

BANK  
DEGROOF



Managing the future

12

ANNUAL REPORT

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**Bank Degroof** is Belgium's premier independent private and investment bank, with an excellent reputation in each of its fields of activity.

For more than 140 years it has offered its private and institutional clients, along with business enterprises, a complete range of tailored solutions and services: asset management, financial markets, corporate finance, credit and structured finance, setup and administration of investment funds, real estate activities and financial analysis.

The Bank has a thousand employees managing their customers' future from offices in seven countries.

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# STATEMENT FROM THE BOARD OF DIRECTORS

Against an economic background marked by significant uncertainty that encouraged investors to be prudent, Bank Degroef achieved satisfactory results.

Net current profit amounted to EUR 71.4 million compared to EUR 60.4 million for the previous year and the net published result to EUR 55.5 million. The total comprehensive result amounted to EUR 87.7 million compared to EUR 45.5 million in 2011. The total comprehensive result is the figure that, as recommended by the International Financial Reporting Standards, best reflects the economic result for the period since it includes variations in latent capital gains and losses, of whatever type, whether recorded through profit or loss or through equity.

Assets under management totalled EUR 26.2 billion at the end of the financial year compared to EUR 24.2 billion at the previous year-end, representing an increase of 8.4%.

The Bank's income increased compared to the preceding financial year due primarily to the transformation activity, which was able to benefit from the drop in rates and credit spreads on sovereign risk, whilst maintaining a strict control of risks. In spite of the increase in assets, income from the private and institutional asset management business declined due to a more cautious asset allocation.

Improved results were achieved in all of the Bank's other activities, namely corporate finance, credit activities, administration of funds and advice to institutional clients.

At 30 September 2012, the Bank's accounting equity stood at EUR 573.9 million after the dividend for the financial year. Its solvency ratio (CRD ratio), after the dividend, was 15.66% and its Tier 1 ratio was 12.62%. Both figures largely exceed regulatory requirements.

The beginning of the 2012-13 financial year remains marked by an uncertain environment, albeit a noticeably better one than in the previous year owing to the dissipation, though not the resolution, of certain uncertainties. Interest rates should remain weak, which will have a negative effect on our transformation income, although an improved market performance, if confirmed, together with our sales efforts should permit an increase in our assets under management and, therefore, in the return from the asset management business.

We are hopeful that the start of 2013 will see the implementation of our plans for the merger of Degroef Banque Privée in Switzerland with Landolt & Cie, a private bank founded in 1780, and for Banque Degroef France and Aforgé to be brought together into one single entity, Compagnie Financière Degroef.

This year, we again want to thank our clients for their loyalty and for the confidence they have placed in us, and to thank our personnel who have worked with professionalism and enthusiasm in the best interests of clients and the Bank alike.



**Regnier Haegelsteen**  
Chairman of the executive committee



**Alain Siaens**  
Chairman of the board of directors



# KEY FIGURES

	(in million EUR)		
<b>Breakdown of operating income</b>	30.09.2012	30.09.2011	30.09.2010
Asset management	180.1	197.4	181.2
Corporate Finance and Credit & Structured Finance	37.3	34.1	32.6
Market activities	71.6	24.0	37.2
Normalized return on proprietary equity portfolio	15.5	23.2	18.9
<b>Total</b>	<b>304.5</b>	<b>278.7</b>	<b>269.9</b>

<b>Managed undertakings for collective investment</b>	(in billion EUR)		
30.09.2012			18.1
30.09.2011			15.7
30.09.2010			16.6

<b>Assets under management<sup>1</sup></b>	(in billion EUR)		
30.09.2012	30.09.2011	30.09.2010	
Private customers	20.0	18.3	19.1
Institutional customers	3.8	3.6	3.6
Third-party undertakings for collective investment holders	2.4	2.2	2.1
<b>Total</b>	<b>26.2</b>	<b>24.2</b>	<b>24.8</b>

<b>Consolidated key figures (IFRS)</b>	30.09.2012	30.09.2011	30.09.2010
<b>GROUP SHARE</b>			
Stated profit (in thousands of EUR)	55 558	68 074	67 779
Provisions and exceptional items (in thousands of EUR)	8 463	9 149	7 295
Amortization of goodwill (in thousands of EUR)	1 784	2 657	1 842
Economic revaluation of interest rate positions <sup>2</sup> (in thousands of EUR)	10 988	(14 566)	1 731
Accounting profit in the Holding portfolio <sup>3</sup> (in thousands of EUR)	(5 387)	(4 915)	(14 029)
<b>Net current profit<sup>8</sup> (in thousands of EUR)</b>	<b>71 406</b>	<b>60 399</b>	<b>64 618</b>
Normalized profit on Holding portfolio <sup>4</sup> (in thousands of EUR)	15 478	23 226	18 884
<b>Normalized net profit<sup>8</sup> (in thousands of EUR)</b>	<b>86 884</b>	<b>83 625</b>	<b>83 502</b>
Number of shares	8 019 131	8 019 131	8 019 131
Number of shares adjusted for usage rights	8 019 131	8 019 131	7 989 364
Normalized net profit per share (in EUR)	10.83	10.43	10.45
Gross dividend per share <sup>5</sup> (in EUR)	5.50	5.25	5.25
Normalized ROE <sup>6</sup> (in %)	15.51	15.38	15.91
CRD ratio (in %)	15.66	15.57	16.39
Cost/income ratio <sup>7</sup> (in %)	71.13	63.42	67.81

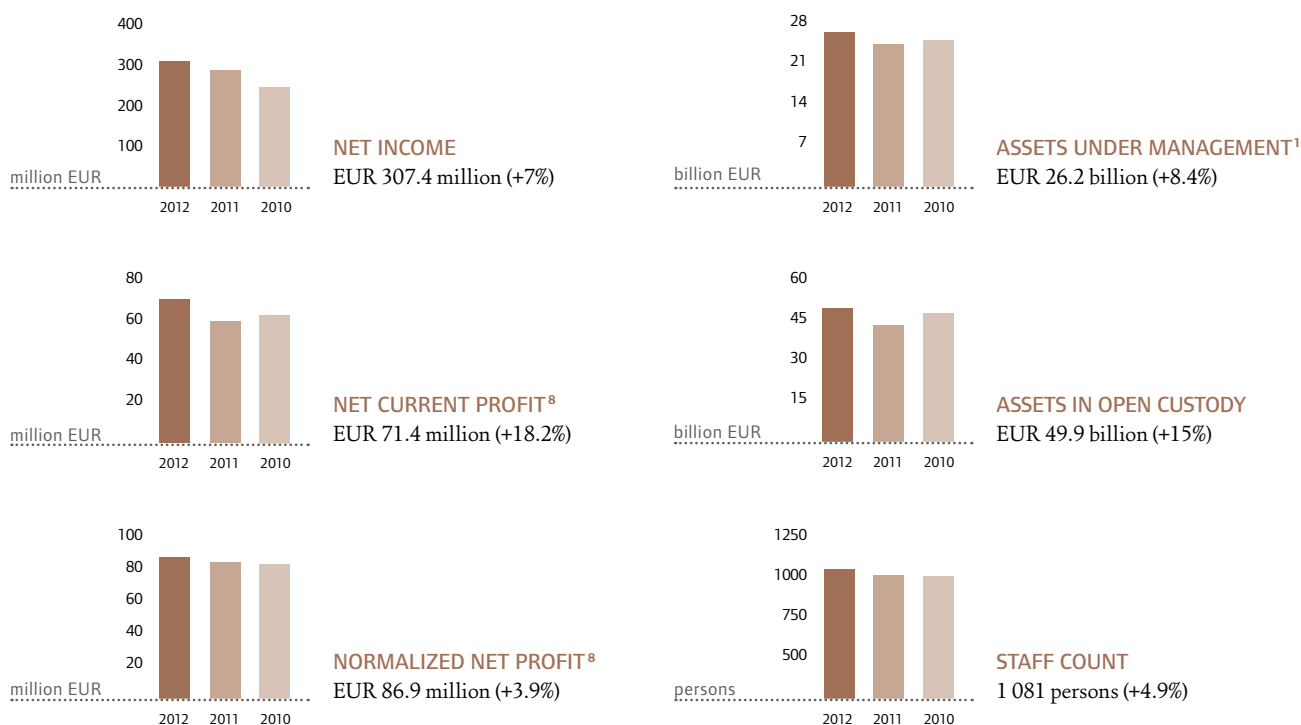
<sup>1</sup> 100% of assets managed by group companies.

<sup>2</sup> Net revaluation (unrecorded) relating to treasury balance sheet components for which there is a global hedge.

<sup>3</sup> This amounts corresponds to the sum of the IFRS accounting results for the group Holding securities portfolio consisting of shares and other variable income securities after deducting administrative costs for the management of the portfolio in question.

<sup>4</sup> For the 2010 and 2011 financial years, the normalised return on the Holding Portfolio amounted to 8.5% of the estimated average annual value of the portfolio. For the 2012 financial year, the return was decreased to 6%.





## CAPITAL STRUCTURE

	BEFORE EXERCISE OF STOCK OPTIONS	(in %) AFTER EXERCISE OF STOCK OPTIONS
<b>1. Acting in concert</b>		
Guimard Finance SA/NV, Cobepa SA/NV, CLdN Finance SA and the Philippon, Siaens, Schockert and Haegelsteen families	64.94	64.24
<b>2. Management and staff</b>		
other than heading 1	9.29	10.28
<b>Total headings 1 and 2</b>	<b>74.23</b>	<b>74.52</b>
<b>3. Financial partners</b>		
Parmafin SA/NV (Theo Maes family)	3.51	3.47
Marinvest SA/NV (Luc Waucquez family)	3.16	3.13
Levifin SA/NV	4.45	4.40
Other	9.29	9.18
<b>Total heading 3</b>	<b>20.41</b>	<b>20.18</b>
<b>4. Own shares</b>		
	<b>5.36</b>	<b>5.30</b>
<b>Total headings 1, 2, 3 and 4</b>	<b>100.00</b>	<b>100.00</b>
<b>Total number of shares</b>	<b>8 019 131</b>	<b>8 116 936</b>

5 Dividend at 30.09.2012: subject to the approval of the shareholders' meeting of 25.02.2013.

6 Normalized group net profit divided by annual average recognized shareholders' equity (and including AFS reserves).

7 Cost/income ratio calculated on the basis of normalized net income, i. e. including the normalized return on the Holding portfolio. The cost/income ratio calculated on the accounting result of the portfolio Holding was 68.88% in 2010, 67.27% in 2011 and 73.29% in 2012.

8 For the first time, the estimation of net current profit and net normalized profit takes into account a normalization of credit risks with retroactive effect on the comparative financial years 2011 and 2010.



# HIGHLIGHTS

# HIGHLIGHTS

## PRIVATE ASSET MANAGEMENT

- Excellent management performance, allowing a medium-risk portfolio to grow by approximately 12%.
- Introduction of an asymmetrical and a third-party management portion into the most defensive portfolios in order to better control their downside risk.
- Raising of new capital which has largely offset consumption and the appeal of real estate.
- Investment offerings in unlisted assets (private bonds, real estate, etc.) for portfolios that can afford this type of risk.

## SICAV MANAGEMENT

- Creation of Degroof Global Isis Medium Low, which completed the range of Isis mixed assets funds, now subdivided into two defensive compartments (Isis Low and Isis Medium Low) and two growth compartments (Isis Medium and Isis High).
- New capital for range of bond funds, which have recorded excellent performances.
- Resurgence of interest in indexed funds due to good stock market performance.

## INSTITUTIONAL PORTFOLIO MANAGEMENT

- Strong asset management performance in 2012, particularly in respect of bond management.
- Substantial increase in assets under management and in risk management activities.
- Strong growth in the provision of asset management services to promoters, managers and third party consultants.
- Regulatory changes that should encourage the development of risk management activities.

## SETUP AND ADMINISTRATION OF SICAVS

- EUR 21.9 billion of assets under administration at 30 September 2012, an increase of 15.80%.
- Number of compartments administered up 8.96%.
- Continued development in Asia.
- Clients in 12 countries.

## DEGROOF CORPORATE FINANCE

- Sustained activity level with 46 missions successfully completed.
- Excellent activity level in private placements (mainly bonds and real estate).
- Study and advice assignments at similar levels to earlier years.
- Slowing M&A and primary stock market transactions.
- Encouraging outlook for 2012-13.

## CREDIT & STRUCTURED FINANCE

- Stability of the credit portfolio thanks to the asset-secured loan business.
- Rigorous control of the quality of the loan portfolio, in terms of both the monitoring and the granting of new loans.
- Raising of an additional EUR 6 million by the Green Fund II, which has made its first investment.
- Significant capital gain recorded by the Green Fund I on the disposal of its holding in the Ciney wind farm.

## FINANCIAL ANALYSIS

- Tenth anniversary of European Securities Network, of which Bank Degroef is a founder member.
- Increased participation in company and analysts' conferences and roadshows in London, Frankfurt, Geneva and Paris.
- Extension of the real estate securities covered to France and the Netherlands.
- Greater presence of financial analysts in the media and in several organisations (CFA Institute, ABAF, Vlerick School, UCL, Ichech).

## FINANCIAL MARKETS

- Acceleration of institutional activities in France and Switzerland.
- Participation in a record number of private placements and bond issues.
- Sole manager for the EUR 350 million ORES bond issue.
- Growth of our institutional activity in Belgium.
- Numerous asset and liability management (ALM) advisory assignments for our institutional clients in the context of Solvency II.

## CORPORATE SOCIAL RESPONSIBILITY

- Creation of the Pulse Foundation on the initiative of the Bank Degroef Foundation in order to promote an entrepreneurial culture and the creation of jobs in Belgium.
- Structuring the philanthropic activities of all the members of a large European family through the philanthropy advisory service.
- Creation by the Bank Degroef Foundation of 'Generation Next': a community of 35 sponsors in the education sector.
- Development of impact investing partnerships to enhance the offering to the Bank's clients.
- Organisation of two 'classic' philanthropy forums and one forum for the younger generations.

## REAL ESTATE ACTIVITIES

- 11 very diverse missions completed successfully.
- Launch of the 'Bassem' real estate certificate to finance the construction of a 108-flat serviced residence, for an amount of EUR 41 million.
- Several missions in progress and an encouraging outlook for 2012-13.



# CORPORATE GOVERNANCE

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# CORPORATE GOVERNANCE

## COMPOSITION OF THE BOARD OF DIRECTORS

Bank Degroof's board of directors comprises the directors on the Bank's executive committee and of the non-executive directors.

The composition of the board of directors is based on the following rules:

- the composition of the board as a whole must enable it to function effectively and efficiently, in the best interests of the company; it must have the necessary diversity and complementarity of experience and expertise; the directors entrusted with oversight duties must also individually comply with certain requirements in terms of expertise and financial experience subject to oversight by the National Bank of Belgium;
- no group of directors or individual member should be able to dominate the board's decision-making;
- the majority of directors should be non-executive;
- a legal person appointed as non-executive director appoints a natural person as its permanent representative, who shall be responsible for fulfilling the mandate in the name of and for the account of the director-legal person. This permanent representative may not be an executive director of the Bank at the same time.

The role of the appointments and remuneration committee is to make recommendations to the board of directors concerning the size and composition of the board on a periodic basis and, in particular, when mandates are renewed.

In making recommendations to the general meeting of shareholders for the appointment as directors, the appointments and remuneration committee shall pay particular attention to ensuring compliance with the following principles:

- the executive committee may not form a majority on the board;
- the chairman of the board of directors does not occupy any active office within the group;
- the board ensures that there shall be sufficient independent directors alongside the directors representing shareholders.

The following changes to the composition of the board of directors and the executive committee occurred during the financial year:

At the ordinary general meeting of 27 February 2012, Mr Jacques-Martin Philippson and Mr Etienne de Callataÿ were appointed as directors of the company. The board of directors also appointed Mr Etienne de Callataÿ as a managing director and a member of the executive committee.

At the same general meeting, the following mandates were renewed:

- the mandates of Messrs Alain Philippson and Alain Siaens were renewed for a three-year term;
- the mandate of Mr Jean-Pierre de Buck van Overstraeten was renewed for a one-year term;

and the appointment of SPRL Christian Jacobs was confirmed until the end of the ordinary general meeting to be held in 2015.



The composition of the board of directors as at 30 September 2012 was as follows:

MANDATE EXPIRES		
<b>Chairman of the board of directors<sup>1</sup></b>		
<b>Alain Siaens<sup>2</sup></b>		02/2015
<b>Chairman of the executive committee – managing director</b>		
<b>Regnier Haegelsteen<sup>2</sup></b>		02/2013
<b>Directors who are members of the executive committee – managing directors</b>		
<b>Alain Schockert<sup>2</sup></b>		02/2013
<b>Pierre Paul De Schrevel</b>		02/2013
<b>Patrick Keusters</b>		02/2013
<b>Gautier Bataille de Longprey</b>		02/2013
<b>Jan Longeval</b>		02/2013
<b>Etienne de Callatay</b>		02/2016
<b>Directors</b>		
<b>Baron Philippson<sup>2</sup></b>	Company director	02/2015
<b>Damien Bachelot</b>	Company director	02/2015
<b>Christian Jacobs<sup>3</sup> SPRL/BVBA (permanent representative: Christian Jacobs)</b>	Company director	02/2015
<b>Theo Maes</b>	Company director	02/2013
<b>Luc Missorten<sup>3</sup></b>	Company director	Corelio SA/NV 02/2015
<b>W. Invest SA/NV (permanent representative: Gaëtan Waucquez)</b>	Company director	Floridienne SA/NV 02/2013
<b>Jean-Pierre de Buck van Overstraeten</b>	Company director	02/2013
<b>Jean-Marie Laurent Josi</b>	Company director	Cobepa SA/NV <sup>2</sup> 02/2013
<b>Frank van Bellingen</b>	Company director	CLdN Finance SA <sup>2</sup> 02/2015
<b>Jacques-Martin Philippson</b>	Company director	02/2016

The board of directors considers those of its members who meet the criteria outlined in article 526 ter of the Belgian Companies Code to be independent directors. The following persons should be considered as independent directors: Messrs Luc Missorten and Christian Jacobs.

<sup>1</sup> On 1 October 2012, Baron Philippson replaced Mr Alain Siaens as chairman of the board of directors.

<sup>2</sup> Directors and companies declaring that they act in concert.

<sup>3</sup> Independent directors.



On the basis of advice from the appointments and remuneration committee, the board of directors has decided to propose to the ordinary general meeting of 25 February 2013 the renewal of the following mandates:

	MANDATE EXPIRES
<b>Regnier Haegelsteen</b>	02/2016
<b>Alain Schockert</b>	02/2016
<b>Pierre Paul De Schrevel</b>	02/2016
<b>Patrick Keusters</b>	02/2016
<b>Gautier Bataille de Longprey</b>	02/2016
<b>Jan Longeval</b>	02/2016
<b>W.Invest SA/NV</b>	02/2016
<b>Jean-Pierre de Buck van Overstraeten</b>	02/2016
<b>Jean-Marie Laurent Josi</b>	02/2016

A proposal will also be made to this ordinary general assembly to appoint Ms Marina Maes as an independent director for a six-year term.

Finally, on the basis of a proposal from the audit committee, the board of directors will also propose the renewal of the mandate of the audit firm of Klynveld Peat Marwick Goerdeler as auditor, for a three-year term.

In accordance with applicable legal provisions, these proposals have been submitted to the National Bank of Belgium in advance for approval.

## OPERATION OF THE BOARD OF DIRECTORS

The board of directors defines the strategy and general policies of the Bank. It ensures that they are implemented by the executive committee and, based on proposals from the executive committee, decides upon the resources needed to this end. It determines the competence and composition of the executive committee and supervises its activities. It makes sure that sufficient resources exist to ensure the long-term future of the company.

The board of directors deliberates on all issues and matters within its responsibilities, such as the compiling of the annual accounts and management reports and the convening of general meetings. At each quarterly meeting, it receives adequate information about the performance of the business and the key figures, both for the parent company and for its main subsidiaries. It also receives the annual budget.

The board of directors meets at least four times a year. It met five times during the 2011-2012 financial year.

At the end of each quarter, the board of directors examined the results of the group and issued its opinion in a respect of the following matters:

- a global strategic review;
- the progressive implementation of organisational changes by the subsidiaries in France, Spain and Switzerland;
- analysis of the Bank's risk profile;
- a stock option plan using existing shares.

The board's deliberations are valid only if at least half of its members are present or represented. No director may represent more than two fellow directors. Resolutions are passed by simple majority. In the event of a tie vote, the proposal is rejected.

The total remuneration allotted to board members is indicated in the notes to the company's annual accounts (note XXIX, sub-heading A4). The full version of the company's annual accounts is available at the company's registered office.

#### DAY-TO-DAY MANAGEMENT OF THE GROUP – THE EXECUTIVE COMMITTEE

The board of directors, in accordance with article 17 of its articles of association, has established an executive committee within its ranks.

The executive committee is competent to manage the activities of the credit institution within the framework of the general policies defined by the board of directors.

To this end, the executive committee is empowered by the board of directors to take decisions and to represent the company in its dealings with personnel, clients, other credit institutions, the wider economic and social environment and public authorities, and also to take decisions in respect of the representation of the company within its subsidiaries and within those companies in which it holds equity investments.

The composition of the executive committee is determined on the basis of the following principles:

- the moral, deontological and ethical criteria applicable within the group;
- the need to achieve a suitable age pyramid within the executive committee;
- the changing requirements and the need to ensure the proper distribution of responsibilities between executive committee members in order to create a balance between commercial, organisational and risk management requirements.

In principle, the executive committee meets four times a month. It met 47 times during the past financial year.

#### COMMITTEES ESTABLISHED BY THE BOARD OF DIRECTORS

##### Audit committee

The audit committee assists the board of directors in the performance of its supervisory role, particularly with respect to:

- financial information destined for shareholders and third parties;
- the audit process;
- the functioning of the system of internal control and managing the risks to which the Bank is exposed.

##### Members as at 30 September 2012

**Christian Jacobs (chairman)**

**Baron Philippson <sup>1</sup>**

**Jean-Marie Laurent Josi**

**Frank van Bellingen**

All of the above are directors but are not members of the executive committee. Mr Christian Jacobs sits in the board as an independent director. He meets all of the criteria set down in article 526ter of the Belgian Companies Code.

<sup>1</sup> On 1 October 2012, Mr Alain Siaens replaced Baron Philippson as a member of the audit committee.



The head of the group audit and the chairman of the executive committee, who is the director in charge of auditing, as well as those responsible for risk management and internal audit of Banque Degroof Luxembourg SA are invited to meetings without being members. The company's external auditor participates at those meetings that deal with the examination of half-yearly and annual accounts.

The audit committee met five times during the past financial year, reporting systematically on its activities to the board of directors.

These activities consisted mainly of examining the reports on the activities of the group audit and on the audits of Banque Degroof Luxembourg SA, Banque Degroof France SA, and PrivatBank Degroof SAU, the planning of audits, and examining half-yearly and annual accounts. The audit committee paid particular attention to the monitoring activities of risk management. The committee reviewed the reports on the activities of the compliance officer and of the inspection department, the funds performance table, the evaluation report of the executive committee on the system of internal control and the supervision of the implementation of the recommendations of the group audit.

The audit committee also examined the inspection assignments initiated by the regulators in Belgium and abroad, the credit activity of subsidiaries and the selection criteria used for stock picking within the group.

A special session was also devoted to the 2012 liquidity window.

#### **Appointments and remuneration committee**

The appointments and remuneration committee is consulted on issues concerning:

- the general remuneration policy;
- the total amount of variable remuneration;
- the remuneration of directors who are members of the executive committee;
- the profit-sharing plans for Bank employees;
- the composition and the size of the board of directors and the executive committee;
- the definition of the profile of board and executive committee members and the selection process;
- proposals for appointing and re-electing directors and members of the executive committee;
- the appointment and re-election process.

#### **Members**

**Baron Philippson (chairman)**

**Alain Siaens**

**Theo Maes**

**Gaëtan Waucquez (permanent representative of W. Invest SA/NV)**

**Christian Jacobs (permanent representative of Christian Jacobs SPRL/BVBA)**

All of the above are directors but are not members of the executive committee. Mr Christian Jacobs sits on the board as an independent director. He meets the criteria set down in article 526ter of the Companies Code.

The chairman of the executive committee is invited to attend the meetings of the appointments and remuneration committee without being a member, except for discussions relating to his own remuneration.

The appointments and remuneration committee met once during the past financial year. During that meeting, it examined:

- the Bank's general remuneration policy;
- the appointment of new directors;
- the renewal of directorships;
- the total amount of variable remuneration;
- the variable remuneration component paid to executive committee members;
- the granting of stock options.

#### COMMITTEES REPORTING TO THE EXECUTIVE COMMITTEE

Specific committees assist the executive committee with:

- day-to-day management of the parent company Bank Degroef SA/NV;
- human resources policy;
- managing the proprietary equity portfolio;
- defining the asset management strategy;
- commitments towards banking counterparties;
- client loans and commitments;
- assets & liabilities management;
- implementation of the risk management policy at subsidiaries;
- coordination of the compliance function.

#### PROFIT APPROPRIATION POLICY

Dividends are set by reference to the level of consolidated net profit and retained earnings as well as the strategy of the group.

#### GOVERNANCE MEMORANDUM

Bank Degroef has drawn up a governance memorandum assessing the basic features of its management structure with respect to:

- the personal integrity and financial soundness of major shareholders;
- a transparent management structure promoting sound and prudent management;
- the definition of the expertise and responsibilities of each segment of the organisation;
- the collegial nature of effective executive management;
- the independent supervisory functions;
- suitable profiles and qualities of its senior managers;
- remuneration policy for senior managers;
- the Bank's setting of its strategic objectives and values;
- senior management's familiarity with the Bank's operating structure and its activities;
- adequate communication on management and supervision with the various parties concerned.

This information is submitted to the National Bank of Belgium and periodically updated.



# MANAGEMENT REPORT

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# MANAGEMENT REPORT

The consolidated accounts have been prepared in accordance with IFRS.

## 1. COMMENTS ON THE ACCOUNTS

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For the past financial year, Bank Degroof SA/NV recorded a non-consolidated net profit of EUR 58 806 862.

The consolidated net profit (group share) amounted to EUR 55 557 590 compared to EUR 68 074 118 for the previous financial year. Total consolidated comprehensive income (group share), which includes the annual movements on AFS reserves, amounted to EUR 87 711 581 compared to EUR 45 531 416 in the previous financial year.

