

## KBC ANCORA BACKGROUND

### 1998

KBC Ancora SCA (Société en commandité par actions) was incorporated on 18 December 1998 as Cera Ancora SA (Société anonyme). Cera Ancora's capital was formed by the contribution of 35,950,000 Almanij shares and approximately EUR 12.4 million in cash, subscribed virtually entirely by Cera (then 'Cera Holding') SCRL (Société coopérative à responsabilité limitée). Cera Ancora was thus an almost wholly owned subsidiary of Cera.

### 2001

The foundations were laid in 2000 for the fundamental restructuring of Cera Ancora and of Cera, with approval being granted on 12 and 13 January 2001, respectively. The restructuring was carried out in implementation of a settlement reached in conclusion of a legal dispute which went back to the merger in 1998 of CERA Bank, ABB and Kredietbank.

The restructuring led on the one hand to the conversion of Cera Ancora NV to Almancora SCA, the splitting of the Almancora shares, so that the capital of the company was represented by 55,929,510 shares, and an increase (through contributions and purchase) of the participating interest in Almanij to 55,929,510 shares (28.56%). On the other hand, the restructuring of Cera gave Cera members the right to three Almancora shares for each cooperative D-share surrendered on withdrawal.

Almancora was listed on the stock exchange for the first time on 4 April 2001. From that date onwards, it was possible to trade the shares on the 'double fixing' segment of the Brussels Stock Exchange.

### 2005

On 2 March 2005 the structure of the Almanij/KBC group was simplified by means of a merger in the form of the acquisition of Almanij by KBC Bancassurance Holding.

The merger to form KBC Group had a number of important consequences for Almancora:

- As a result of the merger Almancora acquired KBC Group shares on 2 March 2005, based on an exchange ratio of 1.35 KBC Group shares for each Almanij share.
- Until the merger, the shareholder stability of the

Almanij/KBC group was guaranteed by Cera, Almancora and the Other Permanent Shareholders via a shareholder agreement. Following the merger this was replaced by a new shareholder agreement, to which MRBB also became a party. The core shareholders of the KBC group were henceforth Cera, Almancora, MRBB and the Other Permanent Shareholders.

- The disappearance of Almanij also brought to an end the reserving of profit at Almanij level.

### 2007

On 15 June 2007 the company name Almancora was changed to KBC Ancora and the Almancora share was split by a factor of 1.4 (seven new KBC Ancora shares per five existing Almancora shares). The purpose of these two changes was to make the link between the KBC Ancora share and the KBC Group share even more explicit.

The split also means that since 15 June 2007, Cera members who withdraw with their D-shares have the right to receive 4.2 KBC Ancora shares in exchange for each D-share surrendered. This 'reimbursement on withdrawal' means that the proportion of Cera's participation in KBC Ancora to be distributed will decline steadily over time.

Since 15 June 2007, the KBC Ancora share has been listed on the continuous segment of the NYSE Euronext Brussels stock exchange.

On 8 August 2007, Cera and KBC Ancora reported that their joint participating interest in KBC Group had been increased to over 30%. Exceeding the 30% threshold is important in the context of the law on public takeover bids which came into effect in Belgium on 1 September 2007. Under this law, participating interests of more than 30% which were in existence at the time the law came into force are exempt from any obligation to issue a bid.



ANNUAL REPORT 2008/2009



KBC Ancora

Legal form: Civil company having taken the form of a  
partnership limited by shares

Registered office: Philipssite 5/10, 3001 Leuven, Belgium

Company number: 0464.965.639

Website: [www.kbcancora.be](http://www.kbcancora.be)



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## BOARD OF DIRECTORS OF ALMANCORA SOCIÉTÉ DE GESTION SA



**Top down, left to right:**

Gilbert Marquenie

Ivo Verhaeghe

Germain Vantiegheem

Jos Plessers

Peter Müller

Ghislaine Van Kerckhove

Paul Peeters

Johan Massy

Cynthia Van Hulle

Léopold Bragard

Franky Depickere

## LETTER FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTORS

For KBC Ancora, the year under review was dominated by the consequences of the most severe financial crisis for several decades. The financial year 2008/2009 was closed with a loss of EUR 1.26 billion, compared with a profit in the previous financial year of EUR 280.5 million. The considerable magnitude of this loss was determined by a write-down of EUR 1.23 billion in the value of the participating interest in KBC Group and by the decision by KBC Group not to distribute a dividend in 2009 for the financial year 2008. The absence of a KBC Group dividend meant that KBC Ancora also did not distribute an interim dividend. The KBC Ancora share price fell by more than 85% over the year under review.

The course of the financial crisis, which took on a new and unprecedented dimension in September 2008 with the collapse of Lehman Brothers, and the analysis of the factors that contributed to this crisis, have received wide attention in the various media in the past year. We will therefore limit ourselves to the most important consequences of the crisis for KBC Group, and thus indirectly for KBC Ancora.

The direct impact of the financial crisis on the results of KBC Group became very evident in the third and fourth quarters of 2008. Substantial write-downs on bond holdings from certain American and Icelandic banks, on the equity portfolio and particularly on the structured credits, resulted in a loss for the full financial year 2008 of EUR 2.48 billion. Despite this, the underlying results remained very acceptable, with a profit of EUR 2.2 billion.

The crisis deepened further in the first quarter of 2009. Sharply widening credit spreads and doubts about the creditworthiness of the American credit insurer MBIA prompted substantial write-downs on structured credits. KBC Group closed the quarter with a loss of EUR 3.6 billion. The underlying profit amounted to EUR 465 million.

The various write-downs put pressure on KBC's capital ratios in a period when the market was adjusting its capital expectations upwards.

In this context, KBC was able to turn to the Federal government of Belgium (October 2008) and the Flemish government (January and May 2009) to underwrite the issue of non-dilutive core capital instruments to a total of EUR 7 billion. In addition, agreement was reached with the Federal government in May 2009 on a guarantee scheme for a substantial proportion of the portfolio of structured credits. It goes without saying that we appreciate this key contribution by the Federal and Flemish governments to the stability of the KBC group.

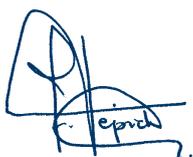
KBC Ancora looks back on a particularly difficult year. Although there are clear signs of an improved environment on the capital markets, the economic climate remains uncertain.

It is important to note that KBC Group continued to achieve satisfactory underlying results throughout the crisis, because this indicates that the essence of its business model in its home markets has remained intact.

Moreover, the results of KBC Group in the second quarter of 2009 were encouraging, with a profit again being recorded (EUR 302 million; underlying profit: EUR 409 million).

The consequences of the crisis will continue to be felt for a long time. For example, the core capital to which the Federal and Flemish governments subscribed, and also the guarantee provided by the Federal government, come at a high economic cost. The core capital provided must moreover be repaid within a reasonable period. A strategic plan has to be submitted to the European Commission to this end. The management and Board of Directors of KBC Group are currently working hard on preparing this plan. Among the main themes which have already been announced is a strong focus by the KBC group on its core activities in its home markets. Activities outside the core markets or with a higher risk profile will be scaled down. KBC Ancora, together with Cera, MRBB and the Other Permanent Shareholders, will play its role to the full in giving tangible form to this plan in order to lay an optimum foundation for the future of the KBC group.

Leuven, 31 August 2009



Franky Depickere  
Managing Director and  
Permanent representative of  
Almancora Société de gestion<sup>1</sup>



Cynthia Van Hulle  
Permanent representative of  
Van Hulle & Cie SCS,  
Chairman of the Board of Directors  
of Almancora Société de gestion



Germain Vantieghem  
Managing Director  
Almancora Société de gestion

<sup>1</sup> Almancora Société de gestion is the statutory manager of KBC Ancora (see 2.1.2 *Almancora Société de gestion SA*)

## DECLARATION BY THE RESPONSIBLE OFFICERS

Declaration pursuant to the European regulations on transparency as imposed by the Belgian Royal Decree of 14 November 2007.

“We, the members of the Board of Directors of Almancora Société de gestion<sup>2</sup>, statutory manager of KBC Ancora SCA, hereby declare that, as far as we are aware, a) the KBC Ancora financial statements, which have been prepared in accordance with the financial reporting standards applicable in Belgium, give a true and fair view of the net worth, financial position and results of KBC Ancora; b) the KBC Ancora annual report gives a true and fair view of the development and results of the business and of the position of KBC Ancora.”

## DECLARATION IN CONNECTION WITH RISKS

Certain risk factors can have an impact on the value of the assets of KBC Ancora and on the ability of the company to distribute a dividend. The assets of KBC Ancora consist almost entirely of a participating interest in KBC Group. A fall in the KBC Group share price will inevitably have a negative influence on the value of the assets of KBC Ancora. The recurrent income of KBC Ancora consists principally of the dividend it receives from its participating interest in KBC Group.

In the event that KBC Ancora does not receive a dividend from its participating interest in KBC Group in any given year, KBC Ancora will itself not pay a dividend in that year. If KBC Ancora receives KBC Group dividend again in a subsequent financial year, its result carried forward will be taken into account when determining the profit available for distribution.

The global financial crisis has had a negative impact on both the share price and results of KBC Group. In the light of this, it was decided to write down the value of the participating interest in KBC Group with effect from 31 March 2009 on the basis of the shareholders' equity value of KBC Group as at 31 December 2008. As indicated in the Letter from the Chairman of the Board of Directors and the Managing Directors, the economic climate remains uncertain, despite clear signs of an improvement on the capital markets. For information on the specific risks to which KBC Group is exposed, reference is made to the annual report and press releases of KBC Group, which are available on the website [www.kbc.com](http://www.kbc.com).

When announcing its interim results on 6 August 2009, KBC Group did not indicate whether it expects to (be able to) pay a dividend for the financial year 2009. The interim result (1H2009) totalled EUR -3.3 billion; the underlying profit amounted to EUR 875 million. In its liquidity planning (credit lines), KBC Ancora takes into account the possibility that KBC Group will not pay a dividend for the financial year 2009.

<sup>2</sup> The individual members of the Board of Directors of Almancora Société de gestion are listed in section 2.2.2 of this annual report.

# 1 Investor information

On 15 June 2007 the company name Almancora was changed to KBC Ancora and the share was split by a factor of 1.4. To facilitate comparison over time, all relevant historical data in the annual report have been corrected for this stock split.

## 1.1 Share price, discount and traded volumes

As at the balance sheet date, KBC Ancora had a total of 82,216,380 KBC Group shares in portfolio. The market value of the other assets less liabilities amounted to EUR -597.3 million. KBC Ancora has itself issued 78,301,314 shares. The intrinsic value<sup>3</sup> of one KBC Ancora share as at the balance sheet date accordingly corresponded to the price of 1.05 KBC Group shares less EUR 7.63.

Chart 1 traces the performance of the KBC Ancora and KBC Group shares during the last financial year. The price of both shares fell substantially in the wake of the financial crisis.

**Chart 1:** Trend in KBC Ancora and KBC Group share price during the last financial year



Chart 2 shows the trend in the discount of the KBC Ancora share relative to its intrinsic value in the year under review. In periods when the intrinsic value of KBC Ancora was low, the KBC Ancora share traded at a premium for the first time in its history.

<sup>3</sup> Intrinsic value: value per share calculated on the basis of the stock market price of the underlying listed share, less the liabilities.

**Chart 2:** Trend in discount<sup>4</sup> of KBC Ancora share price relative to its intrinsic value over the last financial year (in EUR)

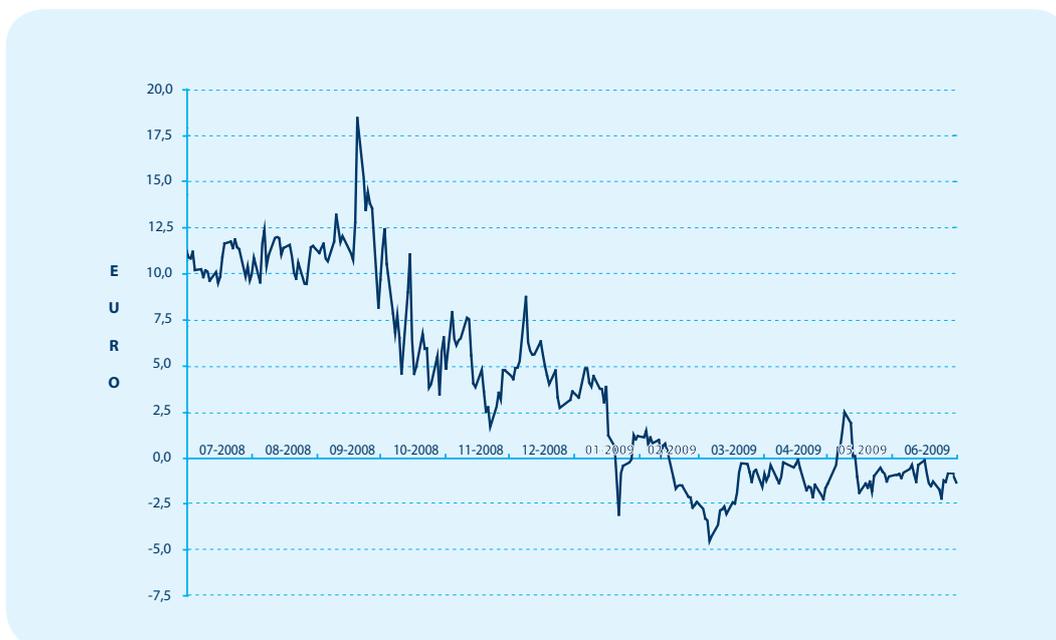
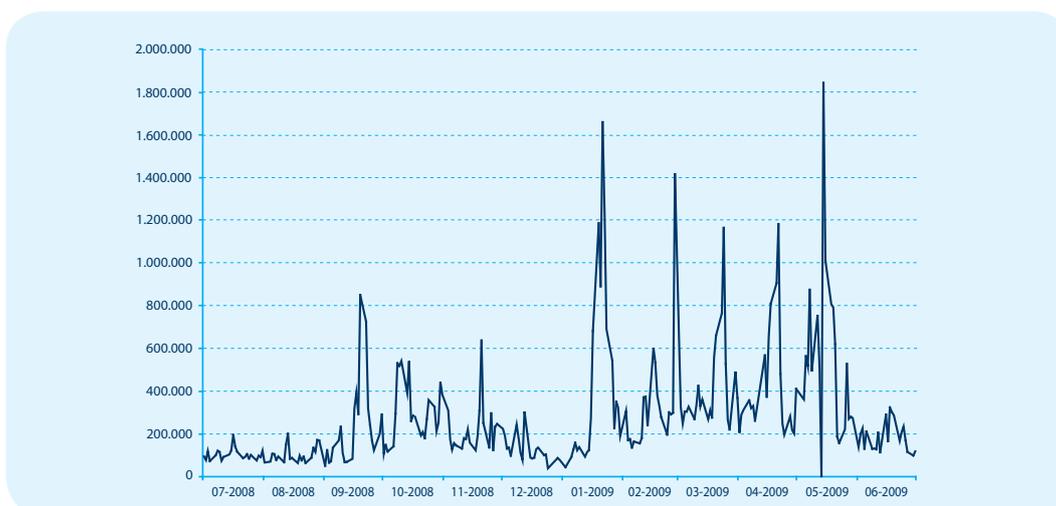


Chart 3 illustrates the liquidity of the KBC Ancora share.

