



EUROPEAN  
PRIVATE BANKERS

2015 ANNUAL REPORT

# EUROPE'S PRIVATE BANKING NETWORK

AMSTERDAM  
BRUSSELS  
LONDON  
**LUXEMBOURG**  
MADRID  
MONACO  
MUNICH  
PARIS



## GUIDING PRINCIPLES



### MISSION

TO PRESERVE AND GROW EACH  
CLIENT'S WEALTH ACROSS GENERATIONS



### VISION

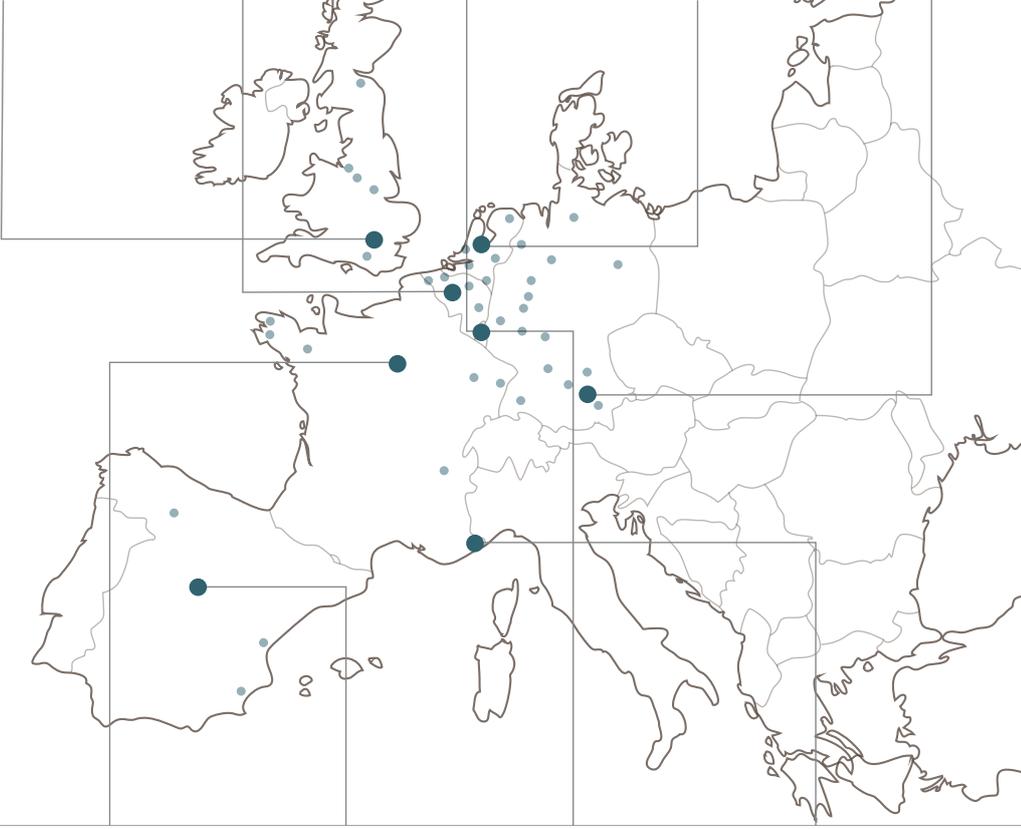
TO BE RECOGNIZED AS A TRUSTED PARTNER  
AND LEADING PRIVATE BANK EVERYWHERE WE OPERATE



### VALUES

INTEGRITY, COMMITMENT AND EXCELLENCE

# EUROPEAN NETWORK

<p><b>BROWN SHIPLEY</b></p> <p>Founders Court, Lothbury London EC2R 7HE United Kingdom <a href="http://www.brownshipley.com">www.brownshipley.com</a></p>	 <p><b>Pulaetco Dewaay</b> PRIVATE BANKERS</p> <p>Herrmann Debrouxlaan 46 B-1160 Brussels Belgium <a href="http://www.pldw.be">www.pldw.be</a></p>	 <p><b>KBL</b> EUROPEAN PRIVATE BANKERS</p> <p>43, boulevard Royal L-2955 Luxembourg Luxembourg <a href="http://www.kbl.lu">www.kbl.lu</a></p>	 <p><b>THEOBALD GILISSEN</b></p> <p>Keizersgracht 617 1017 DS Amsterdam The Netherlands <a href="http://www.gilissen.nl">www.gilissen.nl</a></p>	<p><b>MERCK FINCK &amp; CO</b> PRIVATBANKIERS</p> <p>Pacellstrasse 16 D-80333 Munich Germany <a href="http://www.merckfinck.de">www.merckfinck.de</a></p>
				
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# CONTENTS

- 5 WELCOME FROM THE GROUP CEO
- 7 DIRECTORS & MANAGEMENT
- 10 2015 IN REVIEW
- 14 KEY CONSOLIDATED FIGURES
- 17 CONSOLIDATED MANAGEMENT REPORT
- 30 2015 IN REVIEW: AFFILIATES
- 39 NON-CONSOLIDATED MANAGEMENT REPORT
- 40 APPENDICES
- 52 CONTACT INFORMATION

## WELCOME FROM THE GROUP CEO

Thank you for your interest in KBL European Private Bankers, a Luxembourg-headquartered network of boutique private banks.

Founded in 1949, the group operates in 50 European cities and employs 2,200 staff, including some 400 private bankers and 200 investment professionals.

Featuring a range of historically important domestic private banks, staffed by professionals with expert local knowledge, KBL *epb* offers its clients the best of both worlds: deep local insight and – thanks to our ability to share such knowledge – broader, pan-European perspective.

We harness that collective experience to better serve *all* our clients – including individuals, entrepreneurs and families, as well as institutions, family offices and external asset managers – whatever their needs and wherever they are based.

With the strong support of our shareholder – Precision Capital, a Luxembourg-based bank holding company that is supervised by the European Central Bank – the group is guided by its mission to preserve and grow each client's wealth across generations.

We carry out this mission by providing clients with proximity, agility and personalized service – staying in close, constant contact with them, responding quickly to their specific needs, and offering tailor-made solutions that reflect their individual priorities and long-term goals.

In 2015, this client-centric approach continued to prove successful. The year was again marked by sustained profitability, financial solidity and ongoing expansion.

KBL *epb* deepened its existing footprint in core markets such as Belgium (through the acquisition of the operations of UBS in that country) and the UK (where the group acquired Hampton Dean, a chartered independent firm of financial planners).

In Luxembourg, the bank further developed its position as an integrated service provider to the entire range of client segments interested in doing business in the Grand Duchy. That offer is reinforced by the specialist services provided by our Asset Management, Global Markets, and Institutional & Professional Services departments.

The group's leadership status continues to be recog-

nized by industry peers: in 2015, KBL *epb* was named among the "Outstanding Private Banks in Europe" at the 25<sup>th</sup> Private Banker International Global Wealth Awards, and was highly commended for the excellence of its operations in Luxembourg at the PWM/The Banker Global Private Banking Awards.

Last year, KBL *epb* further strengthened its organizational model – which includes a robust front-office function supported by expert group competence centers – to foster increased collaboration and greater efficiency.

Likewise, the group's asset management activities have been fully aligned and are delivering steady returns – driven by a cross-border team of investment specialists, who communicate with a single voice to the market, based on a shared underlying investment philosophy.

KBL *epb* continues to accelerate its investments in the enhancement of the group's product and service offering. Indeed, in areas such as credit, financial planning and asset management, in particular, the group has significantly upgraded the way it serves its clients

Reinforcing our IT infrastructure and the digital solutions we extend to our clients also remain priorities; these areas are key to ensuring that we are fully equipped to respond to rapidly evolving customer needs in an increasingly international environment.

Finally, KBL *epb* remains committed to supporting the lifelong learning and professional development of our staff. From the boardroom to the mailroom, all our people contribute to our success – and to our ability to satisfy each client's individual priorities and long-term goals.

If we can provide further information about how we can put our experience and expertise to work as your trusted partner, please do not hesitate to contact us at any of our 50 European offices.

Sincerely,



Yves Stein  
Group CEO





# DIRECTORS & MANAGEMENT

## BOARD OF DIRECTORS



**JAN MAARTEN DE JONG**  
Chairman



**GEORGE NASRA**  
Vice Chairman



**ALFRED BOUCKAERT**  
Director



**FRANK ERTEL**  
Director  
Staff Representative



**NICHOLAS HARVEY**  
Director



**ANNE RUTH HERKES**  
Director



**CHRISTIAN HOELTGEN**  
Director  
Staff Representative



**MAURICE LAM**  
Director



**LAURENT MERTZ**  
Director  
Staff Representative



**DANIELE MONTENERO**  
Director  
Staff Representative



**ALAN MORGAN**  
Director



**ANNE REULAND**  
Director



**MARIE-JEANNE SIEBENBORN**  
Director  
Staff Representative



**YVES STEIN**  
Director



**ALBERT WILDGEN**  
Director

EXECUTIVE COMMITTEE



**YVES STEIN**  
Group CEO



**CARLO FRIOB**  
CEO, Private Banking



**MARC LAUWERS**  
COO & Deputy Group CEO



**OLIVIER DE JAMBLINNE DE MEUX**  
CEO, Luxembourg



**RACHEL HAMEN**  
Group CFO



**YVES PITSAER**  
Group Chief Risk Officer

AFFILIATE CEOs



**JEAN DANCKAERT**  
KBL Monaco Private Bankers



**OLIVIER ROY**  
KBL Richelieu



**RAFAEL GRAU**  
KBL España



**IAN SACKFIELD**  
Brown Shipley



**MICHAEL KRUME**  
Co-CEO, Merck Finck & Co



**FRANCK SARRE**  
Banque Pulaetco Dewaay Luxembourg



**THILO WENDENBURG**  
Co-CEO, Merck Finck & Co



**THIERRY SMETS**  
Pulaetco Dewaay Private Bankers



**TANJA NAGEL**  
Theodoor Gilissen

**MANAGEMENT****SIEGFRIED MARISSENS**

Secretary General

**PHILIPPE AUQUIER**

Group Head of Asset Liability Management & Treasury

**CAROLINE BAKER**

Group Head of Human Resources

**OLIVIER BEGHIN**

Group Head of Wealth Planning & Structuring

**GUILLAUME DE GROOT-HERZOG**

Head of Real Estate & Logistics, Luxembourg

**SERGE D'ORAZIO**

Head of Institutional & Professional Services, Luxembourg

**JEAN-YVES DOURTE**

Group Head of Credit

**RAFIK FISCHER**

Group Head of Business Development

**MARC FORMISANI**

Deputy CFO

**GAËLLE HAAG**

Group Head of Marketing, Sales & Communication

**OLIVIER HUBERT**

Group Head of Tax

**FLORENT LACOMBE**

Group Head of Procurement

**CÉDRIC LEBEGGE**

Group Head of Project Management Office

**FRANÇOIS LENERT**

Group Head of Global Markets

**PHILIPPE MAILOT**

Head of Accounting, Luxembourg

**ÉRIC MANSUY**

Group Head of IT

**HANIF MOHAMED**

Group Head of Legal

**NICHOLAS NESSON**

Group Head of Corporate Communications

**MARC OOSTERLINCK**

Head of CEO Office

**VINCENT SALZINGER**

Group Head of Compliance

**BERNARD SIMONET**

Head of Human Resources, Luxembourg

**ANTHONY SWINGS**

Group Head of Risk Control

**THIERRY THOUVENOT**

Group Head of Internal Audit

**PHILIPPE VAN DOOREN**

Head of Operations, Luxembourg

**STEFAN VAN GEYT**

Group CIO

**QUENTIN VERCAUTEREN DRUBBEL**

Head of Wealth Management, Luxembourg

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Independent auditors responsible for external audit: Ernst & Young S.A.