During the past financial year, the net interest margin on all activities continued to increase strongly compared to the results for the previous financial year, despite a slowdown during the last quarter as a result of a sharp drop in rates.

For the 2012 financial year, the accounting results from the revaluation and disposal of FVO financial instruments as part of the interest rate transformation activity improved compared to the preceding year and, in spite of the sharp deterioration in market conditions during the first quarter of 2012, the overall movement in credit spreads (relating to sovereign risks) during the period under review contributed favourably to the final result from treasury activities.

In order to better apprehend the progressive development of the ALM management-related balance sheet items, all hedging futures forming part of the treasury macro-hedging activity were gradually closed during the first quarter of the 2012 financial year, with a limited impact on the income statement. The unrecorded Mark to Market revaluations for the related balance sheet items rose very sharply at the end of the 2012 financial year further to the gradual downward trend in the interest rate curve.

In respect of other 'market' activities, earnings from the bonds desk progressed well compared to the previous year; by contrast, the weak result for the year for the equities desk reflected the closure of the principal arbitrage activities in Brussels at the beginning of the financial year. In addition, the less attractive market conditions meant that income from intermediation in structured products declined compared to 2011. Margins earned by the foreign exchange desk continued to represent a significant share of the results of the overall 'Markets' business in 2012.

Net income from commissions was down overall by approximately 8% compared to the preceding year (measured on a consistent basis). The decline in the result relates mainly to commissions on UCI activ-



ities within the group and to securities brokerage fees, reflecting lower transaction volumes. Against this, securities placement commissions more than kept pace with the previous year's results, mainly due to significant issues of private bonds and real-estate certificates.

On the basis of a constant consolidation scope, total overheads for the 2012 financial year rose moderately compared to 2011, reflecting the combined impact of an increase in personnel costs, largely offset by a drop in other general expenses (including depreciation). The rise in personnel costs mainly related to the increase in salary costs, pension contributions and end-of-year provisions. Against this, the IFRS cost of profit-sharing plans fell noticeably.

Other general expenses were lower than in 2011, in particular for two specific components: first, the bank deposit protection levy, which was lower in 2012 than in the preceding year and, second, certain accruals for expenditure recorded at consolidated level in 2011, for which there was no equivalent in 2012.

Annual depreciation and other impairment charges on tangible and intangible fixed assets were also lower in 2012.

Overall, the consolidated accounting earnings of the AFS equity portfolios (essentially the Bank's holding activity) were relatively close to the previous year's level; although income declined, earnings from sales progressed well during the 2012 financial year, although the latter were to a large extent offset by the additional impairment charges that were recognised at the balance sheet date as a result of applying the accounting principles laid down by the regulator. Nevertheless, if the annual movements in the results from the revaluation of AFS financial instruments (which are recorded in equity) are included in order to arrive at consolidated total comprehensive income, there was a significant improvement in the relevant results compared to the previous year.

The estimated tax charge as at the balance sheet date was higher overall than for the previous year. This increase relates primarily to the current taxation of Bank Degroef and Banque Degroef Luxembourg.

## 1.1. Appropriation of profit

We propose to the shareholders' meeting that the non-consolidated statutory profit of Bank Degroef SA/NV for the current financial year be appropriated as follows:

	(in EUR)
Profit for the financial year	58 806 862
+ Profit brought forward	130 535 925
= Profit to be appropriated	189 342 787
- Allocation to the legal reserve	0
- Directors' fees	345 000
- Dividends	44 105 221
<b>= Profit to be carried forward</b>	<b>144 892 566</b>

The gross dividend that is proposed to the shareholder's meeting amounts to EUR 5.50 per share.



## 1.2. Consolidated equity

Consolidated equity, including minority interests, amounted to EUR 615.7 million at the end of the 2012 financial year, which is EUR 28.1 million higher than at the previous year-end.

This change mainly reflects the combined effects of the dividend distribution in respect of the previous year (- EUR 39.8 million), the revaluation of financial assets at fair value (+ EUR 31.4 million), treasury share transactions (- EUR 21 million), and the profit (group share) for the year (+ EUR 55.6 million).

At EUR 476.4 million, the eligible capital used for calculating the Basel II regulatory coefficients is well in excess of that required by prudential standards. Tier 1 (core equity capital) and Tier 2 (broad equity capital) solvency ratios were 12.62% and 15.66% respectively as at 30 September 2012.

## 1.3. Assets under custody

On a consolidated basis, total assets under custody amounted to EUR 49.9 billion at the end of the 2012 financial year, compared to EUR 43.4 billion at the previous year-end.

# 2. CHANGES IN CAPITAL

---

There were no changes in capital during the past financial year.

As at 30 September 2012, share capital was set at EUR 47 491 186, represented by 8 019 131 shares without par value. All shares are fully subscribed and paid-up.

The unused portion of the authorised share capital amounted to EUR 6 624 994 at 30 September 2012.

# 3. TREASURY SHARES

(ART. 624 OF THE BELGIAN COMPANIES CODE)

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Bank Degroof SA/NV does not hold treasury shares.

As at 30 September 2012, the following subsidiaries of the Bank, BD Square Invest SA/NV and Cobimmo SA/NV, held a total of 430 167 Bank Degroof SA/NV shares, representing 5.36% of the subscribed share capital.

The average par value per share is EUR 5.922. The book value of all treasury shares held by subsidiaries amounted to EUR 68 232 433 at 30 September 2012.

Treasury shares held by the group are intended to cover employee profit-sharing plans.

During the past financial year, the total number of treasury shares increased by 138 334 units.

## 4. SIGNIFICANT POST BALANCE SHEET EVENTS

---

At group level outside Belgium, the Bank is progressively implementing the organisational decisions taken during the financial year.

Thus, the group is working on bringing together its two French subsidiaries, Banque Degroof France SA and Aforge SA, under a new holding company (Compagnie Financière Degroof), which will be majority owned by Bank Degroof SA/NV.

This holding company will have three main shareholdings: Banque Degroof France, Degroof Aforge Family Office and Degroof Aforge Corporate Finance.

Subject to regulatory approval, the transaction will be completed at the beginning of 2013 and will enable the Bank to further structure its business in France and to provide it with new impetus.

The group is also working on the merger in Switzerland of Degroof Banque Privée with Landolt & Cie. This merger should also be finalised by the start of 2013. The Bank will then hold a minority shareholding in a Swiss bank, which will enable it to establish a permanent presence and to intensify its activities in Switzerland thanks to the complementary nature of the activities of the two institutions. This will also increase the Bank's critical mass in Switzerland and de facto create further possible synergies with the rest of the group.

## 5. CIRCUMSTANCES THAT COULD SIGNIFICANTLY INFLUENCE THE GROUP'S DEVELOPMENT

---

The growth and profitability of the group are influenced by:

- the ongoing search for synergies and the streamlining of the activities of the various group entities;
- the continuing effort to grow the business as and when opportunities arise, as demonstrated by past acquisitions and commercial investments;
- changes in assets under management and stock markets;
- corporate finance assignments;
- investments to equip the group with cutting-edge technology;
- the macro-economic environment.

## 6. RESEARCH AND DEVELOPMENT ACTIVITIES

---

The group has undertaken no further direct research and development activities since the sale of its IT subsidiary Finance Technology Systems SA/NV in 2005.



## 7. REMUNERATION POLICY

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In accordance with the recommendation of the Banking, Finance and Insurance Commission, the Bank has filed details of its remuneration policy with the National Bank of Belgium. This policy constitutes an integral part of the good governance memorandum and was established by the human resources committee in consultation with the board of directors, the appointments and remuneration committee, and the executive committee.

This remuneration policy promotes the sound and efficient management of risks. Employees and executive committee members do not have, under any circumstances, an acquired right to variable remuneration. The fixing of this variable remuneration is independent of the profitability of the Bank, of any one particular activity, and/or portfolio of clients.

As the profitability of any particular client is not a factor in the determination of remuneration, the policy complies with the principles governing the protection of clients.

By allowing for the granting of stock options to employees and executive committee members, the policy is also aligned with the Bank's corporate strategy and long-term interests, by encouraging these persons to take equity interests in the share capital of the Bank.

Finally, the board of directors reserves the possibility to defer a portion of the variable remuneration of the executive committee members and key managers based on various elements of assessment set out by the risk management manager.

## 8. MAIN RISKS TO WHICH THE BANK IS EXPOSED

---

By the nature of its activities, Bank Degroef is exposed to a certain number of risks.

The main risks are:

- market risks, essentially linked to investment activities in securities portfolios (equities, bonds) and to its interest rate transformation activity (ALM);
- liquidity risk, resulting from differences in maturities between financing resources (generally short-term) and the use thereof;
- credit risk, linked to its credit activities (a risk largely covered by the use of securities portfolios as collateral) and intermediation operations in derivative instruments;
- asset management risk, (risk of legal action by clients if mandates are not respected, commercial risk of loss of dissatisfied customers, and related reputational risks);
- operational risk.

## 9. POLICY CONCERNING THE USE OF FINANCIAL INSTRUMENTS

---

Group companies use derivatives for their own account as follows:

In the context of asset and liability management (ALM), interest rate derivatives (mainly futures and interest rate swaps) are used in order to cover the group's long-term interest rate risk.

Interest rate swaps are used to cover a portfolio of short term (less than three years) sovereign and state-guaranteed bank bonds from a micro-hedging perspective (the portfolio is recognised as fair value through P&L, but the hedges are undertaken position by position). The use of derivatives is supervised by the almac committee.

In the same way, the Bank's treasury department (interest rate risks of less than two years) uses interest rate derivatives and treasury swaps to manage the group's interest rate and treasury risk. Managing the group's foreign exchange position also involves the use of derivatives (future foreign exchange contracts and swaps) to cover both commitments towards clients and the financing of subsidiaries in their operating currencies.

Derivatives (purchase of put options with sale of call options) are used to hedge certain investment portfolio positions and to channel their profits. The almac committee also manages a position in structured products, which constitutes an alternative to investments in interest rate products.

Economic hedging operations using derivatives in respect of equity positions are recognised as financial assets designated at fair value through profit or loss.

## 10. AUDIT COMMITTEE

---

Pursuant to the law of 17 December 2008 on audit committees in financial enterprises, the board of directors is required to justify in its annual report the individual and collective expertise of the members of the audit committee.

As at 30 September 2012, the audit committee comprised the following persons:

Chairman Mr Christian Jacobs  
Members Baron Philippson<sup>1</sup>  
Mr Jean-Marie Laurent Josi  
Mr Frank van Bellingen

Of these:

- all are non-executive members of the board of directors;
- two of the audit committee members have professional experience in other credit institutions;
- one independent director is a member and chairman of the audit committee;
- all of the audit committee members have professional accounting or auditing experience;
- all of the audit committee members have professional experience as directors exercising executive functions;
- all of the audit committee members have complementary professional experience in a variety of sectors.

<sup>1</sup> On 1 October 2012, Mr Alain Siaens replaced Baron Philippson as a member of the audit committee.



The board therefore considers that the members of the audit committee possess the required expertise to fulfil their responsibilities.

Those directors who meet all of the criteria set forth in article 526ter of the Belgian Companies Code are considered to be independent.

On this basis, the board considers the audit committee member Mr Christian Jacobs to be an independent director.

## 11. APPOINTMENTS AND REMUNERATION COMMITTEE

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Pursuant to the law of 22 July 2011 transposing various directives relative to oversight of the financial sector and introducing miscellaneous provisions, the board of directors is required to justify in its annual report the individual and collective expertise of the members of the appointments and remuneration committee.

As at 30 September 2012, the appointments and remuneration committee comprised the following persons:

Chairman Baron Philippson

Members Mr Alain Siaens

Mr Theo Maes

Mr Gaëtan Waucquez (permanent representative of W. Invest SA/NV)

Mr Christian Jacobs (permanent representative of Christian Jacobs SPRL/BVBA)

Of these:

- all are non-executive members of the board of directors;
- two of the appointments and remuneration committee members are also audit committee members;
- three of the committee members have professional experience on other appointments and remuneration committees;
- two of the committee members have professional experience in other credit institutions;
- one member of the appointments and remuneration committee is an independent director;
- all of the committee members have professional accounting or auditing experience;
- all of the committee members have professional experience as directors exercising executive functions;
- the members of the appointments and remuneration committee have complementary professional experience in a variety of sectors

The board therefore considers that the members of the appointments and remuneration committee have the required expertise for the purposes of exercising competent, independent judgement on the remuneration policies and incentives created for the management of risks, equity and liquidity.

Those directors who meet all criteria set forth in article 526ter of the Belgian Companies Code are considered to be independent.

On this basis, the board considers the appointments and remuneration committee member Mr Christian Jacobs to be an independent director.

## 12. DISCHARGE OF DIRECTORS AND AUDITORS

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Pursuant to the law and the articles of association, the shareholder's meeting is requested to grant discharge to the directors and the auditor of Bank Degroef SA/NV with respect to the performance of their mandates during the past financial year.

## 13. RENEWAL OF MANDATES – APPOINTMENTS

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We propose that you renew for a three (3) year term, the mandates of Messrs Regnier Haegelsteen, Alain Schockert, Pierre Paul De Schrevel, Patrick Keusters, Gautier Bataille de Longprey, Jan Longeval, Jean-Pierre de Buck van Overstraeten, Jean-Marie Laurent Josi and W. Invest SA/NV represented by Mr Gaëtan Waucquez.

We also invite you to vote on the appointment of a new independent director for a six (6) year term, namely Ms Marina Maes, residing at Potaardestraat 71, 9250 Waasmunster.

Finally, we propose to renew the mandate of our auditors, Klynveld Peat Marwick Goerdeler société civile, Prins Boudewijnlaan, 24d, 2550 Kontich, represented by Mr Peter Coox, company auditor, for a term of three (3) years.

In accordance with the applicable legal provisions, these proposals have been submitted to the National Bank of Belgium in advance for approval.

## 14. APPLICATION OF THE LAW OF 3 MAY 2002

AMENDING THE RULES ON THE INCOMPATIBILITY OF MANDATES APPLICABLE TO DIRECTORS OF CREDIT INSTITUTIONS AND INVESTMENT COMPANIES AND THE BANKING, FINANCE AND INSURANCE COMMISSION REGULATION OF 9 JULY 2002 IMPLEMENTING THIS LAW

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The list of external mandates held by senior managers of Bank Degroef and which are subject to publication, is available at [www.degroof.be](http://www.degroof.be).

Brussels, 13 December 2012.





# CONSOLI- DATED FINANCIAL STATEMENTS

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# CONSOLIDATED BALANCE SHEET

(in thousands of EUR)				
ASSETS	NOTES	30.09.2012	30.09.2011	30.09.2010
Cash and balances with central banks	7.1	183 300	833 099	284 963
Financial assets held for trading	7.2	89 584	117 299	108 459
Financial assets designated at fair value through profit or loss	7.3	1 138 872	1 205 494	1 046 951
Available-for-sale financial assets	7.4	1 258 552	841 697	973 035
Loans and advances to credit institutions	7.5	206 597	193 850	176 440
Loans and advances to customers	7.6	1 955 301	1 880 749	1 870 790
Financial assets held to maturity	7.7	249 738	62 401	136 392
Property and equipment	7.8	65 506	66 569	70 046
Goodwill and other intangible assets	7.9	101 036	60 137	62 793
Investments in entities accounted for using the equity method	7.10	0	31 200	40 624
Current tax assets		3 952	4 495	1 930
Deferred tax assets	7.19	9 952	13 408	9 998
Other assets	7.11	74 616	70 780	71 884
<b>Total assets</b>		<b>5 337 006</b>	<b>5 381 178</b>	<b>4 854 305</b>

(in thousands of EUR)

LIABILITIES AND EQUITY	NOTES	30.09.2012	30.09.2011	30.09.2010
<b>Liabilities</b>		<b>4 721 320</b>	<b>4 793 554</b>	<b>4 272 639</b>
Financial liabilities held for trading	7.12.a	117 228	125 629	177 924
Derivatives held for hedging purposes	7.12.b	0	1 990	0
Deposits from credit institutions	7.13	171 081	143 134	268 669
Deposits from customers	7.14	4 247 396	4 316 660	3 625 874
Debt securities	7.15	13 007	13 009	13 005
Subordinated liabilities	7.16	46 497	50 531	50 531
Provisions	7.17	4 904	4 054	3 537
Current tax liabilities		22 371	45 313	47 135
Deferred tax liabilities	7.19	10 926	9 690	10 997
Other liabilities	7.18	87 910	83 544	74 967
<b>Equity</b>		<b>615 686</b>	<b>587 624</b>	<b>581 666</b>
Issued capital	7.20	47 491	47 491	47 491
Share premiums	7.20	182 877	181 575	180 517
Reserves and retained earnings	7.20	321 458	293 225	265 905
Revaluation reserves	7.20	76 121	43 968	66 511
Treasury shares (-)	7.20	(68 232)	(47 232)	(47 091)
Net profit for the period	7.20	55 558	68 074	67 779
Minority interests		413	523	554
<b>Total liabilities and equity</b>		<b>5 337 006</b>	<b>5 381 178</b>	<b>4 854 305</b>

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		(in thousands of EUR)		
	NOTES	30.09.2012	30.09.2011	30.09.2010
Interest income	8.1	97 749	95 378	86 764
Interest expenses	8.1	(25 078)	(26 729)	(22 115)
Dividend income	8.2	9 070	10 664	11 361
Fee and commission income	8.3	312 383	309 648	260 593
Fee and commission expense	8.3	(118 813)	(116 269)	(84 787)
Net result on financial instruments held for trading	8.4	(10 408)	9 493	(17 225)
Net result on financial instruments designated at fair value through profit or loss	8.5	23 282	(8 528)	886
Net result on financial instruments not designated at fair value through profit or loss	8.6	11 857	9 570	8 862
Net result on hedge accounting	8.7	0	(51)	0
Other net operating results	8.8	7 352	6 530	4 381
Share in the results from entities accounted for using the equity method		0	(2 471)	(1 484)
<b>Net income</b>		<b>307 394</b>	<b>287 235</b>	<b>247 236</b>
Personnel expenses	8.9	(132 881)	(117 765)	(113 667)
General and administrative expenses	8.10	(59 914)	(54 824)	(45 404)
Depreciation and amortization	8.11	(8 812)	(8 886)	(9 248)
Impairments	8.12	(27 540)	(21 852)	(2 687)
<b>Profit before tax</b>		<b>78 247</b>	<b>83 908</b>	<b>76 230</b>
Income tax expense	8.13	(23 196)	(15 812)	(8 419)
<b>Net profit</b>		<b>55 051</b>	<b>68 096</b>	<b>67 811</b>
Fair value adjustments - Available-for-sale financial assets	8.14	31 377	(24 746)	19 540
Currency translation differences	8.14	881	2 205	3 236
Share of other comprehensive income of companies accounted for using the equity method	8.14	0	0	0
<b>Total other comprehensive income <sup>1</sup></b>		<b>32 258</b>	<b>(22 541)</b>	<b>22 776</b>
<b>Total comprehensive income</b>		<b>87 309</b>	<b>45 555</b>	<b>90 587</b>

<sup>1</sup> Unrealised profits and losses recorded directly in shareholders' equity, net of taxes.

		(in thousands of EUR)		
	NOTES	30.09.2012	30.09.2011	30.09.2010
<b>Net profit attributable to</b>		<b>55 051</b>	<b>68 096</b>	<b>67 811</b>
shareholders of the parent company		55 558	68 074	67 779
minority interests		(507)	22	32
<b>Total comprehensive income attributable to</b>		<b>87 309</b>	<b>45 555</b>	<b>90 587</b>
shareholders of the parent company		87 711	45 531	90 580
minority interests		(402)	24	7

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	CAPITAL	SHARE PREMIUMS	RESERVES AND RETAINED EARNINGS	REVALUATION RESERVES
Balance at 30.09.2009	47 051	173 474	286 243	43 988
Capital increase	440	6 579	0	0
Share option plans	0	1 040	0	0
Treasury shares transactions	0	(567)	0	0
Dividends	0	0	(38 910)	0
Change in minority interests	0	0	(11)	0
Prior period results	0	0	18 583	0
Net profit for the period	0	0	0	0
Fair value adjustments	0	0	0	19 573
Currency translation differences	0	0	0	0
Other variations	0	(9)	0	0
Balance at 30.09.2010	47 491	180 517	265 905	63 561
Capital increase	0	0	0	0
Share option plans	0	1 057	0	0
Treasury shares transactions	0	1	0	0
Dividends	0	0	(40 450)	0
Change in minority interests	0	0	(9)	0
Prior period results	0	0	67 779	0
Net profit for the period	0	0	0	0
Fair value adjustments	0	0	0	(24 744)
Currency translation differences	0	0	0	0
Other variations	0	0	0	0
Balance at 30.09.2011	47 491	181 575	293 225	38 817
Capital increase	0	0	0	0
Share option plans	0	1 302	0	0
Treasury shares transactions	0	0	0	0
Dividends	0	0	(39 841)	0
Change in minority interests	0	0	0	0
Prior period results	0	0	68 074	0
Net profit for the period	0	0	0	0
Fair value adjustments	0	0	0	31 376
Currency translation differences	0	0	0	0
Other variations	0	0	0	0
Balance at 30.09.2012	47 491	182 877	321 458	70 193



(in thousands of EUR)

CURRENCY TRANSLATION DIFFERENCES	TREASURY SHARES	NET PROFIT FOR THE PERIOD	EQUITY GROUP'S SHARE	MINORITY INTERESTS	TOTAL
(278)	(20 946)	18 583	548 115	(152)	547 963
0	0	0	7 019	0	7 019
0	0	0	1 040	0	1 040
0	(26 145)	0	(26 712)	0	(26 712)
0	0	0	(38 910)	(64)	(38 974)
0	0	0	(11)	763	752
0	0	(18 583)	0	0	0
0	0	67 779	67 779	32	67 811
0	0	0	19 573	(33)	19 540
3 228	0	0	3 228	8	3 236
0	0	0	(9)	0	(9)
2 950	(47 091)	67 779	581 112	554	581 666
0	0	0	0	0	0
0	0	0	1 057	0	1 057
0	(141)	0	(140)	0	(140)
0	0	0	(40 450)	(16)	(40 466)
0	0	0	(9)	(40)	(49)
0	0	(67 779)	0	0	0
0	0	68 074	68 074	22	68 096
0	0	0	(24 744)	(2)	(24 746)
2 201	0	0	2 201	4	2 205
0	0	0	0	1	1
5 151	(47 232)	68 074	587 101	523	587 624
0	0	0	0	0	0
0	0	0	1 302	0	1 302
0	(21 000)	0	(21 000)	0	(21 000)
0	0	0	(39 841)	(21)	(39 862)
0	0	0	0	313	313
0	0	(68 074)	0	0	0
0	0	55 558	55 558	(507)	55 051
0	0	0	31 376	1	31 377
777	0	0	777	104	881
0	0	0	0	0	0
5 928	(68 232)	55 558	615 273	413	615 686

# CONSOLIDATED CASH FLOW STATEMENT

		(in thousands of EUR)		
	NOTES	30.09.2012	30.09.2011	30.09.2010
<b>Net profit</b>		<b>55 051</b>	<b>68 096</b>	<b>67 811</b>
<b>Non-monetary items included in the net profit and other adjustments</b>		<b>34 204</b>	<b>35 167</b>	<b>22 417</b>
Taxes and deferred taxes	8.13	23 196	15 812	8 419
Income from associates, net of dividends received		0	2 471	1 484
Share-based payments		1 302	1 057	1 040
Unrealised foreign exchange gains or losses and currency translation differences		(91)	(7)	0
Impairment and depreciation/amortization of (in)tangible assets	7.8/7.9	8 873	16 676	9 504
Changes in provision	7.17	850	517	532
Net losses (profits) on investments		74	(1 360)	196
Other adjustments		0	1	1 242
<b>Change in assets and liabilities from operating activities</b>		<b>(532 204)</b>	<b>341 627</b>	<b>61 296</b>
Assets held for trading or designated at fair value		94 336	(167 343)	69 154
Loans and advances		(57 673)	(117 552)	230 083
Available-for-sale loans and securities		(496 576)	103 037	(353 491)
Other assets		(4 482)	9 694	(4 379)
Liabilities held for trading		(8 401)	(52 331)	71 182
Derivatives held for hedging purposes		(1 990)	1 990	0
Deposits from credit institutions		18 531	(116 340)	(126 449)
Deposits from customers		(364 414)	633 633	203 264
Debenture loan		(2)	4	0
Other liabilities		288 467	46 835	(28 068)
<b>Income taxes paid</b>		<b>(44 536)</b>	<b>(21 473)</b>	<b>(10 142)</b>
<b>Net cash flows from operating activities (A)</b>		<b>(487 485)</b>	<b>423 417</b>	<b>141 382</b>
Acquisition of subsidiaries, joint ventures and associates, net of cash acquired (including increase in percentage interest held)	6	4 110	0	0
Disposal of subsidiaries, joint ventures and associates, net of cash acquired (including decrease in percentage interest held)	6	0	0	0
Purchase of (in)tangible assets		(5 427)	(4 855)	(2 988)
Disposal of (in)tangible assets		557	2 914	335
Purchase of held to maturity investments		(69 372)	(18 475)	(12 439)
Income from the disposal or reimbursement of held to maturity investments		2 062	91 923	143 898
<b>Net cash flows from investing activities (B)</b>		<b>(68 070)</b>	<b>71 507</b>	<b>128 806</b>
Dividends paid		(39 862)	(40 466)	(38 973)
Purchase or sale of treasury shares		(21 000)	(140)	(26 712)
Proceeds from issuance or sale of subordinated debt	7.16	(4 000)	0	0
Proceeds from issuance of new shares		0	0	7 010
Other financing		0	(49)	(4)
<b>Net cash flows from financing activities (C)</b>		<b>(64 862)</b>	<b>(40 655)</b>	<b>(58 679)</b>
<b>Effect of exchange rate changes on cash and cash equivalents (D)</b>		<b>51</b>	<b>381</b>	<b>484</b>

(in thousands of EUR)

	NOTES	30.09.2012	30.09.2011	30.09.2010
Net increase/decrease of cash and cash equivalents (A + B + C + D)		(620 366)	454 650	211 993
Cash and cash equivalents at the beginning of the period		810 896	356 246	144 253
Cash and cash equivalents at the end of the period		190 530	810 896	356 246
<b>Supplementary information</b>				
Interest received		137 294	119 965	101 408
Dividends received		9 070	10 664	11 361
Interest paid		(78 310)	(71 907)	(38 212)
<b>Components of cash and cash equivalents</b>		<b>190 530</b>	<b>810 896</b>	<b>356 246</b>
Cash and balances with central banks	7.1	2 551	623 710	183 481
Current accounts and call money loans with credit institutions	7.5	180 695	121 140	133 565
Loans and advances to credit institutions	7.5	7 284	66 046	39 200
of which not available		0	0	0

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 1. GENERAL INFORMATION

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The Royal Decree of 5 December 2004 requires quoted and unquoted credit institutions and investment firms to prepare consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, for financial periods beginning on or after 1 January 2006. For this reason, the consolidated financial statements of Bank Degroof have been prepared in accordance with IFRS in force at 30 September 2012, as adopted by the European Union.

