

**FINANCIAL REPORT 2009**  
of  
KBC INTERNATIONAL FINANCE N.V.  
CURAÇAO, NETHERLANDS ANTILLES

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## **DIRECTORS' REPORT**

### **General**

The purpose of the company is the issue of bonds and the on-lending of the proceeds to KBC Bank NV its subsidiaries and associated companies. The company has no employees and the principal activity of the company consists of the administration of the bonds issued and the loans made.

As stated in the notes to the accounts, the bonds issued by the company are fully guaranteed by KBC Bank NV.

### **Financial**

The net profit after tax for 2009 amounted to € 199,065.

There have been no further important events, material or financial, relating to the company since December 31<sup>st</sup> 2009.

The interest income of the company amounted to € 10,516,080 compared to € 19,074,000 in 2008.

The solvency ratio was 5.29 % at December 31<sup>st</sup> 2009 (2008: 0.47 %).

The liquidity ratio (current assets to current liabilities) was 1.23 at December 31<sup>st</sup> 2009 (2008: 1.00).

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the assets, liabilities, financial position and profit of KBC International Finance N.V.

### **Management**

On July 31<sup>st</sup> 2009 Mr. G. Segers and Mr. R. Lejaeghere resigned from the Board of Supervisory Directors and Mr. L. Gijssens was appointed to the Board of Supervisory Directors.

Mr. J. J. M. Sluijter retired from the Management Board on January 31<sup>st</sup> 2010.

### **Responsibility Statement**

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the assets, liabilities, financial position and profit of KBC International Finance NV and the directors' report includes a fair review of the development and performance of the business and the position of KBC International Finance N.V. together with a description of the principal opportunities and risks associated with the expected development of KBC International Finance N.V.

### **Corporate Governance**

The company is a wholly owned subsidiary of KBC Internationale Financieringsmaatschappij N.V. Rotterdam which is a wholly owned subsidiary of KBC Bank NV, Brussels. As such, the company complies with the control requirements and standards of the KBC Group with regard to

accounting, operations, internal controls and risk management. Furthermore, the company is subject to audits carried out periodically by the internal audit department of the KBC Group.

The structure and organisation of the company are such that risks to the company are strictly limited because there are no currency, interest rate or interest period risks as all bonds issued are on-lent to the KBC Group in the same amount, currency and interest periods. Interest margins earned on the loans are principally in Euro.

The directors' reporting line is to the corporate treasury department within KBC Bank NV. The directors do not receive any remuneration from the company. The Board of Supervisory Directors of the company is comprised of senior officials of KBC Bank N.V. The Supervisory Directors monitor the transactions and operations of the company periodically during the financial year. Because of the limited size of the company's operations, a separate Report of the Supervisory Directors is not considered necessary.

#### **Future Developments**

KBC International Finance N.V. did not launch any new issues, bonds or other financing programme during the financial year ending December 31, 2009 and, in line with the group policy, it is not planned that the company will do so in the future. The last of the outstanding bonds will mature in 2012.

Rotterdam, March 26th, 2010

Management Board:

J.G. Heffernan

**BALANCE SHEET AS AT DECEMBER 31, 2009**  
(before profit appropriation)

**A s s e t s**

	<b>2009</b>		<b>2008</b>	
	€	€	€	€
<b>Fixed assets</b>				
Financial fixed assets	(2)	21,678,092		32,932,275
<b>Current assets</b>				
Loans falling due within one year	(2)	11,051,585	325,053,582	
Interest receivable	(3)	1,176,000	13,001,099	
Cash		<u>3,171,657</u>	<u>3,797,891</u>	
		<u>15,399,242</u>		<u>341,852,572</u>
<b>Total assets</b>		<u>37,077,334</u>		<u>374,784,847</u>

**L i a b i l i t i e s**

**Capital and reserves**

Paid-in and called-up share capital	(4)	84,012	84,012	
Retained earnings	(5)	1,678,371	1,655,309	
Net profit for the year	(5)	<u>199,065</u>	<u>23,061</u>	
		1,961,448		1,762,382

<b>Long term liabilities</b>	(6)	22,550,991		34,165,145
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**Current liabilities**

Issued bonds falling due within one year	(6)	11,371,146	325,956,986	
Other current liabilities	(7)	<u>1,193,749</u>	<u>12,900,334</u>	
		<u>12,564,895</u>		<u>338,857,320</u>

<b>Total liabilities</b>		<u>37,077,334</u>		<u>374,784,847</u>
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**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2009**

	<b>2009</b>		<b>2008</b>	
	€	€	€	€
<b>Interest income</b>				
Interest income	(9)	10,516,081		19,074,000
<b>Interest expense</b>	(9)	(10,221,302)		(19,026,684)
<b>Gross margin</b>		294,779		47,316
<b>Operating expenses</b>				
General and administrative expenses	(10)	(21,982)		(22,644)
Exchange rate differences		(5,596)		6,290
		(27,578)		(16,354)
<b>Profit before taxation</b>		267,201		30,962
Corporation tax	(11)	(68,136)		(7,901)
<b>Net profit for the year</b>		199,065		23,061

**CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2009**

	<b>2009</b>	2008
	€	€
Net profit	199,065	23,061
Change in other assets and liabilities	(46,247)	(92,358)
Tax received	15,299	17,437
<b>Net cash flow from operational activities</b>	<b>168,117</b>	<b>(51,860)</b>
Financial fixed assets	<u>325,252,345</u>	<u>5,157,509</u>
<b>Net cash flow from investment activities</b>	<b><u>325,252,345</u></b>	<b><u>5,157,509</u></b>
Bonds issued (repaid)	(326,046,696)	(5,076,926)
<b>Net cash flow from financing activities</b>	<b>(794,351)</b>	<b>(5,076,926)</b>
<b>Net cash flow</b>	<b><u>(626,234)</u></b>	<b><u>28,723</u></b>
Cash balance as at January 1	3,797,891	3,769,168
Cash balance as at December 31	3,171,657	3,797,891
<b>Net cash flow</b>	<b><u>(626,234)</u></b>	<b><u>28,723</u></b>

## NOTES TO THE FINANCIAL STATEMENTS 2009

### 1 Accounting principles

#### General

The company is a wholly-owned subsidiary of KBC Internationale Financieringsmaatschappij N.V., Rotterdam and is legally incorporated according to the applicable laws of Curaçao, The Netherlands Antilles. The main activity of the company is to assist in financing the activities of KBC Bank NV, its subsidiaries and associated companies. The address of the company is Watermanweg 92, 3067 GG Rotterdam, The Netherlands.

The financial statements have been prepared in accordance with Dutch generally accepted accounting principles. Unless stated otherwise, all assets and liabilities are stated at face value.

#### Currency translation

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rates ruling at the dates of the transactions. Resulting translation differences are taken to the profit and loss account.

#### Balance sheet

##### *Financial fixed assets*

Loans to group companies and bonds issued under the various programmes are stated at amortized cost. The differences with the proceeds resulting from premiums or discounts are taken to the profit and loss account on the basis of effective interest (differences resulting from issue expenses are taken to the profit and loss account on a straight-line basis) over the remaining term of the loans/bonds concerned; the unamortized amounts are added to, or deducted from, the amounts of the loans/bonds issued.

##### *Interest receivable and accrued expenses*

Interest receivable and accrued expenses are stated at face value.

#### Profit and loss account

Income and expenses are recognized in the financial year to which they relate.

##### *Interest*

Interest is accrued based on the contractual interest level in the financial year. Both loans granted to group companies and bonds issued have been treated in the same way.



### *Taxes*

Tax charges are based on the income for the year.

## NOTES TO THE BALANCE SHEET

### 2 Financial fixed assets

The financial fixed assets consist of loans to group companies.

	<b>2009</b>	2008
	€	€
Balance as at January 1, over 1 year	32,932,275	357,136,765
Balance as at January 1, less than one year	325,053,582	6,006,601
	<u>357,985,857</u>	<u>363,143,366</u>
Amortization of premiums and discounts	146,966	347,379
Repayments	(325,091,329)	(6,006,601)
Translation differences	(311,817)	501,713
	<u>32,729,677</u>	<u>357,985,857</u>
Falling due within one year	(11,051,585)	(325,053,582)
Balance as at December 31, over 1 year	<u><u>21,678,092</u></u>	<u><u>32,932,275</u></u>

Early redemption under specified conditions is possible.  
Loans to group companies are at arms-length basis.

The maturity breakdown of the loans to group companies as at 31 December is as follows:

	Total	< 1 year	1 < 5 years	> 5 years
<i>Loans:</i>				
As of December 31, 2009	32,729,677	11,051,585	21,678,092	-
As of December 31, 2008	357,985,857	325,053,582	32,932,275	-

### 3 Interest receivable and accrued expenses

	<b>2009</b>	2008
	€	€
This represents:		
Accrued interest receivable	1,176,000	12,995,936
Receivable from parent company in respect of tax	-	5,163
	<u>1,176,000</u>	<u>13,001,099</u>

The interest on bonds issued and loans granted to group companies is calculated using a straight-line method.

#### 4 Paid-in and called-up share capital

##### Authorised

10,000 ordinary shares of USD 10 USD 100,000

**Paid-in and called-up share capital** **€ 84,012**

The movements in paid-in and called-up share capital were as follows:

	<u>2009</u>	<u>2008</u>
Balance at January 1	<u>84,012</u>	<u>84,012</u>
Balance at December 31	<u>84,012</u>	<u>84,012</u>

The paid-in and called-up share capital is fully held by KBC Internationale Financieringsmaatschappij N.V., Rotterdam.

