KBL EUROPEAN PRIVATE BANKERS

GERMANY
Merck Finck & Co, Privatbankiers
Head office Munich

BELGIUM
Puilaetco Dewaay Private Bankers
Head office Bruxelles

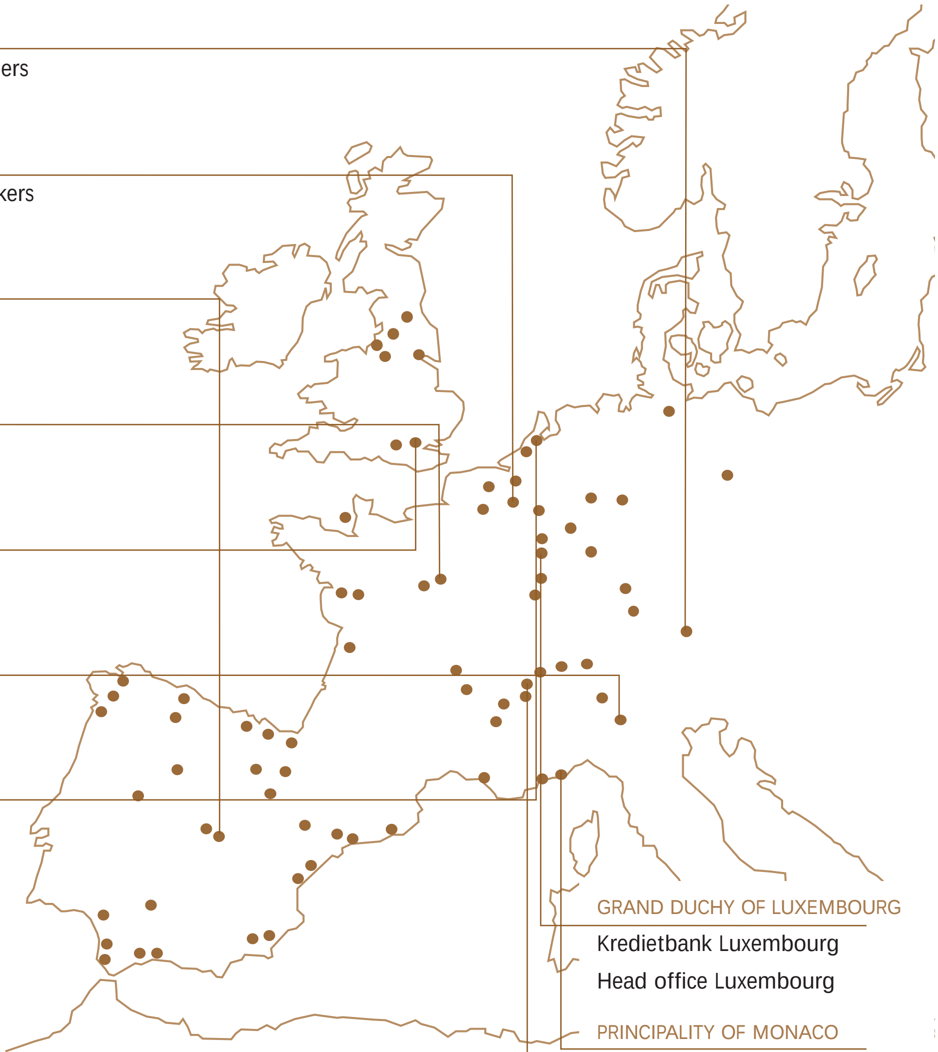
SPAIN
Banco Urquijo
Head office Madrid

FRANCE
KBL France
Head office Paris

GREAT BRITAIN
Brown, Shipley & Co.
Head office London

ITALY
Banca KBL Fumagalli Soldan
Head office Milan

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 2005

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

Jean-Marie BARTHEL
Executive Director
Kredietbank S.A. Luxembourgeoise
(until 27 April 2005)

Paul BORGHGRAEF
Director of KBC Group
(until 27 April 2005)

Antoine D'HONDT
Executive Director
Kredietbank S.A. Luxembourgeoise
(until 14 September 2005)

Jan Maarten de JONG
Advisor to Chairman of Managing Board of ABN-AMRO BANK N.V.

Diego du MONCEAU
Company Director

Rik DONCKELS
President of the Management Committee
Cera

Marc FRANCKEN
Chairman and Managing Director
Gevaert N.V.

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
(since 27 April 2005)

Jacques PETERS
Executive Director
Kredietbank S.A Luxembourgeoise
(since 14 September 2005)

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
(since 27 April 2005)

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

Franz JAKOBS
Staff representative
Kredietbank S.A. Luxembourgeoise
(until 31 December 2005)

Christine JANSSENS
Staff representative
Kredietbank S.A. Luxembourgeoise

Nico KNEPPER
Staff representative
Kredietbank S.A. Luxembourgeoise

Jean-Marie MOSSONG
Staff representative
Kredietbank S.A. Luxembourgeoise

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

Mathias RAUEN
Staff representative
Kredietbank S.A. Luxembourgeoise
(since 1 January 2006)

INDEPENDENT AUDITORS

Deloitte, Luxembourg

Situation as at 31 December 2005

EXECUTIVE COMMITTEE

Etienne VERWILGHEN
President

Jean-Paul LOOS

Antoine D'HONDT
(until 30 September 2005)

Philippe PAQUAY

Jacques PETERS
(since 14 September 2005)

MANAGEMENT

Luc CAYTAN
Trading

Rafik FISCHER
Operations management

Marie-Paule GILLEN
General Secretariat

Michel GODFRAIND
Wealth Management

Jean-Luc MARTINO
IT

Dominique MELOTTE
Human Resources and Equipment

Yves PITSAER
Subsidiaries

Bernard SOETENS
Corporate / Credit and Analyses

Philippe VERDIER
Organisation

André-Marie CRELOT
Accounts

Philippe AUQUIER
Management Audit

Marie-France DE POVER
Compliance Officer

Adelin BLAISE
Internal Audit
(until 31 December 2005)

Thierry THOUVENOT
Internal Audit
(since 1 January 2006)

Thierry LOPEZ
Group Risk Management

MAIN EVENTS

Integration into the KBC Group

- 31 January to 14 February, Almanij take-over offer for all KBL shares.
- After the result of Almanij's take-over bid, KBL ordinary and preference shares delisted from the Luxembourg stock exchange with effect from 30 June 2005.
- Confirmation of the mission entrusted by the KBC Group to KBL *epb* to concentrate on the development of private banking for the whole group.

Expansion of European private bank network

- 1 February 2005: KBL *epb*'s Italian subsidiary receives bank status and becomes Banca KBL Fumagalli Soldan.
- 1 February 2005: KBL *epb* acquires Aurel Leven Gestion (Paris, France) to integrate into KBL France.
- 13 April 2005: KBL *epb* buys Effectenbank Stroeve from Rabobank (Netherlands) and merges it with Theodoor Gilissen Bankiers, the Dutch subsidiary.
- 7 September 2005: KBL *epb*'s Dutch subsidiary, Theodoor Gilissen Bankiers, buys the private customer business of Deutsche Bank Nederland.
- 12 September 2005: Merck Finck & Co, KBL *epb*'s German subsidiary, takes over the private customer business of Westfalenbank (Bochum region).
- 11 October 2005: KBL *epb* finalises the purchase of the private bank HSBC Dewaay (Belgium). The merger with its Belgian subsidiary Puilaetco Bankers is in progress.

Cost and risk control

- 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 resources of the KBL Group Compliance department.
- The group stepped up its cost control further, feeding through into a 6.1% year-on-year reduction in operating costs and a cost/income ratio of 69.7%.
- As at 31 December 2005 KBL *epb* employed a total of 3 793 staff (FTE, including 177 early retirees) including 65% at subsidiaries, compared with 3 715 (FTE, including 146 early retirees) as at 31 December 2004, an increase of 2% that includes the effects of the acquisitions made over the course of the year and the strict cost-control policy.

Results meet expectations

- The consolidated solvency ratio, after distribution of profit, was 15.3% and the consolidated solvency ratio for basic equity (Tier one ratio) was 8.9% as at 31 December 2005 (calculated according to the IFRS system adopted by the European Union and the new regulatory stipulations for calculating equity).
- Group share of net consolidated profit: EUR 216.6 million
- Allocation of a gross dividend of EUR 6.765 per share, an increase of 10% on 2004.

KEY CONSOLIDATED FIGURES

RESULTS (in EUR million)	2004	2004 * Pro forma figures	2005
Net banking income	747.6	747.6	808.7
Operating expenses	-682.0	-565.3	-563.4
Profit before tax	93.5	210.3	271.1
Income taxes	-30.9	-46.2	-53.1
Net consolidated profit, Group share	62.1	163.5	216.6

DIVIDENDS (in EUR million)	2004	2005
Dividends	125.0	137.5

DATA PER SHARE (in EUR)	2004	2004 * Pro forma figures	2005
Net consolidated profit, Group share	3.05	8.04	10.65
Gross dividend	6.15		6.765

FINANCIAL RATIOS (in %)	2004	2004 * Pro forma figures	2005
Tier one ratio (after profit appropriation)	10.67 %		8.90 %
Solvency ratio (after profit appropriation)	16.46 %		15.34 %
Regulatory capital/balance sheet total	4.65 %		4.75 %
Due from banks + bills/owed to banks	137.32 %		172.45 %
ROAE	6.02 %	15.86 %	19.37 %
ROAA	0.19 %	0.51 %	0.72 %
Cost/Income Ratio	91.23 %	75.61 %	69.66 %

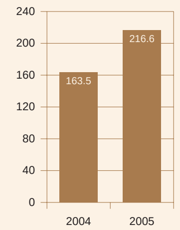
CONSOLIDATED BALANCE SHEET (in EUR billion)	2004	2005
Total balance sheet	**31.9**	**28.0**
Assets		
Loans and advances to credit institutions	12.0	12.1
Loans and advances to customers	4.6	4.1
Securities	7.7	7.2
Liabilities		
Amounts owed to credit institutions	13.2	8.2
Amounts owed to customers and debts evidenced by certificates	15.5	15.3
Subordinated debts	1.1	1.1
Total equity	1.0	1.2
of which, AFS reserves	n.a.	0.1

AuM (in EUR billion)	2004	2005
Assets under management	50.1	64.7
of which: Private Banking clients	43.4	55.7

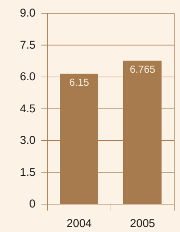
* After offsetting early retirement and legal expense provisions allocated from results, prepared using the IFRS system adopted by the European Union as of 31 December 2004.

NB. the reference figures for 2004 are not fully comparable with those of 2005 since, pursuant to the option offered by IFRS 1, IAS 32 and IAS 39 have only been applied by KBL *epb* from 1 January 2005.

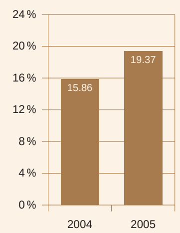
Net result (in EUR million)



Gross dividend per share (in EUR)



Return on average equity



MANAGEMENT REPORTS OF THE BOARD OF DIRECTORS

1. General comments on the results

At its meeting of 23 February 2006, the Board of Directors of Kredietbank S.A. Luxembourgeoise (KBL) approved the consolidated accounts for the financial year ending 31 December 2005.

Net consolidated result, Group share, for the year ended 31 December 2005 amounted to EUR 216.6 million as against EUR 62.1 million for the year ended 31 December 2004. These figures are not easily comparable since on the one hand, the accounts for the year ended 31 December 2004 were drawn up without using the IAS 32 & 39 accounting standards, and on the other, an early retirement and legal fees provision had a negative impact on the figure for the same year ended 31 December 2004. Without this provision, the net result, Group share for the year ended 31 December 2004 would have been EUR 163.5 million.

Positive progress of income from Private Banking activities

The 8.2% increase in net banking income to EUR 808.7 million is essentially due to extremely positive progress in net commissions, which rose 19.3% relative to 2004 to a total amount of EUR 447.2 million, representing 55.3% of the net banking income for the full year (against 50.1% for the year ended 31 December 2004). This favourable development applies to most of our subsidiaries and also reflects the contributions from our two most recent acquisitions, Effectenbank Stroeve and Financière Groupe Dewaay. On a like-for-like basis, commissions rose by 10% during 2005 relative to 2004.

Net interest income (including interest on derivatives) fell by 2% following a fall in the replacement margin for our shareholders' equity.

The figure from available-for-sale investment securities (AFS), which rose by 7%, reflects capital gains on the sale of a certain number of securities positions in 2005, including the proceeds from the sale of our shares in Almanij and KBC Bank and Insurance Holding Company in the context of restructuring our shareholding base at the start of 2005.

Other revenues rose by 13%, and resulted notably from the realisation of capital gains other than on the AFS portfolio, including those on the sale of a number of our properties, and the reversal of miscellaneous provisions.

As a reflection of KBL *epb* refocusing on private banking within KBC Group, total assets fell 12% by comparison with the balance sheet for the end of 2004 (excluding the pre-consolidation adjustment linked to IAS 32 & 39).

Cost Control

The 17.4% reduction in operating costs from EUR 682.0 million to EUR 563.4 million corresponds in reality to a 22.2% reduction on a like-for-like basis, representing on the one hand, the efforts to control costs implemented within KBL *epb*, and on the other, the non-recurring nature of significant provisions constituted at the end of 2004, as described above. Excluding these provisions, general expenses would have been reduced by 6.1% on a like-for-like basis.

Risk Control

In its role as parent company, KBL has developed the necessary supervisory bodies for the KBL *epb* group, notably for Auditing, Risk Management and Compliance.

With regard to its credits, which it is deliberately reducing, its permanent attention to risk control is reflected in the loss ratio on its credit portfolio, which over the last five years has been limited to an annual average of 0.15%.

A 10% increase in dividend

At the General Meeting, to be held on 26 April, the distributed dividend will be determined on the basis of the non-consolidated net income, prepared in accordance with legal and regulatory provisions in effect in Luxembourg, notably those of the law of 17 June 1992 relating to the annual financial statements of credit institutions. Accordingly, a gross dividend of EUR 6.765 per share will be proposed to shareholders, with a 10% increase relative to the preceding financial year. After withholding tax of 20%, this amount corresponds to a net dividend of EUR 5.412 per share.

Considering this proposal for allocating income, the Bank's basic consolidated equity (Tier 1), calculated in accordance with the Commission de Surveillance du Secteur Financier (Luxembourg Financial Sector Surveillance Commission) CSSF Circular 05/228 on the impact of the IFRS system on determining regulatory equity compliance, amounted to EUR 772.3 million on 31 December 2005, with a consolidated solvency ratio for basic equity of 8.9%.

Treasury shares

As at 31 December 2005, the Bank no longer held any treasury shares, having assigned these to Almanij within the context of its acquisition of all the ordinary and preference shares of KBL.

2. Role and mission of KBL *epb* within KBC Group

Following the public offer by Almanij for all the ordinary and preference shares of KBL, concluded on 14 February 2005, KBL's Board of Directors decided on 16 March 2005 to request the delisting of KBL's shares from the Luxembourg Stock Exchange, effective as of 30 June 2005. This operation formed part of the broader context of the merger between Almanij and KBC, which on 2 March 2005 gave rise to the new KBC Group N.V., whose shares have been listed on the Luxembourg Stock Exchange.

2.1 A SINGLE VOCATION: PRIVATE BANKING

Within KBC Group, KBL European Private Bankers has been given the task of concentrating on the development of private banking for the entire Group. This task will be divided among the Group's different strategic and geographical areas.

Within the area of private banking, KBC Group effectively offers two different but complementary formulas. On the one hand, KBC Private Banking is aimed at clients who are seeking a full service, integrated with their banking relationship. This is mainly offered in Belgium and Eastern Europe. On the other hand, under the responsibility of KBL European Private Bankers, the Group has developed a network of well-known private banks, in response to the needs of a large clientele, estimated at 30% of the market, which prefers to entrust the management of its wealth to a second bank. These prestigious local brands are characterised by their proximity and the personal character of their relationship with the client, offering tailor-made services in the principal countries of Western Europe, including Belgium.

KBL *epb* thus benefits in full from the support of the KBC Group in developing this strategy of brands entirely devoted to the business of private banking and aimed at clients with a potential investment of one million euros.

In order to integrate its European network effectively and thereby fully assume its function as parent company, KBL *epb* has developed a common reporting system for all its subsidiaries. For management control in particular, KBL *epb* has developed reliable and relevant management and profitability indicators which allow the performances of each national unit to be standardised and compared.

2.2 STRATEGIC OBJECTIVES

As the medium-term objective for its entire network, KBL *epb* aims to reach a "comfort" size of EUR 100 billion in private client assets under management (AuM). The critical size objective has already been achieved for most KBL *epb* companies and stands at EUR 5 billion AuM in order to deal with every market risk.