As Bank Degroof has no securities or borrowings that are traded, or are in the process of being offered, on a public securities market, IFRS 8 ('Operating segments') and IAS 33 ('Earnings per share') have not been applied. It is for this reason that Bank Degroof does not publicly announce interim results and, accordingly, has only a single reporting date, namely the annual year-end.

The consolidated financial statements are presented in thousands of euro, unless specifically stated otherwise.

Following the decision of the National Bank of Belgium to opt for the recording of financial instruments at their dirty price (i.e. including interest) in the balance sheet, the requirements for consolidated financial reporting defined by the Belgian supervisory authority ('FINREP') have been modified accordingly. As a result, accrued interest that is not overdue is recorded on a pro rata basis in the same balance sheet caption as the financial instruments.

Accordingly, Bank Degroof has decided to adopt the same approach for these consolidated financial statements and has, thus, recorded financial instruments in this manner in the balance sheet. For this reason, as from this financial year, the notes to the balance sheet have been modified in this respect, with a retroactive impact for the comparative financial data, with the result that accrued interest that is not overdue is no longer recorded in a separate line.

## 2. CHANGES IN ACCOUNTING POLICIES AND METHODS

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The following IFRS standards (revised or amended) and IFRIC interpretations are applicable for the first time during the current financial period:

- Revised IAS 24 'Related Party Disclosures';
- Various amendments 'Improvements to IFRS (2008-2010)';
- Amendment to IFRIC 14 'Prepayments of a Minimum Funding Requirement';
- Amendments to IFRS 7 'Financial Instruments Disclosures - Transfers of Financial Assets';
- Amendments to IFRS 1 'Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters'.

The application of these new standards has not had a significant impact on the result, the financial position, or on the presentation of the financial statements of Bank Degroof.

The amendments to IFRS 1 have not, as yet, been approved by the European Union, but they do not have an impact on the consolidated financial statements.

The standards, amendments of standards, and interpretations published by the IASB (International Accounting Standards Board) as at 30 September 2012 which become effective for future financial periods include:

- Amendments to IAS 12 ‘Deferred tax: Recovery of Underlying Assets’ applicable for financial periods beginning on or after 1 January 2012;
- Amendments to IAS 1 ‘Presentation of Items of Other Comprehensive Income’ applicable for financial periods beginning on or after 1 July 2012;
- Amendments to IAS 19 ‘Employee Benefits’ applicable for financial periods beginning on or after 1 January 2013;
- IFRS 9 ‘Financial Instruments’ applicable for financial periods beginning on or after 1 January 2015;
- IFRS 10 ‘Consolidated Financial Statements’ applicable for financial periods beginning on or after 1 January 2013;
- IFRS 11 ‘Joint Arrangements’ applicable for financial periods beginning on or after 1 January 2013;
- IFRS 12 ‘Disclosures of Interests in Other Entities’ applicable for financial periods beginning on or after 1 January 2013;
- IAS 27 (revised) ‘Separate Financial Statements’ applicable for financial periods beginning on or after 1 January 2013;
- IAS 28 (revised) ‘Investments in Associates and Joint Ventures’ applicable for financial periods beginning on or after 1 January 2013;
- IFRS 13 ‘Fair Value Measurement’ applicable for financial periods beginning on or after 1 January 2013;
- IFRIC 20 ‘Stripping Costs in the Production Phase of a Surface Mine’ applicable for financial periods beginning on or after 1 January 2013;
- Amendments to IFRS 7 ‘Financial Instruments Disclosures - Offsetting Financial Assets and Financial Liabilities’ applicable for financial periods beginning on or after 1 January 2013;
- Amendments to IAS 32 ‘Financial Instruments Presentation - Offsetting Financial Assets and Financial Liabilities’ applicable for financial periods beginning on or after 1 January 2014;
- Amendments to IFRS 1 ‘Government Loans’ applicable for financial periods beginning on or after 1 January 2013;
- Various amendments ‘Improvements to IFRS (2009-2011)’ applicable for financial periods beginning on or after 1 January 2013;
- Amendments to IFRS 10, IFRS 11, and IFRS 12 ‘Transition Guidance’ applicable for financial periods beginning on or after 1 January 2013.

With the exception of IFRS 9 and the amendments to IAS 19, the Bank will apply the standards and interpretations set out above when they become applicable and does not expect that their application will give rise to a significant impact.

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As regards IFRS 9 which introduces new requirements related to the classification and valuation of financial assets, its implementation could give rise, depending on the choices made, to a change in the location where profits and losses are recorded (results or shareholders' equity). Other financial impacts should not be significant. No decision has been taken as to the date on which the standard will be adopted.

In respect of the amendments to IAS 19, the objective of which is to remedy certain existing provisions relating to defined benefit plans, in view of their effective date (Bank Degroef will adopt them during the year ending 30 September 2014), the analysis of the impact of the amendments on the result and financial position of Bank Degroef will be performed at a later date.

With the exception of the amendments to IAS 1 and IAS 19, all other modifications or revisions of standards, various amendments or interpretations have not been adopted by the European Union to date. It should be noted that the Accounting Regulatory Committee<sup>1</sup> (ARC) has proposed that the applicability dates for IFRS 10, IFRS 11, IFRS 12, IAS 27 (revised) and IAS 28 (revised) be deferred until 1 January 2014.

### 3. SUMMARY OF ACCOUNTING POLICIES AND METHODS

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In the accounting policies and methods set out below, the term "gains and losses recognized in equity" relates to those gains and losses that should specifically be recorded in other comprehensive income in accordance with IFRS.

#### 3.1 Consolidation principles

##### SCOPE OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the parent company and those of its subsidiaries that exceed a materiality threshold. Subsidiaries are any entities that are controlled by Bank Degroef (i.e. entities in which the Bank holds, directly or indirectly, the power to manage the financial and operating activities in order to obtain benefits from these activities). The materiality threshold is based on an analysis of various criteria, including the group's share of consolidated shareholders' equity, the group's share of the consolidated result and the group's share of the total consolidated assets.

Subsidiaries are fully consolidated as from the date on which effective control passes to Bank Degroef. They are de-consolidated from the date such control ceases. The accounts of the parent company and its subsidiaries are prepared as at the same date using similar accounting policies, with adjustments being recorded if necessary. Intra-group balances, transactions, income and charges are eliminated. Minority interests are presented separately in the consolidated results and within shareholders' equity in the consolidated balance sheet.

##### JOINT VENTURES

Joint ventures are those entities in which Bank Degroef holds either direct or indirect joint control, i.e. no strategic, financial and operating decision can be taken without the unanimous agreement of the parties sharing control.

<sup>1</sup> The role of the Committee is to provide regulatory advice in respect of proposals of the European Commission on adopting international accounting standards.

Where such joint ventures exceed the materiality threshold, they are accounted for under the equity method as from the date on which joint control commences until the date on which joint control ceases. The materiality threshold is based on an analysis of various criteria, including the group's share of consolidated equity, the group's share of the consolidated result and the group's share of the total consolidated assets.

The accounts of the joint ventures are prepared as at the same date and using similar accounting policies to those used by the parent company of the group, with adjustments being recorded if necessary.

### ASSOCIATES

Associates are those entities over which Bank Degroof has significant influence (i.e. the power to take part in financial and operating policy decisions, but not (joint) control over these policies).

Where associates exceed the materiality threshold, they are accounted for under the equity method as from the date that significant influence commences until the date on which significant influence ceases. The materiality threshold is based on an analysis of various criteria, including the group's share of the consolidated shareholders' equity, the group's share of the consolidated result and the group's share of the total consolidated assets.

The financial statements of the associate are prepared as at the same date and using similar accounting policies as applied by the parent company of the group, with adjustments being recorded if necessary.

## 3.2 Translation of foreign currencies

### CONVERSION OF ACCOUNTS IN FOREIGN CURRENCIES

On consolidation, the balance sheets of entities having a functional currency different from that of Bank Degroof (EUR) are translated at the exchange rate prevailing at the year-end. The income statements and the cash flow statements for the same entities are translated at the average exchange rate for the financial period. Exchange differences arising on translation are recorded in shareholders' equity.

Goodwill and fair value adjustments arising from the acquisition of foreign entities are considered to be the assets and liabilities of the acquired entity and are, therefore, translated at the exchange rate prevailing at the year-end. Exchange differences arising on translation are recorded in shareholders' equity.

In the event of the disposal of the above-mentioned entities, the exchange differences previously recorded in shareholders' equity are included in the calculation of the gain or loss arising on the disposal, and are recorded in the income statement.

### TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies recorded in the stand-alone financial statements of Bank Degroof entities are accounted for at the exchange rate prevailing on the transaction date.

Monetary assets and liabilities are translated at the exchange rate prevailing at the year-end, giving rise to a translation difference that is recorded in the income statement.

Non-monetary items valued at fair value are translated at the exchange rate prevailing at the year-end. Exchange differences arising on translation are recorded either in shareholders' equity or in the income statement depending on the accounting treatment of the item in question.

Other non-monetary items are valued at historic exchange rates (i.e. the exchange rate prevailing on the transaction date).

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## 3.3 Financial instruments

### 3.3.1 Recognition date for financial instruments

All derivatives and all purchases and sales of securities under contracts which require the delivery of the securities by a deadline defined by regulation or by market convention, are recognized on the transaction date. Receivables and deposits are recognized on the settlement date.

### 3.3.2 Offsetting

Financial assets and liabilities are offset when, and only when, Bank Degroof has a legally enforceable right to offset the amounts in question, and if it intends to settle on a net basis or to realize the asset and to settle the liability simultaneously.

### 3.3.3 Financial assets and liabilities held for trading

Financial assets or liabilities held for trading are financial assets or liabilities acquired or assumed mainly with a view to a sale or repurchase in the short term, or which form part of a portfolio of financial instruments which are managed together and which present indications of a recent short-term profit-taking profile.

Such assets and liabilities are initially recognized at fair value (excluding transaction costs that are charged directly to income) and are subsequently measured at fair value. Changes in fair value are recorded in the income statement under 'net result on financial instruments held for trading'. Interest received or paid on non-derivative instruments is recorded under 'interest income' or 'interest expenses'. Dividends received are recorded under 'dividend income'.

All derivative financial instruments having a positive (negative) replacement value are considered as financial assets (liabilities) held for trading, with the exception of derivatives that qualify as hedging instruments. Derivatives held for trading are initially recognized at fair value, and are subsequently measured at fair value. Changes in fair value, including accrued interest, are recorded under 'net result on financial instruments held for trading'.

### 3.3.4 Financial assets and liabilities designated at fair value through profit or loss

The designation of financial assets and liabilities at fair value through profit or loss (or fair value option) is made at the time of the initial recognition of the financial instrument, with due respect for the following criteria:

- the designation eliminates, or significantly reduces, an inconsistency in the measurement or recognition (sometimes referred to as 'an accounting mismatch') that would otherwise arise if such a designation had not been made; or
- a group of financial assets, financial liabilities, or both is managed, and its performance is evaluated, on a fair value basis in accordance with an appropriately documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative that is not closely related to it.

The choice of the fair value option cannot be reversed once the asset or liability has been recognized in the balance sheet. The same measurement rules apply to this category of assets and liabilities as those that apply to the 'financial assets and liabilities held for trading' category.

Financial assets and liabilities designated at fair value through profit and loss are valued in the same manner as financial assets and liabilities held for trading. The same headings as those defined for financial assets or liabilities held for trading are used for recording interest and dividends. Changes in fair value are, however, recorded under 'net result on financial instruments designated at fair value through profit or loss'.



### 3.3.5 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at fair value (including transaction costs if they are significant), and are subsequently measured at amortized cost using the effective interest method corrected for any impairment losses. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period in order to obtain the net carrying amount of the financial asset or financial liability.

The amortized cost calculated using the effective interest method includes all fees and points paid or received, as well as commissions and transaction costs that are an integral part of the effective interest rate, if they are significant. Amortization under the effective interest method is recorded in the income statement under 'interest income'. Impairments are recorded in the income statement under 'impairments'. Loans and receivables consist principally of interbank and client loans and receivables.

### 3.3.6 Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Bank Degroof has the positive intent and ability to hold to maturity. Held-to-maturity financial assets are recognized initially at fair value (including transaction costs if they are significant), and subsequently at amortized cost using the effective interest method, less any impairment losses.

Amortization under the effective interest method is recorded in the income statement under 'interest income'. Impairments are recorded in the income statement under 'impairments'.

### 3.3.7 Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in one of the above-mentioned categories. These assets are recognized initially at fair value (including transaction costs if they are significant), and are subsequently measured at fair value. All fluctuations in fair value are recorded under a specific caption in shareholders' equity. Upon the derecognition of the asset, or the recognition of an impairment loss, the cumulative gain or loss previously recorded in shareholders' equity are recorded in the income statement under 'net result on financial instruments not designated at fair value through profit or loss', or in the case of impairment, under 'impairments'.

Income from interest-bearing instruments accounted for under the effective interest method, is recorded under 'interest income'. Dividends received are recorded under 'dividend income'.

The available-for-sale financial assets comprise primarily fixed income or variable income securities which are not part of financial assets held for trading designated at fair value through profit or loss, financial assets held to maturity, or loans and receivables.

### 3.3.8 Other financial liabilities

Other financial liabilities comprise all other subordinated and unsubordinated financial debts (except derivatives) that are not classified as held for trading or as designated at fair value through profit or loss.

Other financial liabilities are recognized initially at fair value (plus transaction costs, if significant), and subsequently at amortized cost using the effective interest method. Accrued interest (including any difference between the redemption amount and the net amount received) are recorded, using the effective interest method, in the income statement under 'interest expenses'.

### 3.3.9 Fair value of financial instruments

The fair value is the amount for which an asset may be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to quoted prices on an active market (quotations established by a stock exchange, broker, or any other source recognized by investors). Where no market exists or market prices are not available, valuation techniques are used. Such techniques make maximum use of market inputs, of currently used calculation methods, as well as a series of other factors including time value and credit and liquidity risk. The fair value estimated in this manner is affected by the data used. Valuation techniques include, in particular, discounted cash flow analysis, reference to the current fair value of another instrument that is substantially the same, option pricing models, and other appropriate valuation models.

At the time of initial recognition, the value of a financial instrument is the transaction price (i.e. the fair value of the consideration given or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument, or based on a valuation technique the variables of which only include data from observable markets. In the rare cases where the fair value cannot be reliably determined, the financial instrument will be valued at cost.

In determining the fair value of financial instruments, the Bank uses mainly the following valuation techniques:

#### ACTIVE MARKET

The financial instruments are valued at fair value by reference to the prices quoted on an active market if such prices are readily available. Quoted securities and derivatives on organized markets (futures and options) are valued in this way.

For over the counter derivatives, interest rate swaps, options and foreign exchange contracts, the valuation is calculated using widely recognized models (discounted cash flow analysis, Black and Scholes model, etc.) which apply observable market data.

For valuations using 'mid-market' prices as a basis for establishing fair values, a price adjustment is applied, by risk position, to the net open position using the bid or asking price as appropriate.

#### ABSENCE OF ACTIVE MARKET

Most derivatives are traded on active markets. Where the price of a transaction on an inactive market does not correspond to the fair value of other observable current market transactions in the same instrument or the valuation obtained using an internal model based on observable market data, the difference is recorded directly in the income statement.

Where, however, this difference (commonly known as 'Day 1 profit and loss') is generated by a valuation model whose parameters are not all based on observable market data, it is recorded in the income statement over the life of the transaction, or deferred until the date on which the instrument is derecognized. In all cases, any unrecognized differences are immediately recorded in the income statement if parameters that were not originally observable later become so, or where the fair value

can be determined by reference to a price quoted on an active market involving the same instrument. For all transactions, the appropriate method for recording the difference in the income statement is determined on a case by case basis.

### **ABSENCE OF ACTIVE MARKET – EQUITY INSTRUMENTS (UNQUOTED SHARES)**

In the absence of any trading price recently realized under normal market conditions, the fair value of the unquoted shares is estimated using recognized valuation techniques such as discounted cash flow analysis, applying stock market multiples for comparable companies, and the net asset value method. The carrying amount of short term financial instruments corresponds to a reasonable approximation of their fair value.

#### **3.3.10 Embedded derivatives**

An embedded derivative is defined as a component of a composite (hybrid) instrument which includes both a derivative financial instrument and a non-derivative host contract.

An embedded derivative should be separated from the host contract and accounted for as a derivative when:

- the economic risks and characteristics of the embedded derivative are not closely related to those of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative;
- the hybrid (composite) instrument is not held for trading.

This (embedded) derivative is valued at fair value through profit or loss in the same manner as a stand-alone derivative. The host contract is accounted for and valued according to the principles governing the category to which it belongs.

In so far as the separation of the embedded derivative is permitted (see above), the entire hybrid contract can be designated as a financial asset or liability at fair value through profit or loss. If, however, it is not possible to separately value the embedded derivative, the entire hybrid contract must be designated as a financial asset or liability at fair value through profit or loss.

#### **3.3.11 Derecognition of financial instruments**

A financial asset is derecognized when:

- the contractual rights to the cash flows attached to the financial asset expire; or
- the Bank has transferred almost all risks and rewards attached to the ownership of this financial asset. If the Bank neither transfers nor keeps substantially all the risks and rewards attached to the ownership of the financial asset, it is derecognized when control of the financial asset is not retained. In the contrary case, the Bank maintains the financial asset on the balance sheet to the extent that it continues to be involved with the asset.

A financial liability is derecognized if the liability has expired, i.e. when the obligation set out in the contract is cancelled or expires.

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## 3.4 Hedge accounting

Hedging aims to reduce or eliminate exposure to fluctuations in exchange rates, interest rates or prices through the use of derivative or non-derivative financial instruments. For an instrument to qualify as hedge accounting, and in order to establish the relationship between the hedging instrument and the hedged item, the following conditions need to be met:

- formal documentation of the hedging instrument and the hedged item or transaction to be covered, describing the hedging relationship, the strategy and the nature of the hedged risk and how the effectiveness of the hedging relationship will be assessed;
- demonstrating that the hedge will be highly effective in offsetting the changes in fair value or cash flows attributable to the hedged risk, at inception and during subsequent periods;
- the effectiveness of the hedge can be reliably measured; and
- assessing the effectiveness of the hedge on an on-going basis (retrospective and prospective effectiveness tests) at least at each financial year-end until the maturity of the hedge.

The accounting treatment of hedging instruments depends on which of the following categories they are classified under:

### FAIR VALUE HEDGE

Changes in the fair value of the derivative or of the non-derivative hedging instrument designated and qualifying as a fair value hedge are recorded in the income statement under the heading 'net income of hedge accounting' together with the changes in fair value of the hedged assets or liabilities attributable to the hedged risk. Where the hedge no longer satisfies the conditions for hedge accounting, the accumulated adjustment recorded in the balance sheet in respect of the hedged item, in the case of an interest-bearing financial instrument, is amortized over the residual life of the hedged item in the form of an adjustment to the effective interest rate. If the interest rate risk on a portfolio of instruments is hedged, the adjustment is amortized on a straight-line basis. In the case of a non-interest bearing financial instrument, the accumulated adjustment on the hedged item is recorded in the income statement only upon maturity (or derecognition) of the hedged item.

### CASH FLOW HEDGES

The effective part of changes in the fair value of derivatives designated and qualifying as cash flow hedges is deferred in shareholders' equity under 'revaluation reserves'. The ineffective part of changes in the fair value is recorded directly in the income statement. Gains and losses previously recorded in equity are transferred to the income statement and recognized in income or expense over the period during which the hedged instrument impacts the result. If the hedging relationship is broken or if the hedge no longer meets the conditions for hedge accounting, the accumulated amounts recorded in shareholders' equity are maintained in shareholders' equity until the forecast transaction impacts on the income statement. Once it is foreseen that the forecast transaction will no longer take place, these amounts are immediately recorded in the income statement.

### HEDGE OF A NET INVESTMENT IN A FOREIGN ENTITY

The hedging of a net investment in a foreign entity is accounted in the same manner as cash flow hedges. Gains and losses recorded in shareholders' equity are recorded in the income statement at the time of disposal or liquidation of the foreign entity.

### 3.5 Leasing contracts

A leasing contract qualifies as a finance lease when the contract transfers substantially all of the risks and rewards of ownership of the asset. An operating lease is any leasing contract other than a finance lease.

#### A GROUP ENTITY AS THE LESSEE IN A LEASE CONTRACT

For operating leases, the leased asset is not recognized in the balance sheet and the lease rental payments are recorded in the income statement on a straight-line basis over the life of the lease contract. For finance leases, the leased asset is capitalized and accounted for at the lower of its fair value or the present value of the minimum contractual lease payments. The asset is depreciated using the same depreciation rates as for assets of a similar nature, over the shorter of the contract period and its useful life. The related debt is recognized in liabilities as a financial debt. The financial expense is recognized in the income statement over the period covered by the lease contract so as to obtain a constant periodic interest rate on the remaining balance of the liability.

#### A GROUP ENTITY AS THE LESSOR

Assets leased under an operating lease contract are accounted for in the balance sheet as fixed assets and depreciated using the same depreciation rates as for assets of a similar nature. The lease revenues are recorded in income on a straight-line basis over the life of the lease contract.

For finance leases, the present value of the minimum payments plus, where applicable, the residual value of the asset, is recognized as a receivable and not as a fixed asset. The financial income from the finance lease is spread over the life of the contract based on a table reflecting a constant rate of return on the net-investment in the contract.

### 3.6 Property and equipment (including investment property)

Property and equipment are recorded at acquisition cost (including directly attributable expenses) less accumulated depreciation and any impairment losses. Bank Degroof applies the component method of fixed asset accounting (mainly for buildings) and the depreciable amount of an asset is determined after deduction of its residual value. Depreciation is calculated on a straight-line basis, according to the useful lives of the assets concerned.

The useful lives applied are:

NATURE OF THE FIXED ASSET OR COMPONENT	USEFUL LIFE
Land	Infinite
Buildings	40 to 50 years
Technical equipment	10 years
General equipment	20 years
Finishing	5 to 10 years
IT/telecom equipment	4 years
Miscellaneous equipment	5 years
Office furniture	10 years
Vehicles	4 years

Land and works of art have an indefinite useful life and are, therefore, not depreciated, but can be subject to impairment losses.

At each financial year-end, where an indication of any kind exists that a tangible asset might have suffered impairment, an impairment test (comparing the net carrying amount of the asset with its recoverable amount) is performed. An impairment loss is recorded when the carrying amount of the fixed asset is higher than its estimated recoverable amount.

The useful lives and residual amounts of tangible fixed assets are reviewed at each financial year-end.

Investment properties are properties held to earn rentals and/or for capital appreciation. Where the part of a property used by the bank for its own account can be disposed of separately or leased via a finance lease, this part is accounted for as a tangible fixed asset. Otherwise the property is regarded as an investment property if the part used by the bank for its own account represents only an insignificant part of the total investment.

### 3.7 Intangible assets

An intangible asset is an identifiable non-monetary asset that has no physical substance. Such an asset is recorded initially at cost if it is deemed that it will produce future economic benefits and if the acquisition cost of this asset can be reliably determined.

Intangible assets consist mainly of software acquired or developed internally as well as business activities ('fonds de commerce') which have been purchased, or acquired in the context of business combinations.

Purchased software is amortized on a straight-line basis, depending on its nature, over useful lives of three to five years, as from the time it becomes usable. Software maintenance costs are charged to the income statement as incurred. Expenditure to improve the quality of the software or which helps extend its useful life is, however, added to the initial acquisition cost. Development costs of internally-generated software are amortized on a straight-line basis over the period during which the group expects to benefit from the asset. Research costs are expensed directly as incurred.

Business activities ('fonds de commerce') are amortized on a straight-line basis over their expected useful lives. These useful lives generally do not exceed 20 years. At each financial year-end, where there is an indication that an intangible asset might have suffered impairment, an impairment test (comparing the net carrying amount of the asset with its recoverable amount) is performed. An impairment loss is recognized when the carrying amount of the asset is higher than its estimated recoverable amount.

Intangible assets are recorded at cost less accumulated amortization and impairment losses. The useful lives and residual values of intangible fixed assets are reviewed at each financial year-end.

#### GOODWILL

Goodwill arises when a subsidiary, joint venture or associate is acquired. Goodwill represents the difference between the acquisition cost (including costs directly attributable to business combinations) and the (IFRS-restated) equity of the acquired entities, i.e. after recognizing at fair value (via shareholders' equity) all identifiable assets and liabilities in accordance with IFRS. Where the difference is positive, it is recorded in the balance sheet as an intangible asset. Where it is negative, it is credited to the income statement after verifying the valuation of all identifiable assets and liabilities. Subsequently, each recorded element will be valued using the same accounting policies applied to assets of a similar nature.

After initial recognition, positive goodwill is valued at cost, less accumulated impairment losses. Goodwill is not amortized, but is tested annually for impairment, or more often if events or changes in circumstance indicate that it may have suffered impairment. In order to test for impairment, and given that goodwill does not generate independent cash flows, the impairment test is applied to each cash generating unit which expects to benefit from the synergies resulting from the business combination. The cash generating units can be a legal entity or a sector of activity, determined based on geographic criteria or a mixture of above-mentioned elements.

A change in the percentage holding in a subsidiary (i.e. an entity already controlled by Bank Degroof) is, however, considered as a transaction between shareholders. As a result, if the transaction does not result in a change in consolidation method, no adjustment is recorded and the difference between the acquisition or sales price and the carrying amount of the equity acquired or disposed is recorded directly in shareholders' equity.

When a business combination takes place in stages, goodwill is calculated after having revalued the shares previously held in the acquired company to their fair value at the date of the additional acquisition. Any profit or loss generated by this revaluation is accounted for in the income statement.

