

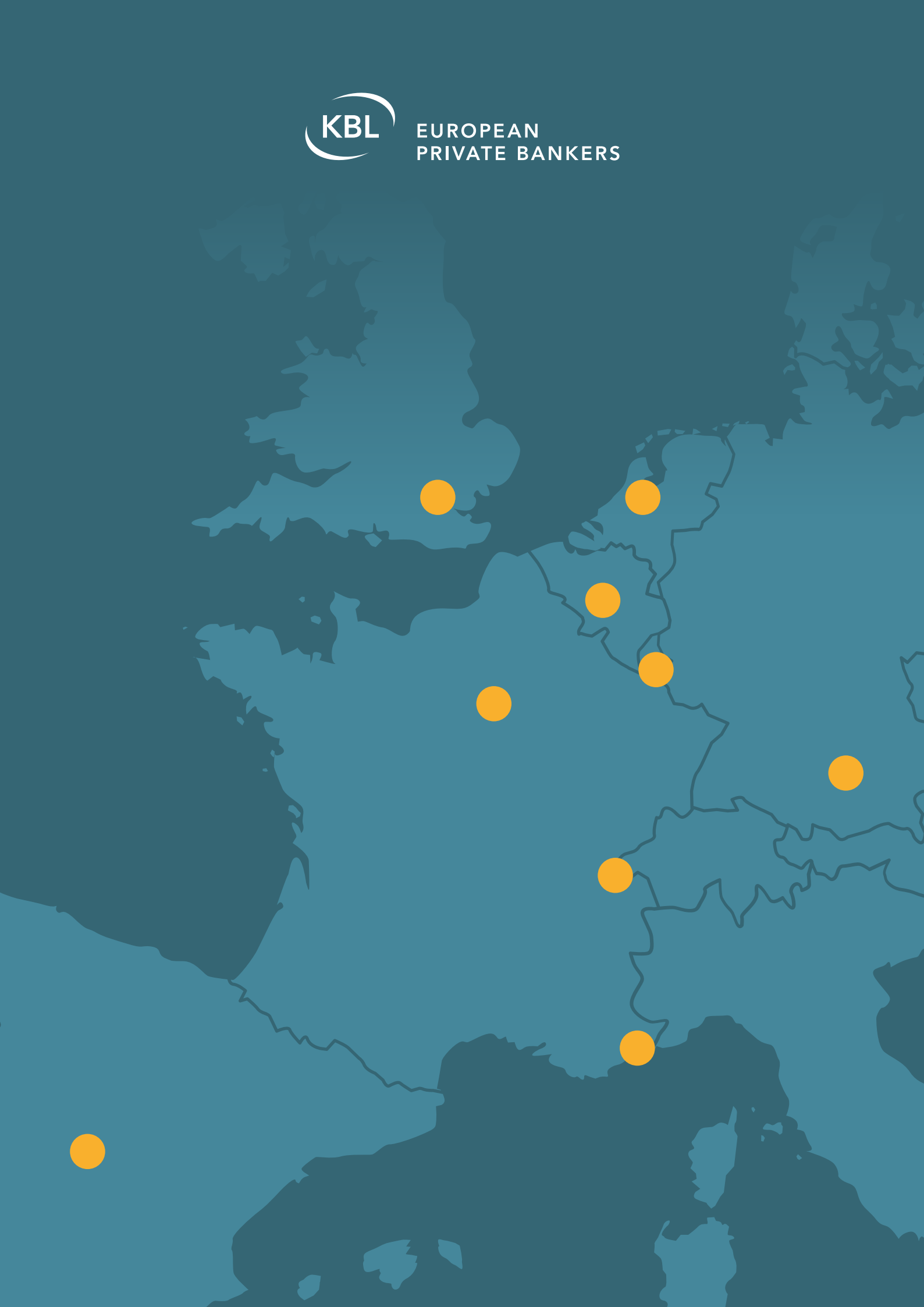


EUROPEAN
PRIVATE BANKERS

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EUROPEAN
PRIVATE BANKERS



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LETTER FROM THE GROUP CEO

Present in some 50 cities across Europe, our group draws upon a knowledge base that combines deep local insight and broader perspective



Thank you very much for your interest in KBL European Private Bankers, the leading pan-European private banking group headquartered in Luxembourg.

Present in some 50 cities across Europe, 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.

Our positive performance in 2014 – marked by sustained profitability and the ongoing implementation of the group’s well-defined growth strategy – underscores our ability to meet the evolving needs of such clients, in line with their individual, long-term ambitions.

Indeed, whatever your personal or professional goals, and no matter where you are based, KBL *epb* can provide the ideal solution to your needs – backed by a personal relationship founded upon transparency and trust.

In addition to focusing on the development of the group’s core business of private banking, which we pursue with true passion, we continue to reinforce the specialist services provided by our Asset Management, Institutional & Professional Services and Global Markets departments, while simultaneously enhancing the life insurance contracts offered through our Luxembourg-headquartered subsidiary Vitis Life.

Based on our core belief in the interdependence of our nine-country network, we invested significant effort last year in strengthening the ties that bind us as a group, including by further integrating our organizational model and introducing cross-border events focused on staff training and knowledge transfer.

Such initiatives directly benefit our highly qualified team of 2,250 professionals – more than half of whom are based outside the Grand Duchy – and, even more important, help us better serve our clients, who are themselves increasingly mobile and whose requirements are increasingly complex.

As a skills-based organization, we are committed to lifelong learning precisely because we know that there is no better way to meet the evolving needs of our most important stakeholders: our clients.

Working across departments and borders, the group achieved significant internal transformation in 2014. At the same time, we also sharpened our focus on identifying external acquisition opportunities.

In that regard, the November 2014 acquisition of UBS Belgium demonstrated the group’s ability to serve as a serious market consolidator in Europe.

Under the terms of that agreement, Puilaetco Dewaay Private Bankers, the group’s Belgian affiliate, will acquire the Belgian operations of UBS – including over €3 billion in assets, roughly 2,500 clients and some 60 staff, including 20 private bankers.

In this important area, among others, the group enjoys the full support of its shareholder, Precision Capital. The Luxembourg-based bank holding company was subject to the 2014 ECB/EBA stress test, and comfortably passed – confirming its overall soundness and strong capital position and, by extension, that of KBL *epb*.

More broadly, across the group’s footprint, we saw great progress last year. Nearly all of our affiliates are now profitable, while our greenfield operations in Spain delivered above-budget performance in 2014.

This year, KBL *epb* will continue to confidently execute its long-term growth strategy. At the same time, we will invest further in our people, processes, products and services – striving with shared purpose to become Europe’s most trusted wealth management partner.

If you would like further information about how we can put our expertise to work for you, please don’t hesitate to contact us at any of our 50 offices. We are grateful for the opportunity to build a lasting partnership with you.

Sincerely,

Yves Stein
Group CEO

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BOARD OF DIRECTORS



Ernst Wilhelm Contzen
Chairman



George Nasra
Vice Chairman



Alfred Bouckaert
Director



Alan Morgan
Director



Frank Ertel
Director
Staff Representative



Mathias Rauen
Director
Staff Representative



Nicholas Harvey
Director



Anne Reuland
Director



Anne Ruth Herkes
Director



Philippe Ryelandt
Director
Staff Representative



Christian Hoeltgen
Director
Staff Representative



Yves Stein
Director



Jan Maarten de Jong
Director



Jean-Pierre Waltzing
Director
Staff Representative



Daniel Lardo
Director
Staff Representative



Albert Wildgen
Director



Laurent Mertz
Director
Staff Representative



Andreas Wölfer
Director

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EXECUTIVE COMMITTEE



Yves Stein
Group CEO



Marc Lauwers
COO & Deputy Group CEO



Olivier de Jamblinne de Meux
CEO, Luxembourg



Carlo Friob
CEO, Private Banking



Yves Pitsaer
Chief Finance & Risk Officer

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AFFILIATE CEOs



Ruedi Baumgartner
KBL (Switzerland) Ltd



Tanja Nagel
Theodoor Gilissen



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



Nicolas Limbourg
Vitis Life

Siegfried Marissens

Secretary General

Philippe Auquier

Group Head of Asset Liabilities Management

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

Jonathan Grosvenor

Group Head of Global Markets

Gaëlle Haag

Group Head of Private Banking Strategic Planning

Olivier Hubert

Group Head of Tax

Florent Lacombe

Group Head of Procurement

Cédric Lebegge

Group Head of Project Management Office

Philippe Mairlot

Head of Accounting, Luxembourg

Éric Mansuy

Group Head of IT

Hanif Mohamed

Group Head of Legal

Nicholas Nesson

Group Head of Corporate Communications

Dominique Rossignol

Group Head of Finance, Deputy CFO

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

Quentin Vercauteren Drubbel

Head of Wealth Management, Luxembourg

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

2014 IN REVIEW

JANUARY

KBL *epb* unveils a new leadership structure for the group. Yves Stein, who for the past year has overseen the group's pan-European private banking activities in his capacity as a member of the Executive Committee, is appointed Group CEO. Marc Lauwers, who joined the group in 2013 as Chief Operating Officer, assumes additional responsibility as Deputy Group CEO, working directly alongside Stein.