## 2015 IN REVIEW

### JANUARY



KBL *epb* signs agreements with Banque Internationale à Luxembourg (BIL) in Switzerland and Belgium: under the terms of these agreements, Puilaetco Dewaay is to acquire BIL's private banking business in Belgium, while BIL is to acquire KBL *epb*'s Swiss operations.

KBL *epb* announces the launch of its Richelieu Investment Fund range, including the first three Richelieu-branded funds.

## Richelieu

### INVESTMENT FUNDS

A new team of 10 private bankers joins the Dusseldorf branch of Merck Finck, indicating the importance of the Rhine-Main area.

Jon Sherlock, previously with UBS, joins as Head of Brown Shipley's Manchester office.

KBL Monaco Private Bankers presents the group's 2015 Global Investment Outlook at a conference at the prestigious Hotel Métropole in Monte Carlo.

### FEBRUARY

Pieter Loyson is appointed Chairman of the Board of Commissioners at Theodoor Gilissen, bringing over 30 years of experience to the role.

Brown Shipley's Alan Belton is recognized at the CISI Annual Awards as winner in the Global Operations Management and Diploma in Investment Operations categories.

### MARCH

Merck Finck implements the "Wealth Navigator," an enhanced system to facilitate the analysis of client assets.

Similarly, Theodoor Gilissen upgrades *Mijn Gilissen* with segmented investment content depending on individual client profiles.

Members of KBL *epb* senior management participate in an economic mission to the Middle East with the Luxembourg Ministry of the Economy.

Staff from KBL *epb* and Puilaetco Dewaay take part in the 60-kilometer Oxfam Wintertrail challenge to help fight poverty and inequality.

### APRIL



To show its support for World Autism Awareness Day, KBL *epb* illuminates its head office in blue as part of the international "Light It Up Blue" initiative.

Brown Shipley appoints Jim Willens, who earlier served for 24 years at Nationwide, as Chairman of the Board of Directors.

Clients of KBL Richelieu are invited to a private exhibition of the sculptures of Pauline Ohrel.

## MAY

KBL *epb* announces its 2014 financial results: group net profit reaches €67 million, significantly exceeding full-year targets, while AuMs increase to nearly €45 billion and AuCs approach €44 billion.

KBL *epb* announces the appointment of Jan Maarten de Jong – a senior professional with experience spanning financial services, insurance and industry in a range of European countries – as Chairman of the Board of Directors.

Brown Shipley announces the appointment of Philip Wynn, formerly at Lloyds, as a Private Client Director in its London office.

## JUNE



KBL *epb* and Lombard Odier sign a long-term strategic partnership to enhance the Luxembourg-headquartered group's IT & Operations activities, contributing to reinforcement of overall client experience.

KBL *epb* announces the successful closing of the acquisition of the operations of UBS Belgium; Puilaetco Dewaay expands to 250 staff, 10,000 clients and over €10 billion in assets under management.

Brown Shipley announces that its model portfolios will be available via the Standard Life Wrap Platform.

KBL *epb* highlights the investment outlook for Asia at media and client events, with additional events in markets such as Monaco and France.

## JULY



Brown Shipley announces the acquisition of Hampton Dean as part of its strategy to build and deliver a leading financial advice proposition for its clients.

Over 150 new staff join the KBL *epb* group over first six months of 2015, including teams from recently acquired entities in Belgium and the UK.

Merck Finck & Co announces the appointments of Thilo Wendenburg and Udo Kröger as personally liable partners.

KBL *epb* announces the signing of an agreement with Monceau Assurances for the French insurance group to acquire Vitis Life, KBL *epb*'s life insurance subsidiary, reflecting KBL *epb*'s focus on its core business of private banking



KBL Richelieu hosts a business breakfast for INSEAD graduates, attended by former French Prime Minister Alain Juppé.

## AUGUST

KBL *epb* announces its financial results for the six months ending June 30, 2015, with group net profit reaching €72 million for the first half of the year, up 44% compared to €50 million for the same period in 2014.

Theodoor Gilissen invites select clients to sail along with the tall ships at SAIL Amsterdam 2015.

## SEPTEMBER



Merck Finck launches a new team of private bankers and investment specialists exclusively focused on serving UHNWI clients.

KBL *epb* appoints Kristel Cools as Group Head of Asset Management. A senior investment professional, she will lead the management and sale of group funds.



KBL España launches its new corporate website: a dynamic and attractive tool for clients, prospects and partners.

Brown Shipley holds its annual staff conference and launches the evolved Brown Shipley branding and logo.

KBL Richelieu hosts Carlos Ghosn, Chairman and CEO of Renault and Nissan, at a business breakfast with INSEAD graduates.

Amsterdam-headquartered Theodoor Gilissen opens a branch in Enschede to be closer to its clients in eastern Holland.



Brown Shipley and KBL *epb* staff participate in the London-to-Paris bike ride, which raises over £45,000 for children's hospices.

## OCTOBER



KBL *epb* is named among the "Outstanding Private Banks in Europe" at the 2015 Private Banker International Global Wealth Awards.

Brown Shipley announces two senior hires: Don Smith joins as Deputy CIO and Paul Spann as a Private Client Director.

A new CRM system is implemented by Brown Shipley to further improve client experience and overall operational efficiency.

Merck Finck announces the appointment of new branch managers: Michael Rietheimer joins as head of Stuttgart, while Sven Olderdisen, together with Ingo Hoering, assumes responsibility for Essen.

## NOVEMBER



Theodoor Gilissen is named among the “Best Asset Managers” in the Netherlands for the third consecutive year at the *Gouden Stier* (Golden Bull) Awards.

KBL *epb* is recognized as among Luxembourg’s best private banks at the PWM/The Banker Global Private Banking Awards.

Merck Finck receives a “summa cum laude” rating from the Elite Report, in cooperation with Handelsblatt. The German bank is also rated “outstanding” by Focus Money and n-tv.



Brown Shipley Senior Fund Managers Simon Nichols and Alex Brandreth are recognized as leading investment professionals in the 2015 Citywire Wealth Manager Top 100.

KBL *epb* launches the Richelieu 2020 US High Yield bond fund, which seeks to capitalize on the long-term attractiveness of the high-yield bond market, particularly in the United States.

## DECEMBER



KBL *epb* announces the appointment of Rachel Hamen – a highly respected finance professional with over two decades of experience in increasingly senior roles – as Group Chief Financial Officer and member of the Executive Committee.

KBL *epb* highlights that Group CFRO Yves Pitsaer remains a member of the Executive Committee as Group Chief Risk Officer, with additional responsibility for the group-wide supervision and coordination of relations with relevant regulatory authorities

The sixth annual Grand Prix KBL Richelieu brings together entrepreneurs and professionals from the worlds of finance, law and advisory, awarding prizes to Carol Duval-Leroy, CEO of Champagne Duval-Leroy, and Jean-Charles Matamoros, CEO of Avob.



Theodoor Gilissen welcomes more than 500 guests to a gala evening at the Hermitage Amsterdam.

## KEY CONSOLIDATED FIGURES

(Consolidated figures as of December 31)	2012	2013	2014	2015
<b>RESULTS (in EUR million)</b>				
Net banking income	393.5	540.6	539.0	<b>547.9</b>
Operating expenses	-561.3	-425.9	-438.6	<b>-449.4</b>
Impairments	-76.0	-3.6	-0.4	<b>0.2</b>
Share in results of associated companies	0.0	0.1	-0.1	<b>0.6</b>
Pre-tax profit	-243.8	111.2	100.0	<b>99.3</b>
Income taxes	-6.1	-26.7	-32.7	<b>-17.9</b>
Net consolidated profit, group share	-249.9	84.5	66.9	<b>81.3</b>
<b>FINANCIAL RATIOS (in %)</b>				
*Core tier one ratio	12.6	13.5	13.7	<b>13.8</b>
*Tier one ratio	12.6	13.5	13.7	<b>13.8</b>
*Solvency ratio	18.7	18.2	14.7	<b>14.0</b>
Regulatory capital/balance sheet total	6.0	5.6	4.9	<b>4.8</b>
Loan-to-deposit ratio	21.5	23.8	30.0	<b>26.2</b>
ROAE	-26.4	9.1	7.0	<b>8.7</b>
ROAA	-1.8	0.7	0.5	<b>0.7</b>
ROA	-1.9	0.7	0.5	<b>0.7</b>
Cost/income ratio	142.6	78.8	81.4	<b>82.0</b>
<p>*Basel III regulation is applicable since 2014. Basel II was applicable from 2008 to 2013 included. The Pillar III disclosure report will be published in the first half of 2016 at <a href="http://www.kbl.lu">www.kbl.lu</a>.</p>				

(Consolidated figures as of December 31)	2012	2013	2014	2015
<b>BALANCE SHEET TOTAL</b> (in EUR billion)	12.9	12.5	12.4	11.1
<b>ASSETS</b>				
Loans and advances to credit institutions	2.2	2.1	1.6	<b>2.6</b>
Loans and advances to non-credit institutions	1.9	2.3	2.4	<b>2.7</b>
Equity and debt instruments	4.4	4.1	4.6	<b>4.6</b>
<b>LIABILITIES</b>				
Deposits from credit institutions	1.2	1.0	1.0	<b>0.9</b>
Deposits from non-credit institutions	7.4	7.5	7.5	<b>8.5</b>
of which, subordinated debt	0.3	0.2	0.2	<b>0.2</b>
Total equity	0.9	1.0	0.9	<b>0.9</b>
<b>AUMs</b> (in EUR billion)				
Assets under management (private banking)	41.1	42.3	44.9	<b>48.6</b>
Volume impact	-4.8%	-2.0%	+0.6%	<b>+4.2%</b>
Price impact	+7.6%	+5.3%	+5.4%	<b>+4.2%</b>
<b>AUCs</b> (in EUR billion)				
Assets under custody (funds & institutional)	38.6	41.3	43.8	<b>40.7</b>



▲ AMSTERDAM

# CONSOLIDATED MANAGEMENT REPORT

## GENERAL COMMENTS ON THE RESULTS

Net consolidated profit, group share, as of December 31, 2015, was EUR 81.3 million compared to EUR 66.9 million as of December 31, 2014.

