

**FINANCIAL REPORT 2010**

of

KBC INTERNATIONALE FINANCIERINGSMAATSCHAPPIJ N.V.  
ROTTERDAM

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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 three employees and two directors, one of whom is an employee. 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 company continued to issue bonds under the various financing programmes during 2010.

The net profit after tax for 2010 amounted to € 4,737,737. An interim dividend of € 4,250,000 out of net profit for 2010 was paid on January 3<sup>rd</sup>, 2011; a second interim dividend amounting to € 500,000 out of retained earnings was paid on January 21<sup>st</sup>, 2011. Both dividends will be recommended to the Annual General Meeting of Shareholders for ratification.

During 2010 the company issued notes amounting in total to € 4,275,853,419 (2009: € 3,609,198,177); the interest income of the company decreased to € 446,320,742 compared to € 537,769,814 in 2009.

The solvency ratio was 0.06% at December 31<sup>st</sup>, 2010 (2009: 0.06%).

The liquidity ratio (current assets to current liabilities) was 1 at December 31<sup>st</sup>, 2010 (2009: 1).

No further important events, material or financial, occurred relating to the company since December 31<sup>st</sup> 2010.

### **Management**

Mr. J.J.M. Sluijter retired from the Management Board on January 31<sup>st</sup>, 2010. Mr. T.A.J. Van Craen was appointed to the Management Board of the company on July 1<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 Internationale Financieringsmaatschappij N.V. and the directors' report includes a fair review of the development and performance of the business and the position of KBC Internationale Financieringsmaatschappij N.V. together with a description of the principal opportunities and risks associated with the expected development of KBC Internationale Financieringsmaatschappij N.V.

### **Corporate Governance**

The company is a wholly owned subsidiary of KBC Bank NV Brussels and, as such, 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 and directors' remuneration is set by KBC Bank NV.

The Board of Supervisory Directors of the company is comprised of senior officials of KBC Bank NV. 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**

We expect that the company will continue to be active in the group financing programmes; the level of activity will be dependent on market trends and the funding requirements of the KBC Group.

Rotterdam, March 28<sup>th</sup>, 2011

Management Board:

J.G. Heffernan

T.A.J. Van Craen

**BALANCE SHEET AS AT DECEMBER 31, 2010**

(before profit appropriation)

		<b>2010</b>		<b>2009</b>	
		€	€	€	€
<b>A s s e t s</b>					
<b>Fixed assets</b>					
Financial fixed assets	(2)	17,621,750,441		18,404,997,458	
Long term bank deposit		4,803,264		4,803,264	
Derivatives		1,090,573,032		1,166,694,895	
			18,717,126,737		19,576,495,617
<b>Current assets</b>					
Loans falling due within one year	(2)	4,812,895,175		4,262,106,385	
Interest receivable and prepaid expenses	(3)	152,965,053		112,752,204	
Cash		5,821,627		6,037,149	
			4,971,681,855		4,380,895,738
<b>Total assets</b>			<b>23,688,808,592</b>		<b>23,957,391,355</b>
<b>L i a b i l i t i e s</b>					
<b>Capital and reserves</b>					
Paid-in and called-up share capital	(4)	4,803,264		4,803,264	
Retained earnings	(5)	3,876,988		4,331,194	
Net profit for the year		4,737,737		4,745,794	
			13,417,989		13,880,252
<b>Provisions</b>					
Provision for pre-retirement costs	(6)		281,636		353,339
<b>Long term liabilities</b>					
Bonds Issued	(7)		17,629,645,367		18,411,481,110
<b>Derivatives</b>			1,090,573,032		1,166,694,895
<b>Current liabilities</b>					
Issued bonds falling due within one year	(7)	4,805,116,191		4,254,715,459	
Other current liabilities	(8)	149,774,377		110,266,300	
			4,954,890,568		4,364,981,759
<b>Total liabilities</b>			<b>23,688,808,592</b>		<b>23,957,391,355</b>

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

	<b>2010</b>		<b>2009</b>	
	€	€	€	€
<b>Interest income</b>				
Interest on fixed income investments	211,574		214,745	
Other interest income	<u>446,109,168</u>		<u>537,555,069</u>	
Total interest income (11)	446,320,742		537,769,814	
<b>Interest expense</b> (11)	<u>(439,589,205)</u>		<u>(530,884,900)</u>	
<b>Gross margin</b>		6,731,537		6,884,914
<b>Change in fair value of derivatives</b>		-		-
<b>Other income</b>		-		9,142
<b>Income from participating interest</b> (12)		97,596		199,065
<b>Staff and other operating expenses</b>				
General & administrative expenses (13)	(555,626)		(796,132)	
Depreciation of fixed assets	-		(24,165)	
Exchange rate differences	<u>3,154</u>		<u>(16,576)</u>	
<b>Total</b>		<u>(552,472)</u>		<u>(836,873)</u>
<b>Profit before taxation</b>		6,276,661		6,256,248
Corporation tax (14)		<u>(1,538,924)</u>		<u>(1,510,454)</u>
<b>Net profit for the year</b>		<u><u>4,737,737</u></u>		<u><u>4,745,794</u></u>

**CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>2010</u>	<u>2009</u>
	€	€
Net profit	4,737,737	4,745,794
Adjustments for:		
Depreciation	-	24,165
Provision for pre-retirement costs	3,821	138,512
Amortization on loans and bonds	178,411	363,078
Translation differences	(255,228)	(145,530)
Income from participating interest	<u>(97,596)</u>	<u>(199,065)</u>
	4,567,145	4,926,954
Change in other assets and liabilities	(664,451)	(504,617)
Taxes received/(paid)	(40,322)	(66,760)
Pre- retirement costs paid	<u>(75,524)</u>	<u>-</u>
<b>Net cash flow from operational activities</b>	<b>3,786,848</b>	<b>4,355,577</b>
Financial fixed assets – issued	(4,275,853,419)	(3,609,198,177)
Financial fixed assets - repaid	<u>4,836,149,401</u>	<u>4,672,129,827</u>
<b>Net cash flow from investment activities</b>	<b>560,295,982</b>	<b>1,062,931,650</b>
Bonds issued	4,275,853,419	3,609,198,177
Bonds repaid	(4,835,951,771)	(4,672,066,606)
Dividend paid	(5,200,000)	(5,250,000)
Dividend received	<u>1,000,000</u>	<u>-</u>
<b>Net cash flow from financing activities</b>	<b>(564,298,352)</b>	<b>(1,068,118,429)</b>
<b>Net cash flow</b>	<b><u>(215,522)</u></b>	<b><u>(831,202)</u></b>
Cash balance as at January 1	6,037,149	6,868,351
Cash balance as at December 31	<u>5,821,627</u>	<u>6,037,149</u>
<b>Net cash flow</b>	<b><u>(215,522)</u></b>	<b><u>(831,202)</u></b>

## **NOTES TO THE FINANCIAL STATEMENTS 2010**

### **1 Accounting principles**

#### **General**

The company is a wholly-owned subsidiary of KBC Bank NV, Brussels. 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 is recorded at Rotterdam Company Register under number 33168630.

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 / Bonds issued**

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.

#### **Derivatives**

Derivatives are embedded in the bonds issued and the loans, and are stated in the balance sheet at fair value. Changes in fair value are recorded in the profit and loss account. The derivatives consist mainly of interest rate swaps, equity swaps and currency swaps and determine the coupons and redemption amounts paid and received in respect of the related loans and bonds.

#### **Participating Interests**

Participating interests in group companies are valued at net asset value. The share in the result of the investment as well as profits and losses on sales are stated as 'Income from participating interest'.



### **Provision for pre-retirement costs**

This provision is the net present value of the company's legal obligation to meet pre-retirement costs in the coming years.

### **Pension obligations**

The company operates a defined benefit pension plan for its employees under which the vested benefits are funded through an insurance contract with a major insurance company in The Netherlands. The defined benefits are based on either final or average salary earned. Pension insurance premiums are charged to income and any unpaid premiums or charges are recorded as a liability or, where paid in advance, as prepaid expense.

### **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.

### **Corporation tax**

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.

### **Consolidation**

The company has not prepared consolidated figures, based on the exemption for subholdings (article 2:408 of the Dutch Civil Code). Consolidated figures of the company and its subsidiaries are included in the Financial Statements of KBC Groep NV, Brussels, Belgium. A copy of the annual accounts of KBC Groep NV is deposited at the Company Registry in Rotterdam, The Netherlands.

## NOTES TO THE BALANCE SHEET

### 2 Financial fixed assets

The breakdown of the financial fixed assets is as follows:

	<b>2010</b>	2009
	€	€
KBC International Finance N.V., Curaçao	1,059,044	1,961,448
Loans to group companies	17,620,691,397	18,403,036,010
	<u>17,621,750,441</u>	<u>18,404,997,458</u>

The company has a 100% investment in KBC International Finance N.V., Curaçao.

The movement in the investment in KBC International Finance N.V. is as follows:

	<b>2010</b>	2009
	€	€
Balance as at January 1	1,961,448	1,762,383
Dividend received	(1,000,000)	-
Net profit	<u>97,596</u>	<u>199,065</u>
Balance as at December 31	<u>1,059,044</u>	<u>1,961,448</u>

## Loans to group companies

The movement in loans to group companies is as follows.

