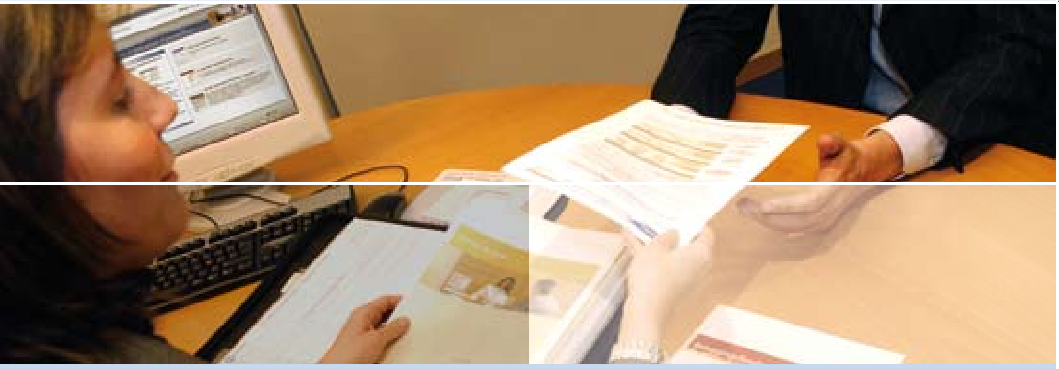
KBL european private bankers

Annual Report 2007



The Banker
Bank of the Year 2007
LUXEMBOURG

Kredietbank Luxembourg

Member of KBC group KBC

KBL EUROPEAN PRIVATE BANKERS

GERMANY

Merck Finck & Co, Privatbankiers

Head office Munich

BELGIUM

Puilaetco Dewaay Private Bankers

Head office Brussels

FRANCE

KBL France

Head office Paris

GREAT BRITAIN

Brown, Shipley & Co.

Head office London

THE NETHERLANDS

Theodoor Gilissen Bankiers

Head office Amsterdam

GRAND DUCHY OF LUXEMBOURG

Kredietbank Luxembourg

Head office Luxembourg

PRINCIPALITY OF MONACO

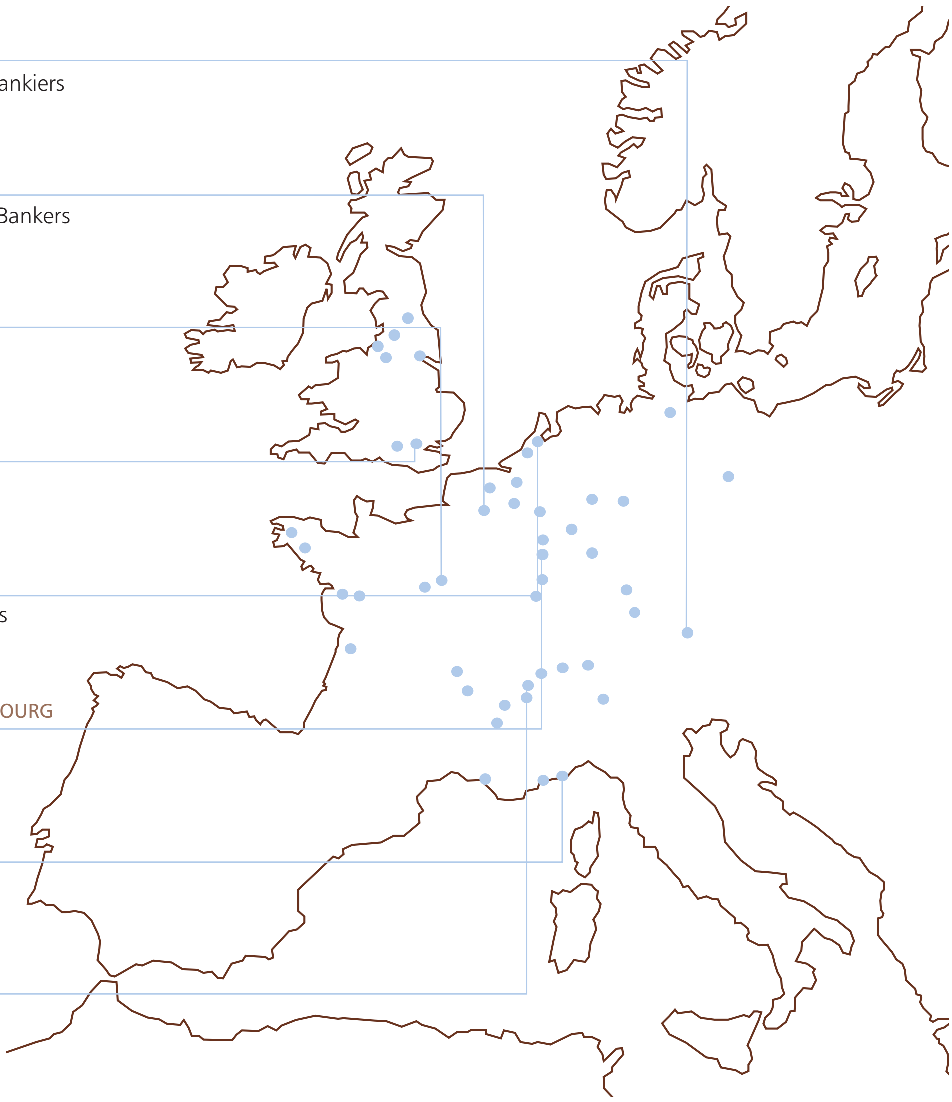
KB Luxembourg (Monaco)