Firstly, for each of the private banks within our KBL *epb* network, we are essentially aiming at organic growth, linked to a dynamic commercial policy that is facilitated by the concentration of all available forces in this field, having transferred operational functions to a common service platform for the entire group, the Hub Service Centre (see below).

Our network can also count on the support of the KBC Group to foster its external growth, which is to be achieved through selective acquisitions of companies whose vocation and client base can be integrated into our network and "core business".

We would thus like to remain attractive to other partners, banks and management companies which are seeking to develop and would like to join our group in order to achieve their objective. Our group philosophy in fact promotes the entrepreneurial spirit of local directors, while giving them the opportunity to find solid support within a group of European dimensions.

Our European network of private bankers, which relies on the strong local presence of a prestigious brand in each country where we operate, leaves a great deal of latitude to each of its members in their commercial development. Indeed, we are convinced that if we wish to provide the best service to our clients, regardless of where they are in Europe, then we must also guarantee respect for their culture and for the specific features and professional skills of their national market.

2.3 THE HUB SERVICE CENTRE

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

KBL wishes to equip its subsidiaries with "state-of-the art" facilities, in terms of quality, flexibility, cost management, tailored IT tools and back office operational support, by centralising these activities on a common platform. This Hub is based in Luxembourg and founded on tools and skills developed within our Bank over the last few years, aiming to optimise the quality of our client services wherever we are present in Europe.

In order to ensure that it functions successfully, the Hub is managed in collaboration with all our relevant subsidiaries through a Group Operations Committee (GOC).

In concrete IT terms, a platform of tools dedicated to our business is available to the subsidiaries. The main components of this suite of tools are Globus (front office tools), Equalizer (tool for asset managers) and Pivotal (CRM tool). These principal applications are supplemented by a set of specific risk management and communication tools, as well as by a group network that is optimised in terms of costs and security. This platform has already been successfully implemented in France. In England, the banking part of Brown Shipley is in operation and the securities part is expected for 2006. Implementation within Puilaetco Dewaay in Brussels is also scheduled for next year.

In terms of operations and the dealing room, the international part of the intermediation and securities custody operations of our private banks is already to a large degree managed centrally in Luxembourg. For 2006, our objective is to transfer Brown Shipley and Puilaetco Dewaay's domestic securities processing operations to the same platforms, with the other European subsidiaries being brought in during 2007 and 2008.

The Hub means that each of the members of the *epb* network will be able to access the best of the technology developed by KBL, namely "state-of-the-art" technology and comprehensive STP (Straight Through Processing) tools based in Luxembourg for order management, settlement and custody, while retaining complete flexibility regarding adaptation to local needs and the specific commercial development features of each member.

With the Hub, KBL *epb* has moved decisively towards a new activity, a proactive high-quality service based in Luxembourg for European private bankers who are aiming at excellence for their clients. This is an essential tool for our future.

3. Private banking synergies within KBC Group

The integration during 2005 of KBL *epb* into KBC Group has already generated synergies, both in terms of cost reduction through economies of scale and through cross-selling.

Working groups were set up at the beginning of 2005 in order to identify and develop potential synergies in the areas of Asset Management, Insurance Products, Corporate Banking, Payments, IT, Markets and Securities Operations. The conclusion of this work allowed the identification of the relevant areas of activity and an initial indication of the achievable savings. KBC Group expects total income linked to these synergies, including cost reductions and cross-selling, of EUR 75 million per year by 2009. Half of this objective should be achieved as from the 2006 financial year.

Thanks to closer collaboration between the members of the KBC Group, we shall accordingly benefit from the negotiating power of the Group with its suppliers, which will lead to significant restrictions on costs. To this may be added the development of common tools which will generate substantial savings on certain services currently provided by third parties. Lastly, the areas of excellence present in different parts of the Group can be enhanced by the sale of products and services through the respective networks of KBC and KBL. This will be true of the third-party funds and Eurobonds offered by KBL, as well as certain insurance and investment products provided by KBC.

This year, KBL *epb* has already begun to distribute the funds of KBC Asset Management, as well as the structured products developed by KBC and the traditional (branch 21 in Belgium) and unit-linked (branch 23) life insurance products that have expanded the range of tools available to account officers.

Following the restructuring of the KBC Group announced on 16 December 2005, Vitis Life, the Group company specialising in life insurance, will be structurally integrated into KBL *epb* in the course of 2006.

The wave of synergies begun this year will take effect through rapid development over the next two years, reaching maturity from 2009 onwards.

4. Strengthening of the *epb* network

During 2005, KBL European Private Bankers reinforced its presence in Europe through various acquisitions.

Within Belgium, after Puilaetco in 2004, KBL *epb* acquired Dewaay this year, a well-known private bank specialising in wealth management. On the Belgian market, the two companies will soon form a single entity named “Puilaetco Dewaay Bankers SA”. With more than EUR 6 billion of assets under management, our private bank in Belgium can be ranked with the leading players on this market.

In the Netherlands, we first acquired Effectenbank Stroeve to integrate it into our subsidiary, Theodoor Gilissen Bankiers. The latter institution subsequently acquired the private client portfolio of Deutsche Bank Nederland. This strengthening of Theodoor Gilissen Bankiers confirms our desire to create a private bank that can match the major players on the Dutch market both in skills and size. After this transfer and the merger with Effectenbank Stroeve, total client assets at Theodoor Gilissen Bankiers amounted to EUR 8.5 billion.

In Germany, Merck Finck & Co. expanded its client base by acquiring the private banking activities of Westfalenbank. The takeover agreement allowed Merck Finck & Co. to strengthen its presence in the region of North Rhine-Westphalia, where our group’s German private bank had already acquired the private banking portfolio of WestLB in 2002. Accordingly, within this region, Merck Finck & Co. has private banking branches in the cities of Düsseldorf, Cologne, Munster, Bielefeld and now in Bochum. The agreement allowed Merck Finck & Co. to add around EUR 350 million to its total assets under management.

In France, the asset management company Aurel Leven Gestion joined KBL France at the start of 2005. Aurel Leven Gestion contributed its prestigious range of high performance UCITS (undertakings for collective investment in transferable securities) vehicles to KBL France. With this acquisition KBL France, which has maintained its confidence in the same portfolio management team, will be able to develop its asset management business in full and make its expertise available to independent and institutional wealth management advisors. In addition to Aurel Leven Gestion, KBL France has two other specialised subsidiaries: KBL France Gestion, an asset management company devoted to UCITS management, and Michaux Gestion SA, a portfolio management company based in Lyon.

With these acquisitions, KBL European Private Bankers now has a significant presence in 10 European countries: Germany, the United Kingdom, Italy, the Netherlands, Spain, France, Belgium, Luxembourg, Switzerland and Monaco.

5. Private Banking Business

5.1 KBL LUXEMBOURG

Implementation of Wealth Management

In Luxembourg, a new structure, termed “Wealth Management” has been created with the objective of intensifying and boosting collaboration between the private banking and asset management teams, whose activities within our field are essentially complementary. By virtue of the proximity provided by the new structure, our colleagues in question will be able to intensify their collaboration and concentrate on our priority objective: guaranteeing the highest level of service quality to our client base.

In the same spirit, we decided to simplify the management structure of Wealth Management. This unit is now under the direction of a single team, supported by streamlined management, which works under the direct responsibility of a member of the Executive Committee.

With the aim of prioritising client relationships, the Bank has emphasised increased assignment of responsibility to the advisers and their immediate chain of command. As far as possible, the administrative tasks of Wealth Management will be taken over by the new unit, "Banking and Support Services", in such a way as to allow the advisers to concentrate on their commercial tasks.

Through this decision, the Bank will fulfil its stated desire to concentrate on its core business, namely discretionary management and paid advisory work, within the context of a strong and preferential relationship with its clients.

An expanded range of products and services

Within Luxembourg, KBL has been able to develop its range of "open architecture" third-party funds by sharing resources and expertise present within the private banking network.

Furthermore, at the start of 2006, the client base will benefit from an extension of the range of products offered by virtue of the synergies developed within the KBC Group and arising from the pooling and sharing of expertise. Note should also be taken of the introduction and sale of various structured issues, most frequently capital protected ones, by KBL in Luxembourg and through its private banking network. During the last quarter of the financial year under review, recourse to the KBC Ifima programme, now with a European passport, aided distribution within the European network.

5.2 AWARDS FOR PORTFOLIO AND FUND MANAGEMENT THROUGHOUT THE KBL *epb* NETWORK

FRANCE

The French weekly *Le Revenu* awarded the 2005 bronze trophy to KBL *epb* for the performance of its diversified range over a three-year period. This is a prize for the quality of the asset allocation process implemented and the consistency of performances obtained by seven KBL *epb* funds.

ITALY

Our Italian subsidiary, the former Società d'Intermediazione Mobiliare of Banco di Napoli, which joined the KBL *epb* group in 2001, acquired the status of a bank in 2005, and is now called Banca KBL Fumagalli Soldan.

In February 2005, at the fourth Lipper Fund Awards Italy, the KB Lux Bond Fund - Short Invest Euro sub-fund was named best fund in the "Bond Eurozone - Short Term" category, for its three and five-year performances (calculated as of 31 December 2004).

Also in Italy, KB Lux Bond Fund – Interbond, which principally invests in the extremely high quality liquid bond markets of OECD member countries, was named best fund for its 10-year performance (as of 31 December 2004) at the Standard & Poor's Fund Awards for the Italian market held in Milan in March 2005. The fund ranked first in the "Fixed Income Global EUR based" category, covering 47 funds registered in Italy over the last 10 years.

SPAIN

The private banking services of Banco Urquijo were recognised this year, with the bank distinguishing itself particularly in the Euromoney classification of Spanish private banks published at the start of 2005, coming third in the most profitable private bank category and fourth in the general ranking, as well as for client relationship management.

At the beginning of 2005, Banco Urquijo also received the "Best Equity Research Team" prize for 2004 from *La Gaceta de los Negocios*, one of the three leading financial dailies in Spain, in its seventh "Premios Bolsa".

With regard to fund management, in March, 2005, Urquijo Gestión's Urquijo Fondos Small Companies fund won third prize in the European equity funds category of the Intereconomia-Morningstar prizes.

In 2005, Banco Urquijo also launched the Urquijo Value Equity fund. This investment fund offers investors privileged access to small- and medium- cap Spanish companies selected on account of their undervaluation relative to their respective sectors.

In October, 2005, on the Madrid Stock Exchange, Urquijo Pension Plus, one of the pension plans managed by Banco Urquijo in the form of an investment fund, also received the third prize in the category of equity and mixed structure pension plans.

UNITED KINGDOM

Our subsidiary, Brown Shipley, launched a new investment product that is particularly advantageous from a tax standpoint for UK investors: AIM Portfolio Service, a new product which invests in a selection of stocks listed on the Alternative Investment Market, and which not only offers attractive growth potential but also has the objective of avoiding inheritance tax and benefiting from a reduced capital gains tax rate of 10% after holding a position for only two years.

GERMANY

With 80% of their recommendations having earned a profit for investors between July 2004 and July 2005, our team of analysts at Merck Finck & Co in Germany ranks second in the classification of some 120 firms rated by the independent London-based company, AQ Research, on account of the quality of recommendations issued on a universe of 602 mid-cap European companies.

The investment fund Merck Finck Universal Rentenfonds won the prize of Best Fund over five years in the category of conservative euro-denominated mixed funds in the eurozone.

Launched in October 2005, the new Merck Finck Vario Aktien Renten UI investment fund bases its original investment policy on the "best of 2 strategies" principle, thus being able to opt for either full investment of its assets either in equities or in fixed income instruments, or, of course, in what it considers the best combination of these two asset classes based on market developments.

Finally, a new "Unternehmerberatung" department, which specifically targets German entrepreneurs and their needs in coordinating management and structuring of their assets, was opened in November 2005.

NETHERLANDS

Since 2005, Theodoor Gilissen Bankiers has offered scope for investing in "Public Private Spaces" (PPS) through the Dutch Infrastructure Fund (DIF). DIF is the first Dutch investment fund in PPS through which both private and institutional investors, or even banks, can take a significant stake in infrastructure and other public projects, such as schools, prisons and hospitals, which will be financed, maintained and operated with private funding within the context of a long-term agreement with the public sector.

BELGIUM

Puilaetco Holland, an investment fund managed by Puilaetco Private Bankers, was ranked first in 2005 in the Equity Netherlands category, for its three-year performances, as part of the Lipper Fund Awards Belgium.

In another area, the Capital Preservation investment fund, the fruit of collaboration between Puilaetco and KBL, was launched in November 2005, offering investors the opportunity of boosting the yield on their liquid assets while limiting downside risk. By combining traditional and alternative management through a rigorous selection of the best funds, Capital Preservation aims on the one hand to obtain an annual yield exceeding that of the money market, and on the other, to safeguard capital over a minimum investment horizon of 36 months.

6. Complementary niche activities

Our Bank has always been successful in exploiting market opportunities to develop a series of niche activities.

In addition to Private Banking, over the last few years the Luxembourg market has specialised in the undertakings for collective investment (UCI) industry, in which our Bank is also active, both directly and through its subsidiary, EFA.

2005 was an exceptional year for the investment fund sector, the net assets of which grew by more than 37.8% over 12 months. The net capital contribution of investors more than doubled by comparison with the previous year, to EUR 236 billion, compared with EUR 100 billion in 2004. During the year, Luxembourg was able to wrest first place in Europe from France, and today represents the second market in the world for investment funds, after the United States.

The law introducing the venture capital investment company (*Société d'Investissement à Capital Risque*, or SICAR), approved in June 2004, also began to bear fruit in 2005, with the registration of more than 30 investment vehicles of this type during the year.

In the field of pension funds, since 2004, Luxembourg has offered the possibility of including several pension funds belonging to the same group within the same investment fund, while benefiting from favourable tax regulations. Kredietrust, our subsidiary, was also the first to launch such an investment fund for the Suez-Tractebel group, which established its "pension pooling vehicle" in Luxembourg, leading us to hope that this sector will develop favourably in the future.

On regulatory issues, 2005 will be remembered for the compliance of UCITS with the so-called "UCITS III" directives, and in particular, the acceleration of these adaptations under the impetus of the CESR ("Committee of European Securities Regulators"), which notably introduced the simplified prospectus on 30 September 2005 and required legal adaptations relating to compliance with the "products" directive to be implemented by 31 December 2005.

Following the example of the Luxembourg market, 2005 was a record year for the UCI vehicles domiciled with KBL. We were able to break two EUR 10 billion barriers during 2005, by exceeding EUR 30 billion in assets under management in February and EUR 40 billion in November. The year 2005 thus ended with a record volume of EUR 42.4 billion, representing growth of over 47% relative to the preceding year.

The number of sub-funds registered a net increase of 75, representing a 14.73% expansion, or practically double the rate of increase of the Luxembourg market (+7.88 %).

General balance sheet developments

At the end of the 2005 financial year, total assets amounted to EUR 24.2 billion, a figure some 2.3 billion below that of 2004. The asset structure experienced a substantial reduction in treasury bills with partial reinvestment of funds in the interbank market. On the liabilities side, deposits from banks fell substantially due to the selective reduction of repo liabilities. The Bank maintains a particularly comfortable liquidity situation.

Holdings, shares in associated companies and equity portfolio

The item “Shares in Associated Companies” rose by more than 10% in 2005, from EUR 1.28 to EUR 1.41 billion. This increase is the consequence of the acquisitions of Financière Groupe Dewaay S.A. and of Effectenbank Stroeve, of the acquisition of the stake of Banque Continentale du Luxembourg in KBL Bank Ireland and of the strengthening of capital in KBL France and KBL Beteiligungs AG. These events more than compensated for the absorption by KBL on 1 January 2005 of Banque Continentale du Luxembourg.

Increase in net interest income and net commissions

Net interest income rose by more than 6% due to the positive effect of financing rates in foreign currencies for certain assets.
Developments in net commissions were particularly positive, with an increase of over 45% compared with the previous financial year.

Growth in dividends

Equity-related revenues increased by 44.8%. Dividends received by subsidiaries rose by more than 47%.

Income from financial operations and other operating income

The income figure rose by more than EUR 15 million, influenced by substantial capital gains on the equity portfolio.

Control of general expenses

A reduction in general expenses was achieved for the third consecutive year, despite the absorption during 2005 of Banque Continentale du Luxembourg staff, decreasing this year by around 3%.

Continuation of a prudent provisioning policy

The Bank maintained a prudent provisioning policy, making in particular a one-off provision plus a Deposit Guarantee Association Luxembourg *(Association pour la Garantie des Dépôts Luxembourg)* provision.

Exceptional results

The Bank updated its early retirement provisions in accordance with new parameters known on 31 December 2005, on this occasion reversing provisions of EUR 28 million.

A 10.7% increase in net income

In total, despite a prudent provisioning policy, net income rose by 10.7% to EUR 208.4 million, by virtue of a 48% increase in banking income.

Annex I: Corporate governance risks

1. LEGAL RISK

At the parent company level, legal risk is managed by the Legal Department.