### 3.8 Other assets

Other assets comprise primarily income receivable (excluding interest), deferred charges and other debtors. Also included in this balance are amounts receivable from employees and any excess in the fair value of pension plan assets over the current value of the defined benefit obligation (accounted for in accordance with IAS 19).

### 3.9 Impairments

An impairment loss is recorded whenever the carrying value of an asset (net of any depreciation/amortization) is higher than its recoverable amount.

At each financial year-end, Bank Degroof assesses whether there is any indication (i.e. a loss-generating event) that an asset may have lost value. Where such an indication exists, an impairment test is carried out and, where appropriate, an impairment loss is recorded through the income statement. Even where no objective indication exists of impairment, such an examination is carried out, at least every year at the same date, in respect of intangible assets with indefinite useful lives and of goodwill.

## FINANCIAL ASSETS

Impairment is recorded on financial assets or groups of financial assets whenever an objective evidence exists of measurable impairment resulting from one or more events occurring since the initial recording of the asset or group of assets and whenever this loss-generating event has had an impact on the future estimated cash flows of this asset or group of assets.

The following indications, among others, are viewed as objective evidence of impairment:

- significant financial difficulties of the issuer;
- breach of contract such as a default or delay in the payment of interest or principal;
- the granting of facilities to the borrower for legal or economic reasons linked to its financial difficulties;
- strong probability of bankruptcy or financial restructuring;
- disappearance of an active market for this particular asset (as a result of financial difficulties);
- other observable data linked to a group of assets, such as an unfavourable change in the repayment behaviour of borrowers in the group or an unfavourable change in a sector of activity that affects the group's borrowers;
- major or prolonged decline in the fair value of an equity instrument below its cost.

The analysis of the existence of any impairment is undertaken on an individual basis. The collective assessment (portfolio approach) of impairment is not appropriate to Bank Degroof's credit activities. Impairment on financial assets recognized at amortized cost corresponds to the difference between their carrying amount and the value of estimated cash flows, discounted at the original effective interest rate. Where the discount effect is negligible, it is ignored. Impairment losses are recognized in the

income statement under 'impairments', with an off-setting entry to an allowance account, in respect of the carrying amount of the impaired financial assets. If an event subsequent to the recording of the impairment indicates that the impairment loss no longer exists, or only partially exists, the previously recorded impairment loss is reversed through the 'impairments' heading of the income statement. Once an impairment loss has been recorded on an asset, interest income is recognized based on the interest rate used for discounting the future cash flows.

The recoverable amount of available-for-sale financial assets is generally based on quoted market prices or, where these are not available, on the expected cash flows discounted at the current market interest rate for a similar asset. When an objective indication of impairment exists, the accumulated loss recorded directly in shareholders' equity is removed from shareholders' equity and recorded in the income statement under 'impairments'.

Where the fair value of a fixed income security on which an impairment loss has been recognized later appreciates as the result of an event subsequent to the impairment, the impairment loss is reversed through the income statement under 'impairments'. Any subsequent recovery in the fair value of an equity instrument is, however, recorded directly in shareholders' equity.

## OTHER ASSETS

The recoverable amount of a non-financial asset is the greater of its fair value less costs to sell, and its value in use. The fair value less costs to sell corresponds to the amount that can be realized from the sale of an asset under normal market conditions between informed and consenting parties, after deduction of the disposal costs. The value in use of an asset is the net present value of the future cash flows expected to be derived from this asset.

When it is not possible to estimate the recoverable amount of an individual asset, the asset is attached to a cash generating unit (CGU) to determine any impairment losses at this level of aggregation.

An impairment loss is recorded directly in the income statement under 'impairments'. When an asset has been revalued, the impairment loss is recorded as a reduction of the revaluation. The impairment loss of a CGU is allocated so as to reduce the carrying value of the assets of this unit in the following order:

- firstly, to the goodwill associated with the CGU;
- subsequently, to the other assets of the CGU pro rata to the carrying amount of each of the CGU's assets.

An impairment loss recognized during a previous financial year is reversed whenever there has been a favorable change in the estimates used for determining the recoverable amount of the asset since an impairment loss was last recognized. In such cases, the carrying amount of the asset needs to be increased up to its recoverable amount, without exceeding the carrying amount of the asset prior to the impairment loss, i.e. after the application of normal depreciation/amortization rates.

An impairment loss on goodwill cannot be subsequently reversed.



### 3.10 Provisions

A provision is recorded when:

- Bank Degroof has a present legal or constructive obligation resulting from a past event;
- it is probable that an outflow of economic benefits will be required to settle the obligation;
- the amount of the obligation can be reliably estimated.

When the effect of the time value of money is material, the provision is recorded at its present value.

### 3.11 Tax

#### CURRENT TAX

Tax assets and liabilities payable correspond to the amounts actually payable or recoverable, determined on the basis of the prevailing tax regulations and rates applicable in each country in which the group has companies at the financial year-end, as well as to prior period tax adjustments.

#### DEFERRED TAXES

Deferred tax is recognized whenever a temporary difference exists between the fiscal value of the assets and liabilities and their carrying amount. Deferred tax is recognized using the liability method which consists of calculating, at each financial year-end, deferred tax based on the current tax rates or the rates that will prevail (where known) at the time that the temporary differences reverse.

Deferred tax liabilities are recorded for all taxable temporary differences, with the exception of those:

- generated by the initial recognition of goodwill;
- linked to the initial recognition of an asset or a liability in a transaction that is not a business combination and that affects neither the accounting profit nor the taxable profit;
- associated with investments in subsidiaries, associates and joint ventures to the extent that the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized in respect of all tax-deductible temporary differences, tax losses carried forward and unused tax credits to the extent that it is probable that a future taxable profit will be available against which the differences can be utilized, except where the deductible temporary difference:

- is generated by the recognition of an asset or a liability in a transaction that is not a business combination and that affects neither the accounting profit nor the taxable profit; or
- relates to the investments in subsidiaries, associates and joint ventures to the extent that this difference will not reverse in the foreseeable future.

Current tax payable and deferred taxes are recorded in the income statement as tax charges or income, except where they are linked to items recorded in shareholders' equity (revaluation to fair value of available-for-sale assets and derivatives designated as cash flow hedges), in which case they are recorded in shareholders' equity and subsequently recognized in income pro rata with the realized capital gains or losses.

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## 3.12 Employee benefits

### COMMITMENTS RELATED TO PENSION SCHEMES

Bank Degroof offers various pension schemes, both defined contribution and defined benefit, while respecting national regulations and practice in the sector. For the defined contribution schemes, where the Bank's commitment consists of paying the premiums, this amount is recorded as an expense for the year. Defined benefit schemes are plans where the Bank is required to pay supplementary contributions to the schemes in the event that the latter have insufficient assets to meet the current and past service obligations to employees. For these schemes, the charge to the income statement is determined using the projected unit credit method in such a way as to spread the cost of the future pension over the employee's expected working life. Any obligation of the Bank over and above the assets held by the schemes is recorded as a liability on the balance sheet. All calculations are performed by an independent actuary.

The Bank uses the so-called 'corridor' approach to account for the actuarial gains and losses identified during such calculations. This approach allows the Bank to recognize as expense only that part of the actuarial gains and losses that exceeds the 'corridor' over the residual average period of service of its employees. The part that exceeds the corridor is defined as the higher of 10% of the current value of the gross obligation and 10% of the fair value of the scheme assets.

### OTHER POST-EMPLOYMENT COMMITMENTS

Certain group companies offer to assume all or part of the cost of a 'medical care' insurance policy for employees under contract to the company at the time of their retirement. The group's estimated commitment is accumulated as a liability over the employees' years of service and is determined in a manner similar to that used for defined benefit pension schemes. The relevant calculations are also performed by an independent actuary.

### SHARE-BASED PAYMENT TRANSACTIONS

Share options are granted to senior management and certain employees. The cost of services rendered is determined by reference to the fair value of the share options and is recognized progressively over the vesting period of the rights corresponding to the period of services rendered. The fair value of options is calculated using Black and Scholes valuation techniques.

In the case of equity-settled plans, the fair value used is that defined at the time of final acceptance by the beneficiaries. The number of options is, however, updated to reflect only those that will probably be exercised. In accordance with IFRS 2, only share option plans making provision for settlement in shares issued after 7 November 2002 are taken into account. The resulting charge is recorded in the income statement with an off-setting entry to shareholders' equity.

For cash-settled plans, the fair value is recalculated at each financial year-end in the light of market data and the number of options exercisable. The charge resulting from this revaluation is recorded in the income statement with an off-setting entry to liabilities.

### 3.13 Other liabilities

Other liabilities include, in particular, short term employee benefits, amounts recorded in relation to pension schemes and other long term employee benefits. The balance also includes dividends payable, charges payable (excluding interest), deferred income and other debts.

### 3.14 Shareholders' equity

#### CAPITAL ISSUE COSTS

The costs of issuing new shares not linked to a business combination are deducted from shareholders' equity, net of any related tax.

#### DIVIDENDS

Dividends on shares for the period are not deducted from shareholders' equity at the financial year-end. Details of the amount of the dividend proposed to the general meeting are provided in the section on post balance sheet events.

#### TREASURY SHARES

Whenever Bank Degroof or one of its subsidiaries purchases treasury shares, the acquisition price is deducted directly from shareholders' equity. Results generated on the sale of treasury shares are also recorded directly in shareholders' equity.

Dividends on treasury shares held by the Bank or its subsidiaries are eliminated and are therefore not included in the total amount of the proposed distribution.

#### OTHER COMPONENTS

Other elements that influence equity including, among others, the treatment of option plans on treasury shares, the revaluation of certain financial instruments to fair value, transactions between shareholders, the impact of foreign currencies and consolidation entries, are explained above under the appropriate headings.

### 3.15 Interest income and charges

Interest income and charges are recorded in the income statement on all interest-bearing instruments using the effective interest method. The effective interest rate is the rate that discounts estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period to obtain the net carrying amount of the financial asset or financial liability. The calculation of this rate includes all related fees and points paid or received that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Transaction costs are additional costs directly linked to the acquisition, issue or sale of a financial instrument.

Once the value of a financial asset has been reduced due to an impairment loss, the interest income continues to be recorded at the interest rate used for discounting future cash flows to determine the recoverable amount.

Interest charges and income from derivatives held for trading are recorded under the same heading ('net result on financial instruments held for trading') as movements in fair value.

Accrued interest is recorded in the balance sheet on the same account as the corresponding financial asset or liability.

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### 3.16 Dividends

Dividends are recorded once the shareholder's right to receive payment is established.

### 3.17 Fees and commissions

Bank Degroof recognizes in income fees and commissions received in respect of the various services rendered to its clients. The method of accounting for these fees and commissions depends on the nature of the services.

Commissions forming an integral part of the effective interest rate of a financial instrument are generally taken into account when determining this rate. This relates in particular to commissions for the granting of loans and for opening lines of credit.

Commissions for services provided over a specified period are recognized as and when the service is rendered, or on a straight-line basis over the duration of the commission-generating transaction. This applies to management, administration, financial servicing, custody and other service fees.

Commitment fees on credit lines, if they are significant and if the customer is expected to draw down, are deferred and accounted for as an adjustment to the effective interest rate on the loan. Otherwise they are recognized on a pro rata basis over the life of the commitment.

Fees linked to a major undertaking, such as intermediary services, placement, performance and brokerage, are deferred and recorded at the time of execution of the undertaking.

### 3.18 Result on the revaluation or disposal of financial instruments

Results on operations for trading purposes include all gains and losses from changes in the fair value of financial assets and liabilities held for trading, as well as interest income and charges on derivatives not qualified as hedging instruments and any ineffectiveness observed in a hedging relationship.

(Un)realized gains and losses (excluding accrued interest and dividends) on financial instruments designated at fair value through profit or loss are recorded in the revaluation results relating to these instruments.

Gains and losses on the sale or disposal of financial instruments that are not designated at fair value through profit or loss, or are held for trading, are recorded under 'net result on financial instruments not measured at fair value through profit or loss'.

### 3.19 Cash and cash equivalents

The term 'cash and cash equivalents' covers cash, balances available with central banks, current accounts with credit institutions and loans and advances to credit institutions maturing within three months of their date of acquisition.

Bank Degroof presents the cash flows from its operating activities using the indirect method, under which the net result is adjusted for the effect of non-cash transactions, any deferrals or accruals of past or future operating cash inflows or outflows, and income and expense linked to investing or financing cash flows.

Tax flows, interest received and interest paid are presented together with the operating activities. Dividends received are classified as cash flows from operating activities. Dividends paid are recorded as cash flows from financing activities. Equity instruments included in the portfolio of 'available-for-sale financial assets' are included in operating activities.

## 4. USE OF JUDGEMENT AND ESTIMATES IN PREPARING THE FINANCIAL STATEMENTS

The preparation of financial statements in accordance with IFRS requires the use of judgement and estimates. Whilst management believes that it has taken into account all available information in arriving at these judgements and estimates, the reality can be different and these differences can have an impact on the financial statements.

These estimates and judgements relate primarily to the following matters:

- the determination of fair values of unquoted financial instruments;
- the definition of the useful lives and residual values of intangible and tangible fixed assets;
- the assumptions made in respect of the valuation of commitments linked to post-employment benefits;
- the estimation of recoverable amounts of impaired assets;
- the assessment of the current obligations arising from past events when recording provisions.

## 5. RISK MANAGEMENT

### 5.1 General principles

The Bank's executive committee has defined the group's risk management policy in accordance with the risk tolerances defined in the Bank's economic capital model (ICAAP<sup>1</sup>), which has been validated by the audit committee.

The executive committee has delegated certain of its responsibilities for implementing its risk management policy to the following committees:

- the portfolio committee is responsible for managing the medium and long term securities portfolio for the group within defined risk limits;
- the almac committee is responsible for managing the group's balance sheet and off-balance sheet assets and liabilities, in order to provide a stable and adequate financial margin within acceptable risk limits. This committee also manages the consolidated liquidity risk;
- the credit committee is responsible for granting new credit lines and new limits (for market operations) to non-banking counterparties. It also reviews existing credit lines and limits;
- the limits committee is responsible for granting new limits for all products for banking and brokerage counterparties for the entire group. It also reviews existing limits on a regular basis.

In addition, day to day risk management and monitoring of limits are managed by the risk management department. This ensures that market, liquidity, counterparty, wealth management and operational risks are followed up.

<sup>1</sup> Internal Capital Adequacy Assessment Process.

## 5.2 Liquidity risk

Liquidity risk is the risk of Bank Degroef being unable to meet its financial commitments at their due dates at a reasonable cost.

The principal objective of liquidity management is to ensure that the group has sufficient financing, even during very unfavorable conditions. The liquidity strategy is managed at a consolidated level by the almac committee, on a monthly basis, with day-to-day management being delegated to the treasury departments of the Brussels and Luxembourg dealing rooms under the supervision of risk management.

Risk management ensures that Bank Degroef is able to ensure its liquidity in all crisis scenarios, whether it is a liquidity crisis on the market or a liquidity crisis specific to Bank Degroef. The assumptions underlying these scenarios are reviewed regularly. Treasury flows must remain positive under each of the scenarios, which are monitored on a daily basis. The internal stress test scenarios are supplemented by the regulatory stress tests of the Belgian National Bank.

The liquidity strategy of Bank Degroef can be summarized as follows:

- a large base of customer deposits, sourced from several group entities;
- a complete independence from interbank funding: the Bank does not need to have recourse to inter-bank funding to finance itself;
- a low 'loan to deposit ratio', which indicates that the amount of credits granted is substantially lower than the total of customers' deposits;
- portfolios which are liquid and rapidly accessible through repo operations with the European Central Bank.

The table below sets out the maturities of our assets and liabilities<sup>1</sup>. The liquidity gap is based on contractual maturities. The calculation of the corrected liquidity gap takes account of the accessibility of the bond portfolios<sup>2</sup>:

(in thousands of EUR)					
30.09.2012	ON DEMAND	UP TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS
<b>Financial assets</b>					
Loans and advances to credit institutions <sup>3</sup>	375 142	7 290	7 466	0	0
Loans and advances to customers	433 042	352 893	370 678	579 054	121 955
Bonds and other fixed income securities	0	226 843	689 653	1 418 086	97 752
Derivatives	0	4 011 812	869 037	19 523	2 918
Interest rate derivatives	0	43 655	15 799	19 523	2 918
IRS	0	3 545	15 706	19 505	2 918
Other interest rate derivatives	0	40 110	93	18	0
Exchange rate derivatives	0	3 968 157	853 238	0	0
<b>Total assets</b>	<b>808 184</b>	<b>4 598 838</b>	<b>1 936 834</b>	<b>2 016 663</b>	<b>222 625</b>

<sup>1</sup> The balances of financial assets and liabilities include all movements, including future interest.

<sup>2</sup> 93% of the non-sovereign portfolio and 100% of the sovereign portfolio are deemed to be readily accessible through repo.

<sup>3</sup> Includes cash and assets with central bank.

<b>Financial liabilities</b>					
Deposits from credit institutions	47 411	88 921	34 638	0	0
Deposits from customers	2 828 397	669 714	370 755	8 840	17 125
Subordinated liabilities	0	0	1 974	49 960	13 007
Derivatives	0	4 024 667	884 991	43 028	3 127
Interest rate derivatives	0	44 916	31 420	43 028	3 127
IRS	0	3 605	31 327	42 965	3 127
Other interest rate derivatives	0	41 311	93	63	0
Exchange rate derivatives	0	3 979 751	853 571	0	0
Financial guarantees issued	0	96 859	0	0	0
Credit lines confirmed	0	266 874	0	0	0
<b>Total liabilities</b>	<b>2 875 808</b>	<b>5 147 035</b>	<b>1 292 358</b>	<b>101 828</b>	<b>33 259</b>
Liquidity gap	(2 067 624)	(548 197)	644 476	1 914 835	189 366
Impact of repo capacity of bond portfolio	2 221 410	(217 220)	(623 306)	(1 292 093)	(88 791)
Corrected liquidity gap	153 786	(765 417)	21 170	622 742	100 575

(in thousands of EUR)

30.09.2011	ON DEMAND	UP TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS
<b>Financial assets</b>					
Loans and advances to credit institutions <sup>3</sup>	554 810	466 190	5 950	0	0
Loans and advances to customers	242 370	527 580	302 684	560 164	99 047
Bonds and other fixed income securities	0	38 652	207 803	1 523 211	178 198
Derivatives	0	4 188 454	285 946	170 273	3 285
Interest rate derivatives	0	8 839	32 682	39 979	3 285
IRS	0	8 839	32 682	39 833	3 285
Other interest rate derivatives	0	0	0	146	0
Exchange rate derivatives	0	4 179 615	253 264	130 294	0
<b>Total assets</b>	<b>797 180</b>	<b>5 220 876</b>	<b>802 383</b>	<b>2 253 648</b>	<b>280 530</b>
<b>Financial liabilities</b>					
Deposits from credit institutions	55 563	75 046	12 721	0	0
Deposits from customers	2 618 779	1 467 888	204 476	13 469	18 420
Subordinated liabilities	0	0	2 164	56 450	13 009
Derivatives	0	4 170 800	291 687	185 599	3 631
Interest rate derivatives	0	12 162	38 198	55 297	3 631
IRS	0	12 029	38 198	55 141	3 555
Other interest rate derivatives	0	133	0	156	76
Exchange rate derivatives	0	4 158 638	253 489	130 302	0
Financial guarantees issued	0	101 108	0	0	0
Credit lines confirmed	0	222 701	0	0	0
<b>Total liabilities</b>	<b>2 674 342</b>	<b>6 037 543</b>	<b>511 048</b>	<b>255 518</b>	<b>35 060</b>
Liquidity gap	(1 877 162)	(816 667)	291 335	1 998 130	245 470
Impact of repo capacity of bond portfolio	1 785 197	(122 708)	(126 651)	(1 416 364)	(119 474)
Corrected liquidity gap	(91 965)	(939 375)	164 684	581 766	125 996

(in thousands of EUR)

30.09.2010	ON DEMAND	UP TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS
<b>Financial assets</b>					
Loans and advances to credit institutions <sup>1</sup>	418 671	91 543	3 318	0	0
Loans and advances to customers	196 617	356 017	202 550	704 635	102 151
Bonds and other fixed income securities	0	75 933	412 720	1 481 257	152 031
Derivatives	0	2 256 587	450 029	43 609	0
Interest rate derivatives	0	10 794	16 680	43 439	0
IRS	0	6 223	16 680	43 239	0
Other interest rate derivatives	0	4 571	0	200	0
Exchange rate derivatives	0	2 245 793	433 349	170	0
<b>Total assets</b>	<b>615 288</b>	<b>2 780 080</b>	<b>1 068 617</b>	<b>2 229 501</b>	<b>254 182</b>
<b>Financial liabilities</b>					
Deposits from credit institutions	67 610	131 752	65 046	0	0
Deposits from customers	2 549 129	941 628	129 539	3 632	14 072
Subordinated liabilities	0	0	0	58 610	13 000
Derivatives	0	2 289 721	463 024	52 491	72
Interest rate derivatives	0	19 774	28 452	52 331	72
IRS	0	16 366	28 452	52 256	0
Other interest rate derivatives	0	3 408	0	75	72
Exchange rate derivatives	0	2 269 947	434 572	160	0
Financial guarantees issued	0	85 515	0	0	0
Credit lines confirmed	0	193 212	0	0	0
<b>Total liabilities</b>	<b>2 616 739</b>	<b>3 641 828</b>	<b>657 609</b>	<b>114 733</b>	<b>27 144</b>
Liquidity gap	(2 001 451)	(861 748)	411 008	2 114 768	227 038
Impact of repo capacity of bond portfolio	1 962 555	(86 531)	(397 306)	(1 365 620)	(113 098)
Corrected liquidity gap	(38 896)	(948 279)	13 702	749 148	113 940

<sup>1</sup> Includes cash and assets with central bank.



## 5.3 Market risk

### 5.3.1 Policy

Market risks are the risks of unfavourable developments in market factors (interest rates, equity prices, exchange rates) which impact on the positions that the Bank takes on its own account.

Treasury, foreign exchange and equity and option trading activities are monitored on a daily basis using indicators such as Value-at-Risk (VAR), interest rate sensitivity, scenario analyses, option sensitivity (delta, gamma, vega, etc.) and, more simply, nominal volumes.

These activities are compared to limits set by the executive committee. Open positions are characteristically low compared to our own funds.

### 5.3.2 Trading

#### 5.3.2.1 Interest rate risk

The Bank's main method of managing short-term interest rates is by managing its treasury. Interest rate products are only traded on a very limited scale.

On a daily basis, risk management monitors the interest rate risk using two indicators:

- the Basis Point Value ('BPV') in respect of the limits allotted to the treasury activity by the almac committee;
- historical VAR.

#### 5.3.2.2 Foreign exchange risk

This mainly involves hedging the foreign exchange risk generated by all departments of the Bank and, to a lesser extent, by its currency trading activities.

The indicators used to monitor the daily foreign exchange risk are:

- limits set in terms of nominal amounts;
- historical VAR.

#### 5.3.2.3 Equity & options risk

The indicators used to monitor the daily equity risk are:

- limits set in terms of nominal amounts;
- historical VAR.

The risks attached to options are monitored using various indicators, mainly involving sensitivity to movements of the main underlying factors (delta, gamma and vega) and Value-at-Risk.

The following table summarizes indicators of sensitivity of trading activities:

(in thousands of EUR)

2012		30.09.2012	AVERAGE	MINIMUM	MAXIMUM
Interest rate risk	BPV	(64.0)	(58.2)	(47.5)	(71.8)
Foreign exchange risk	Nominal	762	2 870	640	15 930
	VAR 99%	16.05	54.80	6.50	174.40
Equity risk	Nominal	0	1	0	6
	VAR 99%	0.00	176.16	0.00	1 074.79
Option risk	Delta equivalent	0	0	0	0
	VAR 99%	0.00	5.05	0.00	22.58
2011		30.09.2011	AVERAGE	MINIMUM	MAXIMUM
Interest rate risk	BPV	(59.6)	(55.4)	(25.9)	(75.2)
Foreign exchange risk	Nominal	2 067	2 343	776	7 113
	VAR 99%	51.10	72.21	9.75	396.70
Equity risk	Nominal	1 500	8 873	1 500	12 300
	VAR 99%	345.29	976.58	345.29	1 355.71
Option risk	Delta equivalent	0	15	0	100
	VAR 99%	9.46	27.95	8.50	54.64
2010		30.09.2010	AVERAGE	MINIMUM	MAXIMUM
Interest rate risk	BPV	(57.4)	(37.5)	(22.5)	(57.4)
Foreign exchange risk	Nominal	1 994	2 578	940	8 801
	VAR 99%	62.24	105.98	21.04	334.79
Equity risk	Nominal	700	8 333	700	12 000
	VAR 99%	36.84	1 164.86	36.84	1 826.57
Option risk	Delta equivalent	0	8	0	100
	VAR 99%	54.64	37.90	7.45	191.90

### 5.3.3 Long term

#### 5.3.3.1 Interest rate risk

This is the financial risk caused by the impact of a change in interest rates on the interest margin and on the fair values of the interest rate instruments.

This risk is managed on a monthly basis by the almac committee using a standard defined in terms of duration gap. This standard has been developed based on the maximum loss that is deemed to be acceptable in the event that interest rates rise by 1%, as allocated by the executive committee to the group's transformation activity. This includes all balance sheet items<sup>1</sup> and, accordingly, also the treasury positions.

Furthermore, in accordance with Basel II, a stress test compares the loss which would have been recorded in case of a parallel increase in interest rates of 2% as a proportion of the own funds. The result of this test was 7% of own funds at 30 September 2012 (the level at which a bank is considered to have excessive interest rate risk is 20%<sup>2</sup>).

This analysis is supplemented by Basis Point Value monitoring, which only takes account of items that are sensitive to interest rates, all maturities combined.

<sup>1</sup> Items for which the duration cannot be calculated, such as shares, current accounts, etc. are subject to assumptions.

<sup>2</sup> A bank which exceeds the threshold of 20% is considered a 'outlier' by the Belgian National Bank. This status implies tighter controls and can lead to an increase in economic capital requirements.