The Board of Directors expresses its appreciation to outgoing Group CEO Jacques Peters.

The group announces the very positive full-year performance of its Flagship Fund, an actively managed fund that determines equity exposure based on "confirmed" trend indicators and other key criteria. As of December 31, 2013, the KBL *epb* Flagship Fund registers a 12-month return of 10.10%, significantly outperforming the average of comparable peers and enhancing its competitiveness in both absolute and relative terms.

Brown Shipley announces the appointment of Hugh Titcomb as its new Head of Private Banking. He brings over 30 years' experience in the industry to this important role.

Nicolas Limbourg is appointed CEO of Vitis Life, having previously served as Head of Legal & Compliance and member of the Management Board.

FEBRUARY

KBL *epb* is named winner in both the "Deal of the Year" and "Sukuk Deal of the Year" categories at the annual Islamic Finance News Awards, held in Dubai. The Luxembourg-headquartered private bank is also named a member of the "World Finance 100" in recognition of its excellence in the field of private banking.

Ernst Wilhelm Contzen replaces Jan Huyghebaert as Chairman of the Board of Directors. The Board expresses its appreciation to Huyghebaert for his service.

Peter Botham is appointed Head of IFA Investment at Brown Shipley, building on the bank's recent success in gaining new business from the IFA market.



MARCH

KBL *epb* announces its robust financial results for the 12-month period ending December 31, 2013, with net profit rising to €84.5 million, a major turnaround from the previous year.

In 2013, revenues reached €540.6 million, an increase of 37% compared to the previous year, highlighting the strong performance of the group's core private banking activities across its pan-European footprint.

Carlo Friob – a financial services professional with over two decades of experience in increasingly senior roles – is named CEO, Private Banking, based in Luxembourg, stepping into the role earlier held by Yves Stein. Friob commences his new role at KBL *epb* in May 2014.

The Group CEO of KBL *epb* is recognized for his outstanding professional achievements at the 2014 ALICHEC Awards. Yves Stein is named winner in the Finance & Banking category.

Amsterdam-headquartered Theodoor Gilissen opens a branch in Groningen to be closer to clients in northern Holland.

A new CRM system is introduced by Vitis Life's IT department that allows its sales team to remotely monitor their activities and better serve partners and clients.

APRIL

To show support for World Autism Awareness Day and the Luxembourg Autism Foundation, KBL *epb* staff dress in blue on April 2, 2014. The bank also illuminates its head office in blue throughout the previous evening as part of the international "Light It Up Blue" initiative.

David Greenyer, Private Client Director, Brown Shipley, is named one of *Private Asset Manager* 40 under 40 for 2014 and recognized as one of the rising stars of private client wealth management.

MAY

Theodoor Gilissen launches *Mijn (My) Gilissen*, a tablet application that provides clients seamless online access to their portfolios.

Wealth Manager magazine includes David Currier, Private Client Manager, Brown Shipley, in its Top 30 under 30 list, recognizing him for his accomplishments in the industry.

JUNE

KBL *epb* signs a memorandum of understanding with Lombard Odier to explore a partnership that would potentially support KBL *epb*'s IT activities. The process begins with an in-depth feasibility study, followed by potential pilot projects based on the conclusions of that study.

Former England and Yorkshire cricketer Michael Vaughan officially opens Brown Shipley's new Leeds offices at 10 Wellington Place.

Nicolas Limbourg, CEO of Vitis Life, is a main speaker at the IFN Forum Europe in Luxembourg, participating in a panel discussion titled: "Islamic Investments and Funds in Europe: Shifting Trends and Winning Strategies."

KBL Monaco Private Bankers holds an investment conference for clients in the recently inaugurated Yacht Club of Monaco.



JULY

In line with its commitment to supporting entrepreneurship, KBL *epb* signs a partnership agreement with Jonk Entrepreneuren Luxembourg, a non-profit organization dedicated to fostering entrepreneurship among youth in the Grand Duchy.

Merck Finck & Co unveils a new management structure: Udo Kröger assumes the role of Chief Private Banking Officer, responsible for all branches; while Joachim Gorny, Chief Financial Risk and Operational Officer, assumes responsibility for finance, risk management, back office, ICT and facility management.

To strengthen the group's position in the Grand Duchy, Banque Puilaetco Dewaay Luxembourg is sold by its parent, Puilaetco Dewaay Private Bankers, to KBL *epb*.

AUGUST

KBL *epb* announces robust half-year results – with net profits rising to €50 million – demonstrating the strength of the group's core private banking activities across its nine-country network.

Munich-headquartered Merck Finck appoints Thilo Wendenburg as Co-Chief Executive Officer. His responsibilities include overall strategy, asset management, global markets and human resources. He shares the position of Co-CEO with Michael Krume.

SEPTEMBER

Paul Scholten, previously with ABN Amro, joins Theodoor Gilissen as Chief Operating Officer; Jan Joost Maas, former Director of Legal, Compliance & Risk Management, takes on the role of Chief Finance & Risk Officer.

Roberto Felici joins Vitis Life as Head of Sales. His main objective will be to develop Vitis Life's commercial strategy, creating close partnerships with wealth management professionals while developing new markets and insurance products. Vitis Life holds conferences in Zurich and Geneva for its professional partners, focused on the latest tax reforms in France, Italy, Spain and Mexico.

KBL Monaco Private Bankers launches a new Côte d'Azur Private Banking desk.

KBL Richelieu attends the Patrimonia conference in Lyon, welcoming over 1,000 independent wealth advisors to its stand.



OCTOBER

Precision Capital, the group's shareholder, comfortably passes the 2014 ECB/EBA stress test, confirming its overall soundness and strong capital position.

KBL *epb* is named "Best Private Bank in Luxembourg" at the Wealth & Money Management Awards 2014, also receiving the "Commitment Award for European Banking" in recognition of its sustained focus on excellence in the financial services sector.

Roger Clark, formerly Head of Wealth Solutions at C Hoare & Co, is appointed Head of Wealth Management at Brown Shipley.

Vitis Life expands its offering, launching a contract dedicated to UK-non domiciled individuals with their tax residence in the United Kingdom.

Focus-Money magazine and n-tv recognize Merck Finck & Co for the second consecutive year for outstanding asset management.

KBL Richelieu hosts private clients at the Musée du Luxembourg for a private tour of the Paul Durant-Ruel exhibition, *Le pari de l'impressionnisme*.

Anne Ruth Herkes, former State Secretary at the German Federal Ministry for Economic Affairs and Energy, is appointed to the Board of Directors of KBL *epb*.

NOVEMBER

Puilaetco Dewaay Private Bankers announces the acquisition of UBS's Belgian operations, bringing roughly €3 billion in assets, 2,500 clients and 60 staff to the group, and positioning Puilaetco Dewaay as a top three pure-play private bank in Belgium.

Theodoor Gilissen is voted "Best Asset Manager" for the second year in a row at the annual *Gouden Stier* (Golden Bull) Awards.