	2010	2009
	€	€
Balance as at January 1, over 1 year	18,403,036,010	19,760,660,880
Balance as at January 1, less than one year	4,262,106,385	3,808,356,765
	22,665,142,395	23,569,017,645
Loans issued during the year	4,275,853,419	3,609,198,177
Amortisation of premiums and discounts	20,511,227	18,787,758
Repayments	(4,836,149,401)	(4,672,129,827)
Translation differences	308,228,932	140,268,642
	22,433,586,572	22,665,142,395
Falling due within one year	(4,812,895,175)	(4,262,106,385)
Balance as at December 31, over 1 year	17,620,691,397	18,403,036,010

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
Loans:				
As of December 31, 2010	22,433,586,572	4,812,895,175	14,945,080,373	2,675,611,024
As of December 31, 2009	22,665,142,395	4,262,106,385	14,919,471,572	3,483,564,438

	2010	2009
	€	€
<b>Long term bank deposit</b>	4,803,264	4,803,264

The long term bank deposit is placed with KBC Bank NV and will mature on February 28<sup>th</sup>, 2018.

	<u>2010</u>	<u>2009</u>
	€	€
<b>Derivative Assets</b>	1,090,573,032	1,166,694,895
<b>Derivative Liabilities</b>	1,090,573,032	1,166,694,895

The derivative assets are embedded in the loans and bonds issued, and are stated at fair value.

### 3 Interest receivable and prepaid expenses

	<u>2010</u>	<u>2009</u>
	€	€
Interest receivable	152,864,134	112,692,142
Prepaid expenses	100,919	-
Tax receivable	-	60,062
	<u>152,965,053</u>	<u>112,752,204</u>

The interest on bonds issued and loans granted to group companies is calculated using a straight-line method. Prepaid expenses include a deposit paid to finance future pension indexation costs.

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

	€
Authorized	
50,000 ordinary shares of € 453.78	<u>22,689,000</u>
Paid-in and called-up share capital	
10,585 ordinary shares of € 453.78	<u>4,803,264</u>

The paid-in and called-up share capital consists of 10,585 ordinary shares of € 453.78 each, which are fully held by KBC Bank NV, Belgium.

There have been no movements in paid-in and called-up share capital during the year (2009: no movements).

## 5 Retained earnings

The movement in the retained earnings is as follows:

	2010	2009
	€	€
Balance as at January 1	4,331,194	4,184,601
Net profit appropriation	4,745,794	5,396,593
Dividend paid during the year	(5,200,000)	(5,250,000)
Balance as at December 31	<u>3,876,988</u>	<u>4,331,194</u>

An interim dividend of € 4,250,000 was paid out of net profit for 2010 on January 3, 2011, and an additional interim dividend of € 500.000 was paid out of retained earnings on January 22, 2011.

## 6 Provision for pre-retirement costs

The movements are follows:

	2010	2009
	€	€
Balance as at January 1	353,339	214,827
Increase in provision charged to income	3,821	138,512
Pre-retirement payments	<u>(75,524)</u>	<u>-</u>
Balance as at December 31	<u>281,636</u>	<u>353,339</u>

The maturity date of the provision is January 2013.

## 7 Long term liabilities

	2010	2009
	€	€
Bonds issued as at January 1, over 1 year	18,411,481,110	19,766,177,126
Bonds issued as at January 1, less than 1 year	<u>4,254,715,459</u>	<u>3,803,613,922</u>
	22,666,196,569	23,569,791,048
Bonds issued during the year	4,275,853,419	3,609,198,177
Amortisation of premiums, discounts and issue expenses	20,689,638	19,150,836
Repayments	(4,835,951,771)	(4,672,066,606)
Translation differences	<u>307,973,704</u>	<u>140,123,114</u>
	22,434,761,559	22,666,196,569
Falling within one year	<u>(4,805,116,191)</u>	<u>(4,254,715,459)</u>
Issued bonds as at December 31, over 1 year	<u>17,629,645,368</u>	<u>18,411,481,110</u>

The average rate of interest paid on the outstanding bonds was 1.95% (2009: 2.3%).

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

	Total	< 1 year	1 < 5 years	> 5 years
As of December 31, 2010	22,434,761,559	4,805,116,191	14,952,026,997	2,677,618,371
As of December 31, 2009	22,666,196,569	4,254,715,459	14,923,930,285	3,487,550,825

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

## 8 Other current liabilities

	2010	2009
	€	€
Interest payable	149,703,343	110,201,659
Accounts payable	70,499	36,958
VAT and payroll tax payable	-	27,683
Corporation tax payable	535	-
	<u>149,774,377</u>	<u>110,266,300</u>

Accounts payable includes € 0 for social premiums payable in relation to payroll costs (2009: 0).