The loss in the event of a 1% rise in interest rates amounted to:

(in thousands of EUR)

2012	The loss in the event of a 1% rise in interest rates amounted to
On 30.09.2012	16 700
Average for the period	15 900
Maximum for the period	17 800
Minimum for the period	13 700
2011	
On 30.09.2011	11 350
Average for the period	10 000
Maximum for the period	11 900
Minimum for the period	8 800
2010	
On 30.09.2010	11 100
Average for the period	10 000
Maximum for the period	11 100
Minimum for the period	7 200

### 5.3.3.2 Equity risk

Non-trading equity risk is the risk that the value of the Bank's own funds declines as a result of a fall in the price of the shares included in the Bank's proprietary share portfolio.

The market value of the proprietary share portfolio:

(in thousands of EUR)

Position	
30.09.2012	270 575
30.09.2011	280 033
30.09.2010	248 852

The impact on the Bank's own funds of a movement in the price of the equities held by the Bank is as follows (all other things being equal):

(in thousands of EUR)

Relevant indices <sup>3</sup>				
RELEVANT MARKETS OR INDICES	MOVEMENT	IMPACT ON OWN FUNDS		
		30.09.2012	30.09.2011	30.09.2010
Bel 20	10%	1 197	2 895	2 485
Other Belgian securities	10%	20 143	18 444	18 571
Other European securities	10%	3 800	4 561	2 353
The rest of the world	10%	1 918	2 103	1 475

## 5.4 Credit risk

**5.4.1** Credit risk is the risk of loss resulting from a (professional, institutional, corporate, private, etc.) counterparty failing to meet its contractual obligations on time. This risk is monitored on a daily basis. In respect of counterparty limits, exposures are calculated as a function of changes in market value, to which a coefficient ('add-on') is added which reflects the risk represented by future movements in this exposure. These exposures are then compared with the limits set out by the limits committee and credit committee.

<sup>3</sup> Having an impact on the portfolio value.

**5.4.2** Pure credit risk is monitored on a nominal basis. The table below sets out the exposures (expressed in nominal amounts, without deducting guarantees received), by type of counterparty:

(in thousands of EUR)				
30.09.2012				
	COUNTERPARTY	CARRYING AMOUNT	CREDIT RISK	GUARANTEES
Loans and advances to credit institutions	<b>a</b>	206 597	206 597	6 001
Loans and advances to customers	<b>b</b>	2 101 884	2 101 884	1 331 168
Bonds and other fixed-income securities		2 418 752	2 418 752	0
<i>Public sector</i>	<b>e</b>	996 407	996 407	0
<i>Other issuers – banks</i>	<b>c+e</b>	622 000	622 000	0
<i>Other issuers – commercial companies</i>	<b>d+e</b>	800 344	800 344	18 968
Equities, shares and other variable-income securities		363 156	363 156	0
Derivatives		75 130	53 818	9 620
Financial guarantees issued		96 859	96 859	58 325

(in thousands of EUR)				
30.09.2011				
	COUNTERPARTY	CARRYING AMOUNT	CREDIT RISK	GUARANTEES
Loans and advances to credit institutions	<b>a</b>	193 850	193 850	40 853
Loans and advances to customers	<b>b</b>	1 918 589	1 918 589	1 359 358
Bonds and other fixed-income securities		1 936 182	1 936 182	0
<i>Public sector</i>	<b>e</b>	731 766	731 766	0
<i>Other issuers – banks</i>	<b>c+e</b>	791 088	791 088	0
<i>Other issuers – commercial companies</i>	<b>d+e</b>	413 328	413 328	10 656
Equities, shares and other variable-income securities		370 797	370 797	0
Derivatives		104 773	96 179	3 928
Financial guarantees issued		101 108	101 108	75 772

(in thousands of EUR)				
30.09.2010				
	COUNTERPARTY	CARRYING AMOUNT	CREDIT RISK	GUARANTEES
Loans and advances to credit institutions	<b>a</b>	176 440	176 440	6 373
Loans and advances to customers	<b>b</b>	1 819 142	1 819 142	1 234 616
Bonds and other fixed-income securities		2 091 238	2 091 238	0
<i>Public sector</i>	<b>e</b>	778 859	778 859	0
<i>Other issuers – banks</i>	<b>c+e</b>	990 878	990 878	0
<i>Other issuers – commercial companies</i>	<b>d+e</b>	321 501	321 501	0
Equities, shares and other variable-income securities		317 460	317 460	0
Derivatives		101 000	98 778	6 580
Financial guarantees issued		85 515	85 515	57 483

Credit risk takes account of the possibility of compensation for derivative positions with counterparties that have signed ISDA contracts.

The guarantees received are recorded at market value and are limited to the outstanding amount of the related loans.

Five separate credit categories can be identified within the group:

**a) Limits for banking counterparties**

The granting of limits, in particular for interbank deposits, is centralized at group level and is based on the granting and review of limits by the limits committee, which comprises senior management from Brussels and Luxembourg and meets on a monthly basis.

At 30 September 2012, loans to credit institutions are very limited and comprise principally current accounts (EUR 192 million).

**b) Credits to non-banking counterparties**

This category consists principally of guaranteed credits. Approximately 75% of the Bank's consolidated credit balances outstanding are covered by real guarantees (essentially diversified portfolios subject to fixed coverage ratios which are defined as a function of the composition of the pledged portfolio and, to a lesser extent, unlisted securities and real estate).

**c) Bank Degroof Luxembourg's investment portfolio**

The investment portfolio of Bank Degroof Luxembourg has been set up to respond to reinvestment requirements and corresponds to approximately 10% of the treasury funds in Luxembourg.

This portfolio consists exclusively of bonds, with an average rating of AA, issued primarily by banking counterparties in European Union countries. The diversification of issuers is high (more than 15 different issuers). The scope of investment has been extended to covered bonds.

**d) Bank Degroof Brussels' 'Corporate Portfolio'**

This category comprises

- a) a 'Corporate Portfolio' of the credit department, which is a portfolio of floating-rate European securitizations used to fulfil treasury management requirements. This portfolio is being run-off (the Bank no longer makes new purchases) and amounted to approximately EUR 100 million (average rating of A). The portfolio is depreciating rapidly, due both to the arrival at maturity of a series of positions, and to the depreciable nature of the large majority of the securities included in the portfolio.
- b) The investment portfolio, started in the Spring of 2012, which invests in short-term corporate bonds (mostly with three year terms) from good quality European issuers (average rating of A+) and amounted to a little less than EUR 300 million.

**e) Portfolio of sovereign and state-guaranteed bank debt**

This category comprises Government debt, government vehicles and bank debt benefitting from guarantees by EU governments, primarily those of Belgium and of its neighbouring countries.

**5.4.3 Geographic exposure**

On a geographic level, the Bank has limited exposure to 'emerging' countries and has focussed its activities on the European Union.

#### 5.4.4 Doubtful receivables

The losses incurred on the credit portfolio are low, as indicated by the following table (which should be read cumulatively over the past ten years for files that remain open):

	(in thousands of EUR)		
	30.09.2012	30.09.2011	30.09.2010
Doubtful receivables	22 343	15 894	14 726
Impairments	(17 837)	(12 313)	(11 575)
Doubtful receivables after impairments	4 506	3 580	3 151
Average age of doubtful receivables not impaired	9 years	8 years	7 years

### 5.5 Asset management risk

Asset management risk is the financial risk deriving from a possible lack of consistency or excessive risk taking in the asset management strategies pursued by the group as a whole.

This risk is monitored within each entity by the respective control departments, and also at a consolidated level using aggregated data. The checks performed focus on compliance with management constraints set by both the client and the group's executive committee<sup>1</sup>, as well as on monitoring of performance. The risk management of the group ensures that the checks and the management principles are consistent from one subsidiary to another.

### 5.6 Capital management

The overriding objectives of capital management at Bank Degroef are to ensure that the Bank meets the regulatory requirements and that it maintains a level of capitalization consistent with its level of activities and the risks that it incurs.

The method used for calculating regulatory capital adequacy requirements under pillar 1 of Basel II has been used since 31 December 2007. As a reminder, the Bank has chosen the following options:

- the basic approach for evaluating capital adequacy requirements for operational risk;
- the standard approach based on external ratings for credit risk;
- the standard approach for market risk.

Regulatory capital:

	(in thousands of EUR)		
	30.09.2012	30.09.2011	30.09.2010
Tier 1 own funds	383 713	401 594	366 102
Tier 2 own funds	92 677	48 386	67 438
Weighted risk volume	3 041 444	2 890 481	2 645 254
CRD-ratio	15.66%	15.57%	16.39%
Tier 1-ratio	12.62%	13.89%	13.84%

<sup>1</sup> Particularly with respect to diversification, equity ratio and authorised management products.

The movements in regulatory capital compared to the previous financial year are characterized by the following

- the risk profile of the Bank has slightly increased due primarily to the transfer of liquidities that were previously deposited with the European Central Bank to a portfolio of good quality securities issued by corporates.
- Tier 1 capital has decreased primarily as a result of the increase in treasury shares which has been partially offset by the appropriation of the result for the current financial year after deduction of the estimated dividend.
- Tier 2 capital has increased as a result of the growth in revaluation reserves on equity instruments included in the 'Available-for-sale' portfolio, and the decline in elements to be deducted such as certain shareholdings; this positive movement has been slightly reduced by the application of the rule of degressive recognition of subordinated loans.

The combination of these factors leads to a CRD ratio of 15.66% and a Tier 1 ratio of 12.62%, which substantially exceeds regulatory requirements. This figure takes account of the planned dividend distribution.

In accordance with pillar 2 of Basel II, this administrative capital management is complemented by the economic management of capital by way of an ICAAP<sup>2</sup> model. Using this model, the Bank checks the adequacy of its capital compared to the requirements resulting from the risks generated by its various activities. It ensures that the capital remains adequate for the coming three years, under various scenarios, ranging from achieving our budgets to significant market crises. Detailed information on this subject is available on our website [www.degroof.be](http://www.degroof.be).

<sup>2</sup> Internal Capital Adequacy Assessment Process.

## 6. CONSOLIDATION SCOPE

### 6.1 List of the principal subsidiaries of Bank Degroof

NAME	REGISTERED OFFICE	(in %) PERCENTAGE OF CAPITAL HELD	ACTIVITY
Aforge Finance Holding SA	25, Avenue de Messine – 75008 Paris	87.5	Investment firm
Banque Degroof Luxembourg SA	12, Rue Eugène Ruppert – 2453 Luxembourg Cloche d'Or	99.96	Credit institution
Banque Degroof France SA	1, Rond-Point des Champs-Élysées 75008 Paris	100	Credit institution
Degroof Banque Privée SA	18, Avenue Louis Casà – 1209 Genève	99.96	Credit institution
Bearbull Degroof International Ltd	PO Box N-4287 Unit n°2, Offices Old Fort Bay, Nassau, Bahamas	99.96	Investment firm
Banque Degroof Square Invest SA/NV	Rue Guimard 18 – 1040 Brussels	100	Other undertaking
Cobimmo SA/NV	Rue Guimard 18 – 1040 Brussels	100	Other undertaking
Degroof Corporate Finance SA/NV	Rue Guimard 18 – 1040 Brussels	100	Other undertaking
Degroof Fund Management Company SA/NV	Rue Guimard 18 – 1040 Brussels	100	Investment firm
Degroof Gestion Institutionnelle Luxembourg SA	12, Rue Eugène Ruppert – 2453 Luxembourg Cloche d'Or	99.96	Investment firm
Degroof Holding Luxembourg SA	12, Rue Eugène Ruppert – 2453 Luxembourg Cloche d'Or	100	Other undertaking
Degroof Investissements SA/NV	Rue Guimard 18 – 1040 Brussels	100	Other undertaking
Degroof Structured Finance SA/NV	Rue Guimard 18 – 1040 Brussels	100	Other financial institution
DS Lux SA	12, Rue Eugène Ruppert – 2453 Luxembourg Cloche d'Or	99.96	Other undertaking
SA Fideuro NV	Rue Guimard 18 – 1040 Brussels	100	Other undertaking
Fitech Systems SA/NV	Rue Guimard 18 – 1040 Brussels	100	Other undertaking
Guimard Investissements SA/NV	Rue Guimard 18 – 1040 Brussels	100	Other undertaking
Imofig SA/NV	Rue Guimard 18 – 1040 Brussels	100	Other undertaking
Degroof Gestion SA	1, Rond-Point des Champs-Élysées – 75008 Paris	99.99	Investment firm
Monceau M S.A.	25, Avenue de Messine – 75008 Paris	100	Other financial institution
PrivatBank Degroof, S.A.U.	Avenida Diagonal 464 – 08006 Barcelona	100	Credit institution
PrivatBank Patrimonio, S.A.U., S.G.I.I.C	Avenida Diagonal 464 – 08006 Barcelona	100	Investment firm

### 6.2 Significant changes in the consolidation scope during the current financial year

During the current financial year, the Bank acquired an additional shareholding of 37.5% in Aforge Finance Holding SA. As a result of this acquisition, this company and its affiliates are now fully consolidated instead of being accounted for under the equity method as was the case in previous years. The principal impact of this change in the consolidation scope is a transfer from investments in entities accounted for under the equity method to goodwill and other intangible assets with the recognition of additional goodwill of EUR 13.2 million, which represents the expected future earnings of the entities involved.



As the accounting value of the shares held prior to the acquisition of the additional shareholding was similar to the fair value paid in the context of the acquisition, there is no other significant impact except in respect of the presentation of the income statement where, for the first time during the 2012 financial year, all of the captions of the income statements of the company and its affiliates are included. The principal captions affected by this change in presentation are commissions received (EUR 14.8 million), personnel costs (EUR 11.5 million) and other general costs (EUR 7.2 million).

### 6.3 Non-consolidated real estate affiliates

In the context of the diversification of its product offering, the Bank has created a real estate centre of competence the objective of which is to invest in real estate financed primarily by the issuance of real estate certificates to private and institutional clients and, secondly, by way of loans granted by other financial institutions.

These operations were set up by creating real estate companies in which the Bank is either the majority shareholder, or a shareholder in the context of joint control (from a legal perspective). These companies are, accordingly, subsidiaries or joint ventures of the Bank, which is represented on the board of directors and on the management committee; these decision making bodies are largely responsible for the operational and administrative management of the companies.

The Bank receives remuneration for providing these services that is contractually fixed and independent of the performance of the companies.

It is the holders of the real estate certificates who, during meetings, take the strategic decisions relating to the management of the real estate, and who receive the revenues generated by the rental and subsequent sale of the real estate. At the end of the financial period, the assets of these companies had a value of approximately EUR 150 million.

As the definition of control is based on the right to variable returns resulting from influence over the making of strategic decisions that impact on these returns, control over these companies is exercised exclusively by the holders of the real estate certificates, and not by the Bank. As a result, these entities are not consolidated by Bank Degroof.

At the end of the financial year, the financial investment of the Bank in these entities amounted to EUR 0.3 million.

## 7. NOTES TO THE CONSOLIDATED BALANCE SHEET

### 7.1 Cash and balances with central banks

Cash and balances with central banks comprise the following:

	(in thousands of EUR)		
	30.09.2012	30.09.2011	30.09.2010
Cash	2 551	3 691	3 935
Balances with central banks - Mandatory reserves <sup>1</sup>	180 749	209 372	101 481
Balances with central banks other than mandatory reserves	0	620 036	179 547
<b>Total</b>	<b>183 300</b>	<b>833 099</b>	<b>284 963</b>

Both cash and balances with central banks other than mandatory reserves are included in our definition of cash and cash equivalents.

<sup>1</sup> Mandatory reserves: minimum reserves held by credit institutions with the ECB or other central banks.

## 7.2 Financial assets held for trading

Financial assets held for trading comprise the following items:

	(in thousands of EUR)		
	30.09.2012	30.09.2011	30.09.2010
<b>1. Financial assets held for trading</b>	<b>14 454</b>	<b>12 526</b>	<b>7 502</b>
Fixed-income securities	13 334	6 760	6 711
<i>Treasury bills and government bonds</i>	9 398	366	501
<i>Bonds from other issuers</i>	3 936	6 394	6 210
Variable-income securities	1 120	5 766	791
<i>Equities</i>	5	2 788	521
<i>Other variable income securities</i>	1 115	2 978	270
<b>2. Derivative financial instruments</b>	<b>75 130</b>	<b>104 773</b>	<b>100 957</b>
Foreign exchange derivatives	43 633	65 242	48 201
Interest rate derivatives	9 437	15 214	7 663
Equity derivatives	21 865	24 195	44 983
Credit derivatives	195	122	110
<b>Total assets held for trading</b>	<b>89 584</b>	<b>117 299</b>	<b>108 459</b>

## 7.3 Financial assets designated at fair value through profit or loss

Securities investments are designated at their acquisition date at fair value through profit or loss (fair value option) when they are associated with derivatives, when such designation eliminates or significantly reduces an accounting mismatch which would otherwise result, and when a risk exists of not meeting the requirements (or not satisfying the conditions) for hedge accounting.

More specifically, this designation is used in order to prevent any consecutive difference in the valuation of certain sovereign and bank debt that is almost entirely guaranteed by EU governments (fair value recognized directly in shareholders' equity), purchased with the objective of supporting liquidity and linked, in accordance with the risk management strategy, to interest rate swaps (fair value through profit or loss). The fair value option is also applied to certain positions in equities that are economically hedged using an option structure.

The financial assets designated at fair value through profit or loss comprise:

	(in thousands of EUR)		
	30.09.2012	30.09.2011	30.09.2010
Fixed income securities	1 096 031	1 174 054	1 015 061
<i>Treasury bills and government bonds</i>	716 583	545 438	470 350
<i>Bonds from other issuers</i>	379 448	628 616	544 711
Variable-income securities	42 841	31 440	31 890
<i>Equities</i>	42 841	31 440	31 890
<b>Total financial assets designated at fair value through profit or loss</b>	<b>1 138 872</b>	<b>1 205 494</b>	<b>1 046 951</b>

The financial assets designated at fair value through profit or loss include as at 30 September 2012 an amount of EUR 769.8 million of which the residual life exceeds 12 months (30 September 2011: EUR 1 059.4 million; 30 September 2010: EUR 963.2 million).

## 7.4 Available-for-sale financial assets

Available-for-sale financial assets represent investments in fixed or variable income securities, both listed and unlisted, and comprise the following:

(in thousands of EUR)

	30.09.2012	30.09.2011	30.09.2010
<b>Carrying amount before impairments</b>	<b>1 303 559</b>	<b>895 549</b>	<b>1 014 467</b>
Fixed income securities	948 776	520 569	697 416
Treasury bills and government bonds	151 113	143 473	251 905
Bonds from other issuers	789 542	376 937	444 437
Other fixed income instruments	8 121	159	1 074
Variable-income securities	354 783	374 980	317 051
Equities	232 564	266 247	213 679
Other variable income securities	122 219	108 733	103 372
<b>Impairments</b>	<b>(45 007)</b>	<b>(53 852)</b>	<b>(41 432)</b>
<b>Total available-for-sale financial assets</b>	<b>1 258 552</b>	<b>841 697</b>	<b>973 035</b>

Available-for-sale financial assets include as at 30 September 2012 an amount of EUR 509.2 million the residual life of which exceeds 12 months (30 September 2011: EUR 408.2 million; 30 September 2010: EUR 373.6 million).

The table below details the movements relating to the impairment of available-for-sale financial assets:

(in thousands of EUR)

	FIXED INCOME SECURITIES	VARIABLE INCOME SECURITIES	TOTAL
<b>Closing balance at 30.09.2009</b>	<b>(8 910)</b>	<b>(41 089)</b>	<b>(49 999)</b>
Impairments	0	(1 499)	(1 499)
Impairment allowance used	0	10 315	10 315
Currency translation differences	(249)	0	(249)
<b>Closing balance at 30.09.2010</b>	<b>(9 159)</b>	<b>(32 273)</b>	<b>(41 432)</b>
Impairments	(3 265)	(9 485)	(12 750)
Impairment allowance used	0	369	369
Currency translation differences	(39)	0	(39)
<b>Closing balance at 30.09.2011</b>	<b>(12 463)</b>	<b>(41 389)</b>	<b>(53 852)</b>
Impairments	(57)	(14 414)	(14 471)
Impairment allowance used	3 265	20 246	23 511
Currency translation differences	(164)	0	(164)
Other	0	(31)	(31)
<b>Closing balance at 30.09.2012</b>	<b>(9 419)</b>	<b>(35 588)</b>	<b>(45 007)</b>

The table below details the changes in fair values of available-for-sale financial assets:

	(in thousands of EUR)		
	FIXED INCOME SECURITIES	VARIABLE INCOME SECURITIES	TOTAL
<b>Closing balance at 30.09.2009</b>	<b>(2 199)</b>	<b>51 443</b>	<b>49 244</b>
Increase (decrease) in unrealised revaluation gains <sup>1</sup>	1 933	9 410	11 343
Decrease (increase) in unrealised revaluation losses <sup>1</sup>	2 164	5 112	7 276
Impairment recognized in the income statement	0	85	85
<b>Closing balance at 30.09.2010</b>	<b>1 898</b>	<b>66 050</b>	<b>67 948</b>
Increase (decrease) in unrealised revaluation gains <sup>1</sup>	(4 442)	2 001	(2 441)
Decrease (increase) in unrealised revaluation losses <sup>1</sup>	(10 746)	(20 722)	(31 468)
Impairment recognized in the income statement	1 333	1 661	2 994
<b>Closing balance at 30.09.2011</b>	<b>(11 957)</b>	<b>48 990</b>	<b>37 033</b>
Increase (decrease) in unrealised revaluation gains <sup>1</sup>	7 968	(143)	7 825
Decrease (increase) in unrealised revaluation losses <sup>1</sup>	9 457	13 139	22 596
Impairment recognized in the income statement	57	7 956	8 013
<b>Closing balance at 30.09.2012</b>	<b>5 525</b>	<b>69 942</b>	<b>75 467</b>

## 7.5 Loans and advances to credit institutions

Interbank loans and advances are as follows:

	(in thousands of EUR)		
	30.09.2012	30.09.2011	30.09.2010
<b>Carrying amount before impairments</b>	<b>206 647</b>	<b>193 850</b>	<b>176 440</b>
Current accounts	191 891	121 780	133 717
Term loans	5 904	28 428	33 075
Reverse repurchase operations	6 001	41 517	6 384
Other	2 851	2 125	3 264
<b>Impairments</b>	<b>(50)</b>	<b>0</b>	<b>0</b>
<b>Total loans and advances to credit institutions</b>	<b>206 597</b>	<b>193 850</b>	<b>176 440</b>

Current accounts for an amount of EUR 180.7 million as at 30 September 2012 (at 30 September 2011: EUR 121.1 million; at 30 September 2010: EUR 133.6 million) and loans with initial terms of less than three months for an amount of EUR 7.3 million as at 30 September 2012 (at 30 September 2011: EUR 66.0 million; at 30 September 2010: EUR 39.2 million) are included in our definition of cash and cash equivalents in the consolidated cash flow statement.

The impairment of loans and advances increased by EUR 50 000 due to the recording of an additional impairment.

<sup>1</sup> Including changes in unrealised gains and losses transferred from equity to the income statement as the result of the derecognition of these investments.

## 7.6 Loans and advances to customers

Loans and advances to customers and movements relating to impairments on these loans and advances are as follows:

	(in thousands of EUR)		
	30.09.2012	30.09.2011	30.09.2010
<b>Carrying amount before impairments</b>	<b>1 981 923</b>	<b>1 894 329</b>	<b>1 883 191</b>
Overdrafts	447 111	255 722	209 477
Trade bills	201	156	228
Consumer credits	0	2 690	758
Mortgage loans	145 335	115 053	109 459
Term loans	1 166 061	1 248 741	1 212 338
Finance leases	374	619	757
Reverse repurchase agreements	53 247	24 051	52 371
Debt instruments	129 126	186 072	245 988
Subordinated loans	22 308	39 691	27 707
Other	18 160	21 534	24 108
<b>Impairments</b>	<b>(26 622)</b>	<b>(13 580)</b>	<b>(12 401)</b>
<b>Total amounts loans and advances to customers</b>	<b>1 955 301</b>	<b>1 880 749</b>	<b>1 870 790</b>

Loans and advances to customers include as at 30 September 2012 an amount of EUR 148.7 million of which the residual life exceeds 12 months (30 September 2011: EUR 379.1 million; 30 September 2010: EUR 444.3 million).

The table below details the movements relating to the impairment of loans and advances to customers:

	(in thousands of EUR)		
	30.09.2012	30.09.2011	30.09.2010
<b>Opening balance</b>	<b>(13 580)</b>	<b>(12 401)</b>	<b>(11 436)</b>
Impairment loss recognized <sup>2</sup>	(12 986)	(1 502)	(1 143)
Reversal of impairment	28	190	211
Write-offs of non-recoverable loans and advances	35	228	24
Currency translation differences	(22)	(7)	(4)
Other	(97)	(88)	(53)
<b>Closing balance</b>	<b>(26 622)</b>	<b>(13 580)</b>	<b>(12 401)</b>

Impairment losses are only calculated on individual valuations and not on a collective basis (portfolio approach) which would not be appropriate in view of the credit activities of Bank Degroof.

<sup>2</sup> Including an impairment of EUR 7 549 thousands on debt instruments (at 30 September 2011: 440 thousands; at 30 September 2010: EUR 826 thousands).

The table below sets out supplementary information relating to available-for-sale financial assets that have been reclassified to loans and advances:

	CARRYING AMOUNT	FAIR VALUE	(in thousands of EUR) REVALUATION RESERVES
<b>Closing balance at 30 September 2012</b>	<b>94 481</b>	<b>78 718</b>	<b>(509)</b>
<b>Closing balance at 30 September 2011</b>	<b>166 266</b>	<b>147 053</b>	<b>(2 279)</b>
<b>Closing balance at 30 September 2010</b>	<b>235 184</b>	<b>218 843</b>	<b>(4 725)</b>

	PROFIT OR LOSS	EQUITY
<b>At 30 September 2012</b>		
Interest income	1 476	
Impairment	(7 549)	
Realised gains (losses)	7	
Amounts transferred from revaluation reserves to profit or loss		1 770
<b>At 30 September 2011</b>		
Interest income	2 481	
Impairment	(440)	
Realised gains (losses)	(571)	
Amounts transferred from revaluation reserves to profit or loss		2 446
<b>At 30 September 2010</b>		
Interest income	2 533	
Impairment	(826)	
Realised gains (losses)	14	
Amounts transferred from revaluation reserves to profit or loss		2 925

The fair value losses or gains that would have been recognized in equity after the reclassification date, if the reclassification had not occurred, amount to an aggregate net loss of EUR 7.3 million (at 30 September 2011: net loss of EUR 11.1 million; at 30 September 2010: net loss of EUR 9.3 million).