Twenty-five Brown Shipley employees commit to raising a minimum of £37,500 for charity through the Brown Shipley London to Paris bike ride, with the bank pledging a further £10,000.

Brown Shipley launches IPC roadshows entitled, "The Only Constant is Change," which receive overwhelmingly positive feedback.

Brown Shipley fund managers Simon Nicholas and Alex Brandreth are included in the *Wealth Manager* Top 100 for 2014.

Vitis Life participates in ACA Insurance Day as a sponsor, and Nicolas Limbourg is a panelist.

For the seventh year in a row, Merck Finck receives a summa cum laude rating from *Elite Report*, in cooperation with the business newspaper *Handelsblatt*.

DECEMBER

Stefan Van Geyt, Group CIO, KBL *epb*, presents the group's 2015 global investment outlook, including annual projections for the world economy, financial markets and key asset classes.

The FP Brown Shipley Income Fund achieves a total return of 33.27% over the three years to November 30, 2014, becoming a top quartile performer in the Mixed Investment 20-60% shares sector.

KBL *epb* signs a term sheet agreement with Banque Internationale à Luxembourg (BIL) regarding the private banking operations of both groups in Switzerland and Belgium.

Under the terms of that agreement, BIL (Suisse) SA will acquire KBL (Switzerland) Ltd, a wholly owned affiliate of KBL *epb*, as part of the BIL Group's strategic focus on major international private banking centers.

In addition, Puilaetco Dewaay, the Belgian affiliate of KBL *epb*, will acquire the business of BIL Belgique, BIL's recently launched private banking operations in that country. (As of the date of publication, these transactions remained subject to regulatory approvals.)

The annual Grand Prix KBL Richelieu de l'Entrepreneur de Valeurs are presented to entrepreneurs specializing in socially minded ventures.

KEY CONSOLIDATED FIGURES

(Consolidated figures as of December 31)	2011	2012 ⁽¹⁾	2013	2014
RESULTS (in EUR million)				
Net banking income	549.3	393.5	540.6	539.0
Operating expenses	-438.8	-561.3	-425.9	-438.6
Impairments	-99.4	-76.0	-3.6	-0.4
Share in results of associated companies	0.6	0.0	0.1	-0.1
Pre-tax profit	11.8	-243.8	111.2	100.0
Income taxes	8.3	-6.1	-26.7	-32.7
Net consolidated profit, group share	20.1	-249.9	84.5	66.9
FINANCIAL RATIOS (in %)				
*Core tier one ratio	16.3	12.6	13.5	13.7
*Tier one ratio	16.3	12.6	13.5	13.7
*Solvency ratio	22.3	18.7	18.2	14.7
Regulatory capital/balance sheet total	7.0	6.0	5.6	4.9
Loan-to-deposit ratio	19.0	21.5	23.8	30.0
ROAE	2.0	-26.4	9.1	7.0
ROAA	0.1	-1.8	0.7	0.5
Cost/income ratio	79.9	142.6	78.8	81.4

⁽¹⁾ Restated according to the amendment to IAS 19.

* Basel III regulation is applicable for 2014. Basel II was applicable from 2008 to 2013 included.

The Pillar III disclosure report will be published in the first half of 2015 at www.kbl.lu.

(Consolidated figures as of December 31)	2011	2012 ⁽¹⁾	2013	2014
BALANCE SHEET TOTAL (in EUR billion)	14.8	12.9	12.5	12.4
ASSETS				
Loans and advances to credit institutions	4.9	2.2	2.1	1.6
Loans and advances to non-credit institutions	1.7	1.9	2.3	2.4
Equity and debt instruments	4.1	4.4	4.1	4.6
LIABILITIES				
Deposits from credit institutions	2.5	1.2	1.0	1.0
Deposits from non-credit institutions	8.2	7.4	7.5	7.5
of which, subordinated debt	0.3	0.3	0.2	0.2
Total equity	1.0	0.9	1.0	0.9
AUMs (in EUR billion)				
Assets under management (private banking)	39.9	41.1	42.3	44.9
Volume impact	-3.9%	-4.8%	-2.0%	+0.6%
Price impact	-6.0%	+7.6%	+5.3%	+5.4%
AUCs (in EUR billion)				
Assets under custody (funds & institutional)	39.9	38.6	41.3	43.8
⁽¹⁾ Restated according to the amendment to IAS 19.				

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GENERAL COMMENTS ON THE RESULTS

Net consolidated profit, group share, as of December 31, 2014, was EUR 66.9 million compared to EUR 84.5 million as of December 31, 2013.

Operating profit remained stable between 2013 and 2014, reaching EUR 539 million. Operating expenses, however, rose 3% to EUR 439 million. A significant part of this evolution comes from the increased depreciation of Group IT development.

In 2014, marked in particular by the Ukrainian crisis and its impact on stock markets, the group showed itself to be very proactive in the management of its portfolio and sold a portion of its positions, including those exposed to Europe, posting positive results of more than EUR 63.7 million.

Interest margins (+9%) and commissions (-4%) developed differently over the year: Interest margins benefited from the controlled development of loan activity, while commissions suffered, specifically stock market commissions.

The group balance sheet total was EUR 12,446 million as of December 31, 2014, and remains stable compared to the previous year (EUR 12,469 million). The solvency ratio and the tier one equity ratio under Basel III stood at 14.7% and 13.7%, respectively, and remain above the regulatory thresholds imposed by the European Central Bank.

Precision Capital, the Luxembourg-based bank holding company – which owns 89.9% of Banque Internationale à Luxembourg and 99.9% of KBL *epb* – easily passed the ECB/EBA 2014 stress tests and the ECB's Asset Quality Review. The results of the Comprehensive Assessment confirm the global solidity of Precision Capital and its two banks in Luxembourg.

For detailed figures please see Consolidated Accounts.

TRANSFORMATION & INTEGRATION

Throughout 2014, significant effort was dedicated to the design and implementation of a new integrated organizational model that will significantly enhance the way we serve our clients, both in Luxembourg and across the group.

This model includes a strengthened front-office function supported by Group Competence Centers and an Institutional & Professional Services department.

A range of individuals and departments worked intensively to define our new structural and staffing requirements.

As a private banking group based in nearly 50 cities across Europe, we are greater than the sum of our individual parts; we now have an integrated organizational model that reflects this core belief.

GROUP COMPETENCE CENTERS

KBL *epb* launched a range of new Group Competence Centers that support front-office functions across our network: Global Markets, a group business unit focused on excellence in market access and execution; Lending, which will become a key activity at each affiliate; Asset Management, which is rapidly becoming a truly multi-local service; and Insurance.

The newest addition to this list is the Wealth Planning & Structuring team, whose mission it is to provide compliant solutions at a group level that meet the private and corporate needs of our HNWI and UHNWI clients. Additional group-wide structures include Group Business Development and Group Strategic Planning & Marketing.

This organizational enhancement facilitates greater collaboration and knowledge sharing, positioning us for sustained, long-term growth.

MISSION, VISION & VALUES

As we reach the two-year anniversary of the launch of our group-wide Transformation Programme, we recognize the need for a new mission, vision and set of values, developed collectively, that reflect the level of positive change we have achieved.

We began addressing this need by conducting employee focus groups in all of our markets, whose feedback and insights resulted in a draft mission, vision and set of values that can be truly shared across our network. These drafts are currently in the process of being validated, and will be finalized and implemented in 2015.

Once we have the final versions of these statements, we will embark on a sustained, group-wide programme to communicate – both internally and externally – these shared beliefs, including by bringing to life many of the initiatives proposed by focus group participants.

TRAINING & DEVELOPMENT

In 2014, we continued to accelerate our investments in the enhancement of our product and service offering, while also focusing on semi-organic growth through the recruitment of specialist staff. Attracting such talented women and men to the group will further reinforce our already strong local teams.

Staff training and skills development, however, remains our overriding priority in this regard.

Initiatives that bring employees together from across the group – allowing them to strategize and collaborate face-to-face – were implemented on a regular basis in 2014. We will harness that momentum to continue expanding on this practice in the future.

