to a lesser extent GIS clients. The loan portfolio activity has been restructured and several niche activities, such as securitisation, have been run off.
- Tactical ALM positions have also been frozen in Luxembourg and will gradually reach maturity or be realised as and when opportunities arise. The remaining positions are essentially structural positions in line with the Group's ALM methodology.
- Trading positions in the Luxembourg Dealing Room are closely monitored and largely result from client activity. Classic instruments are used, with limited derivatives activity. Most client bond and equity transactions for clients are unwound on a DVP basis. Forex and treasury credit risk is generally covered by netting agreements (ISDA and CSA). Securities lending transactions to GIS clients and their counterparties in the market are also covered by MSLA/GMSLA

Lastly, this strategy also seeks to minimise inherent non-financial risks.

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

4. RISK MANAGEMENT

As part of its mission, Risk Management contributes to the overall management of the risks described below. These risks are also the subject of a global assessment based on ICAAP, described at the end of this report. A quarterly review of the risks of KBL *epb* and of each subsidiary is carried out by the local Executive Committees and by the respective Audit & Compliance Committees, which report to the Board of Directors.



4.1. Client Risk Management

Client Risk Management led the way in terms of growth in 2009. This department is ultimately responsible for ensuring that in our core business of private banking, client portfolios that might inadvertently pose a risk are identified, the client is informed and the appropriate solutions are recommended. This risk can result from a sudden change in the markets, for example the higher correlation between the various asset classes during the financial crisis, or a deterioration in risk linked to certain types of securities. It may also occur if a client accumulates risk to the point where his or her investments are no longer diversified to the extent required by the chosen risk profile.

Client Risk Management is not new to the Group, indeed it is carried out extensively for our discretionary clients. However, in the past it has lacked visibility and has been in various stages of development depending on the entities concerned, particularly for non-discretionary clients. Typically, client risk audits entail an allocation review of discretionary management portfolios. Depending on the subsidiary, the contracts signed with clients more or less stipulate various investment limits (by type of instrument, region, etc.), which can expose the client to risk and increase the Bank's liability if the allocation is not respected. Depending on the subsidiary, Risk Management carries out its own level 2 or 3 audit (if another company handles this) on a regular basis (often monthly) to ensure that the allocation criteria are being met and that any ovverun is justified or corrected. A more standardised approach is currently being introduced throughout the Group. Another audit is also carried out to verify whether the individual securities placed in portfolios under management are actually on the lists of recommended securities and that any exceptions are justified and disclosed to the clients concerned.

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

- as part of its new role, Risk Management has been tasked with stepping up existing supervision by producing new, targeted indicators, designed to identify potential risk in clients' portfolios in terms of asset liquidity or exposure to market/credit risk. This relates to certain types/categories of product or certain issuers/counterparties. To identify these, Risk Management uses its own watch lists. Any risk exposure identified is analysed in terms of its weighting in the client's portfolio to assess its potential impact on the performance/valuation of that portfolio. Where there is a genuine risk, this is reported to the commercial divisions, which then decide whether or not to contact the client in order to resolve the situation.

- In the context of the placement of structured products, an area that grew considerably in 2008, the Executive Committee has sought to increase supervision and control over these products, which are offered to a select number of the Group's clients. Before being sold, they must now obtain formal approval from the Committee on Authorisation and Supervision of New Products (CAS) in Luxembourg. The primary role of this committee is to strengthen checks and transparency for all the underlying risks (market, credit, operational, legal, etc.) of these structures. More specifically, one of the principal objectives is to ensure that all documents sent to clients allow them to have an understanding of the workings of these products and to ensure that they match their risk profile. In consultation with the Dealing Room and Marketing, Risk Management awards a risk score to each product launched based on a standard KBC Group method. The permanent members of this committee are from Risk Management, Financial Markets, Compliance, Legal, Wealth Management and KTL Asset Management, as well as Marketing. The committee meets monthly or whenever one of its members requests it, and is chaired by the member of the Executive Committee responsible for Wealth Management. For structured products, reporting is to the Audit & Compliance committee.

4.2. Operational Risk Management

Operational risk is the risk of direct or indirect losses resulting from inadequate or deficient internal procedures, individuals, systems or external events. In all KBL *epb* companies, the Operational Risk methodology adopted is that common throughout KBC Group, that is, the standardised method under Basel II/CRD. For 2009, the capital charge was EUR 75.4 million (average for 2007-2009).

The methodology is mainly based on the following pillars:

- Compilation and analysis of operational incidents in a database available to the entire Group and referred to as the "Loss Event Reporter". Challenging at local level the entities responsible for these incidents (and at consolidated level, for incidents exceeding EUR 25,000) and the introduction of action plans resulting from these analyses and performance monitoring. Presentation of incident statistics by entity/activity/type of incident and comparison with gross income.

- Analysis and implementation of Group operational risk standards covering a wide range of areas. In 2009 around 10 new standards were added to the 18 that already existed. KBL *epb* and its subsidiaries assessed and introduced these standards in 2009, requiring few waivers.

Within KBC Group, KBL *epb* is the business unit in which the stage of implementation of these standards is by far the most advanced.

- Identification and measurement of risks and evaluation of controls in place through risk matrices prepared for each activity during Risk Self-Assessment sessions. Based on the risk matrices prepared by Audit, this exercise has been successfully implemented for KBL *epb*, although is still at various stages of development in the majority of subsidiaries.

- A specific examination of external incidents/events through a case study. In 2009, the Bank completed KBC questionnaires on the Socgen/Kerviel affair and set up a Madoff task force.

- Introduction of Key Risk Indicators for certain issues mainly linked to Group standards.

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

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

Within KBL *epb* Group, the new Group Risk Committee, consisting of the CROs from nine key subsidiaries, has acted as the Operational Risk

Committee since 2009. It meets on a quarterly basis and devotes much of its time to monitoring and directing the operational risk deployment programme within its subsidiaries. Its involvement is particularly crucial since the Hub structure rolled out across the Group concentrates operational risk in Luxembourg. For KBC Group, the KBL *epb* CFRO is a permanent member of the Group ORC Committee, which also meets on a quarterly basis. Each member of the KBL *epb* network has set up a three-tier structure of this type at local level (ORC – CORM – LORM). The Operational Risk Department of KBL *epb* plays a key role in the launch and consolidation of initiatives within subsidiaries.

The residual operational risk is covered by a number of insurance policies, most of which are taken out by KBC Group. All members of the KBL *epb* network are included in the cover they provide. The Operational Risk Department of KBL *epb* centralises and handles claims from Group divisions.

Lastly, for the past two years the BCP manager of KBL *epb* has been associated with the Operational Risk Department. A Business Continuity Plan (BCP) has been in place for a number of years. 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 in a maximum of four hours of the DRP and/or BCP being deployed. Improvements are made to the system each year. Operating tests for the BCP infrastructure are carried out by users of all critical activities in genuine working conditions. A DRP infrastructure test is also carried out each year.

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

4.3. Credit Risk Management

As already mentioned in section 1 above, the creation of the new structure in early 2009 involved the merger of the Financial Analysis Department with the Risk Management Division to form a new Credit Risk Management (CRM) Department.

Proprietary credit risks covered by the CRM mainly originate from:

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

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

At a regulatory level, all KBL *epb* Group entities use the standardised method under Basel II to calculate credit risk. However, being a Luxembourg bank, KBL *epb* had already embarked on a project in 2005 aimed at adopting the IRB Foundation method by 2009/2010. The announcement on 18 November 2009 of the sale of KBL *epb* Group by KBC Group suspended this process, which was in its final phase.

4.3.1. Credit allocation decision making

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

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

4.3.2. Breakdown of loan portfolio

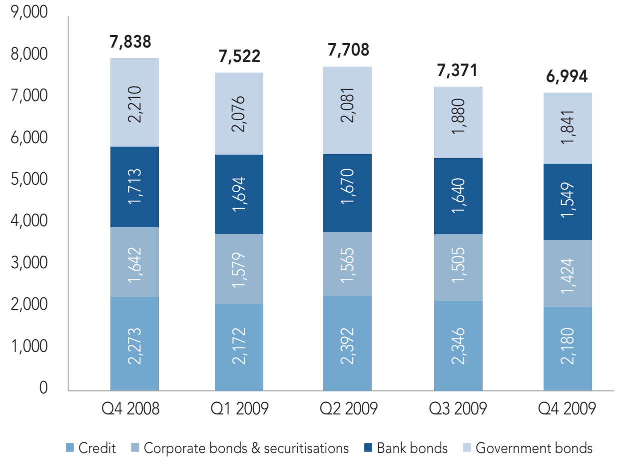
As at 31 December 2009, 76% of the global portfolio was concentrated in Luxembourg. This is due to the traditional activity of bond investment and international credit and the added importance of ALM portfolios, the oldest of which are securitised and are gradually reaching maturity. At the end of 2008, the Executive Committee reviewed its credit strategy, drawing lessons from the financial crisis. Lending to private clients (mainly Lombard loans) and to investment funds, alongside the Bank's core activities, has remained a pillar of the business. Bond investment is limited in terms of the amount of new business and has a minimum quality: the portfolio will only be renewed for international institutions/governments, national companies and utilities, and blue-chip firms. Loan portfolios linked to structured products are no longer in use. The securitisation portfolio, repatriated from Dublin in 2007, is being run off.

The distribution by country of origin of the debtor/guarantor shows that borrowers from European countries which make up the natural sphere of activity of the KBL *epb* Group represent 92% of the consolidated portfolio (91% in 2008). US borrowers account for 4% (5% in 2008), while only 4% are from other regions (the same as in 2008).

The graph opposite illustrates the quarterly growth in loans outstanding by type since the end of 2008. There has been a steady contraction in total loans outstanding, given the maturity dates of secured ALM portfolios, run-off portfolios and the cautious policy towards new loans in the bond/international credit portfolio.

CREDIT PORTFOLIO - PRODUCT BREAKDOWN

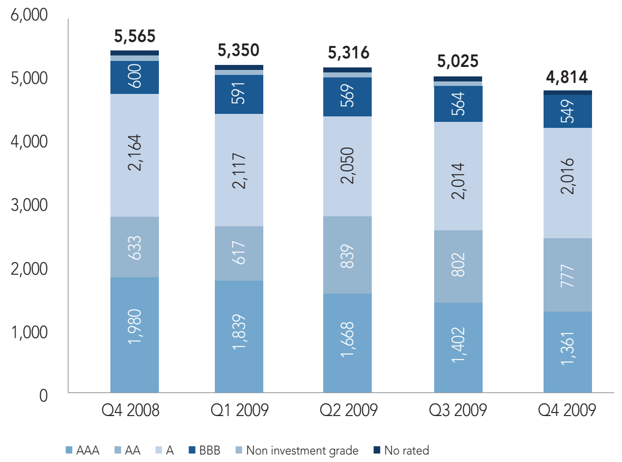
Credits and investment bond portfolios - EUR mln



The graph opposite illustrates the quarterly growth in loans outstanding by type since the end of 2008. There has been a steady contraction in total loans outstanding, given the maturity dates of secured ALM portfolios, run-off portfolios and the cautious policy towards new loans in the bond/international credit portfolio.

CREDIT BOND PORTFOLIO - RATING DISTRIBUTION

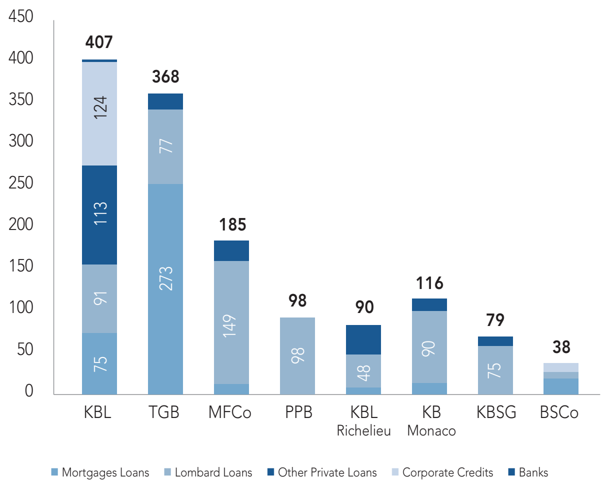
Investment bond portfolios - EUR mln



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

CREDIT PORTFOLIO - PRODUCT BREAKDOWN BY ENTITY

Situation as at 31/12/2009 - EUR mln



Despite the crisis which began at the end of 2008, the portfolio is relatively stable in terms of quality, with 98% of assets enjoying investment-grade status.

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

In Luxembourg, corporate credit mainly concerns UCI vehicles linked to GIS. Subsidiaries' loans totalled approximately EUR 1 billion. With the exception of Theodoor Gilissen Private Bankers, which has a sizeable mortgage portfolio (EUR 273 million), the portfolios of other entities mainly consist of guaranteed Lombard loans in which there is a limited track record of default.

Monitoring of credit risk

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

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

4.3.3. Specific loan provisions

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

Below are the specific provisions established in respect of the consolidated loan portfolio as at 31 December 2009 and the changes in these provisions over the course of the year.

	As at 31/12/2008			As at 31/12/2009		
(in EUR thousand)	Gross loans	Specific provisions	(net loans)	Gross loans	Specific provisions	(net loans)
More than 90 days overdue	189,196	161,522	27,674	168,483	124,698	43,786
Other doubtful debts	102,167	36,351	65,816	79,231	31,098	48,133
All doubtful and non-performing loans	291,363	197,873	93,490	247,714	155,796	91,918

Many of these provisions also result from adjustments to certain structured products in 2008, when the Bank decided to establish a 100% provision for its exposure to Structured Investment Vehicles. Furthermore, the increase in net receivables recorded under the caption "More than 90 days overdue" results from a reclassification of commitments linked to structured products, which no longer pay a coupon but are the subject of a guarantee for the principal at maturity by Barclays Bank (EUR 32.5 million gross; EUR 20.3 million net, reflecting the present value of the principal at maturity).

Loan / Loss ratio (*)	2008	2009
Average over 5 years	45 bps	51 bps
FY	264 bps	0 bps

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

Variation in specific loan provisions	(in EUR million)
Total provisions as at 01.01.09	**197.87**
Increase in scope of consolidation	**7.40**
Transfer from income statement	
Increase in provisions	**10.09**
Reduction in provisions	**-10.46**
Applications	**-46.58**
Adjustments for exchange-rate differences	**-2.53**
Total provisions as at 31.12.09	**155.79**

Provisions recognised in 2008 following the collapse of the Icelandic banks, of Lehman Brothers and of Washington Mutual, were partially used and the balance cancelled during the period as all of these securities were resold.

4.3.4. Implementation of the IRB approach under Basel II

Since joining KBC Group, and at its request, KBL *epb* has embarked on a project of implementing the IRB Foundation approach to calculate its capital requirements. The main asset classes concerned by this are banks, governments, securitisations and large corporates, while the other asset classes continue to be weighted according to the standard approach. In an attempt to achieve greater synergies, wherever possible the Bank uses models developed centrally by 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 until November 2009 and were in their final phase awaiting approval from the CSSF, expected in 2010. However, as part of the restructuring of KBC Group, the IRB Foundation project was mothballed at the end of 2009 and recent developments concerning the action plan defined by the regulator have been temporarily shelved.

4.3.5. Counterparty Risk Management

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

The management and supervision of collateral received for secured transactions, in addition to contract management, is handled by Collateral Management, which is part of Risk Controlling and situated in close proximity to CRM. Since mid-2009, Credit Risk Management has been responsible for level 3 supervision of the quality of pledges received.

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

4.3.6. Country Risk Management

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 Dealing 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. As with counterparty risk, Risk Controlling is responsible for independent monitoring, on a daily basis, of whether the country limits set are respected.

4.4. Market Risk Management: Trading Risk

Since May 2006, trading within the KBL *epb* Group has been fully integrated within KBC Group policies and tools. Proprietary position-taking has been substantially reduced and most positions now support core business activity for private and institutional clients.

Trading position-taking therefore results from the necessary intermediation of the Dealing Room, supporting client flows in terms of bonds, equities, forex and deposits. Most of the instruments used by the Dealing Room are plain vanilla. The proprietary use of derivatives is relatively rare and the Dealing Room does not deal in credit derivatives. The risks incurred therefore mainly concern short-term interest-rate risk (treasury in the currencies of clients), medium/long-term interest-rate risk (bond trading, particularly in EUR), market risk (trading in listed equities and structured products sold to private clients) and forex risk (spot and forward exchange rates in the liquid currency pairs used by clients).

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

The measurement of loans outstanding and the limits structure are based on those adopted by KBC Group and are defined based on primary limits in terms of Historical Value-at-Risk (HVaR) and nominal amount, secondary limits in terms of sensitivity (for activities exposed to interest rate risk) and concentration (for forex and equity), in addition to monthly stop loss and a delegation of authority hierarchy. Growth in the various assets compared with their respective limits, results and highlights relating to each activity are reported daily to Trading and Risk Management managers. They are also sent every two months to the Executive Committee of KBL *epb* and to the Group Trading Risk Committee of KBC.

These secondary checks are carried out by Risk Controlling analysts. HVaR calculations are performed by KBC and entered in ERiS, the reporting platform of KBC Trading Risk Management. Risk Controlling also generates a daily report for the residual forex positions of subsidiaries and performs the same measurement for treasury mismatches.

In 2009, Risk Controlling was involved in the revision of the market value adjustment calculation applicable to positions measured at fair value and set up a monthly parameter review, the aim of which is to ensure the pricing validity and independence of all trading book positions.

The Trading activity of KBL *epb* is subject to a Historical Value at Risk limit (HVaR 99% at 10 days over a history of 500 observations) of EUR 8 million, approved by the Group Trading Risk Committee of KBC Group. The overall liability in terms of HVaR for all forex, treasury, fixed-income and equity trading activities generally remained below EUR 5.20 million throughout the year. It stood at EUR 2.30 million as at 31 December 2008 and EUR 3.04 million at 31 December 2009. Most of the risk is in short-term and long-term interest rate risks, which are closely linked to client activities. In addition, for the few products which cannot be modelled using the HVaR method (such as structured products and certain illiquid bonds) the Bank has introduced a nominal limit of EUR 75 million, although this was not reached in 2009.

4.5. Market Risk Management: ALM

Since joining KBC Group, the ALM policy of KBL *epb* has also been fully integrated within KBC Group governance. The Group ALM Committee (GALCO) is the decision-making centre for ALM. KBL *epb* has significantly reduced its ALM positions and no longer carries out "tactical" ALM activities in terms of interest rates. The traditional activity of a private bank entails little ALM risk compared with a retail bank: client assets are reported as an off-balance sheet item in the form of securities deposits. ALM is not seen as a key factor in improving the global return on portfolios. Most short-term cash deposits of clients offer variable rates depending on the money market levels. The same can be said for Lombard loans. When fixed rates are granted for loans (as for Theodoor Gilissen Private Bankers, which has developed a mortgage business as a means of attracting private banking clients), hedging swaps are established.