This Department's main function is to provide legal guidance and advice. All areas of the Bank may consult its legal experts on any national or international legal matter. The Department's legal experts also provide support to sales staff in their client contacts, so ensuring that they have the best possible understanding of customer needs and are thus able to resolve any problems that may arise.

Other key activities of the Legal Department include examining and drawing up agreements, legal analysis of planned operations, advice on acquisitions, reviewing and updating the Bank's standard documents, and managing any legal disputes that may arise.

As the Group has expanded, the Legal Department has also on numerous occasions acted on behalf of subsidiaries, either directly or through lawyers working for subsidiaries, with whom the Legal Department maintains regular contact.

2. REPUTATION RISK (COMPLIANCE)

The KBL & Group Compliance division mainly manages reputation risk.

Compliance is responsible for implementing all measures designed to prevent the Bank and the Group from suffering damage or loss, whether financial or otherwise, due to a failure to comply with regulations in the broad sense. The main tasks in this area are identifying compliance risks, organisation, control, corrective measures, internal reporting and communication with the public prosecutor and CSSF on money-laundering and insider trading matters.

In the past year Compliance in the Bank has been fully in line with the stipulations of CSSF Circular 04/155. The main thrust in 2005 was in the areas of money laundering, the fight against terrorism, investor protection, abuse of markets and ethics, all of which are considered priorities for Compliance.

The work on regularising customer files continued, transaction monitoring tools were refined and procedures were adapted to CSSF Circular 05/211 on the fight against money-laundering and the financing of terrorism.

Following appropriate training courses and the definition of an official anti-fraud policy, Compliance Manuals for different jobs (account officer and manager/analyst) were distributed to the staff concerned.

Checks for protecting the investor were increased. An excellent communication tool, the Division's Intranet site has been considerably developed. Numerous advisory, preventive and audit actions have been expedited, not only at KBL in its capacity as a Luxembourg bank, but also and above all for the KBL *epb* network, with the Bank thus acting in its role as parent company.

It was essentially the network Compliance control activity that predominated in the year elapsed, with some 30 tests being conducted by the KBL & Group Compliance Division at companies belonging to the KBL *epb* network to ensure their compliance not only with local regulations but also CSSF Circulars applicable to them and with the network standards. These activities gave rise to recommendations and action plans that are followed up regularly. In addition, training was provided in Luxembourg and several Group subsidiaries. The Group Compliance Officers had the opportunity to exchange views on market abuses while preparing for the entry into force of the European Directive during the

"Compliance Days", an annual event which enables each member to keep their information up-to-date.

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 *epb* group.

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 Credit Committee or one of the other competent bodies designated under the delegation of authority agreed by the Executive Committee in accordance with 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 at both the parent company and all subsidiaries of KBL *epb*.

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 example:

- all loan proposals must comply with the counterparty or country limits established by the Executive Committee, to avoid any excessive concentration in this respect. Sector concentration is also re-examined each time a new loan proposal is made. Concentrations are monitored at consolidated level, i.e. taking our subsidiaries' commitments into account;
- in addition, each new loan proposal is accompanied by a financial analysis carried out by an independent firm that examines the borrower's financial information in order to evaluate its merits, independently of possible analyses provided by external rating agencies;
- lastly, the parent company has ensured a separation of tasks between the bodies empowered to authorise the granting of loans, the departments responsible for contractual matters, those responsible for making funds available and booking loans and those in direct contact with the borrower.

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 breaches of credit or drawing limits and instances of insufficient cover for loans backed by securities, allowing for rapid implementation of appropriate corrective measures;
- automatic tracking of changes in the ratings of externally-rated borrowers.

Various measures have also been set in place to minimise the risk of portfolio deterioration.

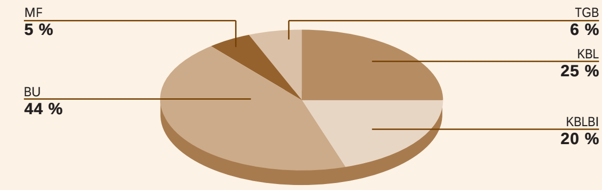
These include:

- any loan debtor at risk is subject to at least an annual review based on its financial statements and if the deterioration of certain items is noted one-off reviews may be conducted 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 prepared 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 Credit Committee and, in most cases, to the Executive Committee.

CONSOLIDATED LOAN PORTFOLIO - BREAKDOWN BY GROUP COMPANY



3. COMPOSITION OF LOAN PORTFOLIOS

To analyse the distribution of our credit risks, we examine the composition of the loan portfolios of the main Group companies active in lending. The "consolidated" figures given below include the outstandings of KBL, KBL Bank Ireland, Merck Finck, Banco Urquijo 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), Banca Fumagalli Soldan and Puilaetco Dewaay Private Bankers, are excluded from the scope of this analysis, since either they do not actively lend (or not to a significant extent), or 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. In particular, the loan activities of our British subsidiary Brown Shipley were redefined over the year and are now exclusively concentrated on loans accompanying private banking operations.

KBL *epb* loan activity has been deliberately reduced since 2000. After another significant drop in 2004, the loan portfolio was just EUR 7.3 billion as at 31 December 2005. This corresponds to a decrease of around 4% on the end of 2004.

The credit commitments of KBL and KBLBI, mainly high-quality externally-rated liquid international loans, make up 45% of the consolidated portfolio.

At Banco Urquijo, a very precise action plan was introduced in 2004, allowing a reduction in our subsidiary's loan portfolio by more than EUR 500 million, especially in corporate loans. At the end of 2005, Banco Urquijo's commitments were EUR 3.2 billion and thus constituted 44% of the outstanding consolidated credit. Their slight increase, of around 3%, is due to Private Banking loans.

Merck Finck has been voluntarily scaling down its lending activities since 2000 to prioritise loans accompanying Private Banking activities. Its lending policy and decision-making procedures have been reviewed in this framework. Since the end of 2000, Merck Finck's portfolio has shrunk by 75%. In 2005, it remained stable at around EUR 410 million, or 5% of the consolidated portfolio concerned.

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.

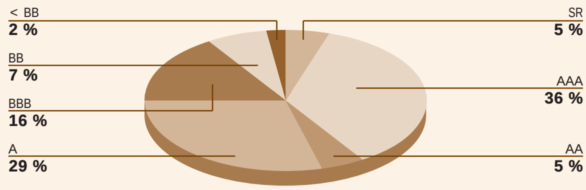
At the end of 2005, Theodoor Gilissen's share in the consolidated portfolio had risen slightly to 6%, due to acquisitions made during the year by our Dutch subsidiary (Effectenbank Stroeve and the Private Banking portfolio of Deutsche Bank in Holland).

3.1 *Breakdown by rating*

Investment grade securities make up more than 86% of the international securities portfolio held at KBL and KBLBI and another 5% 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.

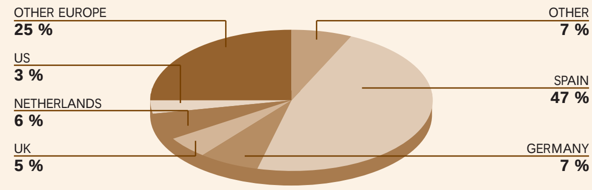
KBL + KBLBI - PORTFOLIO OF INTERNATIONAL SECURITIES-
BREAKDOWN BY RATING



3.2 *Breakdown by region*

Borrowers from Europe make up 90% of the consolidated portfolio. US accounts make up 3%, with only 7% from other geographic zones.

CONSOLIDATED LOAN PORTFOLIO -
BREAKDOWN BY REGION



3.3 *Breakdown by economic sector*

The loan portfolio has a wide sectoral diversification. Only three sectors account for more than 10%: the service sector (including various sub-sectors), private individuals (where loans are guaranteed) and the banking sector (which traditionally has a fairly low risk profile).

Specific loan provisions

Below, we list specific provisions established in respect of the consolidated loan portfolio as at 31 December 2005, as well as the changes in these provisions over the course of 2005.

As at 31/12/2005 (in EUR million)	Gross loans	Specific loan provisions	Net loans
More than 90 days overdue	102,723	71,327	31,396
Restructured country loans (inherited from the past)	33,200	10,226	22,974
Other doubtful debts	33,779	6,604	27,175
All doubtful and non-performing loans	169,702	88,157	81,545

	Percentage loss on consolidated loan portfolio
FY2005	0.05 %
Average 2001-2005	0.15 %

SPECIFIC LOAN PROVISIONS (EUR million)

Total provisions at start of period	116.08
Transfers from income statement	
Increase in provisions	+11.18
Reduction in provisions	-34.26
Applications	-9.25
Adjustments for exchange-rate variations	4.41
Total provisions at end of period	88.16

The loan loss ratio, defined as the net variation of specific and general provisions in the average loan portfolio over the year, was zero, as in 2004.

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 the KBC Group, which has chosen the standardised method under Basel II/CAD III 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 KBL *epb* has modified its organisational structure in order to adapt it to that of KBC Group, the parent company of KBL *epb*, specifically in relation to the "Value & 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 in the scope of authority.

Accordingly, Group Risk Management now comprises two (and not three) units:

- the Risk Management Unit (which absorbed the Risk Control Unit); 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 (Asset & Liability Management) risk, see Annex 1;
- management and control of Market Risk, see Annex 2;
- in the area of Credit Risk (see Annex 3):
  - 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;
- reporting for the monitoring of risks falling within its area of competence, both for subsidiaries to the parent company in Luxembourg and for KBL *epb* (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.

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, see Annex 4;
   - 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 KBL *epb*. 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 be continued in 2006.

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 credit 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 *epb* groups, from a strategic, tactical and operational perspective, focusing its actions around four points: methodology, prudential consolidation of risks, control and reporting.

The ALM division of the Risk Management Unit plays a predominant role in the endorsement and continuous improvement of the 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 *epb* 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 Consolidation of Risks

- Compliance of ALM structures with the policy of the KBC/KBL *epb* 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 Control Activities

For Investment Portfolios:

- Monitoring of limits;
- Matching of front-back positions;
- Matching of accounting vs. non-accounting results;

- Observance of investment criteria;
- Renewal of financing.

2.4 Reporting Activities

- Development, analysis and endorsement of reports submitted to ALMAC, to the KBL Executive Committee, to regulators and to the KBC Group.
- Development of methodological applications relating to:
    - Liquidity risk (see below): liquidity gap, maximum cash outflow (MCO), etc.;
    - 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.

In order to comply with the general policy of KBC Group with regard to ALM (portfolios, limits and calculation of liabilities), in 2005 the ALM division implemented a programme that will continue in 2006 and aims to:

- adapt our current IT architecture;
- identify elements of the different blocks in the accounting system (reliable basis); and
- develop a tool for processing this data using the ALM methods to be applied (BPV, VaR, replicating portfolios, fund transfer pricing, gap analysis, MCO, etc.).

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

2.5 Sensitivity of ALM positions

ALM activities (EUR million)	BPV – Transformation position
Average, Q1 2005	3.65
Average, Q2 2005	4.49
Average, Q3 2005	5.80
Average, Q4 2005	6.28
End 2005	5.95
Maximum in 2005	6.49
Minimum in 2005	3.42

2.6 Measurement of liquidity risk as at 31 December 2005

MCO simulation allows the period to be determined (considering the first 15 business days) during which the Bank can meet its liquidity obligations without a new inflow of funds arising from group assistance or interbank loans. This simulation does not involve envisaging a liquidity problem for the market in general but a persistent problem for the Bank itself.

Two approaches are envisaged for this exercise: a “contractual” one and a “behavioural” one. The second approach is less “catastrophic” but also more realistic than the contractual version.

In general, four lines of liquidity are identified:

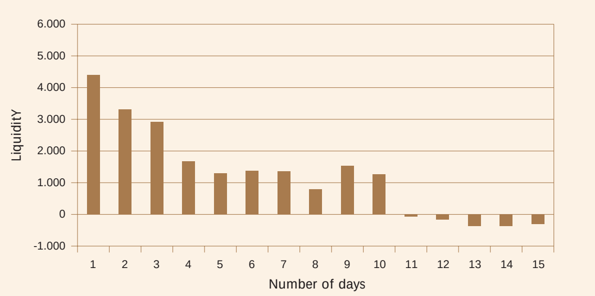
1. firstly, the fact that the Bank is a net lender in the markets, also taking into account a strategic liquidity portfolio;
2. secondly, bond and T-bill portfolios, which can be converted into liquid assets using repos and/or re-sales;
3. the third source, the SAS/FRN portfolio, which can be converted into liquid assets by the same means; and last but not least;
4. the potential assistance of KBC.

We can then simulate a liquidity crisis, assuming that the Bank can not borrow in the markets nor count on the assistance of its majority shareholder (fourth line of liquidity).

Without going into more detail regarding the assumptions considered for client behaviour and the sources of liquidity that the Bank uses, the cash inflows and outflows obtained graphically are as follows:

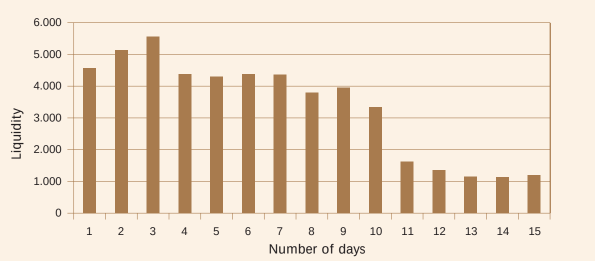
Survival period (on 27 December 2005) in the case of the contractual approach.

SURVIVAL PERIOD (in EUR million)



Survival period (as of 27 December 2005) in the case of the behavioural approach.

SURVIVAL PERIOD (in EUR million)



As the graph shows, under simulated catastrophe type conditions KBL can deal with the liquidity problem simulated over 10 business days in the case of the contractual approach.

The behavioural approach also gives a result of at least 15 business days under the less catastrophic conditions of this simulation, with a more comfortable liquidity level.

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.

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

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

Each subsidiary reports to its parent, which consolidates the exposure before reporting it to the WRB (see 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 continuously increasing its role as preferential counterparty to its group subsidiaries (Hub concept), and is constantly improving its controls and the monitoring of its positions.

In complete compliance with prudential regulations in effect, the Executive Committee has for several years defined currency lines, introduced precise internal limits and attributed specific authority to different operators. KBL *epb*'s general policy prohibits any positions on the appreciation or depreciation of any currency beyond pre-established limits. The mission of Group Risk Management is to consolidate exposure on a daily basis and report it to the WRB (see 3.2.- Market Risk Management below).

3.1.3. Securities activities

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. The Group's subsidiaries, which act directly in their domestic markets when 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 (see "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.

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

Orders above a certain size are handled, on the request of those placing the orders, by a team of traders. In all 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 banks' general management teams, to ensure compliance with the rules established in the scope of authority of the Group Risk Management department. This department also reports on the subsidiaries' positions to the management of the parent company.

3.1.4. Liquidity risk linked to activities

The Bank is a net lender in 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 methodology, the Bank carries out repeated simulation exercises (of the Maximum Cash Outflow [MCO] type) on its degree of liquidity (see Annex 1).

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 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 four points: methodology, prudential consolidation of risks, control 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 KBL Group on the basis of those in effect within 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 of the 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 consolidation of risks

- 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 Control

For the Money Markets, Capital Markets, Derivative Markets and Collateral Management divisions:

- Monitoring of internal limits;
- Matching of front-back positions;
- Matching of dealing room-accounting results;
- Observance of investment criteria;
- Observance of stop loss limits;
- Observance of authority of operators.

3.2.4 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).

In order to adapt to the overall KBC Group policy regarding Market Risk (activities, portfolios, limits, calculations of liabilities), in 2005, the Market Risk division implemented a programme that will continue during 2006 and aims for:

- the development of the automatic and daily transfer of KBL Group positions according to a relevant format and nomenclature (in the sense of risk management) consistent with the demands of KBC; and
- the application by KBL *epb*, to its consolidated positions, of KBC's methods, in order to determine and manage internally the risks of the group and of its individual subsidiaries. This second point aims to guarantee the visibility of KBL regarding the risk indicators provided by KBC, while keeping the management of risks in Luxembourg, in line with our "Hub" approach.

Finally, it is worth noting that the KBL Group is represented on the Market Risk Committee of KBC Group.

VaR positions for trading activities

The Executive Committee of KBC Group granted KBL (Decision No 104 of 2 November 2005) a 10-day 99% VaR limit with a one-year history of EUR 30 million for trading activities.

The overall VaR liability for these activities was less than EUR 19 million as at 31 December 2005.

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 on points: methodology, prudential consolidation of risks, control 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 KBL *epb*. 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 KBL *epb* based on those in effect within 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 Consolidation of Risks

- 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 overshoots 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 the overall KBC Group policy relating to Counterparty/Country risk, in 2005 the Counterparty/Country division launched a programme that will continue in 2006 and aims for:

- the development of methods and systems for KBL *epb*, 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 *epb* subsidiaries;
- the creation and implementation of reports according to KBC Group standards.

Furthermore, the RMG contributes, in methodological terms, to the IRB project (Basel II).