It is our experience that simple conversations, among

cross-border colleagues, produce tangible results – demonstrating how working together as a group creates real value for our clients, staff and other stakeholders.

One example is a biannual offsite meeting that brings together all of our private bankers from across Europe for two days. This initiative will soon incorporate KBL *epb* Group University – a long-term, group-wide programme aimed at supporting employee development through a combination of classroom instruction, one-to-one mentoring and e-learning courses.

The next step will be to expand this resource so that it provides professional development opportunities for a range of other functions and departments across the organization.

OPTIMISM RISING

KBL *epb* made tremendous strides last year towards achieving its overarching ambition: to become the leading European private banking group headquartered in Luxembourg.

The group's positive performance indicates that we are firmly on a growth track.

To sustain this positive momentum, we continue to embrace change, recognizing the need to further optimize client service.

The implementation of a new integrated organizational model and multiple Group Competence Centers reflects our willingness to embrace change to ensure a positive future for our clients and our staff.

Last year, we expanded our Belgian footprint with the acquisition of UBS Belgium by our affiliate, Puilaetco Dewaay Private Bankers. Through this acquisition, Puilaetco Dewaay Private Bankers has established its position as a top three pure-play private bank in Belgium.

With the full support of our shareholder – Precision Capital, a Luxembourg-based bank holding company – KBL *epb* will continue to seek opportunities to consolidate its presence across Europe, including through further acquisitions.

As a group, we welcome 2015 with optimism and ambition, focusing on building upon last year's successes, implementing further positive changes and continuing to grow.

SOCIAL COMMITMENT

KBL *epb* continues to reinforce its corporate social responsibility commitments and is making a difference in the local communities in which we operate.

We currently support a range of causes throughout Europe – from autism awareness, to cancer research, to patient support.

In Luxembourg, one of our main focus areas is entrepreneurship. In 2014, we signed a partnership agreement with Jonk Entrepreneuren Luxembourg, a non-profit organization dedicated to fostering entrepreneurship among youth in the Grand Duchy. In addition to providing funding for Jonk Entrepreneuren, KBL *epb* has encouraged its employees to volunteer: numerous staff members have participated in training programmes and facilitated educational initiatives in local schools.

In the Netherlands and Belgium, we continue to support sustainable investing; in Luxembourg, meanwhile, we are raising awareness of autism and providing much-needed resources. Finally, through Relay for Life, the Brown Shipley Gulls' Eggs Luncheon and the

Kribskrank Kanner Foundation, KBL *epb* is supporting cancer research and patient care throughout Europe.

GROUP EMPLOYEES

As of December 31, 2014, the KBL *epb* network included 2,224 individual staff, in line with 2,225 at the end of 2013. Of the group's 2,224 employees, some 58% work in subsidiaries outside Luxembourg.



OUR CORE PROFESSION: PRIVATE BANKING

At KBL *epb*, which operates from 50 cities across Europe, private banking is our core business – and our passion.

The well-being of our clients – from one generation to the next – is at the heart of everything we do, and informs each decision that we make, as we aspire to serve as trusted partners in an ever-changing world.

Already firmly established as European leaders, throughout 2014 we focused on supporting the professional development of our more than 400 private bankers. We also invested in the recruitment of highly skilled and motivated relationship managers to ensure the highest level of personalized service.

Notably, the acquisition of the Belgian operations of UBS significantly expanded our private banking activities in that important market.

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

Throughout the KBL *epb* network, our wealth management services are distinguished by their variety and quality, and also by an overall partnership approach. That approach is informed by long-term perspective, and is founded upon our belief in the importance of holistic portfolio management.

Our ongoing focus is to safeguard and grow the wealth of each individual client. Whether by investing in equities, derivatives, fixed-income or structured products, or KBL *epb* or third-party funds, we take into account the risk-return potential and tax implications of each investment, tailoring them to each client's specific objectives.

CLIENT-CENTRIC APPROACH

In 2014, we enhanced our client approach to even more accurately reflect every stage of our clients' lives and all of their corresponding financial needs.

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

Our goal is not only to overcome these challenges. Rather, we aim to leverage our pan-European expertise to transform them into opportunities.

Our approach does *not* consist of offering the same products and strategies to everyone. Whether we are managing today's wealth or structuring tomorrow's inheritance, our clients benefit from an approach that is open, independent and individually tailored to their specific needs.

At KBL *epb*, every step we take is done so with our clients in mind. In this way, we continue caring for generations and, consequently, developing a growing base of long-term partnerships.

GROUP-WIDE EXPERTISE

Throughout 2014, we focused on developing group-wide solutions for an increasingly international client base, supporting their mobility and cross-border needs, while maintaining appropriate levels of confidentiality and data security. In that regard, we invested in strengthening our IT capacity to support that specific goal as well as the overall client experience.

In Belgium, for example, we introduced MyPLDW, a new tablet application for iOS and Android, supported by a

new secure website, that provides clients easy access to their investment portfolios and electronic documents, in addition to investment research and marketing content. Moving forward, that initiative will be cascaded across the group.

Meanwhile, our new Group Competence Centers, which include Global Markets, Lending and Asset Management, were established to help us further leverage our group-wide expertise and knowledge. The Wealth Planning & Structuring team, for example, is focused on providing pan-European solutions that meet the private and corporate needs of HNWI clients.

In 2014, our Asset Management team introduced the "Richelieu" brand for future group investment funds – managed by an internal team of multi-local investment specialists – reflecting that commitment to putting our shared expertise at the service of our clients.

LIFELONG LEARNING

For the same reason, private bankers from across the group gathered multiple times in 2014, sharing local experiences and identifying shared solutions. At such events, our people demonstrated their determination to work together even more closely, and we have put in place the organizational structures to make that happen – including enhanced training for our private bankers.

Such skills development is now taking place under the auspices of KBL *epb* Group University, an umbrella organization encompassing existing and upcoming professional training and development initiatives in Luxembourg and across our network.

This includes a special programme for all of our private bankers – with biweekly learning opportunities tailored to the individual need of each relationship manager.

Why do we make such a significant investment in the long-term development of our staff? Because we recognize that private banking is a business where people make all the difference – and because we know that our success is founded upon strong individual relationships, between each client and their private banker, today and for generations to come.



GLOBAL INVESTOR SERVICES

Next to private banking, KBL *epb*'s second core business is institutional and professional services, with a focus on investment funds, reflecting the sector's particular importance in the Luxembourg financial center.

We employ some 40 experts dedicated to providing tailor-made solutions in the field of depository banking, fund administration, and global market instruments and services to worldwide institutional and professional investors. Our teams are supported by state-of-the-art technology, such as an integrated operational platform, as well as the financial communication and information systems eKBL, AMP, Bloomberg and Reuters.

Relatively weak economic growth, especially in Europe, did not stop securities markets from performing well in 2014. On the money market side, deflationary trends led to near-zero interest rates. In a volatile and difficult environment, total client assets served by Global Investor Services nevertheless continued to grow, partly due to market performance, but also due to the stability of net inflows of client money, as well as the establishment of new business relationships and the expansion of existing ones.

As has been the case for roughly the past four years, assets of non-domiciled and foreign investment funds continued to experience strong growth in 2014 at impressive rates of 36% and 31%, respectively.

Market transaction volumes – whether in the fields of equity, bonds, foreign exchange or third-party fund intermediation – also contributed positively to a very satisfactory financial result overall for the GIS business line, surpassing budget estimates for the year.

In the years to come, KBL *epb* and its professional services teams will strive for continued excellence in service and customer satisfaction. We will actively build on new and existing relationships by leveraging the increased cross-selling opportunities offered by our Group Competence Centers and the pan-European presence of our affiliated entities. Through these efforts, our professional services will be further strengthened alongside our traditional private banking activities.

We employ some 40 experts dedicated to providing tailor-made solutions in the field of depository banking, fund administration, and global market instruments and services to worldwide institutional and professional investors



GLOBAL MARKETS

2014 proved to be another unpredictable year in financial markets, but in the end still delivered significant returns to investors stoic enough to endure frequent bouts of volatility. The universal view at the turn of the year was for the US Federal Reserve to commence raising rates in the first half, but in retrospect, this proved to be premature, as the only significant policy action completed during 2014 was the exit from the QE monetary expansion programme in October.