Head office Monaco

SWITZERLAND

Kredietbank (Suisse)

Head office Geneva



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BOARD OF DIRECTORS

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

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

Herman AGNEESSENS
Managing Director
of KBC Bank N.V.

Jan Maarten de JONG
Company Director

Franky DEPICKERE
Managing Director of Cera / Almancora

Diego du MONCEAU
Company Director

Frans FLORQUIN
Managing Director of KBC Bank 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

Jacques PETERS
Executive Director
Kredietbank S.A Luxembourgeoise

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

Marie-Christine VANTHOURNOUT-SANTENS
Company Director

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

Frank ERTEL
Staff representative
Kredietbank S.A. Luxembourgeoise

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

Francis GODFROID
Staff representative
Kredietbank S.A. Luxembourgeoise

Christian HOELTGEN
Staff representative
Kredietbank S.A. Luxembourgeoise

Christine JANSSENS
Staff representative
Kredietbank S.A. Luxembourgeoise

Nico KNEPPER
Staff representative
Kredietbank S.A. Luxembourgeoise
(until 31 August 2007)

Robert KONZ
Staff representative
Kredietbank S.A. Luxembourgeoise
(until 31 August 2007)

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

Mathias RAUEN
Staff representative
Kredietbank S.A. Luxembourgeoise

INDEPENDENT AUDITORS RESPONSIBLE FOR EXTERNAL AUDIT

Ernst & Young S.A.

Situation as at 31 December 2007

EXECUTIVE COMMITTEE

Etienne VERWILGHEN
Chairman

Jean-Paul LOOS

Philippe PAQUAY

Jacques PETERS

MANAGEMENT

Luc CAYTAN
Financial Markets

Rafik FISCHER
Global Investor Services

Marie-Paule GILLEN
General Secretariat

Michel GODFRAIND
Finance & Risk

Olivier de JAMBLINNE
Wealth Management

Jean-Luc MARTINO
IT

Dominique MELOTTE
Human Resources and Equipment

Yves PITSAER
Subsidiaries

Bernard SOETENS
Corporate / Credit and Analysis

Philippe VAN DOOREN
Operations Management

Philippe VERDIER
Organisation

Vincent SALZINGER
Compliance Officer

Thierry THOUVENOT
Internal Audit

MAIN EVENTS

Development of European private bank network

- 12 April 2007: close of the sale of Banca KBL Fumagalli Soldan, Italian subsidiary of KBL *epb*[1], to the Spanish bank, Banif, private banking subsidiary of the Santander Group.
- 31 December 2007: transfer to the Luxembourg parent company of the essential activities of KBL Finance Ireland, subsidiary dedicated exclusively to loans.
- 1 January 2008: legal merger of Puilaetco and Dewaay, KBL *epb*'s Belgian subsidiaries.
- 23 January 2008: memorandum of understanding for the 100% purchase of Richelieu Finance Gestion Privée in France. The deal should be closed in the first quarter of 2008.

Company name

- The proposal shall be submitted to the General Meeting of 19 March 2008 to change the company name of the Bank to KBL European Private Bankers S.A..

Application of the MiFID Directive

- The MiFID Directive entered into force on 1 November 2007. KBL *epb* has taken all the measures necessary to conform to the new obligations imposed by the Directive, particularly in matters of transparency and investor protection. Complying with the legal and regulatory demands has led to the Bank strengthening the role and resources of the KBL and Group Compliance unit.