Gross income rose slightly between the two years under review, reaching EUR 548 million (EUR 539 million in 2014). This improvement was mainly due to the sale of three consolidated group entities: KBL (Switzerland), Vitis Life and Centre Europe, a company holding a building near the railway station in Luxembourg.

Announced in January and finalized at the end of October 2015, the result and the sale of KBL (Switzerland) to BIL (Suisse) generated a consolidated result of EUR 42.9 million. Most of this (EUR 40.3 million) came from the sale of buildings in Lausanne, Lugano and Geneva.

Monceau Assurances, a French insurance group, acquired Vitis Life at the beginning of October 2015. This operation and the contribution to the annual consolidated result produced a global result of EUR 13.6 million.

The group also posted a net result of EUR 8.0 million on the sale of the building in the Luxembourg railway station area.

Interest margins (-4%) and commissions (-0.2%) held up, despite a complicated financial backdrop and low interest rates.

Operating expenses increased a little more than 2% and totalled EUR 449 million (EUR 439 million in 2014). This increase is explained by two factors:

- The Utopia project, where the group has chosen Lombard Odier as a strategic partner and external platform supplier
- Puilaetco Dewaay's acquisition of the business and private bankers of UBS Belgium in spring 2015

The group balance sheet total was EUR 11.1 billion as of December 31, 2015, compared to EUR 12.4 billion in 2014. The exit of Vitis Life and KBL (Switzerland) in the last quarter of 2015, partially offset by a recovery in reverse repo interbank operations, explains the downward shift in the balance sheet total.

The solvency ratio and the tier-one equity ratio under Basel III stood at 14.0% and 13.8%, respectively, and remain above the regulatory thresholds imposed by the European Central Bank.

## A SHARED CORPORATE CULTURE

In 2015, the KBL epb group defined, for the first time, a shared mission, vision and set of values. These convictions are based on group-wide dialogue, driven by leadership discussions and shaped by employee insights, across our 50-city network.

We engaged in that collaborative process because we believe that corporate culture is very important to our shared success. Strengthening our culture will support deep internal alignment, provide greater focus in our daily actions and instill a sense of shared purpose in our longer-term journey – helping us achieve our business objectives.

## MISSION

Our mission is to preserve and grow each client's wealth across generations.

Reflecting the asymmetric risk appetite of our clients and our long-term approach to meeting their individual needs, our mission informs every action we take across our 50-city network of boutique European private banks.

We carry out this mission by providing clients with proximity, agility and personalized service – staying in close, constant contact with them, responding quickly to their specific needs, and offering tailor-made solutions that reflect their individual priorities and long-term goals.

*For detailed figures, please see Consolidated Accounts.*

With the full support of our shareholder, Precision Capital, which is supervised by the European Central Bank, our group draws upon a knowledge base that combines deep local insight and broader perspective.

Every day, we put that shared expertise to work for each of our clients – providing tailor-made “one-stop-shop” solutions for individuals, entrepreneurs and families, as well as institutions, family offices and external asset managers.

## VISION

Our vision is to be recognized as a trusted partner and leading private bank everywhere we operate.

This long-term goal reflects our partnership approach to client service, as well as our strategy to achieve sustained growth through organic, semi-organic and external initiatives.

To realize our vision, we focus, each day, on our mission to preserve and grow each client’s wealth across generations.

As we seek to achieve this ambitious, client-centric goal, five key factors are driving us forward: our people, passion, pride, performance and profitability.

## VALUES

Our values are integrity, commitment and excellence.

Our group’s shared values serve as the foundation for how we behave and do business, encompassing our core attitudes, beliefs and obligations.

They set standards that shape our actions and inform our vision, helping guide us on the path towards achieving our long-term goals.

- **Integrity:** A requirement that all our actions meet or exceed relevant legal and ethical standards and regulations – including by embracing the dual imperatives of transparency and confidentiality



OUR GROUP’S SHARED VALUES SERVE AS THE FOUNDATION FOR HOW WE BEHAVE AND DO BUSINESS, ENCOMPASSING OUR CORE ATTITUDES, BELIEFS AND OBLIGATIONS



- **Commitment:** An essential quality in our people, who must ensure that each promise we make becomes reality – supported by individual accountability and a broader spirit of interdependence
- **Excellence:** An attitude among all our staff, whose ongoing aspiration to exceed the expectations of our clients and colleagues is founded upon a commitment to making the pursuit of excellence a way of life

## TRAINING & DEVELOPMENT

KBL epb continues to successfully execute its long-term growth strategy, which includes a range of organic, semi-organic and external initiatives: investing in the skills and development of our people, recruiting experienced professional staff and deepening the group’s footprint through acquisitions.

This simultaneous focus on three core areas has allowed the group to deliver on its promise of sustained growth.

While such semi-organic and external initiatives are most visible to the outside world, KBL epb firmly believes that staff training and development is no less critical. Indeed, at a time when the European private banking market continues to consolidate, all our people – from the boardroom to the mailroom – are contributing to our ability to serve each individual client even better.



In that regard, the group continues to make significant investments, particularly under the umbrella of KBL *epb* Group University, a long-term, group-wide programme aimed at supporting employee development through a combination of classroom instruction, e-learning and one-to-one mentorship.

Across the group's footprint, and especially in Luxembourg, KBL *epb* also continues to promote internal mobility, creating opportunities for relevant staff to transfer their knowledge and skills within the organization.

Likewise, we strongly encourage cross-border cooperation, organizing a wide range of events that bring together staff from multiple markets. Such meetings facilitate the sharing of local experience and insight – and the creation of shared strategies to better serve all our clients, no matter where they are based.

### SOCIAL COMMITMENT

With 2,200 employees based in 50 European cities, our group has a unique opportunity to make a difference in local communities.

Today, we continue to accelerate our corporate social responsibility efforts.

At KBL *epb*, we believe in doing well for our clients and doing good in the communities in which we operate. By contributing resources and capital to worthy causes and important ideas, we serve as an agent of positive social change.

Our current CSR commitments reflect the distinctly multi-local identity of our group and include support of organizations such as:

- Autism Foundation in Luxembourg
- Goods to Give in Belgium
- SOS Children's Villages in Germany



### TODAY, WE CONTINUE TO ACCELERATE OUR CORPORATE SOCIAL RESPONSIBILITY EFFORTS



We further support various staff-nominated causes in the Netherlands, and provide mentoring and grants to young entrepreneurs in the UK. KBL *epb* also provides ongoing funding for a broad range of non-profit cultural organizations, such as the Luxembourg Philharmonic and the Grand Theater of Luxembourg.

In addition to direct financial support, our group strongly encourages staff to participate in initiatives that benefit local communities. Such staff-supported initiatives include:

- Relay for Life, a 24-hour relay race that raises awareness and funds for cancer treatment and research
- Jonk Entrepreneuren Luxembourg, a non-profit organization dedicated to fostering entrepreneurship among youth in the Grand Duchy
- London-Paris Bike Ride, a 500-kilometer charity race that raises funds for a range of children's hospitals

### GROUP EMPLOYEES

As of December 31, 2015, the KBL *epb* network included 2,166 individual staff, in line with 2,224 at the end of 2014. Of the group's 2,166 employees, some 60% work in subsidiaries outside Luxembourg.



## OUR CORE BUSINESS: PRIVATE BANKING

At KBL *epb*, our core business is private banking – backed by the group’s rich traditions and centuries of collective experience.

Preserving and growing each client’s wealth across generations is at the heart of everything we do, as we aspire to be recognized as a trusted partner and leading private bank everywhere we operate.

In line with those ambitions, our wealth management approach is informed by long-term perspective, reflecting our promise of holistic portfolio management.

Across our footprint, we seek to grow our core HNWI client base, attracting UHNWIs by offering specific services and products tailored to their needs, and continuing to serve affluent clients through a highly efficient delivery model.

Whether by investing in equities, derivatives, fixed-income or structured products, or in-house or third-party funds, we take into account the risk-return potential and tax implications of each investment, in line with each client’s specific objectives.

We understand the importance of regular communication, especially during periods of increased volatility, and remain in constant contact with our clients – providing regular, transparent reporting of the performance of each portfolio.

Already firmly established as European leaders, we continue to invest in supporting the professional development of our 400 experienced private bankers, serving at our 50 offices. We also selectively recruit highly skilled and motivated relationship managers to ensure the highest level of personalized service.

Moving forward, we will continue to seek to identify further opportunities to grow our private banking operations – including via semi-organic growth and acquisitions. In doing so, we will maintain our commitment to client-centricity and, at the same time, favor innovation and diversity.



OUR SERVICES IN AREAS SUCH AS WEALTH PLANNING & STRUCTURING, LENDING AND TAX ARE DIRECT ANSWERS TO THE NEEDS OF INDIVIDUAL CLIENTS



### CLIENT-CENTRIC APPROACH

Our services – in areas such as Wealth Planning & Structuring and Lending – are direct answers to the needs of the individuals, entrepreneurs and families we serve. Those services are designed to help such clients successfully navigate through a changing, and sometimes challenging, regulatory environment.

Our goal is transform those challenges into opportunities by leveraging our deep domestic insights and pan-European expertise.

Whether we are managing today’s wealth or structuring tomorrow’s inheritance, our clients benefit from a suite of open, independent solutions, tailored to their specific needs – backed by our client-centric approach, founded upon offering proximity, agility and personalized service.