## 9 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 trade date is used in accounting for derivatives.

The proceeds of the bonds issued are used for intercompany financing of the KBC Group, in particular of KBC Bank NV, KBC Groep NV and another company within the Group. 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 are comprised of derivate assets, loans and a deposit. The financial liabilities are comprised of derivative liabilities and outstanding notes issued.

The outstanding loans and notes issued, as well as the related derivatives, 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, 31<sup>st</sup> is as follows:

	2010 €	2009 €
<b>Financial assets</b>		
Loans	23,143,183,424	23,206,835,660
Long term bank deposit	4,803,264	4,803,264
Derivative assets	<u>1,090,573,032</u>	<u>1,166,694,895</u>
Total financial assets	<u>24,238,559,720</u>	<u>24,378,333,819</u>
<b>Financial liabilities</b>		
Notes issued	23,119,410,374	23,183,608,699
Derivative liabilities	<u>1,090,573,032</u>	<u>1,166,694,895</u>
Total financial liabilities	<u>24,209,983,406</u>	<u>24,350,303,594</u>

## 10 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

### 11 Interest income and expense

Income from fixed interest investments results from a fixed interest deposit held with KBC Bank N.V. The interest receivable income results from the loans granted by the company to KBC Bank NV, Brussels, Belgium and other group companies. The interest expense relates to bonds issued.

### 12 Income from participating interests

	2010	2009
	€	€
KBC International Finance N.V., Curaçao	97,596	199,065
	<u>97,596</u>	<u>199,065</u>

### 13 General and administrative expenses

The General and administrative expenses are as follows:

	2010	2009
	€	€
Salaries	232,833	236,594
Social security costs	10,775	7,992
Pension costs	77,000	79,180
Other staff costs	23,818	189,646
Staff costs	<u>344,426</u>	<u>513,412</u>
Bank charges	18,901	18,278
Office and IT expenses	112,934	178,591
Legal and tax fees	27,543	32,834
Audit fees	49,744	54,861
Administration expenses	2,989	3,269
Management fees	(911)	(5,113)
	<u>555,626</u>	<u>796,132</u>

The company has three employees (2009: three). The remuneration of the Directors amounted to € 136,250 (2009: € 202,668). The members of the Supervisory Board did not receive any remuneration. Audit fees paid in 2010 amounted to € 51,646 (2009: € 64,379).



#### **14 Corporation tax**

Corporation tax is calculated based on the profit before taxation, taking into account the income from participating interest falling under the participation exemption, at the applicable tax rate in the Netherlands at 25.5% (2009: 25.5%). The effective tax rate amounts to 24.5% (2009: 24.1%).

KBC Internationale Financieringsmaatschappij N.V. forms a fiscal unity together with its subsidiary company, KBC International Finance N.V. Both companies are severally liable for the corporation tax payable.

#### **15 Commitments**

The company entered into an office rental contract in 2003 with a duration period of 5 years, extended to 2013, amounting to € 15,476 per annum. The total amount of the commitment remaining is € 46,428. Of this amount, € 15,476 expires within 1 year; € 30,952 expires within 2 to 3 years.

#### **16 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 charged to the company's subsidiary, KBC International Finance N.V., in relation to administration costs.

## NOTES TO THE CASH FLOW STATEMENT

### 17 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 € 406,148,750 (2009: € 633,411,188) and Interest Paid amounting to € 400,087,521 (2009: € 626,998,979).

The net cash flow from Interest Received relating to operational activities was stated in the Financial Report 2009 at € 858,795,472. This amount is restated above at € 633,411,188.

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. Gijssens

## **OTHER INFORMATION**

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

In accordance with Article 26 of the company's Articles of Association, the net profit is at the disposal of the annual General Meeting of Shareholders.

### **Dividend 2009**

An interim dividend amounting to € 5,200,000 was paid on January 4<sup>th</sup>, 2010

### **Dividend 2010**

An interim dividend amounting to € 4,250,000 was paid on January 3<sup>rd</sup>, 2011, and an additional interim dividend amounting to € 500,000 was paid on January 21<sup>st</sup> 2011.

### **Subsequent events**

There have been no material events subsequent to balance sheet date which impact the balance sheet and profit and loss account. Dividends paid after balance sheet date are detailed above.

## INDEPENDENT AUDITOR'S REPORT

To: the Shareholders and the Board of Directors of KBC Internationale Financieringsmaatschappij N.V.

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

We have audited the accompanying financial statements 2010 of KBC Internationale Financieringsmaatschappij N.V., Rotterdam, 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 Internationale Financieringsmaatschappij 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