Staff

- As at 31 December 2007, KBL *epb* employed a total of 2 662 staff (FTE, including 127 early retirees) compared with 2 832 (FTE, including 158 early retirees) as at 31 December 2006, a decrease of 6% mainly due to the restructuring at Brown, Shipley & Co. Ltd. Of the 2 662 staff in the KBL *epb* group, some 45% work in the subsidiaries.

Shareholding

- On the basis of the own share buyback programme launched on 25 September 2006, KBC Group held 99.91% of the capital of KBL[2] as at 31 December 2007.

Results in line with expectations

- The consolidated solvency ratio, after appropriation of earnings, was 21.10% and the consolidated solvency ratio for basic equity (Tier one ratio) was 12.68% as at 31 December 2007. These ratios were calculated based on figures in accordance with the IFRS system as adopted by the European Union.
- Group share of net consolidated profit was EUR 208.3 million with the allocation of a gross dividend of EUR 10.00 per share.

[1] KBL *epb* is used for the KBL European Private Bankers network.

[2] KBL is used for Kredietbank S.A. Luxembourgeoise.

CONSOLIDATED KEY FIGURES

RESULTS

(in EUR million)	2006	2006 pro forma (*)	2007
Net banking income	1,249.4	683.9	756.3
Operating expenses	-529.4	-471.3	-509.9
Pre-tax profit	719.9	212.6	246.4
Income taxes	-41.6	-38.5	-38.1
Net consolidated profit, Group share	676.8	172.6	208.3

DIVIDENDS

(in EUR million)			
Dividends	574.9	128.7	201.4

DATA PER SHARE

(in EUR)			
Net consolidated profit, Group share	33.29	8.49	10.34
Gross dividend	28.55	6.39	10.00

FINANCIAL RATIOS

(in %)			
Tier one ratio (after profit appropriation)	13.00 %	13.00 %	12.68 %
Solvency ratio (after profit appropriation)	22.00 %	22.00 %	21.10 %
Regulatory capital / Balance sheet total	5.50 %	5.50 %	6.75 %
Loans and advances to credit institutions and investment companies / Amounts owed to credit institutions and investment companies	130.31 %	130.31 %	175.33 %
ROAE	45.31 %	11.56 %	13.68 %
ROAA	2.67 %	0.68 %	0.97 %
Cost/Income Ratio	42.95 %	70.82 %	62.87 %

CONSOLIDATED BALANCE SHEET

(in EUR billion)			
Total balance sheet	**22.7**	**22.7**	**20.3**
Assets			
Loans and advances to credit institutions and investment companies	10.0	10.0	8.9
Loans and advances to customers	2.9	2.9	1.9
Securities	6.4	6.4	6.5
Liabilities			
Amounts owed to credit institutions and investment companies	8.8	8.8	6.0
Amounts owed to customers and debts evidenced by securities	10.5	10.5	11.9
Subordinated debts	1.0	1.0	1.0
Total equity	1.7	1.7	1.3
Of which AFS reserves	0.12	0.12	0.04

AuM

(in EUR million)			
Assets under management	54,489	54,489	54,462
Of which: private banking customers	40,273	40,273	41,041

(*) The 2006 pro forma data include the neutralisation of the capital gains from the deconsolidation of Banco Urquijo (EUR 501.2 million) and the exclusion of Banco Urquijo's contribution to the different items.

MANAGEMENT REPORTS OF THE BOARD OF DIRECTORS

1. General comments on the results

Net consolidated profit, Group share as at 31 December 2007 was EUR 208.3 million compared with EUR 676.8 million as at 31 December 2006. These amounts are difficult to compare in that the results as at 31 December 2006 include the profit on the sale of the holding in Banco Urquijo to Banca Sabadell for EUR 501.2 million. Excluding this non-recurrent capital gain and Banco Urquijo's contribution to KBL's consolidated results, profit as at 31 December 2006 would have been EUR 172.6 million.

On a like-for-like basis (neutralising Banco Urquijo's contribution to the 2006 accounts), banking revenue increased by 11%, rising from EUR 683.9 million to EUR 756.3 million.

Net commissions rose by 5%, driven by increased private banking activity. It equalled EUR 461.4 million at the end of 2007, i.e. 61% of the net banking revenue (as against 64% as at 31 December 2006 ex Banco Urquijo). This positive trend in net commissions comes mainly from the subsidiaries but is particularly significant with regard to Merck Finck & Co, KTL, KBL, Theodoor Gilissen Bankiers N.V. and Kredietbank (Suisse).

On a like-for-like basis, interest income (including interest on derivatives) rose by EUR 29 million, a rise of 26%. Profit on investment securities (AFS) in 2007 (EUR 61.2 million as against EUR 17.9 million in 2006) came from gains made on the sale of a certain number of securities positions, in particular the sale of European equities.