Lastly, it is worth noting that KBL *epb* 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/CAD III. 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 IML (Luxembourg Monetary Institute) 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 overseeing administrative order processing;
- managers' checks of all activities and functions falling under their direct responsibility; and
- 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 input of operations is exhaustive and is conducted as close as possible to the place where initiated, with double or if applicable triple levels of participation in the input (input-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 IML Circular 96/126 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 production 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 operational site are simultaneously copied onto disks at the back-up site.

Similar facilities 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 be switched rapidly to the back-up site. The procedures for effecting this switch are tested twice a year.

Lastly, this IT back-up plan, which was fully installed in 2004, 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, CAD III and Basel II) intended to introduce a new regime relating to the adequacy of shareholders' equity 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 a word, banks may use insurance cover for certain operational risks to reduce the equity due to be assigned to them.

All in all, this association is logical, with traditionally insurable risks largely corresponding to the definition given for operating risk. The fact that these two areas have been integrated within the one single Group Insurance and Operational Risk Unit shows the importance attached by the Bank to this complementarity.

The placing in parallel of these two issues allows the group to structure its approach better depending on the ties woven between insurance and operational risk. The resulting optimisation applies both to the analysis and evaluation of the risks and to the economic benefit made possible in the above-mentioned regulations.

From a general and structural point of view, when insurance coverage is required:

- the risk is transferred into market policies (from KBC Group or directly) and/or into our 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.

The Bank takes explicit note in its approach of low frequency high severity losses / high frequency low severity losses, both in the systematic study of insurable and retainable risks and within the framework of the methodological approach. The inevitable analytical synergies between insurance policies, operational risk and the BCP are included in this philosophy and contribute to defining our overall approach.

We lastly note that the management of our insurance is dynamic and that the group programme evolves in accordance with needs (e.g. the emergence of new risks), development of activities, the group's geographical expansion and market conditions. We seek equilibrium between the retention and transfer of risk in order to optimise the relationship between the scope of coverage and its cost.

5.4 Methodological Aspects

The new demands in terms of minimum equity require that particular attention be given to the analysis and evaluation of operating risk.

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/CAD III. 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 *epb*).

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 *epb* Internal Audit and with local Audits.

5.6. Loss Event Reporter (LER)

KBL *epb* has established 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 *epb* Management has been compiling highly detailed RSAs 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.

As a consequence, the KBL *epb*'s RSA agenda corresponds to the Audit Plan. Group Risk Management has undertaken the analysis of the "Risk/Control" matrices and will take part in the RSA exercise if it considers that:

- updates are necessary;
- the frequency and/or severity need(s) to be evaluated more precisely;
- the creation of a Key Risk Indicator (KRI, cf. below) would aid in monitoring the risk more closely.

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 *epb* 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 KBL *epb*.

5.10. Key Risk Indicators (KRI)

These are predictive parameters that allow 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.

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 in a reliable way;
- 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 (IRS and CCIRS) are valued at fair value with changes in fair value recorded in the income statement;
- the profit or loss on the hedged element attributable to the hedged risk adjusts the net value of the hedged element 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 part for unhedged risks (recognised in the revaluation reserve in equity).

2. QUANTITATIVE INFORMATION AS AT 31 DECEMBER 2005

As at 31 December 2005, the fair values of the instruments designated in hedge relationships were as follows:

31 DECEMBER 2005 (EUR million)

	ASSETS	LIABILITIES
HEDGED INSTRUMENTS		
Bond portfolio	2,346.3	
Bond issues		1,160.3
HEDGING INSTRUMENTS		
Swap derivatives	112.3	118.3

PROPOSED 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 2005 was:	
	208,435,878.24
Balance carried forward	554,402.71
Profit to be distributed	208,990,280.95
Pursuant to legal and statutory provisions, we propose to allocate this profit as follows:	
Statutory reserve	-
Dividend	137,523,702.86
Board of Directors	1,552,000.00
Reserve for reduction of wealth tax	11,125,000.00
Voluntary reserve	58,500,000.00
Carried forward	289,578.09
	208,990,280.95

Subject to approval of this allocation and on the basis of a gross dividend of EUR 6.765 per share, a net dividend of EUR 5.412 will be payable at our branches from 27 April 2006 onwards, upon submission of Coupon No. 9 of the 18 353 387 common company shares and Coupon No. 8 of the 1 975 320 non-voting company preference shares in existence on 31 December 2005.

COMPOSITION OF THE BOARD OF DIRECTORS

At its meeting on 14 September 2005, the Board of Directors co-opted Mr Jacques Peters, a member of the Executive Committee as a director, replacing Mr Antoine D'Hondt who resigned from his position, having reached retirement age. We propose that the Meeting confirms the choice of this director. Mr Jacques Peters will complete the mandate of Mr Antoine D'Hondt, which expires in 2009.

Following the retirement on 31 December 2005 of Mr Franz Jakobs, director representing staff, Mr. Mathias Rauen has been designated to replace him. He will complete his mandate, which expires in 2007, as director representing staff.

Subject to the approval of the CSSF, required by the Law on the Financial Sector, the Board of Directors appoints Mr Frans Florquin, Managing Director of KBC Bank, and Mr Herman Agneessens, Managing Director of KBC Bank, as directors for a term of six years. It will be proposed to the Meeting that the choice of these directors be confirmed.

The Meeting thanks the departing directors for their valuable collaboration over the years during which they took part in the work of the Board of Directors.

Luxembourg, 23 February 2006

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, we have audited the attached consolidated accounts of Kredietbank S.A. Luxembourgeoise for the year ended 31 December 2005 and have read the related management report. The consolidated accounts and management report are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated accounts based on our audit and to verify the consistency of the consolidated management report with these accounts. These consolidated accounts have been drawn up for the first time in accordance with International Financial Reporting Standards (IFRS) as adopted within the European Union. For comparative purposes they include 2004's figures restated in accordance with the same rules, except for IAS 32, IAS 39 and IFRS 4 which, in accordance with the option offered by IFRS 1 have only been applied by the bank since 1 January 2005.

We conducted our audit in accordance with international auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated accounts. It also includes assessing the accounting principles used and significant estimates made by the Board of Directors in preparing the consolidated accounts, as well as evaluating the overall presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated accounts give, in conformity with the IFRS benchmark as adopted within the European Union, a true and fair view of the assets, liabilities and financial position of Kredietbank S.A. Luxembourgeoise as at 31 December 2005 and the consolidated results of its operations for the year then ended.

The consolidated management report is consistent with the consolidated accounts.

DELOITTE S.A.
Auditor
Stéphane Césari
Partner

14 March 2006

CONSOLIDATED ACCOUNTS

CONSOLIDATED IFRS BALANCE SHEET

in EUR million, as at 31 December

ASSETS	NOTES	2004	2005
Cash and balances with central banks	15	179	869
Treasury bills and other bills eligible for rediscounting with central banks	15	5,918	1,179
Loans and advances to banks	15, 16, 18	11,976	12,088
Loans and advances to customers	15, 17, 18	4,609	4,093
Securities	15, 19	7,692	7,192
Derivatives	15, 20	-	453
Accrued income		551	748
Other assets	21	451	717
Tax assets	22	98	81
Investments in associated companies	23	6	9
Goodwill and other intangible fixed assets	24, 25	126	288
Property and equipment	26	330	316
Investment property	26	11	10
TOTAL ASSETS		**31,946**	**28,044**

NB: the reference figures for 2004 are not fully comparable with those of 2005 since, pursuant to the option offered by IFRS 1, IAS 32 and IAS 39 have only been applied by KBL *epb* from 1 January 2005.

CONSOLIDATED IFRS BALANCE SHEET

in EUR million, as at 31 December

LIABILITIES	NOTES	2004	2005
Deposits from banks	15, 27	13,162	8,197
Deposits from customers and debt securities	15, 28	15,514	15,272
Derivatives	15, 20	-	495
Accrued expense		345	564
Other liabilities	31, 32	639	947
Tax liabilities	22	84	157
Provisions for risks and charges	29	101	96
Subordinated liabilities	30	1,113	1,068
TOTAL LIABILITIES		**30,958**	**26,796**
TOTAL EQUITY		**988**	**1,248**
Equity, group share	*33*	*984*	*1,122*
Revaluation reserve – available-for-sale financial instruments		*-*	*122*
Minority interests		*5*	*4*
TOTAL LIABILITIES		**31,946**	**28,044**

NB: the reference figures for 2004 are not fully comparable with those of 2005 since, pursuant to the option offered by IFRS 1, IAS 32 and IAS 39 have only been applied by KBL *epb* from 1 January 2005.

CONSOLIDATED IFRS PROFIT AND LOSS ACCOUNT

in EUR thousand, as at 31 December

	NOTES	2004	2005
Net interest income	4	181,377	226,136
Dividend income	5	11,150	11,637
Net gains from financial instruments at fair value	6	75,231	8,291
Net realised gains from available-for-sale assets	7	54,961	58,738
Net fee and commission income	8	374,858	447,197
Other income	9	50,034	56,703
GROSS INCOME		**747,612**	**808,702**
Operating expenses	10	-682,021	-563,353
Staff expenses	11	-431,979	-312,727
General administrative expenses		-191,841	-182,156
Other		-58,201	-68,471
Impairment	12	25,969	22,530
Share in the results of associated companies	13	1,989	3,253
PROFIT BEFORE TAX		**93,549**	**271,133**
Income tax expense	14	-30,867	-53,097
PROFIT AFTER TAX		**62,682**	**218,035**
Minority interests		-601	-1,450
NET PROFIT, GROUP SHARE		**62,081**	**216,585**

NB: the reference figures for 2004 are not fully comparable with those of 2005 since, pursuant to the option offered by IFRS 1, IAS 32 and IAS 39 have only been applied by KBL *epb* from 1 January 2005

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR million

	Issued and paid-up share capital	Share premium	Reserve for treasury shares	Revaluation reserve (AFS invest-ments)	Hedging reserve (cash flow hedges)	Consoli-dated reserves	Currency translation differences	**Equity, group share**	Minority interests	**Total equity**
2004										
Balance as at 1/1/2004	**189.0**	**354.6**	**0.0**	**0.0**	**0.0**	**502.4**	**0.0**	**1,046.0**	**27.7**	**1,073.7**
Net profit for the period	-	-	-	-	-	62.1	-	**62.1**	0.6	**62.7**
Dividends	-	-	-	-	-	-120.2	-	**-120.2**	-0.3	**-120.5**
Currency translation differences	-	-	-	-	-	-0.7	0.8	**0.1**	-	**0.1**
Other	-	-	-	-	-	-4.5	-	**-4.5**	-23.5	**-28.0**
Total change	0.0	0.0	0.0	0.0	0.0	-63.2	0.8	**-62.4**	-23.2	**-85.6**
Balance as at 31/12/2004	**189.0**	**354.6**	**0.0**	**0.0**	**0.0**	**439.3**	**0.8**	**983.6**	**4.5**	**988.1**
2005										
Balance as at 31/12/2004	**189.0**	**354.6**	**0.0**	**0.0**	**0.0**	**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 1/1/2005	**189.0**	**354.6**	**-2.9**	**113.5**	**0.0**	**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	0.0	0.0	0.0	122.1	0.0	142.1	-3.7	**260.6**	-0.7	**259.9**
Balance as at 31/12/2005	**189.0**	**354.6**	**0.0**	**122.1**	**0.0**	**581.4**	**-2.9**	**1,244.2**	**3.9**	**1,248.0**

NB: the reference figures for 2004 are not fully comparable with those of 2005 since, pursuant to the option offered by IFRS 1, IAS 32 and IAS 39 have only been applied by KBL *epb* from 1 January 2005.

CONSOLIDATED CASH FLOW STATEMENT

in EUR million, as at 31 December

	2004	2005
Profit before tax	93.5	271.1
Adjustments for:	147.1	82.3
Depreciation and impairment of property and equipment, intangible fixed assets, investment property and securities	*54.1*	*-1.4*
Profit/Loss on the disposal of investments	*-0.1*	*-7.4*
Change in impairment for losses on loans and advances	*-11.2*	*-6.1*
Change in other provisions	*109.0*	*-1.4*
Unrealised foreign currency gains and losses	*-2.7*	*102.0*
Income from associated companies	*-2.0*	*-3.3*
Cash flows from operating profit before tax and before changes in operating assets and liabilities	**240.7**	**353.5**
Changes in operating assets (1)	327.7	-514.3
Changes in operating liabilities (2)	-890.1	-3,305.0
Income taxes paid	-82.5	-40.5
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**-404.2**	**-3,506.3**
Acquisition of subsidiaries or business units, net of cash acquired/disposed of	-214.4	-225.9
Purchase of shares in associated companies	-1.0	-
Proceeds from the sale of investment property	0.1	0.6
Acquisition of intangible fixed assets	-	-16.5
Proceeds from the sale of intangible fixed assets	-	0.7
Purchase of property, plant and equipment	-25.8	-27.7
Proceeds from the sale of property, plant and equipment	2.1	18.7
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**-239.0**	**-250.1**
Purchase/Sale of treasury shares	-	2.9
Issue/Repayment of promissory notes and other debt securities	-213.2	19.5
Proceeds from/Repayment of subordinated liabilities	-41.7	-115.4
Dividends paid	-118.7	-125.2
NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	**-373.6**	**-218.2**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**-1,016.9**	**-3,974.7**

(1) including loans and advances to banks, loans and advances to customers, securities (exclusive securities held to maturity), derivative financial instruments and other assets.

(2) including deposits from banks, deposits from customers and debt securities, derivative financial instruments and other liabilities.

Consolidated cash flow statement

	2004	2005
CASH AND CASH EQUIVALENTS AS AT 1/1	**7,352.2**	**6,340.3**
Net increase/decrease in cash and cash equivalents	-1,016.9	-3,974.7
Effect of exchange rates on cash and cash equivalents	4.9	-4.5
CASH AND CASH EQUIVALENTS AS AT 31/12	**6,340.3**	**2,361.0**
ADDITIONAL INFORMATION		
Interest paid	-1,806.9	-2,083.9
Interest received	1,944.1	2,348.4
Dividends received (including equity method)	11.1	11.3
COMPONENTS OF CASH AND CASH EQUIVALENTS	**6,340.3**	**2,361.0**
Cash and balances with central banks (including legal reserve with the central bank)	238.5	931.9
Treasury bills and other bills eligible for rediscounting with central banks	5,921.3	1,179.8
Loans and advances to banks repayable on demand	298.8	704.9
Deposits from banks repayable on demand	-118.3	-455.5
Of which: not available (3)	309.1	335.7

(3) Cash and cash equivalents balances 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,...).

NB: the reference figures for 2004 are not fully comparable with those of 2005 since, pursuant to the option offered by IFRS 1, IAS 32 and IAS 39 have only been applied by KBL *epb* from 1 January 2005.

NOTES TO THE CONSOLIDATED ACCOUNTS

Note 1 | General

KBL Group European Private Bankers (hereafter referred as "KBL *epb*") 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 that contributes in any way whatsoever to the achievement of its corporate purpose.

KBL *epb*'s parent company is Kredietbank S.A. Luxembourgeoise (hereafter referred as "KBL"), a limited company *(société anonyme)*, incorporated and domiciled in the Grand Duchy of Luxembourg whose registered office is as at 43, boulevard Royal, L-2955 Luxembourg.

KBL *epb* belongs to 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, financial 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. The Group has also selectively developed a presence in certain other countries and regions across the world.

Note 2a | Statement of compliance

The consolidated accounts presented in this report were approved by the Board of Directors of KBL *epb* on 23 February 2006.

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.

The 2005 consolidated accounts for KBL *epb* include an IFRS-compliant business year (2004) for comparison. Nonetheless, for financial instruments, this comparative information does not comply with IAS 32 and IAS 39, as allowed under exemptions under IFRS 1. Lux GAAP rules apply to the comparative figures for financial instruments (there is a brief description of Lux GAAP in Note 2c).

KBL *epb* qualifies as a "first-time adopter of IFRS" in 2005. The adjustments linked to the first-time adoption of IFRS are reflected in the opening balance sheet as at 1 January 2004, except for items related to IAS 32 and IAS 39 which are reflected in the opening balance sheet as at 1 January 2005. The main differences between the IFRS and Lux GAAP are given in Note 2c.

When drawing up the opening IFRS balance sheet as at 1 January 2004, KBL *epb* used several exemptions as allowed under IFRS 1:

- Business combinations before 1 January 2004 have not been restated;
- All cumulative actuarial gains and losses on all defined benefits plans are recognised in equity as at 1 January 2004, although the corridor approach is used afterwards;
- Cumulative translation differences as at 1 January 2004 are deemed to be zero.

Note 2b | Main accounting methods

a. *Consolidation criteria*

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

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

KBL uses a multi-currency accounting system under which all transactions are recognised in the original foreign currency on the day on which the contract is concluded.

