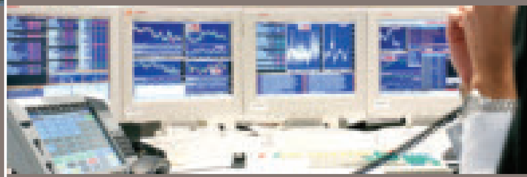
european private bankers



Kredietbank Luxembourg

Annual report 2006

KBL EUROPEAN PRIVATE BANKERS

GERMANY

Merck Finck & Co, Privatbankiers
Head office Munich

BELGIUM

Puilaetco Dewaay Private Bankers
Head office Brussels

FRANCE

KBL France
Head office Paris

GREAT BRITAIN

Brown, Shipley & Co.
Head office London

THE NETHERLANDS

Theodoor Gilissen Bankiers
Head office Amsterdam

GRAND DUCHY OF LUXEMBOURG

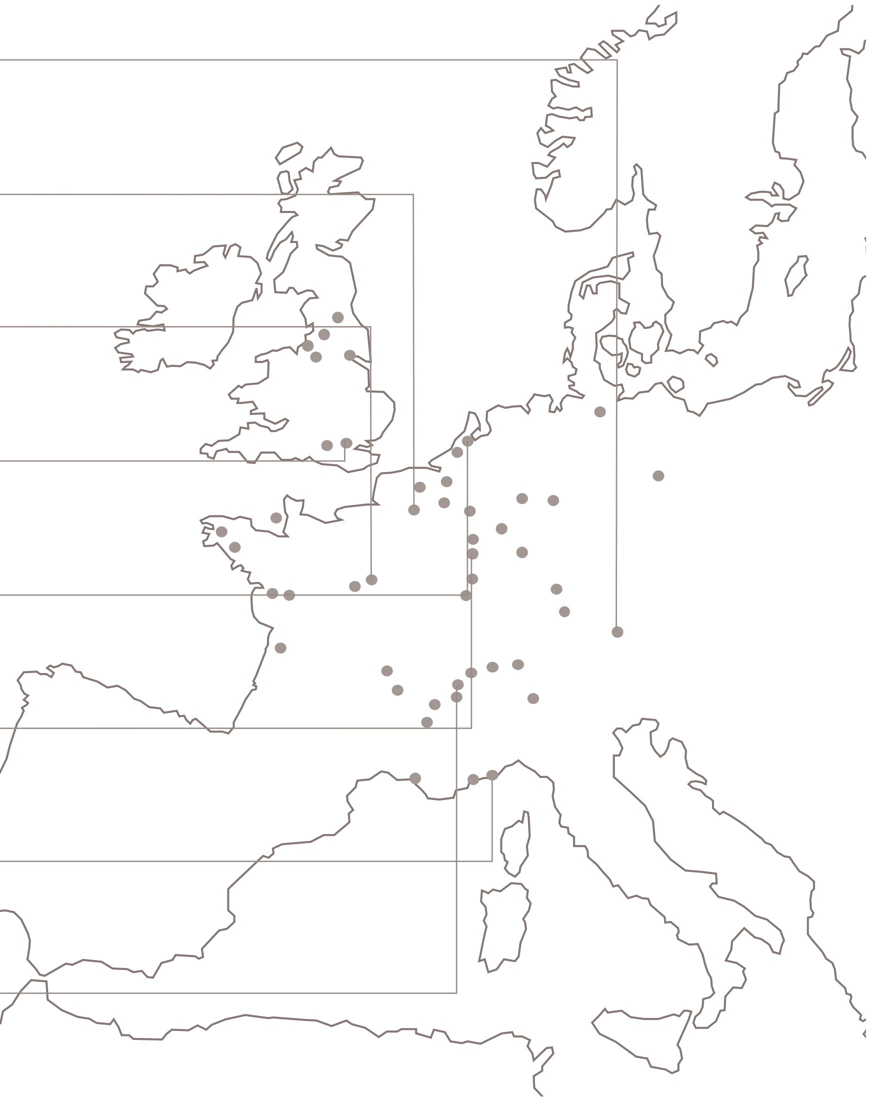
Kredietbank Luxembourg
Head office Luxembourg

PRINCIPALITY OF MONACO

KB Luxembourg (Monaco)
Head office Monaco

SWITZERLAND

Kredietbank (Suisse)
Head office Geneva



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Situation as at 31 December 2006

BOARD OF DIRECTORS

Jan HUYGHEBAERT
Chairman of the Board of Directors of KBC Group and of the Board of Directors of Kredietbank S.A. Luxembourgeoise

Etienne VERWILGHEN
President
Kredietbank S.A. Luxembourgeoise
Director and Member of the KBC Group Executive Committee

Herman AGNEESSENS
Executive Director
of KBC Bank N.V.
(since 26 April 2006)

Jan Maarten de JONG
Company Director

Franky DEPICKERE
Managing Director Cera / Almancora
(since 21 November 2006)

Diego du MONCEAU
Company Director

Rik DONCKELS
President of the Management Committee
Cera
(until 29 August 2006)

Frans FLORQUIN
Managing Director KBC Bank N.V.
(since 26 April 2006)

Marc FRANCKEN
Chairman and Managing Director
Gevaert S.A.
(until 16 May 2006)

Philippe VLERICK
Deputy Chairman of the Board of Directors of KBC Group and Chairman of UCO S.A.

Edmond MULLER
Industrialist

Jean-Paul LOOS
Executive Director
Kredietbank S.A. Luxembourgeoise

Philippe PAQUAY
Executive Director
Kredietbank S.A. Luxembourgeoise

Jacques PETERS
Executive Director
Kredietbank S.A Luxembourgeoise

Luc PHILIPS
Chairman of the Board of Directors of KBC Insurance N.V. and Director of KBC Group N.V. and KBC Bank N.V.

Marie-Christine VANTHOURNOUT-SANTENS
Company Director

Marc WITTEMANS
Director and Secretary to the Board of Directors of MRBB

Frank ERTEL
Staff representative
Kredietbank S.A. Luxembourgeoise

Marc GLESENER
President of ALEBA
Staff representative
Kredietbank S.A. Luxembourgeoise

Francis GODFROID
Staff representative
Kredietbank S.A. Luxembourgeoise

Christian HOELTGEN
Staff representative
Kredietbank S.A. Luxembourgeoise

Christine JANSSENS
Staff representative
Kredietbank S.A. Luxembourgeoise

Nico KNEPPER
Staff representative
Kredietbank S.A. Luxembourgeoise

Robert KONZ
Staff representative
Kredietbank S.A. Luxembourgeoise
(since 1 January 2007)

Jean-Marie MOSSONG
Staff representative
Kredietbank S.A. Luxembourgeoise
(until 31 December 2006)

Marie-Paule NILLES
Staff representative
Kredietbank S.A. Luxembourgeoise

Mathias RAUEN
Staff representative
Kredietbank S.A. Luxembourgeoise

INDEPENDENT AUDITORS

Ernst & Young S.A.

Situation as at 31 December 2006

EXECUTIVE COMMITTEE

Etienne VERWILGHEN
Chairman

Jean-Paul LOOS

Philippe PAQUAY

Jacques PETERS

MANAGEMENT

Luc CAYTAN
Financial Markets

Rafik FISCHER
Global Investor Services
(since 01.01.07)

Marie-Paule GILLEN
General Secretariat

Michel GODFRAIND
Finance & Risk
(since 01.01.07)

Philippe VAN DOOREN
Operations Management
(since 01.01.07)

Jean-Luc MARTINO
IT

Dominique MELOTTE
Human Resources and Equipment

Yves PITSAER
Subsidiaries

Bernard SOETENS
Corporate / Credits and Analyses

Olivier de JAMBLINNE
Wealth Management
(since 01.01.07)

Philippe VERDIER
Organisation

Marie-France DE POVER
Compliance Officer

Thierry THOUVENOT
Internal Audit

MAIN EVENTS

Development of European private bank network

- 24 May 2006: KBL *epb* finalised the sale of its Spanish subsidiary, Banco Urquijo, to Banco Sabadell. The deal was closed on 4 July 2006.
- 12 September 2006: KBL France, member of KBL *epb*, acquired Aballéa Finance, a well-established wealth management company in Brest and the west of France.
- 15 September 2006: Brown Shipley & Co. sold its subsidiary Brown Shipley (Jersey) Limited to SG Hambros, part of Société Générale (Paris).
- 7 November 2006: KBL *epb* sold its Italian subsidiary Banca KBL Fumagalli Soldan to the Spanish bank Banif, private banking subsidiary of Grupo Santander. This transaction will be closed during the first quarter of 2007.

Streamlining of operational structure

- After setting up Wealth Management at both the level of private banking and the Hub Service Centre, the common service platform for the whole *epb* network under construction since last year, KBL has refocussed its Operations and Financial Markets departments on their core business and created a new Global Investor Services unit. This is designed to improve the cross-selling of securities services and investment products to members of the *epb* network and Investor Services clients and to develop a new external client base.

Improved risk management

- Risk management in compliance with the demands of the supervisory authorities, ongoing checks carried out by the Group Risk Management team and strengthening of the role and means of the KBL Group Compliance Department.

Staff

- As at 31 December 2006, KBL *epb* employed a total of 2 832 staff (FTE, including 158 early retirees), compared to 3 793 (FTE including 177 early retirees) as at 31 December 2005, a decrease of 25% mainly due to the sale of Banco Urquijo. Of the 2 832 staff in KBL group *epb*, some 60% work in the subsidaries.

Shareholding

- On the basis of the own share buyback programme launched on 25 September 2006, KBC Group held 99.88% of the capital of KBL as at 31 December 2006.

Results meet expectations

- The consolidated solvency ratio, after profit distribution, was 22% and the consolidated solvency ratio for basic equity (Tier one ratio) was 13% as at 31 December 2006. These ratios were calculated according to the IFRS system as adopted by the European Union and the new regulatory stipulations for calculating equity (Capital Requirements Directive).
- Group share of net consolidated profit: EUR 676.8 million.
- Allocation of a gross dividend of EUR 28.55 per share, an increase of 322% compared to that of 2005.

KEY CONSOLIDATED FIGURES

RESULTS (in EUR million) (1)	2005	**2006**
Net banking income	808,7	1.249,4
Operating expenses	-537,6	-529,4
Profit before tax	271,1	719,9
Income taxes	-53,1	-41,6
Net consolidated profit, Group share	216,6	676,8

DIVIDENDS (in EUR million) (1)		
Dividend forecast for the year	137,5	574,9

DATA PER SHARE (in EUR) (1)		
Net consolidated profit, Group share	10,65	33,29
Gross dividend	6,765	28,55

FINANCIAL RATIOS (in %) (1)		
Tier one ratio (after profit appropriation)	8,90%	13%
Solvency ratio (after profit appropriation)	15,34%	22%
Regulatory capital / balance sheet total	4,75%	5,50%
Due from banks + bills / Owed to banks	172,45%	151,60%
ROAE	19,37%	45,31%
ROAA	0,72%	2,67%
Cost/Income Ratio	69,66%	42,95%

CONSOLIDATED BALANCE SHEET (in EUR billion)		
Total Balance sheet	**28,0**	22,7
Assets		
Loans and advances to credit institutions	12,1	9,3
Loans and advances to customers	4,1	3,6
Securities	7,2	6,4
Liabilities		
Amounts owed to credit institutions	8,2	7,1
Amounts owed to customers and debts evidenced by certificates	15,3	11,2
Subordinated debts	1,1	1,0
Total equity	1,2	1,7
of which: AFS reserves	0,1	0,1

AuM (in EUR thousand) (2)		
Assets under management	64,7	55,0
of which: Private Banking clients	55,7	45,3

Independent auditors: Ernst & Young S.A.

(1) Including deconsolidation of Banco Urquijo

(2) AUM 2006 excluding Banco Urquijo

MANAGEMENT REPORTS OF THE BOARD OF DIRECTORS

1. General comments on the results

The net consolidated profit, Group share, for the year ended 31 December 2006 was EUR 676.8 million compared with EUR 216.6 million for the year ended 31 December 2005. The amounts are difficult to compare insofar as the profit at 31 December 2006 included the capital gain on the sale of the holding in Banco Urquijo to Banca Sabadell for EUR 501.2 million. Excluding the exceptional capital gain, the profit as at 31 December 2006 would have been EUR 175.6 million.

The 54% increase in banking revenue was thus boosted by the exceptional profit on the sale of the holding in Banco Urquijo.

Net commission increased by 6% despite the exit from scope of Banco Urquijo in June 2006. Net commission was EUR 475.5 million at the end of 2006, i.e. 63.56% of the net banking revenue, not including the exceptional capital gain produced by the sale of Banco Urquijo (compared with 55.3% at 31 December 2005). This positive trend in net commission came from most of the subsidiaries but was particularly significant with regard to KTL and the latest two major acquisitions, Theodoor Gilissen and Dewaay, which impacted fully in the 2006 financial year.

As regards the source of the commission, Private Banking should, of course, be singled out as should Global Investor Services.

The interest margin (including interest on derivatives) fell by EUR 72 million, mainly following the sale of Banco Urquijo and the reduction in Financial Markets activity in accordance with group policy.

Profit on investment securities (AFS) in 2005 (EUR 58.7 million compared with EUR 17.9 million in 2006) came from gains made on the sale of a number of securities positions, notably the exceptional profit made on the sale of our Almanij and KBC Bancassurance Holding shares in the context of the shareholding restructuring that took place at the start of 2005.

The exceptional capital gain on the sale of Banco Urquijo (EUR 501.2 million) is noted under the 'Other income' item, which had a balance of EUR 515.9 million at 31 December 2006. In 2005 the 'Other income' item also had a non-recurring balance, notably from various capital gains other than on the AFS portfolio, revenue from sale of some of our properties and the reversal of miscellaneous provisions.

The decrease in general expenses from EUR 537.6 million to EUR 529.4 million, a reduction of 2%, demonstrates, despite the full impact of the latest two acquisitions, the efforts made to master costs within the KBL Group, as well as the exit of Banco Urquijo from the scope of consolidation.

The balance sheet total fell by 19% compared with the balance sheet at the end of 2005; leaving aside the contribution of Banco Urquijo to the 2005 accounts, the reduction in the balance sheet was only 7% and does not call for specific comment.

At the General Meeting on 25 April, the distributed dividend will be determined on the basis of the non-consolidated profit established in accordance with legal and regulatory requirements in force in Luxembourg, in particular pursuant to the Law of 17 June 1992 on the annual financial statements of banks. Thus a gross dividend of EUR 28.55 per share, an increase of 322% compared with the previous financial year, will be proposed to shareholders. After withholding tax of 15% at source, this amount corresponds to a net dividend of EUR 24.2675 per share.

Taking account of this proposal for profit distribution, the basic consolidated equity (Tier 1), calculated in accordance with CSSF (Luxembourg Financial Sector Surveillance Commission) Circular 05/228 on the impact of IAS/IFRS international accounting standards on determining the adequacy of regulatory equity, was EUR 736.6 million as at 31 December 2006 and the consolidated solvency ratio of basic equity was 13.0% (compared with 8.9 % as at 31 December 2005).

Buy-back of own shares

It had not been possible for the majority shareholders to acquire a number of ordinary shares and non-voting preference shares following the public offer of February 2005. As at 30 June 2006, of the 18,353,387 ordinary shares in circulation, 180,129, or 0.98%, were held by minority shareholders and, of the 1,975,320 non-voting preference shares in circulation, 33,895, or 1.72%, were also held by minority shareholders. Taking together ordinary shares and non-voting preference shares, 214,024 of the 20,328,707 company shares, or 1.05 %, were therefore still in the hands of minority shareholders.

With the aim of making management of the company simpler and more efficient, the General Meeting of 20 September 2006 authorised the Bank's Board of Directors to buy back our own shares held by minority shareholders. The Board of Directors immediately decided to propose an offer to minority shareholders to acquire their shares for payment in cash of EUR 185.00 per ordinary share and EUR 166.80 per non-voting preference share. The prices offered were the result of applying a valuation method based mainly on the financial multiples (P/E, etc.) of private European banks listed on a stock exchange.

On 25 September 2006, the launch date of the buy-back offer, 178,073 ordinary shares and 32,697 preference shares were still in the hands of minority shareholders.

The offer period was set from 25 September 2006 to 23 March 2007 inclusive.

Between 25 September 2006 and 23 March 2007, the Bank thus acquired 165,880 ordinary shares and 23,369 preference shares on the terms stated in its buy-back offer, so that the number of shares remaining in circulation as at 23 March 2007 was 19,521, divided into 12,193 ordinary shares and 7,328 preference shares.

Between the start of the offer and 31 December 2006, the Bank paid EUR 34,919,349.20 (EUR 30,687,800.00 for ordinary shares and EUR 4,231,569.20 for preference shares) to acquire shares representing 0.94% overall of the total number of shares in circulation.

2. Role of KBL *epb* within KBC Group

KBL European Private Bankers is today the Private Banking Business Unit of KBC Group. As such, KBL *epb* has been given the role of focusing exclusively on the development of private banking for the Group as a whole. This role is based around the Group's various strategic and geographical areas.

2.1. A SPECIALISATION: PRIVATE BANKING

KBC Group offers, with regard to private banking, two different but complementary formulas. On the one hand, KBC Private Banking is designed for customers who want a full and integrated service from their banking relationship. This offer primarily concerns Belgium and Eastern Europe. On the other hand, under the aegis of KBL European Private Bankers, the group has deployed a network of well-known private banks in response to the needs of a significant clientele - put at 30% of the market - that prefers to entrust its wealth management to a second bank. These prestigious local brands are typified by their proximity and the personal nature of their relationship with the customer. They offer tailored services in certain targeted countries of Western Europe, including Belgium.

With regard to its development, KBL *epb* is seeking, within each of the private banks in its network, essentially organic growth, linked to a dynamic commercial policy facilitated by the focusing of all available resources in this area, with operational functions being transferred to a common service platform for the whole Group, the Hub Service Centre (see below).

To encourage its internal growth, the KBL *epb* network can also count on the support of KBC Group, which is ready to provide it with the necessary resources where opportunity exists. KBL *epb* still remains interested in selective acquisitions of companies with a role and customer base that can be integrated into its network and its core business.

Our European network of private bankers is therefore based both on the European dimension of KBC Group and on the strong local presence of prestigious brands in each of the countries where we operate. In fact, given that we set store by building a long-term relationship of trust with all our customers, wherever they are in Europe, we must offer them the best service and guarantee them solidity, competence, professionalism and respect for their particular culture.

2.2. STRATEGIC OBJECTIVES

In 2006 KBL *epb* continued to refocus its activities. This policy specifically involved reorienting itself on the Benelux geographical area and a few target countries in Western Europe where each of the KBL *epb* brands can reach a sufficient critical mass and where the companies in its network already have a significant presence.

KBL *epb* thus, on the one hand, exited investments that no longer offered prospects for inclusion in its base strategy, as was the case with Spain and Italy, and, on the other hand, acquired several portfolios to speed up its organic growth.

In the case of Banca KBL Fumagalli Soldan, KBL *epb* came to the conclusion, after analysis, that, although it had obtained the status of a bank on 1 February 2005, Banca KBL Fumagalli Soldan did not have the critical size required and, with its 34 staff and EUR 370 million in customer assets, no longer had a place in its strategy.

With regard to Banco Urquijo, the decision to sell the Spanish subsidiary of the *epb* network followed a KBC Group strategic analysis that led to the conclusion that Banco Urquijo was too diversified to integrate harmoniously into the European Private Banking division and too small, in terms of market shares, to create a domestic retail bancassurance platform in Spain. This analysis also revealed that the disposal would create significantly more value for the stakeholders of KBC Group than closer integration between Banco Urquijo and KBC Bank.

As regards Brown Shipley & Co., British subsidiary of KBL *epb*, the disposal of its holding in Brown Shipley (Jersey) Limited to SG Hambros, a subsidiary of Société Générale (Paris), was justified by the refocusing of Brown Shipley & Co. on its core business, private management for customers resident in Great Britain.

Lastly, the acquisition of the company Aballéa Finance, with a strong presence in the west of France, clearly showed the support of KBL European Private Bankers group for KBL France. The latter thus intends to pursue its expansion strategy, through both internal and external growth, to reach a size, on French territory, that is in line with the current strategy of optimizing critical size within the KBL *epb* network and with KBC Group's position in Europe.

It should be noted that, within the KBL *epb* network as a whole, there was a reduction in the 'historical' portfolio of activities that no longer fall within core business, such as commercial loans and trading activities. Moreover, KBL continued to develop its Global Investor Services activities in Luxembourg (see below), as a second role.

2.3. POSITIVE TREND IN AUM

The trend in KBL *epb* assets under management (AUM) is positive, despite the exit of Banco Urquijo from the scope of consolidation during 2006.

In fact, it is noted that, if Banco Urquijo is excluded from the scope of consolidation, as at 31 December 2006 KBL *epb* had total AUM of EUR 55.0 billion compared with EUR 50.9 billion as at 31 December 2005. This growth of 8.1% showed the heightened confidence of a nevertheless demanding clientele in our private bankers' network.

2.4. HUB SERVICE CENTRE

In order to provide itself with the means to ensure successful development of its European Private Bankers network within KBC Group, KBL Luxembourg has developed a set of services grouped within the Hub Service Centre concept for its members.

KBL wants to offer its subsidiaries 'state of the art' facilities with regard to quality, flexibility, cost management, specialist ICT tools and back office operational support through centralisation of these activities on a common platform. This Hub is based in Luxembourg on tools and skills developed in our Bank over the last few years and it seeks to optimise the quality of our customer services wherever we have a presence in Europe.

This B2B (Business-to-Business) offer will allow each of KBL's subsidiaries to have access to 'state-of-the-art' tools and comprehensive STP (Straight Through Processing) platforms for order management, settlement and custody, while respecting specific local factors and allowing them to provide their customers with a fully personalised offer adapted to each country (Business-to-Customer).

In order to guarantee its successful functioning, the Hub is run in consultation with all subsidiaries concerned through a Group Operations Committee, or GOC.

In terms of information technology, a platform of ICT tools dedicated to our role is available to subsidiaries. The main components of this suite are Globus (front and back office tool), Equalizer (tool for asset managers) and Pivotal (CRM tool). These principal applications are supplemented by a range of specific risk management and communication tools, as well as by a group network optimised in terms of cost and security. In the course of 2006 this platform was successfully implemented in France (KBL France) and the United Kingdom (Brown, Shipley & Co. Ltd). Its introduction at Puilaetco Dewaay in Belgium is planned for next year; deployment projects in Switzerland (KBS) and Germany (Merck Finck & Co) will get underway at the start of 2007.