**Chart 3:** Traded volumes of KBC Ancora shares on a daily basis in the past financial year



<sup>4</sup> Intrinsic value per KBC Ancora share (IV) = (price of KBC Group share x number of KBC Group shares held by KBC Ancora + other assets – liabilities) / number of KBC Ancora shares in issue.  
Discount = IV - KBC Ancora share price.  
A negative discount is also referred to as a 'premium'.

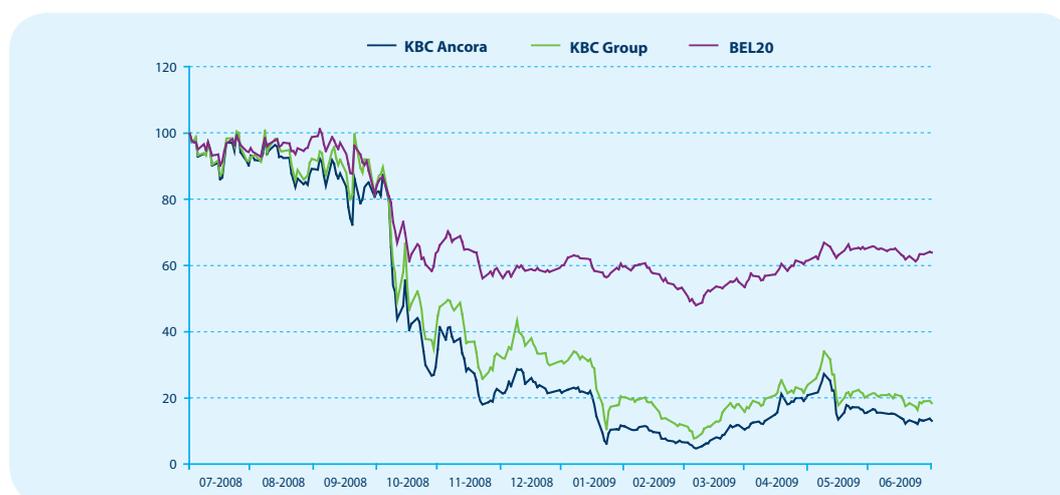
Table 1 summarises a number of stock market figures and compares them with the performance in previous financial years. In the first half of each calendar year the average number of shares traded on a daily basis is higher than in the second six months. The way in which KBC Ancora shares reach the market (see 1.3.2 *The road to the market*) undoubtedly plays a role here. The number of KBC Ancora shares traded in the year under review was much higher than in the two preceding years.

**Table 1:** Summary of stock market figures in recent financial years

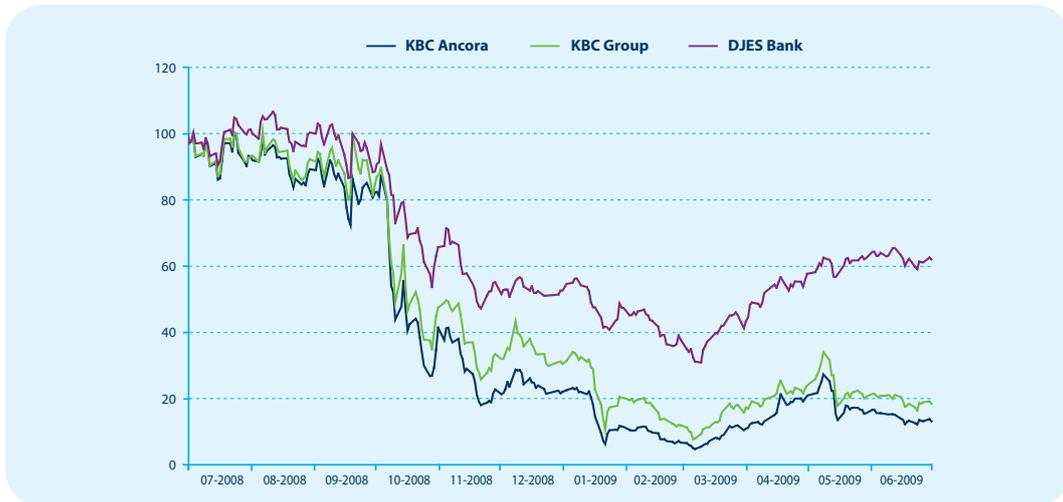
	FY '08/'09	FY '07/'08	FY '06/'07
<b>High (EUR)</b>	55.4	87.71	91.61
<b>Low (EUR)</b>	2.65	55.10	66.14
<b>Average number of shares traded per day</b>			
• <b>Period (01.07-30.06) (financial year)</b>	283,956	105,262	69,740
• <b>Period (01.07-31.12)</b>	181,782	91,357	57,336
• <b>Period (01.01-30.06)</b>	388,563	119,386	82,341

Charts 4 and 5 show the trend in KBC Ancora's share price relative to that of the KBC Group share, the BEL20 Index and the Dow Jones EURO STOXX Bank Index in the year under review. The KBC Ancora and KBC Group share prices substantially underperformed both the BEL20 Index and the EURO STOXX Bank Index in the year under review.

**Chart 4:** Trend in KBC Ancora and KBC Group share prices relative to BEL20 Index in the past financial year (01.07.2008 = 100)



**Chart 5:** Trend in KBC Ancora and KBC Group share prices relative to Dow Jones EURO STOXX Bank Index in the last financial year (01.07.2008 = 100)



## 1.2 Key figures as at balance sheet date

### 1.2.1 Balance sheet and result

Table 2 contains a number of key figures as at the balance sheet date for the most recent financial years.

**Table 2:** Key figures as at balance sheet date

	30 June 2009	30 June 2008	30 June 2007
<b>Number of issued shares</b>	78,301,314	78,301,314	78,301,314
<b>Number of KBC Group shares in portfolio</b>	82,216,380	82,216,380	78,301,314
<b>Balance sheet total in EUR</b>	2,589,844,752	3,821,381,775	3,441,119,184
<b>Market capitalisation in EUR</b> (based on share price on balance sheet date)	572,382,605	4,345,722,927	6,788,723,924
<b>Book value of capital and reserves in EUR</b>	1,992,505,042	3,251,185,300	3,236,941,037
<b>Market capitalisation/book value of capital and reserves</b>	0.29	1.34	2.10

Table 3 recategorises the results recorded in previous financial years in the manner prescribed by the Belgian Banking, Finance and Insurance Commission (CBFA) for companies whose business operations are primarily defined as ownership of equity holdings. A distinction is made between financial and other results. The results are also broken down into recurring and non-recurring elements.

**Table 3:** Results for the most recent financial years

<b>Result of KBC Ancora (x EUR million)</b>	<b>Financial year 2008/2009</b>	<b>Financial year 2007/2008</b>	<b>Financial year 2006/2007</b>
Recurring financial profit/loss	-28.1	282.9	257.1
Other recurring profit/loss	-2.1	-2.5	-3.2
Profit/loss from capital operations	-1,228.4	0	0
Extraordinary profit/loss	0	0	0
Result before taxes	-1,258.7	280.5	253.9
<b>Result after taxes</b>	<b>-1,258.7</b>	<b>280.5</b>	<b>251.3</b>
<b>Result of KBC Ancora per share (in EUR)</b>	<b>Financial year 2008/2009</b>	<b>Financial year 2007/2008</b>	<b>Financial year 2006/2007</b>
Recurring financial profit/loss	-0.36	3.61	3.28
Other recurring profit/loss	-0.03	-0.03	-0.04
Profit/loss from capital operations	-15.69	0.00	0.00
Extraordinary profit/loss	0.00	0.00	0.00
Result before taxes	-16.07	3.58	3.24
<b>Result after taxes</b>	<b>-16.07</b>	<b>3.58</b>	<b>3.21</b>

### 1.2.2 Cash flow table

Table 4 shows the cash flows of KBC Ancora. The cash flow table was prepared using the indirect method. It shows clearly that - as previously announced - the interest charges and operating costs in the year under review were principally financed through the drawdown of debt. In the two preceding financial years, the purchases of additional KBC Group shares (3.9 million shares in the financial year 2007/2008 and 2.3 million shares in the financial year 2006/2007) were principally financed using debt.

**Table 4:** Cash flow table for the last three financial years

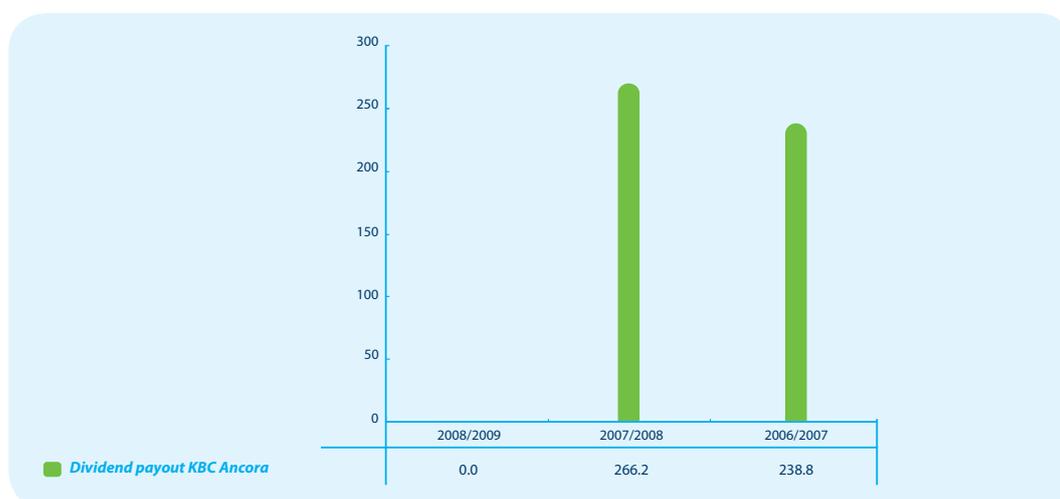
<b>Cash flow table (x EUR million)</b>	<b>Financial year 2008/2009</b>	<b>Financial year 2007/2008</b>	<b>Financial year 2006/2007</b>
<b>Operating activities</b>	-33.6	287.7	229.2
<i>Net profit</i>	-1,258.7	280.5	251.3
<i>Non-cash costs/revenues</i>	1,228.4	0.0	0.0
<i>Movement in net working capital</i>	-3.3	7.2	-22.2
<b>Investing activities</b>	0.0	-382.2	-216.6
<i>Financial fixed assets</i>	0.0	-382.2	-216.6
<b>Financing activities</b>	30.5	96.7	-38.8
<i>Financial liabilities</i>	30.5	362.9	200.0
<i>Distribution of interim dividend</i>	0.0	-266.2	-238.8
<b>Total cash flow</b>	<b>-3.1</b>	<b>2.2</b>	<b>-26.2</b>

### 1.2.3 Dividend and dividend yield

Following the announcement at the end of October 2008 that KBC Group would not be distributing a dividend for the financial year 2008, KBC Ancora announced on 3 November 2008 that it would also not be distributing a dividend for the financial year 2008/2009.

Chart 6 and Table 5 show the trend in dividend payout and dividend yield for the most recent financial years.

**Chart 6:** Trend in dividend payout (x EUR million)



**Table 5:** Trend in KBC Ancora dividend

	Financial year 2008/2009	Financial year 2007/2008	Financial year 2006/2007
<b>Dividend per share (EUR)</b>	0.0	3.40	3.05
<b>KBC Ancora share price (EUR)(a)</b>	7.31	55.5	86.70
<b>KBC Ancora dividend yield (b)</b>	0.00%	6.13%	3.52%

(a) Closing price on 30 June

(b) Dividend yield = KBC Ancora dividend / KBC Ancora share price (on 30 June)

## 1.3 Distribution of KBC Ancora shares

### 1.3.1 KBC Ancora shareholdership

There is a statutory requirement to disclose participating interests in listed companies of 5% or multiples thereof. In addition, KBC Ancora's Articles of Association stipulate a disclosure threshold of 3%.