Correspondingly, 2014 was a good year for fixed-income investors, with 10-year US yields dropping a full 100 basis points to 2%, while the 10-year Bund fell from nearly 2% to close the year at 0.50% pa. Perhaps the real story was in the European periphery again, as the convergence trade on Spain, Italy and Portugal produced the best returns. Markets certainly put the euro crisis of 2012 – when 10-year Spanish yields peaked at 7.6% p.a. – firmly behind them.

From Global Markets, we completed nearly 50,000 fixed-income transactions over the year on behalf of private and institutional clients, while also solidifying our position as a buy-side client with keenly monitored market pricing on more than €9 billion of executions and a 20% improvement in the allocation of new issues.

Monetary stimulus in the form of negative interest rates within the eurozone and Switzerland arrived in June and December, respectively, but provided an inadequate floor until the accompanying threat of eurozone quantitative easing was factored into the market in Q4 2014.

Given the low interest rate environment and relatively high equity markets, Global Markets was well positioned to deliver a record year in terms of structured products, with almost €1 billion of issuance from a broad selection of market counterparties, responding to the specific needs of private clients in Luxembourg and throughout our network.

This represented our highest volume since 2007 and covered a diverse universe of equity, index, commodity and currency underlyings. While we operate this business under an open-architecture

principle, we diligently vet all counterparties for risk, structuring ability and pricing in order to achieve best execution for our clients.

Perhaps the biggest shift of the year came in the currency markets with the emergence of a strong USD trend, backed by the end of QE and the expectation of rising interest rates. While the latter has yet to deliver, the USD rallied from 1.39 against the euro in January to 1.20 at year-end. This secular shift is certainly not complete, and dollar strength will continue to be a dominant trend in the new year.

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 €24.4 billion in 2014.

Our funds execution business remains a key inflection point with our private and institutional clients, and in 2014 we handled more than 221,000 trades for a volume of €23.7 billion across a universe of 10,000 funds managed by 500 different transfer agents. 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.

Also during the year, and as a consequence of careful analysis and planning with internal and external project teams, we decided to fully integrate our Treasury, Trading, Sales and Execution platforms in Luxembourg and the group into a single business unit and platform.

Renamed “Global Markets,” this business is established as a key Group Competence Center, and 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.

CENTRAL UCI ADMINISTRATION

LUXEMBOURG, EUROPE'S LEADER

Last year, once again, the Luxembourg investment fund sector experienced sustained growth. By the end of December 2014, net assets in the Luxembourg financial center had risen 18.34% annually, reaching a new all-time high, for the third year running, of €3.1 trillion compared to €2.6 trillion at the end of 2013 and €2.4 trillion at the end of 2012. The rise of net assets in the financial center by €480 billion in 2014 comprised 52% net subscriptions (representing €249 billion) and a 48% positive financial market effect (representing €231 billion).

The number of UCI structures remained almost unchanged in 2014. The same applied to the number of sub-funds, which showed a very slight net rise with 164 units (+1.1%). As seen in previous years, Specialized Investment Funds (SIF) and UCITS attracted fund initiators to Luxembourg, while the number of UCI structures under part II of the 2010 Law is in constant decline – down 101 units (-19%).

Luxembourg strengthened its first-place position in Europe and, with its 3,905 structures and 13,849 sub-funds, is the second global market for investment funds after the United States.

The top three countries of origin of fund promoters remain unchanged compared to the previous year (market share in percentage of total net assets): US (22.4%), followed by the UK (16.3%) and Germany (14.8%); Switzerland is still just behind the top three (13.9%).

Through various initiatives – such as the Association of the Luxembourg Fund Industry (ALFI) and Luxembourg for Finance (LFF) – the financial center is more than ever promoting itself in Asia, the Middle East and Latin America, territories that are becoming incrementally more important distribution markets for Luxembourg funds and also of growing interest for players from these regions for launching their own Luxembourg-domiciled investment funds.

Boosted by the implementation of the Alternative Investment Fund Managers Directive (AIFMD), 2014 was another good year for alternative funds in the form of SIF (1,590 units at the end of December 2014) and venture capital investment companies (*Sociétés d'Investissement en Capital à Risque*) or SICAR (290 units at the end of 2014). The majority of them are funds that follow an alternative investment strategy in the broad sense: property, non-listed companies, hedge funds, micro-finance, new energy, socially responsible investments, etc.

The professional European passport for alternative managers and their alternative investment funds introduced by the AIFMD has already had a positive effect on UCI business in Luxembourg. Alternative funds “à la luxembourgeoise” should consequently still have a positive future ahead.

On the regulatory side, 2014 was also marked by discussions on the next version of the UCITS Directive (UCITS V), which has been in effect since September 17, 2014, (member states have 18 months to implement it) and deals with subjects such as the responsibility of custodian banks and the remuneration of managers.



EVOLUTION OF ASSETS ADMINISTERED BY KTL

In 2014, the net assets of the 83 UCI structures, which total 557 administered sub-funds, reached €30 billion of net assets – up €0.3 billion from 2013.

Once again, a considerable number of new business relationships with promoters from the four corners of the globe started in 2014. In addition, Kredietrust Luxembourg (KTL) – a specialist subsidiary of KBL *epb* that serves as the central UCI administration entity – was able to strengthen its business relationships with more than 65 existing client promoters.

In the summer of 2014, KTL obtained its AIFM licence – in addition to its existing UCITS IV Management Company licence – granting it Super ManCo status and new opportunities for development in the coming years.

EUROPEAN FUND ADMINISTRATION

Since 1998, KTL has subcontracted its fund accounting and register and transfer functions to a specialist company called European Fund Administration (EFA), of which KBL *epb* is the principal shareholder. At the end of 2014, EFA was managing over 2,400 sub-funds containing total net assets worth €109.5 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 €11 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.



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PUILAETCO DEWAAY PRIVATE BANKERS

2014 was another landmark year for Brussels-headquartered Puilaetco Dewaay Private Bankers, which operates eight offices across Belgium.

In our ongoing effort to improve our commercial organization, we opened an office in Meise in early 2014; implemented a new wealth management approach; launched a French desk; and continued to attract highly skilled private bankers and portfolio managers.

Our renewed commercial vigor, as well as a strong presence in the financial media as an expert on private banking, led to another year with a significant number of client acquisitions, exceeding forecasts.

November 2014 will be remembered as the month we announced that Puilaetco Dewaay would take over the operations of UBS Belgium – a major event for both Puilaetco Dewaay and KBL *epb* that will move us forward on our growth path.

The acquisition – which encompasses the transfer of the staff, client relationships and client assets of UBS Belgium, a branch of UBS (Luxembourg) – adds substantial scale to Puilaetco Dewaay, strengthening its domestic franchise and positioning us as a top three pure-play private bank in Belgium.

At a time when the world is largely run by technology, we have met evolving client needs; for example, with the launch of a private banking tablet application, MyPLDW, and a secured site that provides clients with remote easy access to their portfolios and documents. This communication platform will serve as an additional channel through which we can deliver our private banking services.

2014 was an exceptional year for all of us at Puilaetco Dewaay, and we are proud of our double-digit growth.



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1160 Brussels
Belgium
www.pldw.be



THEODOOR GILISSEN

For Theodoor Gilissen, 2014 was, above all, characterized by growth, including an increase in assets under management and total asset base due to a substantial number of new clients. In that regard, our efforts paid off, and the year proved even more profitable than 2013.

Last year, our private banking unit opened a new branch in Groningen. By the end of 2014, this branch had welcomed a significant number of clients.

For the second year in a row, Theodoor Gilissen won the Golden Bull award for "Best Asset Manager." A jury of independent experts reached its decision after considering criteria that included transparency, total cost of ownership, historical returns, explanation of risks, portfolio structure and client focus.

We consider the award not only a compliment to our private banking services but also a contributing factor – in addition to our ongoing media campaigns – to a further increase in client inflows.

