

FINANCIAL REPORT 2010
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 2010 amounted to € 97,596.

An interim dividend of € 1,000,000 was paid on December 28th, 2010. The dividend will be recommended to the Annual General Meeting of Shareholders for ratification.

There have been no further important events, material or financial, relating to the company since December 31st, 2010.

The interest income of the company amounted to € 1,686,268 compared to € 10,516,081 in 2009.

The solvency ratio (net worth to total liabilities) was 4.27 % at December 31st, 2010
(2009: 5.29 %).

The liquidity ratio (current assets to current liabilities) was 1.07 at December 31st, 2010
(2009: 1.23).

Management

Mr. J. J. M. Sluijter retired from the Management Board on January 31st 2010. Mr. T.A.J. Van Craen was appointed to the Management Board of the company on July 1st, 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 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, 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 company's liquidity is generated by the cash flows from interest margins earned on the loans granted. The cash inflows and outflows coincide because the maturity dates and currencies of the loans outstanding and the notes issued are matched, as are the due dates of interest coupons receivable and payable. The company is therefore not exposed to a liquidity risk.

Similarly, interest rate risk is eliminated by virtue of the matching of the periods for which interest is received and paid and of the maturities of loans and notes issued.

As stated above under General, the lending of the company is entirely to KBC Bank NV, its subsidiaries and associated companies. As such, a credit risk exists in respect of lending to these companies. The notes issued by the company are fully guaranteed by KBC Bank NV.

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, 2010 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 28th, 2011

Management Board:

J.G. Heffernan

T.A.J. Van Craen

BALANCE SHEET AS AT DECEMBER 31, 2010
(before profit appropriation)

		2010		2009	
		€	€	€	€
A s s e t s					
Fixed assets					
Financial fixed assets	(2)		5,394,126		21,678,092
Current assets					
Loans falling due within one year	(2)	16,603,802		11,051,585	
Interest receivable	(3)	720,134		1,176,000	
Cash		2,060,189		3,171,657	
			19,384,125		15,399,242
Total assets			<u>24,778,251</u>		<u>37,077,334</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)	877,436		1,678,371	
Net profit for the year		97,596		199,065	
			1,059,044		1,961,448
Long term liabilities	(6)		5,565,411		22,550,991
Current liabilities					
Issued bonds falling due within one year	(6)	17,418,324		11,371,146	
Other current liabilities	(7)	735,472		1,193,749	
			18,153,796		12,564,895
Total liabilities			<u>24,778,251</u>		<u>37,077,334</u>

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2010

	2010		2009	
		€	€	€
Interest income				
Interest income	(10)	1,686,268	10,516,081	
Interest expense	(10)	(1,542,371)	(10,221,302)	
Gross margin				
		143,897		294,779
Operating expenses				
General and administrative expenses	(11)	(13,678)	(21,982)	
Exchange rate differences		782	(5,596)	
		(12,896)		(27,578)
Profit before taxation		131,001		267,201
Corporation tax	(12)	(33,405)		(68,136)
Net profit for the year		97,596		199,065

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010

	2010		2009	
	€	€	€	€
Net profit	97,596		199,065	
Adjustment for:				
Amortization on loans and bonds	105,387		25,470	
Translation differences	<u>10,557</u>		<u>(13,770)</u>	
	213,540		210,765	
Change in other assets and liabilities	3,220		103,215	
Taxes	<u>(5,631)</u>		<u>15,299</u>	
Net cash flow from operational activities		211,129		329,279
Financial fixed assets repaid	<u>11,177,561</u>		<u>325,091,329</u>	
Net cash flow from investment activities		11,177,561		325,091,329
Bonds repaid		(11,500,158)		(326,046,842)
Dividends paid		<u>(1,000,000)</u>		<u>-</u>
Net cash flow from financing activities		(12,500,158)		(326,046,842)
Net cash flow		<u>(1,111,468)</u>		<u>(626,234)</u>
Cash balance as at January 1		3,171,657		3,797,891
Cash balance as at December 31		<u>2,060,189</u>		<u>3,171,657</u>
Net cash flow		<u>(1,111,468)</u>		<u>(626,234)</u>

NOTES TO THE FINANCIAL STATEMENTS 2010

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 and the company is recorded under number 46197 in the Commercial Register of the Curaçao Chamber of Commerce and number 24317534 in the Rotterdam Company Register.

The financial statements are prepared in accordance with accounting principles generally accepted in The Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2 of The Netherlands Civil Code. The financial statements are prepared under the historic cost convention and presented in the joint currency of the European Monetary Union, the euro ("EUR"). Assets and liabilities are stated at amortized cost, unless otherwise stated.

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 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 effective interest level in the financial year. Both loans granted to group companies and bonds issued have been treated in the same way.

Taxes

Corporation tax is based on the income for the year. KBC Internationale Financieringsmaatschappij N.V. is the head of a fiscal unity formed with its subsidiary company KBC International Finance N.V. Corporation tax is paid by KBC Internationale Financieringsmaatschappij N.V. on behalf of the fiscal unity. KBC International Finance N.V. pays to KBC Internationale Financieringsmaatschappij N.V. the corporation tax due on its taxable income each year.

NOTES TO THE BALANCE SHEET

2 Financial fixed assets

The financial fixed assets consist of loans to group companies.