## 7.7 Financial assets held to maturity

Financial assets held to maturity represent investments in fixed income securities, the split by nature of which is as follows:

	30.09.2012	30.09.2011	30.09.2010
<b>Carrying amount before impairments</b>	<b>249 738</b>	<b>62 401</b>	<b>136 392</b>
Fixed income securities	249 738	62 401	136 392
<i>Treasury bills and government bonds</i>	<i>119 313</i>	<i>42 489</i>	<i>56 109</i>
<i>Bonds from other issuers</i>	<i>130 425</i>	<i>19 912</i>	<i>80 283</i>
<b>Impairments</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total financial assets held to maturity</b>	<b>249 738</b>	<b>62 401</b>	<b>136 392</b>

Financial assets held to maturity with a maturity in excess of 12 months amount to EUR 146.2 million at 30 September 2012 (30 September 2011: EUR 59.7 million; 30 September 2010: EUR 73.7 million).

During the current financial year, the Bank reclassified (from “Available for sale financial assets”) certain debt instruments with a value of EUR 115.6 million to “Held to maturity investments” as the Bank intends, and is able, to hold these investments until maturity.

## 7.8 Property and equipment and investment property

Property and equipment comprise the following:

	LAND AND BUILDINGS	IT EQUIPMENT	OFFICE EQUIPMENT	OTHER EQUIPMENT	TOTAL
(in thousands of EUR)					
<b>Net closing carrying amount at 30.09.2012</b>	<b>56 968</b>	<b>3 246</b>	<b>1 959</b>	<b>3 333</b>	<b>65 506</b>
Acquisition cost	95 632	18 665	8 782	7 735	130 814
Accumulated depreciation and impairment	(38 664)	(15 419)	(6 823)	(4 402)	(65 308)
<b>Net closing carrying amount at 30.09.2011</b>	<b>59 321</b>	<b>2 147</b>	<b>1 722</b>	<b>3 379</b>	<b>66 569</b>
Acquisition cost	94 153	17 522	7 118	8 025	126 818
Accumulated depreciation and impairment	(34 832)	(15 375)	(5 396)	(4 646)	(60 249)
<b>Net closing carrying amount at 30.09.2010</b>	<b>62 751</b>	<b>2 036</b>	<b>1 797</b>	<b>3 462</b>	<b>70 046</b>
Acquisition cost	95 517	17 746	7 089	8 508	128 860
Accumulated depreciation and impairment	(32 766)	(15 710)	(5 292)	(5 046)	(58 814)

The development of the net carrying amount is explained as follows:

	(in thousands of EUR)			
	LAND AND BUILDINGS	IT EQUIPMENT	OFFICE EQUIPMENT	OTHER EQUIPMENT
<b>Closing balance at 30.09.2009</b>	<b>65 804</b>	<b>2 397</b>	<b>2 039</b>	<b>3 912</b>
Acquisitions	313	840	111	845
Disposals	0	0	0	(531)
Depreciation	(3 457)	(1 225)	(361)	(758)
Impairment loss recognized	(2)	0	0	(20)
Currency translation differences	93	24	8	14
<b>Closing balance at 30.09.2010</b>	<b>62 751</b>	<b>2 036</b>	<b>1 797</b>	<b>3 462</b>
Acquisitions	874	1 254	343	1 074
Disposals	(864)	(2)	(58)	(511)
Depreciation	(3 462)	(1 147)	(364)	(653)
Impairment loss recognized	0	(9)	0	0
Currency translation differences	22	15	4	7
<b>Closing balance at 30.09.2011</b>	<b>59 321</b>	<b>2 147</b>	<b>1 722</b>	<b>3 379</b>
Acquisitions	851	2 131	329	893
Changes in consolidation scope	110	0	293	145
Disposals	0	0	(1)	(317)
Depreciation	(3 378)	(1 023)	(470)	(767)
Impairment loss recognized	0	(12)	(1)	0
Currency translation differences	64	2	48	0
Other	0	1	39	0
<b>Closing balance at 30.09.2012</b>	<b>56 968</b>	<b>3 246</b>	<b>1 959</b>	<b>3 333</b>

The amounts disclosed under 'Other' relate mainly to transfers between categories of property and equipment.

With the exception of vehicles (disclosed under 'Other equipment'), the residual values are estimated at zero. As purchased cars are generally sold after four years, their average residual value has been estimated at 40% of the purchase price, excluding VAT.

The estimated fair value of property (accounted for at amortized cost) of Bank Degroef amounts to EUR 117.4 million at 30 September 2012 (30 September 2011: EUR 110.1 million; 30 September 2010: EUR 111.1 million). Bank Degroef does not hold investment property.

Bank Degroef has commitments, in its capacity as lessee, in respect of operating lease contracts relating principally to real estate, IT equipment and vehicles. At 30 September 2012, the minimum amount of future payments under non-cancellable operating lease contracts amounted to EUR 9.6 million (EUR 3.4 million of which is due within one year, EUR 5.9 million due between one and five years, and EUR 0.3 million due after five years). These amounts do not take into account possible future indexation of operating lease payments for real estate. The operating lease expense recorded in the profit and loss account are set out in note 8.10.



## 7.9 Goodwill and other intangible assets

Goodwill and other intangible assets comprise the following:

(in thousands of EUR)

	GOODWILL	BUSINESS ACTIVITIES	SOFTWARE	OTHER INTAN- GIBLE ASSETS	TOTAL
<b>Net closing carrying amount at 30.09.2012</b>	<b>70 189</b>	<b>28 297</b>	<b>2 550</b>	<b>0</b>	<b>101 036</b>
Acquisition cost	114 633	50 283	23 732	0	188 648
Accumulated depreciation and impairment	(44 444)	(21 986)	(21 182)	0	(87 612)
<b>Net closing carrying amount at 30.09.2011</b>	<b>27 312</b>	<b>30 143</b>	<b>2 682</b>	<b>0</b>	<b>60 137</b>
Acquisition cost	30 136	38 181	22 486	0	90 803
Accumulated depreciation and impairment	(2 824)	(8 038)	(19 804)	0	(30 666)
<b>Net closing carrying amount at 30.09.2010</b>	<b>27 144</b>	<b>32 862</b>	<b>2 782</b>	<b>5</b>	<b>62 793</b>
Acquisition cost	29 968	38 181	22 368	6	90 523
Accumulated depreciation and impairment	(2 824)	(5 319)	(19 586)	(1)	(27 730)

The development of the net carrying amount is explained as follows:

(in thousands of EUR)

	GOODWILL	BUSINESS ACTIVITIES <sup>1</sup>	SOFTWARE	OTHER INTAN- GIBLE ASSETS
<b>Closing balance at 30.09.2009</b>	<b>26 926</b>	<b>34 766</b>	<b>3 419</b>	<b>0</b>
Acquisitions	0	0	874	6
Depreciation	0	(1 904)	(1 542)	(1)
Currency translation differences	218	0	31	0
<b>Closing balance at 30.09.2010</b>	<b>27 144</b>	<b>32 862</b>	<b>2 782</b>	<b>5</b>
Acquisitions	0	0	1 309	0
Disposals	0	0	(64)	0
Depreciation	0	(1 904)	(1 356)	0
Impairment loss recognized	0	(815)	(7)	0
Currency translation differences	168	0	13	0
Other	0	0	5	(5)
<b>Closing balance at 30.09.2011</b>	<b>27 312</b>	<b>30 143</b>	<b>2 682</b>	<b>0</b>
Acquisitions	42 865	0	1 224	0
Disposals	0	0	(33)	0
Changes in consolidation scope	0	0	32	0
Depreciation	0	(1 846)	(1 328)	0
Impairment loss recognized	0	0	(48)	0
Currency translation differences	12	0	21	0
<b>Closing balance at 30.09.2012</b>	<b>70 189</b>	<b>28 297</b>	<b>2 550</b>	<b>0</b>

<sup>1</sup> Of which EUR 22.1 million at 30 September 2012, to be amortized over the remaining useful life of 16 years, on the account of Banque Degroof France

In view of the market conditions, which the Bank considered as an objective indication of the impairment of its business assets, the Bank performed an impairment test on all of its business assets as described in the summary of accounting policies and methods. The recoverable amount is determined as being the higher of the fair value and the value in use. These two methods are described below. The results of these impairment tests are similar or superior to the accounting value of the business activities.

In accordance with the accounting policies and methods, the Bank performs an impairment test on goodwill, as a minimum, at every financial year-end. In order to do this, the Bank has allocated goodwill to cash generating units which are currently defined at the level of the legal entities. The recoverable amount of a cash generating unit is determined as being the higher of its fair value and its value in use.

The fair value is obtained either by applying multiples to the net operating result, or on the basis of an estimate of the revalued net assets. The multiple applied is the price/earnings ratio of a sample of comparable companies listed on stock exchanges. The estimate of revalued net assets comprises reviewing the various assets and liabilities of the company and comparing their estimated values with their accounting values, in order to identify potential gains or losses compared to their accounting values.

The value in use is determined using the discounted (free) cash flow method which discounts all future cash flows that will be generated by the entity's activities. The projected cash flows are based upon medium term plans drawn up by management of each of the entities, spread over periods of sustainable growth of up to ten years. The length of the period was chosen so as to take into account the progressive impact of the reorganisation and integration of the French entities, as well as the increase in income resulting from the strengthening of the commercial teams (giving rise to income levels after ten years that imply an average annual increase of 3% compared to the income recorded in 2007, before the financial crisis). Growth after ten years corresponds to the long-term inflation rate.

The projected cash flows are discounted at the estimated cost of capital before taxes as at 30 September 2012 of 16.4%.

A sensitivity analysis has been performed which notably tests a scenario of lower growth (resulting in cash flows that are 12% lower), and it does not give rise to a recoverable value that is lower than the accounting value.

Goodwill is analyzed below, by cash generating unit:

				(in thousands of EUR)
CASH GENERATING UNIT	CARRYING AMOUNT			METHOD USED FOR THE RECOVERABLE AMOUNT
	30.09.2012	30.09.2011	30.09.2010	
Bank Degroef Brussels SA/NV (ex – de Buck Bankers)	9 625	9 625	9 625	Fair value
Bank Degroef Brussels SA/NV (ex – Bearbull Belgium)	3 700	3 700	3 700	Fair value
Banque Degroef Luxembourg SA	2 023	2 023	2 023	Fair value
Degroef Banque Privée SA	8 458	8 446	8 278	Fair value
Groupe Aforge	42 865	0	0	Value in use
PrivatBank Degroef S.A.U.	3 518	3 518	3 518	Fair value
Total	70 189	27 312	27 144	

## 7.10 Investments in entities accounted for under the equity method

Investments in entities accounted for under the equity method are summarized in the table below:

		(in thousands of EUR)		
	30.09.2012	30.09.2011	30.09.2010	
<b>Associates</b>				
Thesaurus SA/NV	0	0	0	
Groupe Aforge	0	31 200	40 624	
<b>Total</b>	<b>0</b>	<b>31 200</b>	<b>40 624</b>	

	(in thousands of EUR)			
	TOTAL ASSETS	TOTAL LIABILITIES	TOTAL INCOME	TOTAL EXPENSES
<b>Situation at 30.09.2011</b>				
Groupe Aforge	13 919	10 684	16 264	21 109
Thesaurus SA/NV	975	255	72	178
<b>Situation at 30.09.2010</b>				
Groupe Aforge	18 316	10 332	16 939	19 834
Thesaurus SA/NV	1 024	115	105	197

## 7.11 Other assets

Other assets comprise the following items:

		(in thousands of EUR)		
	NOTE	30.09.2012	30.09.2011	30.09.2010
Accrued income and prepaid expenses		45 559	44 711	47 004
Assets of pension schemes	10	155	187	88
Miscellaneous debtors		9 802	16 285	18 748
Other assets		19 100	9 597	6 044
<b>Total other assets</b>		<b>74 616</b>	<b>70 780</b>	<b>71 884</b>

Miscellaneous debtors comprise invoices receivable and advanced tax payments or recoverable taxes defined in accordance with national regulations.

## 7.12.a Financial liabilities held for trading

Financial liabilities held for trading comprise the following:

	30.09.2012	30.09.2011	30.09.2010
(in thousands of EUR)			
<b>1. Financial liabilities held for trading</b>	<b>405</b>	<b>188</b>	<b>8 088</b>
Fixed income	405	79	2 936
Variable income	0	109	5 152
<b>2. Derivatives</b>	<b>116 823</b>	<b>125 441</b>	<b>169 836</b>
Foreign exchange derivatives	48 829	59 524	74 105
Interest rate derivatives	49 528	35 974	43 297
Equity derivatives	16 501	17 759	42 541
Credit derivatives	1 965	12 184	9 893
<b>Total financial liabilities held for trading</b>	<b>117 228</b>	<b>125 629</b>	<b>177 924</b>

## 7.12.b Derivatives for hedging purposes

At the beginning of the financial year, the Bank decided to cancel the designation made for all hedges. For this reason, hedge accounting (at fair value) has not been applied during the current financial year.

The following table sets out the fair values of derivatives held for hedging:

	30.09.2012	30.09.2011	30.09.2010
(in thousands of EUR)			
Interest rate derivative	0	1 990	0
<b>Total derivatives held for hedging purposes</b>	<b>0</b>	<b>1 990</b>	<b>0</b>

## 7.13 Deposits from credit institutions

Interbank deposits comprise the following:

	30.09.2012	30.09.2011	30.09.2010
(in thousands of EUR)			
Sight deposits	47 411	55 570	67 616
Term deposits	86 801	76 603	191 573
Repurchase agreements	36 698	10 832	0
Other deposits	171	129	9 480
<b>Total deposits from credit institutions</b>	<b>171 081</b>	<b>143 134</b>	<b>268 669</b>

Securities transferred in the context of repo transactions have not been derecognised in accordance with IAS 39 and have been classified as financial assets designated at fair value through profit or loss. Their fair value amounted to EUR 36.1 million at 30 September 2012. The counterparties to these transactions are able to reuse the collateral received.

## 7.14 Deposits from customers

Deposits from customers are as follows:

	30.09.2012	30.09.2011	30.09.2010
	(in thousands of EUR)		
Sight deposits	2 828 397	2 621 413	2 550 976
Term deposits	1 060 867	1 622 181	1 048 042
Repurchase agreements	0	3 586	5 427
Other deposits	358 132	69 480	21 429
<b>Total deposits from customers</b>	<b>4 247 396</b>	<b>4 316 660</b>	<b>3 625 874</b>

Deposits from customers include as at 30 September 2012 an amount of EUR 24.9 million for which the residual life exceeds 12 months (30 September 2011: EUR 24.1 million; 30 September 2010: EUR 17.7 million).

## 7.15 Debt securities

	30.09.2012	30.09.2011	30.09.2010
	(in thousands of EUR)		
Other	13 007	13 009	13 005
<b>Total debt securities</b>	<b>13 007</b>	<b>13 009</b>	<b>13 005</b>

## 7.16 Subordinated debt

The subordinated debt of Bank Degroof takes the form of a non-convertible subordinated term loan. The loan was issued by Bank Degroof for an amount of EUR 50 million (of which EUR 4 million are held by a group entity) maturing on 1 July 2015 with a fixed annual interest rate of 4.245%.

## 7.17 Provisions

The Bank's provisions consist solely of provisions in respect of pending litigation with various counterparties. The movements on these provisions are as follows:

	30.09.2012	30.09.2011	30.09.2010
	(in thousands of EUR)		
<b>Opening balance</b>	<b>4 054</b>	<b>3 537</b>	<b>2 993</b>
Allowances for provisions	1 222	1 531	1 946
Use of provisions	(347)	(1 000)	(617)
Reversal of unused provisions	(25)	(13)	(797)
Currency translation differences	0	0	12
Other	0	(1)	0
<b>Closing balance</b>	<b>4 904</b>	<b>4 054</b>	<b>3 537</b>

Due to the nature of its activities and to the current economic crisis, the Bank is involved in a limited number of legal disputes. The Bank remains convinced that, in the cases concerned, it has acted in complete accordance with the requirements to which it is subject.

In view of the uncertainties inherent in any legal dispute, the process of estimating the risks is inevitably uncertain. A provision that covers a proportion of certain amounts claimed has been recorded in the financial statements as at 30 September 2012.

In addition, Bank Degroef and several of its subsidiaries are the subject of a claw back procedure in the United States initiated by the liquidator of Bernard L. Madoff Investment Securities LLV (BLMIS). This procedure is taking place in the context of hundreds of legal cases launched by the liquidator of BLMIS (i) against investment funds that invested in BLMIS, in order to recover reimbursements made by BLMIS during the years preceding the bankruptcy of BLMIS, and (ii) against persons that invested in the aforementioned investment funds, in order to recover the income generated by these funds as a result of the reimbursements over the same period.

These legal cases are based in part on the provisions of the US Securities Investor Protection Act and the US Bankruptcy Code which, under certain conditions, allow the liquidator of a brokerage in financial instruments to recover amounts reimbursed by the brokerage before it was declared bankrupt.

The companies involved dispute that they owe these amounts and are represented in the context of the US legal case by an American lawyer who is of the view that the companies involved have strong arguments to contest the charges. As a result, no provision has been recorded in this respect at the end of the financial year.

## 7.18 Other liabilities

Other liabilities comprise the following items:

	30.09.2012	(in thousands of EUR)	
	30.09.2012	30.09.2011	30.09.2010
Salaries and social charges	45 655	39 338	38 286
Accrued charges and deferred income	21 631	18 569	16 484
Miscellaneous creditors	13 391	16 943	17 129
Share-based payment liability	439	4 999	1 339
Other	6 794	3 695	1 729
<b>Total other liabilities</b>	<b>87 910</b>	<b>83 544</b>	<b>74 967</b>

Miscellaneous creditors consist primarily of invoices payable as well as taxes payable other than taxes calculated on the profit for the year.

## 7.19 Tax

The movements on deferred taxes are explained by:

	30.09.2012	(in thousands of EUR)	
	30.09.2012	30.09.2011	30.09.2010
<b>Opening balance</b>	<b>3 718</b>	<b>(999)</b>	<b>(2 898)</b>
Income (expense) in income statement	(230)	1 324	3 840
Items imputed directly to equity	(4 503)	3 566	(1 775)
Impact of change in income tax rate – income statement	0	(36)	0
Impact of change in income tax rate – equity	0	(8)	0
Changes in consolidation scope	50	0	0
Currency translation differences	(9)	(129)	(166)
<b>Closing balance</b>	<b>(974)</b>	<b>3 718</b>	<b>(999)</b>

Deferred taxes are calculated on the following temporary differences and are presented by class of temporary difference:

	30.09.2012	30.09.2011	30.09.2010
(in thousands of EUR)			
<b>Deferred tax assets</b>	<b>14 130</b>	<b>14 852</b>	<b>13 680</b>
Personnel benefits	7 004	5 122	5 582
Tangible and intangible assets	0	0	243
Derivatives	4 071	5 542	5 516
Financial instruments at fair value through profit or loss	5	131	0
Available-for-sale financial assets	2	2 633	944
Loss carryforwards	2 695	1 087	1 087
Other	353	337	308
<b>Deferred tax liabilities</b>	<b>15 104</b>	<b>11 134</b>	<b>14 679</b>
Tangible and intangible assets	4 536	4 620	4 786
Provisions for liabilities and charges	593	576	570
Derivatives	0	0	29
Financial instruments at fair value through profit or loss	2 656	773	2 274
Available-for-sale financial assets	1 967	178	1 384
Other	5 352	4 987	5 636
<b>Net deferred taxes</b>	<b>(974)</b>	<b>3 718</b>	<b>(999)</b>

Certain deferred tax assets have not been recognized to the extent that certain companies within the Degroef group are not certain that future taxable profits will be available within the relevant taxable entities against which the tax losses carried forward can be utilized.

Unrecognised deferred tax assets at 30 September 2012 amounted to EUR 14 757 000 and related purely to recoverable tax losses with indefinite expiry dates (30 September 2011: EUR 12 982 000, 30 September 2010: EUR 11 317 000).

Deferred taxes amounting to EUR 3.1 million (30 September 2011: EUR 3.2 million; 30 September 2010: EUR 3.6 million) have not been recognized on timing differences relating to the distributable reserves of subsidiaries, as these differences are unlikely to reverse in the short term.

## 7.20 Shareholders' equity

The table below sets out the components of equity attributable to shareholders:

	(in thousands of EUR)		
	30.09.2012	30.09.2011	30.09.2010
Issued capital	47 491	47 491	47 491
Share premiums	182 877	181 575	180 517
Legal reserve	4 749	4 749	4 705
Untaxed reserve	22 881	22 881	22 881
Reserves available for distribution	50 000	50 000	50 000
Other reserves and retained earnings	243 828	215 595	188 319
Revaluation reserves	76 121	43 968	66 511
Treasury shares (-)	(68 232)	(47 232)	(47 091)
Net profit for the period	55 558	68 074	67 779
<b>Total</b>	<b>615 273</b>	<b>587 101</b>	<b>581 112</b>

The share capital of Bank Degroef is represented by 8 019 131 ordinary shares without par value. All shares are fully subscribed and paid. Movements on share capital are detailed below:

	30.09.2012		30.09.2011		30.09.2010	
	AMOUNT	NUMBER OF SHARES	AMOUNT	NUMBER OF SHARES	AMOUNT	NUMBER OF SHARES
Opening balance	47 491	8 019 131	47 491	8 019 131	47 051	7 945 796
Capital increase	0	0	0	0	240	40 000
Share option plans exercised	0	0	0	0	200	33 335
Closing balance	47 491	8 019 131	47 491	8 019 131	47 491	8 019 131

If all options outstanding on Bank Degroef shares at 30 September 2012 were to be exercised, the number of shares would increase by 97 805, corresponding to an amount of EUR 586 830.

The annual general shareholders' meeting on 11 February 2008 reset the authorized share capital for the following five years at a maximum level of EUR 8 500 000, excluding share premium.

At 30 September 2012, the unused part of the authorized share capital amounted to EUR 6 624 994, corresponding to 1 104 165 shares with a fractional value of EUR 6.

The reserves and retained earnings comprise the reserves of Bank Degroef, including the initial impact of the transition to international financial reporting standards (IFRS), the undistributed results of the group, as well as the difference between the acquisition or disposal price and the carrying value of shareholders' equity acquired or disposed of in the context of a change in the percentage shareholding of a subsidiary that did not result in a change in the scope of consolidation.

Revaluation reserves include unrealized gains and losses on available-for-sale financial assets (see note 7.4), unrealized gains and losses on debt securities reclassified from 'Available-for-sale financial assets', and translation differences resulting from the consolidation of financial statements of entities prepared in a functional currency different from that used by Bank Degroef.

At 30 September 2012, the Degroef group held 430 167 shares in Bank Degroef SA, representing 5.36% of the subscribed capital. These treasury shares are used, as a general rule, to cover staff incentive plans.



## 7.21 Fair values of financial instruments

The carrying values and fair values of the financial instruments are set out, by category of financial instrument, in the table below:

(in thousands of EUR)

	30.09.2012		30.09.2011		30.09.2010	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
<b>Financial assets</b>						
Cash and balances with central banks	183 300	183 300	833 099	833 099	284 963	284 963
Loans and advances to credit institutions	206 597	206 610	193 850	193 863	176 440	176 438
Loans and advances to customers	1 955 301	1 955 469	1 880 749	1 873 118	1 870 790	1 876 258
Financial assets held for trading	89 584	89 584	117 299	117 299	108 459	108 459
Financial assets designated at fair value through profit or loss	1 138 872	1 138 872	1 205 494	1 205 494	1 046 951	1 046 951
Available-for-sale financial assets	1 258 552	1 258 552	841 697	841 697	973 035	973 035
Financial assets held to maturity	249 738	252 376	62 401	58 594	136 392	134 731
<b>Total</b>	<b>5 081 944</b>	<b>5 084 763</b>	<b>5 134 589</b>	<b>5 123 164</b>	<b>4 597 030</b>	<b>4 600 835</b>
<b>Financial liabilities</b>						
Financial liabilities held for trading	117 228	117 228	125 629	125 629	177 924	177 924
Derivatives held for hedging purposes	0	0	1 990	1 990	0	0
Financial assets at amortized cost	4 477 981	4 484 916	4 523 334	4 527 698	3 958 079	3 962 903
<i>Deposits from credit institutions</i>	<i>171 081</i>	<i>171 217</i>	<i>143 134</i>	<i>143 153</i>	<i>268 669</i>	<i>268 736</i>
<i>Deposits from customers</i>	<i>4 247 396</i>	<i>4 250 556</i>	<i>4 316 660</i>	<i>4 317 937</i>	<i>3 625 874</i>	<i>3 627 159</i>
<i>Subordinated liabilities</i>	<i>46 497</i>	<i>50 136</i>	<i>50 531</i>	<i>53 599</i>	<i>50 531</i>	<i>54 003</i>
<i>Debt securities</i>	<i>13 007</i>	<i>13 007</i>	<i>13 009</i>	<i>13 009</i>	<i>13 005</i>	<i>13 005</i>
<b>Total</b>	<b>4 595 209</b>	<b>4 602 144</b>	<b>4 650 953</b>	<b>4 655 317</b>	<b>4 136 003</b>	<b>4 140 827</b>

For those financial instruments that are not valued at fair value in the financial statements, the following methods and assumptions are used to determine their fair value:

- the carrying value of short term financial instruments and of financial instruments without fixed maturities corresponds to a reasonable approximation of their fair value;
- other loans and borrowings are revalued on the basis of the most recently observed price or by discounting their future cash flows based on the market interest rate trends at the year-end.

Bank Degroef uses a hierarchy of three levels of fair values, by reference to the source of data used to determine the fair value:

**Level 1 – Published market value:** this category comprises financial instruments for which the fair value is determined by direct reference to prices quoted on an active market.

**Level 2 – Valuation technique based on observable market data:** this category includes financial instruments for which the fair values are determined by reference to valuation techniques the parameters of which are derived from an active market or which are observable;

**Level 3 – Valuation technique based on non-observable market data:** this category includes financial instruments for which a significant part of the parameters used for the determination of the fair value are not derived from observable market data.