On 28 August 2009 Cera reported (pursuant to Article 74 §8 of the law of 1 April 2007 on public takeover bids) that as at 30 June 2009 it (still) held more than 30% of the voting rights in KBC Ancora. Specifically, Cera reported that it held 47,438,666 of the total of 78,301,314 KBC Ancora shares, or 60.58%.

A complete list of the participating interest disclosures can be found on the KBC Ancora website.

According to the available public figures, the KBC Ancora free float<sup>5</sup> amounted to 39.16% as at the balance sheet date.

### 1.3.2 The road to the market

In accordance with the statutory rules governing cooperative societies in Belgium, Cera members are permitted to withdraw voluntarily with their shares during the first half of each financial year. Cera's financial year is concurrent with the calendar year.

Members who withdraw with their cooperative D-shares receive a special 'reimbursement on withdrawal', consisting primarily of 4.2 KBC Ancora shares. In other words, members receive 4.2 KBC Ancora shares for each D-share which they surrender on withdrawal from Cera. They can then choose between keeping the KBC Ancora shares or selling them on the stock market.

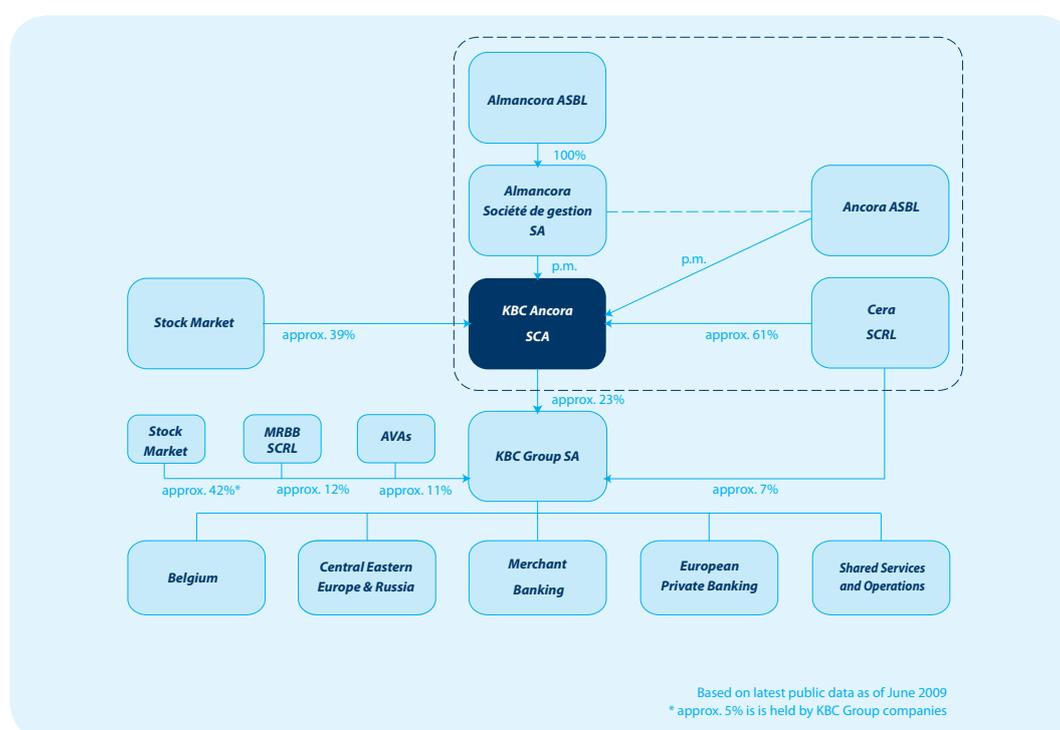
<sup>5</sup> The free float is generally defined as the percentage of shares which are not in 'permanent or stable' hands.

## 2 Group structure and effective corporate governance

### 2.1 Group structure

Chart 7 shows KBC Ancora's group structure within the KBC group. The dotted line indicates the companies that belong to the Cera/KBC Ancora group.

**Chart 7:** Group structure<sup>6</sup>



#### 2.1.1 Almancora ASBL

The object of Almancora ASBL ('Association sans but lucratif') is to support the stability and continuity of KBC Group. As controlling shareholder of Almancora Société de gestion, it plays an important part in the appointment of the latter's Board of Directors.

In the same capacity, Almancora ASBL has the casting vote at the General Meeting of Shareholders of Almancora Société de gestion.

<sup>6</sup> AVAs: Other Permanent Shareholders

MRBB: Maatschappij voor Roerend Bezit van de Boerenbond CVBA

These parties together with Cera and KBC Ancora constitute the core shareholders of KBC Group and entered into a shareholder agreement to this end on 23 December 2004 with a view to supporting the general policy of KBC Group (see 2.1.4 KBC Ancora SCA).

Almancora's ASBL's Board of Directors currently comprises five representatives of Cera members and the two managing directors of Almancora Société de gestion.

### 2.1.2 Almancora Société de gestion SA

KBC Ancora does not have a Board of Directors of its own, but is administered by a statutory manager – Almancora Société de gestion SA – the duties of which include setting out the policy to be pursued by KBC Ancora.

Almancora Société de gestion's Board of Directors (see 2.2.2 *Board of Directors of Almancora Société de gestion SA*) is made up of five representatives of Cera members, two managing directors and four independent directors.

The member representatives and managing directors are also directors of Almancora ASBL.

The independent directors also sit on the Board of Directors of Ancora ASBL.

### 2.1.3 Ancora ASBL

KBC Ancora's Articles of Association include rules for dealing with conflicts of interest.

Ancora ASBL was created to act as an ad hoc representative in the event that Almancora Société de gestion has a conflict of interest with regard to a decision it has to take as manager of KBC Ancora, if Almancora Société de gestion is prevented from fulfilling its duties or if the statutory manager's mandate ends before KBC Ancora's General Meeting of Shareholders is able to appoint a new statutory manager. In such an event, Ancora ASBL will temporarily assume the management role of Almancora Société de gestion.

The Board of Directors of Ancora ASBL consists of Almancora Société de gestion's four independent directors.

## 2.1.4 KBC Ancora SCA

KBC Ancora's principal activity is the maintenance and management of its shareholding in KBC Group with a view to ensuring, in collaboration with Cera, MRBB and the Other Permanent Shareholders, the shareholder stability and continuity of KBC Group. To this end, KBC Ancora signed a shareholder agreement with these parties on 23 December 2004, covering 109,020,039 KBC Group shares, or 30.47% of the total number of KBC Group shares in issue. Cera and KBC Ancora are viewed as a single party for the purposes of the agreement. Together, they have committed 42,715,837 KBC Group shares, or 11.94% of the total number of KBC Group shares, with KBC Ancora committing 32,634,899 KBC Group shares, or 9.12% of the total number of KBC Group shares, and Cera the rest.

## 2.2 Effective corporate governance

KBC Ancora attaches great importance to corporate governance.

As KBC Ancora is managed by a statutory manager, the provisions of the Belgian Corporate Governance Code are applied at the level of the Board of Directors of Almancora Société de gestion SA.

The Board of Directors of Almancora Société de gestion approved the KBC Ancora Corporate Governance Charter on 23 December 2005.

The Board of Directors of Almancora Société de gestion applies the principles from the Corporate Governance Code in full. It deviates from the provisions of the Code where the specific characteristics of KBC Ancora or its statutory manager or specific circumstances make this necessary. In such cases the deviation is explained in accordance with the 'comply or explain' principle. KBC Ancora's Corporate Governance Charter deviates from the provisions on only one point. Contrary to provisions 5.1 and 5.3/4 of the Corporate Governance Code, the Appointments Committee of Almancora Société de gestion may submit proposals directly (i.e. without the intervention of the Board of Directors) to the General Meeting of Shareholders of Almancora Société de gestion as regards the appointment of A, B and C directors. This offers the best guarantee of an independent nominations policy, in which the focus is exclusively on KBC Ancora's interests.

The Corporate Governance Charter has been updated several times, most recently on 19 December 2008, and is available on the KBC Ancora website.

### 2.2.1 Management structure

The statutory manager bears unlimited liability vis-à-vis KBC Ancora's creditors. KBC Ancora's other shareholders are only liable to the extent of their contribution.

Under the terms of the Belgian Commercial Code (Code des sociétés), the statutory manager's endorsement must be obtained before any decision of the General Meeting of Shareholders affecting third parties (e.g. payment of a dividend) or any amendment to the Articles of Association can be ratified or enacted.

The manager was appointed in the Articles of Association for an undefined period. Its mandate may only be terminated under exceptional circumstances. The manager may, however, choose to resign without having to seek the endorsement of the General Meeting of Shareholders.

Almancora Société de gestion is authorised as manager to do all that is necessary for or conducive to the achievement of the company's object, with the exception of powers that are reserved by law for the General Meeting of Shareholders.

Almancora Société de gestion receives no remuneration for exercising its managerial mandate, but costs incurred during the exercise of that mandate are reimbursed.

### 2.2.2 Board of Directors of Almancora Société de gestion SA

The following changes took place in the composition of the Board of Directors in the year under review:

The directorship mandates of Georges Beerden, Willy Danneels and Jean-Marie Gérardin ended on 24 April 2009 due to the expiry of their directorships at Cera Société de gestion, which is a condition for holding a mandate as a B director of Almancora Société de gestion. At the General Meeting of Shareholders of Almancora Société de gestion, held on 24 April 2009, Johan Massy, Peter Müller and Ghislaine Van Kerckhove were appointed as B directors with effect from 24 April 2009 for a period of four years.

*Johan Massy* (b. 1958) obtained a degree in Commerce and Business Economics from K.U. Leuven (Catholic University of Leuven) in 1981 and went on to follow the Compensation & Benefits Management programme at Vlerick Leuven Gent Management School (2007).

After a short spell at Klynveld Kraayenhof & Co, in 1984 he joined what is today Anheuser-Busch InBev, where he held a number of mainly financial positions in addition to positions within the HR department.

He was appointed to the Board of Directors of Cera Société de gestion in 2008, and since 2009 he has been a member of the Board of Directors of Almancora Société de gestion.

*Peter Müller* (b. 1941) graduated in Economics and Management at the University of Liège (ULg) and obtained a higher education teaching certificate in economics and management science at ULB/Solvay Business School (Brussels) and a postgraduate certificate in 'Timber in the construction industry' from the Université catholique de Louvain (UCL) in Louvain-la-Neuve.

For seven years he was responsible for timber procurement at the Eigelshoven company in Broichweiden-Aachen, and for around 30 years ran his own company, Peter Müller GmbH.

He was appointed to the Board of Directors of CERA Bank in 1996. Later, in 2001, he became a member of the Board of Directors of Cera Société de gestion, and in 2009 he became a member of the Board of Directors of Almancora Société de gestion.

*Ghislaine Van Kerckhove* (b. 1963) graduated in Law at Ghent University.

She is a member of the bar in Dendermonde and is an accredited family lawyer. In addition, she is a member of the Board of Directors of CM Waas en Dender mutual sickness insurance fund and a member of the General Assemblies of the CM Landsbond mutual sickness insurance fund, MOB CM Vlaanderen and MOB CM-Zorgkas Vlaanderen mutual health insurance funds.

She was appointed to the Board of Directors of Cera Société de gestion in 2002. Since April 2007 she has been vice-chairman of the Board of Directors of Cera Ancora and Cera Société de gestion. In April 2008 she also became a director of KBC Group SA, and in 2009 she was appointed to the Board of Directors of Almancora Société de gestion.

*Table 6* sets out the composition of the Board of Directors of Almancora Société de gestion and the committees set up under the Board's aegis. The number of meetings attended by the relevant Board member is reported for the Board of Directors and its committees. The Board met 13 times in the financial year 2008/2009; the Audit Committee met four times, the Appointments Committee four times and the Remuneration Committee twice.

**Table 6:** Composition of the Board of Directors of Almacora Société de gestion SA and overview of individual attendances

Name	End of current term	A directors	B directors	C directors	Day-to-Day Management Committee	Audit Committee <sup>6</sup>	Appointments Committee	Remuneration Committee
<b>Franky Depickere</b>	2010	13			11		4	
<b>Germain Vantieghem</b>	2010	12			11			
<b>Johan Massy<sup>1</sup></b>	2013		3					
<b>Peter Müller<sup>2</sup></b>	2012		3					1
<b>Paul Peeters<sup>3</sup></b>	2010		12			4		
<b>Jos Plessers<sup>4</sup></b>	2011		12				1	
<b>Ghislaine Van Kerckhove<sup>5</sup></b>	2013		3					
<b>Léopold Bragard</b>	2012			13		4	3	
<b>Gilbert Marquenie</b>	2009			13		4	4	2
<b>Servus SPRL</b> (permanent representative: Ivo Verhaeghe)	2010			12		4	3	
<b>Van Hulle &amp; Cie SCS</b> (permanent representative: Cynthia Van Hulle) Chairman	2013			11			4	2

<sup>1</sup> Johan Massy has been a member of the Board of Directors since 24 April 2009. Since taking up his mandate, he has attended all meetings of the Board of Directors. Georges Beerden attended eight (out of ten) meetings which took place before Johan Massy took up his mandate.

<sup>2</sup> Peter Müller has been a member of the Board of Directors and of the Remuneration Committee since 24 April 2009. Since taking up his mandate, he has attended all meetings of the Board of Directors and the Remuneration Committee. Jean-Marie Gérardin attended all meetings of the Board of Directors and the Remuneration Committee held before Peter Müller took up his mandate.

<sup>3</sup> On 29 May 2009, Paul Peeters was appointed the new vice-chairman of Almancora Société de gestion in replacement of Jean-Marie Gérardin.