In terms of ALM, the Bank therefore has a few "structural" positions, often legacy positions, the majority of which are held by KBL *epb*. Subsidiaries in effect have very limited balance sheets. These structural ALM positions include:

- the reinvestment of surplus or free capital in Luxembourg and in the subsidiaries concerned: Merck Finck & Co Privatbankiers, Theodoor Gilissen Private Bankers, Puilaetco Dewaay Private Bankers and, since 2009, KBL Richelieu Banque Privée; these positions consist of sovereign bonds issued by EU countries with a minimum rating of AA- and in most cases a maximum maturity of seven years;
- the reinvestment of fixed-rate sight deposits and savings accounts at KBL *epb* by applying the same reinvestment policy as with free capital;
- old sovereign bond portfolios, the maturity dates of which are not extended and most of which have been secured against interest rate risk. Historically, KBL *epb* has had an ALM policy dedicated to the convergence of exchange/interest rates towards the euro, by purchasing government bonds in non-euro currencies with euros. This activity has now ceased and the only remaining exposure concerns a limited portfolio which has generated a significant margin since it was set up and which will gradually reach maturity or be sold as and when the opportunities arise;
- bond/credit portfolios, which generate little interest rate risk owing to their securitisation, the majority being FRN, synthetic asset swaps (SAS) or floating-rate bonds;
- a share investment portfolio held directly in the form of a UCI, set up almost 10 years ago and which also holds certain legacy positions inherited during the acquisition of our subsidiaries. This portfolio is subject to a grandfathering clause and positions can only be sold when conditions allow. It is due to be significantly reduced over the next few years.

KBL *epb* has the following ALM limits:

- a 10 BPV (basis point value) limit of EUR 7.3 million for all banking book positions;
- a diversified VaR limit (99% over one year) of EUR 125 million for the share investment portfolio; and
- a non-diversified VaR limit (99% over one year) of EUR 66 million to control exchange-rate risk in non-euro foreign currency positions financed with euros (Brazilian and Turkish government bonds).

By gradually reducing the portfolio, limits were not exceeded in 2009. The results of the various indicators are reported monthly to the KBL *epb* Executive Committee and to the GALCO, as well as quarterly to the Audit & Compliance Committee.

4.6. Market Risk Management: liquidity risk

Like asset and liability management, since 2006 KBL *epb* has been part of KBC Group governance, with the GALCO as a decision-making body. Within KBL *epb*, liquidity risk has been monitored closely, although it is not seen as a major risk: the bank has a large and stable funding base due to the natural accumulation of deposits from its two core businesses, Private Banking and GIS (Global Investor Services). Subsidiaries make a significant contribution to the liquidity of the KBL *epb* Group. In the absence of a specific regulatory constraint, the surplus liquidity of subsidiaries is held in Luxembourg. These two divisions absorb relatively little liquidity. In all legal entities of the KBL *epb* Group, treasury gaps tend to be structurally positive overall, across all currencies.

This global funding is essentially reinvested in liquid assets: bonds acceped by the European Central Bank, short-term money market deposits with KBC Bank and the short-term interbank market, if possible in the form of reverse repo transactions.

The Bank uses a number of tools to monitor liquidity risk:

- an operational liquidity monitoring process (changes in liquidity gap and client deposits);
- a structural liquidity monitoring process (stress tests, loan-to-deposit ratio and vertical analysis); and
- the introduction of a Liquidity Contingency Plan.

The operational liquidity of KBL *epb* is monitored on a daily basis by Risk Controlling, which reports to the Dealing Room and Risk Management:

- a liquidity gap for each currency over a period of three months, compared with the "operational" limits of 5 and 30 days;
- all liquefiable assets; and
- the change in deposits for each Group entity.

In terms of the measurement of structural liquidity, the Bank's loan-to-deposit (LTD) ratio is established on a monthly basis. Given the low lending volumes, the consolidated LTD ratio of KBL *epb* is at a very low level, reflecting the excellent situation in terms of liquidity. As at 31 December 2009, it stood at 14.1%

Another measure of structural liquidity is supplied by a quarterly "vertical analysis" of balance sheet items. This allows Management to ensure funding capacity stability for covering so-called "illiquid" assets (such as fixed assets, portfolios not accepted by the Central Bank and loans). As at 31 December 2009, the surplus liquidity (stable funding - illiquid assets) equalled EUR 2.3 billion.

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

Finally, a "Liquidity Contingency Plan" has been defined, consisting of various actions depending on the gravity of the liquidity crisis. In its present version, a minor crisis would be handled by the head of Markets, while a major crisis would be managed by the KBC Group ALCO, in consultation with the KBL *epb* Executive Committee.

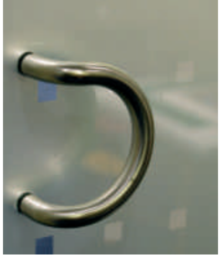
4.7. Pillar 2: Internal Capital Adequacy and Assessment Process (ICAAP)

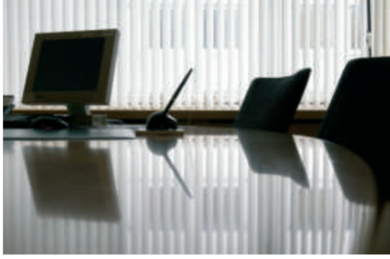
In line with CSSF requirements and under an instruction from the Management, the ICAAP continued in 2009. This process is based on an economic capital approach using a model developed at KBC Group level which evaluates all material risks to which the Bank is (or might be) exposed in order to estimate the maximum loss sustainable by the KBL *epb* network over a one-year period and for a given confidence interval.

There are five risks which are considered to be material and for which a capital provision is deemed appropriate: credit, business, ALM (interest rate, equity and forex), operational and market (trading).

In 2009, the calculation of economic capital (ECap) required and Available Financial Resources (AFR) was updated based on KBC methodology based on the situation at the end of 2008.

An initial dossier was sent to the CSSF in July 2009 and was the subject of a detailed presentation in October 2009. Following changes to methodology made by KBC Group and the integration of certain liabilities, the process was extended to take into account the specific requirements of KBL *epb*, leading to a revaluation in the fourth quarter. In addition, KBL *epb* Risk Management provided the Bank's subsidiaries with support on issues such as methodology and approaches to, and contacts with, local regulators.

APPROPRIATION OF PROFIT

At its meeting of 27 August 2009, the Board decided to allocate EUR 59.6 million to the payment of an interim dividend for 2009 and to payment of a preferred dividend for 2008 for holders of preference shares without voting rights.

In this respect, a gross dividend of EUR 2.936 per ordinary share and EUR 3.186 per preference share was issued.

In view of the distribution of an interim dividend and in accordance with the statutory provisions and articles of association, we recommend that the residual profit available for distribution should be carried forward.

	EUR
2009 profit (KBL company)	86,864,895,94
Retained earnings	- 4,326,850,71
Interim dividend	- 59,605,972,13
Profit available for distribution	**22,932,073,10**
↓	↓
Retained earnings	**22,932,073,10**

COMPOSITION OF THE BOARD OF DIRECTORS

The directorship of Edmond Muller will expire at the 2010 Ordinary General Meeting.

A recommendation has been made for Mr Muller to be re-elected by the meeting for a further one-year term.

Luxembourg, 1 March 2010

The Board of Directors

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

UNQUALIFIED CERTIFICATION OF THE AUDITOR

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

Report on consolidated accounts

In accordance with 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 as at 31 December 2009, and the consolidated comprehensive statement of income, 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 the International Financial Reporting Standards adopted by the European Union. This responsibility includes the planning, introduction and monitoring of internal controls such that the preparation and faithful presentation of the consolidated financial statements are free of material misstatement, whether intentional or unintentional, that suitable accounting policies have been chosen and applied 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 statutory auditor takes into consideration the internal controls in effect at the entity on the preparation and faithful presentation of the consolidated accounts for the purpose of defining the appropriate audit procedures in the circumstances and not that of expressing an opinion on their effectiveness.

   

Responsibility of the Statutory Auditor (continued)

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.

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 2009, as well as of the financial performance and the 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
Public limited company
Statutory auditor

Sylvie TESTA Daniel MEIS

Luxembourg, 1 March 2010

Consolidated IFRS INCOME STATEMENT

(in EUR thousand, as at 31 December)	Notes	31/12/2008	31/12/2009
Net interest income	4, 35	212,254	223,384
Dividend income	5	7,143	4,859
Net gains from financial instruments at fair value	6	-258,575	32,475
Net realised gains from available-for-sale assets	7	4,570	48,441
Net fee and commission income	8, 35	418,183	359,217
Other income	9	12,415	-3,450
GROSS INCOME		**395,989**	**664,925**
Operating expenses	10	-475,552	-504,398
Staff expenses	11, 30, 35	-291,423	-327,276
General administrative expenses	39	-162,479	-139,274
Other	26, 27, 28	-21,650	-37,848
Impairment	12, 20, 21, 26, 27	-210,235	-24,699
Share in profit of associates	13, 25	2,134	2,697
PROFIT BEFORE TAX		**-287,663**	**138,525**
Income tax expenses	14	141,761	-19,352
PROFIT AFTER TAX		**-145,901**	**119,173**
MINORITY INTERESTS		-16	-3
Attributable to GROUP SHAREHOLDERS		**-145,886**	**119,177**

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

STATEMENT OF COMPREHENSIVE INCOME

(in EUR thousand)	31/12/2008	31/12/2009
PROFIT AFTER TAX	**-145,901**	**119,173**
OTHER COMPONENTS OF COMPREHENSIVE INCOME	**-108,941**	**89,425**
Assets available for sale	-128,345	95,565
Revaluation at fair value	-179,144	130,043
Net gains from disposals	-4,161	-18,583
Impairment	-6,316	27,296
Exchange differences	-384	134
Income tax	61,660	-43,326
Exchange differences on translating financial statements of foreign operations	***19,404***	***-6,139***
TOTAL COMPREHENSIVE INCOME	**-254,842**	**208,599**
Attributable to non-controlling interests	-16	-3
Attributable to Group shareholders	**-254,827**	**208,602**

Consolidated BALANCE SHEET

ASSETS (in EUR million)	Notes	31/12/2008	31/12/2009
Cash and balances with central banks	37	972	187
Financial assets	15, 16, 17, 18, 19, 35, 37	14,301	12,860
Held-for-trading assets	22	994	693
At fair value via profit and loss		172	32
Available-for-sale assets	20	6,129	5,934
Loans and receivables	21	6,922	6,122
Hedging derivatives	22	84	79
Tax assets	24	179	95
Current tax assets	37	34	17
Deferred tax assets		145	79
Investments in associates	25	14	15
Investment property	27	38	37
Property and equipment	27	200	199
Goodwill and other intangible assets	26	372	374
Other assets	23, 37	108	139
TOTAL ASSETS		**16,184**	**13,907**

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

Consolidated BALANCE SHEET

EQUITY AND LIABILITIES (in EUR million)	Notes	31/12/2008	31/12/2009
Financial liabilities	15, 17, 35	14,999	12,524
Held-for-trading	22	628	493
At amortised cost		14,299	11,934
Hedging derivatives	22	72	96
Tax liabilities	24	5	7
Current tax liabilities		2	3
Deferred tax liabilities		3	4
Provisions	28	25	26
Other liabilities	29, 30	305	353
TOTAL LIABILITIES		**15,335**	**12,910**
TOTAL EQUITY		**849**	**998**
Equity, Group share	31	848	997
Minority interests		0	0
TOTAL EQUITY AND LIABILITIES		**16,184**	**13,907**

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	Consolidated reserve	Revaluation reserve (AFS investments)	Currency translation differences	Equity, group share	Minority interests	Total equity
2008									
Balance as at 01/01/2008	**187.2**	**321.4**	**-0.1**	**751.9**	**39.3**	**4.9**	**1.304.6**	**0.5**	**1.305.0**
Net movements on treasury shares	-	-	-0.1	-	-	-	-0.1	-	-0.1
Dividends and profit-sharing	-	-	-	-201.4	-	-	-201.4	-	-201.4
Comprehensive income for the period	-	-	-	-145.9	-128.4	19.4	-254.8	-	-254.8
Changes in scope of consolidation	-	-	-	-	-	-	-	-	-
Effects of acquisitions/disposals on minority interests	-	-	-	-	-	-	-	-	-
Other	-	-0.1	0.1	0.1	-	-	0.1	-0.1	-
Balance as at 31/12/2008	**187.2**	**321.3**	**-0.1**	**404.7**	**-89.1**	**24.3**	**848.3**	**0.4**	**848.7**

Consolidated STATEMENT OF CHANGES IN EQUITY

(in EUR million)	Issued and paid-up share capital	Share premium	Treasury shares	Consolidated reserve	Revaluation reserve (AFS investments)	Currency translation differences	Equity, group share	Minority interests	Total equity
2009									
Balance as at 01/01/2009	**187.2**	**321.3**	**-0.1**	**404.7**	**-89.1**	**24.3**	**848.3**	**0.4**	**848.7**
Net movements on treasury shares	-	-	-0.0	-	-	-	-	-	-
Dividends and profit-sharing	-	-	-	-59.6	-	-	-59.6	-	-59.6
Comprehensive income for the period	-	-	-	119.2	95.6	-6.1	208.6	-	208.6
Changes in scope of consolidation	-	-	-	-	-	-	-	-	-
Effects of acquisitions/disposals on minority interests	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Balance as at 31/12/2009	**187.2**	**321.3**	**-0.1**	**464.2**	**6.5**	**18.2**	**997.3**	**0.4**	**997.7**

Consolidated CASH FLOW STATEMENT

(in EUR million)	31/12/2008	31/12/2009
Profit before tax	-287.7	138.5
Adjustments for:	218.5	185.5
Impairment of securities and property and equipment and amortisation and depreciation of property and equipment, intangible assets and investment property	*178.0*	*48.9*
Profit/loss on the disposal of investments	-	*0.2*
Change in impairment for losses on loans and advances	*55.7*	*2.1*
Change in other provisions	*-1.8*	*11.6*
Unrealised foreign-currency gains and losses	*-11.2*	*125.4*
Income from associates	*-2.1*	*-2.7*
Cash flows from operating activities before tax and before changes in operating assets and liabilities	**-69.1**	**324.0**
Changes in operating assets (1)	-1,313.8	1,872.9
Changes in operating liabilities (2)	-3,527.7	-2,024.8
Income taxes paid	-48.9	22.4
Adjustment in the definition of cash and cash equivalents	468.9	-
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**-4,490.6**	**194.6**
Acquisition of subsidiaries or business units, net of cash acquired/disposed of	-0.0	-5.4
Sale of subsidiaries or business units, net of cash acquired/disposed of	-	0.8
Proceeds from the sale of investment property	-0.4	-0.8
Acquisition of intangible assets	-6.3	-13.9
Proceeds from the sale of intangible assets	0.5	1.4
Purchase of property and equipment	-25.1	-16.7
Proceeds from the sale of property and equipment	2.1	0.4
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**-29.2**	**-34.2**
Purchase/sale of treasury shares	-0.1	-0.0
Issue/repayment of loans	4.2	-3.8
Proceeds from /repayment of subordinated liabilities	-183.7	-6.2
Dividends and management bonuses paid	-201.4	-59.6
NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	**-381.0**	**-69.6**

Consolidated CASH FLOW STATEMENT

(in EUR million)	31/12/2008	31/12/2009
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS [(3)]	**-4,900.8**	**90.8**
CASH AND CASH EQUIVALENTS AS AT 1/1	**7,625.5**	**2,724.6**
Net increase/decrease in cash and cash equivalents	-4,900.8	90.8
Effect of exchange rates on cash and cash equivalents	-	-
CASH AND CASH EQUIVALENTS AS AT 31/12	**2,724.6**	**2,815.4**
ADDITIONAL INFORMATION		
Interest paid	-840.2	-279.4
Interest received	1,069.9	510.4
Dividends received (including equity method)	7.1	4.9
COMPONENTS OF CASH AND CASH EQUIVALENTS	**2,724.6**	**2,815.4**
Cash and balances with central banks (including legal reserve with the central bank)	971.6	186.9
Loans and advances to banks repayable on demand	3,239.0	3,843.5
Deposits from banks repayable on demand	-1,485.9	-1,215.0
Of which: not available [(4)]	854.0	110.4

(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,

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

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

Note 1 – General

The KBL European Private Bankers Group (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 operations, 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*" or KBL), a public limited liability company *(société anonyme)* in Luxembourg and having its registered office at:

43, boulevard Royal,
L-2955 Luxembourg

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, markets and private equity. 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.

However, during the course of 2009, KBC Group carried out a strategic analysis of the group's activities and their economic and financial environment. These efforts resulted in an updated strategic plan, tested on various macroeconomic scenarios which served as a basis for the European Commission to agree to the government aid received by KBC Group. Within the framework of this plan the departure of KBL *epb* group from KBC group was decided. Negotiations are still ongoing and in 2010, the KBL *epb* group should find a new financial partner.

The Group's consolidated accounts have been prepared in accordance with the International Financial reporting Standards as adopted by the European Union, as has the management report, all of which are available from its head office.

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

Starting this year, KBL's non-consolidated accounts include those of the Polish branch opened on 1 April 2009. The branch's impact on KBL's non-consolidated situation was marginal as at 31 December 2009.

Note 2a – Statement of compliance

The consolidated accounts presented in this report were adopted for issue by the Board of Directors of KBL *epb* on 1 March 2010. 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 estimates and the future results of the operations for which these estimates have been made may turn out to be different from these.

There were reclassifications in 2009 that also affected historical data but did not have an impact on either the results or the financial situation as at 31 December 2009.

As at 31 December 2009, the KBL *epb* group presented for the first time in its consolidated accounts the effects of:

- IFRS 8 "Operating Segments" (published in November 2006); this standard – which replaces IAS 14 "Segment reporting" – slightly changed the presentation of information by business and geographic segment (information available in Notes 3a and 3b) to align them on reports produced internally and presented to group managers.

- Amendment to IAS 1 "Presentation of Financial Statements" (published in September 2007); this amendment introduces the new requirement to present "A Statement of Comprehensive Income", the result of the aggregation of income over the period and the various other elements previously directly imputed to equity (like the revaluation reserve for available-for-sale financial assets). This new statement is presented immediately after the consolidated income statement.

- Amendment to IFRS 7 "Financial Instruments: Disclosures" (published in March 2009); this amendment requires mainly that all balance sheet items at fair value are broken down in accordance with a hierarchy representing the source of the fair value used. Three levels are defined by this standard: quoted prices on an active market (level 1), valuations essentially resulting from observable parameters (level 2) and inputs not based on observable market data (level 3). This new table can be found in Note 15. Given the extremely limited implementation period (amendment published in 2009 with effect from 2009), and pursuant to the transitional regulations provided by the standard, no comparative data has been provided for 2008.

The KBL *epb* group has also decided not to adopt in advance the standards, amendments to standards and interpretations of the IFRS which have been published but are not applicable for the year ending 31 December 2009. The group will adopt these standards on the date of their effective application and when they have been approved by the European Union.

Only the standards, amendments to standards and IFRIC which could have a significant effect on the KBL *epb* group are mentioned below. These basically concern the following publications:

- IFRS 3 "Business Combinations" (as amended in January 2008): this standard (amended), applies to the whole KBL *epb* group from 1 January 2010, modifies (in particular) the accounting treatment of given costs of acquiring a company (advisory, legal, finders' fees etc.) and sets supplementary valuation rules for certain assets and liabilities, as well as any non-controlling interests in the acquired entity. When a company is acquired, the standard now requires the revaluation at fair value of all previously held interests, with the result being entered in the profit and loss account.

- 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 is also applicable from 1 January 2010.

- IFRS 9 "Financial Instruments". The issuance of this standard, intended to replace IAS 39 over time, has been divided into three phases. The first concerns the classification and measurement of financial instruments, while phases two and three relate to their impairment and hedge accounting.