Financial instruments marked to fair value (excluding accrued interest) are analyzed as follows:

	(in thousands of EUR)			
30.09.2012	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
<b>Financial assets</b>				
Derivatives	0	69 898	0	69 898
Financial assets held for trading	13 027	1 135	0	14 162
Financial assets designated at fair value through profit or loss	1 128 450	0	0	1 128 450
Available-for-sale financial assets <sup>1</sup>	972 225	184 869	91 975	1 249 069
<b>Total</b>	<b>2 113 702</b>	<b>255 902</b>	<b>91 975</b>	<b>2 461 579</b>
<b>Financial liabilities</b>				
Derivatives	0	104 276	0	104 276
Financial liabilities held for trading	391	0	0	391
<b>Total</b>	<b>391</b>	<b>104 276</b>	<b>0</b>	<b>104 667</b>

	(in thousands of EUR)			
30.09.2011	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
<b>Financial assets</b>				
Derivatives	209	92 086	0	92 295
Financial assets held for trading	9 528	2 901	0	12 429
Financial assets designated at fair value through profit or loss	1 192 277	0	0	1 192 277
Available-for-sale financial assets <sup>1</sup>	583 978	158 811	96 122	838 911
<b>Total</b>	<b>1 785 992</b>	<b>253 798</b>	<b>96 122</b>	<b>2 135 912</b>
<b>Financial liabilities</b>				
Derivatives	6	104 347	0	104 353
Financial liabilities held for trading	188	0	0	188
<b>Total</b>	<b>194</b>	<b>104 347</b>	<b>0</b>	<b>104 541</b>

<sup>1</sup> Not including financial assets measured at cost.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	(in thousands of EUR)			
30.09.2010	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
<b>Financial assets</b>				
Derivatives	275	94 064	0	94 339
Financial assets held for trading	6 318	1 053	0	7 371
Financial assets designated at fair value through profit or loss	1 036 301	0	0	1 036 301
Available-for-sale financial assets <sup>1</sup>	767 977	116 652	84 231	968 860
<b>Total</b>	<b>1 810 871</b>	<b>211 769</b>	<b>84 231</b>	<b>2 106 871</b>
<b>Financial liabilities</b>				
Derivatives	0	145 350	0	145 350
Financial liabilities held for trading	7 341	701	0	8 042
<b>Total</b>	<b>7 341</b>	<b>146 051</b>	<b>0</b>	<b>153 392</b>

The table below sets out the movements relating to financial instruments valued at fair value under Level 3:

	(in thousands of EUR)
<b>AVAILABLE-FOR-SALE FINANCIAL ASSETS</b>	
<b>Closing balance at 30.09.2009</b>	<b>70.139</b>
Profits and losses recognised in the result for the current year <sup>2</sup>	0
Profits and losses recognised in shareholders' equity	13 512
Acquisitions	100
Issuances	480
Settlements	0
Transfers to level 3	0
Transfers from level 3	0
Changes to the scope of consolidation	0
Other	0
<b>Closing balance at 30.09.2010</b>	<b>84 231</b>
Profits and losses recognised in the result for the current year <sup>2</sup>	0
Profits and losses recognised in shareholders' equity	3 782
Acquisitions	5 452
Issuances	252
Settlements	0
Transfers to level 3	2 405
Transfers from level 3	0
Changes to the scope of consolidation	0
Other	0
<b>Closing balance at 30.09.2011</b>	<b>96 122</b>
Profits and losses recognised in the result for the current year <sup>2</sup>	2 935
Profits and losses recognised in shareholders' equity	(2 823)
Acquisitions	887
Issuances	75
Settlements	(5 221)
Transfers to level 3	0
Transfers from level 3	0
Changes to the scope of consolidation	0
Other	0
<b>Closing balance at 30.09.2012</b>	<b>91 975</b>

<sup>2</sup> Recorded under "Net result on financial instruments not designated at fair value through profit or loss" (note 8.6).

No profits or losses resulting from the Level 3 assets included in the balance sheet have been included in the result for the current financial year.

The financial instruments valued using a Level 3 model are principally unquoted shares. The method that is generally used uses stock market multiples for the most recent published consolidated results of comparable companies that are quoted. A discount for lack of liquidity is subsequently applied to the resultant values. The valuations are performed by an independent department of the front office.

An alternative valuation, using hypotheses that are reasonably possible but generally less favourable, would result in the following changes to the valuation of the portfolio:

				(in thousands of EUR)
	VALUE	ALTERNATIVE VALUE	IMPACT ON RESULTS	IMPACT ON EQUITY
<b>30.09.2012</b>				
Unquoted variable-income securities	91 975	74 604	0	(17 371)
<b>30.09.2011</b>				
Unquoted variable-income securities	96 122	82 741	0	(13 381)
<b>30.09.2010</b>				
Unquoted variable-income securities	84 231	71 826	0	(12 405)

The alternative hypotheses that are reasonably possible that were used include, depending on the values, the use of higher risk premiums for discounting (for the values calculated using a discounted cash flow model), the use of an alternative calculation based on stock market multiples of comparable companies, or the use of a higher discount for lack of liquidity.

## 8. NOTES TO THE CONSOLIDATED INCOME STATEMENT

### 8.1 Interest income and expense

Interest income and expense, by class of interest-bearing financial instrument, is as follows:

	(in thousands of EUR)		
	30.09.2012	30.09.2011	30.09.2010
<b>Interest income</b>	<b>97 749</b>	<b>95 378</b>	<b>86 764</b>
<i>Financial assets held for trading</i>	222	1 471	268
<i>Financial assets at fair value through profit or loss</i>	29 520	27 651	28 561
<i>Hedging derivatives</i>	0	125	0
Interest income on assets stated at fair value	29 742	29 247	28 829
<i>Loans and advances to credit institutions</i>	2 572	4 277	1 844
<i>Loans and advances to customers</i>	45 991	47 074	41 255
<i>Available-for-sale securities</i>	12 410	11 788	11 035
<i>Held to maturity securities</i>	6 919	2 442	3 251
<i>Interest on impaired assets</i>	112	547	544
<i>Other</i>	3	3	6
Interest income on assets not stated at fair value	68 007	66 131	57 935
<b>Interest expenses</b>	<b>(25 078)</b>	<b>(26 729)</b>	<b>(22 115)</b>
<i>Financial liabilities held for trading</i>	0	(7)	(16)
<i>Hedging derivatives</i>	0	(285)	0
Interest expenses on assets stated at fair value	0	(292)	(16)
<i>Deposits from credit institutions</i>	(1 252)	(2 898)	(5 888)
<i>Deposits from customers</i>	(21 554)	(21 193)	(13 934)
<i>Debt securities</i>	(198)	(175)	(94)
<i>Subordinated liabilities</i>	(2 037)	(2 123)	(2 157)
<i>Other</i>	(37)	(48)	(26)
Interest expenses on liabilities not stated at fair value	(25 078)	(26 437)	(22 099)
<b>Net interest income</b>	<b>72 671</b>	<b>68 649</b>	<b>64 649</b>

### 8.2 Dividend income

Dividend income is detailed below, by category of financial asset:

	(in thousands of EUR)		
	30.09.2012	30.09.2011	30.09.2010
Financial assets held for trading	87	167	216
Financial assets designated at fair value through profit or loss	2 885	3 465	2 459
Available-for-sale securities	6 098	7 032	8 686
<b>Total</b>	<b>9 070</b>	<b>10 664</b>	<b>11 361</b>

### 8.3 Fee and commission income and expense

Fee and commission income and expense is detailed below, by type of service:

	30.09.2012	30.09.2011	30.09.2010
(in thousands of EUR)			
<b>Fee and commission income</b>	<b>312 383</b>	<b>309 648</b>	<b>260 593</b>
Asset management	133 303	144 376	127 041
Issues and placements securities	61 553	41 703	25 386
Custodian services	41 009	41 596	37 789
Other securities services	54 235	66 494	55 285
Cash related services	8 210	7 211	4 870
Financial engineering	11 415	5 405	8 047
Derivatives	2 658	2 863	2 175
<b>Fee and commission expense</b>	<b>(118 813)</b>	<b>(116 269)</b>	<b>(84 787)</b>
Asset management	(44 350)	(51 640)	(39 424)
Issues and placements securities	(48 368)	(28 768)	(15 651)
Custodian services	(6 011)	(5 828)	(4 954)
Other securities services	(16 953)	(26 069)	(21 409)
Cash related services	(2 737)	(3 400)	(2 820)
Derivatives	(394)	(564)	(529)
<b>Net commission income</b>	<b>193 570</b>	<b>193 379</b>	<b>175 806</b>

### 8.4 Net result on financial instruments held for trading

The table below analyzes, by type of financial instrument, gains and losses on financial instruments held for trading:

	30.09.2012	30.09.2011	30.09.2010
(in thousands of EUR)			
<b>Realized and unrealized gains (losses) on financial instruments held for trading</b>	<b>16 771</b>	<b>24 718</b>	<b>24 510</b>
Fixed income securities	6 512	8 532	8 397
Variable income securities	968	1 564	4 439
Exchange activities	9 124	14 497	11 447
Other	167	125	227
<b>Gains (losses) on derivatives</b>	<b>(27 179)</b>	<b>(15 225)</b>	<b>(41 735)</b>
Foreign exchange derivatives	3 998	(568)	1 687
Interest rate derivatives	(27 225)	(9 255)	(31 796)
Equity derivatives	(9 025)	300	(5 740)
Other derivatives	5 073	(5 702)	(5 886)
<b>Net result on financial instruments held for trading</b>	<b>(10 408)</b>	<b>9 493</b>	<b>(17 225)</b>

With the exception of derivatives, all interest received and paid on financial instruments is recorded as interest income. Accordingly, the above-mentioned gains and losses on derivatives represent the impact of their revaluation to fair value including accrued interest, while the gains and losses on other financial instruments represent only the changes in their market values.

## 8.5 Net result on financial instruments designated at fair value through profit or loss

The table below analyzes, by type of financial instrument, gains and losses on financial instruments designated at fair value through profit or loss:

	30.09.2012	30.09.2011	30.09.2010
		(in thousands of EUR)	
Fixed income securities	17 735	(4 226)	(1 510)
Variable income securities	5 547	(4 302)	2 396
<b>Net result on financial instruments designated at fair value through profit or loss</b>	<b>23 282</b>	<b>(8 528)</b>	<b>886</b>

All interest received and paid on financial instruments is recorded as interest income. Accordingly, the above-mentioned gains and losses represent only the changes in the market values of these financial instruments.

## 8.6 Net result on financial instruments not designated at fair value through profit or loss

The table below analyzes, by category and by type of financial instrument, gains and losses on financial instruments not designated at fair value through profit or loss:

	30.09.2012	30.09.2011	30.09.2010
		(in thousands of EUR)	
<b>Gains (losses) on available-for-sale financial assets</b>	<b>11 799</b>	<b>9 588</b>	<b>8 709</b>
Fixed income securities – public debts	(1 701)	343	81
Fixed income securities – other debts	14	(8)	0
Variable income securities	13 486	9 253	8 628
<b>Net result on sale of loans and advances</b>	<b>58</b>	<b>36</b>	<b>153</b>
Gains on sale of loans and advances	236	756	172
Losses on sale of loans and advances	(178)	(720)	(19)
<b>Gains (losses) on held to maturity financial assets</b>	<b>0</b>	<b>(54)</b>	<b>0</b>
Fixed income securities – public debts	0	(54)	0
<b>Net result on financial instruments not designated at fair value through profit or loss</b>	<b>11 857</b>	<b>9 570</b>	<b>8 862</b>

Included in the gains and losses on the above-mentioned available-for-sale assets are the amounts transferred from equity as a result of the derecognition of financial instruments.

## 8.7 Net result on hedge accounting

Result on hedge accounting comprises the following:

	30.09.2012	30.09.2011	30.09.2010
(in thousands of EUR)			
<b>Fair value hedge</b>			
Changes in the fair value of the hedged items	0	1 906	0
Changes in the fair value of the hedging derivatives	0	(1 957)	0
<b>Net result on hedge accounting</b>	<b>0</b>	<b>(51)</b>	<b>0</b>

Accrued interest on hedging instruments is included in the interest income and expense.

## 8.8 Other net operating results

Other net operating results are analyzed below:

	30.09.2012	30.09.2011	30.09.2010
(in thousands of EUR)			
<b>Other operating income</b>	<b>9 048</b>	<b>8 713</b>	<b>6 761</b>
Lease income	2 419	2 326	2 148
Realized capital gains on sales of tangible and intangible fixed assets	85	1 703	43
Reversals of provisions	25	13	797
Supply of services	3 581	2 659	2 006
Other	2 938	2 012	1 767
<b>Other operating charges</b>	<b>(1 696)</b>	<b>(2 183)</b>	<b>(2 380)</b>
Realized capital losses on sales of tangible and intangible fixed assets	(159)	(288)	(239)
Increase in provisions	(1 222)	(1 531)	(1 946)
Other	(315)	(364)	(195)
<b>Other net operating results</b>	<b>7 352</b>	<b>6 530</b>	<b>4 381</b>

## 8.9 Personnel expenses

Personnel expenses comprise the following:

	30.09.2012	30.09.2011	30.09.2010
(in thousands of EUR)			
Wages and salaries	(104 932)	(91 843)	(89 762)
Social security, social insurance and extra-legal insurance	(19 116)	(15 494)	(14 760)
Pension costs	(5 534)	(4 511)	(4 000)
Share-based compensation	(977)	(3 761)	(3 237)
Other costs	(2 322)	(2 156)	(1 908)
<b>Personnel expenses</b>	<b>(132 881)</b>	<b>(117 765)</b>	<b>(113 667)</b>

Note 10 provides detailed information about post-employment benefits and share-based payments.



The numbers of personnel employed, expressed in full-time equivalents, are, by category:

			(in units)
FTE on	30.09.2012	30.09.2011	30.09.2010
Senior management	263	253	245
Employees	810	770	776
Workers	8	8	9
<b>Total</b>	<b>1 081</b>	<b>1 031</b>	<b>1 030</b>

## 8.10 General and administrative expenses

General and administrative expenses are analyzed below:

			(in thousands of EUR)
	30.09.2012	30.09.2011	30.09.2010
Marketing, advertising and public relations	(3 065)	(2 671)	(1 917)
Professional fees	(8 666)	(9 221)	(7 507)
Operating leases	(8 911)	(6 307)	(5 878)
IT and telecommunications charges	(8 857)	(8 176)	(7 629)
Repairs and maintenance	(6 145)	(5 472)	(5 294)
Operational taxes	(6 074)	(5 751)	(5 005)
Other general and administrative expenses	(18 196)	(17 226)	(12 174)
<b>General and administrative expenses</b>	<b>(59 914)</b>	<b>(54 824)</b>	<b>(45 404)</b>

Operating lease expenses relate primarily to vehicles and buildings.

The other general and administrative expenses represent primarily entertainment and travel expenses, expenses for office supplies, training expenses, subscriptions, and insurance premiums other than those related to personnel.

## 8.11 Depreciation of property and equipment and amortization of intangible assets

During the year ended 30 September 2012, depreciation of property and equipment amounted to EUR 5.6 million (30 September 2011: EUR 5.6 million; 30 September 2010: EUR 5.8 million) and amortization of intangible assets amounted to EUR 3.2 million (30 September 2011: EUR 3.3 million; 30 September 2010: EUR 3.4 million).

An analysis of depreciation and amortization by category of property and equipment and of intangible asset is provided in notes 7.8 and 7.9.

## 8.12 Impairments

Movements in impairments, by category of asset, are as follows:

	(in thousands of EUR)		
	30.09.2012	30.09.2011	30.09.2010
<b>Reversals of impairment losses</b>	<b>28</b>	<b>239</b>	<b>211</b>
Loans and advances	28	190	211
Investments in entities accounted for using the equity method	0	49	0
<b>Allowance for impairments</b>	<b>(27 568)</b>	<b>(22 091)</b>	<b>(2 898)</b>
Loans and advances	(13 036)	(1 502)	(1 143)
Available-for-sale financial assets	(14 471)	(12 750)	(1 499)
Tangible assets	(13)	(9)	(22)
Intangible assets	(48)	(822)	0
Investments in entities accounted for using the equity method	0	(7 008)	(234)
<b>Net variation of impairment losses on assets</b>	<b>(27 540)</b>	<b>(21 852)</b>	<b>(2 687)</b>

Details of the movements in impairments of tangible and intangible fixed assets are included in notes 7.8 and 7.9, by category of tangible and intangible fixed asset.

## 8.13 Income tax expenses

The net income tax expense is explained by the following elements:

	(in thousands of EUR)		
	30.09.2012	30.09.2011	30.09.2010
<b>Tax on current year result</b>	<b>(19 140)</b>	<b>(16 631)</b>	<b>(8 946)</b>
Income tax for the period	(18 911)	(17 919)	(12 786)
Deferred tax	(229)	1 288	3 840
<b>Other tax expense</b>	<b>(4 056)</b>	<b>819</b>	<b>527</b>
Income tax on prior years	(3 934)	952	643
Other items	(122)	(133)	(116)
<b>Net tax expense</b>	<b>(23 196)</b>	<b>(15 812)</b>	<b>(8 419)</b>

The table below reconciles the normal tax rate in Belgium (33.99%) to the effective tax rate of Bank Degroof:

	30.09.2012	30.09.2011	30.09.2010
	(in thousands of EUR)		
<i>Profit before income tax</i>	78 247	83 908	76 230
<i>Income of entities accounted for using the equity method</i>	0	2 471	1 484
Tax base	78 247	86 379	77 714
Tax rate applicable at closing	33.99%	33.99%	33.99%
<b>Theoretical income tax expense</b>	<b>(26 596)</b>	<b>(29 360)</b>	<b>(26 415)</b>
Effect of tax rate differences in other jurisdictions	3 151	3 374	3 103
Tax impact of non-deductible expenses	(8 731)	(10 492)	(6 737)
Tax impact of non-taxable income	16 904	16 055	22 589
Impact of change in income tax rate on the temporary differences	0	(36)	0
Permanent differences	509	3 299	(1 329)
Effect of other items	119	156	420
Unrecognized deferred tax assets	(4 496)	373	(577)
<b>Income tax for the period</b>	<b>(19 140)</b>	<b>(16 631)</b>	<b>(8 946)</b>
<b>Average effective tax rate</b>	<b>24.46%</b>	<b>19.25%</b>	<b>11.51%</b>

The fiscal impact of non-taxable revenues relates principally to realized gains on shares and non-taxable dividends.

## 8.14 Components of other comprehensive income

Details of components of other comprehensive income are as follows:

(in thousands of EUR)

	30.09.2012	30.09.2011	30.09.2010
<b>Currency translation differences</b>	<b>881</b>	<b>2 205</b>	<b>3 236</b>
Gross amount	881	2 205	3 236
<b>Revaluation reserve - Available-for-sale-financial assets</b>	<b>31 377</b>	<b>(24 746)</b>	<b>19 540</b>
Fixed income securities	10 598	(7 750)	4 957
Adjustment to fair value, before taxes	10 745	(14 854)	4 181
Transfer from the reserve to results, before taxes	4 775	3 531	3 064
Impairments	57	1 333	61
Losses (gains) on disposals	1 687	(335)	(81)
Prorata of the reserve for the revaluation of available-for-sale financial assets following their reclassification	3 031	2 533	3 084
Taxes recorded directly in reserves	(4 922)	3 573	(2 288)
Variable income securities	20 779	(16 996)	14 583
Adjustment to fair value, before taxes	26 482	(9 468)	23 151
Transfer from the reserve to results, before taxes	(5 530)	(7 592)	(8 543)
Impairments	7 956	1 661	85
Losses (gains) on disposals	(13 486)	(9 253)	(8 628)
Taxes recorded directly in reserves	(173)	64	(25)
<b>Share of other comprehensive income of companies accounted for using the equity method</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total other comprehensive income</b>	<b>32 258</b>	<b>(22 541)</b>	<b>22 776</b>

## 9. RIGHTS AND COMMITMENTS

### 9.1 Assets in open custody

Assets in open custody are primarily marketable securities that have been placed in custody by clients, regardless of whether or not the control over the assets by the holder is restricted, or whether or not the assets are subject to a management contract with Bank Degroof.

These assets are measured at fair value. Assets in open custody with the Bank at 30 September 2012, 2011 and 2010 amounted to EUR 49.9 billion, EUR 43.4 billion and EUR 47.9 billion respectively.

### 9.2 Credit related rights and commitments

Bank Degroof has commitments under credit lines granted to clients, the unused portion of which at 30 September 2012 amounted to EUR 266.9 million (30 September 2011: EUR 222.7 million; 30 September 2010: EUR 193.2 million).

### 9.3 Guarantees given and received

Bank Degroef has pledged, for its own account and for those of its clients, financial instruments amounting to EUR 97.0 million (30 September 2011: EUR 107.3 million; 30 September 2010: EUR 85.7 million).

Bank Degroef has received pledges of assets from its clients amounting to EUR 2 867.8 million at 30 September 2012 (30 September 2011: EUR 3 102.7 million; 30 September 2010: EUR 2 836.9 million). As a general rule, these pledges cannot be used by the Bank, in the absence of a default by the owner of the pledge, except for those obtained in the context of repo operations, which amounted to EUR 59.2 million at 30 September 2012 (30 September 2011: EUR 65.5 million; 30 September 2010: EUR 58.7 million). Of the pledges obtained that can be used, none had been given as a guarantee for repo operations at 30 September 2012 (guarantees obtained and given as guarantees at 30 September 2011: EUR 14.4 million; 30 September 2010: EUR 5.4 million).

## 10. EMPLOYEE BENEFITS AND OTHER REMUNERATION

### 10.1 Post-employment benefits

Post-employment benefits comprise pension schemes and the partial payment of medical care insurance premiums following the retirement of employees.

The pension schemes include both defined contribution and defined benefit plans. The defined benefit plans comprise a defined benefit plan and a defined contribution plan with returns that are guaranteed in accordance with local obligations. The defined benefit plan was closed in December 2004.

The charge for the current financial year in respect of the defined contribution plans was EUR 0.8 million (30 September 2011: EUR 0.7 million; 30 September 2010: EUR 1.7 million). For the other plans, the table below details the Degroef group's commitments and the principal actuarial assumptions used:

	PENSION PLANS		
	30.09.2012	30.09.2011	30.09.2010
<i>Present value of the funded obligations</i>	46 129	34 899	33 183
<i>Fair value of plan assets</i>	27 902	23 059	24 677
Deficit (surplus) for funded plans	18 227	11 840	8 506
Present value of the unfunded obligations	0	0	0
Unrecognized net actuarial gain (loss)	(17 545)	(11 646)	(8 488)
Unrecognized past service (cost) benefit	0	0	0
<b>A. Net liability (asset) of post-employment benefits</b>	<b>682</b>	<b>194</b>	<b>18</b>
<b>B. Change in Defined Benefit Obligation</b>			
Balance at beginning of year	34 899	33 183	29 187
Current service cost	2 383	2 181	2 059
Interest cost	1 636	1 285	1 461
Actuarial (gain) loss	7 948	(753)	2 598
Benefits paid from plan/company	(776)	(1 078)	(2 167)
Net transfer	39	81	45
Balance at end of year	46 129	34 899	33 183
<b>C. Change in fair value of plan assets</b>			
Balance at beginning of year	23 059	24 677	22 842
Expected return on plan assets	1 161	1 215	1 271
Actuarial gain (loss) on plan assets	1 461	(4 284)	61
Employer contributions	2 958	2 448	2 625
Benefits paid from plan/company	(776)	(1 078)	(2 167)
Acquisitions	39	81	45
Balance at end of year	27 902	23 059	24 677

(in thousands of EUR)			
OTHER BENEFITS			
30.09.2012	30.09.2011	30.09.2010	
0	0	0	
0	0	0	
0	0	0	
13 257	7 828	6 971	
(7 138)	(2 708)	(2 746)	
(96)	(112)	(128)	
<b>6 023</b>	<b>5 008</b>	<b>4 097</b>	
<b>7 828</b>	<b>6 971</b>	<b>4 850</b>	
570	550	385	
369	277	250	
4 575	115	1 553	
(85)	(85)	(67)	
0	0	0	
<b>13 257</b>	<b>7 828</b>	<b>6 971</b>	
<b>0</b>	<b>0</b>	<b>0</b>	
0	0	0	
0	0	0	
85	85	67	
(85)	(85)	(67)	
0	0	0	
<b>0</b>	<b>0</b>	<b>0</b>	

	PENSION PLANS		
	30.09.2012	30.09.2011	30.09.2010
<b>D. Components of cost</b>			
Current service cost	2 383	2 181	2 059
Interest cost	1 636	1 285	1 461
Expected return on plan assets	(1 161)	(1 215)	(1 271)
Recognition of past service cost	0	0	0
Recognition of net loss (gain)	587	373	231
<b>Net cost of post-employment benefits</b>	<b>3 445</b>	<b>2 624</b>	<b>2 480</b>
Actual return on plan assets	2 622	(3 069)	1 332
<b>E.1 Principal actuarial assumptions to determine the Defined Benefit Obligations</b>			
Discount rate	2.90%	4.75%	4.00%
Future salary increase	3.25%	3.25%	3.25%
Inflation rate	2.25%	2.25%	2.25%
<b>E.1 Principal actuarial assumptions to determine the Defined Benefit Obligations</b>			
Discount rate	4.75%	4.00%	5.20%
Expected rate of return on plan assets	4.86%	4.89%	5.51%
Future salary increase	3.25%	3.25%	3.25%
Inflation rate	2.25%	2.25%	2.25%
<b>F. Plan assets</b>			
Equity securities	37.93%	50.40%	51.40%
Debt securities	52.59%	40.06%	38.96%
Real estate	9.48%	9.54%	9.64%
<b>G. History of gains and losses due to experience adjustments</b>			
Difference between the expected and actual return on plan assets			
Amount	(1 461)	4 284	(61)
Percentage	(5.24%)	18.58%	(0.25%)
Experience (gain) loss on plan liabilities			
Amount	369	1 859	(831)
Percentage	0.80%	5.33%	(2.50%)

The table below sets out the data and a sensitivity test of the impact of a 1% change in the annual medical costs:

	(in thousands of EUR)					
	30.09.2012		30.09.2011		30.09.2010	
Medical cost trend rates						
Initial trend rate	5.25%		5.25%		5.25%	
Ultimate trend rate	5.25%		5.25%		5.25%	
Year	NA		NA		NA	
Sensitivity analysis to medical cost trend rates						
	1%	(1%)	1%	(1%)	1%	(1%)
Effect on total service cost and interest cost	309	(223)	290	(206)	204	(148)
Effect on defined benefit obligation	4 340	(3 114)	2 196	(1 624)	2 094	(1 527)



	(in thousands of EUR)		
	OTHER BENEFITS		
	30.09.2012	30.09.2011	30.09.2010
	570	550	385
	369	277	250
	0	0	0
	16	16	16
	144	153	56
	1 099	996	707
	0	0	0
	2.90%	4.75%	4.00%
	0.00%	0.00%	0.00%
	5.25%	5.25%	5.25%
	4.75%	4.00%	5.20%
	0.00%	0.00%	0.00%
	0.00%	0.00%	0.00%
	5.25%	5.25%	5.25%
	0.00%	0.00%	0.00%
	0.00%	0.00%	0.00%
	0.00%	0.00%	0.00%
	0	0	0
	0.00%	0.00%	0.00%
	(431)	1 685	(198)
	(3.25%)	21.53%	(2.84%)

## 10.2 Share-based payments

Bank Degroef has issued several share option plans in recent years for the benefit of the directors and senior management with the objective of ensuring their loyalty and aligning their personal interests with those of the Bank. These plans comply with local legal provisions.