In operational and dealing room terms, all of the professional operations of our subsidiaries in Monaco and Great Britain are run via the Hub, as are the non-domestic operations and international payments of our Swiss, French, Belgian and Dutch subsidiaries.

By the end of next year, all the operations of KBL *epb*, except for the German and Dutch domestic operations, should be integrated into the Hub.

With the Hub, KBL *epb* has firmly oriented itself towards a new role, a high-quality proactive service based in Luxembourg for European private bankers seeking excellence for their customers. The Hub is an essential tool for our future.

3. Synergies within KBC Group

In terms of synergies within KBC Group, KBL *epb* has already recorded a recurring annual impact of EUR 35.9 million (before tax) compared with the EUR 75 million ultimately forecast.

Other than the already positive impact of grouping IT services and operational services (Hub Service Centre) within KBL *epb*, the main synergy-generating projects have involved funds and insurance.

In terms of investment funds, in order to take advantage of clusters of expertise and produce economies of scale within KBC Group, management of KBL funds termed 'generic' was taken over by KBC Asset Management via absorption (bond funds) or delegated management (equity funds). KBL will thus focus, for its part, on a targeted private banking specialisation for its range of funds (third-party funds, asset allocation funds, absolute return funds).

KBL *epb* also gave its network customers access to the entire range of KBC investment funds that are increasingly the subject of registration processes in most of the countries where KBL *epb* has a presence.

Lastly, 2006 saw significant development of marketing of structured solutions specially developed for the KBL *epb* network and its private banking customers (tailored products) in collaboration with KBC as regards the funding and investment vehicle aspect.

With regard to insurance, KBL *epb* strengthened its collaboration with Vitis Life Luxembourg to include in its private customer offer asset management solutions that include traditional (branch 21 in Belgium) and unit-linked (branch 23) life insurance products. In order to be able to distribute these products, in November 2006 KBL obtained approval from the Luxembourg Insurance Commission (*Commissariat aux Assurances*) to act as insurance agent for Vitis Life. The first benefits from this synergy are expected in 2007.

Lastly, the synergy projects linked to the structure of the company and to economies of scale have almost all been implemented.

4. Development of the European Private Bankers network

4.1. KBL LUXEMBOURG

Wealth Management

In Luxembourg, Wealth Management – an entity created at the end of 2005, grouping together all the Bank's management and advisory services provided to customers – achieved its main objective, namely to intensify and give greater impetus to collaboration between the Private Banking and Management teams in order to provide a high-quality service to customers.

This implies a strong and preferential customer relationship on the part of advisers. To do this they have focused even more on the relationship-building and commercial aspect of their role, leaving an ever greater share of administration to a specifically dedicated unit.

An expanded range of services and products

With regard to private banking, our approach seeks to understand customer assets in their entirety. That is why KBL has pursued its asset and/or fiscal policy in the context of the 'European Savings Directive' through its range of insurance services and products for private customers. Thus, in Luxembourg we have in-house specialists who are able to respond to the wishes of our customers. We also work with several specialist insurance product providers, including Vitis Life, a member of the KBC Group recently attached to the Private Banking business unit.

In the context of extending the range of funds and products offered from 2006, the introduction and marketing of various structured issues, mainly capital-protected, by KBL in Luxembourg and through its private banking network must be highlighted. These structured products, assembled with the support of KBC, thus met the expectations of customers of the entire KBL *epb* group.

KBL was also able to develop its offer in terms of 'open architecture' third-party funds, due to the sharing of resources and expertise existing within the private banking network and to an approved methodology.

The insurance products, the vast range of investment funds and the tailored structured products thus supplement our offer in terms of formulas for management under mandate and strategies that make it possible to respond to the various investor profiles.

Lastly, an Estate Planning service, bringing together the skills of our legal and tax experts was recently made available to our customers. Estate Planning seeks to meet a recurring demand on the part of private customers concerned about the durability of their wealth and falls within a long-term asset management policy.

4.2. FRANCE

As well as pursuing its development strategy as specifically shown by the integration of Aballéa Finance in Brest, KBL France has regularly been acknowledged by the profession for the quality and performance of its funds. Thus, the French weekly *Le Revenu* awarded the 2006 bronze trophy for the best range over three years in the category of specialist institutions to KBL France's Aeden range of investment funds, as well as the bronze trophy for best sector share fund over 10 years to Aeden Invest Immo.

4.3. UK

Alternative Investment Market

Brown Shipley launched a new investment product that is particularly advantageous for British investors from a tax standpoint. Investing in a selection of Alternative Investment Market securities, this new product does not just offer attractive growth potential but also aims to avoid inheritance tax and to benefit from a reduced capital gains tax of 10%, after holding a position for only two years. This combination of advantages had, by the end of 2006, already attracted more than GBP 13 million to this fund, reserved for individuals and only launched last January.

The Brown Shipley Pension Portfolio

The new rules governing pensions in the United Kingdom since 6 April 2006 also represent new opportunities to reduce the tax pressure on capital and to benefit from the advantages of pension funds. Brown Shipley, which is recognised as one of the main benchmarks in the UK, with its 30 years of experience in the field, in April 2006 launched the Pension Portfolio, which has already attracted a significant number of external pension funds. *The Brown Shipley Pension Portfolio* allows customers to retain control of their funds, devise an investment strategy that meets their pre-retirement or post-retirement needs and invest in a very wide range of listed or fixed-interest transferable securities.

4.4. GERMANY

Merck Finck, which has sought sustained organic growth, was strengthened by the arrival of new wealth managers.

In order to offer its customers an even more personalised service in line with their concerns, Merck Finck launched a Real Estate advisory service in 2006.

This service is obviously exclusively reserved for private customers whom it helps with their investments when acquiring real estate in the context of their global assets.

4.5. SWITZERLAND

KBS continues to market advisory mandates for customers who do not want to delegate the entire management of their assets but want to be actively involved while still benefiting from the Bank's advice relating either to the group's entire range or to specific products that the customer wants the Bank to analyse. This service has proved a marked success. Since the start of the year, assets under advisory mandate increased by 53% to EUR 257 million.

KBS also welcomed growth, albeit still modest, in assets of customers from eastern Europe, particularly Russia, as well as those from South America, where Argentina shows the greatest potential to date but other avenues are opening up in different countries on that continent. This policy has made it possible to diversify in terms of customer base which is today still largely European.

4.6. NETHERLANDS

In August 2006 Gilissen established a new team within its private banking entity: Private Wealth Counselling. The role of this team was both to acquire new high-potential customers and to offer advice as 'consultants' to existing customers in the asset management field.

Alternative Energy Note

In June 2006 Theodoor Gilissen Bankiers launched a new structured product, the Alternative Energy Note. This type of investment is based on the attractive prospects of companies active in the alternative energy sector. In order to create an opportunity to invest in the best-performing companies in this sector, Gilissen opted for a diversified portfolio with an acceptable risk profile and selected four investment funds focused on alternative energy: Merrill Lynch New Energy Fund, KBC Eco Fund Alternative Energy, Vontobel Global Trend New Power Tech fund and ADIG NewPower fund. To combine an attractive yield potential with robust guarantees, Gilissen created a structured product with a CPPI (Constant Proportion Portfolio Insurance) based on the four funds with a capital guarantee of 80% on maturity at the end of five years. Moreover, as an attractive additional measure, the customer benefits from 75% of the highest NAV of the issue during the investment period.

Leveraged Loans Europe Certificate

In November 2006 Theodoor Gilissen Bankiers launched a Senior Bank Loans (SBL) certificate on the market. SBL, which are at present exclusively reserved for institutional investors, have an attractive risk/return profile, given that investors in SBL enjoy first-rank preferential creditor status in the event of default. In addition, the interest paid on the loans is based on floating rates, which minimises the long-term risk for the investor.

Theodoor Gilissen structured a certificate on European Senior Bank Loans, in cooperation with KBL, to offer informed private investors the possibility of investing in this range of products. The underlying fund is the Leveraged Loans Europe Fund (LLE), managed by the specialist company European Credit Management (ECM). Investors can thus invest in certificates with a nominal value of EUR 1,000 that entitle them to a dividend of 50% of the annual profit of the LLE fund, with the remaining 50% being reinvested in the fund.

4.7. BELGIUM

2006 saw Puilaetco Dewaay Private Bankers bring together the Puilaetco and Dewaay teams in order to optimise its commercial efforts. In 2007 the Belgian brand of KBL *epb* will further strengthen its commercial teams by taking on new managers.

In terms of products made available to managers, Puilaetco Dewaay Private Bankers, which has adopted the principle of open architecture, set up a team responsible for selection of the best third-party funds available on the market, which worked closely with the Third Parties Funds Group Team based in Luxembourg.

Lastly, in response to a request by its customers, Puilaetco Dewaay Private Bankers introduced a new type of management to its range, Capital Preservation management. This type of management meets a capital preservation objective by managing risk through reducing volatility and seeking to optimise return in accordance with the desired level of risk.

4.8. MONACO

KB Luxembourg (Monaco) continued its organic growth and, at the end of 2006, added the services of new customer managers specialising in the Italian and Dutch markets.

The Bank carried out an in-depth restructure of its management team, allowing it to offer its traditional discretionary management services but also an advisory management activity that younger customers appear to prefer. This reorganisation, moreover, increased the interaction between its management unit and its commercial teams.

KB Luxembourg (Monaco) also started offering third-party funds, carefully selected with the help of KBL *epb*'s specialist teams. It diversified its product range, meeting the demand for guaranteed-capital structured products and inviting its customers to consider investments in life insurance products as alternatives to traditional management.

5. Complementary niche activity

Our Bank has always been successful in taking advantage of market opportunities to develop certain niche activities.

In addition to private banking, the Luxembourg market has specialised over the last few years in the undertakings for collective investment (UCI) industry, in which our Bank is also active, both directly and through its subsidiary EFA. At the start of 2007, strengthened by its long experience and high level of expertise in the various services to institutional investors, KBL in Luxembourg created a new commercial entity, Global Investor Services.

5.1. GLOBAL INVESTOR SERVICES

Global Investor Services (GIS) aims to take full advantage of the skills acquired by our Bank in Luxembourg in the niche UCI sector to develop securities services still further on behalf of professional and institutional customers. 'Global Investor Services' is thus establishing itself as a second core business for KBL *epb* in Luxembourg.

Benefiting from major investment in IT and in terms of organisation when the Hub was established (see above), securities services have enjoyed significant development, in terms of both quality and quantity, largely based on an extension of the STP process that seeks to generate a substantial reduction in costs by means of very significant economies of scale produced by sharing fixed costs. It is now a matter of taking best advantage of this investment to develop a new commercial offer to third-party investors in conditions of optimum profitability.

With this in mind, the establishment of a new centralised and integrated commercial structure was approved. This new entity, which will also comprise an important aspect of quality control and customer satisfaction, will be available to our entire KBL *epb* network, while serving professional and institutional customers. Thus we will be able to offer members of our KBL *epb* group the option of a single entry point for the provision of a varied range of products and services linked to their activity as private bankers.

In order to develop this service actively the Bank has set up within GIS a Global Markets Sales unit dedicated, in close interaction with the members of the *epb* network, to the creation of new products and other tailored solutions intended for our Private Banking activity, available in line with the local needs of each member.

'Global Investor Services' will support all of our B2B commercial efforts, in relation to both KBL *epb* members and third-party customers, including those in the field of investment fund services. It will also have the objective of developing cross-selling within our existing customer base and proposing integrated offers in the field of intermediation relating to third-party funds, while providing all our customers with substantial commercial support in the area of alternative or structured products, due to an expanded offer.

5.2. UCI

2006 was a good year for the investment fund sector, which increased by more than 20.96% over the 12 months in terms of net assets: from EUR 1,525.2 billion at the end of December 2005 to EUR 1,844.85 billion at the end of December 2006.

The net capital contribution of investors was EUR 241.3 billion (compared with EUR 236 billion in 2005). Luxembourg remains in first place in Europe and is, after the United States, still the second global market for investment funds.

Following the entry into force of the Law establishing the venture capital investment company (*Société d'Investissement à Capital Risque*, or SICAR) in June 2004, 114 companies of this type have already been registered with the CSSF (47 units as at 31 December 2005).

In regulatory terms 2006 was, above all, the year of compliance of UCITS (undertakings for collective investment in transferable securities) with the 'substance' Directive under UCITS III. In October the Government submitted a draft law to Parliament on 'specialist investment funds', which entered the staute books in February 2007. This law is intended to replace the 1991 Law on Institutional Funds and includes some new elements that should increase still further the attraction of investing in Luxembourg for the funds sector:

- broader definition of 'eligible' investor to include not just institutional investors but also 'qualified' private investors;
- greater flexibility with regard to investment policy;
- more flexible regulatory reporting;
- less onerous operating rules and abolition of the concept of promoter.

2006 was also a very good year for UCI domiciled with the Bank. As at 31 December 2006 net assets under administration were EUR 47.7 billion, which represents growth of 12.54% compared with the previous year.

The number of sub-funds registered a net increase of 68 units, a rise of 11.64% compared with the end of December 2005.

Since 1998, Kredietrust, as the central UCI administration, has sub-contracted accounts management and maintenance of registers of investors to a specialist company, European Fund Administration (EFA), in which KBL is the principal shareholder.

At the end of 2006, EFA administered 2,135 sub-funds compared with 1,757 units at the end of 2005, a rise of 21.51%. As regards net assets under administration with EFA, as at 31 December 2006 these amounted to EUR 115.5 billion, an increase of 17.50% over one year.

General balance sheet trend

At the end of the 2006 financial year, the total balance sheet was EUR 24.3 billion, comparable to the level recorded as at 31 December 2005. In terms of assets, the change in status of our subsidiary in Dublin from 'bank' to 'financial institution' caused a shift of the amount outstanding from interbank to non-bank. On the other hand, the fall seen at the end of the previous financial year under the 'Government securities' item stopped following the total sale of the portfolio concerned.

The structure of the Bank's liabilities changed very little. Equity was further strengthened by placing EUR 69.6 million from 2005 profits in reserve.

Globally, both liquid assets and short-term accounts receivable remained stable. The Bank therefore maintained a very comfortable liquidity position.

Holdings, shares in associated companies and equity portfolio

The 'Shares in associated companies' item showed a fall of 20.6% as at 31 December 2006, from EUR 1.41 billion to EUR 1.12 billion. This reduction was mainly due to the sale of our holdings in Banco Urquijo and Westhouse Securities. On the other hand, the Bank slightly increased the capital of its subsidiary KBL France.

Acquisition and holding of treasury shares

On 20 September 2006, the General Meeting of Bank Shareholders authorised the buy-back by the Bank of shares still held by minority shareholders. As at 31 December 2006, the Bank thus provisionally held 163,486 ordinary shares and 22,152 preference shares in portfolio for a total acquisition price of EUR 33.9 million. A treasury share reserve was established in accordance with the law.

Rise in net commission, fall in interest income and slight growth in dividends

Net commission rose by 6.5%, which reflected sustained strong activity in private banking and in the securities field; on the other hand, there was a clear fall in interest income, particularly in the context of a substantial voluntary reduction in 'dealing' activity. Lastly, dividends collected from our subsidiaries, as well as all the other positions held in portfolio, progressed favourably to produce a total of EUR 74.3 million, an amount higher than that of net interest.

Profit on financial operations and other operating income

As previously indicated in this report, income for the 2006 financial year was affected by the exceptional capital gain of EUR 446 million on the sale of our holding in Banco Urquijo, a capital gain recorded under the 'Other operating income' heading; this capital gain was in addition to growth in income generated by securities and foreign exchange activity noted under the 'Profit on financial operations' heading.

Trend in general administrative expenses

The Bank decided to allocate additional funds to the supplementary pension provision in order to come into line, subject to existing legal constraints, with the calculating methods in the IAS benchmark. Excluding this exceptional provision, the increase in general administrative expenses would have been only 5.5%, rather than the 24.0% posted as at 31 December 2006.

Net income up by 178.8%

The substantial capital gain on Banco Urquijo meant that net income for the financial year was more than EUR 581 million. This income, augmented by the carry-over of income agreed at the Ordinary Meeting that approved the accounts for the previous year, will be the subject of the income distribution to be approved by the General Meeting of 25 April 2007.

Annex I: Compliance risk

Compliance is responsible for implementing all measures necessary to avoid the Bank and the group suffering loss, whether financial or other, due to failure to comply with regulations in the broad sense. With this in mind, the KBL & Group Compliance Division undertakes a range of tasks, including identification and monitoring of compliance risks, corrective measures, internal reporting and relations with the public prosecutor's office and the CSSF with regards to money laundering and insider dealing.

During the last financial year, while continuing its efforts in the fields of combating money laundering and the financing of terrorism, protecting the investor and ethics, the KBL & Group Compliance Division launched three new areas of activity. The first was within the context of Directive 2004/39/EC on markets in financial instruments, better known by the acronym MiFID. The second was devoted to the introduction of a system common to all KBL *epb* members concerning compliance monitoring plans. The third sought to ensure correct transposition of the Law of 9 May 2006 on Market Abuse deriving from the European Directive on the matter.

Adopted by the European Parliament in April 2004, the new European MiFID (Markets in Financial Instruments Directive) represents a further, particularly significant, stage in the harmonisation of investment services to customers within the European Union. The major beneficiaries of this new Directive will be investors, who will enjoy an increased level of protection and better visibility of services undertaken in the context of processing their orders.

This transparency has two direct consequences: a foreseeable increase in competition on financial markets – the concept of 'best execution' will become an increasingly significant performance indicator – and an obligation to comply better with a number of rules of conduct relating to information to be provided to customers and received by them. The ultimate objective is to make investment services more appropriate by better defining the customer profile.

This new Directive is scheduled to enter into force in November 2007. In order to make preparations, the group set up the MiFID Group Project, which brings together all the *epb* members and is jointly coordinated by the Compliance and Organisation Divisions of KBL.

Supervised by the GOC (Group Operations Committee), the Group Project also has the services of PricewaterhouseCoopers, whose MiFID expertise is acknowledged in the Luxembourg market.

MiFID is being implemented in the group in three stages:

- the first, termed 'mobilisation', consisted of defining the implications of the Directive for the activities of the Bank and forming working groups, which developed adaptation proposals;
- the second, termed 'diagnosis', allowed identification of the necessary adaptations and the MiFID implementation solutions;
- lastly, the third stage, termed 'implementation' – now underway – consists of implementing the choices in the systems, procedures and models of customer relations.

During the second six-month period, the Compliance Group made numerous improvements to its supervision methodology and developed a standardised approach for the entire group, based on the following tools:

- a more detailed Compliance Monitoring Programme (CMP) to be drawn up for each *epb* member, ensuring that all the conditions for its implementation are met. This CMP must encompass controls in all the Compliance fields, as described in the Compliance Charter. It builds a bridge of sorts between the audit and monitoring roles to be carried out by Compliance in order to avoid, as far as possible, any unnecessary testing of checks. At the end of 2006 the CMP was submitted to the Audit and Compliance Committee of each *epb* member for implementation in 2007;

- a new layout for testing reports intended for management, updated and applicable from 1 January 2007, which is to provide a quarterly report for each compliance theme with an integrated and appropriate corrective action plan (approved by management);
- a three-monthly follow-up procedure for corrective action, designed to evaluate whether the action plan is being properly implemented. Its first application is scheduled for after the first quarter of 2007.

All these methodological improvements, adopted for each KBL *epb* member, emphasise the responsibilities of the local compliance functions and provide the Audit and Compliance Committees (at local and group level) with indicators making it possible to measure progress in the field of compliance. That also means that the tasks of the KBL & Group Compliance Division will evolve towards quality control of local compliance. During a transition period the Compliance Group will combine quality checks and specific tests based on local CMP.

As regards market abuse, information about the Law of 9 May 2006 has been provided to all staff. As KBL is an issuer of listed bonds, it has taken the measures required to meet the new legal and regulatory requirements (establishment of insider lists and procedure for publishing privileged information).

In its capacity as a credit institution, it has also introduced a mechanism allowing, if necessary, declarations of suspicion to be made to the CSSF.

Specific measures have been taken with regard to group securities (prohibition periods, prior authorisation by Compliance, etc…) enshrined in a KBC Group Dealing Code applicable to a number of persons seen as its senior management or key staff.

Moreover, investor protection checks have continued. An outstanding communication tool, the Division’s Intranet has been further enhanced. Numerous advice, prevention and monitoring activities have been carried out, not just at KBL, in its capacity as a Bank in Luxembourg, but also primarily at the level of the KBL *epb* network, the Bank thus acting in its role of parent company.

Lastly, group Compliance Officers had the opportunity to exchange views on the two major areas discussed above during Compliance Days, the annual event that allows the information held by each *epb* member to be upgraded.

Annex II: Credit risk

In its capacity as parent company, KBL seeks to optimise credit risk management by applying strictly predefined rules, listed below, across the whole KBL group *epb*.

1. DECISION-MAKING PROCESS AND CONTROLS IN PLACE FOR CREDIT RISK

All decisions relating to loans or advances are the responsibility of the Executive Committee, the Loans Committee or one of the other competent bodies designated under the delegation of authority agreed by the Executive Committee in accordance with the criteria established in relation to operation type, amount, term, risk and guarantees. This delegation of authority always requires the involvement of at least two people from different entities, to ensure that there is no risk of any conflict of interest. All decisions taken on the basis of a delegation of authority must also be reported to, and approved by, the senior body.

These principles are applicable in all the subsidiaries of the KBL group *epb* and at KBL.

KBL has put in place several controls to optimise credit risk management at the time a credit decision is taken and a lending operation set in motion. For this reason,

- all loan proposals must comply with the counterparty or country limits established by the Executive Committee, to avoid any excessive concentration in this respect. Sectoral concentration is also examined. These concentrations are drawn up at a consolidated level, taking account of our subsidiaries' liabilities;
- thus, for each new loan proposal, a financial analysis of borrower risk is carried out by an independent company that examines the borrower's financial position with a view to assessing its creditworthiness, independently of any analysis provided by external rating agencies;
- finally, the Bank has ensured a separation of tasks between the bodies empowered to authorise the granting of loans, the departments responsible for contractual matters, the departments responsible for making funds available and booking loans and those in direct contact with the borrower.

It should also be noted that as regards international loans, KBL's decision takes account of the existing outstanding amounts at KBC Group level, enabling the development of a common approach to credit risk and avoiding the group concentrating too much on certain counterparties. In this respect, in certain specific cases, our decision-making system also takes into account the opinion of KBC Group.