## WEALTH MANAGEMENT, LUXEMBOURG

2015 was a period of growth and renewal for KBL *epb*'s Wealth Management department in Luxembourg.

Continuing to enhance our team to meet the evolving needs of our clients, the year was marked by the ongoing implementation of a major commercial transformation programme, the further development of our service offering and the launch of a new center of excellence, Wealth Planning & Structuring (WP&S).

Our commercial transformation was evidenced by the recruitment of additional highly qualified private bankers, in line with the group's strategy to focus on developing its HNWI and UHNWI client base.

To that end, we introduced two new teams, each staffed by four experienced private bankers: the first dedicated to the Iberian market, and the second to developing the ultra high net worth Belgian client segment.

Thanks to this strengthening of our professional staff, the improvement in our commercial organization and the excellence of our private banking services, we succeeded in attracting new capital inflows, markedly up on the previous year.

In response to rapidly evolving client needs, we also expanded our portfolio management service offering. A new Richelieu Investment Fund mandate was launched, comprised of three strategies, uniting our group's expertise in asset allocation and investment selection.

The introduction of this new mandate, supported by close cooperation between our private bankers and portfolio managers, led to solid results in 2015, with assets under management rising sharply.

The launch of Wealth Planning & Structuring – a pan-European team of 45 specialists in eight countries who help clients manage, structure and pass on their wealth – was another milestone. Drawing upon three pillars (wealth planning, tax planning and financial engineering), WP&S allows us to extend additional high-quality, specialist services to our clients.

Finally, we introduced a new client satisfaction measurement process in 2015. The aim of this initiative is to identify and address any gaps in client experience, helping our team ensure that we continue to provide the highest level of long-term, personalized service to each client we have the opportunity to serve.



IN 2015, WE INTRODUCED A NEW TEAM FOCUSED ON SERVING CLIENTS IN THE IBERIAN MARKET, AND ANOTHER TO DEVELOP THE UHNWI BELGIAN CLIENT SEGMENT



## GROUP BUSINESS DEVELOPMENT

Services to professional and institutional clients have been a pillar of our business for many years. While the institutional and professional segment in Luxembourg is of course especially substantial – partly due to the country's status as the largest investment fund center in Europe – our reach extends far beyond the fund industry and the borders of the Grand Duchy.

Indeed, services for external asset managers have been successfully developed in certain affiliates outside Luxembourg, where we have been able to profit from the rapid growth of the UCI industry.

Overall, the institutional and professional services segment is vitally important to our long-term success.

The beginning of 2015 saw the creation of a new business line, Group Business Development, whose main responsibility is to develop the international marketing of our services to professional and institutional clients through our 50-city European network.

This new business line aims to provide our clients with a range of services that encompass more than just the investment fund industry.

It is also focused on providing wealth management solutions in the wider sense for family offices, foundations, external asset managers and other institutional clients, such as insurance companies and private banking peers.

Our institutional and professional clients benefit from our in-depth knowledge of trading and brokerage: we provide execution services in equities, bonds, money market instruments and Forex, as well as in structured products and precious metals. Our expertise also covers the fields of repurchase agreements and securities lending.

With a mandate to develop this business across our European footprint, the Group Business Development team works closely with colleagues in our affiliates to make the most of the pan-European dimension of our group.

The first concrete steps towards greater cooperation have already been taken and will accelerate in 2016. By leveraging multiple channels in multiple markets, we will increase cross-selling, win more new business and grow overall revenues.

In that regard, it is worth noting that our Institutional & Professional Services (IPS) business line makes a significant contribution to the group's profitability, with an impressive return on investment.

In a rapidly changing world, when clients are increasingly cost-driven, markets volatile and the overall level of new fund launches lower than in the past, Group Business Development continues to adapt and reinforce its marketing activities with third-party managers and in the field of interbank relationships.

Already a major custodian for small and medium asset managers, our teams are redoubling efforts to attract and retain such clients, continuing to record major new business wins in this dynamic segment whose needs are closely aligned with our own proposition.

2015 was a most promising first year for Group Business Development, which acquired some €2 billion in new assets, more than double its agreed target for the period.

This year, the team will expand its geographic reach and marketing efforts, accelerating the prospection in new and existing target countries, including European markets outside the core.

Ambitious growth targets have been established, and we are confident that we can realize these ambitions, which will help us continue to grow our institutional and professional client base with the active engagement of our network.

## INSTITUTIONAL & PROFESSIONAL SERVICES

Launched in 2015 and originating from KBL *epb*'s business line formerly known as "Global Investor Services," Institutional & Professional Services (IPS) is the second pillar of our business in Luxembourg and across our footprint.

IPS exclusively serves existing institutional and professional clients, completing the wealth management value chain by positioning the group as a true "one-stop shop." We remain focused on further strengthening this important area of our business.

Largely centered on our longstanding expertise in global custody, fund administration and fund structuring, the aim of IPS is to ensure – via its highly professional Relationship Managers and Account Officers – that the complex needs of institutional and professional clients are satisfied efficiently and to the highest professional standard.

IPS today serves more than 200 institutional and professional clients and around 600 structures, with assets under custody of more than €43 billion. IPS also proactively promotes among its large client base the services offered by our Group Competence Centers; new business opportunities correspondingly emerged in 2015 with our Wealth Management, Group Lending, Global Markets and Asset Management departments.

To that end, CRM teams now benefit from specialist training on the group's full suite of products and services, fostering sales proactivity. As well, internal KPIs have been established to generate and measure leads for Group Competence Centers.

From a regulatory point of view, IPS, in close collaboration with Operations, successfully implemented the Alternative Fund Managers Directive (AIFMD) by adapting its depositary supervisory functions, operational workflows and IT tools. Full client support has also been assured for the implementation of additional regulations such as FATCA, EMIR and the law of immobilization of physical bearer shares.

Finally, IPS actively participated in transversal workshops dedicated to the upcoming implementation of UCITS V and MiFID.



IPS TODAY SERVES MORE THAN 200 INSTITUTIONAL AND PROFESSIONAL CLIENTS AND AROUND 600 STRUCTURES, WITH ASSETS UNDER CUSTODY OF MORE THAN €43 BILLION



# CENTRAL UCI ADMINISTRATION

## LUXEMBOURG, EUROPE'S UNRIVALLED LEADER

On December 31, 2015, the total net assets of collective investment undertakings and specialized investment funds in the Luxembourg financial center amounted to €3.506 trillion compared to €3.095 trillion in 2014. Increasing to €411 billion in 2015, the financial center's net assets consisted of net issuance of units (72%), amounting to €298 billion, and positive developments in financial markets (28%), amounting to €113 billion.

The number of UCI structures remained relatively stable in 2015, decreasing slightly by 27 units, with sub-funds increasing by 259 units (+1.87%). As in previous years, it was above all the Specialized Investment Funds (SIF) which attracted new fund promoters to Luxembourg (+0.75%), while in terms of capital, existing UCITS continued to grow (+14%) with the UCI established under Part II of the 2010 Law remaining stable in terms of volumes in EUR (+0.60%) but dropping by 38 entities (-9%).

Luxembourg remains Europe's unrivalled leader and the world's second-largest investment fund domicile (after the United States), with a total of 3,878 structures and 14,108 sub-funds.

The top countries of origin of fund promoters remain the same as the previous year (market share in % of total net assets): the United States (21.7%), the United Kingdom (16.6%) and Germany (14.7%), followed by Switzerland (14%).

Thanks to the promotional support of its professional association (ALFI) and the governmental agency for the development of the financial center (LFF), Luxembourg has successfully positioned itself as the leader for the cross-border distribution of investment funds, with more than 75% of all UCITS distributed internationally domiciled in Luxembourg.

Moreover, a growing number of Asian and Latin American countries recognize UCITS as a stable, high-quality,

well-regulated investment product with significant levels of investor protection. As a result, the world's most-renowned fund promoters and managers have chosen Luxembourg as a base to domicile or manage their UCITS, with a clearly defined global distribution strategy.

Capitalizing upon the introduction of the AIFMD, alternative funds continue to grow by offering investment strategies in the broader sense, including non-listed companies, real estate, hedge funds, microfinance, alternative energy and socially responsible investments.

The latest to emerge in this area is the European Long Term Investment Fund (ELTIF): a new type of closed-ended alternative investment fund aimed at investors seeking to finance companies and projects on a long-term basis. ELTIFs are authorized to make long-term investments in assets and companies such as infrastructure projects, including those related to transport and renewable energy.

In terms of regulation, 2015 saw the implementation of the directive relating to alternative fund managers (AIFMD) and the preparation for the coming into force of the so-called "UCITS V" directive on March 18, 2016. This directive relates to depositary functions, the remuneration of managers and the introduction of common standards for sanctions within the European Union.



## EVOLUTION OF ASSETS ADMINISTERED BY KTL

In 2015, the net assets of 88 UCI structures totaling 568 sub-funds were estimated to be worth €29.7 billion, a slight decrease compared to 2014. During the same period, a significant number of new relationships were established with promoters worldwide.

Moreover, Kredietrust Luxembourg (KTL) – a specialist subsidiary of KBL *epb* that serves as the central UCI administration entity – succeeded in stepping up its business relations with over 65 existing client promoters.

KTL was granted “Super ManCo” status, as it is authorized to manage both UCITS and AIFM, and can therefore provide “one-stop-shop” solutions to fund managers and promoters relating to setting up both types of investment fund.

## EUROPEAN FUND ADMINISTRATION

Since 1998, KTL has subcontracted its fund accounting, registration and transfer functions to a specialist company called European Fund Administration (EFA), of which KBL *epb* is the principal shareholder. At the end of 2015, EFA was managing 2,481 sub-funds containing total net assets of €119.5 billion for 220 clients.

Since launch in 2007, EFA Private Equity, the business line handling services for real estate funds and venture capital/private equity, has been offering its specialized services to more than 100 clients. With more than €12.6 billion in assets under management, EFA Private Equity is the main provider of administrative and accounting services for regulated capital investment and real-estate vehicles in Luxembourg.

Finally, within the context of new regulations and requirements introduced by UCITS IV (and V) and AIFMD, EFA has developed numerous additional services to support various players in fields such as governance, risk management and performance analysis, investment limits, eligibility and the valuation of targeted investments. In the context of FATCA and CRS, EFA also provides compliance and reporting solutions for the investment fund industry.