These option plans include both cash-settled plans and plans that are settled in shares. In both cases there is generally a three to four year vesting period.

The share option plans which are settled by the delivery of shares are settled with either new shares or existing shares and can be exercised either quarterly or annually at the end of the vesting period. These option plans are analyzed below, by maturity date, at 30 September 2012:

FINAL EXPIRY DATE	30.09.2012		30.09.2011		(in units; in EUR) 30.09.2010	
	NUMBER OF OUT- STANDING OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OUT- STANDING OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OUT- STANDING OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
30.09.2015	97 805	192.30	98 005	192.30	102 790	192.30
30.09.2017	103 595	166.49	104 045	166.49	0	0
30.09.2018	183 986	149.42	104 533	148.92	104 903	148.92
	385 386	164.89	306 583	168.75	207 693	170.39

The movements on share options are as follows:

	30.09.2012		30.09.2011		(in units; in EUR)	
	NUMBER OF OUTSTANDING OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OUTSTANDING OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OUTSTANDING OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Opening balance	306 583	168.75	207 693	170.39	139 500	161.70
Options granted	80 026	150.08	104 045	166.49	104 903	148.92
Options withdrawn	(1 223)	162.48	(5 155)	178.50	(2 875)	174.95
Options exercised	0	0	0	0	(33 335)	67.60
Options expired	0	0	0	0	(500)	67.60
Closing balance	385 386	164.89	306 583	168.75	207 693	170.39
of which exercisable	97 805	192.30	98 005	192.30	0	0

In respect of the above-mentioned plans and in accordance with IFRS 2, the Bank has recorded an expense of EUR 1.3 million in personnel expenses during the current financial year (30 September 2011: EUR 1.1 million; 30 September 2010: EUR 1.0 million). Until such time as these options are exercised, the recording of the expense does not have an impact on shareholders' equity as this balance is increased by an identical amount. Once the options are exercised, shareholders' equity will increase by an amount equal to the number of options exercised multiplied by the exercise price.

In order to determine the initial cost of the options to be expensed, the Bank uses a 'Black and Scholes' model with the following parameters at the grant date:

	30.09.2012	30.09.2011	30.09.2010
<b>Options granted during the period at end of:</b>			
Grant date	31 May 2012	30 May 2011	28 May 2010
Final maturity	31 March 2018	31 March 2017	31 March 2018
Spot market value (EUR)	150.08	166.49	148.92
Dividends (EUR)	37.50	37.50	50.14
Exercised price (EUR)	150.08	166.49	148.92
Volatility	22.00%	18.00%	25.00%
Interest rate	1.24%	2.95%	2.84%
<b>Fair value of options granted (EUR)</b>	<b>15.78</b>	<b>19.90</b>	<b>23.94</b>

In addition to the above-mentioned plans, there are two cash-settled option plans at 30 September 2011. The fair value of these options is calculated annually on the basis of the underlying value of the options.

The first plan was established in 2009 using a subsidiary (PrivatBank Degroof), for the sole benefit of the directors of PrivatBank Degroof. The number of options granted at 15 April 2009 was 434 700 of which 313 950 remain outstanding at 30 September 2012. These options have a final exercise date of 15 September 2016 and an exercise price of EUR 14.58. During the current financial year, this plan has generated a positive result of EUR 0.3 million as a result of a reduction in the value of the options. The second plan was also established in 2009 using a subsidiary (BD Square Invest), the sole activity of which was to hold shares in Bank Degroof, financed by own funds and borrowings. The number of options granted at 10 June 2009 was 103 190 of which 8 707 remain outstanding at 30 September 2012 and 93 222 were settled in cash during the current financial year. These options have a final

exercise date of 15 March 2014 and an exercise price of EUR 60.60. A minor positive result of a few thousand Euros was recorded in respect of this plan during the current financial year.

The plan that is operated through BD Square Invest, is valued using an internal arbitrage model that gives the issuer the option of covering its position. This model takes into account the re-measured net asset value of the subsidiary, the financing cost for the remaining life of the option, possible dividends paid out by the subsidiary, the cost of hedging the value of the subsidiary's assets and the option exercise price. This model makes it possible to estimate the fair value of the option on the leveraged subsidiary, the volatility of which is too hazardous to estimate.

The data for this model is set out in the table below:

OPTION FAIR VALUE AS AT	30.09.2012	30.09.2011	30.09.2010
<b>Options BD Square Invest</b>			
Revalued net asset (EUR)	100.61	112.56	90.46
Financing cost (EUR)	0.76	3.37	3.38
Hedge cost (EUR)	4.20	3.70	10.08
Exercise price (EUR)	60.60	60.60	60.60
<b>Fair value of options granted (EUR)</b>	<b>44.97</b>	<b>59.03</b>	<b>43.32</b>

The plan that uses PrivatBank Degroof, which is not a highly leveraged subsidiary for which estimating volatility would be too difficult, has been valued using a 'Black and Scholes' model with the following parameters at the valuation date:

OPTION FAIR VALUE AS AT	30.09.2012	30.09.2011	30.09.2010
<b>Option PrivatBank Degroof</b>			
Grant date	15 April 2009	15 April 2009	15 April 2009
Final maturity	15 Sept. 2016	15 Sept. 2016	15 Sept. 2016
Spot market value (EUR)	10.23	13.54	14.18
Dividends (EUR)	1.69	2.87	2.87
Exercised price (EUR)	14.58	14.58	14.58
Volatility	18.40%	22.00%	20.00%
Interest rate	0.68%	1.90%	2.06%
<b>Fair value of options granted (EUR)</b>	<b>0.15</b>	<b>1.31</b>	<b>1.75</b>

## 11. RELATED PARTIES

For Bank Degroof, related parties include associates, joint ventures, pension funds, the members of the board of directors and executive committee of Bank Degroof Brussels, as well as the close family members of the above-mentioned persons and any company controlled or significantly influenced by one of the above-mentioned persons.

The tables below summarize, by type, the transactions entered into with related parties during the past three years:

30.09.2012

(in thousands of EUR)

	ENTITIES WITH JOINT CONTROL OR SIGNIFICANT INFLUENCE	ASSOCIATES	KEY MANAGE- MENT	OTHER RELATED PARTIES	TOTAL
<b>Balance sheet</b>					
Overdrafts	158	0	101	0	259
Term loans	16 184	0	36 337	0	52 521
Other loans and advances	0	0	0	155	155
<b>Total assets</b>	<b>16 342</b>	<b>0</b>	<b>36 438</b>	<b>155</b>	<b>52 935</b>
Deposits	9 401	0	10 148	1 026	20 575
Other	0	0	0	836	836
Other liabilities	0	0	77	1	78
<b>Total liabilities</b>	<b>9 401</b>	<b>0</b>	<b>10 225</b>	<b>1 863</b>	<b>21 489</b>
Guarantees received by the group	25 960	0	103 184	0	129 144
Commitments	150	0	1 000	0	1 150

(in units)

<b>Share options:</b>					
Granted	2 200	0	0	5 500	7 700
Exercised/sold	3 848	0	0	8 646	12 494

30.09.2012

(in thousands of EUR)

	ENTITIES WITH JOINT CONTROL OR SIGNIFICANT INFLUENCE	ASSOCIATES	KEY MANAGE- MENT	OTHER RELATED PARTIES	TOTAL
<b>Profit and loss</b>					
Interest expenses	87	0	97	11	195
Personnel expenses	0	0	0	3 576	3 576
Other	0	0	0	48	48
<b>Total expenses</b>	<b>87</b>	<b>0</b>	<b>97</b>	<b>3 635</b>	<b>3 819</b>
Interest income	952	0	2 293	0	3 245
Profit on derivatives	0	0	1	14	15
Fee and commission	66	0	60	0	126
<b>Total income</b>	<b>1 018</b>	<b>0</b>	<b>2 354</b>	<b>14</b>	<b>3 386</b>

30.09.2011

(in thousands of EUR)

	ENTITIES WITH JOINT CONTROL OR SIGNIFICANT INFLUENCE	ASSOCIATES	KEY MANAGE- MENT	OTHER RELATED PARTIES	TOTAL
<b>Balance sheet</b>					
Overdrafts	0	0	2	0	2
Term loans	22 206	2 500	39 084	0	63 790
Other loans and advances	0	0	0	187	187
Variable-income securities	0	0	14	0	14
Other assets	0	0	59	2	61
<b>Total assets</b>	<b>22 206</b>	<b>2 500</b>	<b>39 159</b>	<b>189</b>	<b>64 054</b>
Deposits	17 694	1	9 456	1 147	28 298
Other	0	0	0	381	381
Other liabilities	0	0	1	0	1
<b>Total liabilities</b>	<b>17 694</b>	<b>1</b>	<b>9 457</b>	<b>1 528</b>	<b>28 680</b>
Guarantees received by the group	25 981	0	97 585	0	123 566
Commitments	57	2 500	1 884	0	4 441

(in units)

**Share options:**

Granted	2 600	0	5 200	0	7 800
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30.09.2011

(in thousands of EUR)

	ENTITIES WITH JOINT CONTROL OR SIGNIFICANT INFLUENCE	ASSOCIATES	KEY MANAGE- MENT	OTHER RELATED PARTIES	TOTAL
<b>Profit and loss</b>					
Interest expenses	583	0	276	9	868
Loss on derivatives	0	0	1	4	5
Personnel expenses	0	0	0	2 781	2 781
Other	0	11	0	53	64
<b>Total expenses</b>	<b>583</b>	<b>11</b>	<b>277</b>	<b>2 847</b>	<b>3 718</b>
Interest income	1 213	62	1 657	0	2 932
Fee and commission	37	5	302	0	344
<b>Total income</b>	<b>1 250</b>	<b>67</b>	<b>1 959</b>	<b>0</b>	<b>3 276</b>

30.09.2010

(in thousands of EUR)

	ENTITIES WITH JOINT CONTROL OR SIGNIFICANT INFLUENCE	ASSOCIATES	KEY MANAGE- MENT	OTHER RELATED PARTIES	TOTAL
<b>Balance sheet</b>					
Overdrafts	0	0	1 125	0	1 125
Term loans	16 889	2 500	1 537	0	20 926
<b>Total assets</b>	<b>16 889</b>	<b>2 500</b>	<b>2 662</b>	<b>0</b>	<b>22 051</b>
Deposits	28 958	0	8 841	1 386	39 185
Other	0	0	0	3	3
<b>Total liabilities</b>	<b>28 958</b>	<b>0</b>	<b>8 841</b>	<b>1 389</b>	<b>39 188</b>
Guarantees received by the group	19 965	0	16 858	0	36 823
Commitments	57	2 500	833	0	3 390

(in units)

<b>Share options:</b>					
Granted	3 000	0	6 000	0	9 000
Exercised/sold	3 000	0	750	0	3 750

30.09.2010

(in thousands of EUR)

	ENTITIES WITH JOINT CONTROL OR SIGNIFICANT INFLUENCE	ASSOCIATES	KEY MANAGE- MENT	OTHER RELATED PARTIES	TOTAL
<b>Profit and loss</b>					
Interest expenses	879	0	247	3	1 128
Personnel expenses	0	0	0	2 663	2 663
<b>Total expenses</b>	<b>879</b>	<b>0</b>	<b>247</b>	<b>2 666</b>	<b>3 792</b>
Interest income	2 235	57	1 058	0	3 350
Profit on derivatives	0	0	0	12	12
Fee and commission	3 104	18	401	0	3 523
Other	1	0	0	0	1
<b>Total income</b>	<b>5 340</b>	<b>75</b>	<b>1 459</b>	<b>12</b>	<b>6 886</b>

All transactions with the related parties set out in the tables above were entered into under normal market conditions.

The costs related to remuneration paid to the members of the executive committee, including directors' fees paid, and costs related to the granting of options to the members of the board of directors, are presented by category of benefit granted to personnel, as defined in IAS 19 and IFRS 2:

(in thousands of EUR)

	30.09.2012	30.09.2011	30.09.2010
Short-term benefits	6 298	5 870	4 345
Post-employment benefits	196	154	1 090
Share-based payments	218	448	435
<b>Total</b>	<b>6 712</b>	<b>6 472</b>	<b>5 870</b>

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## 12. POST BALANCE SHEET EVENTS

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The meeting of the board of directors on 13 December 2012 decided to propose to the annual general shareholders meeting that a gross dividend of EUR 5.50 per share giving rise to a distribution outside the group of EUR 41 739 302, and authorized the publication of the financial statements.

At group level outside Belgium, the Bank is progressively implementing the organisational decisions taken during the financial year.

Thus, the group is working on bringing together its two French subsidiaries, Banque Degroof France SA and Aforge Finance Holding SA, under a new holding company (Compagnie Financière Degroof), which will be majority owned by Bank Degroof SA/NV.

This holding company will have three main shareholdings: Banque Degroof France, Degroof Aforge Family Office and Degroof Aforge Corporate Finance.

Subject to regulatory approval, the transaction will be completed at the beginning of 2013 and will enable the Bank to further structure its business in France and to provide it with new impetus.

The group is also working on the merger in Switzerland of Degroof Banque Privée SA with Landolt & Cie. This merger should also be finalised at the beginning of 2013. The Bank will then hold a minority shareholding in a Swiss bank, which will enable it to establish a permanent presence and to intensify its activities in Switzerland thanks to the complementary nature of the activities of the two institutions. This will also increase the Bank's critical mass in Switzerland and de facto create further possible synergies with the rest of the group.





# AUDITOR'S FEES

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(in thousands of EUR)  
30.09.2012

Auditor's fees in the exercise of his mandate	250
Fees for exceptional services or special missions undertaken for the company by the auditor	41
Other attestation projects	21
Other missions outside the auditing missions	20
Fees paid to parties linked to the auditor in respect of an audit mandate undertaken at group level	485
Emoluments for exceptional services or specific projects completed within the company by parties related to the auditor	115
Other attestation projects	30
Tax consultancy missions	66
Other mandates in addition to auditing mandates	19

# STATUTORY AUDITOR'S REPORT

## **Statutory auditor's report to the general meeting of shareholders of Banque Degroof SA on the consolidated financial statements for the year ended 30 September 2012**

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

### **UNQUALIFIED AUDIT OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS**

We have audited the consolidated financial statements of Banque Degroof SA ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated accounts comprise the consolidated balance sheet as at 30 September 2012 and the consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The total of the consolidated balance sheet amounts to EUR 5.337.006(000) and the consolidated statement of comprehensive income shows a profit for the year, group share, of EUR 55.558(000).

### **Board of directors Responsibility for the Consolidated Financial Statements**

The board of directors of the company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the board of directors as well as the overall presentation of the consolidated financial statements. Finally, we have obtained from management and responsible officers of the company the explanations and information necessary for our audit.

We believe that the audit evidence we have obtained provides a reasonable basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the group's net equity and consolidated financial position as at 30 September 2012 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

### **ADDITIONAL COMMENT**

The preparation of the management report on the consolidated financial statements and its content are the responsibility of the board of directors. Our responsibility is to supplement our report with the following additional comment, which does not modify our audit opinion on the financial statements:

- The management report on the consolidated financial statements includes the information required by law and is consistent with the consolidated financial statements. We are, however, unable to comment on the description of the principal risks and uncertainties which the group is facing, and on its financial situation, its foreseeable evolution or the significant influence of certain facts on its future development. We can nevertheless confirm that the matters disclosed do not present any obvious inconsistencies with the information that we became aware of during the performance of our mandate.

Kontich, January 17, 2013  
KPMG, Statutory auditor  
represented by Peter Coox,  
Réviseur d'Entreprises / Bedrijfsrevisor



# ABRIDGED COMPANY FINANCIAL STATEMENTS

**The abridged non-consolidated statutory financial statements** set out on the following pages are those of Bank Degroef Brussels, which has its registered office at rue de l'Industrie 44, 1040 Brussels.

These financial statements have been prepared in accordance with accounting policies generally accepted in Belgium. All amounts are stated in thousands of euros.

The statutory auditor has issued an unqualified opinion on the complete non-consolidated statutory financial statements, which will be filed with the National Bank of Belgium within the prescribed deadlines.

# BALANCE SHEET AFTER PROFIT APPROPRIATION

(in thousands of EUR)			
ASSETS	30.09.2012	30.09.2011	30.09.2010
<b>I</b> Cash in hand, balances with central banks and post office banks	63 414	156 566	73 884
<b>II</b> Short-term government securities eligible for refinancing at the central bank	24 993	0	0
<b>III</b> Loans and advances to credit institutions	163 414	335 343	65 696
<b>A</b> Repayable on demand	131 235	32 510	25 182
<b>B</b> Other loans and advances (with agreed maturity dates or periods of notice)	32 179	302 833	40 514
<b>IV</b> Loans and advances to customers	1 470 394	1 231 568	1 241 657
<b>V</b> Debt securities including fixed-income securities	1 215 520	936 250	1 127 206
<b>A</b> Issued by public bodies	238 934	352 544	457 792
<b>B</b> Issued by other borrower	976 586	583 706	669 414
<b>VI</b> Shares and other variable-yield securities	61 814	61 540	44 597
<b>VII</b> Financial fixed assets	281 905	303 697	340 310
<b>A</b> Participating interests in affiliated enterprises	255 310	222 588	245 713
<b>B</b> Participating interests in other enterprises linked by participating interests	13 933	44 446	59 000
<b>C</b> Other financial fixed assets	3 162	9 163	8 097
<b>D</b> Subordinated receivables from affiliated enterprises and other enterprises linked by participating interests	9 500	27 500	27 500
<b>VIII</b> Formation expenses and intangible fixed assets	22 561	26 039	22 757
<b>IX</b> Tangible fixed assets	10 591	10 111	9 659
<b>XI</b> Other assets	16 573	12 297	6 251
<b>XII</b> Deferred charges and accrued income	46 335	50 935	42 437
<b>Total assets</b>	<b>3 377 514</b>	<b>3 124 346</b>	<b>2 974 454</b>

(in thousands of EUR)			
LIABILITIES	30.09.2012	30.09.2011	30.09.2010
<b>Debts</b>	<b>2 933 342</b>	<b>2 694 510</b>	<b>2 536 958</b>
<b>I</b> Amounts owed to credit institutions	517 949	502 533	582 239
<b>A</b> Repayable on demand	63 153	52 040	61 482
<b>C</b> Other debts (with agreed maturity dates or periods of notice)	454 796	450 493	520 757
<b>II</b> Amounts owed to customers	2 236 130	2 008 800	1 764 527
<b>B</b> Other debts	2 236 130	2 008 800	1 764 527
1 Repayable on demand	1 738 253	1 219 176	1 236 272
2 With agreed maturity dates or periods of notice	497 877	789 624	528 255
<b>III</b> Debt securities	13 000	13 000	13 000
<b>A</b> Bonds and debentures in circulation	13 000	13 000	13 000
<b>IV</b> Other liabilities	75 456	77 537	75 678
<b>V</b> Accrued charges and deferred income	29 249	31 046	38 909
<b>VI</b> Provisions and deferred taxes	1 458	1 494	2 505
<b>A</b> Provisions for liabilities and charges	1 170	1 196	2 196
3 Other liabilities and charges	1 170	1 196	2 196
<b>B</b> Deferred taxes	288	298	309
<b>VII</b> Fund for general banking risks	10 100	10 100	10 100
<b>VIII</b> Subordinated liabilities	50 000	50 000	50 000
<b>Shareholders' equity</b>	<b>444 172</b>	<b>429 836</b>	<b>437 496</b>
<b>IX</b> Capital	47 491	47 491	47 491
<b>A</b> Issued capital	47 491	47 491	47 491
<b>X</b> Share issue premiums	173 600	173 600	173 600
<b>XII</b> Reserves	78 188	78 209	78 230
<b>A</b> Legal reserve	4 749	4 749	4 749
<b>C</b> Untaxed reserves	23 439	23 460	23 481
<b>D</b> Reserves available for distribution	50 000	50 000	50 000
<b>XIII</b> Profit (loss(-)) brought forward	144 893	130 536	138 175
<b>Total liabilities</b>	<b>3 377 514</b>	<b>3 124 346</b>	<b>2 974 454</b>

OFF-BALANCE SHEET CAPTIONS		(in thousands of EUR)		
	30.09.2012	30.09.2011	30.09.2010	
<b>I</b> Contingent liabilities	211 572	248 127	253 967	
<b>B</b> Guarantees serving as direct credit substitutes	136 389	166 446	197 138	
<b>C</b> Other guarantees	1 480	1 238	1 317	
<b>E</b> Assets charged as collateral security on behalf of third parties	73 703	80 443	55 512	
<b>II</b> Commitments which could give rise to a credit risk	607 341	267 111	170 046	
<b>A</b> Firm credit commitments	14 000	2 030	2 701	
<b>B</b> Commitments as a result of spot purchases of transferable or other securities	376 893	74 439	27 171	
<b>C</b> Undrawn margin on confirmed credit lines	216 448	190 642	140 174	
<b>III</b> Assets lodged with the credit institution	23 231 276	19 748 817	22 069 679	
<b>B</b> Safe custody and equivalent items	23 231 276	19 748 817	22 069 679	



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# INCOME STATEMENT

		(in thousands of EUR)		
CHARGES		30.09.2012	30.09.2011	30.09.2010
II	Interest payable and similar charges	22 400	26 362	34 715
V	Commissions payable	8 668	6 955	4 157
VI	Loss on financial transactions	0	593	4 365
A	Loss on trading of securities and other financial instruments	0	0	4 365
B	Loss on disposal of investment securities	0	593	0
VII	General administrative expenses	92 926	85 002	76 960
A	Remuneration, social security costs and pensions	65 903	61 039	58 718
B	Other administrative expenses	27 023	23 963	18 242
VIII	Depreciation and amounts written off formation expenses, intangible and tangible fixed assets	5 774	5 351	5 003
IX	Increase in amounts written off receivables and in provisions for off-balance-sheet captions 'I Contingent liabilities' and 'II Commitments which could give rise to a credit risk'	1 355	109	44
X	Amounts written off on the investment portfolio of debt securities, shares and other fixed-income or variable-yield securities	7 843	15 670	794
XII	Provisions for liabilities and charges other than those included in the off-balance-sheet captions 'I Contingent liabilities' and 'II Commitments which could give rise to a credit risk'	0	0	1 000
XV	Other operating charges	7 003	7 536	6 104
XVIII	Extraordinary charges	667	25 527	371
A	Depreciation and amounts written off formation expenses, intangible and tangible fixed assets	57	12 114	6
B	Amounts written off financial fixed assets	300	13 055	190
D	Loss on disposal of fixed assets	8	14	32
E	Other extraordinary charges	302	344	143
XX	Income taxes	8 733	3 555	4 196
XXI	Profit for the period	58 786	34 755	45 965
XXIII	Profit for the period, available for appropriation	58 807	34 776	45 986

		(in thousands of EUR)		
INCOME		30.09.2012	30.09.2011	30.09.2010
<b>I</b>	Interest receivable and similar income	58 018	56 578	58 499
	including that from fixed-income securities	23 052	22 036	27 405
<b>III</b>	Income from variable-yield securities	61 437	49 065	33 524
	<b>A</b> From shares and other variable-yield securities	2 195	1 648	1 908
	<b>B</b> Participating interests in affiliated enterprises	58 827	46 549	30 874
	<b>C</b> From participating interests in other enterprises linked by participating interests	280	328	428
	<b>D</b> From other shares held as financial fixed assets	135	540	314
<b>IV</b>	Commissions receivable	75 607	86 782	72 326
	<b>A</b> Brokerage and related fees	21 004	26 834	21 850
	<b>B</b> Remuneration of asset management, investment advice and safekeeping services	13 936	14 527	11 835
	<b>C</b> Other fees received	40 667	45 421	38 641
<b>VI</b>	Profit on financial transactions	9 236	12 724	9 457
	<b>A</b> Profit on trading of securities and other financial instruments	7 898	4 256	0
	<b>B</b> Profit on disposal of investment securities	1 338	8 468	9 457
<b>XIV</b>	Other operating income	8 592	4 487	3 638
<b>XVII</b>	Extraordinary income	901	977	5 643
	<b>B</b> Adjustments to amounts written off financial fixed assets	586	0	618
	<b>C</b> Adjustments to provisions for extraordinary liabilities and charges	25	0	0
	<b>D</b> Gain on disposal of fixed assets	99	822	4 796
	<b>E</b> Other extraordinary income	191	155	229
<b>XIX Bis</b>	<b>B</b> Transfers from deferred income taxes	11	11	11
<b>XX</b>	<b>B</b> Adjustments of income taxes and write-back of tax provisions	353	791	576
<b>XXII</b>	Transfers from untaxed reserves	21	21	21

		(in thousands of EUR)		
APPROPRIATION ACCOUNT		30.09.2012	30.09.2011	30.09.2010
<b>A</b>	Profit (loss (-)) to be appropriated	189 343	172 951	180 508
<b>1</b>	Profit (loss (-)) for the period, available for appropriation	58 807	34 776	45 986
<b>2</b>	Profit (loss (-)) brought forward	130 536	138 175	134 522
<b>C</b>	Appropriation to capital and reserves	0	0	(44)
<b>2</b>	To the legal reserve	0	0	(44)
<b>D</b>	Profit (loss (-)) to be carried forward	144 893	130 536	138 175
<b>F</b>	Distribution of profit	(44 450)	(42 415)	(42 289)
<b>1</b>	Dividends	(44 105)	(42 100)	(41 944)
<b>2</b>	Directors' fees	(345)	(315)	(345)

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