2. CREDIT-RISK MONITORING

The Bank has the following tools for the day-to-day monitoring of lending transactions on its own portfolio:

- an IT application for monitoring guarantees and loan repayment schedules;
- automatic daily monitoring of irregular overdrafts and instances of insufficient cover for loans backed by securities, allowing for the rapid implementation of appropriate corrective measures;
- automatic tracking of changes in the ratings of externally-rated borrowers.

Various reports have also been put in place to minimise the risk of portfolio deterioration. These include:

- all at-risk borrowers are reviewed at least once annually based on their financial statements. If certain factors likely to increase the risk are noted, specific reviews may even be carried out more frequently;
- the preparation of reports, at least once a year, to monitor the concentration of our risks by sector or by borrower;
- a report on problem loans is also drawn up with the same frequency.

These various reports are drawn up independently by a middle office. They are prepared on a consolidated basis and submitted to the parent company Loans Committee and, in most cases, to the Executive Committee.

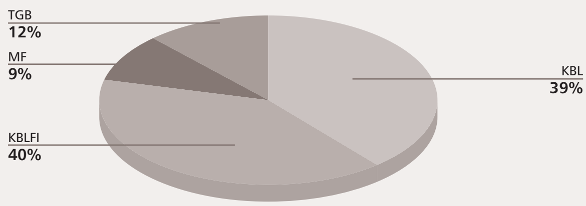
3. COMPOSITION OF LOAN PORTFOLIOS

To analyse the distribution of our credit risks, we examine the composition of the loan portfolios operated by the main group companies active in lending. The “consolidated” figures given below include the outstandings of KBL, KBL Finance Ireland, Merck Finck and Theodoor Gilissen Bankiers and represent around 95% of the KBL group’s total loan portfolio.

The other subsidiaries, namely Brown Shipley, KBL France, KB Luxembourg (Monaco), Kredietbank (Suisse) and Puilaetco Dewaay Private Bankers are excluded from the scope of consolidation, since either they do not actively lend (or not to a significant extent) or else the nature of their operations (mainly lending to private clients backed by diversified securities portfolios) does not give rise to any significant risk of loss.

KBL group’s loan activity has been voluntarily reduced since 2000.

CONSOLIDATED LOAN PORTFOLIO - BREAKDOWN BY GROUP COMPANY



During the year, the sale of our Spanish subsidiary Banco Urquijo, which accounted for over 40% of the consolidated loans portfolio, led to a significant reduction in the latter.

Consequently, at the end of 2006, the loans portfolio was only EUR 4.1 billion compared to EUR 7.3 billion a year earlier.

The credit commitments of KBL and KBLFI, mainly high-quality externally-rated liquid international loans, make up 79% of the consolidated portfolio.

Merck Finck has been voluntarily scaling down its lending activities since 2000, in order now to prioritise loans accompanying private banking activities. Its lending policy and decision-making procedures have also been reviewed in this framework. Since the end of 2000 Merck Finck’s portfolio has been reduced by almost 80%. In 2006 it fell 12% to EUR 362 million, 9% of the consolidated benchmark portfolio.

The lending activities of Theodoor Gilissen are also closely related to its Private Banking business, with loans essentially being granted to clients under management, either through lending backed by diversified portfolios or through property loans, these being mainly residential.

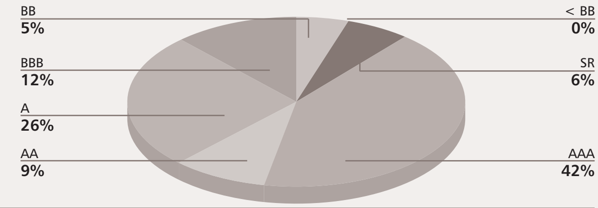
At the end of 2006, Theodoor Gilissen’s share in the consolidated portfolio was 12%.

3.1 Breakdown by rating

Investment grade securities make up more than 89% of the international securities portfolio held at KBL and KBLFI and another 6% comprise top-quality corporate issuers not rated by external rating agencies.

This illustrates the quality of our portfolio and its limited exposure to emerging countries.

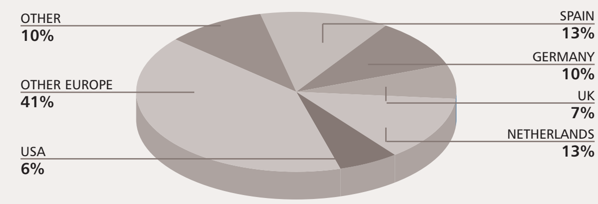
KBL + KBLFI - PORTFOLIO OF INTERNATIONAL SECURITIES - BREAKDOWN BY RATING



3.2 Breakdown by region

Borrowers from Europe make up 84% of the consolidated portfolio. US accounts make up 6%, with only 10% from other geographic zones.

CONSOLIDATED LOAN PORTFOLIO - BREAKDOWN BY REGION



3.3 Breakdown by economic sector

The loans portfolio shows a satisfactory sectoral diversification. Only two sectors show more than 10%: private individuals (where loans have collateral) and the banking sector (which traditionally has a low risk profile).

Specific loan provisions

Below we list specific provisions established in respect of the consolidated loan portfolio as at 31 December 2006, and the changes in these provisions over the course of the year.

as at 31/12/2006 (in EUR thousand)	Gross loans	Specific loan provisions	Net loans
More than 90 days overdue	70,017	53,509	16,508
Other doubtful debts	8,084	3,114	4,969
All doubtful and non-performing loans	**78,101**	**56,624**	**21,478**

	Loan / Loss ratio (*)
FY 2006	0 bps (**)
Average 2002-2006	0 bps (**)

(*) The Loan / Loss ratio defined as the net variation of specific and general provisions in the average loan portfolio over the year.

(**) Net negative allocation.

SPECIFIC LOAN PROVISIONS (in EUR million)	
Total provisions at start of period	88.16
Total provisions at start of period (ex BU)	**76.69**
Transfer from income statement	
Increase in provisions	+7.15
Reduction in provisions	-14.28
Applications	-11.05
Adjustments for exchange-rate variations	-1.89
Total provisions at end of period	**56.62**

Annex III: Group Risk Management

1. INTRODUCTION: RISK POLICY, RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

1.1 Risk policy

Within KBC Group, KBL European Private Bankers acts as the driving force in private banking, a “zero risk” banking activity and its core business, to the service of which what are called risk-bearing banking activities are geared:

- foreign exchange activity is clearly oriented towards servicing the client base;
- in the bond markets, which are classic OTC markets, KBL’s expertise has traditionally been recognised,

giving us a privileged position, on the one hand for managing the execution of internal flows arising from the Group's private banking and institutional banking activities, and on the other, as the counterparty of choice for our vast network of selected professional counterparties;
- in the equity markets, which are organised markets, our function is that of brokerage. Our objective is to channel our client flows towards organised stock exchanges, whether directly or through approved brokers, and as far as possible by automated means;
- our proprietary position-taking activity is based on a conservative philosophy and is carried out on an incidental basis or within the context of ALM;
- from a liquidity point of view, the Bank is a net lender in the financial markets. This notwithstanding, it permanently maintains a strategic level of liquidity and a portfolio of government bonds that can provide liquidity through the repurchase agreement technique.

In perfect compliance with prudential rules in effect, the Executive Committee has thus defined interest rate, currency, price volatility (equities, etc.) and liquidity risk limits and has assigned specific authority to different operators.

Non-financial risks, known as operational, are also subject to substantial monitoring through the deployment of the "Operational Risk Management" (ORM) project of KBC Group, which has chosen the standardised method under Basel II/CRD for all its units. The result of the centralisation of its decentralised units within the Business Lines, Group Risk Management has played a key role since 2002 in the identification, evaluation, quantification and reporting of the risks listed above.

1.2 Risk management: role of Group Risk Management

The **Group Risk Management** of the KBL group has modified its organisational structure in order to adapt it to that of the KBC Group, the parent company of the KBL group, specifically in relation to the "Value and Risk Management" Directorate of the KBC Group ("WRB" for short), the Risk Management Unit to which the Group Risk Management reports for every kind of risk falling within its remit.

Consequently, Group Risk Management comprises three (and no longer two) units:
- the Risk Management Unit (which absorbed the Risk Control Unit);
- the Middle Office, and
- the Group Insurance and Operational Risk Unit.

The **Risk Management Unit** acts for KBL in the latter's capacity as Bank and parent company of the group. It is organised in exactly the same way as the WRB by type of risk and the following specific missions are assigned to it within the overall system of the KBC Group, both in terms of methodology and for reporting:
- management and control of **ALM Risk** (Asset & Liability Management);
- management and control of **Market Risk**;
- in the area of Credit Risk:
    - management and control of **Counterparty/ Country Risk** (unconfirmed lines);
    - participation, from the viewpoint of **methodology**, in the project of implementing **credit risk** management and monitoring, **according to Basel II / CRD**;
- reporting for the monitoring of risks falling within its area of competence, both for subsidiaries to the parent company in Luxembourg and for KBL group (Hub concept) to the WRB;

- introduction of Economic Capital;
- quantitative aspects of Client Risk Management;
- critical studies when a new activity is envisaged by the Bank and/or the group for the risk area that concerns it.

Taking into consideration KBC's requirements in terms of Middle Office (MO) activity and the natural synergies with Group Risk Management (GRM), KBL group has set up a Middle Office.

The Middle Office aims to:

- take over the management of Middle Office IT tools (especially Kondor+);
- voluntarily optimise the control procedure;
- specialise resources for carrying out Middle Office tasks;
- harmoniously integrate the Risk section into the Finance & Risk department.

MO and Risk Management activities are closely linked and interdependent (risk factor development depends on position development and is reflected *in fine* in the results).

The MO has taken over all control activities (including KBL risk indicators such as *VaR* and VBP) and the analysis of the development of positions and results but, among other things, has left the deployment of these risk factors within the subsidiaries, their consolidation and their transfer to the KBC Group under the responsibility of the Risk Management Unit.

The MO is built on two pillars:

- Systems Management;
- Project & Controlling.

Systems Management

This concentrates the processing chain of each activity within a single independent unit, improving monitoring efficiency from both the point of view of error detection (essentially in the front office) and correction (direct and independent intervention in the front office system). This makes it possible to use tools proactively using possible simulations. This falls within the recommendations of the KBC MO Blueprint.

Systems Management is responsible for the administration and data management of the Kondor+ system and is also invloved in all transversal and MO projects.

Project & Controlling

This centre works on different cross-departmental projects and those specific to the MO, i.e. KBC strategic projects as laid out in the GRM three-year plan.

The MO is also responsible for the Controlling aspects of various activities (Forex & Precious Metals, Treasury, Collateral Management, Equity Trading, Bond Trading, Investment Portfolio) and all projects relating to them.

Controlling includes all checks that can be summarised in five points:

- Significant events relating to positions and results;
- settlement of positions;
- monitoring of KBL risk factors, investment criteria and stop loss;
- settlement of results, and
- monitoring and validation of financial data for transactions and market data.

The Group Insurance and Operational Risk Unit focuses its actions in four principal areas within the overall structure of KBC Group, in terms of both methodology and reporting:

a) methodology:

- preparation, implementation and monitoring of the various methodologies considered for insurable and operational risks;
- participation in the selection, rational use and maintenance of related systems;
- consultative role when a new activity is envisaged, in order to evaluate the associated insurable and/or operating risks as well as the means to be implemented;

b) research: monitoring of the changes in techniques and methodologies relating to Operational Risk Management and insurance;
c) management of the Bank's insurance activities (KBC, market and captive insurers);
d) management of the international insurance programme (KBC, market and captive insurers) covering all group companies.

KBC Group **Risk Governance** is being implemented within the KBL group. The restructuring of Group Risk Management and the creation of an Operational Risk Committee for the Bank and for each of its subsidiaries are the first tangible elements of this convergence. This implementation will continue in 2007.

1.3 Financial instruments

Our financial instrument activities generally relate to brokerage services for our private and institutional clients. Our proprietary position taking itself is based on a conservative philosophy and is carried out on an incidental basis or within the framework of ALM:

- ALM portfolios, containing shares, bonds and IRS (as positions and/or hedges),
- foreign exchange activity, based on spot and forward-based transactions,
- bond, equity and Sicav share trading, covering these three asset types,
- treasury activity, based on time deposits and straight loans (which are being reduced), short-dated bonds, classic linear derivatives (IRS, FRA, futures and currency swaps for the main part) as positions and/or hedges, as well as collateralised operations (essentially [reverse] repos), which are increasing.

Finally, we note that our loan portfolio contains bonds, SAS and FRNs.

2. ASSET & LIABILITY MANAGEMENT (ALM)

The Risk Management Unit, which acts for KBL in its capacity as Bank and parent company for the group, is organised exactly like the WRB in terms of types of risk, including management and control of ALM (Asset & Liability Management) risk within the KBC Group's overall structure, both in methodological and in reporting terms.

Within the framework of asset/liability management, the ALM division of the Risk Management Unit contributes to the global management of structural risks (interest-rate, currency, credit and liquidity risks) that jeopardise the profitability and even the durability of the KBC/KBL groups, from a strategic, tactical and operational perspective, focusing its actions on three points: methodology, prudential risk consolidation and reporting.

The ALM division of the Risk Management Unit plays a predominant role in the endorsement and continuous improvement of KBL Group's ALM management, having responsibilities as expert in the following risk management missions.

2.1 Methodologies

- Preparation, implementation, critical analysis and proposals for improving various methodologies (interest-rate gaps, BPV, VaR, RAPM, liquidity gaps, MCO, etc.) and procedures relating to the identification, measurement, reporting and optimisation of ALM risks.
- Participation in the selection, rational use and maintenance of systems relating to ALM risks.

- Participation in the definition of investment limits and criteria relating to ALM risks for the whole of the group.
- Harmonisation of ALM methods and policies of KBL group versus the KBC Group.
- Definition and analysis of the policy of balance sheet construction (Replicating Portfolios, Fund Transfer Pricing, etc.).
- Establishment of interest-rate, currency and price variation scenarios (analysis of historic market data and trends).
- Consultative role where a new activity involving ALM risks is envisaged, in order to evaluate the associated risks and the measures to be implemented.
- Monitoring of changes in techniques, methodologies and national and supranational regulations regarding ALM.

2.2 Prudential risk consolidation

- Compliance of ALM structures with the policy of the KBC/KBL groups.
- Analysis and endorsement of the replacement policy for equity, client deposits and the policy of financing subsidiary credit lines.
- Monitoring and endorsement of the application by subsidiaries of the methodologies, procedures and limits decided by the group.
- Analysis of the specific characteristics of balance sheet structures, investment policies and criteria for the portfolios of subsidiaries and ad hoc adaptation of ALM models.

2.3 Reporting

- Development, analysis and endorsement of reports submitted to the KBC Group ALCO, to the KBL Executive Committee and to regulators.
- Development of methodological applications relating to:
  - Liquidity risk (see below): SLR, stress tests, ...;
  - Exchange-rate risk: VaR and others;
  - Interest-rate risk: interest-rate gap, BPV and VaR at a global level;
  - Management of assets/liabilities: Replicating Portfolios, Fund Transfer Pricing (FTP), etc.

  Finally, it is worth noting that the KBL group is represented on the ALCO of KBC Group.

2.4 Sensitivity of ALM positions

ALM Activities (in EUR million)	Position Transformation Basis-Point-Value	Equity Portfolio Value-at-Risk
Average, Q1 2006	5.73	65.47
Average, Q2 2006	4.30	55.51
Average, Q3 2006	2.11	56.68
Average, Q4 2006	0.70	68.76
End 2006	0.70	68.71
Maximum in 2006	5.95	68.92
Minimum in 2006	0.60	49.97

The current limits in force are 5 million BPV (set in September 2006) and 70 million in *VaR* for the equity portfolio.

2.5 Measurement of liquidity risk as at 31 December 2006

Within the framework of implementing KBC methodology, the Bank has developed a *Stock Liquidity Ratio* and a *Liquidity Gap*.

2.5.1 Stock Liquidity Ratio (SLR)

The *Stock Liquidity Ratio*, inspired by banking regulation in force in the UK (FSA) aims to follow short-term liquidity management on a monthly basis. It is defined as being, over the next five working days, the ratio between liquid assets and deposit/loan maturities of at least EUR 1 million from professional clients plus 5% of the deposit maturities of private and professional clients of less than EUR 1 million.

Liquid assets are:

- cash and balances with central banks;
- Treasury bills and other bills eligible for discounting;
- State bonds in the investment portfolio denominated in euro;
- trading portfolio securities denominated in euro;
- net cash generated by repo and reverse repo operations linked to government bonds denominated in euro, and tripartite repo operations with Clearstream in euro.

The limit for this ratio has been fixed at a minimum of 110%.

2.5.2 Liquidity Gap

The *Liquidity Gap* indicates to what extent a financial institution is capable of financing its long-term assets by its long-term liabilities. It is subject to quarterly monitoring at KBC Group level by means of a *Cover Ratio*.

The principal for calculating this Gap is to break down the outstanding items on the balance sheet by residual maturity, using the following specific hypotheses:

- standard sight deposits from private clients and savings are broken down according to the respective maturities of their benchmarks;
- trading and discretionary portfolios are considered to be immediately convertible into cash.

The Gap corresponds to the difference in outstanding assets/liabilities in the different residual maturity bands. The *Cover Ratio* calculated at KBC Group level is the ratio between all liabilities and assets for periods greater than five years. It must be at least 60%.

3. MARKET RISK

3.1 Activities

3.1.1 Interest-rate sensitive activities

In complete compliance with prudential regulations in effect, the Executive Committee has defined precise limits on interest-rate risk and has attributed specific authority to different operators.

In its mission of prudential consolidation of Group risks, Group Risk Management has sought to:

- control interest-rate risk at Bank and consolidated levels:
- duly report these to the WRB.

Each subsidiary reports to its parent, which consolidates the exposure before reporting it to the WRB (cf. 3.2.- Market Risk Management below).

3.1.2 Foreign exchange activities

Within the group, foreign exchange activity is clearly directed towards client service. The parent is increasing its role as the preferential counterparty to its group subsidiaries (Hub concept) and is constantly improving its controls and the monitoring of its positions.

The Executive Committee has for several years defined the bank's forex lines, established precise internal limits and assigned specific powers to the different operators, in full compliance with the prudential regulations in force. Under KBL group's general policy, taking positions to bet on a rise or fall in any given currency is not permitted outside pre-established limits. The task of Group Risk Management is to consolidate exposure on a daily basis and report to the WRB (cf. 3.2. - Market Risk Management below).

3.1.3 Securities operations

On the bond markets, which are classic OTC markets, KBL's expertise has traditionally been recognised, making us not only the operator of choice for managing the internal flows generated by our private and institutional banking activities but also the counterparty of choice for our vast network of selected professional counterparties. The group's subsidiaries, which act directly in their domestic markets where there is added value, are placing more and more of their orders with the parent company's dealing room (Hub concept).

In this business, the assumption of risk, where applicable, is subject to predetermined limits for certain activities and products, which are duly documented by Group Risk Management and within the general framework of the limits defined by the KBC Group for all their entities (cf. 3.2.- Market Risk Management below). In principle, positions are mainly taken to support the group's "customer" business and are subject to monitoring by the Group Risk Management department.

On the equity markets, which are by their nature organised markets, our main function is to provide brokerage services. Our aim is to channel our customers' flows towards the organised stock markets, either directly or through approved brokers, as far as possible by automated means.

Our counterparties are duly authorised and selected on the basis of administrative and reporting performance criteria, amongst other factors. Brokerage commissions are agreed with each counterparty in advance.

Orders above a certain size are handled, on the request of those making the orders, by a team of traders. In our share trading activities we adhere to a policy of continuous monitoring that aims to guarantee the most efficient order execution service possible.

Our approach to taking positions on our own behalf is a conservative one and we engage in this activity on an incidental basis only. Such activities are subject to strict rules and are monitored directly by the relevant dealing room managers and/or the group's general bank management team, to ensure compliance with the rules established by the Group Risk Management department. The department also reports on subsidiary positions to the management of the parent company.

3.1.4 Liquidity risk linked to activities

The Bank is a net lender on the financial markets. This notwithstanding, it permanently maintains strategic levels of liquidity as well as a portfolio of government securities that can provide liquidity via repurchase agreements.

In terms of implementing KBC methodology, the Bank produces a monthly *Stock Liquidity Ratio* and quarterly *Liquidity Gap*.

At the request of KBC Group and for the Belgian regulator, the Bank also carried out stress tests compared to liquidity risk on the Bank's mid-year position. This will be repeated annually.

3.2 Market Risk Management

The Risk Management Unit, which acts for KBL, both as the Bank and as parent company for the group, is organised by risk type in the same way as the WRB, including the management and control of Market Risk within the overall structure of the KBC Group, both on a methodological level and in terms of reporting.

The Market Risk division of the Risk Management Unit contributes to overall control of market risks that jeopardise the profitability or even the durability of the KBC/KBL groups, from a strategic, tactical and operational viewpoint and by focusing its actions on three points: methodology, prudential risk consolidation and reporting.

The Market Risk Division of the Risk Management Unit plays a predominant role in the endorsement and continuous improvement of management of market risk of the KBL group. It also has expert responsibilities in the following risk management missions.

3.2.1 Methodology

- Preparation, implementation and monitoring of various methodologies (VaR, VBP, etc.) and procedures relating to the identification, measurement, reporting and optimisation of market risks.
- Harmonisation of the methodologies of the KBL group on the basis of those in effect within the KBC Group.
- Participation in the development and endorsement of valuation models (internal, IAS, CSA etc).
- Systematic back testing of risk and valuation models.
- Implementation of interest-rate, currency and price variation scenarios (analysis of historic market data and trends).
- Participation in the selection, rational use and maintenance of systems relating to market risk.
- Quantitative support in defining investment limits and criteria relating to market risk for the whole group.
- Consultative role where a new activity involving market risks is envisaged, in order to evaluate the associated risks and the measures to be implemented.
- Monitoring of the changes in techniques, methodologies and regulations relating to Market Risk Management.

3.2.2 Prudential risk consolidation

- Implementation within subsidiaries of the methodologies, procedures and limits decided by the group.
- Detailed knowledge and understanding of activities and portfolios of group companies, as well as the resulting risks.

3.2.3 Reporting

Development and/or monitoring of reports submitted to the Risk Management Committee and to the Executive Committee of KBL and KBC Group.
Endorsement of periodic reporting prepared by the managers of local Risk Management Units (methodological management of market risks for the group).
Finally, it is worth noting that the KBL group is represented on the KBC Group Market Risk Committee.
VaR positions for trading activities
The KBC Group Executive Committee granted KBL (Decision No. 201 of 3 October 2006 entitled Limits Framework Global Treasury) a 10-day 99% VaR limit with a one-year history of EUR 10 million for trading activities.
The overall VaR liability for these activities was less than EUR 1.22 million as at 31 December 2006.