<sup>4</sup> On 24 April 2009, Jos Plessers was appointed a new member of the Appointments Committee, in replacement of Georges Beerden. Georges Beerden attended all meetings held before Jos Plessers took up his mandate.

<sup>5</sup> Ghislaine Van Kerckhove has been a member of the Board of Directors since 24 April 2009. Since taking up her mandate she has attended all meetings of the Board of Directors. Willy Danneels attended all meetings held before Ghislaine Van Kerckhove took up her mandate.

<sup>6</sup> Willy Danneels was a member of the Audit Committee until 24 April 2009. He was not replaced, and as a result the Audit Committee currently comprises four rather than five members.

#### *2.2.2.1 Composition of the Board of Directors*

The mandate of the statutory manager, Almancora Société de gestion, may only be terminated with its agreement or by judicial ruling, if there are legal grounds for this. For that reason, a great deal of attention has been paid to the way in which the Board of Directors of Almancora Société de gestion itself is constituted. Account was taken when drafting the Articles of Association of KBC Ancora's anchoring objective, the principles of effective corporate governance – more specifically recommendations from competent authorities – and the legal rules regarding conflicts of interest in listed companies.

The Board of Directors of Almancora Société de gestion consists of three types of directors, each having its own specific conditions for appointment:

- **A directors** are those whose directorship forms part of their everyday professional activity. The individuals in question are managing directors of Almancora Société de gestion, with individual powers of representation. The two current A directors are also managing directors of Cera Société de gestion, Cera's statutory manager. This creates a personal link between KBC Ancora and Cera.
- **B directors** are non-executive directors who are members of the consultative bodies that operate within Cera Ancora, as long as the latter does not oppose their candidacy. These directors personify the institutional link between KBC Ancora and Cera, as also enshrined in the description of KBC Ancora's object as set out in its Articles of Association.
- **C directors** are independent directors. They are appointed because of their independence vis-à-vis the management of KBC Ancora, Cera and the KBC group.

Directors are appointed for a maximum term of four years.

Directorships may be renewed. If a directorship is renewed within the same category, the director concerned may be reappointed one or more times on expiry of each term of office, though only for immediately following terms. A directorship may not last for more than a total of 12 years<sup>7</sup>.

B and C directorships terminate by law following the Annual General Meeting held in the twelfth year of the directorship. A directorship also ends by law in any event following the General Meeting of Shareholders held in the year following the year in which the director in question has reached the age of 70 years. A directorships are renewable without limit and end by law in any event at the moment that the director concerned reaches the age of 65 years.

In the event that there are one or more unfilled directorships, the remaining directors of the same category are authorised to fill the vacancy or vacancies on a temporary basis from candidates proposed by the Appointments Committee until the next General Meeting of Shareholders.

The Board selects a Chairman from its B and C members.

The A and C directors together constitute the majority on the Board of Directors; there must be a minimum of three C directors. Persons may only be appointed as A, B or C directors by the General Meeting of Shareholders at the nomination of the Appointments Committee of Almacora Société de gestion. The C directors constitute the majority of the members of this Appointments Committee.

The company applies strict independence criteria. These criteria are set out in Article 9 of the Articles of Association of Almacora Société de gestion. All C directors also comply with the new statutory independence criteria as defined in Section 526 of the Belgian Commercial Code (Code des sociétés).

#### *2.2.2.2 Powers of the Board of Directors*

The Board of Directors of Almacora Société de gestion is authorised to perform all acts which are necessary for or conducive to the achievement of its object and, in the context of its managership of KBC Ancora, for the achievement of the object of KBC Ancora.

In exercising its directorship mandate within KBC Ancora, Almacora Société de gestion must pay particular attention to the object of KBC Ancora; that object is aimed at the maintenance and management of a participating interest in KBC Group, or of every company and/or group of companies which is a continuation thereof in order, together with Cera, to achieve and maintain the anchoring of KBC Group as described in the KBC Ancora Articles of Association.

<sup>7</sup> The following transitional rules apply in relation to the length of directorships and their possible extension for directors who were incumbent as at 24 October 2003: directorships which were current on 24 October 2003 may be continued until the end of the period for which they (the directors) were appointed. After the ending of these directorships, the terms of office of the directors concerned may be extended by periods of up to six years, until they have reached the age limit of seventy years or have completed three terms of six years. Pursuant to the Law of 17 December 2008 concerning the 'creation of an Audit Committee in listed companies and financial enterprises', these transitional rules will not be applied to the independent directors (the C directors) to the extent that the statutory criteria as set out in the new Section 526 of the Belgian Commercial Code (Code des sociétés) (no more than three consecutive terms of office, with a maximum of 12 years) would be exceeded.

The Board of Directors carries out all tasks which are assigned to it by law and/or the Articles of Association. Decisions on the strategy of the company, its values and the focus of its policy take account of the consultations between KBC Ancora and Cera.

The Board of Directors exercises these powers with regard both to the management of Almancora Société de gestion itself and in relation to the management of KBC Ancora, given the capacity of Almancora Société de gestion as statutory manager of KBC Ancora, all in accordance with the respective provisions of the Articles of Association. Where relevant, the Board of Directors also takes account of the cost-sharing association between Cera and KBC Ancora.

The Board of Directors is also authorised, in view of the capacity of Almancora Société de gestion as statutory manager of KBC Ancora, to consult and collaborate with Cera in the light of their parallel anchoring objective.

Almancora Société de gestion is bound to implement its mandate as statutory manager personally. However, as permitted by the KBC Ancora Articles of Association, the Board of Directors has delegated the day-to-day management of KBC Ancora and of Almancora Société de gestion, as well as the implementation of the decisions taken by the statutory manager, to two A directors who together constitute the Day-to-Day Management Committee.

### *2.2.2.3 Functioning of the Board of Directors*

The functioning of the Board of Directors is governed by the Articles of Association, supplemented by the relevant provisions of the Belgian Commercial Code (Code des sociétés). Further details are contained in the 'Guidelines for Directors of Almancora Société de gestion for the exercise of their directorship', which form part of the Internal Addendum to the KBC Ancora Corporate Governance Charter.

The Board of Directors met 13 times in the year under review. Each of these meetings was attended by virtually all members. In addition to its traditional duties (adopting the annual and interim results, proposal for result appropriation, monitoring the activities of the Audit Committee, Appointments Committee and Remuneration Committee, approving the budgets, etc.), the Board of Directors also dealt with the following topics among others in the financial year 2008/2009:

- Monitoring the strategy and results of the KBC group
- Risk management within the Cera/KBC Ancora group
- Issue of core capital instruments to Belgian and Flemish governments/future strategy of the KBC group
- Write-down of the value of KBC Ancora's participating interest in KBC Group
- Legal proceedings in relation to the purchase of KBC Group shares by KBC Ancora in 2007
- Monitoring mandates (appointment of three new B directors/appointment of new vice-chairman of Board of Directors/appointment of new member of Appointments Committee/appointment of new member of Remuneration Committee)
- Reappointment of the auditor
- Implementation of new legislation in relation to the Audit Committee
- KBC Ancora's duty of disclosure pursuant to the new transparency legislation

## 2.2.3 Committees appointed within the Board of Directors

### 2.2.3.1 Day-to-Day Management Committee

- **Composition:**

The Day-to-Day Management Committee comprises the two A directors.

The term of office of the members of the Day-to-Day Management Committee ends on expiry of their term of office as A directors on the Board of Directors.

- **Powers:**

The Day-to-Day Management Committee prepares the meetings of the Board of Directors and forwards proposals for decisions to the Board.

The Committee exercises its powers autonomously, but always within the framework of the general strategy as adopted by the Board of Directors.

The Day-to-Day Management Committee is authorised to conduct the day-to-day management of both Almancora Société de gestion and KBC Ancora.

- **Function:**

The Day-to-Day Management Committee has been charged by the Board of Directors with the day-to-day management of the company. In principle, the Day-to-Day Management Committee meets once a month. The Committee met 11 times in the year under review. In addition, there were of course ongoing informal contacts between the Managing Directors.

### 2.2.3.2 Audit Committee

- **Composition:**

The Audit Committee comprises a minimum of three directors, other than A directors. More than half the members of the Audit Committee must be C directors.

The Audit Committee elects a chairman from among its members, who may not also be the Chairman of the Board of Directors, and appoints a secretary.

The Audit Committee has sufficient relevant expertise in the fields of accounting and audit.

*Gilbert Marquenie* obtained a degree in applied economics at K.U. Leuven (Catholic University of Leuven), a certificate in upper secondary school teaching (K.U. Leuven), a special degree (Speciaal Licentiaat) in business economics (K.U. Leuven) and a Master of Business Administration (The University of Chicago). After holding a succession of positions at Sidmar and I.O.S (Switzerland), Mobil Oil (the Netherlands), Westinghouse (France and Belgium), Kone and Memorex, he became Secretary-General of Santens Group (textiles) and was also a director of the domestic and international companies of the Santens group. His responsibilities were concentrated in the areas of group organisation, financial and general policy.

*Léopold Bragard* obtained a doctorate in mathematics from the University of Liège (ULg) (1973) and a 'Certificat d'études statistiques et opérationnelles' (1972) from the Institut de Statistique de Paris. From 1980 to 1997 he was a professor at the Faculties of Law, Economics and Social Sciences and later at the Faculties of Economics, Business Administration and Social Sciences at the University of Liège (ULg). He was Dean of the latter Faculty from 1990 to 1997, General Administrator of the University of Liège (ULg) from 1997 to 2005, and in September 2005 was appointed Honorary Administrator of this university in September 2005.

- **Powers:**

The Audit Committee supports the Board of Directors in the performance of its supervisory tasks in respect of audit in the widest sense.

The Audit Committee's tasks relate in particular to:

- Financial reporting and communication
- Internal auditing and risk management
- Overseeing the effective functioning of the company's internal audit system
- The external audit function performed by the auditor
- Additional audit duties

- **Function:**

The Audit Committee meets as often as necessary for its proper functioning, and at least three times a year.

The Audit Committee's activities are governed by the Internal Rules of the Audit Committee, which are incorporated in the Corporate Governance Charter.

The managing directors are not members of the Audit Committee, but are invited to attend meetings. This arrangement guarantees the necessary dialogue between the Board of Directors and the executive management.

The Audit Committee met four times during the year under review. Among the topics discussed at these meetings were the following:

- Draft financial statements and draft annual report of KBC Ancora for the financial year 2007/2008
- Budgets for the cost-sharing association between Cera and KBC Ancora
- Audit planning by the auditor
- Interim figures of KBC Ancora
- Evaluation of the internal control and risk management systems and of the need for an internal audit function
- Evaluation of the effectiveness of the Audit Committee and the adequacy of the Internal Rules of the Audit Committee
- New rules on the setting up of an Audit Committee within listed companies
- Budgets for the next financial year
- Valuation of the financial fixed assets in the light of the changed economic and financial climate – write-down in the value of the financial fixed assets to the shareholders' equity value of the KBC Group share as at 31 December 2008
- Change in stock valuation rules

### 2.2.3.3 *Appointments Committee*

- **Composition:**

The Appointments Committee comprises a minimum of three directors. The C directors together constitute the majority of the Appointments Committee.

The Appointments Committee is chaired by the Chairman of the Board of Directors of Almacora Société de gestion, except where the choice of his or her successor is being discussed.

- **Powers:**

The Appointments Committee submits proposals directly (i.e. without the intervention of the Board of Directors) to the General Meeting of Shareholders of Almacora Société de gestion as regards the appointment of A, B and C directors. The Appointments Committee nominates at least two candidates for each vacancy.

As the majority of the Appointments Committee consists of independent non-executive directors (C directors), this direct nomination of candidate directors offers the best guarantee of an independent nominations policy, in which the focus is exclusively on KBC Ancora's interests.

No directors may be appointed who have not been nominated by the Appointments Committee.

- **Function:**

The Appointments Committee meets as often as necessary for its proper functioning, and at least twice a year.

The Appointments Committee's activities are governed by the Internal Rules of the Appointments Committee, which are incorporated in the Corporate Governance Charter.

The Appointments Committee met four times during the year under review. Among the matters discussed at these meetings were the appointment of three new B directors, the appointment of a new vice-chairman of the Board of Directors, the evaluation of the size and composition of the committees and the appointment of a new member of the Appointments Committee and the Remuneration Committee. Whenever necessary or appropriate, joint meetings were organised between the Appointments Committee of Almacora Société de gestion and the Appointments Committee of Cera Société de gestion.

### 2.2.3.4 *Remuneration Committee*

- **Composition:**

The Remuneration Committee comprises at least three directors, other than A directors, of whom the majority are independent directors.

The Remuneration Committee is chaired by the Chairman of the Board of Directors of Almacora Société de gestion.

- **Powers:**

The Remuneration Committee:

- makes proposals regarding the remuneration policy for B and C directors
- makes proposals regarding the remuneration policy for members of the Day-to-Day Management Committee (A directors)
- makes recommendations concerning the individual remuneration of B and C directors and of members of the Day-to-Day Management Committee
- makes proposals regarding the remuneration policy for management members other than the members of the Day-to-Day Management Committee of Almancora Société de gestion

Where relevant, this is discussed with the Remuneration Committee of Cera Société de gestion.

- **Function:**

The Remuneration Committee meets as often as necessary for its proper functioning, and at least twice a year.

The Remuneration Committee's activities are governed by the Internal Rules of the Remuneration Committee, which are incorporated in the KBC Ancora Corporate Governance Charter. The Remuneration Committee met twice in the year under review. Among the matters discussed at these meetings were the evaluation of the functioning of the Remuneration Committee, the job descriptions and an evaluation of the managing directors and the remuneration of the B and C directors.

Whenever necessary or appropriate, joint meetings were organised between the Remuneration Committee of Almancora Société de gestion and the Remuneration Committee of Cera Société de gestion.