In preparing the annual accounts, assets and liabilities in foreign currencies are translated into EUR. Monetary assets and liabilities denominated in foreign currencies are translated at the spot rate at the balance sheet date and translation differences are recognised in profit or loss. 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, 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 31/12/2005 1 EUR = ... CUR		**Change versus as at 31/12/2004**
CHF	1.5551	0.79%
GBP	0.6853	-2.81%

AVERAGE EXCHANGE RATE IN 2005 1 EUR = ... CUR		**Change versus as at 31/12/2004**
CHF	1.54838	0.29%
GBP	0.68386	0.64%

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*

All financial assets and liabilities – including derivatives – must be recognised in the balance sheet according to 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 in 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. 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 are valued in the same way as held-for-trading assets, even if there is no intention of short-term profit-taking.

- *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 with the intention of repurchasing them in the short term. All liability 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.

KBL applies the following general rules:

- *Securities*

  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 or available-for-sale assets. The management of KBL *epb* has decided not to use the held-to-maturity category.

  Securities classified at initial recognition as financial assets at fair value through profit and loss, 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 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.

Impairment losses are recognised if there is evidence of impairment at the balance sheet date. The impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

- *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, 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 replacement value are recorded on the asset side of the balance sheet; those with a negative replacement value on the liability side.

- *Embedded derivatives.*

  Derivatives contained in financial instruments that are not measured at fair value through profit and loss 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 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.

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.

Purchases or sales of financial assets are recognised at the settlement date, which is the date that an asset is delivered. Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as the acquired asset is accounted. In other words, the change in value is not recognised for assets carried at cost or amortised cost; is recognised in profit or loss for assets classified as financial assets at fair value through profit or loss and is recognised in equity for assets classified as "available-for-sale".

In case of sales, assets are measured at the selling price during the period between the trade date and the settlement date.

Following the derecognition principles of IAS 39, KBL maintains lent securities in security portfolio while borrowed securities are not be recognised in the balance sheet. Similarly, securities under repurchase agreements are maintained in security portfolio while securities under reverse repurchase agreements are not recognised in the balance sheet.

d. Goodwill and other intangible assets

Goodwill arising on consolidation 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 acquired and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill on consolidation is not depreciated but is tested for impairment.

An impairment loss is recognised if the carrying amount of the goodwill exceeds the recoverable amount. The recoverable amount is estimated using 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 re-estimation 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.

A client portfolio is not depreciated, but is tested for impairment in the last quarter of the financial year. 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 deduced from similar transactions, if available.

If the capitalisation criteria are met, 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. Internal and external 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 initially recognised at cost.

Property and equipment whose use is limited in time are depreciated by the straight-line method over their useful life (period over which the asset is expected to be available for use).

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

Whether or not its use is limited in time, property must be impaired, if the impairment is lasting. An impairment must be recognised if the carrying value exceeds the recoverable value (i.e. the higher of the asset's value in use and its net selling price).

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 remaining 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.

g. *Pension expenses and liabilities*

In addition to the 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 according to 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 five years maximum.

- the current value of the defined benefit obligation at the balance sheet date (before deduction of plan assets) and
- fair value of the plan assets at the balance sheet date.

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 in effect on the realisation of the assets or settlement of the liabilities, on the basis of the tax rates which have been adopted or almost adopted at the date of the balance sheet.

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 likely than unlikely 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 the IAS 32 rules.

- 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".

Note 2c | Reconciliation of Lux GAAP – IFRS

Lux GAAP refers to Luxembourg legal and regulatory requirements (in particular the law of 17 June 1992 on credit institutions' financial accounts and the *"Recueil des banques"* - Luxembourg Banking Regulations) and to the accounting principles generally accepted in the Luxembourg banking sector.

A. Reconciliation Lux GAAP – IFRS (excluding IAS 32 and IAS 39)

Below, the net profit and equity under IFRS (excluding IAS 32 and IAS 39) are reconciled with the comparable figure under Lux GAAP. (in EUR million)

Net profit	Explanation of main differences (ref. to text below)	**01/01/2004**	**31/12/2004**
Profit according to Lux GAAP			205.7
Depreciation of goodwill	d		1.9
Employee benefits	a		-1.2
Tangible – Intangible fixed assets			2.6
Provisions for risks and charges	b		-142.9
Deferred taxes	e		10.0
Other			-14.1
Profit according to IFRS			62.1
Equity, group share			
Equity, group share, according to Lux GAAP		1,082.1	1,034.0
Employee benefits	a	-41.8	-42.4
Tangible – Intangible fixed assets		-3.5	-0.3
Provisions for other risks and charges	b	156.9	16.7
Deferred taxes	e	-12.7	-4.1
Other		-134.9	-20.3
Equity, group share, according to IFRS (excluding IAS 32 and IAS 39)		1,046.0	983.6

B. Reconciliation IFRS (excluding IAS 32 and IAS 39) – IFRS (including IAS 32 and IAS 39)

Below, the equity figure under IFRS excluding IAS 32 and IAS 39 is reconciled with the comparable figure under IFRS including IAS 32 and IAS 39. Furthermore, for a selection of balance sheet items, figures excluding and including IAS 32 and IAS 39 adjustments are provided. (in EUR million)

Equity, group share	Explanation of main differences (ref. to text below)	**01/01/2005**
Equity, group share, according to IFRS (excluding IAS 32 and IAS 39)		983.6
Treasury shares	h	-2.9
Revaluation reserve (available-for-sale financial assets)	f	162.6
Fair valuation of financial instruments	f, g	79.0
Credit provisioning		2.9
Deferred tax		-73.6
Equity, group share, according to IFRS (including IAS 32 and IAS 39)		1,151.5

Selected balance sheet items	**31/12/2004 excl. IAS 32 / 39**	**01/01/2005 incl. IAS 32 / 39**
Loans and advances to banks and customers	16,585	15,120
Securities	7,692	7,454
Derivatives (assets)	-	573
Deposits from banks and customers	28,676	26,670
Derivatives (liabilities)	-	478

Main differences between Lux GAAP and IFRS (excluding IAS 32 and IAS 39)

a) Employee benefits

Under IFRS, obligations under defined benefit plans are calculated using the projected unit credit method. The calculation takes into account different assumptions concerning inflation, increases in pay and pension, etc. Future cash outflows are discounted using the long-term interest rate. Any excess or deficit pension obligations have to be recognised on the balance sheet. Lux GAAP do not lay down detailed rules about calculating long-term pension commitments. Excess or deficit pension obligations are not recognised on the balance sheet.

b) Provisions for risks and charges

Provisions can only be recognised pursuant to IAS37 when an enterprise has a present obligation as a result of a past event, and it is probable that benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Lux GAAP do not require a present obligation to recognise provisions: they can be recognised to cover clearly defined future losses or costs that are probable or certain at balance sheet date but the amount of which cannot be determined exactly. Therefore, certain provisions recognised under Lux GAAP cannot be maintained under IFRS.

c) Scope of consolidation

A significant change relates to the scope of consolidation: all entities controlled by KBL or in which KBL has significant influence should be included in the scope of consolidation pursuant to IAS 27, IAS 28 and SIC12 (when they exceed the materiality limits). Materiality limits are based on the following criteria : group share in own funds, group share in the result and balance sheet total plus off-balance sheet rights and commitments that qualify for calculation of the CAD ratio. Exemption criteria under Lux GAAP are more permissive. For example, a subsidiary may be excluded from consolidation under Lux GAAP because its business activities are dissimilar from those of the other entities within the group while this is not permitted under IFRS.

d) Depreciation of goodwill

Goodwill cannot be depreciated under IFRS 3. An impairment test has to be performed annually, even if there is no indication of impairment. Under Lux GAAP, treatment of goodwill is as follow:

- until 1999, all goodwill was depreciated;
- from 1999, goodwill arising on consolidation was deducted from consolidated reserves and goodwill acquired on valuable consideration was fully depreciated at the acquisition.

e) Deferred taxes

IAS12 requires recognition of all deferred tax liabilities due to taxable temporary differences. Deferred tax assets can be recognised for the carry-forward of unused tax losses and unused tax credits if it is probable that future taxable profit will be available against which the unused tax losses and unused tax credit can be utilised. Under Lux GAAP, deferred tax assets and liabilities were recognised on a less systematic basis.

Main differences between Lux GAAP and IAS 32 / IAS 39

f) Fair value of financial instruments

Under IAS 39, available-for-sale instruments are measured at fair value. Fair value changes are recognised in equity until the disposal or impairment of the investments, in which case the cumulative revaluation result will be reported in net profit or loss.

Under Lux GAAP, instruments in the investment portfolio are measured at cost unless their market value at balance sheet date is lower, in which case they are measured at market value. Fixed financial instruments are measured at amortised cost.

g) Derivatives

IAS 39 presumes that all derivatives are trading derivatives unless they are designated as effective hedging instruments. IAS 39 requires hedging derivatives to be measured at fair value with resulting fair value changes reported in net profit or loss for fair value hedges or in equity for cash flow hedges.

Under Lux GAAP, hedging derivatives are not valued and trading derivatives are measured at fair value but gains are ignored.

h) Treasury shares

Treasury shares have to be deducted from equity under IFRS while they are recognised as assets in a separate item under Lux GAAP. Any results from treasury shares are reported directly in equity under IFRS instead of in net profit or loss for the financial year under Lux GAAP.

i) Security lending / borrowing

Lent securities have to be maintained in security portfolio under IFRS while they are considered as a receivable under Lux GAAP. Borrowed securities should not be recognised in the balance sheet under IFRS while they are recognised in the secturity portfolio with a corresponding debt under Lux GAAP.

Note 3a | Segment reporting by business segment

KBL *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), Geneva, KB Luxembourg (Monaco), KBL France, Puilaetco Dewaay, Theodoor Gilissen Bankiers, Brown, Shipley & Co, Merck Finck & Co, Banca KBL Fumagalli Soldan) as well as the private banking activities of KBL, Kredietrust Luxembourg and Banco Urquijo.
- The “SECURITIES SERVICES“ segment includes the “securities“ activities for institutional clients. This segment includes custodian bank and fund administration activities (including participation 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, KBL Bank Ireland and Banco Urquijo.
- The “FINANCIAL MARKETS“ segment represents the extension of intermediation activities to KBL clients, and includes cash management, securities lending and taking 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, results of small non-core subsidiaries and analytical switches.

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 minority interests and before the elimination of intra-group entries.

PROFIT OR LOSS ACCOUNT (in EUR million)

	PRIVATE BANKING		SECURITIES SERVICES		CORPORATE BANKING		FINANCIAL MARKETS		OTHER		KBL *epb* consolidated	
	2004	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**
Net Interest Income	90.4	101.5	12.8	18.9	57.6	44.0	44.5	71.9	-23.9	-10.1	181.4	226.1
Dividend income	0.8	2.2	-	-	-	-	7.5	8.9	2.9	0.5	11.2	11.6
Net gains from financial instruments at fair value	20.6	25.2	2.3	2.3	-0.2	0.2	23.8	-25.2	29.0	5.7	75.2	8.3
Net realised gains from Available-for-sale assets	7.7	4.7	-	-	0.4	-	-2.2	39.2	49.1	14.9	55.0	58.7
Net Fee and commission Income	316.9	379.9	39.4	47.9	13.1	12.2	-7.2	-4.2	12.6	11.4	374.9	447.2
Other income	17.9	13.9	-	-	0.2	-	0.6	0.8	31.1	42.0	50.0	56.7
GROSS INCOME	454.3	527.4	54.5	69.2	71.1	56.4	66.9	91.4	100.7	64.3	747.6	808.7
Operating expenses	-366.3	-402.7	-33.3	-33.7	-41.8	-29.0	-22.5	-24.9	-218.1	-73.0	-682.0	-563.4
Impairment	8.9	-4.7	-	-	5.6	-0.9	-	-	11.5	28.2	26.0	22.5
Share in results of associated companies	-	-	1.9	2.9	-	-	-	-	0.1	0.4	2.0	3.3
PROFIT BEFORE TAX	97.0	120.0	23.1	38.3	34.9	26.4	44.4	66.5	-105.9	19.9	93.5	271.1
Income tax expense	-26.0	-32.1	-6.4	-10.8	-9.8	-6.3	-7.1	-5.0	18.5	1.0	-30.9	-53.1
PROFIT AFTER TAX	71.0	88.0	16.6	27.5	25.1	20.1	37.3	61.5	-87.4	20.9	62.7	218.0
Minority interests	-0.4	-0.7	-	-	-	-	-	-	-0.1	-0.7	-0.6	-1.5
NET PROFIT – GROUP SHARE	70.6	87.2	16.6	27.5	25.1	20.1	37.3	61.5	-87.5	20.2	62.1	216.6

BALANCE SHEET (in EUR million)

	PRIVATE BANKING		SECURITIES SERVICES		CORPORATE BANKING		FINANCIAL MARKETS		OTHER		KBL *epb* consolidated	
	2004	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**
Cash and balances with central banks	13	15	-	-	2	2	164	852	-	-	179	869
Treasury bills and other bills eligible for rediscounting with central banks	29	111	-	-	-	36	5,889	1,032	-	-	5,918	1,179
Loans and advances to banks	2,179	2,449	-	-	504	429	9,293	9,210	-	-	11,976	12,088
Loans and advances to customers	2,220	2,266	128	374	996	1,015	882	438	381	-	4,609	4,093
Securities	1,021	932	-	-	2,843	2,414	3,829	3,847	-	-	7,692	7,192
Derivatives	-	31	-	-	-	7	-	310	-	105	-	453
Accrued income	41	53	-	-	70	147	393	539	47	8	551	748
Other assets	245	475	50	30	41	162	61	40	54	10	451	717
Tax assets	60	60	-	-	21	20	-	-	17	-	98	81
Investments in associated companies	-	1	4	8	-	-	1	-	-	-	6	9
Goodwill and other intangible fixed assets	21	179	-	-	7	5	-	-	98	104	126	288
Property and equipment	277	260	12	11	29	30	5	5	6	10	330	316
Investment property	9	9	-	-	1	1	-	-	-	-	11	10
TOTAL ASSETS	6,115	6,842	195	424	4,514	4,268	20,518	16,272	603	237	31,946	28,044
Deposits from banks	1,216	1,213	-	-	1,109	373	10,837	6,612	-	-	13,162	8,197
Deposits from customers and debt securities	7,813	8,201	3,146	3,048	955	867	3,452	3,015	149	141	15,514	15,272
Derivatives	-	29	-	-	-	48	-	374	-	44	-	495
Accrued expense	18	24	-	-	37	107	228	408	62	25	345	564
Other liabilities	360	627	62	57	61	179	76	75	80	9	639	947
Tax liabilities	33	38	-	-	9	9	-	-	42	109	84	157
Provisions for risks and charges	75	79	3	6	4	5	2	4	16	2	101	96
TOTAL LIABILITIES, EXCLUDING EQUITY AND SUBORDINATED LIABILITIES	9,515	10,210	3,211	3,111	2,175	1,588	14,595	10,487	349	331	29,845	25,728
Acquisitions of tangible and intangible assets	23	27	1	1	2	1	1	1	1	1	27	30

Note 3b | Segment reporting by geographic segment

KBL *epb*, as the driving force for the development of private banking within 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* consolidated	
	2004	**2005**	**2004**	**2005**	**2004**	**2005**
Gross income	330	398	417	411	748	809
Total assets	7,327	7,689	24,618	20,355	31,946	28,044
Total liabilities (excluding equity and subordinated liabilities)	7,782	8,159	22,063	17,569	29,845	25,728
Acquisition of fixed assets	7	19	20	11	27	30

Note 4 | Net interest income

(in EUR thousand)	31/12/2004	31/12/2005
Interest income	862,238	920,654
Loans and advances to banks	142,623	328,862
Loans and advances to customers	142,284	148,825
Fixed-income securities not measured at fair value through profit and loss	577,331	442,967
Interest expense	-680,861	-694,518
Deposits from banks	-269,353	-272,707
Deposits from customers	-290,582	-319,257
Debt securities	-54,544	-39,795
Subordinated liabilities	-66,382	-62,759
Net interest income	181,377	226,136

Note 5 | Dividend income

(in EUR thousand)	31/12/2004	31/12/2005
Available-for-sale shares	11,135	11,266
Shares held for trading	15	370
Dividend income	11,150	11,637

Note 6 | Net gains from financial instruments at fair value

Net gains from financial instruments at fair value include:

- Net (realised and unrealised) gains on trading instruments,
- Net (realised and unrealised) gains on financial instruments at fair value, and
- Foreign exchange gains and losses.