  Published in November 2009, the first phase introduces major changes in the treatment of financial assets, including in particular: the reduction in the number of categories, the influence of the group management model on the classification of the instruments and the end of recycling results obtained by assets at fair value via the other components of comprehensive income.

The date of application for this standard has been set for 1 January 2013 to allow entities to adopt the three phases of this revision simultaneously. As at 31 December 2009, this standard had not been adopted by the European Union.

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 to be included until this influence or control ceases.

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

Companies over which joint control is exercised, directly or indirectly, are consolidated with the method of proportional consolidation.

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

b. Conversion of items in foreign currencies

KBL *epb's* consolidated accounts are drawn up in EUR, which is the functional 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 of which the accounts are drawn up in EUR, assets and liabilities in foreign currencies are translated into EUR. Foreign currency monetary 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 exchange 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, reserves and goodwill, which are translated at the historical rate).

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

Exchange rate as at 31/12/2009		
	1 EUR = ... CUR	Variation versus 31/12/2008
CHF	1.4836	-0.09%
GBP	0.8881	-6.76%
Annual average exchange rates in 2009		
	1 EUR = ... CUR	Variation versus 31/12/2008
CHF	1.513429	-4.63%
GBP	0.892663	12.51%

Exchange differences resulting from the procedures applied to translate the foreign-currency balance sheet and profit and loss accounts of 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 liability is settled, cancelled or expires.

The purchases and sales of financial assets are recognised on the payment date, which is the date on which the asset is delivered. Any variation in the fair value of the asset to be received during the period from the date of the transaction to the date of payment 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 sales, the assets at fair value are valued at their sale price during the period between the transaction date and the payment date.

Pursuant to the principles of IAS 39 on derecognition, the Group keeps securities lent in its securities portfolio but securities borrowed are not recorded on the balance sheet. Similarly, the securities 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 using the IAS 39 classification system. Each classification is subject to specific measurement rules.

The IAS 39 classification categories are:

- *Held-to-maturity* assets are all non-derivative financial assets with a fixed maturity and fixed or determinable payments that KBL *epb* 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 derivative assets are considered as being held for trading unless designated as effective hedging instruments. Other assets 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 embedded 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, using a documented investment or risk management strategy,
  - or because the application of this option makes it possible to eradicate or strongly limit discrepancies that would result from a different valuation 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 the way of valuing the hedged instrument with that of the hedging 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 derivative liabilities 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 used for hedging purposes.

Evaluation of financial instruments

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

– General principles –

Loans and receivables with a fixed maturity are measured at amortised cost using the effective interest rate (hereinafter "EIR") method, that is, the rate that precisely discounts the future cash inflows or outflows to obtain the carrying amount. 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 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 method.

– 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 dates.

- *Available-for-sale assets*

For listed shares, a provision is recognised if the market value is less than 70% of the accounting value or if the market price of the share is less than the acquisition price for a year. For the other debt (fixed-rate securities) and equity instruments (variable-rate securities), 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 other components of comprehensive income 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 firstly 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 instrument and measured at fair value via profit and loss if the financial characteristics and risk relating to the embedded derivative are not closely related to the financial characteristics and 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 following conditions have been met: the hedging relationship must be designated at inception and formally documented, the hedge is expected to be highly effective, and it must be possible to 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 periods covered by the financial statements for which the hedge was designated.

Fair value hedge accounting is used by the Group to cover the exposure of a financial instrument, in the form 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 measured at fair value with variations in this 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 the 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 change to the carrying amount of the hedged instrument (relating to hedged risks) is transferred to the income statement 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. The gains or losses relating to the effective portion of the hedging relationship are recognised in a specific caption of other components of comprehensive income. Gains or losses for the ineffective portion of the hedging instrument are recognised in the income statement. Hedge accounting shall be discontinued if the hedge accounting criteria are no longer met. In this case, the hedging instruments shall be treated as held-for-trading 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 shall be obtained:

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

- by using the European Venture Capital Association (EVCA) guidance for private equity instruments.

d. Goodwill and other intangible assets

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

Goodwill in a business combination is not amortised but is tested for impairment on at least 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*'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 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 estimate 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 using 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 the use of which is limited in time are depreciated by the straight-line method over their estimated useful lives.

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

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

When property or equipment is sold the realised gains or losses are 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, for capital appreciation or for both.

Investment property is recognised only when it is probable that future economic benefits associated with the investment property will flow to KBL *epb* and 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 using 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 and legally prescribed retirement plans, KBL *epb* group maintains a certain number of complementary systems in the form of both defined-contribution and defined-benefit pension plans. Defined-benefit plans are those under which the group has a legal or constructive obligation to pay further contributions if the pension fund does not hold sufficient assets to pay all employee benefits for the current and past periods. Defined-contribution plans are those under which the group has no further legal or constructive liability beyond the amount it pays into the fund.

In the case of defined-benefit pension plans, the pension cost on the income statement and liability on the balance sheet are calculated in accordance with 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 using what is known as the 'corridor method'. The portion of gains and losses exceeding 10% of the greater of the two values below shall be recognised in 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 expensed when the employees render the corresponding service which generally coincides with the year in which the contributions are actually paid.

h. Tax assets and liabilities

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

Current tax is the amount expected to be paid or recovered, using the tax rates which have been enacted or substantively enacted at the 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 when the assets are realised or the liabilities settled, 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 preparing the accounts) 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 estimated reliably.

j. Financial guarantees

Financial guarantees are initially recognised at fair value, that is, the amount of the commission received. Subsequently, the group measures the liability for each guarantee granted at the greater of the amortised commission and the best estimate of the amount required to settle any financial liability arising therefrom.

k. Equity

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

Equity instruments have been differentiated from financial instruments in accordance with the provisions of IAS 32 and IAS 39.

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

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

If applicable, as part of cash-flow hedges and hedges of a net investment in a foreign operation, the portion of gains and losses on the hedging instrument that is deemed effective is recognised directly in equity.

l. Revenue

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

- the economic benefits associated with the transaction shall probably flow to the KBL *epb* group; and
- the amount of revenue can be measured reliably.

The specific conditions below must also be met before recognising the revenue concerned.

Net interest income

Interest is recognised pro rata temporis using the EIR method, this being a way of allocating the financial income or expense during the period concerned.

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

Dividends

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

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 clients by KBL *epb* group, as well as the management of investment funds, mainly distributed to private clients. This segment includes all major subsidiaries of KBL *epb* group (KBL (Switzerland) Ltd, KBL Monaco Private Bankers, KBL Richelieu Banque Privée S.A., Puilaetco Dewaay Private Bankers S.A., Theodoor Gilissen Bankiers N.V., Brown Shipley & Co Limited, and Merck Finck & Co) and the private banking activities of KBL *epb* and Krediettrust Luxembourg S.A.

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

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

The **'Credit & Securities portfolio'** segment covers "credit" exposure (including direct loans to non-private clients of KBL *epb*) and the proprietary securities positions taken by KBL *epb*.

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

The various 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, after removing non-controlling interests and before removing intercos.

The vision of the EPB business unit corresponds to the operational vision by segment followed by KBL *epb* management and its parent company and includes, apart from the KBL *epb* results, those of Vitis Life S.A., the allocation of a part of the structural fees of KBC Group S.A. and the premium allocated by KBC to remunerate the cash element that KBL *epb* has brought to the KBC Group.

PROFIT AND LOSS ACCOUNT (in EUR million)	Private Banking		Global Investor Services		Client Dealing & Treasury		Credit & Securities portfolio		Other		Group total	
	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
Net interest income	98.3	90.5	22.6	15.5	52.3	58.8	35.1	39.1	4.0	19.4	**212.3**	**223.4**
Dividend income	2.2	1.2	-	-	0.3	-	4.2	3.6	0.4	0	**7.1**	**4.9**
Net gains from financial instruments at fair value	-11.1	16.7	4.2	3.6	32.8	29.9	-262.2	12.5	-22.3	-30.1	**-258.6**	**32.5**
Net realised gains from available-for- sale financial assets	7.1	8.4	-	-	-	-	-7.7	4.1	5.2	36.0	**4.6**	**48.4**
Net fee and commission income	364.5	314.4	48.0	40.0	-1.9	-0.3	0.2	-0.1	7.3	5.2	**418.2**	**359.2**
Other income	0.2	-4.0	-	-	3.1	2.2	-	-2.7	9.1	1.2	**12.4**	**-3.5**
GROSS INCOME	**461.3**	**427.1**	**74.8**	**59.1**	**86.7**	**90.5**	**-230.4**	**56.5**	**3.7**	**31.6**	**396.0**	**664.9**
Operating expenses	-379.2	-363.4	-42.0	-37.2	-21.8	-22.3	-11.1	-4.7	-21.5	-76.8	**-475.6**	**-504.4**
Impairment	-12.0	-6.7	-	0	-	-	-135.9	-4.3	-62.4	-13.7	**-210.2**	**-24.7**
Share in profit of associates	-	-	2.1	2.7	-	-	-	-	0	-	**2.1**	**2.7**
PROFIT BEFORE TAX	**70.0**	**57.1**	**34.8**	**24.6**	**64.9**	**68.3**	**-377.3**	**47.6**	**-80.1**	**-58.9**	**-287.7**	**138.5**
Income tax expense	-10.0	-16.8	-9.7	-6.3	-19.2	-19.5	138.1	-13.0	42.6	36.3	**141.8**	**-19.4**
KBL *epb* PROFIT FOR PERIOD	**60.1**	**40.2**	**25.1**	**18.3**	**45.7**	**48.7**	**-239.3**	**34.5**	**-37.5**	**-22.6**	**-145.9**	**119.2**
Attributable to non-controlling interests	0	0	-	-	-	-	-	-	0	0	**0**	**0**
Attributable to Group shareholders	**60.1**	**40.2**	**25.1**	**18.3**	**45.7**	**48.7**	**-239.3**	**34.5**	**-37.5**	**-22.6**	**-145.9**	**119.2**
KBL *epb* GROUP PROFIT FOR PERIOD	**60.1**	**40.2**	**25.1**	**18.3**	**45.7**	**48.7**	**-239.3**	**34.5**	**-37.5**	**-22.6**	**-145.9**	**119.2**
Vitis Life and Data Office	-3.0	4.4	-	-	-	-	-	-	-	-	-3.0	4.4
Elements allocated by KBC	-	7.6	-	2.7	-	-	-	-	-4.3	-2.6	-4.3	7.7
***epb* BU PROFIT FOR PERIOD**	**57.1**	**52.2**	**25.1**	**21.0**	**45.7**	**48.7**	**-239.3**	**34.5**	**-41.9**	**-25.2**	**-153.2**	**131.3**

BALANCE SHEET (in EUR million)	**Private Banking**		**Global Investor Services**		**Client Dealing & Treasury**		**Credit & Securities portfolio**		**Other**		**TOTAL KBL *epb* group**	
	2008	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**
Cash and balances with central banks	90	63	-	-	881	124	-	-	-	-	**972**	**187**
Financial assets	2,855	2,730	425	242	5,387	4,956	5,098	4,608	535	325	**14,301**	**12,860**
Held-for-trading assets	231	132	-	-	695	500	67	60	0	1	**994**	**693**
At fair value via profit and loss	1	5	-	-	-	-	171	27	-	-	**172**	**32**
Available-for-sale assets	1,382	1,294	115	139	214	624	3,961	3,633	457	245	**6,129**	**5,934**
Loans and receivables	1,241	1,299	310	103	4,479	3,831	892	888	1	0	**6,922**	**6,122**
Hedging derivatives	-	-	-	-	-	-	7	-	77	79	**84**	**79**
Tax assets	29	32	-	-	-	-	-	-	151	63	**179**	**95**
Current tax assets	7	15	-	-	-	-	-	-	27	2	**34**	**17**
Deferred tax assets	21	17	-	-	-	-	-	-	124	61	**145**	**79**
Investments in associates	-	-	14	15	-	-	-	-	-	-	**14**	**15**
Investment property	-	-	-	-	-		-	-	38	37	**38**	**37**
Property and equipment	134	136	17	13	3	6	3	-	43	43	**200**	**199**
Goodwill and other intangible assets	364	364	-	-	-	-	-	-	8	10	**372**	**374**
Other assets	108	139	-	-	-	-	-	-	-	-	**108**	**139**
TOTAL ASSETS	**3,580**	**3,464**	**456**	**270**	**6,272**	**5,086**	**5,101**	**4,608**	**774**	**479**	**16,184**	**13,907**
Financial liabilities	7,224	5,236	2,489	2,548	4,080	3,503	119	130	1,087	1,107	**14,999**	**12,524**
Held-for-trading	201	128	-	-	363	283	50	70	14	12	**628**	**493**
At amortised cost	7,023	5,096	2,489	2,548	3,717	3,216	8	1	1,062	1,073	**14,299**	**11,934**
Hedging derivatives	-	12	-	-	-	4	61	58	12	22	**72**	**96**
Tax liabilities	5	6	-	-	-	-	-	-	1	-	**5**	**7**
Current tax liabilities	2	3	-	-	-	-	-	-	-	-	**2**	**3**
Deferred tax liabilities	2	3	-	-	-	-	-	-	1	-	**3**	**4**
Provisions	17	16	-	-	-	-	-	-	8	10	**25**	**26**
Other liabilities	305	353	-	-	-	-	-	-	-	-	**305**	**353**
TOTAL LIABILITIES, EXCLUDING EQUITY	**7,551**	**5,611**	**2,489**	**2,548**	**4,080**	**3,503**	**119**	**130**	**1,096**	**1,118**	**15,335**	**12,910**

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	
	2008	2009	2008	2009	2008	2009
Gross income	169	238	227	427	396	665
Total assets	4,190	2,768	11,994	11,140	16,184	13,907
(excluding equity)	4,631	3,175	10,704	9,734	15,335	12,910

Note 4 – Net interest income

(in EUR thousand)	31/12/2008	31/12/2009
Breakdown by portfolio		
Interest income	**1,005,005**	**475,938**
Available-for-sale assets	324,479	198,485
Loans and receivables	500,384	159,828
Other	2,994	1,063
Sub-total of interest income from financial assets not measured at fair value via profit and loss	827,858	359,377
Financial assets held-for-trading	6,529	6,158
Net interest on hedging derivatives (if net income)	145,787	100,141
Other financial assets at fair value via profit and loss	24,832	10,263
Interest expense	**-792,752**	**-252,554**
Financial liabilities at amortised cost	-654,077	-147,771
Other	-2,483	-1,385
Sub-total of interest expense on financial liabilities not measured at fair value via profit and loss	-656,560	-149,156
Net interest on hedging derivatives	-136,191	-103,398
Total	**212,254**	**223,384**

Note 5 – Dividend income

(in EUR thousand)	31/12/2008	31/12/2009
Available-for-sale shares	5,329	3,004
Shares held-for-trading	1,813	1,851
At fair value via profit and loss	2	4
Total	**7,143**	**4,859**

Note 6 – Net gains from financial instruments at fair value

(in EUR thousand)	31/12/2008	31/12/2009
Held-for-trading (including interest and valuation of trading derivatives)	4,909	486
Other financial instruments at fair value	-258,118	8,120
Exchange differences	-6,921	25,138
Fair value adjustment in hedge accounting	1,554	-1,269
Fair-value micro-hedging	2,177	-2,224
Fair value of hedged item	19,431	-1,237
Fair value of hedging derivative	-17,254	-986
Macro-hedging	-622	955
Fair value of hedged item	4,119	2,368
Fair value of hedging item	-4,742	-1,413
Total	**-258,575**	**32,475**

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

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

(in EUR thousand)	31/12/2008	31/12/2009
Fixed-income securities	-7,862	43,074
Variable-yield securities	12,431	5,367
Total	**4,570**	**48,441**

Note 8 – Net fee and commission income

(in EUR thousand)	31/12/2008	31/12/2009
Fee and commission income	**547,445**	**465,375**
Asset management	323,947	260,222
Securities transactions	186,202	172,939
Other	37,296	32,213
Fee and commission expense	**-129,261**	**-106,159**
Asset management	-76,845	-60,557
Securities transactions	-41,012	-36,229
Other	-11,404	-9,373
Total	**418,183**	**359,217**

Note 9 – Other income/net charges

(in EUR thousand)	31/12/2008	31/12/2009
Total	**12,415**	**-3,450**
of which		
Write-back of provisions for various expenses	3,853	757
Net proceeds on precious metals transactions	3,161	2,171
Late interest received on VAT reimbursement	1,000	-
Withholding tax on dividends and wealth tax [1]	-	-3,986
Net proceeds on sale of linked activities	-	791

(1) Before 2009, withholding tax on dividends received was entered under the item "Operating expenses". In 2008, the amount of withholding tax on dividends was EUR -3,326 million, entered under the item "Operating expenses".

Note 10 – Operating expenses

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

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

(in EUR thousand)	31/12/2008	31/12/2009
Staff expenses	-291,423	-327,276
General administrative expenses	-162,479	-139,274
Depreciation and amortisation of property and equipment, intangible assets and investment property	-23,415	-26,288
Net provision allowances	1,764	-11,560
Total	**-475,552**	**-504,398**

Note 11 – Personnel

	31/12/2008	31/12/2009
Total average number of persons employed (in full-time equivalents)	**2,811**	**2,742**
Breakdown by business segment [(1)]		
Private banking	2,006	1,968
Global Investor Services	283	267
Client Dealing & Treasury	115	119
Credit & Securities portfolio	47	26
Other	360	363
Total	**2,811**	**2,742**
Geographic breakdown		
On-shore	1,430	1,362
Off-shore	1,381	1,380
Total	**2,811**	**2,742**

[(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)	31/12/2008	31/12/2009
(Impairment)/reversal of impairment on:		
Loans and receivables	-55,684	-2,137
Available-for-sale financial assets	-153,131	-19,684
Goodwill	-	-2,879
Other	-1,419	-
Total	**-210,235**	**-24,699**

Impairment on loans and receivables

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

(in EUR thousand)	31/12/2008	31/12/2009
Breakdown by type		
(Impairment)/reversal of impairment for		
Specific impairment for on-balance-sheet loans and receivables	-55,551	-1,354
Specific impairment for off-balance-sheet credit commitments	-	9
Portfolio-based impairments	-133	-791
Total	**-55,684**	**-2,137**
Geographic breakdown		
On-shore	264	-1,549
Off-shore	-55,948	-588
Total	**-55,684**	**-2,137**

See also Note 21 – Impairment of loans and receivables – and Note 28 – Provisions.