## 2.2.4 Auditor

The General Meeting of Shareholders of 31 October 2008 appointed KPMG Réviseurs d'entreprises, represented by Erik Clinck, as auditor for a period of three years.

KPMG Réviseurs d'entreprises received an annual fee of EUR 15,125 (including VAT) in the financial year 2008/2009 for the performance of its normal auditing duties.

## 2.3 Remuneration

### 2.3.1 General

Almancora Société de gestion awarded total gross remuneration of EUR 287,060 to its directors in respect of the exercise of their functions in the year under review. This total includes the sum of EUR 139,499 for the remuneration of the B and C directors. Of this amount, EUR 128,314 relates to the actual remuneration of the directors (fixed and variable), and EUR 11,185 to the reimbursement of directors' expenses. Almancora Société de gestion charges on these costs to KBC Ancora. This is the largest component of the total costs of the management by Almancora Société de gestion that were borne by KBC Ancora (EUR 139,499 out of a total of EUR 143,817).

A further EUR 147,561 was charged via the cost-sharing association in the form of fixed and variable remuneration for the A directors, who are also members of the Day-to-Day Management Committee.

### 2.3.2 Remuneration of B and C directors

The remuneration of B and C directors takes into account their responsibilities and time investment.

B and C directors receive a fixed annual remuneration plus an attendance fee for each meeting of the Board of Directors attended. The remuneration of B directors also takes into account the remuneration they receive for their membership of the Board of Directors of Cera Société de gestion.

Given the large amount of time he/she invests in KBC Ancora, the Chairman of the Board of Directors enjoys a deviating remuneration regime. He or she receives a higher fixed remuneration, but no attendance fees.

B or C directors who are members of the Audit Committee also receive an attendance fee for each meeting of the Committee they attend. The chairman of the Audit Committee receives a fixed remuneration. The members of the Appointments Committee and the Remuneration Committee do not receive attendance fees, but merely a mileage allowance.

Finally, B and C directors are entitled to reimbursement of expenses incurred in exercising their function as directors.

Table 7 presents a summary of the remuneration of B and C directors in the year under review.

**Table 7:** Remuneration of B and C directors, excluding reimbursement of expenses (in EUR)

	<b>Board of Directors (fixed)</b>	<b>Board of Directors (variable)</b>	<b>Audit Committee (fixed)</b>	<b>Audit Committee (variable)</b>	<b>Total</b>
<b>Georges Beerden</b>	2,667	2,700	-	-	5,367
<b>Léopold Bragard</b>	6,500	7,800	-	2,400	16,700
<b>Willy Danneels</b>	2,667	3,300	-	2,400	8,367
<b>Jean-Marie Gérardin</b>	4,000	3,300	-	-	7,300
<b>Gilbert Marquenie</b>	6,500	7,800	-	2,400	16,700
<b>Johan Massy</b>	533	900	-	-	1,433
<b>Peter Müller</b>	533	900	-	-	1,433
<b>Paul Peeters</b>	3,200	3,900	6,400	-	13,500
<b>Jos Plessers</b>	3,200	3,900	-	-	7,100
<b>Ghislaine Van Kerckhove</b>	533	900	-	-	1,433
<b>Servus SPRL</b>	7,865	8,712	-	2,904	19,481
<b>Van Hulle &amp; Cie SCS</b>	29,500	-	-	-	29,500
<b>TOTAL</b>	<b>67,698</b>	<b>44,112</b>	<b>6,400</b>	<b>10,104</b>	<b>128,314</b>

### 2.3.3 Remuneration of A directors

The day-to-day management of Almancora Société de gestion is in the hands of the Day-to-Day Management Committee, which comprises two managing directors (the A directors). The A directors of Almancora Société de gestion are currently also the A directors of Cera Société de gestion, statutory manager of Cera.

The remuneration package of the managing directors is laid down contractually. They are paid by Cera as joint members of the Day-to-Day Management Committees of Cera and of Almancora Société de gestion. 20% of their total remuneration is charged on to KBC Ancora in the context of the cost-sharing association between Cera and KBC Ancora.

This remuneration consists of a fixed portion and a variable portion, plus the use of a company car and a competitive insurance package, which among other things includes a supplementary retirement or survivor's pension, disability insurance, hospitalisation insurance and emergency assistance insurance.

The amount of the fixed remuneration is determined on the basis of the individual responsibilities and powers of the A directors, taking into account the remuneration paid for comparable functions in the market.

The amount of the variable remuneration is determined on the basis of the results of KBC Group in the preceding financial year and the individual performance of the A directors (Balanced Scorecard).

Table 8 presents a global summary of the proportion of the fixed and variable remuneration of the A directors in the year under review which was borne by KBC Ancora via the cost-sharing association (20% of their total remuneration).

**Table 8:** Fixed and variable remuneration of A directors (in EUR)

	<b>Fixed remuneration</b>	<b>Variable remuneration</b>	<b>Total</b>
<b>A directors (total)</b>	147,561	0	147,561

## 2.4 Rotation system

Directors were appointed for a maximum six-year term on the foundation of Almancora Société de gestion in 2001. To ensure the necessary continuity of the Board, the Articles of Association provide for a rotation system, under the terms of which a number of directorships lapse every two years. The rotation system is an optional system, which Almancora Société de gestion applies whenever it deems this necessary to ensure the continuity and proper functioning of the Board of Directors. The rotation system was applied for the first time in 2003.

Since a natural spread in the expiry dates of the directorships arose in 2007, the Board of Directors of Almancora Société de gestion decided not to apply the rotation system in 2009.

## 2.5 Code of conduct in respect of conflicts of interest

The statutory provisions concerning potential conflicts of interest with a director or with a major shareholder (Sections 523 and 524 of the Belgian Commercial Code (Code des sociétés)) are incorporated and elaborated in Articles 20 and 21 of the Articles of Association. In addition, the Board of Directors of Almancora Société de gestion has formulated rules for dealing with potential conflicts of interest between directors/members of the Day-to-Day Management Committee of Almancora Société de gestion and of KBC Ancora. These rules are incorporated in the KBC Ancora Corporate Governance Charter.

No incidents occurred in the year under review for which the rules on conflicts of interest with a major shareholder needed to be applied. There were also no conflicts of interest between directors/members of the Day-to-Day Management Committee of Almancora Société de gestion and KBC Ancora.

The procedure for dealing with potential conflicts of interest with the statutory manager did have to be applied on one occasion in the year under review.

## 2.5.1 Conflict of interest with the statutory manager

### 2.5.1.1 *Establishment of potential conflict of interest: Board of Directors of Almancora Société de gestion SA*

On 19 December 2008 the Board of Directors of Almancora Société de gestion established that there was a potential conflict of interest within the meaning of Section 523 of the Belgian Company Code (Code des sociétés) as a result of a minority claim for the account of KBC Ancora SCA filed against Almancora Société de gestion SA and its permanent representative, and in which KBC Ancora SCA and Cera SCRL were also summonsed.

The Board of Directors decided to apply the procedure as set out in Article 20 of the Articles of Association of KBC Ancora SCA. In practice this means that, in the context of these legal proceedings, Almancora Société de gestion SA refrains from representing and defending KBC Ancora SCA. This task falls to the ad hoc representative, Ancora ASBL. Ancora ASBL and the auditor were notified accordingly

### 2.5.1.2 *Decision of ad hoc representative: Board of Ancora ASBL*

On 19 December 2008 the Board of Ancora ASBL, ad hoc representative, took the following decision:

#### **“Application of Article 20 of the Articles of Association of KBC Ancora SCA (the Company)**

The Company was summonsed on 5 December 2008 in the context of a minority claim at the request of a number of minority shareholders.

The plaintiffs’ petition vis-à-vis the company as the summonsed party is that the Company be ordered to hand over a number of documents and to repay to the plaintiffs all amounts expended in the context of the minority claim.

The other parties summonsed in the proceedings are the statutory manager, the statutory manager’s permanent representative and Cera SCRL.

The plaintiffs’ principal claim against the other parties summonsed is that the statutory manager, the statutory manager’s permanent representative and Cera SCRL be ordered to acquire 6,236,380 KBC Group shares at the acquisition price augmented by the costs. If the court were not to permit reinstatement in kind, the plaintiffs request that the statutory manager, the statutory manager’s permanent representative and Cera SCRL be ordered to pay compensation to the Company. Finally, the plaintiffs claim repayment to the Company of costs in the context of the execution of the management mandate.

The Board of Directors of Almancora Société de gestion SA notes that, as statutory manager of the Company, it is confronted with a potential conflict of interest of a financial nature in relation to the minority claim filed for the account of the Company against the statutory manager and other parties.

Pursuant to Article 20 of the Articles of Association of the Company, the statutory manager will refrain from acting for the Company in the context of the legal proceedings. The statutory manager has notified Ancora ASBL and the auditor accordingly.

Ancora ASBL was appointed at the Extraordinary General Meeting held on 12 January 2001 to act as the ad hoc representative for the entire duration of the Company in the event that the statutory manager is unable to act because of a potential conflict of interest. Ancora ASBL will accordingly act as the ad hoc representative of the Company in the context of the legal proceedings.

Ancora ASBL decided to appoint Robbie Tas to act as legal counsel for the Company in order to defend the Company's interests in these proceedings.

The fees of the legal counsel of the Company will be determined on the basis of an hourly rate in line with usual market rates. If the minority claim were to be allowed, the costs already incurred by the plaintiffs and not included in the costs which would be awarded against the other parties, would also have to be repaid by the Company pursuant to Section 567 of the Belgian Company Code (Code des sociétés). The financial consequences for the Company in relation to the minority claim (both the possible outcome of the legal proceedings and the possible repayment of costs incurred by the plaintiffs) are difficult to assess at this point in time.

The actions of Ancora ASBL as ad hoc representative and the appointment of Robbie Tas from the Curia law firm, which specialises in company law, as legal counsel for the Company, are intended to defend the interests of the Company optimally in the context of the legal proceedings."

#### *2.5.1.3 Cognisance of decision by ad hoc representative: Board of Directors of Almancora Société de gestion SA*

On 30 January 2009 the Board of Directors of Almancora Société de gestion SA took cognisance of the fact that Ancora ASBL had decided on 19 December 2008 to act for KBC Ancora SCA and to appoint Robbie Tas as legal counsel for KBC Ancora SCA in the context of the legal proceedings relating to the minority claim filed for the account of KBC Ancora SCA against Almancora Société de gestion SA and its permanent representative, and in which KBC Ancora SCA itself and Cera SCRL were also summonsed.

## 2.6 Code of conduct to prevent market abuse

The Board of Directors of Almancora Société de gestion has drawn up a code of conduct intended to prevent market abuse. The principles of the code of conduct have been incorporated in the KBC Ancora Corporate Governance Charter.

The code of conduct to prevent market abuse provides among other things for the drawing up of a list of insiders, the setting of annual prohibited periods, the reporting of trades by directors and employees to the compliance officer, the reporting of trades by managers to the Belgian Banking, Finance and Insurance Commission (CBFA).

## 2.7 Notification in implementation of Article 34 of the Royal Decree of 14 November 2007 concerning the obligations of issuers of financial instruments that are admitted to trading on a regulated market

On 30 June 2009 the capital of KBC Ancora was represented by 78,301,314 shares without nominal value, each representing an equal portion of the capital.

There are no restrictions imposed by law or by the Articles of Association to the transfer of securities, nor to the exercising of the voting right.

The majority of the shares are held by Cera SCRL. On 30 June 2009 Cera held 47,438,666 KBC Ancora shares (60.58% of the total number of shares).

KBC Ancora is managed by a statutory manager appointed pursuant to the Articles of Association. At the Extraordinary General Meeting of Shareholders held on 12 January 2001, Almancora Société de gestion was appointed as statutory manager for the duration of the company. The management mandate of the statutory manager may only be terminated with its agreement or by the courts if there are lawful reasons for doing so. Decisions of the General Meeting which concern the interests of KBC Ancora vis-à-vis third parties, and decisions to amend the Articles of Association, take effect only when and on the condition that the statutory manager gives its consent thereto.

## 2.8 Annual notification pursuant to Article 74, §8 of the law of 1 April 2007 on public takeover bids

On 28 August 2009 Cera reported (pursuant to Article 74, §8 of the law of 1 April 2007 on public takeover bids) that as at 30 June 2009 it still held more than 30% of the voting rights in KBC Ancora. Specifically, Cera reported that it held 47,438,666 of the total of 78,301,314 KBC Ancora shares, or 60.58%.

This notification was made with a view to retaining the exemption from the obligation to issue a bid for the entire body of securities with voting rights of KBC Ancora SCA.

## 2.9 Guidelines for the exercise of directorships

The 'Guidelines for directors of Almacora Société de gestion for the exercise of their directorship mandates' form part of the 'Internal Addendum to the KBC Ancora Corporate Governance Charter'. They were most recently updated on 21 December 2007.

The Audit Committee oversees compliance with the 'Guidelines for directors of Almacora Société de gestion for the exercise of their directorship mandates'.

## 2.10 Openness in investor communication

In fulfilling its duty to inform, KBC Ancora focuses on natural communication opportunities at which it not only provides accurate information but also strives to convey that information in a comprehensible manner. For that reason, KBC Ancora communicates about its operations in several ways, including:

- Providing access to its Articles of Association and prospectus
- Publishing interim statements
- Publishing an interim financial report
- Publishing an annual press release
- Publishing the annual report
- Its website [www.kbcancora.be](http://www.kbcancora.be)

These communications are disseminated using the usual European media and the KBC Ancora website. In addition, every interested party has the opportunity to subscribe to the electronic mailing list of KBC Ancora free of charge via the website.