LUXEMBOURG  
REMAINS EUROPE'S  
UNRIVALLED LEADER  
AND THE WORLD'S  
SECOND-LARGEST  
INVESTMENT FUND  
DOMICILE



## GLOBAL MARKETS

2015 was marked by abundant liquidity on global money markets, despite the end of quantitative easing in the United States and a wide divergence in monetary policy between central banks on either side of the Atlantic.

The European Central Bank brought its leading rates to an historic low and purchased large quantities of state and institutional paper. It also maintained its unlimited cash allocation strategy to help the credit recovery in the real economy.

The fall in inflation and fears about China finally pushed the ECB, in December, to enact an additional cut in the deposit rate (-10bp), which is now at -0.30%.

One of the big surprises at the beginning of the year was the Swiss National Bank cutting its rate to -0.75%, an action soon followed by Sweden and Denmark. The Bank of Japan and the Bank of England opted to keep their leading rates steady.

The US Federal Reserve – acting hesitantly and reflecting concerns about emerging markets, particularly China – did not raise rates until December, encouraged by positive economic figures, especially in the job market.

More globally, 2015 was marked by volatile markets, leaving much uncertainty in 2016 about issues such as worldwide growth, a potential Brexit, US elections, emerging markets and the fall in the price of oil.

Against this backdrop, 2015 was inauspicious for fixed-income investors: most of the 85 Bank of America Merrill Lynch bond indices recorded performances of between -5% and 5%, versus between 5% and 15% in 2014.

The 10-year rates on major markets showed a certain variability but ended the year at lower levels than consensus forecasts. US yields ended around 2.20%, almost unchanged compared to 2014. In Europe, starting at 0.60%, the 10-year Bund fluctuated between

0.10% and 1%, falling to 0.05% in March, ending the year unchanged.

Developed-market government bonds saw a tightening of spreads between European peripheral loans and those of the German state (40 bp between the 10-year BTP 10 and the 10-year Bund).

The continued fall in the price of oil and other commodities had a major impact on high-yield markets and the energy sector, with metals and mining suffering the most in 2015.

At KBL *epb* Global Markets, we completed over 40,000 fixed-income transactions in 2015 on behalf of private and institutional clients, while also consolidating our position as a buy-side client with keenly monitored market pricing on around €9 billion of executions.

With long rates extremely low, equities saw mixed fortunes in 2015. During the market's various erratic phases, Global Markets was able to issue new structured products at opportune moments. In 2015, our clients focused on equities, generating 70% of new issues (including stock-exchange indices, baskets of equities and equities).

With its significant experience, including more than 10 years on capital markets, and numerous connections with international dealing rooms, our





team of structurers was able to offer clients the most suitable products based on the recommendations of the bank's macro- and microeconomic research teams.

On the currency front, 2015 was a year of weakness for the euro and crisis for emerging-market currencies. The year was marked by the surprise decoupling of the Swiss franc from the euro at 1.2 in January, the Chinese stock market crisis in June, the Greek referendum in July, the yuan mini-crisis in August (causing commodities to fall), concluding with the Fed rate hike.

Over the 12-month period, the European currency fell +/- 10% against the Swiss franc, US dollar and Japanese yen and, to a lesser extent, against the British pound (5%).

The dollar benefited from the strength of the US economy and the divergence of monetary policies (strengthening the dollar and weakening the euro), with a EUR/USD range between 1.10 and 1.15.

Buoyed by a flourishing UK economy, sterling also strengthened against most other currencies (except the USD), particularly the euro.

In Asia, China ruined the summer break by devaluing the yuan after investing more than \$500 billion to support the currency. The Japanese yen profited from the Chinese currency's depreciation and played a safe-haven role in Asia to end the year at around 128.20 against the euro.

Emerging-market currencies (including the BRL, ZAR, MXN, TRY and RUB) suffered further declines linked the collapse of commodity prices and the Chinese economy running out of steam. These five currencies closed the year at historic lows.

KBL *epb* clients engage principally with Global Markets in EUR/USD, EUR/CHF and EUR/GBP, but we offer a complete suite of spot, forward and swap facilities across all deliverable and non-deliverable currencies, with an aggregate annual volume, across all currency pairs, of close to €20 billion in 2015.

Our fund-execution business remains a key inflection point with our private and institutional clients. In 2015, we handled more than 250,000 trades for a volume of €27 billion across a universe of 10,000 funds managed by 500 transfer agents.



## GLOBAL MARKETS COMPLETED OVER 40,000 FIXED-INCOME TRANSACTIONS IN 2015 ON BEHALF OF ITS PRIVATE AND INSTITUTIONAL CLIENTS



In addition, we manage high volumes in ETF through our care-order service, and trade funds on the Luxembourg Stock Exchange.

As our asset allocation teams constantly adjust their fund recommendations, Global Markets seeks to deliver efficient and accurate execution through enhanced technology and connectivity.

Global Markets was established as a key Group Competence Center, tasked with providing an integrated one-stop shop to meet the financial market needs of KBL *epb* clients across all segments: from affluent, HNWI and UHNWI private clients to external asset managers, family offices and institutions.

In line with this approach, Global Markets introduced last year a new Direct Market Access service for UHNWI and HNWI private banking clients.





## PUILAETCO DEWAAY PRIVATE BANKERS

2015 was a year of major progress, on multiple fronts, for Puilaetco Dewaay.

Today, with more than €10 billion in assets under management, a positioning strategy linking tradition and innovation, a broad and complementary range of services, and an agile organizational structure allowing us to adapt quickly to upcoming regulatory changes, we look to the future with confidence.

The acquisition of the operations of UBS Belgium, announced in November 2014, was finalized, in accordance with initial plans, at the end of May 2015.

On June 1 the teams from UBS Belgium moved into existing Puilaetco Dewaay offices (in Brussels, Ghent and Antwerp) and assumed their new roles. All relevant data was migrated onto our systems over a single weekend, which meant that the transition was seamless for our new clients.

This acquisition helped Puilaetco Dewaay strengthen its competitive position in the Belgian market, making us one of the country's top three pure-play private banks.

The arrival of our new clients led, on the one hand, to an extension of our service offering and, on the other, to more significant volumes in our existing offering. The integration of the operations of UBS Belgium also reinforced our internal control and back-office structures.

Under the terms of an agreement signed with Banque Internationale à Luxembourg (BIL) in January 2015, Puilaetco Dewaay also acquired the business of BIL Belgique, including those clients who elected, voluntarily, to be transferred to Puilaetco Dewaay.

On the regulatory front, significant resources were mobilized to initiate an efficient action plan to meet new requirements. The successful implementation of this plan helped the bank reinforce its Risk, Audit and Compliance functions, and to prepare for the introduction of MiFID II.



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THIS ACQUISITION OF THE OPERATIONS OF UBS BELGIUM HELPED PUILAETCO DEWAAY STRENGTHEN ITS COMPETITIVE POSITION IN THE BELGIAN MARKET



## THEODOOR GILISSEN

In 2015, Theodoor Gilissen further fine-tuned its strategy, as defined in 2014 and based on “professional proximity.” The strategic pillars of this strategy include growth, seamless customer experience and synergy (primarily within the KBL *epb* group).

This strategy continues to bear fruit, as evidenced by our sustained annual growth in net new assets under management and net new clients in all business units.

Our private banking unit strengthened its domestic footprint through the opening of a new office in Enschede, covering the east of Holland. The custody banking unit welcomed four new external asset management parties. Private banking and the custody unit both noted a significant increase in assets per account.

In parallel, the institutional asset management unit leveraged its experience in the field of sustainable index investing, securing several new mandates.

Theodoor Gilissen implemented a range of important initiatives in 2015, including introducing a feasibility analysis tool to provide private banking clients with structured insight into their asset-related goals. Investment research is now published in a more tailored way via the online client portal *Mijn Gilissen*. The onboarding process for clients of the custody unit has also been enhanced.

In response to client needs, we implemented new investment solutions for index tracking and advisory portfolios. As well, Theodoor Gilissen contributed actively to the sector’s dialogue with regulators about total cost of ownership (TCO), resulting in the introduction of TCO in client reporting by the end of the year.

The investment team again delivered strong returns for discretionary portfolios. Our experts worked closely with their KBL *epb* colleagues across Europe in developing investment solutions for both advisory

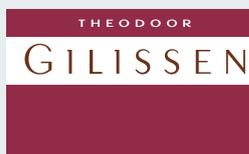
and discretionary clients, and in setting overall investment strategy.

Our investment analysts remain the most-quoted in Dutch media. More generally, 2015 media outreach initiatives led to a record number of spontaneous leads and new clients.

The launch of a single mission, vision and set of core values for the KBL *epb* group contributed to further strengthening the corporate culture of Theodoor Gilissen. We facilitated workshops with teams and individual employees in that regard, focusing on how to bring these shared claims to life in our daily actions.

Throughout the year, all employees took the Banking Oath (*Bankierseed*), which is now required under Dutch laws. Across our business, client satisfaction levels remained very high.

As always, Theodoor Gilissen maintained its commitment to best practice corporate governance, ensuring that meeting the needs of all our stakeholders is the basis for everything we do.



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## BROWN SHIPLEY

The emphasis at Brown Shipley in 2015 was on the delivery of our wealth management strategy to help us achieve our growth objectives. This strategy has seen a focus on advice for clients and the ever-increasing importance of wealth planning.

As part of this strategy, we completed in July 2015 the acquisition of Hampton Dean, a financial planning business; in January 2016, Hampton Dean officially became the Nottingham office of Brown Shipley. This acquisition enhances our wealth-planning proposition and increases assets under management.

We launched a specific proposition for the independent financial advisory channel to further develop our position in the intermediary market. The acquisition of Hampton Dean adds to this development and should help facilitate a further increase in assets under management.

We have continued to invest in people with a number of key hires, which has also contributed to AuM growth, and we remain in a competitive position in the market.

A major internal initiative in 2015 was work on the Brown Shipley branding and brand position. This resulted in an evolved company livery, which demonstrates our core belief that everything we do is about the client.

At the heart of the evolved brand is the assertion: "We listen, we tailor, we understand our clients." Supporting our brand positioning development was a strong PR campaign, which gave us significant, positive exposure in key media.

Our investment in technology continues, with a focus on improving client experience. This includes a new CRM system and improvements to the design and production of client valuations. We are also in the process of replacing and improving our online client offering, enabling access via a mobile application that will be launched this year.