(in EUR thousand)	31/12/2004	31/12/2005
Held-for-trading shares	5,338	9,862
Other held-for-trading instruments	41,066	-50,409
Other financial instruments at fair value	-2,504	-1,216
Foreign exchange trading	31,331	50,054
Net gains from financial instruments at fair value	75,231	8,291

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)	31/12/2004	31/12/2005
Fixed-income securities	31,855	10,556
Variable-yield securities	23,106	48,183
Net realised gains from available-for-sale assets	54,961	58,738

Note 8 | Net fee and commission income

(in EUR thousand)	31/12/2004	31/12/2005
Fee and commission income	449,877	539,715
Asset management	240,432	288,969
Securities transactions	146,061	193,457
Other	63,384	57,289
Fee and commission expense	-75,019	-92,518
Asset management	-36,074	-42,665
Securities transactions	-26,604	-38,149
Other	-12,341	-11,704
Net fee and commission income	374,858	447,197

Note 9 | Other income

(in EUR thousand)	31/12/2004	31/12/2005
Total	50,034	56,703
Of which:		
Recovery of taxes and provision for taxes following definitive taxation	17,793	
Deconsolidation profit (Estubroker and Jacxsens & Partner)	2,401	
Recovery of assets previously derecognised	1,653	
Recovery of provision on securities		15,413
Capital gains on sales of buildings		5,523
Write back of provisions		8,296
Net proceeds on sale of non-core activities		4,037

Note 10 | Operating expenses

Operating expenses include staff expenses, 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	31/12/2004	31/12/2005
Staff expenses	11	-431,979	-312,727
General administrative expenses		-191,841	-182,156
Depreciation and impairment of tangible and intangible fixed assets	25, 26	-34,769	-34,611
Provisions for risks and charges	29	-23,432	-33,860
Operating expenses		-682,021	-563,353

Note 11 | Personnel

	31/12/2004	31/12/2005
Total average number of persons employed (in full-time equivalents)	3,715 (1)	3,690
Breakdown by business (2)	3,715	3,690
Private banking	2,535	2,516
Securities services	261	252
Corporate banking	340	308
Financial markets	102	103
Other	477	511
Geographic breakdown	3,715	3,690
On-shore	2,205	2,235
Off-shore	1,510	1,455

(1) Number as at 31 December 2004 taking account of the non-availability of figures in 2004.

(2) 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)	31/12/2004	31/12/2005
(Impairment)/Reverse of impairment on:		
Loans and receivables	13,795	-3,249
Available-for-sale assets	9,189	28,146 (1)
Goodwill and other intangible assets	3,013	-2,366
Other	-28	0
Total impairment	25,969	22,530

(1) Reverse of impairment on securities following the rise in market rates as at 31/12/2005.

Impairment on loans and receivables

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

(in EUR thousand)	31/12/2004	31/12/2005
Total	13,795	-3,249
Breakdown by type	13,795	-3,249
(Impairment)/Reverse of impairment		
Specific impairments for on-balance-sheet lending	603	-2,897
Specific impairments for off-balance-sheet credit commitments	742	2,140
Portfolio-based impairments	12,450	-2,493
Geographic breakdown	13,795	-3,249
On-shore	8,088	-2,905
Off-shore	5,707	-345

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

Impairment on available-for-sale assets

Comparative data from 2004 are based on IFRS excluding IAS 32 and IAS 39.

(in EUR thousand)	31/12/2004	31/12/2005
(Impairment)/Reverse of impairment on:		
Fixed-income securities	7,206	29,803
Variable-yield securities	1,983	-1,658
Total	9,189	28,146

Impairment on goodwill and other intangible assets

(in EUR thousand)	31/12/2004	31/12/2005
Banca KBL Fumagalli Soldan SIM SpA (1)	1,569	-2,125
Other	1,444	-241
Total	3,013	-2,366

(1) The 2004 amount corresponds to negative goodwill and that of 2005 to an impairment.

Note 13 | Share in results of associated companies

(in EUR thousand)		31/12/2004	31/12/2005
Total		1,989	3,253
Of which:	European Fund Administration S.A.	1,903	2,865
	Other	87	389

Note 14 | Income tax expense

(in EUR thousand)	31/12/2004	31/12/2005
Total	-30,867	-53,097
Breakdown by type	-30,867	-53,097
Current tax	-36,092	-38,446
Deferred tax	5,225	-14,651
Breakdown by major components	-30,867	-53,097
Profit before tax	93,549	271,133
Luxembourg statutory income tax rate	30.38%	30.38%
Income tax calculated at the Luxembourg statutory rate	28,420	82,370
Plus/minus tax effects attributable to...		
Differences in tax rates, Luxembourg – abroad	17,485	29,603
Tax-free income	-60,137	-41,932
Other non-deductible expenses	47,071	2,214
Adjustments related to prior years	-7,020	-4,641
Adjustments opening deferred taxes due to change in tax rate	-253	0
Unused tax losses and tax credits	-13,582	-11,338
Other	18,883	-3,179
Income tax adjustments	2,446	-29,273

Note: the tax rate in Luxembourg will be 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.

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' (FIFV). KBL *epb* has decided not to use the "held-to-maturity" category.
- Liabilities are classified as follows: held for trading liabilities (HFT), liabilities at fair value through profit or loss (FIFV) 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.

As IAS 32 and IAS 39 have only been applied from 1 January 2005, no reference figures for 2004 have been provided regarding the breakdown of financial instruments into the various portfolios.

CARRYING VALUE

ASSETS (in EUR million)	**L&R**	**AFS**	**HFT**	**FIFV**	**Total**
31/12/2004					
Cash and balances with central banks	-	-	-	-	179
Treasury bills and other bills eligible for rediscounting with central banks	-	-	-	-	5,918
Loans and advances to banks	-	-	-	-	11,976
Loans and advances to customers	-	-	-	-	4,609
Fixed-income securities	-	-	-	-	7,431
Variable-yield securities	-	-	-	-	262
Derivatives	-	-	-	-	-
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

LIABILITIES (in EUR million)	HFT	FIFV	Other	Total
31/12/2004				
Deposits from banks	-	-	-	13,162
Deposits from customers and debt securities	-	-	-	15,514
Derivatives	-	-	-	-
31/12/2005				
Deposits from banks	-	-	8,197	8,197
Deposits from customers and debt securities	-	-	15,272	15,272
Derivatives	495	-	-	495

NB: the reference figures for 2004 are not fully comparable with those of 2005 since, pursuant to the option offered by IFRS 1, IAS 32 and IAS 39 have only been applied by KBL *epb* from 1 January 2005.

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	
	31/12/2004	**31/12/2005**	**31/12/2004**	**31/12/2005**
ASSETS				
Cash and balances with central banks	179.0	869.2	-	869.2
Treasury bills and other bills eligible for rediscounting with central banks	5,917.8	1,179.1	-	1,179.1
Loans and advances to banks	11,976.1	12,088.4	-	12,087.4
Loans and advances to customers	4,608.7	4,093.2	-	4,093.6
Securities	7,692.4	7,192.4	-	7,192.4
Derivatives	0.0	452.7	-	452.7
LIABILITIES				
Deposits from banks	13,161.7	8,197.4	-	8,194.6
Deposits from customers and debt securities	15,513.7	15,271.9	-	15,270.3
Derivatives	0.0	494.8	-	494.8

Note 16 | Loans and advances to banks

Impairments for losses on loans and advances are further detailed in Note 18.

(in EUR million)	31/12/2004	31/12/2005
Total	11,976	12,088
Geographic breakdown	11,976	12,088
On-shore	2,658	2,852
Off-shore	9,319	9,236
Breakdown by remaining term to maturity	11,976	12,088
Repayable on demand	1,469	1,125
Less than or equal to 1 year	10,423	10,864
More than 1 but less than or equal to 5 years	78	99
More than 5 years	7	0
Of which reverse repos	5,867	7,458
Quality		
Gross amount (before impairment)	11,977	12,090
Impairment for losses on loans and advances	-1	-1
Net amount	11,976	12,088
Fair value of collateral accepted	1,291	7,447

NB: the reference figures for 2004 are not fully comparable with those of 2005 since, pursuant to the option offered by IFRS 1, IAS 32 and IAS 39 have only been applied by KBL *epb* from 1 January 2005.

Note 17 | Loans and advances to customers

Impairments for losses on loans and advances are further detailed in Note 18.

(in EUR million)	31/12/2004	31/12/2005
Total	4,609	4,093
Geographic breakdown	4,609	4,093
On-shore	2,593	2,657
Off-shore	2,015	1,436
Breakdown by remaining term to maturity	4,609	4,093
Less than or equal to 1 year	3,084	2,887
More than 1 but less than or equal to 5 years	632	550
More than 5 years	892	656
Breakdown by loan type	4,609	4,093
Discount and acceptance credit	79	120
Consumer credit	11	577
Mortgage loans	653	637
Term loans	1,186	1,042
Current account advances	1,379	806
Other (including impairments)	1,301	911
Of which securitised	*660*	*691*
Of which reverse repos	*894*	*465*

(in EUR million)	31/12/2004	31/12/2005
Quality		
Gross amount (before impairment)	4,751	4,233
Impairment for losses on loans and advances	-143	-140
Net amount	4,609	4,093
Fair value of collateral accepted	495	463

NB: the reference figures for 2004 are not fully comparable with those of 2005 since, pursuant to the option offered by IFRS 1, IAS 32 and IAS 39 have only been applied by KBL *epb* from 1 January 2005.

Note 18 | Impairment for loan and advance losses

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

(in EUR million)	31/12/2004	31/12/2005
Total	151	147
Breakdown by type	151	147
Specific impairment, on-balance-sheet lending	106	100
Specific impairment, off-balance-sheet credit commitments	7	1
Portfolio-based impairments	38	46
Breakdown by counterpart	151	147
Loans and advances to banks	1	1
Loans and advances to customers	143	140
Off-balance-sheet credit commitments	7	6
Geographic breakdown	151	147
On-shore	131	133
Off-shore	20	14

NB: the reference figures for 2004 are not fully comparable with those of 2005 since, pursuant to the option offered by IFRS 1, IAS 32 and IAS 39 have only been applied by KBL *epb* from 1 January 2005.

MOVEMENTS

	Specific impairment, on-balance-sheet lending	Specific impairment, off-balance-sheet credit commitments	Portfolio-based impairments	Total
Balance as at 1/1/2005	106	7	38	151
Movements with an impact on results	3	-2	2	3
Loan loss expenses	15	-	3	19
Loan loss recoveries	-12	-2	-1	-15
Movements without an impact on results	-9	-4	5	-7
Write-offs	-3	-	-	-3
Other	-6	-4	5	-4
Balance as at 31/12/2005	100	1	46	147

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)	31/12/2004	31/12/2005
Total	7,692	7,192
Geographic breakdown	7,692	7,192
On-shore	2,739	2,337
Off-shore	4,953	4,855
Breakdown by type and counterpart	7,692	7,192
Fixed-income securities	7,431	6,801
Government bonds	4,602	3,295
Credit institutions	623	528
Other	2,206	2,977
Variable-yield securities	262	392
Shares	262	392
Breakdown by remaining term to maturity (excluding held-for-trading securities)		
Fixed income securities	6,978	6,724
Less than or equal to 1 year	2,093	1,640
More than 1 year but less than or equal to 5 years	3,793	4,339
More than 5 years	1,093	745
Breakdown by portfolio	7,692	7,192
Fixed-income securities	7,431	6,801
Available for sale	5,994	6,405
Held for trading	452	77
Other financial instruments at fair value through profitand loss	984	319
Variable-yield securities	262	392
Available for sale	251	377
Held for trading	11	14
Other financial instruments at fair value through profit and loss	0	1

NB: the reference figures for 2004 are not fully comparable with those of 2005 since, pursuant to the option offered by IFRS 1, IAS 32 and IAS 39 have only been applied by KBL *epb* from 1 January 2005.

MOVEMENTS IN 2005 (in EUR million)

	Available-for-sale		Held for trading instruments	Other financial instruments at fair value
	Fixed-income	Variable-yield securities		
Gross amount				
Balance as at 1/1/2005	6,044	258	464	984
First time application of IAS 32 and IAS 39 at 1/1/2005	333	136	-642	-68
Purchases	2,045	15	4,700	48
Sales or maturity	-2,019	-46	-4,890	-659
Accrued premiums	24	-	-	4
Translation differences	4	-	-	2
Changes in the scope of consolidation	39	9	4	-
Revaluation result	21	43	8	-16
Other movements	-70	-34	447	25
Balance as at 31/12/2005	6,421	381	91	320
Impairment				
Balance as at 1/1/2005	50	8	-1	0
First time application of IAS 32 and IAS 39 at 1/1/2005	-2	-	-	-
Movements with an impact on results	-30	-	-	-
Impairments recognised	5	-	-	-
Impairments reversed	-35	-	-	-
Movements without an impact on results	-3	-3	1	-
Write-offs	-	-	-	-
Changes in the scope of consolidation	-	-	-	-
Other movements	-2	-3	1	-
Balance as at 31/12/2005	16	4	0	0
Net amount				
Balance as at 31/12/2005	6,405	377	91	320

Note 20 | Derivatives

(in EUR million)	Notional amounts	Fair value Assets	Fair value Liabilities
31/12/2004			
Interest rate contracts	49,412	-	-
Interest rate swaps	46,554	-	-
Forward rate agreements	431	-	-
Futures	1,966	-	-
Options	461	-	-
Foreign exchange contracts	14,747	-	-
Forward foreign exchange operations/Currency forwards	13,900	-	-
Currency and interest rate swaps	644	-	-
Futures	0	-	-
Options	204	-	-
Equity contracts	183	-	-
Futures	41	-	-
Options	143	-	-
Total recognised derivatives		-	-
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/Currency forwards	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
Total recognised derivatives		453	495

NB.: the fair value of derivatives was not calculated as at 31 December 2004 in so far as IAS 32 and IAS 39 have only been applied by KBL *epb* from 1 January 2005.

Note 21 | Other assets

The heading “Other assets“ covers 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)	31/12/2004	31/12/2005
Current tax assets	9	7
Deferred tax assets	89	74
Employee benefits	58	45
Losses carried forward	7	10
Tangible and intangible fixed assets	4	4
Provisions for risks and charges	7	0
Impairment for losses on loans and advances	7	8
Financial instruments at fair value through profit and loss	1	1
Other	5	6
TAX ASSETS	98	81
Unused tax losses and tax credits (1)	18	11

(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)	31/12/2004	31/12/2005
Current tax liabilities	55	50
Deferred tax liabilities	29	107
Employee benefits	1	-7
Tangible and intangible fixed assets	13	10
Provisions for risks and charges	7	25
Financial instruments at fair value through profit and loss	0	20
Available-for-sale financial instruments	0	47
Other	8	11
TAX LIABILITIES	84	157

Changes in deferred tax assets and liabilities are not equal to the deferred tax charge recognised in the profit and loss during the year. This comes mainly from the deferred tax linked to the acquisitions of Financière Groupe Dewaay S.A. and Effectenbank Stroeve and 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)	31/12/2004	31/12/2005
Total	6	9
Overview of investments in associated companies (including goodwill)		
European Fund Administration S.A.	4	6
Other	2	3
Goodwill on associated companies		
Gross amount	0	0
Accumulated impairment	0	0

MOVEMENTS (in EUR million)	
Balance as at 1/1/2005	6
Share in the result of the financial year	3
Balance as at 31/12/2005	9

SUMMARY OF FINANCIAL INFORMATION (in EUR thousand)	Total assets	Total liabilities excluding equity and subordinated liabilities	Net result
European Fund Administration S.A.	32,416	16,361	5,436
Other	3,177	17	-15

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 face value of Investments in Associated Companies on the balance sheet. An impairment test was performed in 2005 and the necessary impairment losses on goodwill have been recognised.

(in EUR million)	31/12/2004	31/12/2005
Gross amount	115	253
Accumulated impairment	-2	-6
Total	114	248
Geographic breakdown	114	248
On-shore	114	247
Off-shore	0	1

MOVEMENTS (in EUR million)	
Balance as at 1/1/2005	114
Gross goodwill recognised over the period	136
Of which: Financière Groupe Dewaay S.A.	*82*
Effectenbank Stroeve	*50*
Impairment	-2
Balance as at 31/12/2005	248

Note 25 | Intangible fixed assets

(in EUR million)	31/12/2004	31/12/2005
Total	12	40

MOVEMENTS (in EUR million)	Software developed in-house	Software bought	Client portfolio	Other	Total
Gross value					
Balance as at 1/1/2005	2	40	50	11	103
Acquisitions	2	2	27	-	32
Disposals	-1	-	-	-	-1
Changes in scope of consolidation	-	10	-	-	10
Other	-2	3	-2	-6	-7
Balance as at 31/12/2005	2	54	76	5	137
Accumulated depreciation and impairment					
Balance as at 1/1/2005	-2	-32	-50	-6	-90
Depreciation	-	-3	-	-4	-7
Changes in scope of consolidation	-	-9	-	4	-6
Other	2	-2	2	5	7
Balance as at 31/12/2005	0	-46	-49	-1	-96
Net carrying value as at 31/12/2005	2	8	27	4	40

Note 26 | Property and equipment and investment property

(in EUR million)	31/12/2004	31/12/2005
PROPERTY AND EQUIPMENT	330	316
INVESTMENT PROPERTY	11	10
Investment property – Rental income	1	2

MOVEMENTS (in EUR million)

	Land and buildings	IT equipment	Other equipment	Total property and equipment	Investment property
Gross value					
Balance as at 1/1/2005	338	34	165	536	12
Acquisitions	1	3	10	14	-
Disposals	-8	-1	-9	-19	-1
Changes in scope of consolidation	-	4	3	7	-
Other	-	-3	10	7	-
Balance as at 31/12/2005	330	37	178	545	12
Accumulated depreciation and impairment					
Balance as at 1/1/2005	-71	-28	-107	-206	-2
Depreciation	-8	-3	-15	-26	-1
Other	2	2	-	3	1
Balance as at 31/12/2005	-78	-29	-122	-229	-2
Net carrying value as at 31/12/2005	253	8	56	316	10

Note 27 | Deposits from banks

(in EUR million)	31/12/2004	31/12/2005
Total	13,162	8,197
Geographic breakdown	13,162	8,197
On-shore	2,324	1,580
Off-shore	10,837	6,617
Breakdown according to remaining term to maturity	13,162	8,197
Repayable on demand	945	931
Less than or equal 1 year	11,988	7,033
More than 1 year but less than or equal to 5 years	223	228
More than 5 years	6	5
Of which Repos	*6,832*	*2,751*

NB: the reference figures for 2004 are not fully comparable with those of 2005 since, pursuant to the option offered by IFRS 1, IAS 32 and IAS 39 have only been applied by KBL *epb* from 1 January 2005.