	2010	2009
	€	€
Balance as at January 1, over 1 year	21,678,092	32,932,275
Balance as at January 1, less than one year	11,051,585	325,053,582
	<u>32,729,677</u>	<u>357,985,857</u>
Amortization of premiums and discounts	3,836	146,966
Repayments	(11,177,561)	(325,091,329)
Translation differences	441,976	(311,817)
	<u>21,997,928</u>	<u>32,729,677</u>
Falling due within one year	(16,603,802)	(11,051,585)
Balance as at December 31, due over 1 year	<u><u>5,394,126</u></u>	<u><u>21,678,092</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 December 31 is as follows:

	Total	< 1 year	1 < 5 years	> 5 years
<i>Loans:</i>				
As of December 31, 2010	21,997,928	16,603,802	5,394,126	-
As of December 31, 2009	32,729,677	11,051,585	21,678,092	-

3 Interest receivable and accrued expenses

	2010	2009
	€	€
This represents:		
Accrued interest receivable	720,134	1,176,000
	<u>720,134</u>	<u>1,176,000</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:

	2010	2009
	€	€
Balance at January 1	84,012	84,012
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

	2010	2009
	€	€
Balance as at January 1	1,678,371	1,655,310
Net profit appropriation	199,065	23,061
Dividend paid	(1,000,000)	-
Balance as at December 31	<u>877,436</u>	<u>1,678,371</u>

6 Long term liabilities

	2010	2009
	€	€
This represents:		
Bonds issued as at January 1, over 1 year	22,550,991	34,165,145
Bonds issued as at January 1, less than 1 year	11,371,146	325,956,986
	33,922,137	360,122,131
Amortization of premiums, discounts and issue expenses	109,223	172,436
Repayments	(11,500,158)	(326,046,842)
Translation differences	452,533	(325,588)
	22,983,735	33,922,137
Falling due within one year	(17,418,324)	(11,371,146)
Balance as at December 31, due over 1 year	5,565,411	22,550,991

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, 2010	22,983,735	17,418,324	5,565,411	-
As of December 31, 2009	33,922,137	11,371,146	22,550,991	-

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

7 Other current liabilities

	2010	2009
	€	€
This represents:		
Accrual interest	723,747	1,179,450
Payable to parent company in respect of tax	4,505	10,136
Sundries	7,220	4,163
	735,472	1,193,749

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, applying interest rates which are market-conform at balance sheet date. The fair value is determined using valuation models based on the discounted cash flow model. The input for the model consists mainly of market observable data like Euribor and exchange rates. The proceeds of the bonds issued are used for intercompany financing 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 financial assets consist of loans. The financial liabilities are comprised of outstanding notes issued. The outstanding loans and notes issued are in various currencies, for various periods and at various rates of interest depending on the contractual terms of the individual notes and related loans.

The fair value of cash balances held at the bank and current liabilities does not differ substantially from the amounts presented in the balance sheet and they are therefore not included here.

The fair value of the financial instruments at December, 31st is as follows:

	2010 €	2009 €
Financial assets		
Loans	<u>22,352,874</u>	<u>34,491,721</u>
Total financial assets	<u>22,352,874</u>	<u>34,491,721</u>
Financial liabilities		
Notes issued	<u>23,355,261</u>	<u>35,733,183</u>
Total financial liabilities	<u>23,355,261</u>	<u>35,733,183</u>

9 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 tax authorities.

NOTES TO THE PROFIT AND LOSS ACCOUNT

10 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.

11 General and administrative expenses

	2010	2009
	€	€
This represents:		
Management fees	3,323	6,547
Audit and legal fees	5,950	7,002
Sundries	3,848	8,008
Bank charges	557	425
	<u>13,678</u>	<u>21,982</u>

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

Audit fees paid in 2010 amounted to € 4,141 (2009: € 6,331).

12 Corporation tax

Corporation tax is calculated based on the profit before taxation at the applicable tax rate in the Netherlands at 25.5% (2009: 25.5%). The effective tax rate amounts to 25.5% (2009: 25.5%).

KBC International Finance N.V. forms a fiscal unity together with KBC Internationale Financieringsmaatschappij N.V. (head of the fiscal unity). Both companies are severally liable for the corporation tax payable.

13 Commitments

The company has not entered into any commitments.

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 € 911 (2009: € 5,113) 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 € 2,142,134 (2009: € 22,336,018) and Interest Paid amounting to € 1,998,074 (2009: € 21,934,450).

The cash balances of the company are free of encumbrance.

Rotterdam, March 28th, 2011

Board of Directors:

J.G. Heffernan

T.A.J. Van Craen

Supervisory Board:

P.Roppe

L.Gijsens

OTHER INFORMATION

Statutory rules concerning appropriation of profit

In accordance with Article 19 of the company's Articles of Association, the net profit is at the disposal of the annual General Meeting of Shareholders.

Dividend

An interim dividend amounting to € 1,000,000 was paid on December 28th, 2010.

Subsequent events

There have been no material events subsequent to balance sheet date which impact the balance sheet and profit and loss account.

Independent auditor's report

To: the Shareholders and the Board of Directors of KBC International Finance N.V.

Report on the financial statements

We have audited the accompanying financial statements 2010 of KBC International Finance N.V., Curaçao, The Netherlands Antilles, which comprise the balance sheet as at 31 December 2010, the profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements and for the preparation of the directors' report, both in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 with respect to the financial statements

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, 2010 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Directors' report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the Directors' report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Eindhoven, 28 March 2011

Ernst & Young Accountants LLP

P.J.A.J. Nijssen