In 2007 the 'Other revenue' item, with a balance of EUR 34.4 million, contained mainly the capital gains from the sale of Fumagalli (EUR 14.4 million). As at 31 December 2006 this item equalled EUR 515.9 million following the non-recurring capital gain from the sale of Banco Urquijo (EUR 501.2 million).

General expenses fell from EUR 529.4 million to EUR 509.9 million, a drop of 4% or 2% on a like-for-like basis, offsetting the impact of the impairments listed in this item.

The total balance sheet fell by 11% compared with the balance sheet at the end of 2006. The drop was mainly in interbank transactions.

At the General Meeting on 19 March the dividend distributed shall be determined on the basis of the non-consolidated profit established in accordance with legal and regulatory requirements in force in Luxembourg, in particular pursuant to the Act of 17 June 1992 on annual financial statements. Thus a gross dividend of EUR 10 per share shall be proposed to shareholders, compared with a gross dividend of EUR 28.55 for the previous year, a figure greatly inflated by the gains on the sale of Banco Urquijo. After a deduction of 15% withholding tax this amount corresponds to a net dividend of EUR 8.50 per share.

Taking account of this proposed profit appropriation, the basic consolidated equity (Tier 1) calculated in accordance with CSSF (Luxembourg Financial Sector Surveillance Commission) Circular 05/228 on the impact of IAS/IFRS international accounting standards in determining the adequacy of regulatory capital, as at 31 December 2007, was EUR 822.7 million and the consolidated solvency ratio of basic equity was 12.7% (compared with 13% as at 31 December 2006).

Own share buy-backs

1.1. BUY-BACKS BEFORE 23 MARCH 2007

With the aim of making management of the company simpler and more efficient, a buy-back offer for own shares was launched on 25 September 2006. The prices offered were EUR 185 per ordinary share and EUR 166.80 per preference share without voting rights, resulting from applying a valuation method based mainly on the financial multiples (P/E, etc.) of private

European banks listed on the stock exchange. The offer period expired on 23 March 2007.

Between 25 September 2006 and 23 March 2007 the Bank thus acquired 165 880 ordinary shares and 25 369 preference shares on the terms stated in its buy-back offer (i.e. a total of 191 249 own shares). Some 19 521 shares remained in the hands of minority shareholders as at 23 March 2007: 12 193 ordinary shares and 7 328 preference shares representing together 0.10% of the total number of shares in circulation and of the bank's capital.

Within the framework of the buy-back offer the bank has therefore paid out EUR 34 919 349.20 (EUR 30 687 800 for ordinary shares and EUR 4 231 549.20 for preference shares) to acquire shares representing 0.94% overall of the total number of shares in circulation.

1.2. CANCELLATION OF OWN SHARES BOUGHT BACK

At the Extraordinary General Meeting of Shareholders held on 25 April 2007, the 191 249 treasury shares acquired by the company were cancelled and the share capital was reduced by EUR 1 778 615.70, corresponding to the total book value of the treasury shares acquired.

1.3. BUY-BACKS SINCE 24 MARCH 2007

With the aim of making management of the company simpler and more efficient, the bank acquired 630 ordinary shares and 240 preference shares between 24 March 2007 and 31 December 2007.

Unlike the buy-backs before 24 March 2007 which were carried out within the framework of a buy-back offer launched by the company, the buy-backs since 24 March 2007 constitute acceptances by the company of requests to sell on the part of minority shareholders. These buy-backs were authorised by the General Meeting of Shareholders of 20 September 2006, for a period of 18 months, in other words until 20 March 2008. At the next General Meeting, a request will be made to renew this authorisation for a further 18 months.

The buy-back price of these shares during the period from 24 March 2007 to the present day corresponded to the price fixed in the September 2006 offer, minus the dividend of EUR 28.55 already paid in 2007 on these shares for the 2006 financial year, in other words a price of EUR 156.45 per ordinary share and EUR 138.25 per preference share. The total amount paid by the company to buy back its treasury shares since 24 March 2007 is therefore EUR 131 743.50 (EUR 98 563.50 for ordinary shares and EUR 33 180.00 for preference shares).

The number of shares remaining in circulation in the hands of minority shareholders as at 31 December 2007 was 18 651, divided between 11 563 ordinary shares and 7 088 preference shares, representing as a whole 0.09% of the total number of shares in circulation and of the share capital.