Since KBC Ancora's principal asset is a major participating interest in KBC Group, specific information – which relates to the underlying group results – can also be found in the KBC Group annual report and website and those of its subsidiaries.

## 3 Statutory manager's report

### 3.1 Balance sheet as at 30 June 2009

KBC Ancora's balance sheet total stood at EUR 2,589.8 million on 30 June 2009, a decrease of 32.2% compared with the previous financial year. This reduction was largely due to the write-down in the value of the KBC Group shares held in portfolio.

#### 3.1.1 Assets

The assets consist almost entirely of a participating interest in the form of 82,216,380 KBC Group shares.

In view of the impact of the financial crisis on the share price and results of KBC Group, the Board of Directors of Almancora Société de gestion SA, statutory manager of KBC Ancora, was of the opinion that there was a reduction in value of a long-time nature (within the meaning of Article 66, §2 of the Royal Decree/Belgian Commercial Code (Code des sociétés) of KBC Ancora's participating interest in KBC Group. Accordingly, it was decided with effect from 31 March 2009 to write down the value of the participating interest in KBC Group, thereby reducing the average book value per KBC Group share from EUR 46.4 to EUR 31.5, in line with the (audited) shareholders' equity per KBC Group share as at 31 December 2008. The Board of Directors took the view that the shareholders' equity value of KBC Group as at 31 December 2008 formed an objective basis for this reduction in value. The total amount of the write-down was EUR 1,228.4 million.

The Board of Directors of Almancora Société de gestion SA, statutory manager of KBC Ancora, decided not to apply an additional write-down to the value of the investment in KBC Group as at 30 June 2009, in view of:

- the long-term nature of KBC Ancora's participating interest in KBC Group, given its key role in the shareholder stability of the KBC group
- the fact that the underlying results of the KBC group remain satisfactory despite the difficult market conditions
- the IFRS standards which apply for KBC Group

In this context, the Board of Directors decided to amend the valuation principles relating to the shares included under financial fixed assets. The individualisation method was replaced by the weighted average book value method, thus contributing to the simplicity and transparency of presentation given the widely differing acquisition costs of the various parcels of KBC Group shares in portfolio. This change has no impact on KBC Ancora's capital and reserves.

### 3.1.2 Liabilities

Capital and reserves amounted to EUR 1,992.5 million, a reduction of 38.7% compared with the previous financial year.

- The issued capital amounted to EUR 3,189.9 million.
- The statutory reserve amounted to EUR 60.5 million. Since no profit was realised in the year under review, no additions were made to the statutory reserve.
- A loss of EUR 1,257.8 million will be carried forward (for calculation see 3.3 *Result and proposed profit appropriation*).

Amounts owed to credit institutions amounted to EUR 593.4 million. Of this total, EUR 550 million related to long-term loans carrying fixed rates of interest, with repayment dates in 2017 (EUR 175 million), 2022 (EUR 100 million) and 2027 (EUR 275 million). The remainder (EUR 43.4 million) consisted of short-term drawdowns.

Other amounts falling due within one year amounted to EUR 0.2 million.

Accruals and deferrals on the liabilities side of the balance sheet (EUR 3.8 million) relate to interest charges recognised on a pro rata basis.

## 3.2 Profit and loss account for the financial year 2008/2009

Given the nature of KBC Ancora's operations, the same profit and loss account scheme has been used as was customary for portfolio companies<sup>8</sup>.

KBC Ancora recorded a loss for the financial year 2008/2009 of EUR 1,258.7 million, equivalent to a loss of EUR 16.07 per share.

### 3.2.1 Income

KBC Ancora's income in the year under review was restricted to EUR 0.1 million.

*Table 9* summarises the movements in the various income categories within KBC Ancora in recent financial years.

<sup>8</sup> On 29 October 2004 KBC Ancora obtained the permission of the competent minister to continue using the non-consolidated financial statements as formerly included as an annex to the Royal Decree of 1 September 1986 concerning portfolio companies.

**Table 9:** Trend in KBC Ancora income

(x EUR million)	Financial year 2008/2009	Financial year 2007/2008	Financial year 2006/2007
<b>Income from financial fixed assets</b>	0.0	310.8	259.2
<b>Income from current assets</b>	0.1	0.2	0.2
<b>TOTAL</b>	<b>0.1</b>	<b>311.0</b>	<b>259.4</b>

#### 3.2.1.1 *Income from financial fixed assets*

Given the decision by KBC Group not to distribute a dividend in 2009 for the financial year 2008, KBC Ancora did not realise any income from its financial fixed assets, which consist entirely of a participating interest in KBC Group.

#### 3.2.1.2 *Other income*

Other income amounted to EUR 0.1 million and comprised limited income from current assets and the writing back of the remaining provision charged in connection with the name change and stock split in 2007.

### 3.2.2 Expenses

KBC Ancora's total costs amounted to EUR 1,258.8 million, or EUR 16.8 per share, an increase of EUR 1,228.2 million compared with the previous financial year. This increase was attributable chiefly to the write-down in the value of the participating interest in KBC Group.

Table 10 summarises the movements in the various cost categories in recent financial years.

**Table 10:** Trend in KBC Ancora costs

(x EUR million)	Financial year 2008/2009	Financial year 2007/2008	Financial year 2006/2007
<b>Costs of cost-sharing association</b>	1.75	1.8	1.8
<b>Costs of debt</b>	28.2	27.8	2.3
<b>Other operating costs</b>	0.4	0.9	1.4
<b>Taxes</b>	0.0	0.0	2.6
<b>Reduction in value of financial fixed assets</b>	1,228.4	0.0	0.0
<b>TOTAL</b>	<b>1,258.8</b>	<b>30.6</b>	<b>8.1</b>

### 3.2.2.1 Costs within the cost-sharing association with Cera

KBC Ancora set up a cost-sharing association with Cera in order to enhance the cost-efficiency of both parties' operations. A budget is drawn up annually for the various costs incurred within the cost-sharing association. KBC Ancora reimburses Cera for part of these budgeted costs every six months on a pro rata basis. Settlement then occurs at the end of each calendar year based on the actual costs.

The costs in connection with the cost-sharing association amounted to EUR 1.7 million in the year under review, EUR 0.1 million less than in the previous financial year.

Table 11 summarises the various cost categories within the cost-sharing association with Cera and the cost allocation percentage as this has been applied since 1 January 2006.

**Table 11:** Costs within the cost-sharing association with Cera

<b>Cost-sharing association</b>	<b>Cost allocation percentage</b>	<b>Amount (x EUR million)</b>
<b>Administration/management/advice</b>	20%	0.47
<b>Support</b>	20%	0.45
<b>Financial Unit</b>	50%	0.33
<b>Membership and capital administration</b>	10%	0.26
<b>Communications</b>	20%	0.24
<b>TOTAL</b>		<b>1.75</b>

### 3.2.2.2 Costs of debt

The costs of debt amounted to EUR 28.2 million in the year under review, EUR 0.4 million more than in the previous financial year. On the one hand, KBC Ancora's interest charges fell slightly due to a reduction in the interest rate applied to KBC Ancora's short-term debt, but on the other hand debt increased, as announced in early November 2008, by an amount that virtually matched the interest charges and operating costs for the year under review.

### 3.2.2.3 Other operating costs

Other operating costs amounted to EUR 0.4 million, EUR 0.5 million less than in the previous financial year. Since KBC Ancora did not distribute a dividend, the costs incurred in respect of financial service reduced by EUR 0.2 million. In addition, brokerage and stock exchange fees amounting to EUR 0.3 million were incurred in the previous financial year in connection with the purchase of 3.9 million KBC Group shares.

The principal operating costs incurred related to:

- stock exchange listing: EUR 0.15 million
- management activities: EUR 0.14 million (see 2.3 *Remuneration*)

#### 3.2.2.4 *Write-down in value of financial fixed assets*

As described above (3.1.1 *Assets*), a long-term value reduction was recorded on the participating interest in KBC Group. Reducing the average book value of the 82,216,380 KBC Group shares in portfolio from EUR 46.44 to EUR 31.5 per share meant that KBC Ancora had to record a total write-down in value of EUR 1,228.4 million.

The Board of Directors of Almancora Société de gestion intends to neutralise the effect of this write-down in the value of the financial fixed assets on KBC Ancora's ability to pay dividends in the future (see 3.4 *Neutralisation of the impact of the value write-down by means of formal capital reduction*).

#### 3.2.2.5 *Taxes*

KBC Ancora has no corporation tax liability in respect of the year under review.

### 3.3 Result and proposed profit appropriation

The profit/loss to be appropriated for the year under review amounts to EUR –1,257.8 million.

This figure is the product of the loss made in the year under review of EUR 1,258.7 million and the profit carried forward from the previous financial year amounting to EUR 0.9 million.

As stated earlier, KBC Ancora will not be distributing a dividend for the year under review.

### 3.4 Neutralisation of the impact of the value write-down by means of formal capital reduction

The Board of Directors of Almancora Société de gestion SA intends to neutralise the effect of the write-down in the value of the financial fixed assets on KBC Ancora's ability to pay dividends. To this end, an Extraordinary General Meeting will be held on 30 October 2009, at which it will be proposed that the amount of the value reduction (EUR 1,228,437,962.18) be charged to the statutory reserve (EUR 60,445,251.75) and that a formal capital reduction be effected to the amount of the balance (EUR 1,167,982,710.43). This will have the effect of reducing the authorised capital from EUR 3,189,854,003.43 to EUR 2,021,871,293.00.

In the event of full or partial reversal of the write-down at a later date, KBC Ancora also intends to take the necessary steps to neutralise the impact of such a reversal on its ability to pay dividends. Since its flotation on the stock exchange in 2001, KBC Ancora has consistently sought, within the statutory limits, to achieve maximum 'flow-through' of its recurring result.

## 3.5 Legal proceedings

Four KBC Ancora shareholders filed a minority claim in December 2008 for the account of KBC Ancora against its statutory manager and Cera.

The plaintiffs are contesting the purchase of 2.3 million KBC Group shares by KBC Ancora in March 2007, which was effected in the context of the splitting of the KBC Ancora share. The plaintiffs are also contesting the purchase of 3.9 million KBC Group shares which was effected in mid-2007 in order to ensure that, together with Cera, its shareholding in KBC Group would exceed the 30% threshold as set out in the Law of 1 April 2007 on public takeover bids, which came into force in Belgium on 1 September 2007 (see KBC Ancora press release dated 8 August 2007). The main objective of their claim is that the defendants should acquire the purchased shares at the acquisition price.

The statutory manager is convinced that the transactions in question were decided upon and executed correctly, and accordingly looks forward to the outcome of the proceedings with every confidence.

## 3.6 No consolidated financial statements for KBC Ancora

KBC Ancora has only one equity holding in another company, namely its participating interest in KBC Group. KBC Ancora has no control over that company, either legally or in practice. Consequently, KBC Ancora is not obliged to produce consolidated financial statements.

KBC Ancora shareholders who are interested can however find additional useful information in KBC Group's consolidated annual report, which can be consulted on the KBC Group website ([www.kbc.com](http://www.kbc.com)).

## 3.7 Most recent financial year and available information for 2009 on KBC Group

### 3.7.1 Past financial year of KBC Group

KBC Group's most recent financial year (2008) was discussed in its last annual report. The main developments and financial highlights are set out below.

KBC Group closed the financial year 2008 with a loss of EUR 2.48 billion. The underlying profit amounted to EUR 2.27 billion.

### ***Key developments***

The 2008 financial year was one of the most eventful periods ever for the banking industry. Several banks went into difficulties when money and debt markets dried up substantially.

While the operating environment for KBC held up relatively well in the first half of the year, conditions deteriorated in the second. KBC's liquidity base remained solid, with steady inflows of customer deposits recognised in core retail markets. The solvency position was further strengthened by the issuance of hybrid capital in the first half of the year and the issuance of core capital securities to the Belgian State towards year-end. At the start of 2009, KBC also secured additional (non-dilutive) core capital support from the Flemish Regional Government of Belgium.

During 2008, cost budgets were frozen throughout the group and underwriting criteria tightened for lending in non-home markets, for unsecured consumer credit and for asset-backed loans, such as leasing and real estate financing.

### ***Financial highlights***

The financial highlights for KBC Group in the financial year 2008 can be summarised as follows:

Net profit according to IFRS amounted to -2,484 million euros for the 2008 financial year. This figure includes exceptional items, such as losses on investment portfolios and the unwinding of trading positions related to the financial crisis (a net 4.8 billion euros). When adjusted for these items, (underlying) profit came to a positive 2,270 million euros, reflecting an underlying return on equity of 16%.

Net interest income came to 4,992 million euros, up 22% on the year-earlier figure (+10% on an underlying basis), thanks mainly to solid volume growth. Underlying loan growth stood at 8% year-on-year (8% in Belgium, 25% in Central and Eastern Europe and 0% in Merchant Banking). The net interest margin in the Central & Eastern Europe and Russia Business Unit increased from 3.0% to 3.2% (thanks in part to growth in higher-margin countries), while it fell in Belgium from 1.8% to 1.5%, due to lower savings deposit spreads.

Gross earned premiums for the insurance business stood at 4,585 million euros, up 15% on the year-earlier figure. Net of technical charges and the ceded reinsurance result, income was 110 million higher (+21%). The combined ratio for the non-life business stood at a favourable 95%.

Dividend income from equity holdings amounted to 259 million euros, roughly on a par with the year-earlier figure.