Impairment on available-for-sale financial assets

(in EUR thousand)	31/12/2008	31/12/2009
(Impairment)/reversal of impairment on:		
Fixed-income securities	-88,508	-10,625
Variable-yield securities	-64,623	-9,058
Total	**-153,131**	**-19,684**

Impairment on goodwill

(in EUR thousand)	31/12/2008	31/12/2009
KBL Richelieu Banque Privée (Aballéa)	-	-2,879
Total	**-**	**-2,879**

Other impairment

(in EUR thousand)	31/12/2008	31/12/2009
Property and equipment	-1,419	-
Total	**-1,419**	**-**

Note 13 – Share in profit of associates

(in EUR thousand)	31/12/2008	31/12/2009
European Fund Administration S.A. and EFA Partners S.A.	2,134	2,697
Total	**2,134**	**2,697**

Note 14 – Income tax

(in EUR thousand)	31/12/2008	31/12/2009
Breakdown by type		
Current tax *	14,460	5,097
Deferred tax	127,302	-24,449
Total	**141,761**	**-19,352**
Breakdown by major components:		
Profit before tax	-287,663	138,525
Luxembourg statutory income tax rate	29.63%	28.59%
Income tax calculated at the Luxembourg statutory income tax rate	**85,234**	**-39,604**
Plus/minus tax effects attributable to:		
Differences in tax rates, Luxembourg – abroad	-14,676	1,450
Tax-free income	34,154	14,279
Other non-deductible expenses	-4,943	-1,930
Adjustments related to prior years	33,496	8,260
Adjustment to opening balance due to tax rate change**	-2,137	-
Unused tax losses and tax credits	3,778	887
Other	6,855	-2,694
Income tax adjustments	**56,527**	**20,253**
Total	**141,761**	**-19,352**

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

* This amount includes reversals of excess provisioning in previous years.
** Deferred taxes were calculated using the rate enacted or substantially enacted on 31 December 2008, that is, 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 Note 2b, in point c, dealing with financial assets and liabilities (IAS 39).
- The balance sheet analyses below have been conducted at the clean price. Thus the interest accrued is presented separately, except for trading derivatives, which are presented at the dirty price.

CARRYING AMOUNT (in EUR million)

31/12/2008

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**	**0**	**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
Financial derivatives	**648**	**-**	**-**	**-**	**56**	**704**
Total excl. accrued interest	**990**	**165**	**6,044**	**6,887**	**56**	**14,143**
Accrued interest	**4**	**7**	**85**	**35**	**28**	**158**
Total incl. accrued interest	**994**	**172**	**6,129**	**6,922**	**84**	**14,301**
Of which reverse repos	-	-	-	254	-	254

CARRYING AMOUNT (in EUR million)

31/12/2009

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	**-**	**-**	**-**	**4,837**	**-**	**4,837**
Loans and advances to customers	**-**	**23**	**-**	**1,267**	**-**	**1,290**
Discount and acceptance credit	-	-	-	11	-	11
Consumer credit	-	-	-	7	-	7
Mortgage loans	-	-	-	378	-	378
Term loans	-	-	-	374	-	374
Current accounts	-	-	-	444	-	444
Other	-	23	-	53	-	76
Variable-yield securities	**37**	**0**	**243**	**-**	**-**	**281**
Fixed-income securities issued by	**322**	**8**	**5,623**	**-**	**-**	**5,953**
- government bodies	25	-	2,628	-	-	2,652
- banks and investment firms	63	1	539	-	-	602
- corporations	235	7	2,456	-	-	2,698
Financial derivatives	**330**	**-**	**-**	**-**	**46**	**376**
Total excl. accrued interest	**689**	**31**	**5,866**	**6,104**	**46**	**12,737**
Accrued interest	**3**	**1**	**68**	**18**	**32**	**123**
Total incl. accrued interest	**693**	**32**	**5,934**	**6,122**	**79**	**12,860**
Of which reverse repos	-	-	-	2,378	-	2,378

CARRYING AMOUNT (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**
Current accounts/demand deposits	-	-	-	5,002	5,002
Time deposits	-	-	-	4,468	4,468
Other deposits	-	-	-	91	91
Debt securities	**-**	**-**	**-**	**865**	**865**
Customer savings bonds	-	-	-	5	5
Non-convertible bonds	-	-	-	17	17
Non-convertible Subordinated liabilities	-	-	-	843	843
Financial derivatives	**574**	**-**	**57**	**-**	**631**
Debts associated with short sales	**53**	**-**	**-**	**-**	**53**
- Variable-yield securities	38	-	-	-	38
- Fixed-income securities	15	-	-	-	15
Total excl. accrued interest	**627**	**-**	**57**	**14,223**	**14,907**
Accrued interest	**0**	**-**	**15**	**76**	**92**
Total incl. accrued interest	**628**	**-**	**72**	**14,299**	**14,999**
Of which repos	-	-	-	590	590

CARRYING AMOUNT (in EUR million)

31/12/2009

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	**-**	**-**	**-**	**3,443**	**3,443**
Deposits from customers	**-**	**-**	**-**	**7,616**	**7,616**
Current accounts/demand deposits	-	-	-	5,235	5,235
Time deposits	-	-	-	2,330	2,330
Other deposits	-	-	-	51	51
Debt securities	**-**	**-**	**-**	**834**	**834**
Certificates of deposit	-	-	-	0	0
Customer savings bonds	-	-	-	4	4
Non-convertible bonds	-	-	-	13	13
Non-convertible Subordinated liabilities	-	-	-	816	816
Financial derivatives	**418**	**-**	**74**	**-**	**492**
Debts associated with short sales	**75**	**-**	**-**	**-**	**75**
- Variable-yield securities	35	-	-	-	35
- Fixed-income securities	40	-	-	-	40
Total excl. accrued interest	**493**	**-**	**74**	**11,892**	**12,459**
Accrued interest	**0**	**-**	**22**	**43**	**65**
Total incl. accrued interest	**493**	**-**	**96**	**11,934**	**12,524**
Of which, repos	-	-	-	1,336	1,336

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, excluding accrued interest.

(in EUR million)	Carrying amount		Fair value	
	31/12/08	31/12/09	31/12/08	31/12/09
ASSETS				
Loans and advances to banks and investment firms	**5,366**	**4,837**	**5,350**	**4,836**
Loans and advances to customers	**1,521**	**1,267**	**1,520**	**1,267**
Discount and acceptance credit	-	11	-	11
Consumer credit	7	7	7	7
Mortgage loans	287	378	287	378
Term loans	360	374	359	374
Current accounts	762	444	762	444
Other	105	53	105	53
LIABILITIES				
Deposits from banks and investment firms	**3,797**	**3,443**	**3,798**	**3,443**
Deposits from customers	**9,560**	**7,616**	**9,562**	**7,615**
Current accounts/demand deposits	5,002	5,235	5,002	5,235
Time deposits	4,468	2,330	4,470	2,330
Other deposits	91	51	91	51
Debt securities	**865**	**834**	**839**	**859**
Certificates of deposit	0	0	0	0
Customer savings bonds	5	4	5	4
Non-convertible bonds	17	13	17	13
Non-convertible subordinated liabilities	843	816	817	841

FAIR VALUE HIERARCHY

The items valued at fair value on the balance sheet are broken down below using a hierarchy representing the source of the fair value used. The levels considered refer to the following sources:

Level 1: quoted price on an active market;
Level 2: valuation resulting mainly from directly observable market inputs;
Level 3: inputs not based on observable market data.

(in EUR million)	31/12/2009				
	Level 1	Level 2	Level 3	Accrued interest	TOTAL
ASSETS					
Held-for-trading	**239**	**450**	**0**	**3**	**693**
Variable-yield securities	1	36	0	-	37
Fixed-income securities	119	203	0	3	326
Derivatives	119	211	0	-	330
At fair value via profit and loss	**1**	**23**	**7**	**1**	**32**
Available for sale	**3,499**	**2,334**	**33**	**68**	**5,934**
Variable-yield securities	186	24	33	-	243
Fixed-income securities	3,312	2,311	-	68	5,691
Hedging derivatives	**-**	**46**	**-**	**32**	**79**
Total	**3,739**	**2,853**	**40**	**105**	**6,737**
LIABILITIES					
Held-for-trading	**193**	**300**	**0**	**0**	**493**
Variable-yield securities	35	0	-	-	35
Fixed-income securities	38	1	-	0	40
Derivatives	119	299	-	-	418
Hedging derivatives	**-**	**74**	**-**	**22**	**96**
Total	**193**	**374**	**0**	**22**	**589**

LEVEL THREE ITEMS MEASURED AT FAIR VALUE

(in EUR million)	Financial instruments at fair value via profit and loss	Available-for-sale assets	Total
Balance as at 01/01/2009	**0**	**37**	**37**
Total profit / loss for period			
- recognised on income statement	7	0	7
- recognised in other components of comprehensive income	-	-7	-7
Purchases	-	5	5
Sales	-	-1	-1
Transfers from / to level three	-	-	-
Balance as at 31/12/2009	**7**	**33**	**40**
Total profit / loss for period entered on income statement and relating to assets held as at 31/12/2009	7	0	7

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
31/12/2008			
Unimpaired assets	6,020	6,914	12,934
Impaired assets	284	137	420
Impairment	-175	-129	-304
Total	**6,129**	**6,922**	**13,051**
31/12/2009			
Unimpaired assets	5,844	6,115	11,959
Impaired assets	177	131	308
Impairment	-86	-124	-210
Total	**5,934**	**6,122**	**12,057**

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						
31/12/2008						
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	0	274	-	28	341
Total	**994**	**172**	**6,129**	**6,922**	**84**	**14,301**
31/12/2009						
Less than or equal to 1 year	280	2	1,326	4,876	0	6,484
More than 1 but less than or equal to 5 years	242	19	3,148	875	18	4,302
More than 5 years	133	11	1,217	371	28	1,761
Indefinite period	37	0	243	-	32	313
Total	**693**	**32**	**5,934**	**6,122**	**79**	**12,860**

(in EUR million)	Held-for-trading (HFT) liabilities	Hedging derivatives	Liabilities at amortised cost	Total
LIABILITIES				
31/12/2008				
Less than or equal to 1 year	339	0	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	**628**	**72**	**14,299**	**14,999**
31/12/2009				
Less than or equal to 1 year	273	10	11,023	11,306
More than 1 but less than or equal to 5 years	52	26	666	744
More than 5 years	93	38	245	376
Indefinite period	75	22	-	97
Total	**493**	**96**	**11,934**	**12,524**

Note 18 – Securities lending and securities given in guarantee

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

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

These transactions can be broken down as follows:

	Repo **	Securities trading		Other
(in EUR million)	Fixed-income securities	Fixed-income securities	Variable-yield securities	Fixed-income securities
31/12/2008				
Financial assets held-for-trading	-	-	-	-
Financial assets 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**
31/12/2009				
Financial assets held for trading	-	9	-	-
Financial instruments at fair value via profit and loss	-	-	-	-
Available-for-sale financial assets	485	46	-	1,484
Total financial assets not derecognised	485	55	-	1,484
Other *	810	654	57	1,237
Total	**1,295**	**709**	**57**	**2,721**

* 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 Bank is able to re-use them in other operations.

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

(in EUR million)	31/12/2008	31/12/2009
Reverse repurchase agreements	254	2,456
Collateral received in securities lending	292	710
Total	**546**	**3,166**
Of which, transferred to:		
Repurchase agreements	224	99
Securities lent	-	-
Collateral given for securities borrowing	291	1,237
Other	-	-
Total	**515**	**1,336**

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

(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	0	-
Changes not affecting profit and loss		
Securities disposals/expiries	-	-
Other	-3	8
Balance as at 31/12/2008	**93**	**82**

(in EUR million)	Fixed-income securities	Variable-yield securities
Changes		
Balance as at 01/01/2009	**93**	**82**
Changes affecting profit and loss		
Allowances	16	9
Reversals	-5	-
Changes not affecting profit and loss		
Securities disposals/expiries	-48	-58
Other	0	-2
Balance as at 31/12/2009	**55**	**31**

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)	31/12/2008	31/12/2009
Total	**129**	**124**
Breakdown by type		
Specific impairments for on-balance sheet loans and receivables	128	122
Specific impairments for credit commitments	0	0
Portfolio-based impairment	1	1
Total	**129**	**124**
Breakdown by counterparty		
Loans and advances to banks	1	-
Loans and advances to customers	129	124
Credit commitments (specific and portfolio-based impairment)	0	0
Total	**129**	**124**
Geographic breakdown		
On-shore	30	26
Off-shore	100	97
Total	**129**	**124**

(in EUR million)	Specific impairments for on-balance sheet loans and receivables	Specific impairments for credit commitments	Portfolio-based impairment	Total
Changes				
Balance as at 01/01/2009	**128**	**0**	**1**	**129**
Changes affecting profit and loss	1	0	1	2
Allowances	3	-	1	4
Reversals	-1	0	-	-1
Changes not affecting profit and loss	-8	-	-	-8
Repayments	-4	-	-	-4
Other	-4	-	-	-4
Balance as at 31/12/2009	**122**	**0**	**1**	**124**

Note 22 – Derivatives

(in EUR million)	Held-for-trading				Hedging Fair-value hedging			
	Fair value		Notional value		Fair value		Notional value	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
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	0	1	174	174	-	-	-	-
Other	3	3	208	208	-	-	-	-
Foreign-exchange contracts	**196**	**150**	**8,374**	**8,374**	**4**	**2**	**59**	**55**
Forward-based foreign-exchange operations	183	147	8,227	8,226	-	-	-	-
Currency and interest-rate swaps	-	-	-	-	4	2	59	55
Options	-	0	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 the hedging derivatives owned does not. The interest income accruing on the hedging derivatives owned was EUR 28 million, while the interest expense accruing on them equalled EUR 15 million.

(in EUR million)	Held-for-trading				Hedging Fair value hedging			
	Fair value		Notional value		Fair value		Notional value	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
31/12/2009								
Total	**330**	**418**	**29,359**	**29,453**	**46**	**74**	**2,331**	**2,332**
Interest-rate contracts	**90**	**103**	**18,825**	**18,825**	**46**	**72**	**2,315**	**2,315**
Interest-rate swaps	86	99	18,053	18,053	46	72	2,315	2,315
Futures	1	0	105	105	-	-	-	-
Forward-rate agreements	0	0	146	146	-	-	-	-
Other	3	4	520	520	-	-	-	-
Foreign-exchange contracts	**82**	**161**	**7,092**	**7,186**	**-**	**1**	**7**	**8**
Forward-based foreign exchange operations	81	159	6,939	7,033	-	-	-	-
Currency and interest-rate swaps	-	-	-	-	-	1	7	8
Options	1	1	115	115	-	-	-	-
Other	0	0	37	37	-	-	-	-
Equity contracts	**156**	**151**	**3,365**	**3,365**	**-**	**-**	**9**	**9**
Futures	11	11	688	688	-	-	-	-
Options	112	112	1,857	1,857	-	-	-	-
Other	34	29	820	820	-	-	9	9
Loan contracts	**0**	**0**	**23**	**23**	**-**	**-**	**-**	**-**
Raw material and other contracts	**1**	**2**	**54**	**54**	**-**	**-**	**-**	**-**

The fair value of held-for-trading derivatives includes interest, while that of the hedging derivatives owned does not. The interest income accruing on the hedging derivatives owned was EUR 32 million, while the interest expense accruing on them equalled EUR 22 million.

Note 23 – Other assets

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

Note 24 – Tax assets and liabilities

(in EUR million)	31/12/2008	31/12/2009
Current tax assets	**34**	**17**
Deferred tax assets	**145**	**79**
Losses carried forward	92	72
Provisions	-22	-22
Financial instruments at fair value via profit and loss	2	2
Available-for-sale financial instruments	42	-1
Other	30	27
TAX ASSETS	**179**	**95**
Tax losses and tax credits not capitalised [1]	52	67

[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)	31/12/2008	31/12/2009
Current tax liabilities	**2**	**3**
Deferred tax liabilities	**3**	**4**
Employee benefits	-	0
Provisions	0	0
Financial instruments at fair value via profit and loss	0	0
Available-for-sale financial instruments	0	0
Other	3	4
TAX LIABILITIES	**5**	**7**

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

Note 25 – 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)	31/12/2008	31/12/2009
Total	**14**	**15**
Overview of investments in associates (including goodwill)		
European Fund Administration S.A. and EFA Partners S.A.	14	15
Goodwill in associates		
Gross amount	-	-
Accumulated impairment	-	-

CHANGES

Balance as at 01/01/2009	**14**
Share in profit for period	3
Dividends paid	-2
Changes in scope	-
Balance as at 31/12/2009	**15**

SUMMARY FINANCIAL INFORMATION

(in EUR thousand)	Total Assets	Total liabilities excluding equity	Net profit
31/12/2009 (provisional figures)			
European Fund Administration S.A. (Group)	41,409	13,926	5,062
EFA Partners S.A.	2,845	10	860

Note 26 – Goodwill and other intangible assets

(en millions d'EUR)	Goodwill	Client portfolio	Software developed in-house	Software purchased	Other	Total
CHANGES						
Balance as at 01/01/2008	**242**	**33**	**9**	**5**	**-**	**289**
Acquisitions	-	2	2	2	0	6
Disposals	-	-	-	0	-	-
Amortisation	-	-	-3	-3	0	-5
Impairment	-	-	-	-	-	-
Allowances	-	-	-	-	-	-
Reversals	-	-	-	-	-	-
Changes in scope	81	-	-	0	-	82
Other	-	-	-	0	0	-
Balance as at 31/12/2008	**324**	**36**	**8**	**5**	**-**	**372**
Of which, cumulative amortisation and impairment	-	-47	-6	-32	-	-84
Balance as at 01/01/2009	**324**	**36**	**8**	**5**	**-**	**372**
Acquisitions	1	2	7	3	0	14
Disposals	-	-	0	-1	-	-1
Amortisation	-	-	-5	-2	0	-7
Impairment	-3	-	-	-	-	-3
Allowances	-3	-	-	-	-	-3
Reversals	-	-	-	-	-	-
Changes in scope	-	-	-	-	-	-
Other	0	0	-	0	0	0
Balance as at 31/12/2009	**322**	**38**	**10**	**5**	**-**	**374**
Of which, cumulative amortisation and impairment	-3	-47	-8	-25	-	-82

Note 27 – Property and equipment and investment properties

(in EUR million)	31/12/2008	31/12/2009
Property and equipment	**200**	**199**
Investment properties		
Carrying amount	38	37
Fair value	46	46
Investment properties – rental income	3	3

(in EUR million)	Land and buildings	IT equipment	Other equipment	Total property and equipment	Investment property
CHANGES					
Balance as at 01/01/2008	**150**	**15**	**25**	**190**	**39**
Acquisitions	9	8	8	25	-
Disposals	-	0	-1	-1	-
Depreciation	-7	-6	-4	-17	-1
Impairment	-	0	-1	-1	-
Allowances	-	0	-1	-1	-
Reversals	-	-	-	-	-
Translation differences	2	-	-	2	-
Changes in scope	-	-	2	2	-
Others	0	0	0	1	-1
Balance as at 31/12/2008	**155**	**16**	**29**	**200**	**38**
Of which, cumulative depreciation and impairment	-72	-67	-43	-183	-8
Balance as at 01/01/2009	**155**	**16**	**29**	**200**	**38**
Acquisitions	5	6	6	17	1
Disposals	0	0	0	0	0
Depreciation	-7	-6	-4	-18	-1
Impairment	-	-	-	-	-
Allowances	-	-	-	-	-
Reversals	-	-	-	-	-
Translation differences	0	0	0	0	-
Changes in scope	-	-	-	-	-
Others	0	0	0	0	0
Balance as at 31/12/2009	**152**	**16**	**30**	**199**	**37**
Of which, cumulative depreciation and impairment	-79	-51	-39	-169	-9

Note 28 – Provisions

(in EUR million)	Provisions for restructuring	Specific impairment for credit commitments	Other provisions [1]	Total
CHANGES				
Balance as at 01/01/2009	**12**	**0**	**13**	**25**
Changes affecting profit and loss	3	-	8	12
Allowances	5	-	10	15
Reversals	-1	-	-2	-4
Other changes	-8	-	-3	-11
Balance as at 31/12/2009	**8**	**0**	**18**	**26**

(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' in particular 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* maintains various complementary pension plans, of both the defined-contribution and defined-benefit kind.