In 2016, we will continue to invest in our people, our wealth management strategy and our brand position – all with a focus on the delivery of client service and growth of assets under management.



## BROWN SHIPLEY

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THIS ACQUISITION  
OF HAMPTON DEAN  
ENHANCED OUR  
WEALTH-PLANNING  
PROPOSITION AND  
INCREASED ASSETS  
UNDER MANAGEMENT



## MERCK FINCK & CO

Munich-headquartered Merck Finck & Co offers a wide spectrum of solutions for our HNWI clients. With 15 offices and 340 employees across Germany, we have built strong relationships founded upon mutual trust and 145 years of experience.

Key 2015 milestones at Merck Finck & Co included the appointment of Thilo Wendenburg and Udo Kröger as personally liable partners. We also invested significant effort in hiring the best private bankers, strengthening our presence in the large and competitive German market.

The main focus of Merck Finck & Co was the further development of our banking and client services, increasing our proximity to clients.

We remained on a steady growth path throughout Germany, with new employees and management-level appointments reinforcing our expert teams. At the same time, major ICT investments helped improve both internal and client reporting.

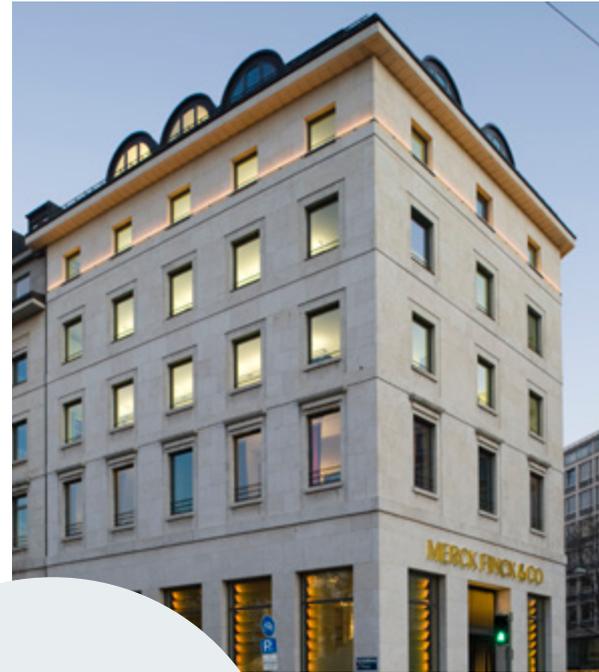
Realignments in asset management and the trading section led to further improvements in quality and a broader range of services.

Inspired by KBL *epb*'s ambition to become a leading European private banking group, Merck Finck & Co is likewise focused on growth – both organically and inorganically.

We see special opportunities to achieve growth in the German market, where many HNWI and UHNWI clients are eager to find a private bank that meets their unique requirements.

In that regard, we recently introduced a new team of private bankers and investments specialists focused on meeting the specific needs of UHNWI clients.

Finally, the outstanding quality of our advisory services was again recognized with awards from leading media such as Handelsblatt Elite Report, Focus-Money and Fuchsbriefe.



### MERCK FINCK & CO PRIVATBANKIERS

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MERCK FINCK & CO  
IS FOCUSED ON  
GROWTH, BOTH  
ORGANICALLY AND  
INORGANICALLY



## KBL RICHELIEU

KBL Richelieu, a French boutique private bank, continues to develop its business, serving three primary client segments:

- Private clients, who benefit from our global approach to wealth management and broad range of services and products, including real estate, fine art, private equity, financial markets, etc.
- Advisory clients with access to our UCI and management under mandate
- French and European institutional clients, who benefit from the asset management expertise of the KBL *epb* group

The approach of our private bankers is based on a real commitment to their profession and the need to create sustainable value for their clients. Indeed, at KBL Richelieu, our sole aim is to preserve and grow each client's wealth across generations.

This approach has allowed the bank to continue to grow with its clients, who include families, entrepreneurs and managers.

In 2015, the sixth annual Grand Prix KBL Richelieu brought together entrepreneurs and professionals from the worlds of finance, law and advisory. The prizes this year went to two entrepreneurs: Carol Duval-Leroy, CEO of the family business Champagne Duval-Leroy, and Jean-Charles Matamoros, CEO of Avob, the French leader in the centralized control of energy consumption.

We also continued to sponsor the Musée des Beaux-Arts in Lyon, and high-quality exhibitions in France and Europe.

For the third year running, the magazine *Gestion de Fortune* awarded us a bronze trophy for the quality of our UCI, the skill of our team and the quality of service we provide.

Finally, our asset management company is taking part in an ambitious KBL *epb* group project: the development of Richelieu Asset Management, a range of in-house investment solutions for our clients and third parties.



### KBL RICHELIEU

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THE APPROACH OF  
OUR PRIVATE BANKERS  
IS BASED ON A REAL  
COMMITMENT TO  
THEIR PROFESSION



## KBL MONACO PRIVATE BANKERS

Founded two decades ago, KBL Monaco Private Bankers provides tailor-made investment solutions for private clients in the Principality of Monaco and the Côte d'Azur, as well as for international clients with interests in this region.

In line with global trends, tax transparency and the exchange of information has now become the standard for Monaco as a financial center. In that regard, KBL Monaco Private Bankers has completed the onshorization process, with many concerned clients, especially from Italy, continuing to bank with us directly.

This reflects our high degree of professionalism and the trust instilled through long-term personal relationships between our clients and private bankers.

Our private banking team has significant international and local experience. In 2015, our multicultural approach was further enhanced through the introduction of services in Dutch/Flemish to relevant clients.

At KBL Monaco Private Bankers – a pure-play private bank focused on preserving and growing the wealth of our clients across generations – our local professionals work closely with KBL *epb* specialists in areas such as investment and wealth planning and structuring to offer our clients outstanding, personalized service.

In this context, we continue to increase our loan business, especially for clients seeking a long-term private banking relationship with our group.

The bank has further modernized its operational model in order to be more responsive to client requirements. We also renovated our offices last year.

We continue to highlight our services and insights through semi-annual conferences for our clients and partners, as well as via Monegasque media.

As a member of KBL *epb*, we operate based on the core principles of interdependence and, just as important, open architecture. This allows our clients to benefit from our network of 2,200 professionals in 50 European cities and the best solutions available anywhere in the market.



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THE BANK HAS FURTHER MODERNIZED ITS OPERATIONAL MODEL IN ORDER TO BE MORE RESPONSIVE TO CLIENT REQUIREMENTS



# BANQUE PUILAETCO DEWAAY LUXEMBOURG

2015 was another strong year for Banque Puilaetco Dewaay Luxembourg, a boutique wealth manager in Luxembourg.

Thanks to the professionalism of its teams, the bank performed well for its clients and posted solid results.

A key milestone for the bank was the enhancement of its operational and IT model, under the aegis of its parent, KBL *epb*, and with the support of the group's external partner for this project, Lombard Odier, the Geneva-headquartered private bank.

This project was undertaken to enhance efficiency and increase performance. It provides secure and innovative solutions, such as more comprehensive account records, allowing clients to follow the evolution of their portfolios more closely.

Additionally, Banque Puilaetco Dewaay Luxembourg clients will shortly benefit from highly secure online account access, including via a new mobile application on smartphones and tablets.

In line with its focus on offering its clients innovative and efficient services, Banque Puilaetco Dewaay Luxembourg strengthened synergies with the KBL *epb* group by jointly developing a customized and diversified loan offering, including Lombard loans, mortgages, patrimonial loans, as well as new wealth and financial planning solutions

Such initiatives demonstrate our commitment to anticipating the evolving needs of our clients, who remain at the heart of everything we do.



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BANQUE PUILAETCO DEWAAY  
LUXEMBOURG CLIENTS BENEFIT  
FROM SIGNIFICANT INVESTMENTS  
IN OUR IT INFRASTRUCTURE



## KBL ESPAÑA

Established in 2011, KBL España is headquartered in Madrid with offices in Murcia, Las Palmas, León and, since early 2015, Valencia. We offer clients the flexibility of developing a private banking relationship managed from Spain with the ability to domicile assets in the KBL *epb* market of their choice.

2015 marked just our fourth full year of operations. Despite an increasingly competitive environment as the market returned to normal following the financial crisis, we achieved significant expansion in terms of the number of new clients, where we reached a record high, assets under management, and total revenues.

Having started as a greenfield operation in the very large Spanish market, we consider that there continue to be important opportunities for future growth – both organically and, potentially, through acquisitions.

In addition to asset management and tax planning, our range of tailored wealth-management solutions now includes:

- Spanish SICAV and Luxembourg SIF
- Collective SICAV (with an additional vehicle launched in 2015)
- Unit-linked insurance
- Structured deposits
- Short, medium and long-term financing as an integral part of the private banking service required by HNWI and UHNWI clients in the Spanish market
- Acting as intermediaries for corporate property divestments

The majority of our clients are high net worth individuals for whom we provide customized asset management services. Our objective is to analyze each client's individual profile in order to offer a complete wealth management solution that takes into account more than just purely financial factors.

Working closely with our colleagues in Luxembourg and across Europe, we continue to identify further opportunities for cross-border collaboration, enhancing our ability to provide our clients with deep insight into the Spanish market combined with broader international perspective.



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IN 2015, KBL  
ESPAÑA ACHIEVED  
SIGNIFICANT  
EXPANSION IN TERMS  
OF THE NUMBER OF  
NEW CLIENTS





# NON-CONSOLIDATED MANAGEMENT REPORT

## GENERAL COMMENTS ON THE RESULTS

At the end of 2015, KBL *epb*'s balance sheet totalled EUR 9.0 billion, slightly up on the end of 2014 (+7%).

The bank maintained its loans on a securitized basis and relaunched the volume of its reverse repo inter-bank operations.

The solvency ratio and the tier-one equity ratio under Basel III stood at 28.0% and 27.8%, respectively, and remain above the regulatory thresholds imposed by the European Central Bank.

Net interest margins, down slightly by 1.5% compared to the end of 2014, totalled EUR 59.8 million. This decline reflects the complicated economic climate and low interest rates throughout 2015.

Net commissions fell 7.7% to around EUR 69 million (against EUR 74 million at the end of 2014), mainly due to stock-market commissions and fund trailer fees.

Dividend income (EUR 69.8 million) rose by almost EUR 33 million, mainly with group companies including Puilaetco Dewaay (EUR 23 million), KBL Immo (EUR 16 million) and Puilaetco Dewaay Luxembourg (EUR 3 million).