4. COUNTERPARTY / COUNTRY RISK MANAGEMENT

The Risk Management Unit, which acts for KBL both as Bank and as the parent company for the group, is organised in exactly the same way as the WRB, by type of risk, including management and the control of Counterparty/Country Risk, within the overall structure of the KBC Group, in terms of both methodology and reporting.
Within the context of credit risk management, the Counterparty/Country Division of the Risk Management Unit contributes to the overall control of credit risks that jeopardise the profitability or even the durability of the KBC/KBL groups, from a strategic, tactical and operational viewpoint, by focusing its actions around three points: methodology, prudential risk consolidation and reporting.

The Counterparty/Country Division of the Risk Management Unit plays a predominant role in the endorsement and continuous improvement of credit risk management of the KBL group. It also has responsibilities as expert in the following risk management missions.

4.1 Methodology

- Preparation, implementation, and monitoring of various methodologies (Mkd-to-Mkt + Add-On, IRB etc) and procedures relating to the identification, measurement, reporting and optimisation of credit risks.
- Harmonisation of the methodologies of the KBL *epb* group based on those in effect within the KBC Group.
- Systematic back-testing of credit risk models.
- Implementation of scenarios with an impact on credit risk (analysis of past market data and trends).
- Participation in the selection, rational use and maintenance of systems relating to credit risk.
- Quantitative support in defining investment limits and criteria relating to credit risk for the whole of the group.
- Consultative role where a new activity involving credit risks is envisaged, in order to evaluate the associated risks and the measures to be implemented.
- Contribution to the management of the methodological transition of the group towards Basel II and the standards of KBC Group.
- Monitoring of the changes in techniques, methodologies and regulations relating to Credit Risk Management.

4.2 Prudential risk consolidation

- Implementation within subsidiaries of the methodologies, procedures and limits decided by the group.
- Detailed knowledge and understanding of activities and portfolios of group companies, as well as the resulting risks.

4.3 Control activities

- Monitoring of overshooting of counterparty/country lines.
- Monitoring of margin calls.

4.4 Reporting

- Development and/or monitoring of reports submitted to the Risk Management Committee and to the Executive Committee of KBL, the CSSF and KBC Group.
- Contribution to the coordination and endorsement of periodic reporting prepared by the managers of the local Risk Management Units (methodological management of credit risks for the group).
- At a consolidated level, the production of daily exception and monthly liability reports.

In order to comply with overall KBC Group policy relating to Counterparty/Country risk, in 2005 the Counterparty/Country division launched a programme which continued throughout 2006 and will be maintained in 2007 and which aims for:

- The development of methods and systems for the KBL group, in collaboration with the WRB, namely:
  - adaptation of KBL principles and rules to the standards of KBC Group;
  - Mkd-to-Mkt + Add-on method;
  - IT projects linked to new forms of processing;
  - roll-out across KBL group subsidiaries;
- the creation and implementation of reports according to KBC Group standards.

Furthermore, the GRM contributes, in methodological terms, to the IRB project (Basel II/CRD).

Lastly, it is worth noting that the KBL group is represented on the KBC Group Credit Risk Committee.

5. OPERATIONAL RISK MANAGEMENT

The Group Insurance and Operational Risk Unit, which acts for KBL both as Bank and as parent company of the group, is deploying the KBC Group "Operational Risk Management" (ORM) project, which has chosen the Basel II/CRD standardised method for all its units.

5.1 Definition

Operational risk is the risk of direct or indirect losses resulting from inadequate or deficient internal procedures, individuals, systems or external events.

5.2 General organisation

In accordance with CSSF Circular 98/143, the Bank's internal audit system establishes the following audit requirements:

- first-level daily audits by order executors;
- ongoing critical controls by persons responsible for administrative order processing;
- managers' checks of all activities and functions falling under their direct responsibility;
- second-level controls by the Internal Audit department.

Top-quality, efficient internal audit systems that are constantly monitored by an independent internal audit team and a robust administrative and accounts structure supported by IT systems that are both physically and logically secure are key to minimising known operational risks.

The Bank's general organisation structures are deemed adequate in this respect, for the following reasons:

- a member of its Executive Committee has been assigned overall responsibility for the Bank's administrative and accounting organisation;
- the Bank's organisational structures, line management and functional divisions between personnel allow appropriate segregation of the various functions;
- written procedures have been drawn up for all functions;
- the audit team's mission includes checking that areas audited are covered by procedures;
- all procedures can be consulted on the group's intranet, ensuring all employees have access;
- any process engaging the Bank's responsibility and all related decisions are documented;
- the recording of transactions is exhaustive and carried out as near as possible to the scene of the transaction; double (and if necessary triple) intervention is provided for (recording-authorisation);
- all transactions made on customer accounts are accounted for in real time in an application enabling the Bank to monitor risk and liquidity positions in parallel, both at the account and overall client level;
- the accounts department identifies and records transactions, justifies changes in account balances, prepares reports and keeps accounting records;
- the Bank's IT system is tailored to its requirements and complies with the provisions of CSSF Circular 05/178 in all of the following respects: hardware configuration, applications in use, physical and logical security, organisation and procedures in place.

Regarding this last point, the Bank has established a back-up site from which all central applications can be restarted, without loss of information, in the event of an incident affecting the operational centre.

The operational and back-up computers are located at two sites several kilometres apart and are linked by fibre-optic cables running along two different routes, enabling real-time synchronisation. Thus, all data recorded on magnetic disks at the production site are simultaneously updated onto disks at the back-up site.

Similar infrastructures have been established for data stored on magnetic cassettes, some of which is essential to the smooth functioning of the recovery process.

The various network components are configured in such a way that all users of the Bank's IT systems can switch rapidly to the back-up site. The procedure for effecting this switch is tested twice a year.

Lastly, it should be noted that this IT back-up plan is an integral part of the BCP (Business Continuity Plan) which consists of a structured series of provisions designed to ensure the Bank can continue operating in the event of a disaster.

5.3 Transfer of risks

The regulations (CSSF, CRD and Basel II) intended to introduce a new system of capital adequacy for lending institutions provide, in respect of operating risk, for the use of insurance as *mitigating risk* (i.e. that attenuates the impact of a risk). In short, banks may use insurance cover for certain operational risks to reduce the capital due to be assigned to them.

The connection is, after all, logical, since traditionally insurable risks are broadly in line with the definition of operational risk. Integrating both areas in a single "Group Insurance and Operational Risk" unit shows the importance the Bank gives to this complementarity.

Drawing a parallel between the two problems will enable the group to better structure its approach based on the links that develop between insurance and operational risk. The resulting optimisation applies as much to risk analysis and assessment as to the financial benefits made possible by the regulations.

Generally, and from a structural viewpoint, when there are grounds to take out an insurance policy:

- the risk is transferred into market policies (from KBC Group or directly) and/or into KBC's captive insurer, the decision criterion being the relationship between the premium and the proposed area of coverage;
- coverage is either international, in which case it covers one type/several types of risk for KBL and all its subsidiaries, or local, where it is assumed that a single unit is then concerned.

5.4 Methodological aspects

The new minimum capital requirements entail paying close attention to operational risk analysis and assessment.

In this context, it was natural that the Group Insurance and Operational Risk Unit, which acts for KBL both as a bank and the group's parent company, itself part of KBC Group, implemented the KBC Group "Operational Risk Management" (ORM) project.

For all the (sub-)units, KBC, and hence KBL, have chosen the standardised method under Basel II/CRD. In addition to the calculation of the capital charge for operational risk, however, the ORM project goes much further in its qualitative approach.

5.5 ORM governance

The ORM methodology is defined by the Operational Risk Committee (ORC) introduced at KBL, but the key

principle is that the ORM remains the responsibility of the Business Lines. Its Management is supported in the tasks to be conducted by the Local Operational Risk Managers (LORMs) who report to the Central Operational Risk Management (CORM, i.e. the Insurance and Operational Risk Unit for KBL group).
Each unit of the KBL Group has implemented this structure at the local level (ORC – CORM – LORM), with the local ORCs reporting to the ORC of the KBL group, itself represented on the ORC of the KBC Group.
This structure works in association with the KBL Group Internal Audit and with local Audits.

5.6 Loss Event Reporter (LER)

The KBL group has set up an incident database (LER) via its Intranet, which complies with the requirements of Basel II/CAD III and those of KBC Group

5.7 Risk Self Assessment (RSA)

KBL group management has been compiling highly detailed RSA since 1992. “Risk/Control” matrices have been produced and are regularly updated. This tool is maintained by the Audit department, but belongs to the Management of the Business Lines. Group Risk Management naturally has access to it. The LORMs of each Business Unit (at KBC and KBL group level), with the assistance of the local CORM, appropriate their own “Risk / Control" matrices and by risk:

- update when necessary (specifically between two audit missions);
- evaluate frequency and/or severity;
- identify the Key Risk Indicators (KRI, see below) in order to monitor the closest risk.

5.8 Group Standards Assessments (GSA)

KBC Group wishes to achieve the same level of quality in all its component units, and is developing a set of “best practices” in several fields. The aim is two-fold:

- to construct a common defence against serious operational risks that threaten one unit or the whole Group;
- to demonstrate to regulators, insurers and other stakeholders that it is taking note of their concerns.

The Group Operational and Risk Insurance Unit is tasked with evaluating KBL group compliance with these Standards (which relate to Outsourcing, BCP, etc.).

5.9 Scenarios

In order to test the solidity of the KBC Group, there are simulations of shocks based on real events that have affected other financial institutions. The Group Insurance and Operational Risk Unit has the task of testing the above scenarios on the KBL group.

5.10 Key Risks Indicators (KRI)

These are predictive parameters that allow for the projected measurement of changes from the operational risk standpoint of the activities under review. KRI are deployed at a later stage by the Group Operational and Risk Insurance Unit, in collaboration with the LORMs.

Annex IV - Hedge accounting

1. DESCRIPTION OF HEDGE ACCOUNTING

The Bank’s use of hedge accounting is limited to fair value microhedge relationships.
Within this context, the Bank’s objective is to hedge the exposure of a financial instrument to the variations in its fair value attributable to changes in interest rates (and also exchange rates).
The hedged instruments are fixed-rate debt instruments and may be those included in the balance sheet assets (e.g. bond purchases) or in liabilities (bonds issued by the Bank).

Interest-rate risk is covered by concluding interest-rate swaps (IRSs).

When, in addition to the interest-rate risk, the Bank wishes to hedge the exchange-rate risk inherent in instruments denominated in different currencies, it concludes Cross-Currency Interest-Rate Swaps (CCIRS).

Hedge accounting is applied if, and only if, all the following conditions are met:

- on the inception of the hedge, there is formalised designation and documentation describing the hedge relationship, the Bank's strategy and identification of the hedged and hedging instruments;
- at the time it is designated, the Bank anticipates a highly effective hedge relationship;
- it must be possible to estimate the effectiveness of the hedge relationship reliably;
- the hedge is measured on a continuous basis and determined as having been highly effective during the financial periods in which the hedge was designated.

Where these conditions are fulfilled, these operations are recorded in the accounts in the following manner:

- the hedging instruments (swaps) are valued at fair value with changes in fair value recorded in the income statement;
- the profit or loss on the hedged item attributable to the hedged risk adjusts the net value of the hedged item and is also registered in the profit and loss account. If the hedged instrument is an "available-for-sale asset," already measured at fair value due to other IFRS stipulations, applying hedge accounting leads to a division of the variation in fair value of the instrument between a part covered by the hedge, (recognised in the profit and loss account) and a portion for unhedged risks (recognised in the revaluation reserve in equity).

2. QUANTITATIVE INFORMATION AS AT 31 DECEMBER 2006

As at 31 December 2006, the fair values of the instruments designated in hedge relationships were as follows:

31 DECEMBER 2006 (EUR million)

	ASSETS	LIABILITIES
HEDGED INSTRUMENTS		
Bond portfolio	1,593.0	
Bond issues		976.8
HEDGING INSTRUMENTS		
Swap derivatives	86.6	86.6

ALLOCATION OF PROFIT AND PROPOSED DIVIDEND

	in EUR
After constitution of the necessary provisions and depreciation, KBL's net profit for the financial year ended on 31 December 2006 was	
	581,135,787.79
Balance carried forward	289,578.09
Profit to be distributed	581,425,365.88
Pursuant to legal and statutory provisions and taking into account own shares held by the bank at the end of the share buyback programme, we propose allocating this profit as follows:	
Statutory reserve	-
Dividend	574,924,425.90
Board of Directors	959,999.99
Voluntary reserve	-
Carried forward	5.540,939.99
	581,425,365.88

Subject to approval of this allocation and on the basis of a gross dividend of EUR 28.55 per share, a net dividend of EUR 24.2675 will be payable at our branches from 26 April 2007 onwards, upon submission of Coupon No. 10 of the ordinary shares and Coupon No. 9 of the non-voting preference shares.

COMPOSITION OF THE BOARD OF DIRECTORS

At its meeting of 21 November 2006, the Board of Directors co-opted Mr Franky DEPICKERE, Managing Director of Cera/Almancora as a director, replacing Mr Rik DONCKELS who resigned from his position on 14 September 2006. It is proposed that the Meeting confirms the appointment of Mr Franky DEPICKERE who shall complete the mandate of Mr Rik DONCKELS which expires in 2011.

The directorships of Mr Philippe VLERICK and Mr Marc WITTEMANS will come to an end at the Ordinary General Meeting of 2007.

It is proposed to the Meeting that these mandates be renewed for another term of four years.

Following the retirement on 31 December 2006 of Mr Jean-Marie MOSSONG, director representing staff, Mr Robert KONZ was appointed to succeed him. He shall complete his mandate as director representing staff until it ends in 2007.

Luxembourg, 14 February 2007

Board of Directors

AUDITORS' REPORT ON THE CONSOLIDATED BALANCE SHEET

UNRESERVED CERTIFICATION OF THE AUDITOR

To the Board of Directors of Kredietbank S.A. Luxembourgeoise

Following our appointment by the Board of Directors on 23 February 2006 we have audited the attached consolidated accounts of Kredietbank S.A. Luxembourgeoise, comprising the consolidated balance sheet as at 31 December 2006 and the consolidated profit and loss account, the statement of changes in equity and the cash flow statement for the year then ended and notes on the main accounting methods and other explanatory notes to the consolidated accounts.

Responsibility of the Board of Directors for the preparation and presentation of the consolidated accounts

The Board of Directors is responsible for the preparation and fair presentation of these consolidated accounts, in accordance with the International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and internal monitoring of the preparation and fair presentation of the consolidated accounts that are free from material misstatement, whether intentional or unintentional, and making accounting estimates that are reasonable in the circumstances.

Responsibility of the auditor

It is our responsibility to express an opinion on these consolidated accounts based on our audit. We conducted our audit in accordance with the International Standards on Auditing as adopted by the *Institut des Réviseurs d'Entreprises*. These standards require that we comply with ethical rules and plan and carry out the audit to obtain reasonable assurance that the consolidated accounts are free from material misstatement.

An audit involves implementing procedures to obtain audit evidence about the amounts and disclosures in the consolidated accounts. The procedures selected depend on the judgement of the auditor as well as an assessment of the risk of the consolidated accounts containing material misstatements, whether intentional or unintentional. In making these risk assessments, the auditor considers internal rules in force in the company for the preparation and fair presentation of the consolidated accounts in order to design appropriate audit procedures, and for the purpose of expressing an opinion upon the efficiency of these rules.

An audit also includes an evaluation of the appropriateness of the accounting procedures used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated accounts. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated accounts give a true and fair view of the consolidated financial position of Kredietbank S.A. Luxembourgeoise as at 31 December 2006, as well as the financial performance and consolidated cash flow for the year then ended, in accordance with the International Financial Reporting Standards, as adopted within the European Union.

Report on other legal and regulatory requirements

The consolidated management report, which is the responsibility of the Board of Directors, is consistent with the consolidated accounts.

ERNST & YOUNG S.A.
Auditors

Sylvie TESTA Daniel MEIS

14 February 2007

CONSOLIDATED ACCOUNTS

CONSOLIDATED IFRS BALANCE SHEET

in EUR million, as at 31 December

ASSETS	NOTES	2005	2006
Cash and balances with central banks	15	869	1,436
Treasury bills and other bills eligible for rediscounting with central banks	15	1,179	5
Loans and advances to banks	15, 16, 18, 39	12,088	9,339
Loans and advances to customers	15, 17, 18, 39	4,093	3,559
Securities	15, 19, 36, 39	7,192	6,430
Derivatives	15, 20, 39	453	937
Accrued income	39	748	167
Other assets	21	717	228
Tax assets	22	81	19
Held-for-sale assets	33	-	29
Investments in associated companies	23	9	11
Goodwill and other intangible fixed assets	24, 25	288	284
Property and equipment	26	316	196
Investment property	26	10	38
TOTAL ASSETS		**28,044**	**22,682**

The notes refer to ‘Notes to the consolidated accounts’.

CONSOLIDATED IFRS BALANCE SHEET

in EUR million, as at 31 December

LIABILITIES	NOTES	2005	2006
Deposits from banks	15, 27, 39	8,197	7,111
Deposits from customers and debt securities	15, 28, 39	15,272	11,167
Derivatives	15, 20, 39	495	931
Accrued expense	39	564	102
Other liabilities	31, 32	947	376
Tax liabilities	22	157	141
Held-for-sale liabilities	33	-	38
Provisions for risks and charges	29	96	61
Subordinated liabilities	15, 30	1,068	1,014
TOTAL LIABILITIES		**26,796**	**20,941**
TOTAL EQUITY		**1,248**	**1,739**
Equity, Group share	*34*	*1,244*	*1,737*
Minority interests		*4*	*2*
TOTAL LIABILITIES		**28,044**	**22,682**

The notes refer to 'Notes to the consolidated accounts'.

CONSOLIDATED IFRS PROFIT AND LOSS ACCOUNT

in EUR thousand, as at 31 December

	NOTES	2005	2006
Net interest income	4, 39	226,136	326,778
Dividend income	5	11,637	13,069
Net gains from financial instruments at fair value	6	8,291	-99,829
Net realised gains from available-for-sale assets	7	58,738	17,888
Net fee and commission income	8, 39	447,197	475,511
Other income	9	56,703	515,939
GROSS INCOME		**808,702**	**1,249,357**
Operating expenses	10	-563,353	-536,648
Staff expenses	11, 32	-312,727	-343,603
General administrative expenses	42	-182,156	-166,123
Other		-68,471	-26,922
Impairment	12	22,530	3,930
Share in the results of associated companies	13, 23	3,253	3,290
PROFIT BEFORE TAX		**271,133**	**719,930**
Income tax expenses	14	-53,097	-41,645
PROFIT AFTER TAX		**218,035**	**678,285**
Minority interests		-1,450	-1,530
NET PROFIT, GROUP SHARE		**216,585**	**676,755**

The notes refer to 'Notes to the consolidated accounts'.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR million

	Issued and paid-up share capital	Share premium	Treasury shares	Revaluation reserve (AFS investments)	Consolidated reserves	Currency translation differences	**Equity, group share**	Minority interests	**Total equity**
2005									
Balance as at 31/12/2004	**189.0**	**354.6**	**-**	**-**	**439.3**	**0.8**	**983.6**	**4.5**	**988.1**
First-time application of IAS 32 and IAS 39 on 1/1/2005	-	-	-2.9	113.5	57.4	-	**167.9**	-	**167.9**
Balance as at 01/01/2005	**189.0**	**354.6**	**-2.9**	**113.5**	**496.7**	**0,8**	**1,151.5**	**4.5**	**1,156.0**
Net movements on treasury shares	-	-	2.9	-	-	-	**2.9**	-	**2.9**
Fair value adjustments before tax	-	-	-	90.6	-	-	**90.6**	-	**90.6**
Deferred tax on fair value changes	-	-	-	-22.4	-	-	**-22.4**	-	**-22.4**
Transfer from revaluation reserve to net profit									
Impairment losses	-	-	-	1.6	-	-	**1.6**	-	**1.6**
Net gains/losses on disposal	-	-	-	-52.5	-	-	**-52.5**	-	**-52.5**
Deferred income tax	-	-	-	11.2	-	-	**11.2**	-	**11.2**
Net profit for the period	-	-	-	-	216.6	-	**216.6**	1.5	**218.0**
Dividends	-	-	-	-	-125.0	-	**-125.0**	-0.1	**-125.1**
Currency translation changes	-	-	-	-	-	-3.7	**-3.7**	-	**-3.7**
Other	-	-	-	-19.9	-6.8	-	**-26.7**	-2,0	**-28.7**
Total change	-	-	-	122.1	142.1	-3.7	**260.6**	-0,7	**259.9**
Balance as at 31/12/2005	**189.0**	**354.6**	**-**	**122.1**	**581.4**	**-2.9**	**1,244.2**	**3,9**	**1,248.0**

The notes refer to 'Notes to the consolidated accounts'.

Consolidated statement of changes in equity

	Issued and paid-up share capital	Share premium	Treasury shares	Revaluation reserve (AFS investments)	Consolidated reserves	Currency translation differences	**Equity, group share**	Minority interests	**Total equity**
2006									
Balance as at 01/01/2006	**189.0**	**354.6**	**-**	**122.1**	**581.4**	**-2.9**	**1,244.2**	**3.9**	**1,248.0**
Net movements on treasury shares	-	-	-38.4	-	-	-	**-38.4**	-	**-38.4**
Fair value adjustments before tax	-	-	-	48.1	-	-	**48.1**	-	**48.1**
Deferred tax on fair value changes	-	-	-	-13.1	-	-	**-13.1**	-	**-13.1**
Transfer from revaluation reserve to net profit									
Impairment losses	-	-	-	-	-	-	**-**	-	**-**
Net gains/losses on disposal	-	-	-	-55.1	-	-	**-55.1**	-	**-55.1**
Deferred income tax	-	-	-	15.5	-	-	**15.5**	-	**15.5**
Net profit for the period	-	-	-	-	676.8	-	**676.8**	1.9	**678.7**
Dividends	-	-	-	-	-139.1	-	**-139.1**	-0.7	**-139.8**
Currency translation changes	-	-	-	-	-	-	**-**	-	**-**
Changes in scope of consolidation	-	-	-	-	-	-1.1	**-1.1**	-	**-1.1**
Other	-	-	-	0.2	-0.6	-	**-0.4**	-3.1	**-3.4**
Total change	-	-	-38.4	-4.4	537.1	-1.1	**493.2**	1.9	**491.4**
Balance as at 31/12/2006	**189.0**	**354.6**	**-38.4**	**117.7**	**1,118.5**	**-4.0**	**1,737.4**	**2.0**	**1,739.4**

The notes refer to 'Notes to the consolidated accounts'.

