

FINANCIAL REPORT 2008
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 N.V. 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 2008 amounted to €23,061.

There have been no further important events, material or financial, relating to the company since December 31st 2008.

The interest income of the company amounted to € 19,074,000 compared to € 26,831,053 in 2007.

The solvency ratio was 0.47 % at 31st December 2008 (2007: 0.46%).

The liquidity ratio (current assets to current liabilities) was 1.00 at 31st December 2008 (2007: 1.2).

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.

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 N.V. 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, Brussel. 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, 2008 and, in line with the group policy, it is not planned that the company will do so in the future.

Rotterdam, 31st March 2009

Management Board:

J.G. Heffernan

J.J.M. Sluijter

BALANCE SHEET AS AT DECEMBER 31, 2008

(before profit appropriation)

A s s e t s

		2008		2007
		€	€	€
Fixed assets				
Financial fixed assets	(2)	32,932,275		357,136,765
Current assets				
Loans falling due within one year	(2)	325,053,582		6,006,601
Interest receivable	(3)	13,001,099		12,925,892
Cash		3,797,891		3,769,168
		<u>341,852,572</u>		<u>22,701,661</u>
Total assets		<u><u>374,784,847</u></u>		<u><u>379,838,426</u></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)	1,655,309		406,628
Net profit for the year	(5)	23,061		1,248,681
		<u>1,762,382</u>		<u>1,739,321</u>

Long term liabilities	(6)	34,165,145		359,169,053
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Current liabilities

Issued bonds falling due within one year	(6)	325,956,986		6,030,005
Other current liabilities	(7)	12,900,334		12,900,047
		<u>338,857,320</u>		<u>18,930,052</u>
Total liabilities		<u><u>374,784,847</u></u>		<u><u>379,838,426</u></u>

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2008

	2008		2007	
		€	€	€
Interest Income				
Interest income	(9)	19,074,000		26,831,053
Interest expense	(9)	(19,026,684)		(25,119,255)
Gross margin			47,316	1,711,798
Operating expenses				
General and administrative expenses	(10)	(22,644)		(23,052)
Exchange rate differences		6,290		(12,664)
			(16,354)	(35,716)
Profit before taxation			30,962	1,676,082
Corporation tax	(11)		(7,901)	(427,401)
Net profit for the year			23,061	1,248,681

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2008

	2008	2007
	€	€
Net profit	23,061	1,248,681
Change in other assets and liabilities	(92,358)	(21,502)
Tax received	17,437	3,939
Net cash flow from operational activities	(51,860)	1,231,118
Financial fixed assets	<u>5,157,509</u>	<u>231,771,179</u>
Net cash flow from investment activities	<u>5,157,509</u>	<u>231,771,179</u>
Bonds issued (repaid)	(5,076,926)	(233,405,377)
Dividends paid	-	(350,000)
Net cash flow from financing activities	(5,076,926)	(233,755,377)
Net cash flow	<u>28,723</u>	<u>(753,080)</u>
Cash balance as at January 1	3,769,168	4,522,248
Cash balance as at December 31	3,797,891	3,769,168
Net cash flow	<u>28,723</u>	<u>(753,080)</u>

NOTES TO THE FINANCIAL STATEMENTS 2008

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 N.V., 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.

Change in accounting policy

With effect from 1st January 2008, the company has adopted RJ 290 (New Directive on Financial Instruments); the comparative figures for 2007 have been re-stated on the basis of the directive.

The resulting change in accounting policy affects the valuation of the loans and bonds issued. The loans and bonds issued were stated heretofore at face value with unamortized issue expense, premiums and discounts being included under current assets and current liabilities; with effect from 1st January 2008 they are stated at amortized cost, whereby unamortized issue expense, premiums and discounts are added to/deducted from the nominal amounts of the loans and bonds issued.

As a result of the change in accounting policy loans stated in the balance sheet are Eur 150,802 lower (2007: Eur 498,181 lower) and bonds issued are Eur 325,735 lower (2007: Eur 765,664 lower).

The change in accounting policy has no effect on the equity and on the profit and loss account of the company.

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 (issue expenses, premiums or discounts) 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.

	2008	2007
	€	€
Balance as at January 1, over 1 year	357,136,765	379,766,044
Balance as at January 1, less than one year	6,006,601	215,148,501
	363,143,366	594,914,545
Amortization of premiums and discounts	347,379	555,553
Repayments	(6,006,601)	(245,025,358)
Translation differences	501,713	12,698,626
	357,985,857	363,143,366
Falling due within one year	(325,053,582)	(6,006,601)
Balance as at December 31, over 1 year	32,932,275	357,136,765

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, 2008	357,985,857	325,053,582	32,932,275	-
As of December 31, 2007	363,143,366	6,006,601	357,136,765	-

3 Interest receivable and accrued expenses

	2008	2007
	€	€
This represents:		
Accrued interest receivable	12,995,936	12,903,293
Receivable from parent company in respect of tax	5,163	22,599
	13,001,099	12,925,892

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>2008</u>	<u>2007</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>2008</u>	<u>2007</u>
	€	€
Balance as at January 1	1,655,309	756,628
Distributable profit for the financial year	23,061	1,248,681
Dividends paid	-	(350,000)
Balance as at December 31	<u>1,678,370</u>	<u>1,655,309</u>

6 Long term liabilities

	<u>2008</u>	<u>2007</u>
	€	€
This represents:		
Bonds issued as at January 1, over 1 year	359,169,053	382,365,240
Bonds issued as at January 1, less than 1 year	6,030,005	216,239,194
	<u>365,199,058</u>	<u>598,604,434</u>
Amortization of premiums, discounts and issue expenses	463,738	745,422
Repayments	(6,040,723)	(246,790,147)
Translation differences	500,059	12,639,349
	<u>360,122,131</u>	<u>365,199,058</u>
Falling within one year	(325,956,986)	(6,030,005)
Balance as at 31 December, over 1 year	<u>34,165,145</u>	<u>359,169,053</u>

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

	Total	< 1 year	1 < 5 years	> 5 years
<i>Loans:</i>				
As of December 31, 2008	360,122,131	325,956,986	34,165,145	-
As of December 31, 2007	365,199,058	6,030,005	359,169,053	-

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

7 Other current liabilities

This represents:

	2008	2007
	€	€
Accrual interest	12,892,599	12,798,414
Sundries	7,735	101,633
	<u>12,900,334</u>	<u>12,900,047</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, 31st is as follows:

	2008	2007
	€	€
Financial assets	361,783,746	366,912,535
Financial liabilities	355,764,944	366,297,004

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:

	2008	2007
	€	€
Management fees	10,588	16,109
Audit fee and legal fees	9,877	4,554
Sundries	1,664	1,441
Bank charges	515	948
	<u>22,644</u>	<u>23,052</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 (2008: 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 €9,474 (2007: €14,227) 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 € 18,981,355 (2007: € 26,686,651) and Interest Paid amounting to €18,932,500 (2007: €24,158,699).

The cash balances of the company are free of encumbrance.

Rotterdam,

Board of Directors:

J.G. Heffernan

J.J.M. Sluijter

Supervisory Board:

R. Lejaeghere

P. Roppe

G. Segers

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 2008 of KBC International Finance N.V., Curaçao, which comprise the balance sheet as at December 31, 2008, 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, 2008, 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 31, 2009

Ernst & Young Accountants LLP

signed by P.J.A.J. Nijssen