In 2015, KBL *epb* sold two direct holdings: KBL (Switzerland) to BIL (Suisse) and Vitis Life to Monceau Assurances, a French insurance group. These two sales generated results of EUR 24 million and EUR 11 million, respectively. The bank made other gains mainly on the sale of equities exposed to Europe and the US.

Net securities income was EUR 53.2 million as of December 31, 2015, an increase of a little more than 2% compared to EUR 52.1 million at the end of 2014.

Operating expenses rose by 5%, totalling EUR 162 million in 2015 compared to EUR 154 million in 2014. Although the bank continues to keep salary costs under control (down 4%, or EUR 4 million), administrative costs rose by almost 30%, or EUR 13 million.

This increase in costs and consultancy fees is mainly in relation to the Utopia project, which consists of adopting Lombard Odier as a strategic partner and external platform supplier.

The annual impairment tests on participating interests has led the bank to devalue KBL Richelieu by EUR 9.5 million.

As of December 31, 2015, KBL *epb* recorded a net profit of EUR 86.9 million, compared to EUR 71.0 million in 2014.

*For detailed figures, please refer to the Annual Accounts.*

# APPENDICES

## APPENDIX 1 DEPOSIT GUARANTEE

Since December 31, 2013, KBL *epb* has had, in accordance with the CSSF Circular 13/555, a system allowing it, should the bank become insolvent, to quickly produce a Single Customer View file for covering all cash accounts and personal information for clients benefiting from the deposit guarantee. This file also includes clients from Spanish branch.

The law related to the resolution, reorganisation and winding-up measures of credit institutions and certain investment firms and on deposit guarantee and investor compensation schemes ("the Law"), transposing into Luxembourgish law the directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms and the directive 2014/49/EU related to deposit guarantee and investor compensation schemes, was passed on 18 December 2015.

The deposit guarantee and investor compensation scheme currently in place through the "Association pour la Garantie des Dépôts Luxembourg" (AGDL) will be replaced by a new contribution based system of deposit guarantee and investor compensation. This new system will cover eligible deposits of each depositor up to an amount of EUR 100,000 and investments up to an amount of EUR 20,000. The Law also provides that deposits resulting from specific transactions or fulfilling a specific social or other purpose are covered for an amount above EUR 100,000 for a period of 12 months.

The provisions which have been created in the past by credit institutions for the purpose of AGDL in their annual accounts will be released according to the contributions of the banks to the new Luxembourg banking resolution fund "Fonds de resolution Luxembourg" (FRL), respectively to the new Luxembourg deposit guarantee fund "Fonds de garantie des dépôts Luxembourg" (FDGL), which is still to be established.

The funded amount of the FRL shall reach by the end of 2024 at least 1% of covered deposits, as defined in article 1 number 36 of the Law, of all authorized credit institutions in all participating Member States. This amount will be collected from the credit institutions through annual contributions during the years 2015 to 2024.

The target level of funding of the FGDL is set at 0.8% of covered deposits, as defined in article 163 number 8 of the Law, of the relevant credit institutions and is to be reached by the end of 2018 through annual contributions. The contributions are to be made in the form of annual payments during the years 2016 to 2018. For 2015, the credit institutions have reflected a provision of 0.2% of covered deposits in order to anticipate these contributions, using/releasing (depending on the accounting treatment chosen) the existing AGDL provision in their annual accounts.

When the level of 0.8% is reached, the Luxembourgish credit institutions are to continue to contribute for 8 additional years in order to constitute an additional safety buffer of 0.8% of covered deposits as defined in article 163 number 8 of the Law.

## APPENDIX 2 COMPLIANCE RISK

Compliance is responsible for implementing all measures designed to prevent KBL *epb* from suffering damage or loss, whether financial or otherwise, due to a failure to comply with existing regulations.

The tasks of Group Compliance encompass the identification and management of compliance risks, as well as the implementation of an awareness-raising policy. Its monitoring includes corrective measures, internal reporting, and liaising with the Public Prosecutor and the CSSF in the field of anti-money laundering. It actively supports management bodies in the control and management of these risks.

Its core focus is:

- Investor protection (MiFID, customer complaints, avoidance & management of conflicts of interest, etc.)
- Prevention of market abuse, money laundering & terrorism financing
- Professional ethics (codes of conduct, compliance manual, etc.) & fraud prevention
- Data protection, including banking secrecy
- Third-party adherence to regulatory obligations
- Prevention & management of compliance risks linked to cross-border business

Advice, prevention and control in these various areas of intervention form the core work of Compliance, which also monitors compliance risks and their management across the whole KBL *epb* network through cooperation between local and Luxembourg-based teams.

Furthermore, the Board Compliance & Legal Committee is informed of and regularly monitors the adequacy of Compliance measures. This Committee is delegated by the Board and meets on a quarterly basis.

### 2.1. ADVICE & PREVENTION

Throughout 2015, Compliance continued its advisory and support role for the bank's various business lines.

It regularly supported commercial initiatives and the questions that can arise from them. Compliance is also involved in the bank's client acceptance and revision procedure.

It should be noted that the Group New Product and Services Approval Committee (GNPAC, formerly the Committee on the Authorization and Supervision of Financial Products, or CAS), of which Compliance is a permanent member, meets on a regular basis to approve client products. The goal of this process, which incorporates support materials like brochures and term sheets, is to ensure that clients understand products and their risks, and make informed investment decisions.

Compliance is also associated to various regulatory projects. Compliance participates in the group-wide high-level assessment analysis and provides the workstreams with appropriate regulatory roadmaps, as well as a group regulatory dashboard consolidating all applicable requirements.

In addition to its ongoing monitoring and support of subsidiaries, Compliance Conduct Risk and the Money Laundering Reporting Officer (MLRO) focused on the rollout of the Compliance Awareness programme in each entity across KBL *epb*. This programme is mainly based upon a systematic and structured multi-annual approach with training sessions, depending on the person's level of exposure to Compliance risks. The programme is accompanied by regular information for employees and managers on Compliance risks according to what is topical (internal or external).

In 2015, the Group Compliance Normative Committee gathered a number of local Heads of Compliance to reflect on new group norms and standards, ensuring best practices. This Committee advises the group Executive Committee.

Compliance continued to strengthen Compliance

practices across KBL *epb* through forums, regular exchanges with Compliance Officers in our European network. Compliance – as an independent function – adjusted its organization with the objective of further developing group oversight by clearly assigning responsibilities.

## 2.2. CONTROL

Compliance continued to maintain its Control function. Its second-level control framework is part of the bank's general internal control framework. In addition to refining and strengthening certain tests, the Compliance Monitoring entity continued to oversee its Compliance Monitoring Programme (CMP). This tool maps Compliance risks and regularly checks that these risks are under control. If necessary, suggestions for improving the plan are put forward.

The correct execution of these controls by our subsidiaries is monitored from Luxembourg, with support provided as necessary.

Specialized anti-money laundering software (SIRON) is now in place in all KBL *epb* entities. This solution improves the review processes for the group's clients, whether new or existing, both by analyzing client behavior (before and after), and by screening the client database and international lists of persons subject to legal action or restrictive measures.

KBL *epb* is constantly adapting its control procedures and reiterating to staff the ongoing need to protect clients. In 2015, Compliance launched a Compliance Risk Assessment on the Luxembourg entity. The result of this assessment will be the base of a reshuffle of the CMP with a new risk-based approach. This exercise will be finalized in the first quarter of 2016 and then rolled out in the different entities of the group.

Group Compliance carries out regular checks in the group's various subsidiaries.

## APPENDIX 3 RISK MANAGEMENT

### 3.1 MISSION & ACHIEVEMENTS

On November 4, 2014, the Single Supervisory Mechanism (SSM) placed Precision Capital and its subsidiaries - KBL *epb* and Banque Internationale à Luxembourg (BIL) - under the direct supervision of the European Central Bank (ECB).

This materialized in 2015 in the execution of a Supervisory Examination Programme (SEP). Within that framework, regular exchanges took place with the Joint Supervisory Team (JST), which reviewed and assessed general governance and reporting, as well as specific risk topics. Conclusions were globally positive in terms of capital and liquidity adequacy, as well as for overall risk management strategies and processes, while some recommendations on specific areas of improvement were issued (e.g. better calibration of the internal limits for the Liquidity Coverage Ratio (LCR), further integration of KBL *epb* specificities in the stress tests).

Another highlight of 2015 was the official appointment of Lombard Odier (a Swiss private bank) as third-party provider of IT and Operations solutions for KBL *epb* group. The rollout of the new platform is framed by the Utopia project. It will have impacts on most operational processes, triggering a review of the internal control environment by the Group Operational Risk Control department in close cooperation with the project team. This review targets the assessment of key risks and controls based on draft processes, and the proposal of mitigating measures.

The Bank's Group Recovery Plan was redesigned following CSSF comments on the first submission (i.e. 2014). The document lists and assesses measures the Bank could take to re-establish its financial situation if it were to seriously deteriorate. It includes:

- Recovery Governance, defining the place of the Recovery Plan in the organization, including decision and escalation process

- Recovery indicators and limits in order to monitor the potential activation of the plan
- Potential available recovery options to improve the Group financial situation
- Different Reverse Stress Test scenarios developed to challenge the liquidity and the solvency soundness of the Group

Within the framework of the Bank Recovery and Resolution Directive, information (structure, accounting data, interconnectedness...) was also provided to the CSSF as National Resolution Authority. Complementary, the Bank made a first assessment of its critical functions, possible resolution strategies and potential impediments to resolvability.

Furthermore, the BRC validated the new KBL *epb* Outsourcing Policy drafted in line with CSSF circular 14/597 and EBA guidelines. It prescribes measures in order to avoid undue additional operational risks, financial costs or reputational damages when outsourcing material activities to third parties. The Policy is applicable to all Group entities.

The Internal Capital Adequacy Assessment Process (ICAAP) was deeply reviewed, proposing significant changes to methods and approaches when compared to the former submission. These changes were mostly driven by regulatory developments (new Supervisory and Evaluation Process - SREP - framework) as well as technical and methodological improvements of internal risk models. External advice from the consultancy firm Oliver Wyman was sought in selected areas of this submission to align with industry trends and latest regulatory guidance.

Derived from the Group submission, a first methodological Group framework for ICAAP calculation was also built and rolled-out across the Group. By the end of 2015, half of the entities (KBL *epb*, Puilaetco Dewaay

Belgium, Theodoor Gilissen and KBL Richelieu) were already on-boarded.