CONSOLIDATED CASH FLOW STATEMENT

in EUR million, as at 31 December

	2005	2006
Profit before tax	271.1	719.9
Adjustments for:	82.3	-486.6
Depreciation and impairment of property and equipment, intangible fixed assets, investment property and securities	*- 1.4*	*21.1*
Profit/Loss on the disposal of investments	*-7.4*	*-500.5*
Change in impairment for losses on loans and advances	*-6.1*	*2.2*
Change in other provisions	*-1.4*	*-0.3*
Unrealised foreign currency gains and losses	*102.0*	*-5.7*
Income from associated companies	*-3.3*	*-3.3*
Cash flows from operating profit before tax and before changes in operating assets and liabilities	**353.5**	**233.4**
Changes in operating assets (1)	-514.3	4,486.2
Changes in operating liabilities (2)	-3,305.0	-5,663.6
Income taxes paid	-40.5	-39.3
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**-3,506.3**	**-983.3**
Acquisition of subsidiaries or business units, net of cash acquired/disposed of	-225.9	-0.9
Sale of subsidiaries or business units, net of cash acquired/disposed of	-	658.2
Proceeds from the sale of investment property	0.6	-
Acquisition of intangible fixed assets	-16.5	-17.3
Proceeds from the sale of intangible fixed assets	0.7	0.2
Purchase of property, plant and equipment	-27.7	-22.2
Proceeds from the sale of property, plant and equipment	18.7	18.3
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**-250.1**	**636.3**
Purchase/Sale of treasury shares	2.9	-38.4
Issue /Repayment of promissory notes and other debt securities	19.5	-135.7
Proceeds from /Repayment of subordinated liabilities	-115.4	5.9
Dividends paid	-125.2	-139.1
NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	**-218.2**	**-307.3**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (3)	**-3,974.7**	**-654.4**

(1) Including loans and advances to banks, loans and advances to customers, securities, derivatives and other assets.

(2) Including deposits from banks, deposits from customers, bonds issued, derivatives and other liabilities.

(3) Cash includes cash and deposits payable on demand; cash equivalents are short-term investments, very liquid, easily convertible into a known cash amount and subject to a negligible exchange risk.

Consolidated cash flow statement

	2005	2006
CASH AND CASH EQUIVALENTS AS AT 01/01	**6,340.3**	**2,361.0**
Net increase/decrease in cash and cash equivalents	-3,974.7	-654.4
Effect of exchange rates on cash and cash equivalents	-4.5	-
CASH AND CASH EQUIVALENTS AS AT 31/12	**2,361.0**	**1,706.7**
ADDITIONAL INFORMATION		
Interest paid	-2,083.9	-3,669.9
Interest received	2,348.4	3,843.0
Dividends received (including equity method)	11.3	13.1
COMPONENTS OF CASH AND CASH EQUIVALENTS	**2,361.0**	**1,706.7**
Cash and balances with central banks (including legal reserve with the central bank)	931.9	1,436.3
Treasury bills and other bills eligible for rediscounting with central banks	1,179.8	5.0
Loans and advances to banks repayable on demand	704.9	417.2
Deposits from banks repayable on demand	-455.5	-151.9
Of which: not available (4)	335.7	327.1

(4) Cash and cash equivalents not available for the group mainly contain the legal reserve held with the Luxembourg Central Bank and the 'margin' accounts held with clearing houses (futures markets, …).

Note 1 | General

The Kredietbank S.A. Luxembourgeoise group or KBL European Private Bankers (hereinafter referred to as "KBL *epb*" or "group") is an international network of banks and financial companies, specialised in Private Banking. In support of and complementary to this activity, KBL *epb* is also developing several niche activities specific to its various markets.

The corporate purpose of KBL *epb* is to carry out all banking and credit activities. In addition, KBL *epb* is allowed to carry out all commercial, industrial or other transactions, including real estate transactions, in order to achieve its main corporate purpose, either directly or through shareholding, or in any other manner, these provisions to be understood in the widest manner possible. KBL *epb* may carry out any activity which contributes in any way whatsoever to the achievement of its corporate purpose. The group's main activities are described in Note 3a.

KBL *epb* is headed by Kredietbank S.A. Luxembourgeoise (hereinafter "KBL"), a public limited company (*société anonyme*) in Luxembourg and having its registered office at:
43, boulevard Royal, L-2955 Luxembourg

KBL *epb* is part of KBC Group. Born on 2 March 2005 from the merger of KBC Bank and Insurance Holding N.V. and its parent company Almanij, KBC Group is today one of the major financial groups in Europe. As a multi-channel, independent bancassurance group, centred on Europe, KBC Group provides individual clients, as well as small and medium-sized companies, with retail and private banking services. It is also active in the fields of asset management, corporate banking and private equity markets. KBC Group is a major player on the Belgian and central and eastern European markets and has created a large network of private bankers in western Europe. KBC Group has also selectively developed a presence in certain other countries and regions across the world.

After strategic analysis revealed that Banco Urquijo was too diverse to integrate harmoniously into the European private banking division of KBC Group, KBL *epb* sold, effective 4 July 2006, its 99.74% holding in Banco Urquijo to Banco Sabadell for EUR 760 million.

As at 31 December 2005, Banco Urquijo contributed EUR 3.7 billion to the Total Assets and EUR 3.8 billion to the Total Liabilities (excluding equity); Banco Urquijo's contribution to the net consolidated profit, Group share, was EUR 8.1 million as at 31 December 2005 and EUR 2.9 million as at the date of its sale in 2006.

Note 2a | Statement of compliance

The consolidated accounts presented in this report were approved by the Board of Directors of KBL on 14 February 2007.

The consolidated accounts of KBL *epb* have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. Given its activity, KBL *epb* is not concerned *de facto* by IFRS 4 on insurance contracts. The preparation of consolidated accounts in accordance with IFRS requires making estimations and the future results of the operations for which these estimations have been made may turn out to be different from the said estimations.

Note 2b | Main accounting methods

a. *Consolidation criteria*

All the entities controlled by KBL or over which KBL has a significant influence are included in the scope of consolidation when materiality thresholds are exceeded. These limits are based on the following criteria: share in group equity, share in group profit and in the group's total balance sheet increased by the off-balance sheet rights and commitments which are used to calculate the solvency ratio.

An entity is included in the scope of consolidation on the date of acquisition which is the date from which KBL obtains a significant influence or control over this entity and continues until this influence or control stops.

All entities over which KBL exercises, directly or indirectly, exclusive control are consolidated according to the method of global consolidation.

Companies, over which joint control is exercised, directly or indirectly, are consolidated according to the method of proportional consolidation.

Investments in associates, i.e. where KBL has significant influence, are accounted for using the equity method.

b. *Conversion of items in foreign currencies*

The consolidated accounts of KBL *epb* are drawn up in euros (EUR), which is the operating currency of the group.

The Bank maintains a multi-currency accounting system under which all transactions are registered in the original foreign currency on the day on which the contract is concluded.

In preparing the annual accounts of KBL and the consolidated subsidiaries whose accounts are drawn up in EUR, assets and liabilities in foreign currencies are translated into EUR. Monetary items in foreign currencies have been converted at the exchange rate applicable on the date of the balance sheet; differences arising from such conversion have been recorded in the profit and loss account. Non-monetary items measured at historical cost are translated at the historical exchange rate that existed on the transaction date. Non-monetary items carried at fair value are translated at the spot rate on the date the fair value was determined and translation differences are reported together with changes in the fair value.

Income and expense items expressed in foreign currencies are recognised in profit or loss in their respective currencies and periodically translated at the average monthly rate.

The balance sheets of foreign subsidiaries are translated into the reporting currency at the spot rate at the balance sheet date (with the exception of the capital and reserves and goodwill which are translated at the historical rate).

The profit and loss accounts are translated at the average rate for the financial year. This principle is applicable to subsidiaries of KBL in Switzerland and in the United Kingdom.

EXCHANGE RATE AS AT 31/12/2006 1 EUR = ... CUR		**Change versus as at 31/12/2005**
CHF	1.6069	3.33%
GBP	0.6715	-2.01%

AVERAGE ANNUAL EXCHANGE RATES IN 2006 1 EUR = ... CUR		**Change versus as at 31/12/2005**
CHF	1.573164	1.60%
GBP	0.682479	-0.20%

Exchange differences resulting from the procedures applied to translate the balance sheet and the profit and loss account of the foreign subsidiaries into EUR are recognised as a separate item in equity.

c. *Financial assets and liabilities*

General principles of recognition and derecognition of financial instruments

A financial instrument is recognised in the balance sheet when and only when KBL becomes a party to the contractual dispositions of the instrument.

A financial asset is derecognised when and only when the contractual rights on the cash flows linked to the asset expire or KBL transfers the financial asset.

A financial liability is derecognised when and only when the obligation specified in the contract is discharged, cancelled or expired.

The purchases and sales of financial assets are recognised on the settlement date which is the date on which the asset is delivered. Any variation in the fair value of the asset to be received during the period from the date of the transaction to the date of settlement is recognised in the same way as for the asset acquired. In other words, the variation in value is not recognised for assets recognised at cost or at amortised cost; it is recognised in the income statement for assets classified as financial assets at fair value via profit and loss account and in equity for those classified as available for sale.

In the case of sale, the assets are valued at their sale price during the period between the transaction date and the settlement date.

Definition of assets and liabilities according to the IAS 39 classification system

All financial assets and liabilities – including derivatives – must be recognised in the balance sheet in accordance with the IAS 39 classification system. Each classification is subject to specific measurement rules.

The IAS 39 classifications are as follows:

- *Loans and receivables* are all non-derivative financial assets with fixed or determinable payments that are not quoted on an active market.
- *Held-to-maturity assets* are all non-derivative financial assets with a fixed maturity and fixed or determinable payments that KBL intends and is able to hold to maturity.
- *Financial assets at fair value through the profit and loss account* includes held-for-trading assets and any other financial assets initially recognised at fair value through profit and loss account. Held-for-trading assets are those acquired principally for the purpose of selling them in the short term and those which are part of a portfolio with indications of recent short-term profit-taking. All derivatives are considered as being held for trading unless designated as effective hedging instruments. Other assets initially recognised at fair value through profit and loss account are valued in the same way as held-for-trading assets, even if there is no intention of short-term profit taking. The 'fair value' option may be used when a contract contains one or more derivatives or when its application produces more pertinent information,
  - either because a group of financial assets/liabilities is managed on the fair-value basis and the performance is valued on the fair-value basis, according to a documented investment or risk management strategy, or
  - because the application of this option makes it possible to eradicate or strongly limit discrepancies resulting from differing valuations of the assets and liabilities concerned.
- *Available-for-sale assets* are all non-derivatives which do not fall into one of the above categories.
- *Held-for-trading liabilities* are liabilities held mainly with the intention of repurchasing them in the short term. All derivatives are considered as being held for trading unless designated as effective hedging instruments.
- *Other liabilities* are all other non-derivative financial liabilities.
- *Hedging derivatives* are derivatives used for hedging purposes.

Rules applied by KBL

KBL applies the following general rules:

- *Securities*

  – IAS classifications –

  Depending on whether securities are traded on an active market or not and depending on the intention of KBL when they are acquired, securities are classified as held-for-trading assets, financial assets at fair value through profit and loss account or available-for-sale assets. The "fair-value" option is used by the group for contracts containing one or more embedded derivatives or when its application makes it possible to eradicate or strongly limit discrepancies resulting from differing valuations in the assets and liabilities concerned. The management of KBL *epb* has decided not to use the held-to-maturity category.

  – Valuation –

  Securities classified at initial recognition as financial assets at fair value through profit and loss account, including held-for-trading securities, are initially and subsequently measured at fair value, with all fair value changes being recognised in profit or loss for the financial year.

  Available-for-sale securities are initially and subsequently measured at fair value, with changes in fair value being recorded separately in equity until the sale or impairment of the securities. In these cases, the cumulative fair value changes are transferred from equity to profit or loss for the financial year.

  – Impairment –

  Impairment losses are recognised if evidence of impairment exists at the balance sheet date. For listed equity and other variable-yield securities, evidence of impairment is determined on the basis of a coherent set of indicators and the amount of impairment is calculated on the basis of the recoverable value. For fixed-income securities, the amount of impairment is also calculated on the basis of the recoverable value.

  Impairment losses are recognised in the profit and loss account. For equity and other variable-yield securities, impairments are reversed through a separate equity heading. Reversals for fixed-income securities are made in the profit and loss account.

- *Loans and receivables* are initially recognised at fair value. Loans with a fixed maturity are subsequently valued at amortised cost using the effective interest method, i.e. an interest rate is applied that exactly discounts all estimated future cash flows from the loans to the net carrying amount. Loans with no fixed maturity are valued at cost. An impairment loss is recognised if there are signs of impairment on the date of the balance sheet.

  The amount of the impairment loss is the excess of the carrying amount over the recoverable amount of the asset. The group evaluates if there has been an impairment loss for each individually significant loan or receivable or for each group of loans or receivables not individually significant. If the group considers that there is no evidence of an impairment loss for a given loan or receivable, it includes it in a group of financial assets presenting the same credit risk and examine any credit risk on a collective basis. The assets evaluated individually for which an impairment loss is noted are not examined collectively.

- *Liabilities resulting from advances or cash deposits received* are recorded in the balance sheet at their amortised cost. The difference between the amount made available and the nominal value is reflected on an accrual basis in profit and loss account, on a discounted basis using the effective interest rate.

- *Derivatives*

  All derivatives are classified as being held-for-trading unless they are designated as effective hedging instruments. Held-for-trading derivatives are measured at fair value, with fair value changes being recognised in profit or loss for the financial year. Held-for-trading derivatives with a positive fair value are recorded on the asset side of the balance sheet; those with a negative fair value on the liability side.

- *Embedded derivatives*

  Derivatives contained in financial instruments that are not measured at fair value through profit and loss account are separated from the financial instrument and measured at fair value (with fair value adjustments being taken to profit or loss for the financial year), if the risk relating to the embedded derivative is not closely related to the risk on the host contract. Financial assets with embedded derivatives are however primarily classified as financial instruments at fair value through profit or loss, making it unnecessary to separate the embedded derivative, since the entire financial instrument is measured at fair value, with fair value changes being taken to profit or loss.

- *Hedge accounting*

  KBL *epb* does not currently make use of macro-hedge accounting.

  It does however use micro-hedge accounting when all the necessary conditions have been met. These conditions are as follows: the hedging relationship must be designated and formally documented on the inception of the hedge, it is expected that hedge is highly effective, and it must be possible to measure this in a reliable way, expected transactions (in the framework of cash-flow hedging) must be highly likely and the hedge is measured on a continuous basis and is determined as having been highly effective during the financial periods in which the hedge was designed.

  Fair value hedge accounting is used by KBL to cover available-for-sale assets and certain financial liabilities. In this case those derivatives designated as hedging instruments are valued at fair value with variation in fair value being recognised in the profit and loss account. Furthermore, the gain or loss on the hedged item attributable to the hedged risk adjusts the net value of the hedged element and is also recognised in the profit and loss account. If the hedged item is an available-for-sale asset already measured at fair value due to other IFRS stipulations, applying hedge accounting leads to a division of the variation in fair value of the instrument between a part covered by the hedge, recognised in the profit and loss account and a part for unhedged risks, recognised in the revaluation reserve.

  Hedge accounting is discontinued once the hedge accounting requirements are no longer met or if the hedging instrument expires or is sold. In this case, the gain or loss on the hedged item recorded in equity (for fixed-income financial instruments) will be taken to profit or loss on an accrual basis until maturity of the instrument.

For cash flow hedges, not currently applied by KBL *epb*, hedging instruments are at fair value. Gains or losses for effective hedging are recognised separately in equity. Gains or losses for the ineffective portion of the hedge is recognised in the income statement. Hedge accounting will be discontinued if the hedge accounting criteria are no longer met. In this case, the derivatives will be treated as held-for-trading derivatives and measured accordingly.

Foreign currency funding of a net investment in a foreign entity is accounted for as a hedge of that net investment. Translation differences (taking account of deferred taxes) on the funding are recorded in equity, along with translation differences on the net investment.

- *Securities lending, repos and reverse-repos*

  Pursuant to the principles laid down in IAS 39 on derecognition, KBL keeps lent securities in the securities portfolio as long as they are not entered in the balance. Similarly securities linked to a a repo contract are held in the securities portfolio as long as those linked to reverse repo contracts are not entered in the balance.

Determination of fair value

Fair value: when available, published price quotations on active markets are used to determine fair value of financial assets or liabilities.

If this is not available fair value will be obtained:

- by reference to recent "at arm's length" market transactions between knowledgeable, willing parties;
- by using a valuation technique (discounted cash flow analysis and option pricing technique). The valuation technique must incorporate all factors that market participants would consider in setting a price and is consistent with accepted methodologies used for pricing financial instruments;
- by using the European Venture Capital Association (EVCA) guidance for private equity.

d. Goodwill and other intangible assets

Goodwill arising in a business combination is defined as any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities acquired and contingent liabilities assumed as at the date of acquisition.

Goodwill in a business combination is not depreciated but is tested for impairment on an annual basis.

An impairment loss is recognised if the carrying amount of the goodwill exceeds the recoverable amount. The recoverable amount is estimated suing various methods such as discounted cash flow analysis, percentage of the assets under management or a 'Price Earnings Ratio multiple'. Impairment losses on goodwill cannot be reversed.

Negative goodwill is the excess of KBL *epb*'s interests in the net fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary, a jointly controlled or associated company on the date of the acquisition, compared to the acquisition cost. Where negative goodwill exists after re-examination and reestimation of the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary, a jointly controlled or associated company enterprise associated, it is immediately recognised in profit.

The purchase of a client portfolio ("Purchased Clientele" or *Fonds de commerce*) generally includes the transfer of the client assets under management to KBL and also the recruitment of all or part of the account officers in charge of the client relations.

Client portfolio is not depreciated, but is tested for impairment on at least an annual basis. The criteria used for testing are those used on the acquisition of client portfolio (percentage of assets under management, gross margin multiple, ...). The result of the impairment test is compared to estimation on the basis of the parameters deducted from similar transactions, if available.

If the capitalisation criteria are met and the amounts are not immaterial, software is recognised as an intangible asset. Internal and external development expenses for internally generated softwares for strategic projects are capitalised and depreciated according to the straight-line method over the estimated useful life (average annual rate: 25%).

Research expenses for these projects and all expenses for non-strategic projects are taken directly to profit or loss.

e. *Property and equipment*

Property and equipment are intially recognised at cost.

Property and equipment whose use is limited in time are depreciated by the straight-line method over their useful lives.

OVERVIEW OF AVERAGE DEPRECIATION RATES

Type of investment	Depreciation rate
Land	Non-depreciable
Buildings	2% – 3%
Technical installations	5% – 10%
Furniture	25%
IT hardware	25%
Vehicles	25%
Works of art	Non-depreciable

An impairment loss must be recognised if the carrying value exceeds the recoverable value (i.e. the higher of the asset's value in use and its fair value less costs to sell).

When property or equipment is sold the realised gains or losses are taken directly to profit or loss. If property or equipment is destroyed, the carrying amount to be written off is taken directly to profit or loss.

f. *Investment property*

Real estate held to earn rental income or for capital appreciation is classified as investment property.

Investment property is recognised only when it is probable that future economic benefits associated with the investment property will flow to KBL *epb* and the cost of the investment property can be measured reliably.

Investment property is recognised at cost less any accumulated depreciation and impairment. It is depreciated according to the straight-line method over the economic life of the investment property concerned (average rate: 2% – 3%).

g. *Pension commitments*

In addition to the general and legally prescribed plans, KBL *epb* maintains both defined contribution and defined benefit pension plans. Defined benefit plans are those under which KBL has a legal or constructive obligation to pay further contributions if the pension fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Defined contribution plans are those under which KBL has no further payment obligations once the contributions have been paid.

In the case of defined benefit pension plans, the pension expenses and obligations are calculated in accordance with IAS 19, based on the projected unit credit method, with each period of service granting additional entitlement to pension benefits. Calculations are made each year by independent actuaries.

Actuarial gains and losses are recognised according to the so-called "corridor approach". The portion of actuarial gains and losses exceeding 10% of the greater of the fair value of plan assets and the gross pension obligation will be recognised as income or expense spread over a period of at most five years:

- The discounted value of the defined benefit commitment at the date of the balance sheet (before deducting plan assets), and
- The fair value of the plan assets at the date of the balance sheet.

In the case of defined contribution plans, the contributions are expensed when the employees render the corresponding service which generally coincides with the year in which the contributions are paid.

h. *Tax assets and liabilities*

These headings include both current and deferred tax assets and liabilities.

Current tax is the amount expected to be paid or recovered, using the tax rates which have been adopted or almost adopted at the date of the balance sheet.

Deferred tax liabilities are recognised for all taxable temporary differences between the carrying amount of an asset or liability and its tax base. They are valued using the tax rates applicable to the periods when the assets are realised or liabilities settled, on the basis of the tax rates enacted or substantially enacted at the balance sheet date.

Deferred tax assets are recognised for all deductible temporary differences between the carrying value of the assets and liabilities and their tax base, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be used.

Where imposed by IAS 12, tax assets and liabilities are offset.

i. *Provisions*

A provision is recognised when the following three conditions have been fulfilled:

- KBL has a current obligation (on the date of the balance sheet) resulting from a past event,
- it is more probable than not that a future payment will be necessary to settle this obligation, and
- the amount of the obligation can be reliably estimated.

j. *Equity*

Equity is the residual interest in the assets of KBL *epb* after all liabilities have been deducted.

Equity instruments have been differentiated from financial instruments in accordance with rules IAS 32 and IAS 39.

- The acquisition cost of KBL *epb* treasury shares is deducted from equity. On the sale, issuance or cancellation of treasury shares, gains or losses are directly reported in equity.
- The revaluation reserve for available-for-sale assets is included in equity until disposal or impairment of the assets. At that time, the cumulative gain or loss is transferred to profit or loss for the financial year.
- In the case of cash flow hedges, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity, in the "hedging reserve".

k. Revenue

KBL *epb* recognises revenue if and only if the following conditions are met:

- It is probable that the economic benefits relating to the transaction shall flow to KBL *epb*; and
- the amount of revenue can be estimated reliably.