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

Defined-benefit plans (in EUR million)	31/12/2008	31/12/2009
Defined-benefit plan obligations		
Value of obligations as at 01/01	**138**	**150**
Current service cost	5	7
Interest cost	8	8
Plan amendments	-	-
Actuarial gain/(loss)	9	-3
Benefits paid	-7	-14
Currency adjustment	-3	1
Changes in scope	-	-
Other	-	35
Value of obligations as at 31/12	**150**	**183**
Fair value of plan assets		
Fair value of assets as at 01/01	**79**	**75**
Actual return on plan assets	-6	13
Employer contributions	8	6
Plan participant contributions	-	2
Benefits paid	-4	-8
Currency adjustment	-	1
Changes in scope	-3	-
Others	1	27
Fair value of assets as at 31/12	**75**	**115**
Of which financial instruments issued by KBL *epb* group	-	-
Funded status		
Plan assets in excess of defined-benefit obligations	-75	-68
Unrecognised net actuarial gains	25	13
Unrecognised past service costs	-	-
Unrecognised assets	-3	-1
Plan over-/(under-) funding	**-53**	**-56**

Defined-benefit plans (in EUR million)	31/12/2008	31/12/2009
Changes relating to net liability		
Net liability as at 01/01	**-55**	**-53**
Net period cost on income statement	-10	-12
Employer contributions	8	7
Currency adjustments	-	1
Change in scope of consolidation	-	-
Other	4	1
Net liability as at 31/12	**-53**	**-56**
Amounts recognised in profit or loss		
Current service cost	-5	-7
Interest cost	-8	-8
Expected return on plan assets	3	4
Adjustments to asset limits recognised	-	-
Amortisation of unrecognised past service costs	-	-
Amortisation of unrecognised net actuarial (gains)/losses	-	-2
Other	-	-
Net period cost on income statement	**-10**	**-12**
Actual return on plan assets (in %)	-8.18%	17.03%
Principal actuarial assumptions used (1)		
Discount rate	from 3.80% to 6.80%	from 3.50% to 5.70%
Expected rate of return on plan assets	from 3.80% to 6.80%	from 4.00% to 5.70%
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)	31/12/2005	31/12/2006	31/12/2007	31/12/2008	31/12/2009
Year-end amount of liability	328	138	138	150	**183**
Year-end fair value of assets	167	72	79	75	**115**
Plan assets in excess of obligations	-161	-66	-59	-75	**-68**
Plan excess/(under-) funding	-144	-58	-55	-53	**-56**

The estimate of the employer contribution payable to the defined-benefit pension plan assets for 2010 is EUR 7 million.

Defined-contribution plans (in EUR million)	31/12/2008	31/12/2009
Amount recorded on income statement	**-7**	**-6**

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 there are no profits, this dividend entitlement is carried forward to subsequent periods. Any profits remaining once this first dividend has been paid are shared out between all shareholders, whether they hold ordinary or preference shares, in such a way that both categories of shareholders ultimately receive an identical dividend.

The bank's articles of association specify that, if the 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	31/12/2008	31/12/2009
Total number of shares issued	**20,136,588**	**20,136,588**
Ordinary shares	18,186,877	18,186,877
Preference shares	1,949,711	1,949,711
Of which: those that entitle the holder to a dividend payment	**20,135,889**	**20,135,744**
Of which: treasury shares, including commitments	**699**	**844**
Of which: shares representing equity under IFRS	**20,135,889**	**20,135,744**

Changes	Ordinary shares	Preference shares	Total
Balance as at 01/01/2009	**18,186,877**	**1,949,711**	**20,136,588**
Cancellation of shares bought back	-	-	-
Balance as at 31/12/2009	**18,186,877**	**1,949,711**	**20,136,588**

Note 32 – Dividend per share

At its meeting of 27 August 2009, the Board of Directors decided to allocate the sum of EUR 59.6 million to the payment of an interim dividend for 2009 plus the payment of a dividend for 2008 to holders of non-voting preference shares.

A gross dividend of EUR 2.936 per ordinary share and EUR 3.186 per preference share was paid.

At the Annual General Meeting of 17 March 2010, taking into account the payment of the interim dividend it shall be proposed to carry forward the balance of the distributable profit.

Note 33 – Lending commitments, financial guarantees and other commitments

(in EUR million)	31/12/2008	31/12/2009
Confirmed credits, unused	587	684
Financial guarantees	185	71
Other commitments (securities issuance facilities, spot transaction settlement, etc.)	133	1.032
Total	**906**	**1.788**

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. After the order of this court of 11 January 2008 and the judgement of a grand jury of 24 September 2008, six persons charged from KBL *epb* were referred to the criminal court.

The case was brought before the Brussels Criminal Court on 3 April 2009. After several weeks of deliberations in which it was exclusively pleaded that the investigation had been improper, a judgement was issued on 8 December 2009. The court considered that the evidence on which all the legal proceedings were based had been introduced into the case in a seriously irregular or even illegal manner and that the flaws had had a structural effect on the investigation and so this had to be declared invalid and the proceedings inadmissible. As a result, all the accused were discharged from all proceedings.
On 10 December 2009, the Public Prosecutor filed an appeal against this judgement. The proceedings shall thus be brought before the Appeal Court of Brussels.

Given this appeal, with the outcome of the proceedings being uncertain, it is not possible to estimate its possible effect on the KBL annual accounts reliably.

Note 34 – Assets under management

Total assets under management as at 31 December 2009 were EUR 46.09 billion, of which EUR 36.37 billion was from clients in the private banking sector (2008: EUR 44.0 billion, of which EUR 34.58 billion was from 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 not material.

(in EUR million)	31/12/2008	31/12/2009
Assets	**6,592**	**3,787**
Held-for-trading	264	102
At fair value via profit and loss	-	1
Available-for-sale	1,583	1,923
Loans and receivables	4,665	1,683
Hedging derivatives	81	79
Liabilities	**817**	**813**
Held-for-trading	108	88
At amortised cost	676	693
Hedging derivatives	33	32
Income statement	**193**	**167**
Net interest income	188	162
Net fee and commission income	5	5
Guarantees given by KBL *epb*	**4**	**4**
Guarantees received by KBL *epb* group	**109**	**99**

WITH KEY MANAGEMENT PERSONNEL (in EUR million)	31/12/2008	31/12/2009
Amount of remuneration to key management personnel of KBL Group *epb* on the basis of their activity, including the amount in respect of retirement pensions granted to former key management personnel	51	36
Credit facilities and guarantees granted	34	31
Loans outstanding	20	24
Guarantees outstanding	-	-
Pension commitments	71	69
Expenses for defined-contribution plans	1	2

Note 36 – Solvency

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

(in EUR million)	31/12/2008	31/12/2009
Regulatory capital	**913**	**1,095**
Tier 1 capital	**515**	**640**
Capital and reserves [(1)]	849	998
Intangible assets	-48	-52
Goodwill acquired in business combinations	-324	-322
Hybrid capital	77	96
Minority interests	-	-
Eliminations:	-39	-144
Profit for period, unaudited	-	-119
Preference shares	-18	-18
Positive AFS revaluation reserve for variable-yield securities	-21	-45
AFS revaluation reserve for fixed-yield securities [(2)]	-	38
Company profit for period as at 30/06/2009 [(3)]	-	64
Deductions	-	-
Tier 2 and Tier 3 capital	**399**	**456**
Preference shares	18	18
Hybrid capital not assimilated in Tier 1	81	54
Positive AFS revaluation reserve for variable-yield securities	21	45
Subordinated liabilities	278	339
Complementary equity (Tier 3)		
Deductions	-	-
Weighted risks	**7,498**	**5,968**
Credit risk	5,996	4,609
Market risk	456	422
Operational risk	1,046	936
Solvency ratios		
Core Tier-1 ratio	**5.8%**	**9.1%**
Tier-1 ratio	**6.9%**	**10.7%**
CAD ratio	**12.2%**	**18.4%**

(1) An interim dividend of EUR 59.6 million was paid in the second half of 2009.
(2) In July 2009, KBL *epb* notified the Commission de Surveillance du Secteur Financier (CSSF) of its choice to cease including unrealised profits or losses on available-for-sale debt securities when calculating its prudential capital figures.
(3) As at 31 December 2009 the revised company result as at 30 June 2009 in the framework of paying an interim dividend is included in Tier-1 capital.

Note 37 – Maximum credit-risk exposure

(in EUR million)	31/12/2008	31/12/2009
Assets	**15,381**	**13,172**
Balances with central banks	938	156
Financial assets	14,305	12,866
Held-for-trading	994	693
At fair value via profit and loss	172	32
Available-for-sale assets	6,129	5,934
Loans and receivables	6,926	6,128
Hedging derivatives	84	79
Current tax assets	34	17
Other assets	104	133
Off-balance sheet items	**871**	**1,800**
Confirmed credits, unused	587	702
Financial guarantees	151	66
Other commitments (securities issuance facilities, spot transaction settlement, etc.)	133	1,032
Maximum credit risk exposure	**16,252**	**14,972**

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 for reverse-repo operations and securities lending), and
- other personal and/or collateral guarantees (mortgages).

These guarantees are 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	31/12/2008	31/12/2009
Standard audit services	2,375	2,360
Other services	63	61
Total	**2,438**	**2,420**

Note 40 – List of significant subsidiaries and associates

Company	Registered office	Ownership percentage as at 31/12/2009	Sector of activity
KBL European Private Bankers S.A.	Luxembourg - LU	100.00%	Bank
FULLY CONSOLIDATED SUBSIDIARIES (global method)			
Brown, Shipley & Co. Limited	London - GB	100.00%	Bank
Brown Shipley Holding (Jersey) Ltd	St Helier - JE	100.00%	Holding
Cawood Smithie & Co Limited	London - GB	100.00%	Other – financial
Fairmount Group Nominees Ltd	Leatherhead - GB	100.00%	Other – financial
Fairmount Pension Trustee Limited	London - GB	100.00%	Other – financial
Fairmount Trustee Services Ltd	Leatherhead - GB	100.00%	Other – financial
KBL Investment Funds Ltd	London - GB	100.00%	Management (Funds, Pensions, Portfolios)
The Brown Shipley Pension Portfolio Ltd	London - GB	100.00%	Other – financial
Slark Trustee Company Ltd	Leatherhead - GB	100.00%	Other – financial
White Rose Nominees Ltd	London - GB	100.00%	Other – financial
Fidef Ingénierie Patrimoniale, S.A.	La Rochelle - FR	100.00%	Other – financial
Financière et Immobilière, S.A.	Luxembourg - LU	100.00%	Other – financial
KB Lux Immo S.A.	Luxembourg - LU	100.00%	Real estate
Centre Europe S.A.	Luxembourg - LU	100.00%	Real estate
Rocher Ltd	Isle of Man - IoM	100.00%	Real estate
S.C.I. KB Luxembourg Immo III (Monaco)	Monaco - MC	100.00%	Real estate
KBL Monaco Private Bankers	Monaco - MC	100.00%	Bank
S.C.I. KB Luxembourg Immo I (Monaco)	Monaco - MC	100.00%	Real estate
KBL Beteiligungs A.G.	Mainz - DE	100.00%	Holding
Modernisierungsgesellschaft Lübecker Str. 28/29 Gbr	Mainz - DE	79.06%	Real estate
Merck Finck & Co.	Munich - DE	100.00%	Bank
Merck Finck Invest Asset Management GMBH	Munich - DE	100.00%	Fund administration
Merck Finck Pension Universal Funds	Munich - DE	100.00%	Management (Funds, Pensions, Portfolios)
Merck Finck Treuhand A.G.	Munich - DE	100.00%	Other – financial
Merck Finck Vermögensbetreuungs	Munich - DE	100.00%	Other – financial
Unterstützung u. Einrichtung des Bankhauses MF	Munich - DE	100.00%	Management (Funds, Pensions, Portfolios)

Company	Registered office	Ownership percentage as at 31/12/2009	Sector of activity
KBL Richelieu Banque Privée S.A.	Paris – FR	100.00%	Bank
KBL Richelieu Gestion (ex-KBL France Gestion)	Paris – FR	100.00%	Management (Funds, Pensions, Portfolios)
René Aballea Finance S.A.	Brest – FR	100.00%	Management (Funds, Pensions, Portfolios)
S.E.V.	Paris – FR	68.92%	Other - commercial
Kredietbank Informatique G.I.E.	Luxembourg - LU	100.00%	IT
KBL (Switzerland) Ltd	Geneva - CH	99.99%	Bank
Privagest	Geneva - CH	100.00%	Management (Funds, Pensions, Portfolios)
Kredietrust Luxembourg S.A.	Luxembourg - LU	100.00%	Management (Funds. Pensions. Portfolios)
Puilaetco Dewaay Private Bankers S.A.	Brussels - BE	100.00%	Bank
Banque Puilaetco Dewaay Luxembourg S.A.	Luxembourg - LU	100.00%	Bank
DL Quality Asset Management S.A.	Luxembourg - LU	100.00%	Other – financial
Theodoor Gilissen Bankiers N.V.	Amsterdam - NL	100.00%	Bank
Adm. Kantoor Interland B.V.	Amsterdam - NL	100.00%	Company administration
Adm. Kant. Gebr. Kant. Boissevain en Kerkhoven B.V	Amsterdam - NL	100,00%	Company administration
Trust- en Adm. My. Interland B.V.	Amsterdam - NL	100,00%	Company administration
Adm.Kant.Gebr. Boissevain en Gebr.Texeira de Mattos B.V	Amsterdam - NL	100.00%	Company administration
TG Fund Management B.V.	Amsterdam - NL	100.00%	Management (Funds, Pensions, Portfolios)
TG Ventures B.V	Amsterdam - NL	100.00%	Corporate Finance
Theodoor Gilissen Trust B.V.	Amsterdam - NL	100.00%	Management (Funds, Pensions, Portfolios)
Theodoor Gilissen Global Custody B.V.	Amsterdam - NL	100.00%	Custodian
Van Kollem en Broekman Effecten B.V.	Amsterdam - NL	100.00%	Brokerage
Lange Voorbehout B.V.	Amsterdam - NL	100.00%	Real estate
Stroeve Asset Management B.V.	Amsterdam - NL	100.00%	Management (Funds, Pensions, Portfolios)
Wereldeffect B.V.	Amsterdam - NL	100.00%	Management (Funds, Pensions, Portfolios)

Company	Registered office	Ownership percentage as at 31/12/2009	Sector of activity
ASSOCIATES			
EFA Partners S.A. [1]	Luxembourg - LU	52.70%	Holding
European Fund Administration S.A. [1]	Luxembourg - LU	52.70%	Fund administration
European Fund Administration France S.A.S.	Paris - FR	52.70%	Fund administration
NON-CONSOLIDATED COMPANIES (materiality threshold not reached)			
KBL *epb*			
Forest Value Management Investment S.A.	Luxembourg - LU	26.67%	
KBL Beteiligungs AG			
Steubag G. Betriebsw. & Bankendienst. GmbH	Mainz - DE	100.00%	
Merck Finck & Co			
Merck Finck Beteiligungs GmbH	Munich - DE	100.00%	
KB Lux Immo S.A.			
Plateau Real Estate Limited	Douglas - IoM	100.00%	
SCI KB Luxembourg Immo II (Monaco)	Monaco - MC	100.00%	
Theodoor Gilissen Bankiers N.V.			
Damsigt SCP	Utrecht - NL	24.60%	

Note:

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

Note 41 – Main changes in the scope of consolidation

Company	Activity	Ownership percentage (direct + indirect)		Comments
		31/12/2009	31/12/2008	
INCLUDED IN SCOPE OF CONSOLIDATION				
S.E.V.	Other – commercial	68.92%	68.92%	Included in the scope of consolidation in Q3 2009
REMOVED FROM SCOPE OF CONSOLIDATION				
KBL Finance Ireland	Other – financial		100.00%	Liquidation in April 2009
Servizi SGR S.p.A.	Fund administration		17.92%	Sold in Q4 2009

Note 42 – Events after the balance sheet date

Within the framework of the plan presented to the European Commission in September 2009, KBC Group took the decision to sell the European Private Banking Business Unit. Since 2006, the Luxembourg insurance company Vitis Life S.A. has, analytically, been part of this Business Unit within KBC Group. Further, taking account of the significant links between Vitis Life S.A. and KBL, it has been decided to include this company in the sale of KBL *epb*.

In this context, KBL *epb* has decided to buy KBC Verzekeringen N.V.'s 94.32% stake in Vitis Life. KBL *epb* shall thus own it 100%. This transaction should be carried out before the sale of KBL *epb* by KBC Group.

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

UNQUALIFIED CERTIFICATION OF THE AUDITOR

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

Report on the annual accounts

In accordance with our appointment by the Board of Directors, we have audited the accompanying annual accounts of KBL European Private Bankers S.A., including the balance sheet as at 31 December 2009, and the comprehensive statement of income, 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.

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

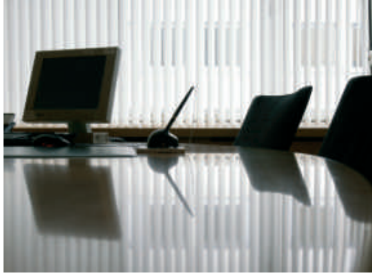
The Board of Directors is responsible for the preparation and faithful presentation of the annual accounts in accordance with the International Financial Reporting Standards adopted by the European Union. This responsibility includes the planning, introduction and monitoring of internal controls such that the preparation and faithful presentation of the annual financial statements are free of material misstatement, whether intentional or unintentional, that suitable accounting policies have been chosen and applied 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 annual 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 annual 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 statutory auditor takes into consideration the internal controls in effect at the entity on the preparation and faithful presentation of the consolidated accounts for the purpose of defining the appropriate audit procedures in the circumstances and not that of expressing an opinion on their effectiveness.





Responsibility of the Statutory Auditor (continued)

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 annual accounts.

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

Opinion

In our opinion, the annual accounts give a true and fair view of the consolidated financial situation of KBL European Private Bankers S.A. as at 31 December 2009, as well as of the financial performance and the 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 management report which is the responsibility of the Board of Directors is consistent with the annual accounts.