Net gains from financial instruments at fair value came to a negative 3,481 million euros. This amount included a valuation markdown of 3.8 billion euros related to structured credit investments. The line item also includes income from professional money and securities trading, which was negatively impacted by the adverse capital-market climate and the unwinding of trading positions in derivative products. At the request of the external auditors, the effect of changes in own credit spreads was taken into account to determine the fair value of liabilities at fair value through profit or loss. In order to meet this request, the carrying

amount of own debt designated as liabilities at fair value through profit or loss was adjusted, resulting in a fair value gain of 371 million euros (amount excluded, however, for regulatory capital purposes).

Gains from available-for-sale assets (mostly investments in shares) were limited to 95 million euros, 587 million euros less than the year-earlier figure owing to the poor performance of the equity markets.

Net fee and commission income amounted to 1,714 million euros. This is 14% below the year-earlier level, largely due to lower customer investment activities consequent on the adverse investment climate.

Other net income stood at 618 million euros, the same as its year-earlier level.

Operating expenses came to 5,600 million euros. The 7% year-on-year increase in costs is accounted for by new acquisitions and currency appreciations. Excluding these factors, costs remained stable, with lower bonus accruals being offset by additional non-staff expenses, including restructuring charges.

Total impairment charges stood at 2,234 million euros, 822 million euros of which related to the loan portfolio and 1,333 million euros to available-for-sale investment securities (to a large extent shares held in the insurance business). An impairment charge of 190 million euros was taken (mainly) on bonds issued by the troubled US banks Lehman Brothers and Washington Mutual, while the impairment of 249 million euros related (mostly) to loans outstanding to troubled Icelandic banks.

The contribution from associated companies amounted to -1 million euros, while the result attributable to minority interests was +105 million euros.

Due to the negative pre-tax result, a deferred tax asset was recognised, resulting in a positive impact on the income statement.

At the end of December 2008, parent shareholders' equity came to 14.2 billion euros. Shareholders' equity was down on the start of the year, as newly issued core capital securities (3.5 billion euros' worth issued to the Belgian State) were more than offset by the negative result for the year (-2.5 billion euros), the decrease in the revaluation reserve for available-for-sale investments (-1.9 billion euros) and treasury shares repurchased and dividends paid out in the first half of the year (-1.6 billion euros, combined), among other factors.

The profit figures and key ratios in *table 12* give an impression of the result of KBC Group in the financial year 2008 and a comparison with the financial years 2007 and 2006.

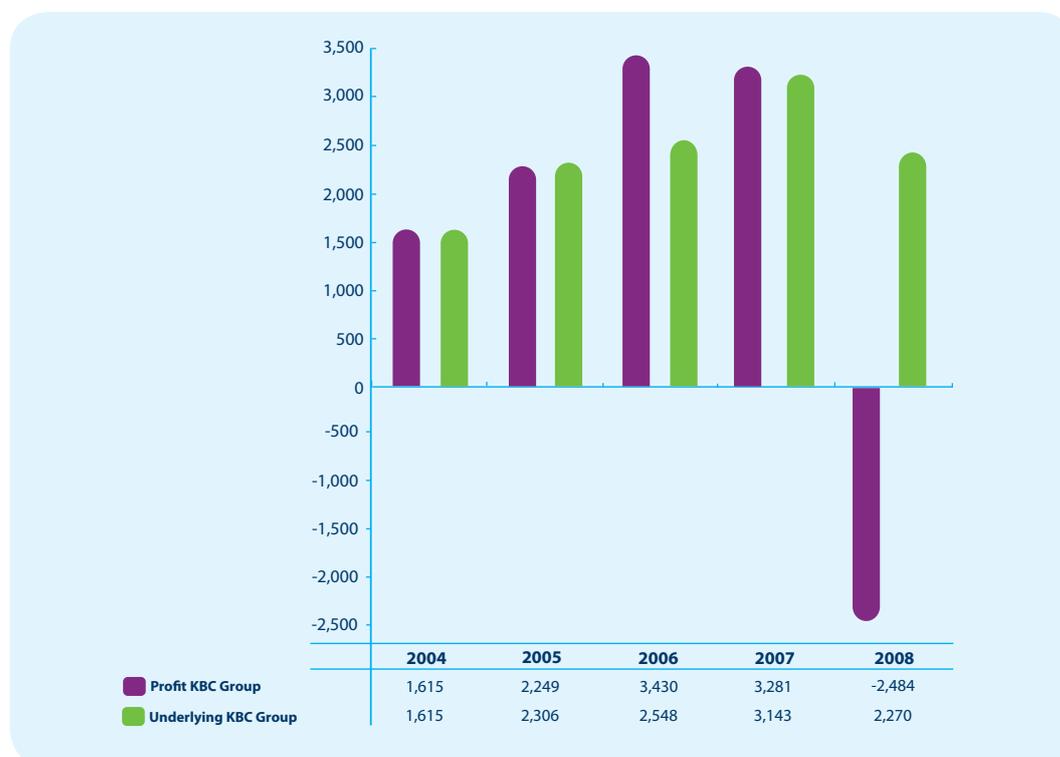
**Table 12:** Profit figures and key ratios of KBC Group for the financial years 2008, 2007 and 2006

(x EUR million)	2008	2007	2006
<b>Net group profit</b>	-2,484	3,281	3,430
<b>Underlying group profit*</b>	2,270	3,143	2,548
<i>Belgium Business Unit</i>	1,145	1,364	1,104
<i>Central and Eastern Europe and Russia Business Unit</i>	687	641	426
<i>Merchant Banking Business Unit</i>	418	965	871
<i>European Private Banking Business Unit</i>	161	211	181
<i>Group Services and Operations</i>	-140	-36	-33
<b>Net earnings per share (in EUR)</b>	-7.31	9.46	9.68
<b>Dividend per share (in EUR)</b>	0.00	3.78	3.31
<b>Shareholders' equity per share (in EUR)</b>	31.5	50.7	49.2
<b>Costs/income ratio, banking activities</b>	104%	56%	53%
<b>Combined ratio, non-life insurance</b>	95%	96%	96%
<b>Solvency (Tier 1) of KBC Bank and KBL EPB</b>	10-11%	9%	9%
<b>Solvency of KBC Assurances</b>	188%	265%	374%
<b>Return on equity</b>	-18%	21%	24%

\* Underlying group profit means the net profit excluding exceptional items falling outside the normal business operations.

*Chart 8* shows the trend in the (underlying) profit of KBC Group in recent financial years.

**Chart 8:** Trend in (underlying) KBC Group profit (x EUR million)



### 3.7.2 First half of KBC Group financial year 2009

KBC Group published its results for the first half of 2009 on 6 August 2009. Net profit for the first half-year came to EUR -3.3 billion. Underlying net profit, i.e. net profit excluding exceptional items which fall outside normal business operations, amounted to EUR 875 million for the first half-year.

#### **Financial highlights**

The net result for the first half of 2009 amounted to -3.3 billion euros. This figure includes exceptional items (totalling -4.2 billion euros, net) such as value losses on CDO investments, the fee paid for the guarantee bought to cover the remaining CDO-linked exposure and the write-down of positions for discontinued trading activities. Adjusted for those items, (underlying) profit came to a positive 875 million euros.

Net interest income came to 2.9 billion euros, up 18% year-on-year (+10% on an underlying basis). Volume growth was particularly solid in the second half of 2008, while margins recovered significantly at the start of 2009. As at 30 June 2009, the customer loan book (excluding reverse repos) stood, on an organic basis, at the same level as a year earlier (up 9% in Belgium and 12% in Central & Eastern Europe and Russia, but down 7% in Merchant Banking). The net interest margin for banking came to 1.8%, up from 1.7% for the first half of 2008.

Gross earned premiums in insurance stood at 2.6 billion euros, up 14% compared to the year-earlier figure. Net of technical charges and the ceded reinsurance result, the income was 241 million euros. The combined ratio for the non-life insurance activities again came to 92%, a very favourable level.

Dividend income from equity investments amounted to 82 million euros, markedly lower than the 159 million euros reported for the first half of 2008. The equity investment portfolio shrank substantially (to 2.3 billion euros from 4.4 billion euros a year earlier) while, in general, corporate dividend payouts were also lower.

Net gains from financial instruments at fair value came to -3.7 billion euros. Although sales and trading activities on money and debt securities markets performed well, this income heading was strongly impacted by net negative value adjustments on structured credit exposure (including 1,121 million euros to cover the cost of the newly acquired guarantee) and the marking down of discontinued derivative positions. On an underlying basis, this income heading came to +551 million euros.

Gains from available-for-sale assets (mostly on investments in shares) were limited to 47 million euros. Due to the poor equity market performance until March 2009, this was considerably below the year-earlier figure of 260 million euros.

Net fee and commission income amounted to 690 million euros. This is 25% lower than the year-earlier level, largely due to the lower volume of assets under management consequent on the prevailing investment climate.

Other net income ended at 268 million euros, somewhat above the year-earlier amount of 225 million euros.

Excluding exceptional items, operating expenses were down 9% year-on-year. Cost containment measures were implemented across all business units. The underlying cost/income ratio for banking stood at 56%, compared to 64% for 2008.

Total impairment charges stood at 1.3 billion euros, of which 886 million euros related to loans and receivables. This corresponds with a credit cost ratio of 1.01% (0.14% for the Belgium Business Unit, 1.75% for Central & Eastern Europe and Russia and 1.31% for Merchant Banking including US mortgage-backed securities). Excluding the charge for US mortgage-backed securities, the credit cost ratio for the group came to 0.76% (0.71% for Merchant Banking). Available-for-sale investment securities, mainly shares, were impaired to the tune of 330 million euros on the back of the prevailing poor equity market environment up to the end of the first quarter of 2009. An impairment loss of 124 million euros was recognised on the value of goodwill outstanding, related, among other things, to acquisitions in Bulgaria.

As pre-tax results were negative, a deferred income tax credit of 258 million euros was recognised.

As at the end of June 2009, parent shareholders' equity came to 14.9 billion euros. Shareholders' equity was up 0.7 billion euros on the start of the year as the negative year-to-date result was offset by the positive impact of the nondilutive capital securities issued to the State (Flemish Regional Government) and positive market value adjustments on assets. The tier-1 capital ratio for banking stood at 10.8% (of which 8.1% core tier-1), while the solvency margin for the insurance business came to 182%.

Table 13 compares the profit trend in the various KBC Group Business Units in the first half of 2009 with the first half of 2008 and 2007.

**Table 13:** Profit figures of KBC Group for the first half of the financial years 2009, 2008 and 2007

(x EUR million)	1H2009	1H2008	1H2007
<b>Net group profit</b>	-3,298	1,047	1,933
<b>Underlying group profit*</b>	875	1,083	1,660
<i>Belgium Business Unit</i>	543	564	743
<i>Central and Eastern Europe and Russia Business unit</i>	177	344	327
<i>Merchant Banking Business Unit</i>	132	154	510
<i>European Private Banking Business Unit</i>	78	90	109
<i>Group Services and Operations</i>	-55	-69	-29
<b>Net earnings per share (in EUR)</b>	-9.71	3.07	5.54

\* Underlying group profit means the net profit excluding exceptional items falling outside the normal business operations.

## 3.8 Outlook for the financial year 2009/2010

### **Income**

KBC Ancora's principal source of income is the dividend it receives from its participation in KBC Group. Forecasts of KBC Group's future dividend rely heavily on factors such as the projection of KBC Group's future earnings.

When announcing its interim results on 6 August 2009, KBC Group did not indicate whether it expects to (be able to) pay a dividend for the financial year 2009. The interim result totalled EUR -3.3 billion; the underlying profit amounted to EUR 875 million.

### ***Expenses***

Costs within the cost-sharing association with Cera are expected to be approximately EUR 1.7 million, a slight reduction compared with the year under review.

Total interest charges for the financial year 2009/2010 are estimated at around EUR 30 million.

It is estimated that other operating costs will total approximately EUR 0.5 million.

It is likely that that KBC Ancora will have no corporation tax liability in the financial year 2009/2010.