The specific conditions below should also be respected before recognising the revenue concerned.

Net interest income

Interest is recognised *pro rata temporis* (using the effective interest rate method, a method of allocating financial revenue or expenses during the period concerned).

Dividends

Dividends are recognised at the time of their payment.

Services provided

Revenue relating to the provision of a service is recognised in accordance with the percentage completion of the transaction at the balance sheet date. In accordance with this method, the revenue is recognised in the periods in which the services are provided.

l. Assets and groups held for sale

An asset or group is classified as being held for sale if the following conditions are met:

- the asset or group is available for immediate sale in its current condition, subject only to the usual terms and conditions for similar transactions; and
- the sale of the asset or group is highly probable.

Non-current assets held for sale, like assets forming groups held for sale, are presented on the balance sheet separately from other assets.

The liabilities forming part of groups held for sale are presented separately from other liabilities on the balance sheet.

Note 3a | Segment reporting by business segment

KBL group *epb* distinguishes between the following primary segments:

- The **'PRIVATE BANKING'** segment includes the wealth management activities provided to private customers by KBL *epb*, including home investment fund management, mainly for private customers. This segment includes all major subsidiaries of KBL *epb* (Kredietbank (Suisse) S.A., Geneva, KB Luxembourg (Monaco) S.A., KBL France, Puilaetco Private Bankers S.A., Dewaay Financial Group, Theodoor Gilissen Bankiers N.V., Brown Shipley & Co. Limited, Merck Finck & Co and Banca KBL Fumagali Soldan S.p.A.) as well as the Private Banking activities of KBL and Kredietrust Luxembourg S.A.
- The **'GLOBAL INVESTOR SERVICES'** segment includes securities activities for institutional clients. This segment includes custodian bank and fund administration activities (including ownership interest in European Fund Administration), paying agent activities, specialised securities depository and central securities depository Clearstream / Euroclear, as well as intermediation and portfolio management services for KBL institutional clients.
- The **'CORPORATE BANKING'** segment covers international loan activities (including syndicated loans, SAS and FRN) and direct loans to the corporate and institutional clients of KBL and KBL Finance Ireland.
- The **'FINANCIAL MARKETS'** segment represents the extension of intermediation activities to KBL clients, and includes cash management, securities lending and taking proprietary positions for the bank itself.
- The **'OTHER'** segment includes all the elements not directly linked to the four preceding segments, i.e. excess equity, central costs, exceptional elements not directly linked to other business segments, the results of small non-core subsidiaries, analytical switches and consolidation.

Individual profit or loss items include inter-segment transfers, calculated on an arm's length or cost recovery basis.

The net result of each entity included in the scope of consolidation is allocated to the various sectors after elimination of consolidation entries, taking into account consolidation statements.

PROFIT AND LOSS ACCOUNT (In EUR million)

	PRIVATE BANKING		GLOBAL INVESTOR SERVICES		CORPORATE BANKING		FINANCIAL MARKETS		OTHER		KBL *epb*	
	2005	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**
Net interest income	101.5	85.7	18.9	23.2	44.0	32.5	71.9	20.2	-10.1	165.1	226.1	326.8
Dividend income	2.2	2.9	-	-	-	-	8.9	10.1	0.5	0.1	11.6	13.1
Net gains from financial instruments at fair value	25.2	22.0	2.3	2.7	0.2	0.4	-25.2	28.4	5.7	-153.4	8.3	-99.8
Net realised gains from available-for-sale assets	4.7	5.7	-	-	-	0.2	39.2	0.1	14.9	11.9	58.7	17.9
Net fee and commission income	379.9	407.0	47.9	58.4	12.2	4.6	-4.2	-2.0	11.4	7.5	447.2	475.5
Other income	13.9	3.8	-	-	-	0.1	0.8	1.3	42.0	510.7	56.7	515.9
GROSS INCOME	527.4	527.1	69.2	84.3	56.4	38.0	91.4	58.1	64.3	541.9	808.7	1,249.4
Operating expenses	-402.7	-374.4	-33.7	-33.4	-29.0	-17.6	-24.9	-22.9	-73.0	-88.2	-563.4	-536.6
Impairment	-4.7	7.0	-	-	-0.9	-0.5	-	-2.1	28.2	-0.5	22.5	3.9
Share in results of associated companies	-	-	2.9	2.8	-	-	-	-	0.4	0.5	3.3	3.3
PROFIT BEFORE TAX	120.0	159.6	38.3	53.7	26.4	19.9	66.5	33.1	19.9	453.6	271.1	719.9
Income tax expense	-32.1	-38.0	-10.8	-15.2	-6.3	-3.9	-5.0	-	1.0	15.5	-53.1	-41.6
PROFIT AFTER TAX	88.0	121.6	27.5	38.5	20.1	16.0	61.5	33.1	20.9	469.1	218.0	678.3
Minority interests	-0.7	-1.0	-	-	-	-	-	-	-0.7	-0.6	-1.5	-1.5
NET PROFIT – GROUP SHARE	87.2	120.6	27.5	38.5	20.1	16.0	61.5	33.1	20.2	468.6	216.6	676.8

BALANCE SHEET (In EUR milion)

	PRIVATE BANKING		GLOBAL INVESTOR SERVICES		CORPORATE BANKING		FINANCIAL MARKETS		OTHER		KBL *epb*	
	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006
Cash and balances with central banks	15	65	-	-	2	-	852	1,372	-	-	869	1,436
Treasury bills and other bills eligible for rediscounting with central banks	111	5	-	-	36	-	1,032	-	-	-	1,179	5
Loans and advances to banks	2,449	713	-	-	429	-	9,210	8,626	-	-	12,088	9,339
Loans and advances to customers	2,266	968	374	261	1,015	145	438	2,184	-	1	4,093	3,559
Securities	932	1,358	-	-	2,414	2,397	3,847	2,675	-	-	7,192	6,430
Derivatives	31	14	-	-	7	63	310	798	105	63	453	937
Accrued income	53	36	-	-	147	13	539	-	8	117	748	167
Other assets	475	91	30	-	162	-	40	-	10	137	717	228
Tax assets	60	19	-	-	20	-	-	-	-	-	81	19
Held-for-sale assets	-	29	-	-	-	-	-	-	-	-	-	29
Investments in associated companies	1	-	8	11	-	-	-	-	-	-	9	11
Goodwill and other intangible fixed assets	179	277	-	-	5	-	-	-	104	8	288	284
Property and equipment	260	126	11	14	30	5	5	5	10	46	316	196
Investment property	9	-	-	-	1	-	-	-	-	38	10	38
TOTAL ASSETS	**6,842**	**3,702**	**424**	**288**	**4,268**	**2,624**	**16,272**	**15,660**	**237**	**409**	**28,044**	**22,682**
Deposits from banks	1,213	103	-	-	373	-15	6,612	6,805	-	218	8,197	7,111
Deposits from customers and debt securities	8,201	6,340	3,048	3,242	867	458	3,015	1,127	141	-	15,272	11,167
Derivatives	29	14	-	-	48	1	374	758	44	158	495	931
Accrued expense	24	12	-	-	107	-	408	-	25	90	564	102
Other liabilities	627	175	57	-	179	-	75	-	9	202	947	376
Tax liabilities	38	-	-	-	9	-	-	-	109	141	157	141
Held-for-sale liabilities	-	-	-	-	-	-	-	-	-	38	-	38
Provisions	79	-	6	-	5	-	4	-	2	61	96	61
Subordinated liabilities	330	390	53	46	486	411	198	167	-	-	1,068	1,014
TOTAL LIABILITIES, EXCLUDING EQUITY	**10,540**	**7,035**	**3,164**	**3,288**	**2,074**	**855**	**10,686**	**8,857**	**331**	**907**	**26,796**	**20,941**
Acquisitions of tangible and intangible assets	27	27	1	2	1	-	1	1	1	3	30	33

Note 3b | Segment reporting by geographic segment

KBL *epb*, as the driving force for the development of private banking within the KBC Group, distinguishes between the secondary segments 'OFF-SHORE', covering the activities of the Luxembourg, Swiss and Monegasque companies of KBL *epb* and 'ON-SHORE', covering the activities of the other companies included in the scope of consolidation.

(In EUR million)

	On-shore		Off-shore		KBL *epb*	
	2005	2006	2005	2006	2005	2006
Gross income	398	390	411	859	809	1,249
Total assets	7,689	3,678	20,355	19,004	28,044	22,682
Total liabilities (excluding equity)	7,256	4,090	19,540	16,852	26,796	20,941
Acquisition of fixed assets	19	17	11	16	30	33

Note 4 | Net interest income

(In EUR thousand)	31/12/2005	31/12/2006
Interest income	920,654	1,055,125
Loans and advances to banks	328,862	570,767
Loans and advances to customers	148,825	152,475
Fixed-income securities not measured at fair value through profit and loss account	442,967	310,246
Financial assets at fair value through the profit and loss account(1)	-	21,638
Interest expense	-694,518	-728,347
Deposits from banks	-272,707	-288,703
Deposits from customers	-319,257	-367,214
Debt securities	-39,795	-6,482
Subordinated liabilities	-62,759	-56,199
Net interest on hedging derivatives(2)	-	-9,750
Net interest income	226,136	326,778

(1) Figures not available as at 31 December 2005.

(2) As at 31 December 2005 net interest on hedging derivatives was presented under the heading "Net profit on financial instruments at fair value".

Note 5 | Dividend income

(In EUR thousand)	31/12/2005	31/12/2006
Available-for-sale shares	11,266	12,411
Shares held for trading	370	658
Dividend income	11,637	13,069

Note 6 | Net gains from financial instruments at fair value

(In EUR thousand)	31/12/2005	31/12/2006
Held-for-trading shares	9,862	4,246
Other held-for-trading instruments	-50,409	-71,779
Other financial instruments at fair value	-1,216	-80,533
Foreign exchange trading	50,054	48,237
Net gains from financial instruments at fair value	8,291	-99,829

Note 7 | Net realised gains from available-for-sale assets

Net realised gains on available-for-sale financial instruments include the gains realised on the sale of available-for-sale assets (both fixed-income securities and variable-yield securities).

(In EUR thousand)	31/12/2005	31/12/2006
Fixed-income securities	10,556	-12,333
Variable-yield securities	48,183	30,221
Net realised gains from available-for-sale assets	58,738	17,888

Note 8 | Net fee and commission income

(In EUR thousand)	31/12/2005	31/12/2006
Fee and commission income	539,715	588,996
Asset management	288,969	315,485
Securities transactions	193,457	219,281
Other	57,289	54,231
Fee and commission expense	-92,518	-113,485
Asset management	-42,665	-49,953
Securities transactions	-38,149	-49,640
Other	-11,704	-13,891
Net fee and commission income	447,197	475,511

Note 9 | Other income

(In EUR thousand)	31/12/2005	31/12/2006
Total	56,703	515,939
Of which:		
Recovery of provisions on securities	15,413	-
Capital gains on sale of buildings	5,523	-
Write-back of provisions	8,296	-
Net proceeds on sale of non-core activities	4,037	-
Profit on the sale of Banco Urquijo	-	501,233
Net proceeds on the sale of Westhouse	-	2,776

Note 10 | Operating expenses

Operating expenses include staff costs, depreciation and impairment on tangible and intangible fixed assets, changes in the provisions for risks and charges and general administrative expenses.

These last items include repair and maintenance expenses, publicity expenses, rent, professional fees, IT costs and various (non-income) taxes.

(In EUR thousand)	Notes	31/12/2005	31/12/2006
Staff costs	11	-312,727	-343,603
General administrative expenses		-182,156	-166,123
Depreciation and impairment of tangible and intangible fixed assets	25, 26	-34,611	-27,222
Provisions for risks and charges	29	-33,860	300
Operating expenses		-563,353	-536,648

Note 11 | Personnel

	31/12/2005	31/12/2006
Total average number of persons employed (in full-time equivalents)	3,690	3,268
Breakdown by business(1)		
Private banking	2,516	2,248
Global Investor Services	252	249
Corporate banking	308	171
Financial markets	103	101
Other	511	499
Geographic breakdown		
On-shore	2,235	1,868
Off-shore	1,455	1,400

(1) The breakdown of commercial, administrative and support staff has been made on the basis of the principles used for drawing up note 3a on segment reporting by business segment.

Note 12 | Impairment

(In EUR thousand)	31/12/2005	31/12/2006
(Impairment)/Reversal of impairment on:		
Loans and receivables	-3,249	-2,169
Available-for-sale assets	28,146	6,281
Goodwill and other intangible assets	-2,366	-
Other	-	-182
Total impairment	**22,530**	**3,930**

Impairment on loans and receivables

More information on impairment is given in the annex to the management report.

(In EUR thousand)	31/12/2005	31/12/2006
Total	**-3,249**	**-2,169**
Breakdown by type	**-3,249**	**-2,169**
(Impairment)/Reversal of impairment		
Specific impairments for on-balance-sheet lending	-2,897	-972
Specific impairments for off-balance-sheet credit commitments	2,140	51
Portfolio-based impairments	-2,493	-1,248
Geographic breakdown	**-3,249**	**-2,169**
On-shore	-2,905	582
Off-shore	-345	-2,751

See also Note 18 – Impairment on loans and advance losses – and Note 29 – Provisions for risks and charges.

Impairment on available-for-sale assets

(In EUR thousand)	31/12/2005	31/12/2006
(Impairment)/Reversal of impairment on:		
Fixed-income securities(1)	29,803	6,566
Variable-yield securities	-1,658	-285
Total	**28,146**	**6,281**

(1) Reversal of impairment on securities following the rise in market rates.

Impairment on goodwill and other intangible assets

(In EUR thousand)	31/12/2005	31/12/2006
Banca KBL Fumagalli Soldan S.p.A.	-2,125	-
Other	-241	-
Total	**-2,366**	**-**

Other impairment

(In EUR thousand)	31/12/2005	31/12/2006
Property and equipment	-	-182
Total	-	-182

Note 13 | Share in results of associated companies

(en milliers d'EUR)		31/12/2005	31/12/2006
Total		3,253	3,290
Of which:	European Fund Administration S.A. and EFA Partners S.A.	2,863	2,869
	Other	391	421

Note 14 | Income tax expense

(In EUR thousand)	31/12/2005	31/12/2006
Total	**-53,097**	**-41,645**
Breakdown by type	-53,097	-41,645
Current tax	-38,446	-42,398
Deferred tax	-14,651	753
Breakdown by major components	**-53,097**	**-41,645**
Profit before tax	271,133	719,930
Luxembourg statutory income tax rate	30,38%	29,63%
Income tax calculated at the Luxembourg statutory rate	**-82,370**	**-213,315**
Plus/minus tax effects attributable to…		
Differences in tax rates, Luxembourg – abroad	-29,603	4,727
Tax-free income	41,932	158,273
Other non-deductible expenses	-2,214	-3,138
Adjustments related to prior years	4,641	1,147
Unused tax losses and tax credits	11,338	13,248
Other	3,179	-2,587
Income tax adjustments	**29,273**	**171,670**

Note: the tax rate in Luxembourg changed in 2006, from 30.38% to 29.63%. Pursuant to IAS 12, the future new rate has been used for the calculation of the deferred taxes in 2005.

Details of tax assets and liabilities are given in Note 22.

Note 15 | Classification of financial instruments

Financial instruments are classified into a number of categories.

- Assets are grouped into the following categories: loans and receivables (L&R), available-for-sale assets (AFS), held-for-trading assets and other financial instruments at fair value through profit and loss account (FIFV). KBL *epb* has decided not to use the 'held-to-maturity' category.
- Liabilities are classified as follows: held for trading liabilities (HFT) and other liabilities.
- In the table below all derivatives are classified as held for trading. Nevertheless, fair value hedge accounting is applied by KBL and a portion of derivatives is used for hedging available-for-sale financial assets.

Carrying value

ASSETS (In EUR million)	L&R	AFS	HFT	FIFV	Total
31/12/2005					
Cash and balances with central banks	869	-	-	-	869
Treasury bills and other bills eligible for rediscounting with central banks	-	947	9	223	1,179
Loans and advances to banks	11,769	172	-	147	12,088
Loans and advances to customers	4,004	-	-	89	4,093
Fixed-income securities	-	6,405	77	319	6,801
Variable-yield securities	-	377	14	1	392
Derivatives	-	-	453	-	453
31/12/2006					
Cash and balances with central banks	1,436	-	-	-	1,436
Treasury bills and other bills eligible for rediscounting with central banks	-	5	-	-	5
Loans and advances to banks	9,329	-	-	10	9,339
Loans and advances to customers	3,552	-	-	8	3,559
Fixed-income securities	-	5,467	109	450	6,026
Variable-yield securities	-	396	9	-	405
Derivatives	-	-	937	-	937

LIABILITIES (In EUR million)	HFT	Other	Total
31/12/2005			
Deposits from banks	-	8,197	8,197
Deposits from customers and debt securities	-	15,272	15,272
Derivatives	495	-	495
Subordinated debts	-	1,068	1,068
31/12/2006			
Deposits from banks	-	7,111	7,111
Deposits from customers and debt securities	-	11,167	11,167
Derivatives	931	-	931
Subordinated debts	-	1,014	1,014

Fair value of financial instruments

The following table summarises the carrying amount and fair value of the financial assets and liabilities. As regards financial instruments not recognised in the balance sheet at fair value, only those of KBL are given in the table below at fair value; those of the subsidiaries are given at their carrying value.

(In EUR million)	Carrying value		Fair value	
	31/12/2005	31/12/2006	31/12/2005	31/12/2006
ASSETS				
Cash and balances with central banks	869.2	1,436.3	869.2	1,436.3
Treasury bills and other bills eligible for rediscounting with central banks	1,179.1	5.0	1,179.1	5.0
Loans and advances to banks	12,088.4	9,339.3	12,087.4	9,338.0
Loans and advances to customers	4,093.2	3,559.2	4,093.6	3,559.2
Securities	7,192.4	6,430.4	7,192.4	6,430.4
Derivatives	452.7	937.1	452.7	937.1
LIABILITIES				
Deposits from banks	8,197.4	7,111.4	8,194.6	7,109.9
Deposits from customers and debt securities	15,271.9	11,167.1	15,270.3	11,183.5
Derivatives	494.8	930.6	494.8	930.6
Subordinated debts	1,067.6	1,014.5	1,067.6	1,014.5

Note 16 | Loans and advances to banks

(In EUR million)	31/12/2005	31/12/2006
Total	**12,088**	**9,339**
Geographic breakdown	**12,088**	**9,339**
On-shore	2,852	684
Off-shore	9,236	8,656
Breakdown by remaining term to maturity	**12,088**	**9,339**
Repayable on demand	1,125	1,130
Less than or equal to 1 year	10,864	8,180
More than 1 but less than or equal to 5 years	99	24
More than 5 years	-	5
Of which: reverse repos	7,458	7,428
Quality		
Gross amount	12,090	9,341
Impairment for losses on loans and advances	-1	-1
Net amount	12,088	9,339
Fair value of collateral accepted	**7,447**	**7,390**

Details of impairment for loans and advances to banks are given in Note 18; their fair value is given in Note 15.

Note 17 | Loans and advances to customers

(In EUR million)	31/12/2005	31/12/2006
Total	**4,093**	**3,559**
Geographic breakdown	**4,093**	**3,559**
On-shore	2,657	569
Off-shore	1,436	2,990
Breakdown by remaining term to maturity	**4,093**	**3,559**
Less than or equal to 1 year	2,887	3,162
More than 1 but less than or equal to 5 years	550	164
More than 5 years	656	234
Breakdown by loan type	**4,093**	**3,559**
Discount and acceptance credit	120	4
Consumer credit	577	9
Mortgage loans	637	235
Term loans	1,042	2,433
Current account advances	806	765
Other (including impairments)	911	113
Of which: securitised	*691*	*-*
Of which: reverse repos	*465*	*2,174*

(In EUR million)	31/12/2005	31/12/2006
Quality		
Gross amount	4,233	3,626
Impairment for losses on loans and advances	-140	-67
Net amount	4,093	3,559
Fair value of collateral accepted	463	2,618

Details of impairment for loans and advances to customers are given in Note 18; their fair value is given in Note 15.

Note 18 | Impairment of loans and advance losses

Information on non-performing loans and coverage of these non-performing loans by loan loss impairments can be found in the notes to the management report.

(In EUR million)	31/12/2005	31/12/2006
Total	147	69
Breakdown by type	147	69
Specific impairment, on-balance-sheet lending	100	68
Specific impairment, off-balance-sheet credit commitments	1	-
Portfolio-based impairments	46	-
Breakdown by counterpart	147	69
Loans and advances to banks	1	1
Loans and advances to customers	140	67
Loan commitments (specific and collective impairment)	6	-
Geographic breakdown	147	69
On-shore	133	58
Off-shore	14	11

MOVEMENTS

	Specific impairment, on-balance-sheet lending	Specific impairment, off-balance--sheet credit commitments	Portfolio-based impairments	Total
Balance as at 01/01/2006	100	1	46	147
Movements with an impact on results	1	-	1	2
Loan loss expenses	9	-	5	14
Loan loss recoveries	-8	-	-4	-12
Movements without an impact on results	-33	-	-47	-80
Write-offs	-16	-	-	-16
Other	-3	-	-	-3
Changes in the scope of consolidation	-14	-	-47	-61
Balance as at 31/12/2006	68	-	-	69

Note 19 | Securities

Securities are classified by KBL *epb* in different categories: 'available-for-sale', 'held-for-trading' and 'other financial instruments at fair value through profit or loss'.

The 'held-to-maturity' category has not been used.