ERNST & YOUNG
Public limited company
Statutory auditor

Sylvie TESTA Daniel MEIS

Luxembourg, 1 March 2010

Non-consolidated IFRS INCOME STATEMENT

In EUR thousand	Notes	31/12/2008	31/12/2009
Net interest income	4, 33	148,352	160,368
Dividend income	5	96,011	48,403
Net gains from financial instruments at fair value	6	-243,869	17,285
Net realised gains from available-for-sale assets	7	-5,612	32,979
Net fee and commission income	8, 33	109,657	92,528
Other income	9	11,222	90
GROSS INCOME		**115,761**	**351,651**
Operating expenses	10	-146,308	-188,565
Staff expenses	11, 28	-84,224	-118,926
General administrative expenses	37	-67,661	-53,999
Other	24, 25, 26	5,577	-15,640
Impairment	12, 19, 20	-210,907	-63,718
PROFIT BEFORE TAX		**-241,454**	**99,368**
Income tax expenses	13	135,895	-12,503
PROFIT AFTER TAX		**-105,558**	**86,865**

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

STATEMENT OF COMPREHENSIVE INCOME

In EUR thousand	31/12/2008	31/12/2009
PROFIT AFTER TAX	**-105,558**	**86,865**
Revaluation at fair value	-212,745	130,454
Impairment	608	-8,515
Exchange differences	-6,316	26,392
Revaluation at fair value	63,212	-42,408
Asset available for sale	**-155,241**	**105,924**
Exchange differences on translating financial statements of foreign operations	**22,078**	**-37,989**
OTHER COMPONENTS OF COMPREHENSIVE INCOME	**-133,164**	**67,935**
TOTAL COMPREHENSIVE INCOME	**-238,722**	**154,799**

Non-consolidated BALANCE SHEET

ASSETS (in EUR million)	Notes	31/12/2008	31/12/2009
Cash and balances with central banks		881	124
Financial assets	14, 15, 16, 17, 18, 33	13,408	11,884
Held-for-trading assets	21	808	582
At fair value via profit and loss		171	27
Available-for-sale assets	19	6,120	5,911
Loans and receivables	20	6,226	5,285
Hedging derivatives	21	84	79
Tax assets	23	151	63
Current tax assets		27	2
Deferred tax assets		124	61
Investment property	25	14	14
Property and equipment	25	108	109
Intangible assets	24	92	94
Other assets	22	35	32
TOTAL ASSETS		**14,689**	**12,320**

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

Non-consolidated BALANCE SHEET

LIABILITIES (In EUR million)	Notes	31/12/2008	31/12/2009
Financial liabilities	14, 16, 33	13,323	10,844
Held-for-trading	21	438	384
At amortised cost		12,813	10,375
Hedging derivatives	21	72	84
Provisions	26	7	10
Other liabilities	27, 28	142	155
TOTAL LIABILITIES		**13,472**	**11,009**
TOTAL EQUITY	**29**	**1,216**	**1,312**
TOTAL LIABILITIES		**14,689**	**12,320**

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

Non-consolidated STATEMENT OF CHANGES IN EQUITY

In EUR million	Issued and paid-up share capital	Share premium	Treasury shares	Revaluation reserve (AFS investments)	Reserves	Currency translation differences	Total equity
2008							
Balance as at 01/01/2008	**187.2**	**321.4**	**-0.1**	**51.2**	**1,081.1**	**15.7**	**1,656.6**
Net movements on treasury shares	-	-	-0.1	-	-	-	-0.1
Dividends and profit-sharing	-	-	-	-	-201.4	-	-201.4
Comprehensive income for the period	-	-	-	-155.2	-105.6	22.1	-238.7
Other	-0.0	-0.1	-	-	-	-	-0.1
Total variations	-0.0	-0.1	-0.1	-155.2	-306.9	22.1	-440.2
Balance as at 31/12/2008	**187.2**	**321.3**	**-0.1**	**-104.1**	**774.2**	**37.8**	**1,216.3**

Non-consolidated STATEMENT OF CHANGES IN EQUITY

In EUR million	Issued and paid-up share capital	Share premium	Treasury shares	Revaluation reserve (AFS investments)	Reserves	Currency translation differences	Total equity
2009							
Balance as at 01/01/2009	**187.2**	**321.3**	**-0.1**	**-104.1**	**774.2**	**37.8**	**1,216.3**
Net movements on treasury shares	-	-	-0.0	-	-	-	-0.0
Dividends and profit-sharing	-	-	-	-	-59.6	-	-59.6
Comprehensive income for the period	-	-	-	105.9	86.9	-38.0	154.8
Other	-	-	-	-	-	-	-
Total variations	-	-	-0.0	105.9	27.3	-38.0	95.2
Balance as at 31/12/2009	**187.2**	**321.3**	**-0.1**	**1.9**	**801.4**	**-0.2**	**1,311.5**

Non-consolidated CASH-FLOW STATEMENT

(In EUR million)	31/12/2008	31/12/2009
Profit before tax	-241.5	99.4
Adjustments for:		
Impairment of securities and property and equipment and amortisation and depreciation of property and equipment, intangible assets and investment property	*164.3*	*74.5*
Profit/loss on the disposal of investments	*-0.0*	*-0.8*
Change in impairment for losses on loans and advances	*55.4*	*0.7*
Change in other provisions	*-14.4*	*4.2*
Unrealised foreign-currency gains and losses	*14.4*	*-12.2*
Cash flows from operating activities before tax and before changes in operating assets and liabilities	**-21.7**	**165.8**
Changes in operating assets (1)	-5,233.7	-213.9
Changes in operating liabilities (2)	534.7	193.4
Income taxes paid	-15.7	7.7
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**-4,736.4**	**152.9**
Acquisition of subsidiaries or business units	-127.2	-6.8
Sale of subsidiaries or business units	0.0	0.9
Acquisition of intangible assets	-	-0.0
Purchase of property and equipment	-11.9	-7.0
Sale of property and equipment	0.0	0.9
NET CASH FLOWS FROM INVESTING ACTIVITIES	**-139.0**	**-12.1**
Purchase/sale of treasury shares	-0.1	-0.0
Issue/repayment of loans	1.4	-4.7
Issue/repayment of subordinated debt	-181.5	-3.9
Dividends and maangement bonuses paid	-202.4	-59.6
NET CASH FLOWS FROM FINANCING ACTIVITIES	**-382.5**	**-68.2**

Non-consolidated CASH-FLOW STATEMENT

(In EUR million)	31/12/2008	31/12/2009
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS [3]	**-5,258.0**	**72.6**
CASH AND CASH EQUIVALENTS AS AT 1/1	**7,533.7**	**2,275.7**
Net increase/decrease in cash and cash equivalents	-5,258.0	72.6
Effect of exchange rates on cash and cash equivalents	-	-
CASH AND CASH EQUIVALENTS AS AT 31/12	**2,275.7**	**2,348.3**
ADDITIONAL INFORMATION		
Interest paid	777.9	296.8
Interest received	931.8	460.1
Dividends received (including equity method)	91.1	48.4
COMPONENTS OF CASH AND CASH EQUIVALENTS	**2,275.7**	**2,348.3**
Cash and balances with central banks (including legal reserve with the central bank)	881.3	124.3
Loans and advances to banks repayable on demand	3,140.6	3,741.4
Deposits from banks repayable on demand	-1,746.2	-1,517.4
Of which: not available [4]	854.0	110.4

(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.

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

(4) Cash and cash equivalents not available for the group mainly 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 S.A. (hereinafter "KBL *epb*" or the "Bank") is 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 KBL *epb* is to carry out all banking and credit activities. In addition, KBL *epb* is allowed to carry out all commercial, industrial or other transactions, including real estate transactions, in order to achieve its main corporate purpose, either directly or through shareholding, or in any other manner, these provisions to be understood in the widest manner possible. KBL *epb* may carry out any activity which contributes in any way whatsoever to the achievement of its corporate purpose. The Bank's main activities are described in Note 3a.

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

43, boulevard Royal,
L-2955 Luxembourg

KBL *epb* is part of KBC Group. Born on 2 March 2005 from the merger of KBC Bank and Insurance Holding N.V. and its parent company Almanij, the KBC Group is today one of the major financial groups in Europe. As a multi-channel, independent bancassurance group, centred on Europe, KBC Group provides individual clients, as well as small and medium-sized companies, with retail and private banking services. It 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 and eastern 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.

However, during the course of 2009, KBC Group carried out a strategic analysis of the group's activities and their economic and financial environment. These efforts resulted in an updated strategic plan, tested on various macroeconomic scenarios which served as a basis for the European Commission to agree to the government aid received by KBC Group. Within the framework of this plan the departure of KBL *epb* group from KBC group was decided. Negotiations are still ongoing and in 2010, the KBL *epb* group should find a new financial partner.

The Bank's consolidated accounts have been prepared in accordance with the International Financial reporting Standards as adopted by the European Union, as has the management report, all of which are available from its head office.

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

Starting this year, KBL's non-consolidated accounts include those of the Polish branch opened on 1 April 2009. The branch's impact on KBL's non-consolidated situation was marginal as at 31 December 2009.

Note 2a – Statement of complaince

The annual accounts presented in this report were approved by the Board of Directors of KBL *epb* 1 March 2010.

KBL *epb's* annual 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 annual 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 the said estimations.

As at 31 December 2009, KBL *epb* presented for the first time in its annual accounts the effects of

- IFRS 8 "Operating Segments" (published in November 2006); this standard – which replaces IAS 14 "Segment reporting" – slightly changed the presentation of information by business and geographic segment (information available in Notes 3a and 3b) to align them on reports produced internally and presented to Bank managers.

- Amendment to IAS 1 "Presentation of Financial Statements" (published in September 2007); this amendment introduces the new requirement to present 'A Statement of Comprehensive Income', the result of the aggregation of income over the period and the various other elements previously directly imputed to equity (like the revaluation reserve for available-for-sale financial assets). This new statement is presented immediately after the income statement.

- Amendment to IFRS 7 "Financial Instruments: Disclosures" (published in March 2009); this amendment requires mainly that all balance sheet items at fair value are broken down in accordance with a hierarchy representing the source of the fair value used. Three levels are defined by this standard: quoted prices on an active market (level 1), valuations essentially resulting from observable parameters (level 2) and inputs not based on observable market data (level 3). This new table can be found in Note 14. Given the extremely limited implementation period (amendment published in 2009 with effect from 2009), and pursuant to the transitional regulations provided by the standard, no comparative data has been provided for 2008.

KBL *epb* has also decided not to adopt in advance the standards, amendments to standards and interpretations of the IFRS which have been published but are not applicable for the year ending 31 December 2009. KBL *epb* will adopt these standards on the date of their effective application and when they have been approved by the European Union.

Only the standards, amendments to standards and IFRIC which could have a significant effect on KBL *epb* are mentioned below. These basically concern the following publications:

- 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 is also applicable from 1 January 2010.

- IFRS 3 "Business Combinations" (as amended in January 2008): this standard (amended), applies to KBL *epb* from 1 January 2010, modifies (in particular) the accounting treatment of given costs of acquiring a company (advisory, legal, finders' fees etc.) and sets supplementary valuation rules for certain assets and liabilities, as well as any non-controlling interests in the acquired entity. When a company is acquired, the standard now requires the revaluation at fair value of all previously held interests, with the result being entered in the profit and loss account.

- IFRS 9 "Financial Instruments". The issuance of this standard, intended to replace IAS 39 over time, has been divided into three phases. The first concerns the classification and measurement of financial instruments, while phases two and three relate to their impairment and hedge accounting.

Published in November 2009, the first phase introduces major changes in the treatment of financial assets, including in particular: the reduction in the number of categories, the influence of the group management model on the classification of the instruments and the end of recycling results obtained by assets at fair value via the other components of comprehensive income.

The date of application for this standard has been set for 1 January 2013 to allow entities to adopt the three phases of this revision simultaneously. As at 31 December 2009, this standard had not been adopted by the European Union.

Note 2b – Main accounting methods

a. Conversion of items in foreign currencies

KBL European Private Bankers S.A.'s accounts are drawn up in EUR, which is its functional currency and that of the presentation.

KBL European Private Bankers S.A. 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, assets and liabilities in foreign currencies are translated into EUR. Foreign currency monetary 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 exchange rate..

b. Financial assets and liabilities

General principles of recognition and derecognition of financial instruments

A financial instrument is recognised in the balance sheet when and only when the Bank becomes a party to the contractual 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 KBL European Private Bankers S.A. transfers the financial asset.

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

The purchases and sales of financial assets are recognised on the payment date, which is the date on which the asset is delivered. Any variation in the fair value of the asset to be received during the period from the date of the transaction to the date of payment 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 sales, the assets at fair value are valued at their sale price during the period between the transaction date and the payment date.

Pursuant to the principles of IAS 39 on derecognition, the Bank keeps securities lent in its securities portfolio but securities borrowed are not recorded on the balance sheet. Similarly, the securities 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 using the IAS 39 classification system. Each classification is subject to specific measurement rules.

The IAS 39 classification categories are:

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

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

- Financial assets at fair value 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 derivative assets are considered as being held for trading unless designated as effective hedging instruments. Other assets 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 embedded 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, using a documented investment or risk management strategy,
    - or because the application of this option makes it possible to eradicate or strongly limit discrepancies that would result from a different valuation of the assets and liabilities concerned.

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

Evaluation of financial instruments

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

– General principles –
Loans and receivables with a fixed maturity are measured at amortised cost using the effective interest rate (hereinafter "EIR") method, that is, the rate that precisely discounts the future cash inflows or outflows to obtain the carrying amount. 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 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 method.

– Evaluation of holdings –
Holdings in subdisiary enterprise, controlled entities and associated enterprises which are not classified as held for sale according to IFRS 5 are registered at cost, less possible impairment.

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

– Impairment –
Available-for-sale 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 dates.

• *Available-for-sale assets*
For listed shares, a provision is recognised if the market value is less than 70% of the accounting value or if the market price of the share is less than the acquisition price for a year. For the other debt (fixed-rate securities) and equity instruments (variable-rate securities), 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 other components of comprehensive income 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 Bank firstly evaluates if there has been an impairment loss for each indi-

vidually significant loan or receivable or for each group of loans or receivables not individually significant. If the Bank considers that there is no evidence of an impairment loss for a given loan or receivable, individually significant or not, it includes it in a group of financial assets presenting the same credit risk characteristics and examines the possibility of an impairment loss on a collective basis. The assets evaluated individually and for which an impairment loss is 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 instrument and measured at fair value via profit and loss if the financial characteristics and risk relating to the embedded derivative are not closely related to the financial characteristics and 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 Bank makes little use of macro-hedge accounting.

It does however use micro-hedge accounting when all the following conditions have been met: the hedging relationship must be designated at inception and formally documented, the hedge is expected to be highly effective, and it must be possible to 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 periods covered by the financial statements for which the hedge was designated.

Fair value hedge accounting is used by the Group to cover the exposure of a financial instrument, in the form 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 measured at fair value with variations in this 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 the 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 change to the carrying amount of the hedged instrument (relating to hedged risks) is transferred to the income statement *pro rata temporis* until the instrument expires.

As regards cash-flow hedging, not currently used by KBL European Private Bankers S.A., hedging instruments are measured at fair value. The gains or losses relating to the effective portion of the hedging relationship are recognised in a specific caption of other components of comprehensive income. Gains or losses for the ineffective portion of the hedging instrument are recognised in the income statement. Hedge accounting shall be discontinued if the hedge accounting criteria are no longer met. In this case, the hedging instruments shall be treated as held-for-trading 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 shall be obtained:

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

c. Intangible assets

Intangible assets acquired are valued at acquisition cost. Value adjustments or losses are the recognised according to the nature of the assets and the duration of its life (indefinite or definite).

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

d. Property and equipment

Property and equipment are initially recognised at cost.

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

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

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

When property or equipment is sold the realised gains or losses are 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.

e. Investment property

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

Investment property is recognised only when it is probable that future economic benefits associated with the investment property will flow to KBL *epb* and 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 using the straight-line method over the economic life of the investment property concerned (average rate: 2% - 3%

f. Pension commitments

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

In the case of defined-benefit pension plans, the pension cost on the income statement and liability on the balance sheet are calculated in accordance with 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 using what is known as the 'corridor method'. The portion of gains and losses exceeding 10% of the greater of the two values below shall be recognised in 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 expensed when the employees render the corresponding service which generally coincides with the year in which the contributions are actually paid.

g. Tax assets and liabilities

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

Current tax is the amount expected to be paid or recovered, using the tax rates which have been enacted or substantively enacted at the 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 when the assets are realised or the liabilities settled, 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.

h. Provisions

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

- KBL has a current obligation (on the date of preparing the accounts) 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 estimated reliably.

i. Financial guarantees

Financial guarantees are initially recognised at fair value, that is, the amount of the commission received. Subsequently, the Bank measures the liability for each guarantee granted at the greater of the amortised commission and the best estimate of the amount required to settle any financial liability arising therefrom.

j. Equity

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

Equity instruments have been differentiated from financial instruments in accordance with the provisions of IAS 32 and IAS 39.

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

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

If applicable, as part of cash-flow hedges and hedges of a net investment in a foreign operation, the portion of gains and losses on the hedging instrument that is deemed effective is recognised directly in equity.

k. Revenue

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

- the economic benefits associated with the transaction shall probably flow to KBL; and
- the amount of revenue can be measured reliably.

The specific conditions below must also be met before recognising the revenue concerned.

Net interest income

Interest is recognised *pro rata temporis* using the EIR method, this being a way of allocating the financial income or expense during the period concerned.

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

Dividends

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

Note 3a – Segment reporting by business segment

KBL distinguishes between the following primary segments:

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

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

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

- The **'CREDIT & SECURITIES PORTFOLIO'** segment covers "credit" exposure (including direct loans to non-private clients of KBL) and the proprietary securities positions taken by KBL.