See Note 15 for fair value of deposits from banks.

Note 28 | Deposits from customers and debt securities

(in EUR million)	31/12/2004	31/12/2005
Total	15,514	15,272
Geographic breakdown	15,514	15,272
On-shore	4,292	4,812
Off-shore	11,222	10,460
Breakdown according to remaining term to maturity	15,514	15,272
Less than or equal to 1 year	15,284	15,154
More than 1 year but less than or equal to 5 years	177	76
More than 5 years	52	43
Breakdown by type	15,514	15,272
Demand deposits	4,621	5,860
Time deposits	8,097	8,160
Savings deposits	850	717
Other deposits	1,796	364
Savings certificates	29	19
Bonds	111	146
Certificates of deposit	9	7
Of which Repos	*1,075*	*893*

NB: the reference figures for 2004 are not fully comparable with those of 2005 since, pursuant to the option offered by IFRS 1, IAS 32 and IAS 39 have only been applied by KBL *epb* from 1 January 2005.

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 credit commitments	Other provisions (1)	Total
Balance as at 1/1/2005	12	7	82	101
Movements with an impact on results	21	-2	4	23
Amounts allocated	33	-	24	57
Amounts reversed	-12	-2	-21	-35
Other movements	-8	-4	-16	-28
Balance as at 31/12/2005	26	1	70	96

(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 Tier 1 as well as Tier 2 capital, depending on the characteristics of the subordinated loan.

(in EUR million)	31/12/2004	31/12/2005
Total	1,113	1,068
Breakdown according to remaining term to maturity	1,113	1,068
Less than or equal to 1 year	139	0
More than 1 year but less than or equal to 5 years	207	252
More than 5 years	623	701
Perpetuals	143	114
Breakdown by type	1,113	1,068
Convertibles	0	0
Non-convertibles	1,113	1,068

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 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 employment in the company as well as on their remuneration in the years before retirement. The annual funding requirements for these plans are determined based on actuarial cost methods.

DEFINED BENEFIT PLANS (in EUR million)	**31/12/2004**	**31/12/2005**
Defined benefit plan obligations		
Value of obligations as at 1/1	266	299
Service cost	30	21
Interest cost	9	8
Plan amendments	-	-2
Actuarial gain/loss	9	16
Benefits paid	-15	-24
Currency adjustment	-	1
Other	-	9
Value of obligations as at 31/12	299	328
Fair value of plan assets		
Fair value of assets as at 01/01	142	147
Actual return on plan assets	5	5
Employer contributions	7	15
Plan participant contributions	1	1
Benefits paid	-5	-11
Currency adjustment	-	-
Other	-1	9
Fair value of assets as at 31/12	147	167
Of which financial instruments issued by KBL *epb*	-	-
Funded status		
Plan assets in excess of defined benefit obligations	-152	-161
Unrecognised net actuarial gains	7	18
Unrecognised past service costs	-	-
Unrecognised assets	-1	-1
Unfunded accrued/prepaid pension costs	-145	-144
Movements relating to net liability		
Net liability as at 1/1	-125	-145
Net periodic pension cost	-36	-27
Employer contributions	6	15
Pension payments by employer	11	13
Currency adjustments	-	-
Net liability as at 31/12	-145	-144
Amounts recognised in profit or loss		
Current service cost	-30	-21
Interest cost	-9	-8
Expected return on plan assets	4	3
Adjustments to limit prepaid pension cost	-	-
Amortisation of unrecognised prior service costs	-	-
Amortisation of unrecognised net actuarial (gains)/losses	-	-3
Other	-	2
Net periodic pension cost	-36	-27
Actual return on plan assets (in %)	3.23%	3.27%
Principal actuarial assumptions used (1)		
Discount rate	from 4.10% to 5.20%	from 3.23% to 4.77%
Expected rate of return on plan assets	from 4.50% to 5.20%	from 4.20% to 4.26%
Expected rate of salary increase	from 2.00% to 7.00%	from 2.00% to 7.00%
Rate of pension increase	from 1.80% to 5.00%	from 2.00% to 5.00%

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

DEFINED CONTRIBUTION PLANS (in EUR million)	**31/12/2004**	**31/12/2005**
Expenses for defined contribution plans	9	7

Note 33 | 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. As at 31 December 2005, KBL *epb* held none of its own shares (2004: 21,571).

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)	31/12/2004	31/12/2005
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	21,571	0
of which: shares representing equity in the sense of IFRS	20,307,136	20,328,707

MOVEMENTS	Ordinary shares	Preference shares	Total
Balance as at 1/1/2005	18,353,387	1,975,320	20,328,707
Issue of shares	-	-	-
Conversion of convertible bonds into shares	-	-	-
Other movements	-	-	-
Balance as at 31/12/2005	18,353,387	1,975,320	20,328,707

Note 34 | Dividend per share

At the General Meeting of 26 April 2006, a gross dividend for 2005 of EUR 6.765 per share was proposed (in 2005, the gross dividend for 2004 was EUR 6.15 per share). The consolidated financial statements for the year ended 31 December 2005 do not reflect this resolution; the payment of dividends will be recognised in equity during 2006 as an appropriation of retained earnings.

Note 35 | Assets charged as collateral security

(in EUR million)	31/12/2004	31/12/2005
Overall amount of secured liabilities	6,515	2,590

(in EUR million)	Fixed-income securities and treasury bills	Total
31/12/2004		
"Repos – reverse repos"	6,152	6,152
Activities with the Luxembourg Central Bank	589	589
Securities lending and credit lines received	105	105
31/12/2005		
'Repo-reverse repos'	1,227	1,227
Activities with the Luxembourg Central Bank	537	537
Securities lending and credit lines received	31	31

Note 36 | Commitments and contingent liabilities

(in EUR million)	31/12/2004	31/12/2005
Firm credit commitments	96	0
Commitments arising from spot purchases of securities	252	189
Undrawn margin on confirmed credit lines	2,639	1,745
Underwriting and placing commitments	0	152
Commitments as a result of open-ended sale and repurchase agreements	5	0
Non-negotiated acceptances	0	0
Guarantees in the nature of direct credit substitutes	467	291
Other guarantees	227	304
Documentary credits	21	27
Assets charged as collateral on behalf of third parties	0	0
Total	3,708	2,709

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 37 | Assets under management

Total assets under management as at 31 December 2005 was EUR 64,7 billion, of which EUR 55.7 billion was from clients in the private banking segment (2004: EUR 50.1 billion, of which EUR 43.4 billion was from clients in the private banking segment).

Note 38 | Related-party transactions

“Related parties“ refers to the parent company, subsidiaries and directors.

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

(in EUR million)			31/12/2004
	Parent entity	**Subsidiaries**	**Total**
Assets	564	64	628
Loans and advances to banks	513	64	577
Loans and advances to customers	39	-	39
Securities	12	-	12
Liabilities	377	-	377
Deposits from banks	107	-	107
Deposits from customers and debt securities	270	-	270
Income sheet	3	3	6
Net interest income	3	3	6
Guarantees received by KBL *epb*	-	4	4

(in EUR million)			31/12/2005
	Parent entity	**Subsidiaries**	**Total**
Assets	2,251	27	2,278
Loans and advances to banks	2,155	27	2,182
Loans and advances to customers	96	-	96
Securities	-	-	-
Liabilities	171	1	172
Deposits from banks	82	1	83
Deposits from customers and debt securities	89	-	89
Income sheet	17	1	18
Net interest income	17	1	18
Guarantees received by KBL *epb*	-	-	-

WITH KEY MANAGEMENT PERSONNEL (in EUR million)	31/12/2004	31/12/2005
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.	41.28	41.32
Credit facilities and guarantees granted	13.48	16.17
Loans outstanding	9.24	10.64
Guarantees outstanding	1.96	2.04
Post employment benefit plans for key management personnel	3.46	4.29

Note 39 | 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)	IFRS 31/12/2004	IFRS 31/12/2005
Regulatory capital, (after profit appropriation)	1,486	1,331
Tier 1 capital	963	772
Capital and reserves	963	957
Hybrid Tier One	126	101
Formation expenses and intangible assets	-12	-13
Treasury shares	-3	-
Goodwill on consolidation	-114	-275
Minority interests	4	2
Tier 2 capital	523	560
Preference shares	18	18
Subordinated liabilities	505	419
Revaluation reserve (available-for-sale financial instruments)	-	122
Tier 3 capital	-	-
Items to be deducted	1	1
Total weighted risk volume	9,027	8,681
Credit risk, investment	7,028	7,727
Credit risk, trading	1,241	230
Interest rate risk, trading	250	505
Trading portfolio position in equities	472	119
Foreign exchange risk	36	100
Solvency ratios		
Tier 1 ratio	10.7%	8.9%
Consolidated solvency ratio, after profit appropriation (CAD ratio)	16.5%	15.3%

Note 40 | Risk management

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

Note 41 | List of significant subsidiaries and associated companies

Company	Registered office	Ownership percentage as at 31/12/2005	Control percentage as at 31/12/2005	Activity sector
FULLY CONSOLIDATED SUBSIDIARIES				
Banco Urquijo S.A.	Madrid – SP	99.74	99.74	Bank
Promotora Negocios Y Representacion, S.A.	Madrid – SP	99.74	100.00	Other – financial
Urquijo Correduria de Seguros, S.A.	Madrid – SP	64.83	65.00	Insurance
Urquijo Gestion de Pensiones, E.G.F.P.,S.A.	Madrid – SP	99.74	100.00	Management (Funds/Pensions/Portfolios)
Urquijo Gestion, S.G.I.I.C., S.A.	Madrid – SP	99.74	100.00	Management (Funds/Pensions/Portfolios)
Urquijo Servicios Patrimoniales S.A.	Madrid – SP	99.74	100.00	Other – financial
Dish, S.A.	Madrid – SP	99.74	100.00	Other – non-financial
Brown, Shipley & Co. Limited	London – GB	100.00	100.00	Bank
Brown Shipley Holding (Jersey) LTD	St Helier – JE	100.00	100.00	Holding company
Brown Shipley Trust Company (Jersey) LTD	St Helier – JE	100.00	100.00	Management (Funds/Pensions/Portfolios)
BST Corporate Services LTD	St Helier – JE	100.00	100.00	Registration
KBL Brown Shipley (Jersey) LTD	St Helier – JE	100.00	100.00	Bank
Solen Trust Company (Jersey) LTD	St Helier – JE	100.00	100.00	Other – financial
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
Founders Court Nominees LTD	London – 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
Ceres S.A.	Luxembourg – LU	100.00	100.00	Reinsurance
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,SpA	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
Plateau Real Estate LTD	Isle of Man – IM	100.00	100.00	Real estate
S.C.I. KB Luxembourg II (Monaco) immo	Monaco – MC	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 Bank Ireland	Dublin – IE	100.00	100.00	Bank
KBL Beteiligungs A.G.	Mainz – DE	100.00	100.00	Holding company
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 Kapitalanlage GmbH	Munich – DE	100.00	100.00	Fund administration
Merck Finck Pension Fund	-	100.00	100.00	Fund management
Merck Finck Treuhand AG	Frankfurt – DE	100.00	100.00	Other – financial
Merck Finck Vermögensbetreuungs AB	Munich – DE	93.75	93.75	Other – financial
Unterstützung u. Einrichtung des Bank	Munich – DE	100.00	100.00	Other – financial
KBL France	Paris – FR	100.00	100.00	Bank
KBL France Gestion	Paris – FR	99.96	99.96	Management (Funds/Pensions/Portfolios)
Michaux Gestion S.A.	Lyon – 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.	Antwerp – BE	100.00	100.00	Bank
Banque Puilaetco Luxembourg S.A.	Luxembourg – LU	100.00	100.00	Bank
DL Quality Asset Management S.A.	Luxembourg – LU	100.00	100.00	Other – financial
Puilaetco Dewaay Luxembourg S.A.	Luxembourg – LU	100.00	100.00	Management (Funds/Pensions/Portfolios)
Renelux	Luxembourg – LU	100.00	100.00	Reinsurance
Rocher LTD	Isle of Man – IM	100.00	100.00	Holding company
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	Administration office
Pacific Administratiekantoor B.V.	Amsterdam – NL	100.00	100.00	Administration office

Company	Registered office	Ownership percentage as at 31/12/2005	Control percentage as at 31/12/2005	Activity sector
FULLY CONSOLIDATED SUBSIDIARIES (cont.)				
Adm. Kantoor voor Handel en Nijverheid B.V.	Amsterdam – NL	100.00	100.00	Administration office
Adm. Kant. Gebr. Boissevain en Texeira B.V.	Amsterdam – NL	100.00	100.00	Administration office
Adm. Kant. Gebr. Boissevain en Kerkhoven B.V.	Amsterdam – NL	100.00	100.00	Administration office
Adm. Kant. Van Theodoor Gilissen N.V.	Amsterdam – NL	100.00	100.00	Administration office
Trust - en Adm. My. Interland B.V.	Amsterdam – NL	100.00	100.00	Administration office
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	Holding company
Theodoor Gilissen Trust B.V.	Amsterdam – NL	100.00	100.00	Private bank
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
TG Derivatives V.O.F.	Amsterdam – NL	65.00	65.00	Broker
Stroeve Breda & Co N.V.	Amsterdam – NL	80.00	80.00	Broker
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)
Westhouse Securities LLP	London – GB	65.00	65.00	Corporate finance
Financière Groupe Dewaay S.A.	Luxembourg – LU	100.00	100.00	Holding company
Puilaetco Dewaay Private Bankers S.A.	Woluwe – BE	100.00	100.00	Bank
PROPORTIONALLY CONSOLIDATED COMPANIES				
Banco Urquijo S.A.				
Ixis Urquijo (Ex-CDC Urquijo) S.A. (1)	Madrid – ES	48.87	49.00	Custodian
Cogere S.A.	Luxembourg – LU	50.00	50.00	Reinsurance
Gecalux Sarl	Luxembourg – LU	50.00	50.00	Reinsurance
ASSOCIATED COMPANIES				
EFA Partners S.A. (2)	Luxembourg – LU	52.70	52.70	Holding company
European Fund Administration S.A. (2)	Luxembourg – LU	52.70	39.00	Fund administration
Banco Urquijo S.A.				
Gaviel, S.A.	Barcelona – ES	49.87	50.00	Real estate
Nisa GAV. S.A	Barcelona – ES	49.87	100.00	Real estate
Axel Urquijo S.L	Madrid – ES	29.92	30.00	Corporate finance
NON-CONSOLIDATED COMPANIES (materiality limit not reached)				
KBL				
Asia Oceania Management	Luxembourg – LU	100.00	100.00	
TVM GmbH	Grünwald – DE	31.25	31.25	
TVM KG	Grünwald – DE	21.46	21.46	
TVM Management LTD Partnership	USA	23.67	23.67	
TVM Management LLC	USA	25.00	25.00	
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.	Munich – DE	100.00	100.00	
Merck Finck Venture Capital Treuhand & Verwaltungs	Munich – DE	100.00	100.00	
KBL France				
SNC Malherbes courtages	Paris – FR	99.00	99.00	
Theodoor Gilissen Bankiers N.V.				
Damsigt SCP	Utrecht – NL	24.58	0.00	

Notes:

(1) Despite the ownership percentage KBL exercises joint control over Ixis Urquijo (Ex-CDC Urquijo) SA. The latter is therefore consolidated proportionally.