In 2014, we continued to add greater value by reshaping our private banking service offering and pricing model, in close collaboration with our clients. This new asset-based fee pricing contributed to the stabilization of our balance sheet.

We also enhanced our online service offering by upgrading our client portal and introducing an application, *Mijn (My) Gilissen*.

We take pride in the strong reputation we have built throughout the Netherlands, and carefully monitor the satisfaction of our clients, which remained high in 2014, especially with regards to personal service.

Our new strategic roadmap for 2015 focuses on delivering clear added value through professional proximity. This strategy builds on our role as trusted partner for all of our stakeholders. A seamless customer experience is one of the key cornerstones of this strategy.

Our investment team worked closely with colleagues across the KBL epb group to deliver strong returns on discretionary portfolios. The number of discretionary private banking clients continues to grow. Moreover, the Institutional desk leveraged its experience in the field of sustainable index investing; secured several new institutional mandates; and realized growth in assets under management.

As always, we maintained our commitment to best practice corporate governance, as well as soundly managed operations, ensuring that the needs of all our stakeholders are the basis for everything we do.



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www.gilissen.nl



BROWN SHIPLEY

Our greatest investment in 2014 was in people, welcoming many new recruits across the business and making two senior appointments: Roger Clark, Head of Wealth Management, and Jon Sherlock, Head of Manchester Office.

For our Investment Policy Committee, we invested heavily in the recruitment and retention of highly skilled individuals who are expert in their field. With equal emphasis on experience and technical knowledge, we are committed to forging the first Investment Research Team in the UK where all members hold Level VII status within the National Qualifications Framework – a status that a number of members of the team already hold.

2014 saw a concerted effort to raise the profile of Brown Shipley via a PR campaign, which resulted in significant exposure in both the financial press and financial news television programmes.

We continue to invest in our office space; our London office has undergone a complete refurbishment, and our Leeds office relocated to new premises.

Recognizing the needs of both clients and financial advisors, we made great advances in our investment processes in 2014. Our managed funds service, which recently received a four-star rating from independent financial research and software company Defaqto, is now available via two investment platforms.

We launched a major CRM project that will enable us to better identify the needs of our clients and deliver enhanced communication and services to them. We recognize the growing importance of digital communication and have sought to improve our online service with initiatives such as a dedicated mobile application for clients.

Our focus on growth – both organically and via the recruitment of talented people, from graduates to senior staff – will continue in 2015.

BROWN SHIPLEY
Private Banking

Founders Court, Lothbury
London EC2R 7HE
United Kingdom
www.brownshipley.com

MERCK FINCK & CO

Munich-headquartered Merck Finck & Co offers a wide spectrum of solutions for our HNWI clients. With 16 offices and 340 employees across Germany, we have built strong relationships founded upon mutual trust and 140 years of experience.

Key milestones last year at Merck Finck & Co included the appointment of Thilo Wendenburg as Co-Chief Executive Officer, sharing this role with Michael Krume. 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 our 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.

The outstanding quality of our advisory services was again recognized in 2014 with awards from leading media such as *Handelsblatt Elite Report* and *Focus-Money*.



MERCK FINCK & CO
PRIVATBANKIERS

Pacellistrasse 16
D-80333 Munich
Germany
www.merckfinck.de

KBL RICHELIEU

KBL Richelieu is a French private bank on a human scale that is strengthened by belonging to the pan-European KBL *epb* group.

Our bank continues to develop to best serve private clients, offering a carefully designed approach based on three pillars:

- A legal and fiscal view of client wealth organization
- Diversification of investments: wealth can grow on a more permanent basis through diversification (real estate, private equity, financial markets, etc.)
- Specific management for each investment segment

For both professional and personal reasons, French clients are becoming increasingly mobile. This is why being a member of the KBL *epb* group is a real advantage and allows us to provide our clients with truly pan-European service.

For the second year running, our team won the silver trophy from the magazine *Gestion de Fortune* for the quality of our products, the skill of our commercial team and the level of our service.

a favored partner for independent wealth managers. Specialized in portfolio management, our offering has been extended to life insurance policies. We have signed partnership deals with two prestigious French insurance companies to manage their policies.

KBL Richelieu also serves French and European institutional clients, offering them our group funds and providing dedicated management. This business sector is served by our management company, which is well-known for its success in European equities.

Our management company is taking part in an ambitious group-wide project aiming to unite the strength and expertise of all European affiliates to provide clients with even higher quality products.

The fifth 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: Bertin Nahum, Medtech, a specialist in robotics for non-intrusive brain surgery and operations on the spinal column; and Mohed Altrad, Altrad Group, European leader in the construction sector. The event was presided over by Didier Van Cauwelaert, winner of the Prix Goncourt in 1994.

KBL RICHELIEU

22, boulevard Malesherbes
F-75008 Paris
France
www.kblrichelieu.com



KBL MONACO PRIVATE BANKERS

2014 was a year of transition for KBL Monaco Private Bankers, which provides tailor-made financial solutions based on lasting relationships.

The bank devoted significant energy to modernizing its products and services in order to improve both its risk control and commercial ability to react to client requirements.

We also developed our loan business, including for real estate operations for second homes of our international clients. Our team of private bankers is now directly supported by a credit officer.

In parallel to our core business focused on serving clients in the Principality and abroad, the bank began to enlarge its offering to residents on the Côte d'Azur as a "local private bank."

Our global and personalized approach to serving private clients is characterized by our desire to master risks totally while maximizing opportunity.

The international context of tax transparency and the exchange of information has had a strong impact on the Monegasque financial center. KBL *mpb* was dedicated throughout the year to smoothly carrying out the onshorization process. For example, certain clients, particularly Italians, were provided with additional support and resources to help with the transition.

By strengthening our ties with our parent, KBL *epb*, we were able to successfully navigate a changing regulatory environment.

As part of KBL European Private Bankers, a pan-European group, we have access to world-class products and services. Our group operates on the core principle of interdependence, allowing clients in all of its markets to directly benefit from a network of over 2,200 professionals.



8, avenue de Grande-Bretagne
MC-98005 Monaco
www.kblmonaco.com



BANQUE PUILAETCO DEWAAY LUXEMBOURG

2014 was marked by a strengthening of relations between Banque Puilaetco Dewaay Luxembourg and the KBL *epb* group, while maintaining Banque Puilaetco Dewaay Luxembourg's personalized and decentralized private management model.

In that regard, on July 31, 2014, Banque Puilaetco Dewaay Luxembourg was sold by its parent, Belgium-based Puilaetco Dewaay Private Bankers, to KBL *epb*.

Importantly, in preparation for the automatic exchange of tax information within the European Union in 2016 (on the basis of 2015 income), and the exchange on the OECD model in 2017, Banque Puilaetco Dewaay Luxembourg developed an automatic tax reporting model for its Belgian and Luxembourgish clients.

More than ever in this period of change, close relationships and personalized service remain at the heart of our business. Our clients' loyalty is our reward and provides us confidence for the future.



2, boulevard Emmanuel Servais
L-2535 Luxembourg
www.puilaetco.lu

VITIS LIFE

2014 was a very positive year for Vitis Life, which has pursued its strategy of internationalization and multi-distribution as a provider of à la carte insurance solutions for (U)HNWI clients. Under the management of Nicolas Limbourg, CEO, we largely exceeded our financial objectives and at the same time strengthened our position in our different markets.

Thanks to commercial projects carried out by the Sales team, numerous client and partner events, and an increased media presence, we have consolidated our position in all of the markets in which we operate.

This consolidation has materialized in part due to the acquisition of new partnerships across Europe and solid diversification by markets on premiums collected from (U)HNWI clients. To that end, we were pleased to open for subscription the first insurance contracts for the Spanish market.

As an innovative life insurance company, we have expanded our offering; for example, in October 2014, we launched a contract dedicated to UK non-domiciled individuals with their tax residence in the United Kingdom.

Vitis Life has reinforced its links to KBL *epb* by increasing the number of cross-selling initiatives with other group affiliates.

Operationally, we continued to grow by improving the services we offer partners and clients. After conducting a global review of our back-office processes, we decided to make a major change to our organization in order to further improve the quality of service offered. The Policy department responsible for contract management became Client Services, made up of two entities: the Middle Office and Back Office.