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

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

PROFIT AND LOSS ACCOUNT (in EUR million)	Private Banking		Global Investor Services		Client Dealing and Treasury		Credit and Securities portfolio		Other		KBL	
	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
Net interest income	21.9	17.7	22.6	15.5	52.3	58.8	36.6	40.6	14.9	27.7	**148.4**	**160.4**
Dividend income	-	-	-	-	0.3	-	4.2	3.6	91.5	44.8	**96.0**	**48.4**
Net gains from financial instruments at fair value	4.1	1.9	4.2	3.6	32.8	29.9	-262.2	12.5	-22.8	-30.6	**-243.9**	**17.3**
Net realised gains from available-for-sale financial assets	-	-	-	-	-	-	-7.7	4.1	2.1	28.9	**-5.6**	**33.0**
Net fee and commission income	68.4	56.1	35.9	31.6	-1.9	-0.3	0.2	-0.1	7.0	5.2	**109.7**	**92.5**
Other income	-	-	-	-	3.1	2.2	-	-2.7	8.0	0.6	**11.2**	**0.1**
GROSS INCOME	**94.4**	**75.8**	**62.7**	**50.7**	**86.7**	**90.5**	**-228.9**	**58.0**	**100.8**	**76.5**	**115.8**	**351.7**
Operating expenses	-55.9	-56.6	-37.6	-32.9	-21.8	-22.3	-11.1	-4.7	-20.0	-72.1	**-146.3**	**-188.6**
Impairment	-0.3	-0.2	-	-	-	-	-135.9	-4.3	-74.7	-59.2	**-210.9**	**-63.7**
PROFIT BEFORE TAX	**38.2**	**19.0**	**25.1**	**17.8**	**64.9**	**68.3**	**-375.8**	**49.1**	**6.2**	**-54.8**	**-241.5**	**99.4**
Income tax expense	-15.5	-8.0	-10.1	-6.4	-19.2	-19.5	138.1	-13.0	42.6	34.5	**135.9**	**-12.5**
PROFIT AFTER TAX	**22.7**	**11.0**	**15.0**	**11.4**	**45.7**	**48.7**	**-237.7**	**36.0**	**48.8**	**-20.3**	**-105.6**	**86.9**

BALANCE SHEET (in EUR million)	Private Banking		Global Investor Services		Client Dealing and Treasury		Credit and Securities portfolio		Other		KBL	
	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
Cash and balances with central banks	-	-	-	-	881	124	-	-	-	-	**881**	**124**
Financial assets	662	493	425	242	5,433	4,976	5,098	4,610	1,791	1,563	**13,408**	**11,884**
Held-for-trading assets	-	-	-	-	741	522	67	60	0	0	**808**	**582**
At fair value via profit and loss	-	-	-	-	-	-	171	27	-	-	**171**	**27**
Available-for-sale assets	316	283	115	139	214	624	3,961	3,633	1,513	1,232	**6,120**	**5,911**
Loans and receivables	346	210	310	103	4,479	3,830	892	890	200	252	**6,226**	**5,285**
Hedging derivatives	-	-	-	-	-	-	7	-	77	79	**84**	**79**
Tax assets	-	-	-	-	-	-	-	-	151	63	**151**	**63**
Current tax assets	-	-	-	-	-	-	-	-	27	2	**27**	**2**
Deferred tax assets	-	-	-	-	-	-	-	-	124	61	**124**	**61**
Investment property	-	-	-	-	-	-	-	-	14	14	**14**	**14**
Property and equipment	86	88	15	13	6	6	2	1	-	-	**108**	**109**
Goodwill and other intangible assets	-	-	-	-	-	-	-	-	92	94	**92**	**94**
Other assets	35	32	-	-	-	-	-	-	-	-	**35**	**32**
TOTAL ASSETS	**783**	**614**	**440**	**255**	**6,320**	**5,106**	**5,100**	**4,611**	**2,048**	**1,736**	**14,689**	**12,320**
Financial liabilities	2,527	2,033	2,489	2,548	4,091	3,523	119	130	4,097	2,611	**13,323**	**10,844**
Held-for-trading	-	-	-	-	374	302	50	70	14	12	**438**	**384**
At amortised cost	2,527	2,033	2,489	2,548	3,717	3,216	8	1	4,072	2,577	**12,813**	**10,375**
Hedging derivatives	-	-	-	-	-	4	61	58	11	22	**72**	**84**
Provisions	-	-	-	-	-	-	-	-	7	10	**7**	**10**
Other liabilities	142	155	-	-	-	-	-	-	-	-	**142**	**155**
TOTAL LIABILITIES, EXCLUDING EQUITY	**2,669**	**2,188**	**2,489**	**2,548**	**4,091**	**3,523**	**119**	**130**	**4,104**	**2,621**	**13,472**	**11,009**

Note 3b – Segment reporting by geographic sector

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

Note 4 – Net interest income

(in EUR thousand)	31/12/2008	31/12/2009
Breakdown by portfolio		
Interest income	**888,368**	**425,875**
Available-for-sale assets	267,639	175,522
Loans and receivables	451,661	136,608
Other	853	372
Sub-total of interest income from financial assets not measured at fair value via profit and loss	720,153	312,502
Financial assets held-for-trading	6,479	6,139
Net interest on hedging derivatives (if net income)	141,141	97,640
Other financial assets at fair value via profit and loss	20,595	9,594
Interest expense	**-740,016**	**-265,507**
Financial liabilities at amortised cost	-605,663	-166,956
Other	-2,428	-1,327
Sub-total of interest expense on financial liabilities not measured at fair value via profit and loss	-608,091	-168,283
Net interest on hedging derivatives	-131,926	-97,224
Net interest income	**148,352**	**160,368**

Note 5 – Dividend income

(in EUR thousand)	31/12/2008	31/12/2009
Available-for-sale shares	91,081	44,753
Shares held-for-trading	3,454	2,126
At fair value via profit and loss	1,476	1,523
Dividend income	**96,011**	**48,403**

Note 6 – Net gains from financial instruments at fair value

In EUR thousand	31/12/2008	31/12/2009
Held-for-trading (including interest and valuation of trading derivatives)	23,648	7,921
Other financial instruments at fair value	-233,944	4,557
Exchange differences	-35,750	7,031
Fair value adjustment in hedge accounting	2,177	-2,224
Fair-value micro-hedging	*2,177*	*-2,224*
Fair value of hedged item	*19,431*	*7,766*
Fair value of hedging derivative	*-17,254*	*-9,990*
Net gains from financial instruments at fair value	**-243,869**	**17,285**

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

(in EUR thousand)	31/12/2008	31/12/2009
Fixed-income securities	-7,477	36,743
Variable-yield securities	1,865	-3,764
Net realised gains from available-for-sale financial assets	**-5,612**	**32,979**

Note 8 – Net fee and commission income

(in EUR thousand)	31/12/2008	31/12/2009
Fee and commission income	**167,431**	**133,170**
Asset management	122,378	89,581
Securities transactions	31,796	29,448
Other	13,257	14,140
Fee and commission expense	**-57,773**	**-40,642**
Asset management	-51,066	-34,499
Securities transactions	-4,539	-4,470
Other	-2,168	-1,674
Net fee and commission income	**109,657**	**92,528**

Note 9 – Other income/net charges

(in EUR thousand)	31/12/2008	31/12/2009
	11,222	**90**
Of which :		
Net proceeds on precious metals transactions	3,101	2,171
Write-back of provisions	4,079	757
Net proceeds on the sale of Cogéré and Gecalux	-	705
Withholding tax on dividends (1)	-	-2,735

(1) Before 2009, withholding tax on dividends received was entered under the item "Operating expenses". In 2008, the amount of withholding tax on dividends was EUR -3,326 million, entered under the item "Operating expenses".

Note 10 – Operating expenses

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

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

(in EUR thousand)	31/12/2008	31/12/2009
Staff expenses	-84,224	-118,926
General administrative expenses	-67,661	-53,999
Depreciation and amortisation of property and equipment, intangible assets and investment property	-8,796	-11,462
Net provision allowances	14,373	-4,178
Operating expenses	**-146,308**	**-188,565**

Note 11 – Personnel

	31/12/2008	31/12/2009
Total average number of persons employed (in full-time equivalents)	**1,107**	**1,105**
Breakdown by business segment [1]		
Private banking	370	392
Global Investor Services	258	242
Client Dealing and Treasury	115	119
Credit and Securities Portfolio	47	26
Other	318	327

[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	31/12/2008	31/12/2009
(Impairment)/reversal of impairment on:		
Loans and receivables	-55,397	-665
Available-for-sale financial assets [1]	-155,510	-63,053
Impairment	**-210,907**	**-63,718**

Impairment on loans and receivables

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

In EUR thousand	31/12/2008	31/12/2009
Total	**-55,397**	**-665**
Breakdown by type		
(Impairment)/reversal of impairment for		
Specific for loans and receivables	-55,263	126
Portfolio-based impairments	-133	-791

See also Note 20 – Impairment of loans and receivables

Impairment on available-for-sale financial assets

In EUR thousand	31/12/2008	31/12/2009
Total	**-155,510**	**-63,053**
(Impairment)/reversal of impairment on:		
Fixed-income securities	-80,463	-9,722
Variable-yield securities [1]	-75,047	-53,332

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

[1] of which EUR 45,600 thousand on holdings as at 31 December 2009.

Note 13 – Income tax

In EUR thousand	31/12/2008	31/12/2009
Total	**135,895**	**-12,503**
Breakdown by type	**135,895**	**-12,503**
Current tax *	15,119	7,654
Deferred tax	120,776	-20,157
Breakdown by major components:	**135,895**	**-12,503**
Profit before tax (excl, Branch)	-241,454	102,312
Luxembourg statutory income tax rate	29.63%	28.59%
Income tax calculated at the Luxembourg statutory income tax rate	**71,543**	**-29,251**
Plus/minus tax effects attributable to:		
Tax-free income	34,067	13,788
Other non-deductible expenses	-4,326	-1,450
Adjustments related to prior years	31,120	7,700
Adjustment to opening balance due to tax rate change**	-2,137	-
Unused tax losses and tax credits	-	-
Other	5,628	-3,290
Income tax adjustments	**64,352**	**16,748**

Details of tax assets and liabilities are given in Note 23.

* This amount includes reversals of excess provisioning in previous years.
** Deferred taxes were calculated using the rate enacted or substantially enacted on 31 December 2008, that is, 28.59%.

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

Note 14 – Classification of financial instruments: breakdown by portfolio and by product

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

CARRYING AMOUNT (in EUR million)

31/12/2008

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	**-**	**-**	**-**	**5,298**	**-**	**5,298**
Loans and advances to customers	**-**	**22**	**-**	**900**	**-**	**922**
Consumer credit	-	-	-	7	-	7
Mortgage loans	-	-	-	75	-	75
Term loans	-	-	-	262	-	262
Current accounts	-	22	-	60	-	82
Other						
Variable-yield securities	**33**	**-**	**1,295**	**-**	**-**	**1,328**
Fixed-income securities issued by	**304**	**142**	**4,756**	**-**	**-**	**5,201**
- government bodies	28	142	1,890	-	-	2,060
- banks and investment firms	64	-	304	-	-	368
- corporations	211	-	2,562	-	-	2,773
Financial derivatives	**468**	**-**	**-**	**-**	**56**	**524**
Accrued interest	**3**	**7**	**68**	**28**	**28**	**134**
Total	**808**	**171**	**6,120**	**6,226**	**84**	**13,408**
Of which reverse repos	-	-	-	253	-	253

CARRYING AMOUNT (in EUR million)

31/12/2009

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	**-**	**-**	**-**	**4,760**	**-**	**4,760**
Loans and advances to customers	**-**	**23**	**-**	**512**	**-**	**534**
Consumer credit	-	-	-	7	-	7
Mortgage loans	-	-	-	71	-	71
Term loans	-	-	-	253	-	253
Current accounts	-	-	-	132	-	132
Other	-	23	-	49	-	72
Variable-yield securities	**36**	**0**	**1,199**	**-**	**-**	**1,234**
Fixed-income securities issued by	**322**	**4**	**4,658**	**-**	**-**	**4,984**
- government bodies	25	-	1,956	-	-	1,981
- banks and investment firms	63	-	249	-	-	312
- corporations	235	4	2,453	-	-	2,692
Financial derivatives	**221**	**-**	**-**	**-**	**46**	**267**
Accrued interest	**3**	**1**	**54**	**13**	**32**	**104**
Total	**582**	**27**	**5,911**	**5,285**	**79**	**11,884**
Of which reverse repos	-	-	-	2,378	-	2,378

CARRYING AMOUNT (in EUR million)

31/12/2008

LIABILITIES	Held-for-trading (HFT) liabilities	Hedging derivatives	Financial liabilities at amortised cost	Total
Deposits from banks and investment firms	**-**	**-**	**6,621**	**6,621**
Deposits from customers	**-**	**-**	**5,252**	**5,252**
Current accounts/demand deposits	-	-	2,423	2,423
Time deposits	-	-	2,739	2,739
Other deposits	-	-	90	90
Debt securities	**-**	**-**	**863**	**863**
Deposit certificates	-	-	0	0
Customer savings bonds	-	-	5	5
Non-convertible bonds	-	-	17	17
Non-convertible subordinated liabilities	-	-	840	840
Financial derivatives	**385**	**57**	**-**	**442**
Debts associated with short sales	**53**	**-**	**-**	**53**
- Variable-yield securities	38	-	-	38
- Fixed-income securities	15	-	-	15
Accrued interest	**0**	**15**	**77**	**92**
Total	**438**	**72**	**12,813**	**13,323**
Of which repos	-	-	843	843

CARRYING AMOUNT (in EUR million)

31/12/2009

LIABILITIES	Held-for-trading (HFT) liabilities	Hedging derivatives	Financial liabilities at amortised cost	Total
Deposits from banks and investment firms	**-**	**-**	**4,869**	**4,869**
Deposits from customers	**-**	**-**	**4,629**	**4,629**
Current accounts/demand deposits	-	-	2,831	2,831
Time deposits	-	-	1,747	1,747
Other deposits	-	-	51	51
Debt securities	**-**	**-**	**834**	**834**
Deposit certificates	-	-	0	0
Customer savings bonds	-	-	4	4
Non-convertible bonds	-	-	13	13
Non-convertible subordinated liabilities	-	-	816	816
Financial derivatives	**309**	**67**	**-**	**376**
Debts associated with short sales	**75**	**-**	**-**	**75**
- Variable-yield securities	35	-	-	35
- Fixed-income securities	40	-	-	40
Accrued interest	**0**	**17**	**44**	**62**
Total	**384**	**84**	**10,375**	**10,844**
Of which repos	-	-	1,401	1,401

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, excluding accrued interest.

(In EUR million)	Carrying amount		Fair Value	
	31/12/2008	31/12/2009	31/12/2008	31/12/2009
ASSETS				
Loans and advances to banks and investment firms	**5,298**	**4,760**	**5,314**	**4,760**
Loans and advances to customers	**900**	**512**	**900**	**512**
Consumer credit	7	7	7	7
Mortgage loans	75	71	75	71
Term loans	262	253	262	253
Current accounts	497	132	497	132
Other	60	49	60	49
LIABILITIES				
Deposits from banks and investment firms	**6,621**	**4,869**	**6,630**	**4,870**
Deposits from customers	**5,252**	**4,629**	**5,254**	**4,629**
Current accounts/demand deposits	2,423	2,831	2,423	2,831
Time deposits	2,739	1,747	2,740	1,747
Other deposits	90	51	90	51
Debt securities	**863**	**834**	**837**	**859**
Certificates of deposit	0	0	0	0
Customer savings bonds	5	4	5	4
Non-convertible bonds	17	13	17	13
Non-convertible subordinated liabilities	840	816	814	841

FAIR VALUE HIERARCHY

The items valued at fair value on the balance sheet are broken down below using a hierarchy representing the source of the fair value used, The levels considered refer to the following sources:

- Level 1: quoted price on an active market;
- Level 2: valuation resulting mainly from directly observable market inputs;
- Level 3: inputs not based on observable market data,

(In EUR million)	31/12/2009				
	Level 1	Level 2	Level 3	Accrued interest	Total
ASSETS					
At fair value via profit and loss					
Equity instruments held for trading	-	36	-	-	**36**
Debt instruments held for trading	119	203	-	3	**325**
Derivatives held for trading	-	221	-	-	**221**
Instruments designated at fair valeu via profit and loss	-	23	4	1	**27**
Available for sale					
Equity instruments	165	9	33	-	**206**
Debt instruments	2,543	2,115	-	54	**4,713**
Hedging derivatives	-	46	-	32	**79**
	2,827	**2,653**	**36**	**91**	**5,607**
LIABILITIES					
At fair value via profit and loss					
Equity instruments held for trading	35	0	-	-	**35**
Debt instruments held for trading	38	1	-	0	**40**
Derivatives held for trading	-	309	-	-	**309**
Hedging derivatives	-	67	-	17	**84**
	73	**378**	**0**	**18**	**468**

LEVEL THREE ITEMS MEASURED AT FAIR VALUE

(In EUR million)	Financial instruments at fair value via profit and loss	Available-for-sale assets	Total
Balance as at 01/01/2009	**0**	**37**	**37**
Total profit / loss for period			
- recognised on income statement	4	0	3
- recognised in other components of comprehensive income	-	-7	-7
Purchases	-	5	5
Sales	-	-1	-1
Transfers from / to level three	-	-	-
Balance as at 31/12/2009	**4**	**33**	**36**
Total profit / loss for period entered on income statement and relating to assets held as at 31/12/2009	4	0	4

Note 15 – 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
31/12/2008			
Unimpaired assets	5,603	6,196	11,799
Impaired assets	661	105	766
Impairment	-213	-103	-316
Accrued interest (net)	68	28	96
Accrued interest (gross)	*69*	*28*	*97*
Provisioned accrued interest	*0*	*0*	*0*
Total	**6,120**	**6,226**	**12,346**
31/12/2009			
Unimpaired assets	5,468	5,270	10,738
Impaired assets	548	102	650
Impairment	-159	-100	-260
Accrued interest (net)	54	13	68
Accrued interest (gross)	*55*	*13*	*68*
Provisioned accrued interest	*0*	*0*	*0*
Total	**5,911**	**5,285**	**11,196**

Note 16 – 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						
31/12/2008						
Less than or equal to 1 year	541	142	415	5,119	4	**6,221**
More than 1 but less than or equal to 5 years	194	12	2,872	985	26	**4,089**
More than 5 years	37	10	1,469	94	26	**1,637**
Indefinite period	33	-	1,295	-	-	**1,328**
Accrued interest	3	7	68	28	28	**134**
Total	**808**	**171**	**6,120**	**6,226**	**84**	**13,408**
31/12/2009						
Less than or equal to 1 year	253	-	845	4,404	0	**5,502**
More than 1 but less than or equal to 5 years	245	19	2,702	778	18	**3,762**
More than 5 years	45	7	1,112	89	28	**1,281**
Indefinite period	36	-	1,198	-	-	**1,234**
Accrued interest	3	1	54	13	32	**104**
Total	**582**	**27**	**5,911**	**5,285**	**79**	**11,884**

In EUR million	Held-for-trading (HFT) liabilities	Hedging derivatives	Liabilities at amortised cost	Total
LIABILITIES				
31/12/2008				
Less than or equal to 1 year	315	0	12,026	**12,341**
More than 1 but less than or equal to 5 years	59	31	463	**553**
More than 5 years	12	27	247	**285**
Indefinite period	53	-	-	**53**
Accrued interest	0	15	77	**92**
Total	**438**	**72**	**12,813**	**13,323**
31/12/2009				
Less than or equal to 1 year	247	9	9,643	**9,900**
More than 1 but less than or equal to 5 years	77	24	446	**547**
More than 5 years	23	33	235	**292**
Indefinite period	37	-	7	**43**
Accrued interest	0	17	44	**62**
Total	**384**	**84**	**10,375**	**10,844**

Note 17 – Securities lending and securities given in guarantee

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

- repurchase agreements ("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:

	Repo **	Securitie strading		Other
In EUR million	Fixed-income securities	Fixed-income securities	Variable-yield securities	Fixed-income securities
31/12/2008				
Financial assets at fair value via profit and loss	121	-	-	12
Available-for-sale financial assets	254	26	1	2,955
Total financial assets not derecognised	375	26	1	2,967
Other (*)	451	212	24	359
Total	**826**	**238**	**25**	**3,326**
31/12/2009				
Assets held for trading	-	9	-	-
Financial assets at fair value via profit and loss	-	-	-	-
Available-for-sale financial assets	519	46	-	1,955
Total financial assets not derecognised	519	55	-	1,955
Other (*)	840	654	57	1,380
Total	**1,359**	**709**	**57**	**3,335**

(*) the item 'Other' relates to securities borrowed or received as collateral for other operations.
(**) the carrying amount of debts associated with repo operations is available in Note 14.