The Risk Control Charter was redesigned in order to be harmonized with the "Compliance Charter," in addition to some slight amendments in terms of governance. Among others, the Charter defines the status, roles and responsibilities of the different stakeholders in the overall Risk Management Framework, and the operating rules between the Group's Risk Control entities and the subsidiaries/branches.

Similarly, most of the Risk Control Frameworks (i.e. Operational, Trading, ALM and Liquidity Risk Frameworks as well as Credit Policy) were updated to reflect new internal developments.

A Client Risk Framework project was launched in 2015. The ambition is to reduce the risk arising from client dissatisfaction related to the asset allocation process and materializing in complaints, loss of AuM, etc. Attention was focused on the potential inherent risks of the client portfolio, beyond the strict regulatory requirements of MiFID. The project resulted in a list of standard controls and governance principles for the Group. Their roll-out modalities will be adapted to each subsidiary, depending on local constraints, including the migration planning to the new Lombard Odier platform.

With regard to liquidity risk, the phase-in schedule foreseen by the European Capital Requirements Regulation (CRR) for the entry into force of the Liquidity Coverage Ratio (LCR) was confirmed. Therefore, the requirements of the Delegated Act as well as the new Implementing Technical Standards for liquidity were implemented. The LCR and the Net Stable Funding Ratio (NSFR) continue to be quarterly assessed for the Group and daily for KBL *epb* headquarters.

The fire drill of the Liquidity Contingency Plan was successfully reiterated in 2015, testing all operational

processes in which the Bank would use pre-defined liquidity sources in case of major liquidity crisis.

For market risks associated with trading activities, specific stress tests based on historical stress periods were developed in the end of 2015, leading to the introduction of two Stressed Historical VaR measures. They complement the set of indicators and limits (i.e. Historical Value at Risk, nominal amount, basis point value, concentration limits, credit risk limits and loss triggers) used in the daily monitoring of trading risk exposure.

With regard to the management of interest rate risk in the banking book (IRRBB), the alignment of the risk framework with EBA guidelines was initiated besides the recurrent monitoring activity. This led to the re-introduction of a specific stress scenario on top of the Monte Carlo approach adopted in 2014 for the Value-at-Risk calculation process.

In relation to credit risk, following a period of consultation with key stakeholders to ensure alignment with the Bank's risk appetite and its commercial strategy, a further update to the Group Credit Policy – defining the framework within which loan activities for clients are to be managed – was introduced by Credit Risk Control in early 2015.

Lending to clients was the subject of an on-site inspection by the ECB in cooperation with the Commission de Surveillance du Secteur Financier (CSSF) during the second half of the year. The findings and any resulting recommendations of the ECB/CSSF are expected to be finalized in early 2016.

In terms of operational risk, main improvements in 2015 were:

- The completion of the first Group roll-out of the Risk and Control Self-Assessment (RCSA) process; the next step being the consolidation of results

and the definition of relevant KRIs in order to enhance the monitoring of residual operational risk

- The set-up of a new operational incident database, enabling the efficient tracking and challenge of the corrective measures proposed and indirectly contributing to the improvement of the risk awareness of the Group

### 3.2 STRUCTURE & ORGANIZATION

Risk Control entities fulfill a second line of defense role, the first line being assumed by the entities at the source of risk. In this context, they ensure that each key risk the Group may be exposed to is properly identified, measured, monitored and reported.

As of December 31, 2015, Group Risk Control in Luxembourg is organized into six departments with a total of 17.6 Full Time Equivalent employees (FTE).

The Market Risk Control department, with 3.8 FTEs, is in charge of market risk monitoring (interest rate, equity, currency, real estate, and liquidity risks) for the Bank's entire balance sheet, including both ALM and Trading activities. The department maintains and runs models dedicated to the measurement of market risk indicators (i.e. Value at Risk indicators). Regarding liquidity risk, the entity is in charge of the interpretation and implementation of new EU regulatory requirements, in addition to the recurrent control of the liquidity situation of the Bank.

The Credit Risk Control department, with 3.8 FTEs, is in charge of monitoring credit risk for the Group, which arises from the following activities:

- Lombard & mortgage lending to private clients in support of the Bank's core private banking activity
- Portfolios of fixed-income investments, in the context of the reinvestment of excess liquidity

- Counterparty risk linked to transactions of Global Markets (management of uncommitted bank lines)
- Committed and uncommitted credit lines granted to investment funds in support of Institutional & Professional Services activity
- Credit risk in the network of sub-custodians

The department also covers the monitoring of country risks, and is involved in defining and complying with criteria for accepting securities taken as collateral.

The Operational Risk Control department, with 3.6 FTEs, assumes the following responsibilities:

- Collect operational incidents for the Group through the Group Operational Incident Database:
  - Challenge reporting, root cause analysis and mitigating action plan
  - Initiate case studies analysis
- Conduct/review RCSAs
  - Organize (and participate in) workshops with the business units
  - Challenge key risks/controls
  - Follow action plans
- Draft Common Operational Risk Rules (principle based) and assess compliance across the Group
- Steer the insurances' programme for the Group
- Act as second line of defense for Business Continuity Management
- Act as member of various committees involving discussions on operational risks (i.e. New Product & Service Approval Committee, Group Information Security Committee, BCM Steering Committee)

The Group Risk Advisory department, with 1 FTE, fulfills following main roles and responsibilities:

- Single point of contact for subsidiaries
- Preparation/challenge of local Board Risk Committees, regularly acting as deputy of the Head of Risk in those committees
- Provide support to Group initiatives
- Participate in due diligence
- Participate in transversal projects (e.g. Utopia)

The Risk Projects & Reporting department, with 1.8 FTEs, covers transversal risk matters, such as risk reporting to various stakeholders (i.e. ExCo, Board, regulators...) and regulatory watch in addition to some risk-related projects (e.g. suitability, Client Risk Management Framework...).

The Process Management department, with 2.44 FTEs, is in charge of the creation and implementation of the transversal procedures of the Bank, mainly for the parent company, but also for certain branches/subsidiaries. Located in the Risk Control Function, it can develop synergies with the Operational Risk Control department.

The total number of risk managers in KBL epb subsidiaries and branches is 47.6 FTEs. In light of the non-materiality of certain risks (absence of trading activity; ALM activities tightly framed and controlled by the parent company; limited liquidity risk), the majority of these resources are dedicated to managing and controlling client, credit and operational risks.

## ALLOCATION OF PROFIT, RETAINED EARNINGS AND PROPOSED DIVIDEND

After constitution of the necessary provisions and depreciation, KBL <i>epb</i> 's net profit for the financial year ended on December 31, 2015, was	86,875,552.27
(All figures in EUR)	
<b>Pursuant to legal and statutory provisions, the Board of Directors proposes appropriating this profit as follows:</b>	
Dividend relating to year 2015	45,039,683.63
Retained earnings	41,835,868.64

Subject to approval of this allocation, the following dividend shall be payable at our branches as from April 28, 2016:

- A gross dividend of EUR 2.2368 (net dividend of EUR 1.9013) per share.

## COMPOSITION OF THE BOARD OF DIRECTORS

Andreas Wölfer resigned as non-executive director in April 2015.

Following the resignation of Ernst-Wilhelm Contzen, Chairman of the KBL epb Board of Directors, Jan Maarten de Jong was appointed as new Chairman of the Board on May 8, 2015.

At the Ordinary General Meeting of July 29, 2015, the duration of the mandates of all members of the Board was fixed at two years. At the same occasion and in line with this decision, the mandate of Anne Reuland was renewed for two years until 2017.

Following the maturity of the mandate of the staff representatives on August 31, 2015, five new representatives were nominated for a new mandate of two years, Laurent Mertz, Christian Hoeltgen, Frank Ertel, Daniele Montenero and Marie-Jeanne Siebenborn. Consequently, Philippe Reyland, Daniel Lardo, Mathias Rauén and Jean-Paul Waltzing stepped down as staff representative at the Board.

On December 3, 2015, Maurice Lam, who was appointed member of Board of Directors in July 2015, assumed the role of Chairman of the Board Audit Committee.

At the Ordinary General Meeting of December 16, 2015, the mandates of Alfred Bouckaert and Nicholas Harvey were extended for two years until 2017.

***This report is available in English and French.***

***Only the English version is authentic.***

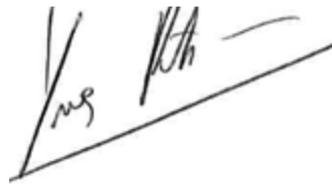
## DECLARATION ON THE CONFORMITY OF THE 2015 CONSOLIDATED ACCOUNTS

We, Yves Stein, Group Chief Executive Officer, and Yves Pitsaer, Group Chief Risk Officer, confirm, to the best of our knowledge, that the consolidated accounts, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the consolidated assets, liabilities, financial position and consolidated profit or loss of KBL *epb* group, and that the consolidated management report includes a fair review of the development and performance of the business and the position of KBL *epb* group together with a description of the principal risks and uncertainties that the Group faces.

Luxembourg, March 23, 2016



**YVES STEIN**  
Group Chief Executive Officer



**YVES PITSAER**  
Group Chief Risk Officer

# UNQUALIFIED CERTIFICATION OF THE INDEPENDENT AUDITOR

## TO THE BOARD OF DIRECTORS OF KBL EUROPEAN PRIVATE BANKERS S.A.

Société Anonyme, Luxembourg

### REPORT ON THE CONSOLIDATED ACCOUNTS

Following our appointment by the Board of Directors, we have audited the accompanying annual accounts of KBL European Private Bankers S.A., which comprise the balance sheet as at 31 December 2015, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### **Board of Directors' responsibility for the annual accounts**

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation and presentation of annual accounts that are free from material misstatement, whether due to fraud or error.

#### **Responsibility of the "réviseur d'entreprises agréé"**

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgement of the "réviseur d'entreprises agréé", including the assessment of the risks of mate-

rial misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the "réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

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

#### **Opinion**

In our opinion, the annual accounts give a true and fair view of the financial position of KBL European Private Bankers S.A. as of 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The management report, including the corporate governance statement, which is the responsibility of the Board of Directors, is consistent with the annual accounts and includes the information required by the law with respect to the corporate governance statement.

#### **Ernst & Young**

Société Anonyme  
Cabinet de révision agréé  
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▲ BRUSSELS



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