The share capital is valued in euros, using the original exchange rate of USD 1.1903/€ 1.000

#### 5 Retained earnings

	<u>2009</u>	<u>2008</u>
	€	€
Balance as at January 1	1,655,309	1,655,309
Distributable profit for the financial year	199,065	23,061
Balance as at December 31	<u>1,854,374</u>	<u>1,678,370</u>

#### 6 Long term liabilities

	<u>2009</u>	<u>2008</u>
	€	€
This represents:		
Bonds issued as at January 1, over 1 year	34,165,145	359,169,053
Bonds issued as at January 1, less than 1 year	325,956,986	6,030,005
	<u>360,122,131</u>	<u>365,199,058</u>
Amortization of premiums, discounts and issue expenses	172,436	463,738
Repayments	(326,046,842)	(6,040,723)
Translation differences	(325,588)	500,059
	<u>33,922,137</u>	<u>360,122,131</u>

Falling within one year	(11,371,146)	(325,956,986)
Balance as at December 31, over 1 year	<u>22,550,991</u>	<u>34,165,145</u>

The maturity breakdown of the bonds issued as at December 31 is as follows:

	<u>Total</u>	<u>&lt; 1 year</u>	<u>1 &lt; 5 years</u>	<u>&gt; 5 years</u>
<i>Loans:</i>				
As of December 31, 2009	33,922,137	11,371,146	22,550,991	-
As of December 31, 2008	360,122,131	325,956,986	34,165,145	-

All bonds are guaranteed by KBC Bank NV, Brussels, Belgium.

## 7 Other current liabilities

This represents:

	<u>2009</u>	<u>2008</u>
	€	€
Accrual interest	1,179,450	12,892,599
Payable to parent company in respect of tax	10,136	-
Sundries	4,163	7,735
	<u>1,193,749</u>	<u>12,900,334</u>

## 8 Fair value of financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties at an arm's length transaction.

The assets and liabilities of the company mainly consist of financial instruments. For most of the financial instruments fair values, such as market values, are not available and can only be estimated using certain calculation models. The proceeds of the bonds issued are used for intercompany financing of the KBC group, in particular of KBC Bank NV. The contracts for intercompany financing do not differ other than an interest margin, where applicable, from the structuring of the bonds in terms of maturity, currency, interest terms and fixings.

The fair value of the financial instruments at December 31<sup>st</sup> is as follows:

	<u>2009</u>	<u>2008</u>
	€	€
Financial assets	35,901,333	361,783,746
Financial liabilities	32,264,567	355,764,944

## NOTES TO THE PROFIT AND LOSS ACCOUNT

### 9 Interest income and expense

The interest receivable mainly results from the loans granted by the company to KBC Bank NV, Brussels, Belgium. The interest payable relates to bonds issued.

### 10 General and administrative expenses

This represents:

	<u>2009</u>	<u>2008</u>
	€	€
Management fees	6,547	10,588
Audit and legal fees	7,002	9,877
Sundries	8,008	1,664
Bank charges	425	515
	<u>21,982</u>	<u>22,644</u>

The company has no employees. The directors and members of the Supervisory Board did not receive any remuneration.

### 11 Corporation tax

Corporation tax is calculated based on the profit before taxation at the applicable tax rate in the Netherlands (2009: 25.5%). KBC International Finance N.V. forms a fiscal unity together with KBC Internationale Financieringsmaatschappij N.V.

### 12 Commitments

The company has not entered into any commitments.

### 13 Risk management

The structure and organisation of the company are such that interest, exchange, market and operational risks to the company are strictly limited, notes issued being on-lent within the group for the same currency, amount and tenor. The interest margins on the loans where applicable, have been set in conjunction with KBC Bank NV and take account of the company's obligations under an Advance Pricing Agreement entered into with the Dutch authorities.

## **14 Related Parties**

The loans of the company are extended exclusively to group companies and interest income on loans is earned entirely from group companies. A management fee amounting to € 5,113 (2008: € 9,474) has been paid to the KBC Internationale Financieringsmaatschappij N.V.

## **NOTES TO THE CASH FLOW STATEMENT**

### **15 Cash flow statement**

The Cash Flow Statement is compiled according to the indirect method. Net cash flow from operational activities includes interest received amounting to € 22,336,018 (2008: € 18,981,355) and Interest Paid amounting to € 21,934,450 (2008: € 18,932,500).

The cash balances of the company are free of encumbrance.

Rotterdam, March 26th, 2010

Board of Directors:

J.G. Heffernan

Supervisory Board:

P.Roppe

L.Gijsens

## **OTHER INFORMATION**

### **Statutory rules concerning appropriation of profit**

The net profit has been added to retained earnings.

In accordance with the company's Articles of Association, the net profit is at the disposal of the annual General Meeting of Shareholders.

To: Board of Directors of KBC International Finance N.V.

## **AUDITOR'S REPORT**

### **Report on the financial statements**

We have audited the accompanying financial statements for the year ended December 31, 2009 of KBC International Finance N.V., Rotterdam, which comprise the balance sheet as at December 31, 2009, the profit and loss account for the year then ended and the notes.

#### *Management's responsibility*

Management is responsible for the preparation and fair presentation of the financial statements and for the preparation of the directors' report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of KBC International Finance N.V. as at December 31, 2009, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

## **Report on other legal and regulatory requirements**

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the directors' report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Eindhoven, March 26, 2010

Ernst & Young Accountants LLP

signed by P.J.A.J. Nijssen