Note 18 – Securities received in guarantee

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

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

In EUR million	31/12/2008	31/12/2009
Reverse repurchase agreements	254	2,456
Collateral received in securities lending	292	710
Total	**546**	**3,166**
Of which, transferred to:		
Repurchase agreements	232	99
Securities lent	-	-
Collateral given for securities borrowing	291	1,237
Other	-	143
Total	**523**	**1,479**

Note 19 – Impairment of available-for-sale financial assets

In EUR million	Fixed-income securities	Variable-yield securities
CHANGES		
Balance as at 01/01/2008	**7**	**46**
Changes affecting profit and loss	81	75
Allowances	81	75
Reversals	0	-
Changes not affecting profit and loss	-3	8
Impairments	0	0
Other	-3	8
Balance as at 31/12/2008	**84**	**128**

In EUR million	Fixed-income securities	Variable-yield securities
CHANGES		
Balance as at 01/01/2009	**84**	**128**
Changes affecting profit and loss	10	53
Allowances	15	53
Reversals	-5	-
Charges not affecting profit and loss	-40	-76
Impairments	-	-
Other	-40	-76
Balance as at 31/12/2009	**54**	**105**

Note 20 – Impairment of loans and receivables

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

In EUR million	31/12/2008	31/12/2009
Total (balance sheet)	**103**	**100**
Breakdown by type	**103**	**100**
Specific impairments for on-balance sheet loans and receivables	103	99
Portfolio-based impairment	0	1
Breakdown by counterparty	**103**	**100**
Loans and advances to banks	-	-
Loans and advances to customers	103	100

In EUR million	Specific impairments for on-balance sheet loans and receivables	Portfolio-based impairment	Total
CHANGES			
Balance as at 01/01/2008	**50**	**0**	**50**
Changes affecting profit and loss	55	0	55
Allowances	56	0	56
Reversals	-1	-	-1
Charges not affecting profit and loss	-2	-	-2
Impairments	-	-	-
Other	-2	-	-2
Balance as at 31/12/2008	**103**	**0**	**103**

In EUR million	Specific impairments for on-balance sheet loans and receivables	Portfolio-based impairment	Total
CHANGES			
Balance as at 01/01/2009	**103**	**0**	**103**
Changes affecting profit and loss	0	1	1
Alloances	0	1	1
Reversals	0	-	0
Changes not affecting profit and loss	-4	-	-4
Impairments	-	-	-
Other	-4	-	-4
Balance as at 31/12/2009	**99**	**1**	**100**

Note 21 – Derivatives

In EUR million	Held-for-trading			Fair-value micro-hedging		
	Fair value		Notional value	Fair value		Notional value
	Assets	Liabilities		Assets	Liabilities	
31/12/2008						
Total	**468**	**385**	**20,364**	**84**	**72**	**2,031**
Interest rate cotracts	**96**	**112**	**10,121**	**81**	**71**	**1,969**
Interest-rate swaps	93	108	9,761	81	71	1,969
Futures	0	1	151	-	-	-
Other	3	3	208	-	-	-
Foreign-exchange contracts	**195**	**148**	**8,912**	**3**	**2**	**55**
Forward-based foreign- exchange operations	182	145	8,785	-	-	-
Currency and interest-rate swaps	-	-	-	3	2	55
Other	13	2	127	-	-	-
Equity contracts	**160**	**119**	**1,213**	**0**	**-**	**7**
Futures	1	1	49	-	-	-
Options	1	1	107	-	-	-
Other	158	117	1,057	0	-	7
Raw material and other contracts	**17**	**6**	**119**	**-**	**-**	**-**

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

In EUR million	Held-for-trading			Fair-value micro-hedging		
	Fair value		Notional value	Fair value		Notional value
	Assets	Liabilities		Assets	Liabilities	
31/12/2009						
Total	**221**	**309**	**27,111**	**79**	**84**	**2,150**
Interest rate contracts	**102**	**115**	**19,010**	**79**	**83**	**2,134**
Interest-rate swaps	98	111	18,268	79	83	2,134
Forward rate agreements	0	0	146	-	-	-
Futures	1	0	76	-	-	-
Other	3	4	520	-	-	-
Foreign exchange contracts	**81**	**159**	**7,064**	**-**	**1**	**8**
Forward-based foreign- exchange operations	80	159	7,027	-	-	-
Currency and interest-rate swaps	-	-	-	-	1	8
Other	0	0	37	-	-	-
Equity contracts	**37**	**32**	**959**	**0**	**-**	**9**
Futures	1	1	74	-	-	-
Options	2	2	65	-	-	-
Other	34	29	820	0	-	9
Raw material and other contracts	**1**	**3**	**77**	**-**	**-**	**-**

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

Note 22 – Other assets

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

Note 23 – Tax assets

In EUR million	31/12/2008	31/12/2009
Current tax assets	**27**	**2**
Deferred tax assets	**124**	**61**
Losses carried forward	80	62
Provisions	-22	-22
Available-for-sale financial instruments	42	-1
Other	24	22
TAX ASSETS	**151**	**63**

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

Note 24 – Intangible assets

In EUR million	Goodwill	Software developed in-house	Software purchased	Total
CHANGES				
Balance as at 01/01/2008	**84**	**9**	**0**	**93**
Acquisitions	-	2	-	**2**
Disposals	-	-	-	**-**
Amortisation	-	-3	-	**-3**
Impairments	-	-	-	**-**
Allowances	-	-	-	**-**
Reversals	-	-	-	**-**
Other	-	-	-	**-**
Balance as at 31/12/2008	**84**	**8**	**0**	**92**
Of which, cumulative amortisation and impairment	-	-6	-	**-6**
Balance as at 01/01/2009	**84**	**8**	**0**	**92**
Acquisitions	-	7	0	**7**
Disposals	-	0	-	**0**
Amortisation	-	-5	0	**-5**
Impairments	-	-	-	**-**
Allowances	-	-	-	**-**
Reversals	-	-	-	**-**
Other	-	-	-	**-**
Balance as at31/12/2009	**84**	**10**	**0**	**94**
Of which, cumulative amortisation and impairment	-	-8	-1	**-8**

Note 25 – Property and equipment and investment properties

In EUR million	31/12/2008	31/12/2009
PROPERTY AND EQUIPMENT	**108**	**109**
INVESTMENT PROPERTIES		
Net carrying value	14	14
Fair value	16	21
Investment properties – rental income	1	1

In EUR million	Land and buildings	IT equipment	Other equipment	Total property and equipment	Investment property
CHANGES					
Balance as at 01/01/2008	**87**	**3**	**11**	**101**	**15**
Acquisitions	9	1	1	12	-
Disposals	-	-	-	-	-
Depreciation	-4	-1	-0	-6	-0
Impairment	-	-	-	-	-
Allowances	-	-	-	-	-
Reversals	-	-	-	-	-
Other	0	-	-	0	0
Balance as at 31/12/2008	**91**	**4**	**12**	**108**	**14**
Of which, cumulative amortisation and impairment	-47	-8	-3	**-58**	-6
Balance as at 01/01/2009	**91**	**4**	**12**	**108**	**14**
Acquisitions	5	1	1	7	0
Disposals	-	-	0	0	0
Depreciation	-5	-1	0	-6	0
Impairment	-	-	-	-	-
Allowances	-	-	-	-	-
Reversals	-	-	-	-	-
Other	0	-	-	0	0
Balance as at 31/12/2009	**91**	**4**	**13**	**109**	**14**
Of which, cumulative amortisation and impairment	-52	-9	-3	**-64**	-7

Note 26 – Provisions

In EUR million	Provisions for restructuring	Specific impairment for credit commitments	Other provisions [1]	Total
Balance as at 01/01/2008	**-**	**0**	**23**	**23**
Changes affecting profit and loss				
Allowances	-	-	1	**1**
Reversals	-	-	-16	**-16**
Other changes	-	0	-1	**-1**
Balance as at 31/12/2008	**-**	**0**	**7**	**7**

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

In EUR million	Provisions for restructuring	Specific impairment for credit commitments	Other provisions [1]	Total
Balance as at 01/01/2009	**-**	**0**	**7**	**7**
Changes affecting profit and loss		0	4	**4**
Allowances		-	6	**6**
Reversals		0	-2	**-2**
Other changes		0	-2	**-2**
Balance as at 31/12/2009	**-**	**0**	**10**	**10**

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

Note 27 – Other liabilities

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

Note 28 – Retirement benefit obligations

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

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

Defined benefit plans (in EUR million)	31/12/2008	31/12/2009
Defined-benefit plan obligations		
Value of obligations as at 01/01	**55**	**56**
Current service cost	2	2
Interest cost	3	3
Plan amendments	-	-
Actuarial gain/(loss)	-0	2
Benefits paid	-4	-5
Other	-	-
Value of obligations as at 31/12	**56**	**59**
Fair value of plan assets		
Fair value of assets as at 01/01	**45**	**39**
Actual return on plan assets	-6	6
Employer contributions	3	3
Plan participant contributions	0	1
Benefits paid	-4	-4
Other	-	-
Fair value of assets as at 31/12	**39**	**45**
Of which financial instruments issued by KBL	-	
Funded status		
Plan assets in excess of defined-benefit obligations	-17	-13
Unrecognised net actuarial gains	13	8
Unrecognised past service costs	-	-
Unrecognised assets	-3	-1
Plan over-/(under-) funding	-6	-6

Defined benefit plans (in EUR million)	31/12/2008	31/12/2009
Changes relating to net liability		
Net liability as at 01/01	**-7**	**-6**
Net period cost on income statement	-3	-3
Employer contributions	4	3
Other	0	0
Net liability as at 31/12	**-6**	**-6**
Amounts recognised in profit or loss		
Current service cost	-2	-2
Interest cost	-3	-3
Expected return on plan assets	2	2
Adjustments to asset limits recognised	0	0
Amortisation of unrecognised past service costs	-	-
Amortisation of unrecognised net actuarial (gains)/losses	-	0
Other	-	-
Net period cost on income statement	**-3**	**-3**
Actual return on plan assets (in %)	-13.32%	15.86%
Principal actuarial assumptions used		
Discount rate	4.40%	4.60%
Expected rate of return on plan assets	4.00%	4.00%
Expected rate of salary increase	3.00%	3.00%
Expected rate of pension increase	2.00%	2.00%

Defined benefit plans (in EUR million)	31/12/2005	31/12/2006	31/12/2007	31/12/2008	31/12/2009
Year-end amount of liability	61.1	58.2	55.2	56.1	58.5
Year-end fair value of assets	21.6	43.4	45.3	39.2	45.1
Plan assets in excess of obligations	-39.6	-14.7	-10.0	-16.9	-13.4
Plan excess/(under-) funding	-26.3	-8.9	-7.0	-6.5	-6.1

The estimate of the employer contribution payable to the defined-benefit pension plan assets for 2010 is EUR 2.5 million.

Defined contribution plans (in EUR million)	31/12/2008	31/12/2009
Amount recorded on income statement	2	2

Note 29 – Equity

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

The bank's articles of association specify that, if the 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.

As at 31 December 2009, the lagal reserve was EUR 18.7 million representing 10% of the paid up capital, the free reserves and the reserve for the reduction of wealth tax amounted to EUR 699.6 million and EUR 60.2 million respectively.

In number of shares	31/12/2008	31/12/2009
Total number of shares issued	**20,136,588**	**20,136,588**
Ordinary shares	18,186,877	18,186,877
Preference shares	1,949,711	1,949,711
Of which: those that entitle the holder to a dividend payment	**20,135,889**	**20,135,744**
Of which: treasury shares, including commitments	699	844
Of which: shares representing equity under IFRS	20,135,889	20,135,744

Changes	Ordinary shares	Preference shares	Total
Balance as at01/01/2009	**18,186,877**	**1,949,711**	**20,136,588**
Cancellation of shares bought back	-	-	-
Balance as at31/12/2009	**18,186,877**	**1,949,711**	**20,136,588**

Note 30 – Dividend per share

At its meeting of 27 August 2009, the Board of Directors decided to allocate the sum of EUR 59.6 million to the payment of an interim dividend for 2009 plus the payment of a dividend for 2008 to holders of non-voting preference shares.

A gross dividend of EUR 2.936 per ordinary share and EUR 3.186 per preference share was paid.

At the Annual General Meeting of 17 March 2010, taking into account the payment of the interim dividend it shall be proposed to carry forward the balance of the distributable profit.

Note 31 – Lending commitments, financial guarantees and other commitments

In EUR million	31/12/2008	31/12/2009
Confirmed credits, unused	477	537
Financial guarantees	278	236
Other commitments (securities issuance facilities, spot transaction settlement, etc,)	133	993
Total	**889**	**1,766**

In the course of 2000 several Directors, managers and members of KBL *epb* 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, After the order of this court of 11 January 2008 and the judgement of a grand jury of 24 September 2008, six persons charged from KBL *epb* were referred to the criminal court.

The case was brought before the Brussels Criminal Court on 3 April 2009, After several weeks of deliberations in which it was exclusively pleaded that the investigation had been improper, a judgement was issued on 8 December 2009. The court considered that the evidence on which all the legal proceedings were based had been introduced into the case in a seriously irregular or even illegal manner and that the flaws had had a structural effect on the investigation and so this had to be declared invalid and the proceedings inadmissible. As a result, all the accused were discharged from all proceedings.

On 10 December 2009, the Public Prosecutor filed an appeal against this judgement. The proceedings shall thus be brought before the Appeal Court of Brussels.

Given this appeal, with the outcome of the proceedings being uncertain, it is not possible to estimate its possible effect on the KBL *epb* annual accounts reliably.

Note 32 – Assets under management

Total assets under management as at 31 December 2009 were EUR 14 billion, of which EUR 7.3 billion was from clients in the private banking sector (2008: EUR 14.5 billion, of which EUR 7.7 billion was from private banking sector).

Note 33 – Related-party transactions

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

In EUR million	31/12/2008	31/12/2009
Assets	**7,375**	**4,336**
Held-for-trading	411	297
At fair value via profit and loss	-	-
Available-for-sale	2,072	2,052
Loans and receivables	4,811	1,908
Hedging derivatives	81	79
Liabilities	**5,084**	**3,427**
Held-for-trading	45	99
At amortised cost	5,005	3,297
Hedging derivatives	33	32
Income statement		
Net interest income	13	91
Dividends	92	45
Net fee and commission income	1	3
Depreciation of financial assets not at fair value via profit and loss	-	-46

WITH KEY MANAGEMENT PERSONNEL (in EUR million)	31/12/2008	31/12/2009
Amount of remuneration to key management personnel of KBL Group *epb* on the basis of their activity, including the amount in respect of retirement pensions granted to former key management personnel	12	7
Credit facilities and guarantees granted	30	26
Loans outstanding	20	23
Guarantees outstanding	0	0
Pension commitments	29	28
Expenses for defined-contribution plans	-	-

Note 34 – Solvency

The table below gives the solvency ratios calculated according to the IFRS definitionof equity and applying the caution filters as defined in CSSF circular 06/273 as amended.

In EUR million	31/12/2008	31/12/2009
Regulatory capital	**1,715**	**1,767**
Tier 1 capital	**1,221**	**1,325**
Capital and reserves (including profit/loss carried forward)	1,264	1,269
Hybrid capital	159	150
Intangible assets	-92	-94
Treasury shares	-0	-0
Negative revaluation of AFS bonds (1)	-110	-
Tier 2 capital	**494**	**443**
Preference shares	18	18
Positive revaluation of AFS shares	6	42
Subordinated liabilities	470	383
Tier 3 capital	**-**	**-**
Deductions	**-0**	**-0**
Overall equity requirement	**551**	**435**
Credit risk, counterparty risk, securitisation and incomplete trransaction risk	478	377
Exchange risk	11	11
Position risk linked to debt securities trading	22	18
Position risk linked to equities	3	4
Operational risk	38	25
Solvenct ratios		
Basic equity solvency ratio (Tier 1 ratio)	**17.72%**	**24.34%**
Solvency ratio (CAD ratio)	**24.89%**	**32.47%**

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

Note 35 – Maximum credit-risk exposure

In EUR million	31/12/2008	31/12/2009
Assets	**14,324**	**12,019**
Balances with central banks	854	101
Financial assets	13,408	11,884
Held-for-trading	808	582
At fair value via profit and loss	171	27
Available-for-sale assets	6,120	5,911
Loans and receivables	6,226	5,285
Hedging derivatives	84	79
Current tax assets	27	2
Other assets	35	32
Off-balance sheet items	**889**	**1,766**
Confirmed credits, unused	477	537
Financial guarantees	278	236
Other commitments (securities issuance facilities, spot transaction settlement, etc,)	133	993
Exposition maximale au risque de crédit	**15,213**	**13,785**

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 for reverse-repo operations and securities lending), and
- other personal and/or collateral guarantees (mortgages).

These guarantees are 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 36 – Risk management

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

Note 37 – Remuneration for external auditors

in EUR thousand	31/12/2008	31/12/2009
Standard audit services	611	642
Other services	-	-
Total	**611**	**642**

Note 38 – Significant consolidated subsidiaries

As at 31 December 2009, the list of companies in which the Bank had a significant holding of at least 20% of the capital was as follows :

NAME AND HEAD OFFICE	CAPITAL HELD	EQUITY Excl, annual results (2)		RESULT (2)	
Brown, Shipley & Co, Ltd – U.K. (1) and (3)	100.00%	36,292,573	GBP	2,011,787	GBP
KBL (Switzerland) Ltd - Switzerland	99.99%	117,492,585	CHF	-2,782,679	CHF
KBL Richelieu Banque Privée – France	100.00%	151,440,103	EUR	-122,351	EUR
KBL Monaco Private Bankers S.A. – Monaco	100.00%	10,008,268	EUR	727,438	EUR
Financière et Immobilière S.A. –Luxembourg (1)	100.00%	2,418,374	EUR	130,312	EUR
KB Lux Immo S.A. – Luxembourg (1)	100.00%	35,712,617	EUR	754,689	EUR
Centre Europe S.A. – Luxembourg (1)	100.00%	25,118,654	EUR	1,007,033	EUR
Merck Finck & Co – Germany (1)	100.00%	155,002,112	EUR	6,162,771	EUR
European Fund Administration – Luxembourg (1)	52.70%	22,421,028	EUR	5,062,248	EUR
Kredietrust Luxembourg S.A. – Luxembourg (1)	100.00%	7,180,745	EUR	8,413,710	EUR
Theodoor Gilissen Bankiers N.V. – Netherlands (3)	100.00%	92,658,753	EUR	4,106,455	EUR
Fidef Ingenièrie Patrimoniale S.A. – France	100.00%	-3,839,857	EUR	924,312	EUR
Puilaetco Dewaay Private Bankers S.A. – Belgium (1)	100.00%	81,666,099	EUR	20,220,225	EUR

(1) : percentage of direct and indirect holdings.
(2) : provisional, social, local GAAP figures.
(3) : Local Gaap = IFRS ; equity excluding reserves on the available-for-sale portfolio and cash-flow.

Note 39 – Events

Within the framework of the plan presented to the European Commission in September 2009. KBC Group took the decision to sell the European Private Banking Business Unit. Since 2006. the Luxembourg insurance company Vitis Life S.A. has, analytically, been part of this Business Unit within KBC Group. Further. taking account of the significant links between Vitis Life S.A. and KBL, it has been decided to include this company in the sale of KBL *epb*.

In this context. KBL *epb* has decided to buy KBC Verzekeringen N.V.'s 94.32% stake in Vitis Life. KBL *epb* shall thus own it 100%. This transaction should be carried out before the sale of KBL *epb* by KBC Group.

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www.puilaetcodewaay.be

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GLOBAL INVESTOR SERVICES	
Investment Funds & Global Custody	Tel. : 4797-3512
Institutional Asset Management Services	Tel. : 4797-4561
Global Market Sales	Tel. : 2621-0211
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

GLOBAL FINANCIAL MARKETS	
Management & Executive Assistant	Tel. : 4797-2774
Correspondent Banking & International Relations	Tel. : 4797-3869
Market Support & MDS Competence Centre	Tel. : 4797-7882
Fixed Income	Tel. : 2621-0122
Structured Products + Derivatives	
Structured Products + Derivatives	Tel. : 2621-0233
Domestic & Foreign Equity Markets	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

Corporate and Credits	Tel. : 4797-3898
Corporate Banking & International Loans	Tel. : 4797-2289
Fiscal Agencies	Tel. : 4797-2748
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Private Equity	Tel. : 4797-2941

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Tax Department	Tél. : 4797-2987
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