Many initiatives were carried out across Vitis Life to help us better manage risk, optimize processes and prepare for Solvency II requirements.

In order to support our strategy and continue to strive for excellence, a range of life insurance specialists joined Vitis Life in 2014 to further strengthen our team.



VITISLIFE
inspired wealth insurance

2, boulevard Emmanuel Servais
L-2535 Luxembourg
www.vitislife.com

KBL ESPAÑA

Established in 2011, KBL España is headquartered in Madrid with offices in Murcia, Las Palmas, León and, soon, Valencia.

We offer clients the flexibility of having a private bank that is managed from Spain with the ability to domicile assets in the KBL *epb* market of their choice.

During 2014, in only our third full year of operations and despite an increasingly competitive environment as the market started to normalize following the financial crisis, we achieved significant expansion in terms of new clients, assets under management and total revenue.

Having started as a greenfield operation in the very large Spanish market, we firmly believe 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 & Luxembourg SIF
- Collective SICAV
- Unit-linked insurance
- Structured deposits
- Short, medium & long-term financing as an integral part of the private banking service required by HNWI & 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 aim to provide customized asset management services. Our objective is to analyze each client's complete profile in order to offer a wealth management solution that takes into account more than 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 clients with deep insight into the Spanish market combined with broader international perspective.



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KBL (SWITZERLAND) LTD

In Switzerland, transformation was the theme of 2014.

We undertook numerous projects aimed at orienting KBL (Switzerland) Ltd towards its core clients: HNWI Europeans. Consequently, we successfully increased our capacity to offer high-quality products and services.

Within this framework, synergies were developed with the group, which significantly contributed to the positive outlook for KBL *spb*, as clients from around the world continue to appreciate quality Swiss wealth management.

Since our founding in 1970, we have been providing global perspective that is rooted in traditional Swiss values, working with our clients to meet their evolving needs, including during times of significant regulatory change.

Our core business is international portfolio management; our field of expertise is the creation of personalized solutions; and our goal is to establish trustworthy and long-term relationships with our clients. With over 100 staff operating from our offices in Geneva, Zurich and Lugano, we are proud to be a private bank on a human scale.

Over the years, KBL *spb* has nurtured its multicultural know-how. As a consequence, we act and think globally.

With the increased level of regulatory changes, we have dedicated significant resources to implementing relevant processes.

2015 will be another year of change for KBL (Switzerland) Ltd, following the signing of an agreement between KBL *epb* and BIL (Suisse) SA. Under the terms of that agreement, BIL (Suisse) SA will acquire KBL (Switzerland) Ltd, as part of the BIL Group's strategic focus on major international private banking centers.

It is worth noting that, under the terms of this agreement, KBL *epb* clients will have access to BIL's Swiss booking center. (As of the date of publication, this transaction remained subject to regulatory approval.)

We are confident that we can continue to adapt and utilize our proactive approach to transform these changes into competitive advantages.



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GENERAL BALANCE SHEET PERFORMANCE

At the end of 2014, KBL *epb*'s balance sheet totalled EUR 8.4 billion compared to the end of 2013 (+0.1%) and remains stable.

The bank strengthened its loans on a securitized basis, but slightly reduced the volume of its reverse repo interbank operations.

Thanks to the quality of its assets, KBL *epb* is maintaining a high liquidity ratio of 52.6%. The Basel III solvency ratio and the core tier one ratio are at 26.4% and 25.2%, respectively, well above the regulatory thresholds imposed by the European Central Bank.

NET INTEREST AND COMMISSION MARGINS

Interest margins increased by 6% compared to 2013 to reach EUR 56.4 million. This rise is essentially due to loan activity.

Net commissions stood at EUR 74.4 million, down 15%, mainly due to stock-market commissions.

DIVIDEND

Dividend income (EUR 37.2 million) rose by 92%, mainly with group companies including Vitis Life (EUR +14 million), Theodoor Gilissen (EUR +6 million) and KBL Richelieu (EUR +4 million).

SECURITIES INCOME

KBL *epb* proactively manages its portfolio in line with market and political circumstances, following a well-defined policy.

In 2014, KBL *epb* posted securities income of EUR 52.1 million, mainly on the sale of equities exposed to Europe and the US.

In 2013, the bank posted securities income of EUR 30.2 million, mainly on the sale of equities exposed to Asia.

OPERATING EXPENSES

Operating expenses remain under control and fell slightly in 2014 to reach EUR 153.7 million (vs. EUR 154.9 million in 2013).

KBL *epb* was able to reduce staff costs by almost 5%, in particular by moving its active staff to a defined-contribution pension plan rather than a defined-benefits plan. However, depreciation costs increased due to accelerated depreciation on IT development.

2014 NET RESULT

As of December 31, 2014, KBL *epb* recorded a net profit of EUR 71.0 million compared to EUR 35.2 million in 2013.

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 CSSF Circular 13/555, a system allowing it, should the bank become insolvent, to rapidly produce a Single Customer View file for the Association pour la Garantie des Dépôts Luxembourg (AGDL – Deposit Guarantee Association Luxembourg) covering all cash accounts and personal information for clients benefiting from the deposit guarantee. This file also includes clients from our Spanish subsidiary.

This guarantee covers natural persons and small-scale legal bodies (under certain conditions) headquartered in a member state of the European Economic Area and consists in compensating them, in the case of the insolvency of an establishment that is a member of the AGDL, for their cash deposits in this establishment. This guarantee is limited to EUR 100,000 per person.

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 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 2014, 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 Committee on the Authorization and Supervision of Financial Products (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.

In addition to its ongoing monitoring and support of subsidiaries, Compliance Advisory & Guidance 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 2014, the framework was strengthened with the introduction of a Group Compliance Normative Committee, which 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, and new codes of conduct and best practice

(acceptance policy for high-profile clients, best practice in the matter of "suitability," best practices in tax compliance relating to the acceptance of new clients, etc.).

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 being provided as necessary.

Specialized anti-money laundering software (SIRON) is now in place at 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.

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

APPENDIX 3

RISK MANAGEMENT

3.1 MISSION & ACHIEVEMENTS

One of the highlights of 2014 was the implementation of the Single Supervisory Mechanism on November 4, 2014, by which KBL *epb* and Banque Internationale à Luxembourg's majority shareholder Precision Capital was placed, along with other financial institutions, under the direct supervision of the European Central Bank (ECB).

Prior to this date, a Comprehensive Assessment of the bank was conducted by the ECB in cooperation with the Commission de Surveillance du Secteur Financier (CSSF) and with the assistance of KPMG as "AQR auditor." It encompassed a Processes, Policies and Accounting Review (PP&A), an Asset Quality Review (AQR) aimed at reviewing the quality and accuracy of the asset side of the bank's balance sheet, and a global Stress Test, which assesses its resilience under base and adverse scenarios over a three-year time horizon.

KBL *epb* Risk Control was an important contributor to this exercise, which confirmed the overall soundness and strong capital position of the group.

With regards to other transversal risk issues, all KBL *epb* banking entities adopted new Risk Reporting Guidelines in 2014. In addition, all local Board Risk Committees (BRC) validated their own Risk Appetite Statement, expressing the type and amount of risk they are able and willing to accept in pursuit of their business objectives.

Risk appetite indicators are now regularly measured and monitored across the group in comparison to their respective limits and triggers. They cover both financial risks (liquidity, market, credit and business) and non-financial risks (operational, reputational, regulatory and client).

The Risk Control Charter was also updated in 2014 to be in line with the recent regulatory changes to internal governance and risk management (CSSF circular 12/552 and further amendments). Among others, the charter

defines the status, roles and responsibilities of the different stakeholders in the overall risk management process.

The BRC validated the first version of the bank's Group Recovery Plan, which lists and assesses measures the bank could take to re-establish its financial situation if it were to seriously deteriorate. The plan has been drafted at the request of the CSSF, according to current EBA Regulatory Technical Standards.

In view of the entry into force of the European Capital Requirements Regulation (CRR), the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) continued to be assessed quarterly for the group and daily for KBL *epb* headquarters.