(In EUR million)	31/12/2005	31/12/2006
Total	**7,192**	**6,430**
Geographic breakdown	**7,192**	**6,430**
On-shore	2,337	2,945
Off-shore	4,855	3,485
Breakdown by type and counterpart	**7,192**	**6,430**
Fixed-income securities	6,801	6,026
Government bonds	3,295	1,972
Credit institutions	528	1,030
Other	2,977	3,023
Variable-yield securities	392	405
Shares	392	405
Breakdown by remaining term to maturity (excluding held-for-trading securities)		
Fixed income securities	6,724	5,916
Less than or equal to 1 year	1,640	1,625
More than 1 year but less than or equal to 5 years	4,339	2,942
More than 5 years	745	1,349
Breakdown by portfolio	**7,192**	**6,430**
Fixed-income securities	6,801	6,026
Available-for-sale	6,405	5,467
Held for trading	77	109
Other financial instruments at fair value through profit and loss account	319	450
Variable-yield securities	392	405
Available-for-sale	377	396
Held for trading	14	9
Other financial instruments at fair value through profit and loss account	1	-

MOVEMENTS IN 2006 (In EUR million)

	Available-for-sale	
	Fixed-income securities	Variable-yield securities
Gross amount		
Balance as at 01/01/2006	6,421	381
Purchases	3,263	97
Sales or maturity	-4,290	-115
Accrued premiums	-7	-
Translation differences	-37	-12
Changes in the scope of consolidation	-21	-6
Revaluation result	-13	55
Other movements	157	4
Balance as at 31/12/2006	5,474	403
Impairment		
Balance as at 01/01/2006	16	4
Movements with an impact on results	-7	-
Impairment recognised	2	-
Impairment reversed	-9	-
Movements without an impact on results	-2	3
Write-offs	-	-
Other	-2	3
Changes in the scope of consolidation	-	-
Balance as at 31/12/2006	7	7
Net amount		
Balance as at 31/12/2006	5,467	396

Note 20 | Derivatives

(In EUR million)	Notional amounts	Fair value Assets	Fair value Liabilities
31/12/2005			
Interest rate contracts	94,264	265	325
Interest rate swaps	74,306	254	303
Forward rate agreements	678	-	5
Futures	18,788	10	16
Options	492	1	1
Foreign exchange contracts	15,160	175	158
Forward foreign exchange operations	14,118	140	127
Currency and interest rate swaps	485	28	23
Futures	-	-	-
Options	557	8	8
Equity contracts	273	13	12
Futures	48	1	1
Options	225	12	11
Totral recognised derivatives		453	495
31/12/2006			
Interest rate contracts	48,536	149	177
Interest rate swaps	48,346	147	174
Forward rate agreements	174	-	1
Futures	15	-	-
Options	1	2	2
Foreign exchange contracts	14,461	172	212
Forward foeign exchange operations	14,124	133	198
Currency and interest rate swaps	297	38	13
Futures	-	-	-
Options	40	1	1
Equity contracts	518	16	16
Futures	33	1	1
Options	485	15	15
Other contracts	40	2	2
Accrued interest		598	524
Total recognised derivatives		937	931

Note 21 | Other assets

The heading ‘Other assets’ cover various short-term receivables such as dividends and coupons that clients bring to the Bank to be cashed and whose countervalue has already been paid.

Note 22 | Tax assets and liabilities

(In EUR million)	31/12/2005	31/12/2006
Current tax assets	7	-
Deferred tax assets	74	19
Employee benefits	45	-
Losses carried forward	10	13
Tangible and intangible assets	4	-
Provisions for risks and charges	-	-
Impairment for losses on loans and advances	8	-
Financial instruments at fair value through profit and loss account	1	-
Financial instruments available for sale	-	1
Other	6	5
TAX ASSETS	81	19
Unused tax losses and tax credits (1)	11	3

(1) Unused tax losses and tax credits concern tax losses of group companies which are not recognised because of uncertainty about future tax profits.

(In EUR million)	31/12/2005	31/12/2006
Current tax liabilities	50	46
Deferred tax liabilities	107	95
Employee benefits	-7	-2
Tangible and intangible assets	10	-
Provisions for risks and charges	25	33
Impairment for losses on loans and advances	-	-
Financial instruments at fair value through profit and loss account	20	15
Financial instruments available for sale	47	47
Other	11	2
TAX LIABILITIES	157	141

Changes in deferred tax assets and liabilities are not equal to the deferred tax charge recognised in the profit and loss account during the year. This results mainly from the sale of Banco Urquijo S.A. and the deferred tax linked to the recognition in the revaluation reserve of the fair value changes of available-for-sale financial instruments.

Note 23 | Investments in associated companies

Associated companies are companies over which KBL *epb* exerts a significant influence either directly or indirectly without having full or joint control. In general, KBL *epb* holds between 20% and 50% of the capital of these companies.

Goodwill paid on associated companies is included in the balance sheet in the face value of investments in associated companies.

(In EUR million)	31/12/2005	31/12/2006
Total	9	11
Overview of investments in associated companies (including goodwill)		
European Fund Administration S.A. and EFA Partners S.A.	8	11
Other	1	-
Goodwill on associated companies		
Gross amount	-	-
Accumulated impairment	-	-

MOVEMENTS (In EUR million)	
Balance as at 01/01/2006	9
Share in the results of the financial year	3
Changes in the scope of consolidation	-1
Balance as at 31/12/2006	11

SUMMARY OF FINANCIAL INFORMATION (in EUR thousand) 31/12/2006 (Provisional figures)	Total Assets	Total Liabilities excluding equity	Net result
European Fund Administration S.A.	41,769	25,607	5,341
EFA Partners	1,885	6	-8

Note 24 | Goodwill

This item includes the goodwill paid on companies included in the scope of consolidation. Goodwill paid on associated companies is included in the item ‘Investments in Associated Companies’ on the balance sheet. Impairment tests were carried out in 2005 and 2006 and the necessary impairment losses on goodwill have been recognised.

(In EUR million)	31/12/2005	31/12/2006
Gross amount	253	243
Accumulated impairment	-6	-4
Total	248	239
Geographic breakdown	248	239
On-shore	247	238
Off-shore	1	1

MOVEMENTS (In EUR million)	
Balance as at 01/01/2006	248
Gross goodwill recognised over the period	7
Of which: René Aballea Finance S.A.	*7*
Sale	-16
Of which: Banco Urquijo	*-16*
Post-acquisition adjustments	-1
Impairment	-
Balance as at 31/12/2006	239

Note 25 | Intangible fixed assets

(In EUR million)	31/12/2005	31/12/2006
Total	40	46

MOVEMENTS

	Software developed in-house	Software bought	Client portfolio	Other	Total
Gross value					
Balance as at 01/01/2006	2	54	76	5	137
Acquisitions	3	2	4	-	9
Disposals	-	-2	-	-1	-3
Changes in scope of consolidation	-	-14	1	-	-14
Other	4	-4	-2	-4	-6
Balance as at 31/12/2006	8	36	79	-	123
Accumulated depreciation and impairrment					
Balance as at 01/01/2006	-	-46	-49	-1	-96
Depreciation	-3	-3	-	-	-6
Disposals		1		1	2
Changes in scope of consolidation	-	14	-	-	14
Other	2	5	2	-	9
Balance as at 31/12/2006	-1	-29	-47	-	-77
Net carrying value as at 31/12/2006	8	6	32	-	46

Note 26 | Property and equipment and investment property

(In EUR million)		31/12/2005	31/12/2006
PROPERTY AND EQUIPMENT		316	196
INVESTMENT PROPERTY	Net carrying value	10	38
	Fair value	10	47
Investment property – rental income		2	2

MOVEMENTS

	Land and buildings	IT equipment	Other equipment	Total roperty and equipment	Investment property
Gross value					
Balance as at 01/01/2006	330	37	178	545	12
Acquisitions	7	9	9	24	-
Disposals	-11	-9	-6	-26	-
Translation differences	-1	-	-	-2	-
Changes in the scope of consolidation	-74	-4	-54	-131	-4
Other	-31	48	-64	-47	36
Balance as at 31/12/2006	221	80	63	364	44
Accumulated depreciation and impairment					
Balance as at 01/01/2006	-78	-29	-122	-229	-2
Depreciation	-6	-10	-4	-20	-1
Disposals	2	-	3	5	-
Translation differences	-	-	-	1	-
Changes in the scope of consolidation	14	3	35	52	1
Other	3	-29	50	24	-3
Balance as at 31/12/2006	-65	-65	-38	-168	-5
Net carrying value as at 31/12/2006	156	15	25	196	38

Note 27 | Deposits from banks

(In EUR million)	31/12/2005	31/12/2006
Total	8,197	7,111
Geographic breakdown	8,197	7,111
On-shore	1,580	304
Off-shore	6,617	6,807
Breakdown according to remaining term to maturity	8,197	7,111
Repayable on demand	931	688
Less than or equal 1 year	7,033	6,214
More than 1 year but less than or equal to 5 years	228	201
More than 5 years	5	9
Of which: repos	*2,751*	*2,607*

See Note 15 for fair value of deposits from banks.

Note 28 | Deposits from customers and debt securities

(In EUR million)	31/12/2005	31/12/2006
Total	**15,272**	**11,167**
Geographic breakdown	**15,272**	**11,167**
On-shore	4,812	3,488
Off-shore	10,460	7,679
Breakdown according to remaining term to maturity	**15,272**	**11,167**
Less than or equal to 1 year	15,154	11,040
More than 1 year but less than or equal to 5 years	76	33
More than 5 years	43	94
Breakdown by type	**15,272**	**11,167**
Demand deposits	5,860	5,519
Time deposits and savings accounts	8,877	5,570
Other deposits	364	47
Savings certificates	19	10
Bonds	146	15
Certificates of deposit	7	6
Of which: repos	*893*	*531*

See Note 15 for fair value of deposits from customers and debt securities.

Note 29 | Provisions for risks and charges

(In EUR million)	Provision for restructuring	Specific impairment, off-balance-sheet commitments	Other provisions [1]	Total
Balance as at 01/01/2006	**26**	**1**	**70**	**96**
Movements with an impact on results	5	-	-6	-1
Amounts allocated	5	-	6	11
Amounts reversed	-	-	-12	-12
Other movements	-15	-	-19	-34
Balance as at 31/12/2006	**15**	**-**	**45**	**61**

(1) The column 'Other provisions' contains mainly those for litigation costs, advice and various fees.

Note 30 | Subordinated liabilities

In general, subordinated debt is issued to support the solvency ratios of KBL *epb* companies.

In the current calculation of the CAD ratio, subordinated loans can be used to strengthen the Tier 1 as well as the Tier 2 capital, depending on the characteristics of the subordinated loan.

(In EUR million)	31/12/2005	31/12/2006
Total	1,068	1,014
Breakdown according to remaining term to maturity	1,068	1,014
Less than or equal to 1 year	-	14
More than 1 year but less than or equal to 5 years	252	655
More than 5 years	701	243
Perpetuals	114	102
Breakdown by type	1,068	1,014
Convertibles	-	-
Non-convertibles	1,068	1,014

Note 31 | Other liabilities

The heading 'Other liabilities' covers short sales of securities and various securities to be paid in the short term such as coupons and redeemable securities as paying agent.

Also included in this item are liabilities related to staff pension funds (see Note 32).

Note 32 | Retirement benefit obligations

In addition to the legally prescribed plans, KBL *epb* maintains both defined contribution and defined benefit complementary pension plans.

The staff of various KBL *epb* companies is covered by means of a number of funded and insured pension plans most of which are defined benefit plans. In order to be able to participate in these plans, a certain period of service is required and the benefits are also dependent on the employees' years of affiliation to the plans as well as on their remuneration in the years before retirement. The annual funding requirements for these complementary plans are determined based on actuarial cost methods.

DEFINED BENEFIT PLANS (In EUR million)	31/12/2005	31/12/2006
Defined benefit plan obligations		
Value of obligations as at 01/01	299	328
Current service cost	21	4
Interest cost	8	6
Plan amendments	-2	6
Actuarial gain/loss	16	-6
Benefits paid	-24	-11
Currency adjustment	1	1
Change in scope of consolidation	-	-178
Other	9	-12
Value of obligations as at 31/12	**328**	**138**
Fair value of plan assets		
Fair value of assets as at 01/01	**147**	**167**
Actual return on plan assets	5	1
Employer contributions	15	34
Plan participant contributions	1	1
Benefits paid	-11	-7
Currency adjustment	-	1
Changes in scope of consolidation	-	-113
Other	9	-11
Fair value as at 31/12	**167**	**72**
Of which financial instruments issued by KBL group *epb*	-	-
Funded status		
Plan assets in excess of defined benefit obligations	-161	-66
Unrecognised net actuarial gains	18	10
Unrecognised past service costs	-	-
Unrecognised assets	-1	-2
Unfunded accrued/prepaid pension costs	**-144**	**-58**
Movements relating to net liability		
Net liability as at 01/01	-145	-144
Net periodic pension cost	-27	-17
Employer contributions	15	31
Pension payments by employer	13	3
Currency adjustments	-	-
Changes in scope of consolidation	-	68
Net liability as at 31/12	**-144**	**-58**
Amounts recognised in profit or loss		
Current service cost	-21	-4
Interest cost	-8	-6
Expected return on plan assets	3	2
Adjustments to limit prepaid pension cost	-	-
Amortisation of unrecognised prior service costs	-	-6
Amortisation of unrecognised net actuarial (gains)/losses	-3	-3
Other	2	-
Net periodic pension cost	**-27**	**-17**
Actual return on plan assets (in %)	3.27%	1.85%
Principal actuarial assumptions used (1)		
Discount rate	from 3.23% to 4.77%	from 3.86% to 4.77%
Expected rate of return on plan assets	from 4.20% to 4.26%	from 4.26% to 4.54%
Expected rate of salary increase	from 2.00% to 7.00%	from 2.00% to 7.00%
Expected rate of pension increase	from 2.00% to 5.00%	from 1.80% to 5.00%

(1) Ranges of assumptions taking into account the local situation of each KBL group *epb* company.

DEFINED CONTRIBUTION PLANS (In EUR million)	31/12/2005	31/12/2006
Expenses for defined contribution plans	-7	-17

Note 33 | Assets and liabilities held for sale

Pursuant to IFRS 5 "Non-current assets held for sale and discontinued activities", the contribution of the subsidiary Banca KBL Fumagalli Soldan S.p.A. to the consolidated balance sheet, excluding equity, is entered solely under the headings "Held for sale assets" and "Held for sale liabilities".

The amount of the transaction, subject to adjustment, should be around EUR 44 million. This should be resolved in the first half of 2007.

Note 34 | Equity, Group share

The subscribed and paid-up capital was EUR 189 million represented by 18,353,387 ordinary shares without par value and by 1,975,320 non-voting preference shares without par value. Prior to 23 October 2008, the Board of Directors is authorised to increase the subscribed share capital up to a maximum of EUR 100 million by issuing new ordinary shares, to be distributed in accordance with the methods to be stipulated by the Board of Directors.

On 20 September 2006 the Annual General Meeting of KBL shareholders authorised the buy-back of shares held by minority shareholders. As at 31 December 2006, KBL held 185,638 treasury shares (2005: -).

Holders of preference shares are entitled to receive an initial dividend of EUR 0.25 per share, as established in the bank's articles of association, and are therefore guaranteed a minimum annual return. If no profits are reported in the financial year, this dividend entitlement is carried forward to future years. Any profits remaining once this first dividend has been paid are shared out between all shareholders, whether they hold ordinary or preference shares, in such a way that both categories of shareholders ultimately receive an identical dividend.

The bank's articles of association specify that, if the company is wound up, holders of preference shares are guaranteed repayment of the capital initially invested, that is EUR 14.56. Holders of preference shares are not however entitled to receive a share of any accumulated reserves.

(In number of shares)	31/12/2005	31/12/2006
Total number of shares issued	20,328,707	20,328,707
Ordinary shares	18,353,387	18,353,387
Preference shares	1,975,320	1,975,320
of which: those that entitle the holder to a dividend payment	20,328,707	20,328,707
of which: treasury shares	-	210,770
of which: shares representing equity in the sense of IFRS	20,328,707	20,117,937

MOVEMENTS	Ordinary shares	Preference shares	Total
Balance as at 01/01/2006	18,353,387	1,975,320	20,328,707
Issue of shares	-	-	-
Conversion of convertible bonds into shares	-	-	-
Other movements	-	-	-
Balance as at 31/12/2006	18,353,387	1,975,320	20,328,707

Note 35 | Dividend per share

At the General Meeting of 25 April 2007, a gross dividend for 2006 of EUR 28.55 per share was proposed (in 2006, the gross dividend for 2005 was EUR 6.765 per share). The consolidated financial statements for the year ended 31 December 2006 do not reflect this resolution; the payment of dividends will be recognised in equity during 2007 as an appropriation of retained earnings.

Note 36 | Assets charged as collateral security

(In EUR million)	31/12/2005	31/12/2006
Overall amount of secured liabilities	2,590	3,523

Note 37 | Commitments and contingent liabilities

(In EUR million)	Fixed-income securities and treasury bills
31/12/2005	
Repos – reverse repos	1,227
Activities with the Luxembourg Central Bank	537
Securities lending and credit lines received	31
31/12/2006	
Repos - reverse repos	2,939
Activities with the Luxembourg Central Bank	602
Securities lending and credit lines received	3,940

(In EUR million)	31/12/2005	31/12/2006
Commitments arising from spot purchases of securities	189	96
Undrawn margin on confirmed credit lines	1,745	1,139
Underwriting and placing commitments	152	261
Commitments linked to reverse repos	-	1,511
Guarantees in the nature of direct credit substitutes	291	97
Other guarantees	304	56
Documentary credits	27	-
Total	**2,709**	**3,160**

In the course of 2000 several directors, managers and members of KBL staff, as well as some former directors, managers and members of staff were charged by a Belgian examining magistrate with offences relating to a tax suit as a result of their professional activities at the bank. The case was brought before the Judges' Council Chamber of the Court of Brussels on 24 January 2006. Since the outcome of the proceedings remains unclear it is not possible to predict the possible impact on the financial statements of KBL *epb*.

Note 38 | Assets under management

Total assets under management as at 31 December 2006 was EUR 55 billion, of which EUR 45.3 billion was from clients in the private banking sector (2005: EUR 64.7 billion, of which EUR 55.7 billion was from clients in the private banking segment).

Note 39 | Related-party transactions

"Related parties" refers to the parent company of KBL, its subsidiaries and main directors. Transactions with related parties are carried out under conditions equivalent to those applicable to transactions subject to conditions of normal competition.

Transactions with associated companies are not included because they are non material.

(In EUR million)	KBL Parent company	KBL subsidiaries	31/12/2005 Total
Assets	2,387	27	2,414
Loans and advances to banks	2,155	27	2,182
Loans and advances to customers	96	-	96
Securities	-	-	-
Derivatives	129	-	129
Accrued income	7	-	7
Liabilities	255	1	256
Deposits from banks	82	1	83
Deposits from customers and debt securities	89	-	89
Derivatives	84	-	84
Accrued expense	-	-	-
Income statement	17	1	18
Net interest income	17	1	18
Guarantees received by KBL *epb*	-	-	-

(In EUR million)	KBL Parent company	KBL subsidiaries	31/12/2006 Total
Assets	778	27	805
Loans and advances to banks	395	27	422
Loans and advances to customers	47	-	47
Securities	10	-	10
Derivatives	325	-	325
Accrued income	1	-	1
Liabilities	1,032	-	1,033
Deposits from banks	581	-	582
Deposits from customers and debt securities	220	-	220
Derivatives	229	-	229
Accrued expense	2	-	2
Income statement	29	-	29
Net interest income	28	-	28
Net commission	1		1
Guarantees received by KBL *epb*	5	-	5

WITH KEY MANAGEMENT PERSONNEL (In EUR million)	31/12/2005	31/12/2006
Amount of remuneration to key management personnel of KBL *epb* on the basis of their activity, including the amount in respect of retirement pensions granted to former key management personnel.	41.32	40.91
Credit facilities and guarantees granted	16.17	14.15
Loans outstanding	10.64	10.04
Guarantees outstanding	2.04	0.21
Post employment benefit plans	60.43	64.12
Expenses for defined contribution plans	1.57	1.65

Note 40 | Solvency

The table below gives the solvency ratios calculated pursuant to the IFRS definition of equity and applying prudential filters as defined in CSSF Circular 05/228.

(In EUR million)	31/12/2005	31/12/2006
Regulatory capital, (after profit appropriation)	1,331	1,246
Tier 1 capital	772	737
Capital and reserves	957	963
Hybrid Tier One	101	96
Formation expenses and intangible assets	-13	-46
Treasury shares	-	-38
Goodwill on consolidation	-275	-239
Minority interests	2	-
Tier 2 capital	560	533
Preference shares	18	18
Subordinated liabilities	419	397
Revaluation reserve (available-for-sale financial instruments)	122	118
Tier 3 capital	-	-
Items to be deducted	-1	-23
Total weighted risk volume	8,681	5,665
Credit risk, investment	7,727	4,889
Credit risk, trading	230	147
Interest rate risk, trading	505	277
Trading portfolio position in equities	119	225
Foreign exchange risk	100	127
Solvency ratios		
Tier 1 ratio	8.9%	13.0%
Consolidated solvency ratio, after profit appropriation (CAD ratio)	15.3%	22.0%

Note 41 | Risk management

Information on risk management (credit risk, market risks, operational risks, etc) is given in the Notes to the management report.

Note 42 | Remuneration for auditors

(In EUR thousand)	31/12/2006
Standard audit services	2,283
Other services	571
Total	**2,854**

Information for 2005 is not presented here as it is not readily available.