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

Note 42 | Main changes in the scope of consolidation

Activity	Company	Ownership percentage (direct + indirect) 31/12/2005	31/12/2004	Comments
INCLUDED IN SCOPE OF CONSOLIDATION				
Management (Funds/Pensions/Portfolios)	Wereldeffect B.V.	100.00		Acquisition by Theodoor Gilissen Bankiers N.V.
Broker	Stroeve Breda & Co N.V.	80.00		Acquisition by Theodoor Gilissen Bankiers N.V.
Management (Funds/Pensions/Portfolios)	Stroeve Asset Management B.V.	100.00		Acquisition by Theodoor Gilissen Bankiers N.V.
Other – financial	Unterstützug U. Einrichtung des Bank	100.00		Consolidated by Merck Finck & Co under IFRS
Management (Funds/Pensions/Portfolios)	Puilaetco Dewaay Luxembourg S.A.	100.00		Acquisition by Puilaetco Private Bankers S.A. (Intra group operation)
Holding company	Financière Groupe Dewaay SA	100.00		Acquisition by KBL
Bank	Puilaetco Dewaay Private Bankers S.A.	100.00		Acquisition by KBL
EXCLUDED FROM SCOPE OF CONSOLIDATION				
Other – financial	Fairmount Group LTD (Brown Shipley & Co subsidiary)	-	100.00	Liquidation
Other – financial	Fairmount Trust PLC (Brown Shipley & Co subsidiary)	-	100.00	Liquidation
Bank	Banque Continentale du Luxembourg S.A.	-	100.00	Merger with KBL
Bank	Theodoor Gilissen Bank N.V.	-	100.00	Merger with Puilaetco Private Bankers
Management (Funds/Pensions/Portfolios)	Ega Pensiones	-	99.67	Liquidation
CHANGES IN OWNERSHIP PERCENTAGE				
Other – financial	Merck Finck Vermögensbetreuungs	93.75	94.79	Allocation of 20,750 Merck Finck shares to staff of MF Vermögensbetreuung (stock options plan)
Bank	Banca KBL Fumagalli Soldan	100.00	94.54	Capital increase subscription from KBL and granting of the banking licence
Management (Funds/Pensions/Portfolios)	KBL France Gestion	99.96	99.94	Change in ownership percentage
Management (Funds/Pensions/Portfolios)	Michaux Gestion S.A.	100.00	97.50	Change in ownership percentage
Management (Funds/Pensions/Portfolios)	Privagest	89.99	79.99	Complementary acquisition of 10% by KB Suisse
Bank	Banque Puilaetco Luxembourg S.A.	100.00	99.98	Change in ownership percentage
Bank	Banco Urquijo S.A.	99.74	99.67	Change in ownership percentage
Other – financial	Promotora Negocios Y Representacion, S.A.	99.74	99.67	Change in ownership percentage
Insurance	Urquijo Correduria de Seguros, S.A.	64.83	64.78	Change in ownership percentage
Management (Funds/Pensions/Portfolios)	Urquijo Gestion de Pensiones, E.G.F.P.,S.A.	99.74	99.67	Change in ownership percentage
Management (Funds/Pensions/Portfolios)	Urquijo Gestion, S.G.I.I.C., S.A.	99.74	99.67	Change in ownership percentage
Other – financial	Urquijo Servicios Patrimoniales S.A.	99.74	99.67	Change in ownership percentage
Other – non-financial	Dish S.A.	99.74	99.67	Change in ownership percentage
Custodian	Ixis Urquijo (Ex-CDC Urquijo) S.A.	48.87	48.84	Change in ownership percentage
Real estate	Gaviel, S.A.	49.87	49.83	Change in ownership percentage
Real estate	Nisa GAV. S.A.	49.87	49.83	Change in ownership percentage
Corporate finance	Axel Urquijo S.L.	29.92	29.90	Change in ownership percentage

The main movements affecting the scope of consolidation of KBL *epb* in 2005 are as follows:

On 1 January 2005, to simplify the structure, *Banque Continentale du Luxembourg S.A.* was merged with KBL in Luxembourg.

In the Netherlands, the acquisition of *Effectenbank Stroeve N.V.* was finalised in July 2005. Effectenbank Stroeve N.V. then merged with Theodoor Gilissen Bankiers N.V., the Dutch subsidiary of KBL *epb*, allowing the latter to become one of the top five players on the Dutch private banking market.

In July 2005, CCF and KBL *epb* signed an agreement on the takeover of *Financière Groupe Dewaay S.A.* With Puilaetco Private Bankers S.A. (acquired in 2004), KBL *epb* achieved critical mass in Belgium.

The goodwill from the last two acquisitions essentially represents client relations and potential synergies.

IMPACT OF THE MAIN BUSINESS COMBINATIONS EFFECTED DURING THE FINANCIAL YEAR

(in EUR million)	**Financière Groupe Dewaay S.A.**	**Effectenbank Stroeve N.V.**
Date of inclusion in the scope of consolidation	1/7/2005	1/7/2005
Description of combination	Acquisition by Kredietbank S.A. Luxembourgeoise	Acquisition by Kredietbank S.A. Luxembourgeoise
Ownership percentage acquired	100%	100%
Acquisition price (in EUR million)	124	70
Of which deferred payments not yet made	0	0
Assets and liabilities recognised (1)		
Cash and cash equivalents	4.4	0.6
Loans and advances to banks	192.2	232.6
Loans and advances to customers	16.8	55.9
Securities	54.6	0.7
Derivatives	-	-
Tangible and intangible fixed assets	1.4	0.7
Other	43.6	5.0
Total assets recognised	313.0	295.4
Deposits from banks	12.4	28.5
Deposits from customers and debt securities	210.6	228.0
Derivatives	-	-
Other	40.0	13.0
Total liabilities recognised (excluding equity and subordinated liabilities)	263.0	269.5

(1) The data presented are the first available since the date of business combination. Changes in these data since the date of the combination are nevertheless not material.

	Financière Groupe Dewaay S.A.	Effectenbank Stroeve N.V.
Results of acquired company since acquisition, Included in KBL *epb* results (in EUR thousand)	4,319.7	information not available because of merger with Theodoor Gilissen Bankiers N.V. before 31/12/2005

	Exercice 2005
KBL *epb* net results (in thousands) as though the acquisition date for all business combinations during the financial year had been 1 January of that year	220,937

Note 43 | Post-report events

In a press release dated 31 January 2006, it was announced that, within the new integration of KBL into KBC Group, KBC Group and KBL were analysing the future of Banco Urquijo. As well as the closer integration of Banco Urquijo into KBC Bank, the possibility of selling Banco Urquijo to a third-party buyer was also considered.

In the notes relating to segment reporting (Notes 3a and 3b), Banco Urquijo is presented in the “Private Banking“ and “Corporate Banking“ business segments and in the “on-shore“ geographic segment.

Pursuant to IAS 10 and IFRS 5, the possible classification of Banco Urquijo by KBL *epb* as “asset held for sale“ in 2006 did not lead to an adjustment in the 2005 consolidated accounts of KBK *epb*.

NON-CONSOLIDATED ACCOUNTS

NON-CONSOLIDATED ANNUAL ACCOUNTS

The non-consolidated annual accounts of KBL *epb* were prepared 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 2005 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	2004	2005
Cash, balances with Central Banks and post office banks	**164**	**852**
Treasury bills and other bills eligible for rediscounting with the Central Bank	**5,889**	**1,031**
Treasury bills and similar	5,889	1,031
Loans and advances to banks	**11,008**	**12,841**
a) Repayable on demand	1,244	566
b) Other loans and advances	9,764	12,275
Loans and advances to customers	**1,880**	**1,479**
Bonds and other fixed-income securities	**5,203**	**5,249**
a) Public issuers	4,021	4,070
b) Issued by other borrowers	1,182	1,179
Shares and other variable-yield securities	**146**	**164**
Participating interests	**35**	**20**
Shares in associated companies	**1,279**	**1,414**
Intangible assets	**-**	**5**
Tangible assets	**106**	**110**
Own shares	**3**	**0**
Other assets	**44**	**51**
Prepayments and accrued income	**782**	**985**
TOTAL ASSETS	**26,539**	**24,202**

NON-CONSOLIDATED BALANCE SHEET

in EUR million, as at 31 December

LIABILITIES	2004	2005
Deposits from banks	**12,751**	**8,461**
a) Repayable on demand	1,599	1,123
b) With agreed maturity or periods of notice	11,152	7,338
Deposits from customers	**10,249**	**11,986**
a) Savings deposits	735	612
b) Other debts		
ba) Repayable on demand	1,850	2,432
bb) With agreed maturity dates or periods of notice	7,664	8,942
Debt securities	**148**	**168**
Bonds and debentures in circulation	148	168
Other liabilities	**184**	**165**
Accruals and deferred income	**501**	**772**
Provisions for risks and charges	**198**	**180**
a) Provisions for taxes	28	25
b) Other provisions	170	155
Subordinated liabilities	**970**	**854**
Special items with a reserve quota portion	**15**	**10**
Fund for general banking risks	**-**	**-**
Hybrid capital instruments	**143**	**144**
Subscribed capital	**189**	**189**
Share premium account	**355**	**355**
Reserves	**647**	**709**
Profit brought forward	**1**	**1**
Profit for the financial year	**188**	**208**
TOTAL LIABILITIES	**26,539**	**24,202**

NON-CONSOLIDATED OFF-BALANCE SHEET ITEMS

in EUR million, as at 31 December

	2004	2005
Contingent liabilities	**585**	**392**
Of which:		
- guarantees and assets pledged as security	575	388
Commitments	**1,354**	**1,348**
Fiduciary operations	**757**	**307**

NON-CONSOLIDATED PROFIT AND LOSS ACCOUNT

in EUR thousand, as at 31 December

	2004	2005
Interest receivable and similar income	**1,836,182**	**2,226,291**
Of which: that arising from fixed-income securities	494,702	354,289
Interest and similar charges	**(1,729,172)**	**(2,112,301)**
Net interest	**107,010**	**113,990**
Income from securities	**48,196**	**69,797**
a) Income from shares and other variable-yield securities	5,165	7,781
b) Income from participating interests	1,183	300
c) Income from shares in associated undertakings	41,848	61,716
Commissions receivable	**102,801**	**134,013**
Commissions payable	**(23,642)**	**(18,787)**
Net commissions	**79,160**	**115,226**
Profit on financial operations	**59,076**	**83,147**
Other operating income	**53,831**	**45,519**
General administrative expenses	**(157,750)**	**(152,687)**
a) Staff costs	(94,562)	(94,947)
Of which: - wages and salaries - social security costs	 (79,260) (13,124)	 (79,457) (12,974)
Of which: social security costs relating to pensions	(8,078)	(8,726)
b) other administrative expenses	(63,188)	(57,740)
Value adjustments on tangible and intangible assets	**(6,017)**	**(6,825)**
Other operating expenses	**(12,514)**	**(13,444)**
Value adjustments and re-adjustments for loans and advances and provisions for contingent liabilities and commitments	**27,082**	**(64,280)**
Value adjustments and re-adjustements for transferable securities held as financial assets, participating interests and shares in associated undertakings	**11,999**	**22,807**
Allocation to "special items with a reserve quota portion"	**-**	**(10,082)**
Income from the writing back of "special items with a reserve quota portion"	**6,935**	**14,843**
Income from the writing back of amounts in the Fund for general banking risks	**118,669**	**-**
Tax on profit from ordinary activities	**(24,500)**	**(29,000)**
PROFIT ON ORDINARY ACTIVITIES AFTER TAX	**311,178**	**189,012**
Exceptional income	**-**	**28,000**
Exceptional expenses	**(116,756)**	**(1,915)**
Other taxes not shown under the preceding items	**(6,188)**	**(6,661)**
PROFIT FOR THE FINANCIAL YEAR	**188,233**	**208,436**

Reconciliation of KBL epb Consolidated profit and loss account prepared in accordance with IFRS and KBL non-consolidated profit and loss account prepared 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**
Consolidated IFRS net profit, KBL *epb* share		216.6
Of which: IFRS non-consolidated parent company results		237.2
Fair valuation of financial instruments	Note 2c - f,g	29.1
Deferred taxes	Note 2c - e	12.9
Translation impact on participating interests	Note 2b - b	4.2
Employee benefits	Note 2c - a	-1.5
Provisions for risks and charges	Note 2c - b	-73.5
KBL non-consolidated Lux GAAP net profit		208.4

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 Belgian 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 and finance 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 GROUP EUROPEAN PRIVATE BANKERS

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

KBC ASSET MANAGEMENT N.V.

- KBC Asset Management N.V. provides a complete range of asset management services. It also serves as the skills centre for the asset-management companies of KBC Group's central and eastern European subsidiaries.

KBC GROUP

Main companies

KBC GROUP

KBC Bank (100%)	KBC Insurance (100%)	KBL European Private Bankers (99%*)	KBC Asset Management (100%)
Main subsidiaries and participating interests	Main subsidiaries and participating interests	Main subsidiaries and participating interests	Main subsidiaries and participating interests
Belgium	**Belgium**	**Belgium**	
Antwerpse Diamantbank	ADD	Puilaetco Dewaay	
CBC Banque	Fidea	Private Bankers	
Centea	Secura		
Fin-Force			
International Factors			
KBC Investco			
KBC Lease Groupe			
KBC Securities			
Central Europe	**Central Europe**	**Western Europe**	
CSOB Bank	Argosz	Banca KBL Fumagalli Soldan	
K&H Bank	CSOB Insurance (CR)	Banco Urquijo	
Kredyt Bank	CSOB Insurance (SR)	Brown, Shipley & Co.	
Nova Ljubljanska banka	K&H General Insurance	KBL Finance Ireland	
Patria Finance	K&H Life Insurance	KBL France	
	NLB Vita	KB Luxembourg (Monaco)	
	Warta	Kredietbank Luxembourg	
		Kredietbank (Suisse)	
Rest of the world	**Rest of the world**	Merck Finck & Co	**Rest of the world**
Assurisk	FBD Holdings	Theodoor Gilissen Bankiers	KBC AM Ltd (Ireland)
IIB Bank	Lucare		
KBC Bank Deutschland	VITIS Life		
KBC Bank Nederland			
KBC Clearing			
KBC Finance Ireland			
KBC Financial Products			
KBC Ifima			
KBC Lease			
KBC Peel Hunt.			
Orbay			

* as at 31/03/2006

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6900 LUGANO
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Fax: (41) 91 911 06 90

Zurich Branch
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PRIVATE BANKING

Customer Services	Tel.: 4797-2020	Stock exchange orders	Tel.: 4797-2272
Personal Banking	Tel.: 4797-2272	Private Banking	Tel.: 4797-2100/2099

PERSONAL BANKING	RETAIL BANKING	BERTRANGE BRANCH	ETTELBRUCK BRANCH
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L-2955 Luxembourg	L-2955 Luxembourg	L-8011 Bertrange	L-9053 Ettelbruck
Tel.: 4797 2272	Tel.: 4797 2560	Tel.: 4797-5232	Tel.: 4797-7724
Fax: 4797-73914	Fax: 4797-73912	Fax: 4797-73925	Fax: 4797-73926
Manager:	Manager:	Manager:	Manager:
Hubert Schillings	Theo Scholten	Erik Roose	Georg Joucken

INSTITUTIONAL CLIENTS

Markets:			
Management & Secretarial Office	Tel.: 4797-2774	Forex	Tel.: 2621-0333
International Relations	Tel.: 4797-3869	Bullion	Tel.: 2621-0355
<u>Fixed Income</u>		Sales-Corporate Desk & Fiduciary Deposits	Tel.: 2621-0344
Secondary Markets	Tel.: 2621-0122	Corporate, Credit and Analysis	Tel.: 4797-3885
Euro & Legacies	Tel.: 2621-0122	Corporate Trust	Tel.: 4797-3913
USD Bloc & Emerging & Syndication	Tel.: 2621-0122	Loans and Research Division	Tel.: 4797-2064
Luxembourg Stock Exchange	Tel.: 2621-0122	Custody Division	Tel.: 4797-2750
Sales	Tel.: 2621-0133	KBL Direct Access	Tel.: 4797-3618
<u>Equity Markets</u>		Transfers	Tel.: 4797-2571
Luxembourg Equities & Investment Funds	Tel.: 2621-0222	Corporate Actions	Tel.: 4797-3086
Foreign Equities - Sales Traders	Tel.: 2621-0211	Private Equity & Corporate Finance	Tel.: 4797-2941
<u>Money Markets</u>		Corporate Banking & International Loans	Tel.: 4797-3905
Treasury	Tel.: 2621-0311		
Repos & Securities Lending	Tel.: 2621-0322		

GENERAL DEPARTMENTS

Management Secretarial Services	Tel.: 4797-2320	Account Administration	Tel.: 4797-2668
Legal Department	Tel.: 4797-3115	Marketing - Communication	Tel.: 4797-3111
Tax Department	Tel.: 4797-2987	Human Resources	Tel.: 4797-2632

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Administration	Tel.: 46 819-2093
Portfolio Management	Tel.: 46 819-4191
Fund Research & Multi-Management	Tel.: 46 819-4577
Institutional Sales	Tel.: 46 819-3947
Group Investment Research & Strategy	Tel.: 46 819-4561

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

KBL GROUP european private bankers

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