A fire drill of the Liquidity Contingency Plan was successfully performed, testing all operational processes in which the bank would use pre-defined liquidity sources in case of major liquidity crises.

For market risks associated with trading activities, Risk Control continued to fulfill its role as the second line of defense, relying on a set of primary limits in terms of Historical Value at Risk, nominal amount and basis point value, complemented by a set of secondary limits expressed in terms of concentration limits, credit risk limits and loss triggers.

In addition to the recurrent task of monitoring risk indicators, 2014 was dedicated to the streamlining of ALM risk measurement methodologies – particularly the adoption of the Monte Carlo approach in the Value at Risk calculation process.

Several noticeable improvements were made to the credit risk framework in 2014:

- A revised credit policy – defining the framework within which loan activities for clients are to be managed – was introduced in 2014, together with an enhanced credit application form to better enable consistency and comparability between credit files.

A further review of the policy was conducted in 2014 in consultation with key stakeholders to ensure alignment with the bank's risk appetite and its commercial strategy

- Enhanced procedures for the management of the credit "watchlist" were developed, which allow for more robust reporting, the classification of problem credits in compliance with CRR/CRD IV regulations, and a greater focus on establishment and execution of appropriate recovery strategies
- The global action plan for lending to clients was reviewed and updated, with planned enhancements to the end-to-end credit process continuing through 2015 and covering, among others, the credit operating model, approval authorities, credit reporting and management information, and Credit Policy
- Control and monitoring of credit risk in ALM and Global Markets activities was further adapted during 2014 to include concentration limits by economic sector, limits defined by type of issuer (sovereign, corporate or bank), and country limits

The Operational Risk Framework (ORF), which outlines the organization and management of operational risk within the KBL *epb* group, was formally validated by the Group Executive Committee. The main improvements in that domain are:

- The extension of the Common Operational Risk Rules System (CORRS) to the External Asset Managers process and the Business Continuity Plan. Other CORRS are expected to be deployed during 2015, ensuring that the group is adequately guided by operational risk rules for central activities, i.e. Asset Management, Execution Desk, etc.
- The launch of the Risk and Control Self-Assessment (RCSA) process group-wide, aiming to ensure a global overview of all key risks and controls across the group and to implement mitigating actions when

deemed necessary. After validation of all RCSAs (target: end 2015), ad hoc KRIs will be deployed. The annual review of all RCSAs will enable both the Business and Operational Risk departments to consider any significant changes to the internal control framework

- Finally, with the permanent objective of enhancing the internal control environment, a new operational incident database has been set up, enabling Operational Risk Control to efficiently track and challenge the corrective measures proposed. The strict follow-up of all operational incidents shall contribute to improving the risk awareness culture of the group, thus reducing the occurrence of incidents as much as possible

3.2 STRUCTURE & ORGANIZATION

Risk Control entities fulfill a second line of defense role – the first line of defense being performed by the entities at the source of risk – which is to ensure that each key risk the group may be exposed to is properly anticipated, identified, measured, monitored, controlled, reported and managed.

In 2014, the structure of Group Risk Control was adapted to better align with market practices, and to integrate new governance and regulatory requirements and the results of the GOLD project, which aimed to develop synergies in the bank by centralizing operational activities. The main impact of GOLD on Risk Control activities was the transfer of non-pure risk control activities linked to the Dealing Room from Risk Control to Operations. The control of limits and liquidity monitoring activities remains in the Risk Control function.

As of January 1, 2015, Group Risk Control in Luxembourg is organized into six departments with a total of 20.7 FTE employees. All of them fulfill their role as "second level of control entities" in their specific area.

The Market Risk Control department, with 3.8 FTEs, is in charge of market risks (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 Operational Risk Control department, with 3.2 FTEs, assumes the following responsibilities:

- Ensuring the respect of the Operational Risk Framework & controlling its application in all group entities
- Defining & implementing standards for managing operational risk
- Conducting scenario analyses based on significant operational incidents observed, with identification of potential gaps & appropriate action plans if relevant
- As a member of the New Product & Service Approval Committee, assessing the operational residual risk related to new products and activities versus the group's risk appetite
- Managing the insurance programme for the group

The Process Management department, with 3 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 Credit Risk Control department, with 4.8 FTEs, is in charge of monitoring credit risk for the group, which essentially 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 Global Investor 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 Group Risk Advisory department, with 1 FTE, is the subsidiaries' single point of contact with Group Risk Control. It is responsible for coordinating general risk issues within the group and for overseeing specific local files. Among other things, the department prepares the subsidiaries' Board Risk Committee meetings.

The Risk Projects & Reporting department (with 2.8 FTEs) covers transversal risk matters, such as risk reporting to Management Bodies, regulatory watch, management of risk-related projects and regulatory files such as the ICAAP. The department also develops controls for detecting potential risks in client portfolios.

The total number of risk managers in KBL *epb* subsidiaries and branches is 30 FTE. In light of the increased uniformity of our local activities and the non-materiality of certain risks (absence of trading activity; ALM risk present only in certain entities and tightly controlled by the parent company; limited liquidity risk), the majority of these resources are dedicated to managing and controlling client and operational risk.

The operating rules between the Group's Risk Control entities and the subsidiaries/branches are described in the Risk Control Charter. The document governs, in particular, the involvement of Group Risk Control in recruitment, transfer and evaluation of local Risk Controllers.

ALLOCATION OF PROFIT, RETAINED EARNINGS AND PROPOSED DIVIDEND

After constitution of the necessary provisions and depreciation, KBL *epb*'s net profit for the financial year ended on December 31, 2014, was **70,968,932.65**

(all figures in EUR)

Pursuant to legal and statutory provisions, the Board of Directors proposes appropriating this profit as follows:

Unavailable reserve – AGDL ⁽¹⁾ provision framework	216,419.42
Dividend relating to year 2014 up to	67,060,081.82
Available reserve	3,692,431.41

Subject to approval of this allocation, the following dividend shall be payable at our branches as from April 30, 2015:

- A gross dividend up to EUR 3.3304 (net dividend of EUR 2.8308) per share upon submission of Coupon No. 14 of the non-voting preference shares, and Coupon No. 14 of the ordinary shares

The Board of Directors also proposes to allocate the negative retained earnings of EUR 282.1 million to the available reserve of EUR 782.4 million. After approval, the available reserve will amount to EUR 504.1 million.

⁽¹⁾ "Association pour la Garantie des Dépôts Luxembourg"

COMPOSITION OF THE BOARD OF DIRECTORS

On January 27, 2014, Jacques Peters resigned from his post as Director and was replaced by Yves Stein on February 27, 2014.

Ernst Wilhelm Contzen replaced Jan Huyghebaert as Chairman after he resigned from his post on February 27, 2014.

At the Ordinary General Meeting of March 27, 2014, Huyghebaert resigned from his post as Director.

Jean-Pierre Waltzing was named Director, Staff Representative, after Marc Glesener resigned from his position on July 1, 2014.

At the Ordinary General Meeting of October 29, 2014, the appointment of Anne Ruth Herkes as Director of KBL *epb* was approved until the 2017 Ordinary General Meeting.

This report is available in English and French.

Only the English version is authentic.

DECLARATION ON THE CONFORMITY OF THE CONSOLIDATED ACCOUNTS

We, Yves Stein, Group Chief Executive Office, and Yves Pitsaer, Chief Finance & 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 19, 2015



Yves Stein
Group Chief Executive Officer



Yves Pitsaer
Chief Finance & 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 consolidated accounts of KBL European Private Bankers S.A., which comprise the consolidated balance sheet as at 31 December 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated 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 consolidated accounts

The Board of Directors is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated accounts are free from material misstatement.

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

misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated accounts give a true and fair view of the financial position of KBL European Private Bankers S.A. as of 31 December 2014, 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 consolidated management report, including the corporate governance statement, which is the responsibility of the Board of Directors, is consistent with the consolidated accounts and includes the information required by the law with respect to the corporate governance statement.

ERNST & YOUNG

Société Anonyme
Cabinet de révision agréé
Sylvie Testa

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