Note 43 | List of significant subsidiaries and associated companies

Company	Registered office	Ownership percentage as at 31/12/2006	Control percentage as at 31/12/2006	Sector of activity
FULLY CONSOLIDATED SUBSIDIARIES (Global method)				
Brown, Shipley & Co. Limited	London – GB	100.00	100.00	Bank
Brown Shipley Holding (Jersey) LTD	St Helier – JE	100.00	100.00	Holding
Cawood Smithie & Co.	London – GB	100.00	100.00	Other – financial
Fairmount Group Nominees LTD	Leatherhead – GB	100.00	100.00	Other – financial
Fairmount Pension Trustee Limited	London – GB	100.00	100.00	Other – financial
Fairmount Trustee Services LTD	Leatherhead – GB	100.00	100.00	Other – financial
KBL Investment Funds LTD	London – GB	100.00	100.00	Management (Funds / Pensions / Portfolios)
The Brown Shipley Pension Portfolio LTD	London – GB	100.00	100.00	Other – financial
Slark Trustee Company LTD	Leatherhead – GB	100.00	100.00	Other – financial
White Rose Nominees LTD	London – GB	100.00	100.00	Other – financial
Fidef Ingénierie Patrimoniale, S.A.	La Rochelle – FR	100.00	100.00	Other – financial
Financière et Immobilière, S.A.	Luxembourg – LU	100.00	100.00	Other – financial
Banca KBL Fumagalli Soldan S.p.A.	Milan – IT	100.00	100.00	Bank
KB Lux Immo S.A.	Luxembourg – LU	100.00	100.00	Real estate
Centre Europe S.A.	Luxembourg – LU	100.00	100.00	Real estate
KB Luxembourg (Monaco) S.A.	Monaco – MC	100.00	100.00	Bank
S.C.I. KB Luxembourg I (Monaco) Immo	Monaco – MC	100.00	100.00	Real estate
KBL Finance Ireland	Dublin – IE	100.00	100.00	Other – financial
KBL Beteiligungs A.G.	Mainz – DE	100.00	100.00	Holding
Modernisierungsgesellschaft Lübecker Str. 28/29 Gbr.	Mainz – DE	79.06	79.06	Real estate
Merck, Finck & Co.	Munich – DE	100.00	100.00	Bank
Merck Finck Invest Asset Management GmbH	Munich – DE	100.00	100.00	Fund administration
Merck Finck Pension Fund	Munich – DE	100.00	100.00	Fund management
Merck Finck Treuhand AG	Frankfurt – DE	100.00	100.00	Other – financial
Merck Finck Vermögensbetreuungs AB	Munich – DE	85.69	85.69	Other – financial
Unterstützug U. Einrichtung des Bank	Munich – DE	100.00	100.00	Management (Funds / Pensions / Portfolios)
KBL France	Paris – FR	100.00	100.00	Bank
KBL France Gestion	Paris – FR	99.96	99.96	Management (Funds / Pensions / Portfolios)
René Aballéa Finance S.A.	Brest – FR	100.00	100.00	Management (Funds / Pensions / Portfolios)
Kredietbank Informatique G.I.E.	Luxembourg – LU	100.00	100.00	Other – non-financial
Kredietbank (Suisse) S.A., Genève	Geneva – CH	99.99	99.99	Bank
Privagest S.A.	Geneva – CH	89.99	90.00	Management (Funds / Pensions / Portfolios)
Kredietrust Luxembourg S.A.	Luxembourg – LU	100.00	100.00	Management (Funds / Pensions / Portfolios)
Puilaetco Private Bankers S.A.	Brussels – BE	100.00	100.00	Bank
Banque Puilaetco Dewaay Luxembourg S.A.	Luxembourg – LU	100.00	100.00	Bank
DL Quality Asset Management S.A.	Luxembourg – LU	100.00	100.00	Other – financial
Renelux	Luxembourg – LU	100.00	100.00	Re-insurance
Rocher LTD	Isle of Man – IM	100.00	100.00	Holding
S.C.I. KB Luxembourg III (Monaco) Immo	Monaco – MC	100.00	100.00	Real estate
Theodoor Gilissen Bankiers N.V.	Amsterdam – NL	100.00	100.00	Bank
Adm. Kantoor Interland B.V.	Amsterdam – NL	100.00	100.00	Company administration
Pacific Administratiekantoor B.V.	Amsterdam – NL	100.00	100.00	Company administration
Adm. Kantoor voor Handel en Nijverheid B.V.	Amsterdam – NL	100.00	100.00	Company administration
Adm. Kant. Gebr. Boissevain en Texeira B.V.	Amsterdam – NL	100.00	100.00	Company administration
Adm. Kant. Gebr. Boissevain en Kerkhoven B.V.	Amsterdam – NL	100.00	100.00	Company administration
Adm. Kant. Van Theodoor Gilissen N.V.	Amsterdam – NL	100.00	100.00	Company administration
Trust – en Adm. My. Interland B.V.	Amsterdam – NL	100.00	100.00	Company administration
TG Fund Management B.V.	Amsterdam – NL	100.00	100.00	Management (Funds / Pensions / Portfolios)
T.G. Ventures B.V.	Amsterdam – NL	100.00	100.00	Corporate Finance
Theodoor Gilissen Trust B.V.	Amsterdam – NL	100.00	100.00	Management (Funds / Pensions / Portfolios)
Theodoor Gilissen Global Custody N.V.	Amsterdam – NL	100.00	100.00	Custodian
Van Kollem en Broekman Effecten B.V.	Amsterdam – NL	100.00	100.00	Broker
Onafhankelijk Vermogensbeheer' s Gravenhage B.V.	The Hague – NL	100.00	100.00	Broker
Lange Voorbehout B.V.	Amsterdam – NL	100.00	100.00	Real estate
Avocet Holding B.V.	Amsterdam – NL	100.00	100.00	Other – financial
Neufvilles B.V.	Amsterdam – NL	100.00	100.00	Other – financial
Lechia B.V.	Amsterdam – NL	100.00	100.00	Other – financial
Stroeve Breda & Co N.V.	Amsterdam – NL	80.00	80.00	Broker

Company	Registered office	Ownership percentage as at 31/12/2006	Control percentage as at 31/12/2006	Sector of activity
FULLY CONSOLIDATED SUBSIDIARIES (Global method) (cont.)				
Stoeve Asset Management B.V.	Amsterdam – NL	100.00	100.00	Management (Funds / Pensions / Portfolios)
Wereldeffect B.V.	Amsterdam – NL	100.00	100.00	Management (Funds / Pensions / Portfolios)
Financière Groupe Dewaay S.A.	Luxembourg – LU	100.00	100.00	Holding company
Puilaetco Dewaay Private Bankers S.A.	Brussels – BE	100.00	100.00	Bank
ASSOCIATED COMPANIES				
EFA Partners S.A. (1)	Luxembourg – LU	52.70	52.70	Holding company
European Fund Administration S.A.(1)	Luxembourg – LU	52.70	65.00	Fund administration
NON-CONSOLIDATED COMPANIES (materiality limit not reached)				
KBL				
TVM GmbH	Grünwald – DE	31.25	31.25	
TVM KG	Grünwald – DE	21.46	21.46	
Ceres S.A.	Luxembourg – LU	100.00	100.00	
Cogere S.A.	Münsbach – LU	50.00	50.00	
Gecalux S.A.R.L.	Münsbach – LU	50.00	50.00	
KB Lux Immo S.A.				
Plateau Real Estate Ltd	Isle of Man – IM	100.00	100.00	
S.C.I. KB Luxembourg II (Monaco) Immo	Monaco – MC	100.00	100.00	
KBL Beteiligungs A.G.				
Grundstuckg. Lubeckerstr. 28/29 B.Mbh	Mainz – DE	100.00	100.00	
Steubag G. Betriebsw. & Bankendienst GmbH	Mainz – DE	100.00	100.00	
Merck, Finck & Co				
Merck Finck Beteiligungs GmbH	Munich – DE	100.00	100.00	
Merck Finck Fund Managers Luxembourg S.A.	Luxembourg – LU	100.00	100.00	
KBL France				
S.N.C. KBL France Courtage Assurance	Paris – FR	99.00	99.00	
Theodoor Gilissen Bankiers N.V.				
Damsigt SCP	Utrecht – NL	24.58	0.00	

NB

(1) Despite the ownership percentage KBL does not exercise control, or joint control over EFA Partners S.A. and European Fund Administration S.A. These two companies are thus considered as associated companies over which KBL exercises a significant influence.

Note 44 | Main changes in the scope of consolidation

Activity	Company	Ownership percentage (direct + indirect) 31/12/2006	31/12/2005	Comments
INCLUDED IN SCOPE OF CONSOLIDATION				
Management (Funds/ Pensions/ Portfolio)	René Aballéa Finance S.A.	100.00%		Acquisition by KBL France
EXCLUDED FROM SCOPE OF CONSOLIDATION				
Bank	Banco Urquijo S.A.		99.74%	Sale of Banco Urquijo S.A. to Banco Sabadell
Other - financial	Promotora Negocios Y Representacion, S.A.		99.74%	Sale of Banco Urquijo S.A. to Banco Sabadell
Insurance	Urquijo Correduria de Seguros, S.A.		64.83%	Sale of Banco Urquijo S.A. to Banco Sabadell
Management (Funds / Pensions / Portfolio)	Urquijo Gestion de Pensiones, E.G.F.P., S.A.		99.74%	Sale of Banco Urquijo S.A. to Banco Sabadell
Management (Funds / Pensions / Portfolio)	Urquijo Gestion, S.G.I.I.C, S.A.		99.74%	Sale of Banco Urquijo S.A. to Banco Sabadell
Other - financial	Urquijo Servicios Patrimoniales S.A.		99.74%	Sale of Banco Urquijo S.A. to Banco Sabadell
Other – non-financial	Dish, S.A.		99.74%	Sale of Banco Urquijo S.A. to Banco Sabadell
Custodian	Caceis Bank España S.A. (Ex-Ixis Urquijo S.A.)		48.87%	Sale of Banco Urquijo S.A. to Banco Sabadell
Real Estate	Gaviel, S.A.		49.87%	Sale of Banco Urquijo S.A. to Banco Sabadell
Real Estate	Nisa GAV, S.A.		49.87%	Sale of Banco Urquijo S.A. to Banco Sabadell
Corporate Finance	Axel Urquijo S.L.		29.92%	Sale of Banco Urquijo S.A. to Banco Sabadell
Management (Funds / Pensions / Portfolio)	Brown Shipley Trust Company (Jersey) LTD		100.00%	Sale of KBL Brown Shipley (Jersey) Ltd to SG Hambros
Company management	BST Corporate Services LTD		100.00%	Sale to SG Hambros
Bank	KBL Brown Shipley (Jersey) LTD		100.00%	Sale to SG Hambros
Other - financial	Solen Trust Company (Jersey) LTD		100.00%	Sale to SG Hambros
Reinsurance	Ceres		100.00%	Deconsolidation
Real estate	Plateau Real Estate LTD		100.00%	Deconsolidation
Real estate	S.C.I. KB Luxembourg II (Monaco)		100.00%	Deconsolidation
Reinsurance	Cogere S.A.		50.00%	Deconsolidation
Reinsurance	Gecalux S.à r.l.		50.00%	Deconsolidation
Management (Funds / Pensions / Portfolio)	Michaux Gestion S.A.		100.00%	Merger with KBL France
Management (Funds / Pensions / Portfolio)	Puilaetco Dewaay Luxembourg S.A.		100.00%	Merger with Banque Puilaetco Luxembourg
Corporate Finance	Westhouse securities LLP		65.00%	Sale of Westhouse Securities LLP
Other - financial	Founders Court Nominees LTD		100.00%	Liquidation
Brokerage	TG Derivatives		65.00%	Liquidation
CHANGES IN HOLDING				
Other - financial	Merck-Finck Vermögensbetreuungs	85.69%	93.75%	
Management (Funds / Pensions / Portfolio)	KBL France Gestion	99.96%	99.95%	Change in percentage holding

The main change in the scope of KBL *epb* consolidation in 2006 is the sale of Banco Urquijo. There is referred to in Note 1.

Note 45 | Post-report events

There were no significant events after the date of the balance sheet requiring an update to the information provided or adjustments to the consolidated financial report as at 31 December 2006.

NON-CONSOLIDATED ACCOUNTS

The non-consolidated annual accounts of KBL *epb* were drawn up pursuant to the legal and regulatory requirements in force in Luxembourg, in particular the Law of 17 June 1992 on credit institutions' financial accounts and to the accounting principles generally accepted in the Luxembourg banking sector.

They are presented here in abridged form. As required by law, the annual non-consolidated accounts, comprising the balance sheet, profit and loss account and notes to the accounts are to be published for the same reasons as other information to be published such as the management report, auditors' report, the dates of publication in the *Mémorial* of the Bank's Articles of Association and modifications thereto and any other information required by law.

Pursuant to Article 71 of the Law of 17 June 1992 on credit institutions' financial accounts, the certified annual accounts must be filed with the register of companies in the month they are approved by the General Meeting of Shareholders. The accounts are published by mention in the *Mémorial* of the filing with the register of companies where these documents are available.

As at 31 December 2006 the auditor delivered an unreserved certification of the KBL *epb* non-consolidated accounts.

NON-CONSOLIDATED BALANCE SHEET

in EUR million, as at 31 December

ASSETS	2005	2006
Cash, balances with Central Banks and post office banks	**852**	**1,371**
Treasury bills and other bills eligible for rediscounting with the Central Bank	**1,031**	**-**
Treasury bills and similar	1,031	-
Loans and advances to banks	**12,841**	**10,489**
a) repayable on demand	566	773
b) other loans and advances	12,275	9,716
Loans and advances to customers	**1,479**	**4,750**
Bonds and other fixed-income securities	**5,249**	**5,241**
a) Public issuers	4,070	4,222
b) Issued by other borrowers	1,179	1,019
Shares and other variable-yield securities	**164**	**158**
Participating interests	**20**	**20**
Shares in associated companies	**1,414**	**1,121**
Intangible assets	**5**	**8**
Tangible assets	**110**	**109**
Own shares	**-**	**34**
Other assets	**51**	**81**
Prepayments and accrued income	**985**	**897**
TOTAL ASSETS	**24,202**	**24,279**

NON-CONSOLIDATED BALANCE SHEET

in EUR million, as at 31 December

LIABILITIES	2005	2006
Deposits from banks	**8,461**	**8,582**
a) Repayable on demand	1,123	1,289
b) With agreed maturity or periods of notice	7,338	7,293
Deposits from customers	**11,986**	**11,697**
a) Savings deposits	612	447
b) Other debts		
ba) Repayable on demand	2,432	2,483
bb) with agreed maturity or periods of notice	8,942	8,767
Debt securities	**168**	**30**
Bonds and debentures in circulation	168	30
Other liabilities	**165**	**117**
Accruals and deferred income	**772**	**816**
Provisions for risks and charges	**180**	**146**
a) Provisions for taxes	25	18
b) Other provisions	155	128
Subordinated liabilities	**854**	**860**
Special items with a reserve quota portion	**10**	**-**
Hybrid capital instruments	**144**	**127**
Subscribed capital	**189**	**189**
Share premium account	**355**	**355**
Reserves	**709**	**779**
Profit brought forward	**1**	**-**
Profit for the financial year	**208**	**581**
TOTAL LIABILITIES	**24,202**	**24,279**

NON-CONSOLIDATED OFF-BALANCE SHEET ITEMS

in EUR million, as at 31 December

	2005	2006
Contingent liabilities	**392**	**329**
of which:		
- guarantees and assets pledged as security	388	324
Commitments	**1,348**	**1,324**
Fiduciary operations	**307**	**58**

NON-CONSOLIDATED PROFIT AND LOSS ACCOUNT

in EUR thousand, as at 31 December

	2005	2006
Interest receivable and similar income	**2,226,291**	**3,695,663**
of which: - that arising from fixed-income securities	354,289	242,718
Interest and similar charges	**-2,112,301**	**-3,634,529**
Net interest	**113,990**	**61,134**
Income from securities	**69,797**	**74,332**
a) income from shares and other variable-yield securities	7,781	9,647
b) income from participating interests	300	276
c) income from shares in associated undertakings	61,716	64,409
Commissions receivable	**134,013**	**151,000**
Commissions payable	**-18,787**	**-28,301**
Net commissions	**115,226**	**122,699**
Profit on financial operations	**83,147**	**87,287**
Other operating income	**45,519**	**461,648**
General administrative expenses	**-152,687**	**-189,280**
a) Staff costs	-94,947	-130,754
of which: - wages and salaries - social security costs	 -79,457 -12,974	 -83,396 -44,475
of which: social security costs relating to pensions	-8,726	-39,147
b) other administrative expenses	-57,740	-58,525
Value adjustments on tangible and intangible assets	**-6,825**	**-6,922**
Other operating expenses	**-13,444**	**-9,570**
Value adjustments and re-adjustments for loans and advances and provisions for contingent liabilities and commitments	**-64,280**	**-3,959**
Value adjustments and re-adjustments for transferable securities held as financial assets, participating interests and shares in assoociated undertakings	**22,807**	**3,791**
Allocation to "special items with a reserve quota portion"	**-10,082**	**-**
Income from the writing back of amounts in the Fund for general banking risks	**14,843**	**10,082**
Tax on profit from ordinary activities	**-29,000**	**-22,800**
Profit on ordinary activities after tax	**189,012**	**588,442**
Exceptional income	**28,000**	**-**
Exceptional expenses	**-1,915**	**-2,018**
Other taxes not shown under the preceding items	**-6,661**	**-5,289**
Profit for the financial year	**208,436**	**581,136**

Reconciliation of KBL epb consolidated profit and loss account drawn up in accordance with IFRS and KBL non-consolidated profit and loss account drawn up in accordance with the Luxembourg legal and regulatory requirements and the accounting principles generally accepted in the Luxembourg banking sector (Lux GAAP).

(in EUR million)	**Explanation of main differences** **(reference to notes to the consolidated accounts)**	**31/12/2005**	**31/12/2006**
Consolidated IFRS net profit, KBL *epb* share		216.6	676.8
Of which: IFRS non-consolidated parent company results		237.2	578.0
Fair valuation of financial instruments	Note 2c - f,g	29.1	19.6
Deferred taxes	Note 2c - e	12.9	-1.1
Translation impact on participating interests	Note 2b - b	4.2	0.4
Employee benefits	Note 2c - a	-1.5	-15.8
Provisions for risks and charges	Note 2c - b	-73.5	0.0
KBL non-consolidated Lux GAAP net profit		208.4	581.1

KBC GROUP N.V.

KBC Group N.V. is responsible for the general strategy, allocation of capital, profitability requirements, major strategic investments, risk management in the broad sense, general ALM policy, supervising the coherence of budgets and profit planning and the audit function at a co-ordinating level. KBC Group does not itself carry out any financial-services-related business but is responsible for a number of integrated support activities (in marketing, logistics and IT) for the Group's companies.

KBC BANK N.V.

- KBC Bank N.V. has competence in all matters specific to the retail and corporate banking business. It is active on the Belgian market, the international corporate market and the financial markets. It is also the parent company of all the KBC Group companies involved in banking, finance and asset management in Belgium, central and eastern Europe and elsewhere.

KBC INSURANCE N.V.

- KBC Insurance N.V. has competence in all matters specific to the insurance business. It operates on the Belgian (retail) market and is also the parent company of all KBC Group companies involved in insurance in Belgium and central and eastern Europe.

KBL EUROPEAN PRIVATE BANKERS

- Kredietbank S.A. Luxembourgeoise (KBL), based in Luxembourg, heads a European network of private bankers - KBL European Private Bankers. Its network of subsidiaries offer tailor-made private banking services to a wealthy European and international clients. KBL also serves as a centre of excellence for its subsidiaries.

KBC GROUP

Main companies

KBC GROUP

KBC Bank (100%)

Main subsidiaries and participating interests

Belgium

Antwerpse Diamantbank
CBC Banque
Centea
Fin-Force
International Factors
KBC Asset Management
KBC Lease Groep
KBC Private Equity
KBC Securities

Central Europe

CSOB Bank
K&H Bank
Kredyt Bank
Nova Ljubljanska Banka (NLB)
Patria Finance

Rest of the world

IIB Bank
KBC AM Ltd (Ireland)
KBC Bank Deutschland
KBC Bank Funding LLC & Trust
KBC Bank Nederland
KBC Clearing
KBC Finance Ireland
KBC Financial Products
KBC Internationale Financieringsmaatschappij
KBC Lease
KBC Peel Hunt
KBC Towarzystwo Funduszy Inwestycyjnych

KBC Insurance (100%)

Main subsidiaries and participating interests

Belgium

ADD
Fidea
Secura
VTB-VAB

Central Europe

CSOB Pojist'ovna (Czech Republic)
CSOB Pojist'ovna (Slovak Republic)
K&H Insurance
K&H Life Insurance
NLB Vita
TUIR Warta

Rest of the world

Assurisk
Vitis Life Luxembourg

KBL European Private Bankers (99.9%*)

Main subsidiaries and participating interests

Belgium

Puilaetco Dewaay Private Bankers

Western Europe

Brown, Shipley & Co.
KBL Finance Ireland
KBL France
KB Luxembourg (Monaco)
Kredietbank Luxembourg
Kredietbank (Suisse)
Merck Finck & Co
Theodoor Gilissen Bankiers

* as at 31/03/2007

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www.brownshipley.com

KBL Investment Funds Ltd
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Private Banking	Tel.: 4797-2100/2099	Stock exchange orders	Tel.: 4797-2272
Personal Banking	Tel.: 4797-2272	Customer Service	Tel.: 4797-2020

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Manager:
Philippe Ryelandt

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Manager:
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Fax: 4797-73925
Manager:
Georg Joucken

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Tel.: 4797-7724
Fax: 4797-73926
Manager:
Georg Joucken

INSTITUTIONAL CLIENTS

GLOBAL FINANCIAL MARKETS

Management & Executive Assistant	Tel.: 4797-2774
Correspondent Banking & International Relations	Tel.: 4797-3869
Market Support	Tel.: 4797-7882
Fixed Income	
Pool Euro & Euro-In Currencies	Tel.: 2621-0122
Pool USD, CAD, AUD, NZD & Emerging Markets	Tel.: 2621-0122
Pool CMS, Tier 1 & Tier 2	Tel.: 2621-0122
Structured Products, Derivatives & Equities	
Structured Products & Derivatives	Tel.: 2621-0233
Domestic & Foreign Equity Markets, Investment Funds	Tel.: 2621-0233
Investment Funds - OTC	Tel.: 2621-0233
Money Markets	
Treasury & MM Products	Tel.: 2621-0311
Repos & Securities Lending	Tel.: 2621-0322
Forex	Tel.: 2621-0333
Bullion	Tel.: 2621-0355

GLOBAL MARKET SALES

Management & Executive Assistant	Tel.: 4797-3783
Fixed Income	Tel.: 2621-0133
Structured Products	Tel.: 4797-2265
Global Equities	Tel.: 2621-0211
Money Market & Forex	Tel.: 2621-0344
Repurchase Agreements & Securities Lending	Tel.: 4797-2479
Third Party Funds	Tel.: 2621-0222

EXECUTION CLEARING & SETTLEMENT

Management	Tel.: 4797-2773
Execution Clearing & Settlement	
Fund Processing	Tel.: 2621-0222
Equity & Bond Execution	Tel.: 4797-2280
Equity & Bond Clearing & Settlement	Tel.: 4797-2763

Corporate, Credit and Analysis	Tel.: 4797-3885
B.O. Emissions Fiscal Agencies / Corporate Trust	Tel.: 4797-3913
Loans and Research Division	Tel.: 4797-2064
Custody Division	Tel.: 4797-2750
KBL Direct Access	Tel.: 4797-3618
Transfers	Tel.: 4797-2571
Corporate Actions	Tel.: 4797-3086
Private Equity & Corporate Finance	Tel.: 4797-2759
Corporate Banking & International Loans	Tel.: 4797-2941

GENERAL DEPARTMENTS

Management Secretarial Services	Tel.: 4797-2320	Marketing - Communication	Tel.: 4797-3111
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Portfolio Management	Tel.: 46 819-4191
Fund Research & Multi-Management	Tel.: 46 819-4577
Institutional Sales	Tel.: 46 819-4553
Group Investment Research & Strategy	Tel.: 46 819-4561

This annual report is available in Dutch, English and French. Only the French version is authentic.

KBL ANNUAL REPORT 2006

KBL GROUP european private bankers

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