## 4 Financial report

### 4.1 Balance sheet

#### Balance sheet after profit appropriation

(in EUR)	Note	30 June 2009	30 June 2008
<b>ASSETS</b>		<b>2,589,844,752</b>	<b>3,821,381,775</b>
<b>Fixed assets</b>		<b>2,589,815,970</b>	<b>3,818,253,932</b>
Financial fixed assets	5.4/ 5.5.1	2,589,815,970	3,818,253,932
Companies with which there is a participatory relationship	5.14	2,589,815,970	3,818,253,932
Participating interests		2,589,815,970	3,818,253,932
<b>Current assets</b>		<b>28,782</b>	<b>3,127,843</b>
Cash at bank and in hand		21,495	3,121,769
Accruals and deferrals	5.6	7,288	6,075

(in EUR)	Note	30 June 2009	30 June 2008
<b>LIABILITIES</b>		<b>2,589,844,752</b>	<b>3,821,381,775</b>
<b>Capital and reserves</b>		<b>1,992,505,042</b>	<b>3,251,185,300</b>
Capital	5.7	3,189,854,003	3,189,854,003
Issued capital		3,189,854,003	3,189,854,003
Reserves		60,455,252	60,455,252
Statutory reserves		60,455,252	60,455,252
Result carried forward		-1,257,804,213	876,044
<b>Creditors</b>		<b>597,339,710</b>	<b>570,196,476</b>
Amounts falling due after more than one year	5.9	550,000,000	550,000,000
Financial creditors		550,000,000	550,000,000
Credit institutions		550,000,000	550,000,000
Amounts falling due within one year		43,557,416	16,221,360
Financial creditors		43,379,606	12,907,852
Credit institutions		43,379,606	12,907,852
Trade creditors		90,269	216,178
Suppliers		90,269	216,178
Liabilities in respect of taxes, remuneration and social security costs	5.9	0	22
Taxes		0	22
Other creditors		87,541	3,097,307
Accruals and deferred income	5.9	3,782,294	3,975,116

## 4.2 Profit and loss account

(in EUR)	30 June 2009	30 June 2008
<b>RESULTS</b>	<b>-1,258,680,257</b>	<b>280,468,730</b>
<b>Expenses</b>	<b>1,258,753,854</b>	<b>30,556,583</b>
A. Cost of creditors	28,163,620	27,776,197
B. Other financial expenses	17	299,471
C. Services and sundry goods	2,150,848	2,479,510
E. Sundry current costs	1,406	1,405
G. Reduction in value of financial fixed assets	1,228,437,962	0
L. Taxes	0	0
<b>Income</b>	<b>73,596</b>	<b>311,025,314</b>
A. Income from financial fixed assets	0	310,777,916
1. Dividend	0	310,777,916
B. Income from current assets	23,820	246,076
E. Other current income	49,776	0
L. Regularisation of taxes	0	1,321
<b>Treatment of results</b>		
Profit balance to be appropriated	-1,257,804,213	281,123,948
Profit to be appropriated for the year	-1,258,680,257	280,468,730
Earnings brought forward from previous financial year	876,044	655,218
Addition to capital and reserves	0	14,023,436
Addition to statutory reserve	0	14,023,436
Result to be carried forward	-1,257,804,213	876,044
Profit to be distributed	0	266,224,468
Capital remuneration	0	266,224,468

## 4.3 Notes

### COMPANIES WITH WHICH THERE IS A PARTICIPATORY RELATIONSHIP – PARTICIPATING INTERESTS AND SHARES (5.4.2)

	Financial year	Previous financial year
<b>Acquisition value at end of year</b>		3,818,253,932
<b>Movements during the year</b>		
Acquisitions	0	
Transfers and decommissioning	0	
<b>Acquisition value at end of year</b>	3,818,253,932	
<b>Value write-downs as at end of financial year</b>		0
<b>Movements during the year</b>		
Recorded	1,228,437,962	
<b>Value write-downs as at end of financial year</b>	1,228,437,962	
<b>NET ACQUISITION VALUE AT END OF YEAR</b>	2,589,815,970	

### NOTES ON THE PARTICIPATING INTERESTS (5.5.1)

#### PARTICIPATING INTERESTS AND OWNERSHIP RIGHTS IN OTHER COMPANIES

The table below sets out the businesses in which the company has a shareholding (included in items 280 and 282, Assets) and the other businesses in which the company holds ownership rights (included in items 284 and 51/53, Assets) amounting to at least 10% of the issued capital.

Name, full address of the registered office and, in the case of companies under Belgian law, the Company Number	Ownership rights held by			Data drawn from most recently available financial statements			
	Directly		Subsidiaries	Financial statements as at	Currency code	Capital and reserves	Net result
	Number	%					
KBC Group SA consolidated Havenlaan 2 1080 Brussels 8, Belgium BE 0403.227.515				31.12.2008	EUR	10,710,447,434	-2,378,735,973
Inclusief treasury shares	82,216,380	22,98	0,00				
Exclusief treasury shares	82,216,380	24,21	0,00				

## STATEMENT OF CAPITAL AND SHAREHOLDER STRUCTURE (5.7)

	Amount	Number of shares
<b>STATEMENT OF CAPITAL</b>		
<b>Authorised capital</b>		
<b>Issued capital</b>		
- at end of previous financial year	3,189,854,003	
- at end of financial year	3,189,854,003	
Capital composition		
Types of share		
Ordinary shares	3,189,854,003	78,301,314
Registered		39,801,312
Bearer		38,500,002

## SHAREHOLDER STRUCTURE OF THE COMPANY AT YEAR-END ACCORDING TO NOTIFICATIONS RECEIVED BY THE COMPANY

**Cera SCRL:** 60,84 %\*

\* Cera Annual Report for the financial year 2008 (i.e. the most recent public information available as at the balance sheet date)

## STATEMENT OF LIABILITIES, ACCRUALS AND DEFERRED INCOME (LIABILITIES) (5.9)

### SPECIFICATION OF LIABILITIES WITH AN ORIGINAL TERM OF MORE THAN ONE YEAR, BY REMAINING TERM

	Financial year
<b>Liabilities with a remaining term of more than five years</b>	
Financial liabilities	550,000,000
Credit institutions	550,000,000
<b>Total liabilities with a remaining term of more than five years</b>	<b>550,000,000</b>

**OPERATING RESULTS (5.10)****OPERATING COSTS****Other operating costs**

	<b>Financial year</b>	<b>Previous financial year</b>
Other	1,406	1,405

**TAXES (5.12)****TAX ON THE RESULT****Financial year****VALUE ADDED TAX AND TAXES IN RESPECT OF THIRD PARTIES**

	<b>Financial year</b>	<b>Previous financial year</b>
<b>Value added tax charged</b>		
By the company	2,294	
<b>Amounts withheld in respect of third parties in the form of</b>		
Withholding tax		17,625,503

**RELATIONSHIPS WITH ASSOCIATED COMPANIES AND COMPANIES WITH WHICH THERE IS A PARTICIPATORY RELATIONSHIP (5.14)**

	<b>Financial year</b>	<b>Previous financial year</b>
<b>COMPANIES WITH WHICH THERE IS A PARTICIPATORY RELATIONSHIP</b>		
<b>Financial fixed assets</b>	2,589,815,970	3,818,253,932
Participating interests	2,589,815,970	3,818,253,932

**FINANCIAL RELATIONSHIPS WITH (5.15)****THE AUDITOR(S) AND THE PERSONS WITH WHOM HE/THEY IS/ARE ASSOCIATED****Financial year****Remuneration of the auditor(s)**

12,500

## 4.4 Valuation principles

With effect from 31 March 2009, participating interests with identical technical or legal characteristics within the financial fixed assets are stated at weighted average book value. Previously the individualisation method was used. This change has no impact on KBC Ancora's capital and reserves. The Board of Directors believes that the weighted average book value method contributes to the simplicity and transparency of presentation given the widely differing acquisition costs of the various parcels of KBC Group shares in portfolio.

The financial year runs from 1 July to 30 June inclusive.

### **Formation expenses**

Formation expenses are stated at acquisition value and are amortised on a straight-line basis at a rate of 20% per year.

### **Intangible fixed assets**

Intangible fixed assets are stated at acquisition value and are amortised on a straight-line basis at a rate of 20% per year.

### **Tangible fixed assets**

Tangible fixed assets are stated at acquisition value.

### **Financial fixed assets**

Financial fixed assets consist of ownership rights (shares) held in other businesses with a view to creating lasting and specific ties with those businesses, so as to enable the company to influence their orientation and policy.

Financial fixed assets are stated at acquisition value, applying the weighted average prices method.

In accordance with the principle of continuity in accounting, historical book values have been retained for participating interests obtained through the contribution of sectors/the generality.

Financial fixed assets may be revalued in the event that their value, determined in accordance with their utility to the company, comes to exceed their book value in a clear and lasting manner.

Value impairments may be applied in the event of a lasting decrease in value or depreciation, justified by the circumstances, profitability or prospects of the company in which the shares are held.

Additional acquisition costs are charged immediately to the result.

### **Amounts receivable and creditors**

Receivables and creditors are stated at nominal value.

Value impairments are applied if uncertainty exists as to the payment of all or part of a receivable by the due date.

### **Investments**

Investments are stated at nominal value where they comprise a positive balance held with a financial institution and at their acquisition value in the case of securities.

Acquisition value is determined using the individualisation method.

Additional acquisition costs in the case of securities are charged immediately to the result.

In the case of fixed-income securities, where the acquisition value differs from the redemption value, the difference between the two is included in the result in proportion to the securities' remaining term to maturity as an element of the interest income on the securities in question, and is added to or deducted from the acquisition value of the securities, as the case may be. Inclusion in the results occurs on an up-to-date basis, reflecting the actuarial return on purchase.

In the case of non-fixed-income securities (primarily equities), value impairments are applied if the sale value as at the balance sheet date is lower than the acquisition value.

### **Cash at bank and in hand**

Cash at bank and in hand is stated at nominal value.

### **Capital, revaluation gains and reserves**

Capital, revaluation gains and reserves are stated at nominal value.

Revaluation gains are transferred to taxed reserves in the event that the asset in question is realised.

### **Provisions and deferred taxes**

The purpose of provisions is to cover, according to their specific character, clearly defined losses or costs which, as at the balance sheet date, are likely or certain to be incurred but the amount of which has yet to be determined. Provisions are withdrawn if they cease to be fully or partially necessary.

Other asset or liability elements are stated at acquisition value.

## 4.5 Auditors' report

### **Statutory auditors' report to the General Meeting of Shareholders of KBC Ancora SCA on the financial statements for the year ended 30 June 2009**

In accordance with legal and statutory requirements, we hereby report to you on the performance of our audit mandate. This report includes our opinion on the financial statements together with the required additional comments.

#### **Unqualified audit opinion on the financial statements with explanatory note**

We have audited the financial statements of KBC Ancora SCA for the year ended 30 June 2009, prepared in accordance with the financial reporting framework applicable in Belgium, which show a balance sheet total of EUR 2,589,844,752.16 and a loss for the year of EUR 1,258,680,257.15.

The Board of Directors of the Company is responsible for the preparation of the financial statements. This responsibility includes: designing, implementing and maintaining internal control measures relevant to the preparation and fair presentation of 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.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with legal requirements and auditing standards applicable in Belgium, as issued by the 'Institut des Réviseurs d'Entreprises/Instituut der Bedrijfsrevisoren'. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

In accordance with these standards, we have carried out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement in the financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control measures relevant to the Company'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 Company's system of internal control. We have also evaluated the appropriateness of the accounting policies used, the reasonableness of accounting estimates made by the Company and the presentation of the financial statements, taken as a whole. Finally, we have obtained from management and responsible officers of the Company the explanations and information necessary for our audit. We believe that the audit evidence we have obtained provides a reasonable basis for our opinion.

In our opinion, the financial statements as at 30 June 2009 give a true and fair view of the Company's net worth, financial position and results in accordance with the financial reporting framework applicable in Belgium.

Without prejudice to the opinion expressed above, we would draw attention to the Annual Report, in which it is stated that the value of the assets and results of KBC Ancora SCA are heavily influenced by developments

relating to KBC Group, and therefore also by the specific risks to which KBC Group is exposed. The Annual Report also describes the impact of the financial crisis on the Company, which has led among other things to the recognition of a reduction in value of a long-term nature through the recording of a write-down in the value of the participating interest in KBC Group.

#### **Additional comments**

The preparation of the management report and its content, as well as the Company's compliance with the Belgian Commercial Code and the Company's Articles of Association, are the responsibility of the management.

Our responsibility is to supplement our report with the following additional statements, which do not modify our audit opinion on the financial statements:

- The annual report includes the information required by law and is consistent with the financial statements. We are however unable to comment on the description of the principal risks and uncertainties which the Company is facing, nor on its situation, its foreseeable evolution or the significant influence of certain facts on its future development. We can nevertheless confirm that the matters disclosed do not present any obvious inconsistencies with the information of which we became aware during the performance of our audit.
- Without prejudice to formal aspects of minor importance, the accounting records were maintained in accordance with the legal and regulatory requirements applicable in Belgium.
- As stated in the Annual Report, the Board of Directors of Almancora Société de gestion established on 19 December 2008 that a potential conflict of interest would exist if Almancora Société de gestion, in the context of the minority claim filed against Almancora Société de gestion and other parties, were also to determine position taken by KBC Ancora in this dispute. The Board therefore appointed Ancora ASBL as ad hoc representative, which in turn appointed legal counsel for the Company. The Board of Ancora ASBL confirms that the fees of the legal counsel will be determined on the basis of an hourly rate in line with usual market rates and that the total financial consequences are difficult to assess at this point in time. The information which we hold in the context of our mandate supports this conclusion.
- No transactions have been undertaken or decisions taken in violation of the Company's Articles of Association or the Belgian Commercial Code (Code des sociétés) that we have to report to you. The appropriation of results proposed to the General Meeting of Shareholders complies with the provisions of the law and the Articles of Association.

Kontich, 18 September 2009

Klyveld Peat Marwick Goedeler Bedrijfsrevisoren

Auditors

represented by

Erik Clinck

Auditor

## 5 Colophon

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KBC Ancora's annual report is available in Dutch, French and English from the company's registered office or on its website [www.kbcancora.be](http://www.kbcancora.be). Conformity between the translations and the original annual report has been checked by KBC Ancora, which assumes responsibility in this regard. In the event of discrepancies or differences of interpretation, the Dutch version alone shall be legally binding.

## PRESS RELEASES IN THE FINANCIAL YEAR 2008/2009

29 August 2008:	KBC Ancora's annual result after tax improves by 12%
15 September 2008:	Disclosure pursuant to the Law of 2 May 2007 concerning the disclosure of major shareholdings
6 October 2008:	Convocation of the Annual General Shareholders' Meeting
16 October 2008:	Annual Report 2007/2008 available
3 November 2008:	Disclosure of major shareholdings as at 1 September 2008
3 November 2008:	Interim statement on the first months of the financial year 2008/2009
9 December 2008:	Legal proceedings in respect of purchase of KBC Group shares by KBC Ancora in 2007
30 January 2009:	Interim financial report
4 May 2009:	KBC Ancora reduces book value of its investment in KBC Group

## FINANCIAL CALENDAR 2009/2010

15 October 2009:	Annual Report 2008/2009 available
30 October 2009:	General and Extraordinary General Meeting of Shareholders
3 November 2009:	Interim statement (1Q)
29 January 2010:	Interim financial report (1H)
30 April 2010:	Interim statement (3Q)
1 September 2010:	Annual press release

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