2. Role of KBL *epb* within KBC Group

KBL European Private Bankers is today the Private Banking Business Unit of KBC Group. As such, KBL *epb* has been given the role of focusing on the development of pure-play private banking in all the companies in this Business Unit. In Luxembourg this role goes hand in hand with providing services to professional investors through Global Investor Services, hereafter GIS (see points 2.3 and 5.1 below).

2.1. A SPECIALISATION: PRIVATE BANKING

KBC Group offers, with regard to private banking, two different but complementary formulas. On the one hand, KBC Private Banking is designed for customers who want a full and integrated service from their banking relationship, mainly on KBC's two major domestic markets, Belgium and eastern Europe. Meanwhile, under the aegis of KBL European Private Bankers, the Group has rolled out a network of well-known private banks in response to the needs of a significant clientele that prefers to entrust its wealth management to a second bank, a pure-play private banker.

These prestigious local brands are typified by their proximity and the personal nature of their relationship with the customer. They offer tailored services in the countries of western Europe, including Belgium, where the private banking markets are more mature. Expansion in central and eastern Europe is currently being planned.

2.2. STRATEGIC OBJECTIVES

Over the coming years, our KBL European Private Bankers network intends to pursue its strategy based on the private banking business.

Over the last 15 years, we have put in place and developed a 'pure-play' network of private bankers situated in the major countries of western Europe. Each member of our network aims to offer customers private banking services via well-known 'boutique' type private banking entities. Our private bankers are first and foremost trusted advisers who listen to what their customers want and aim to offer them the best service and to guarantee, over the long term, solidity, competence and professionalism with respect for their particular culture.

Thanks to the dynamism of the KBL *epb* project and to its policy of respecting colleagues and customers, its model is attracting more and more private bankers who wish to join the group.

With regard to its development, KBL *epb* is seeking, within each of the private banks in its network, essentially organic growth, linked to a dynamic commercial policy facilitated by the focusing of all available resources in this area, with operational functions being transferred to a common centralised support service platform for the whole group, the Hub Service Centre (see 2.5 below).

To encourage its external growth, the KBL *epb* network can also count on the support of KBC Group, which is ready to provide it with the necessary resources where the opportunity exists. KBL *epb* still remains interested in selective acquisitions of companies with a role and customer base that can be integrated into its network and its core business. The acquisition of Richelieu Finance (France), for which the memorandum of understanding was signed in 2008, is a perfect example of this policy.

Our European network of private bankers is therefore based both on the European dimension of the KBC Group and on the strong local presence of prestigious brands in each of the countries where we operate.

2.3. A LUXEMBOURG STRENGTH

A specific commercial entity, Global Investor Services (GIS), is responsible for ensuring the commercial development of the securities services. Its primary focus is on investment funds, an acknowledged strength of the Luxembourg market which is number two in the world for this type of product. This business line remains a secondary but not insignificant part of our strategy. These services are offered to institutional investors, among whom the bankers in the European Private Bankers network figure predominantly thereby giving an important critical mass to this activity.

2.4. POSITIVE TREND IN AUM FOR PRIVATE BANKING CUSTOMERS

The trend in KBL *epb* Assets under Management (AuM) is positive, despite the effects of unfavourable markets in the last quarter of 2007.

Indeed, it is noted that, although KBL *epb* had total AuM of EUR 54.5 billion as at 31 December 2007, largely comparable with 31 December 2006, significant growth by volume of 2% in the AuM of purely private customers, excluding institutional investors, shows the heightened confidence of these customers in our private bankers' network.

2.5. HUB SERVICE CENTRE

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

KBL wants to offer its subsidiaries 'state-of-the-art' facilities with regard to quality, flexibility, cost management, specialist ICT tools and back office operational support through centralisation of these activities on a common platform. The Private Banking Hub is mainly based on all the tools and skills developed within KBL in Luxembourg and the whole KBL *epb* group over several years. It facilitates the optimisation of service quality for clients wherever KBL *epb* is present in Europe.

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

In order to guarantee its successful functioning, the Hub is run in consultation with all our subsidiaries concerned through a Group Operations Committee (GOC) comprising the Chief Operations Officers of the main KBL *epb* entities.

In terms of information technology, a platform of IT tools dedicated to our role is available to subsidiaries. The main components of this suite are Globus (front and back office tool) and Pivotal (Client Relationship Management tool). These principal applications are supplemented by a range of specific risk management and communication tools, as well as by a group network optimised in terms of cost and security. This platform has already been successfully introduced in France (KBL France S.A.), the UK (Brown, Shipley & Co. Ltd) and, in 2007, in Belgium (Puilaetco Dewaay Private Bankers). Rollout in Switzerland (Kredietbank (Suisse)) and Germany (Merck Finck & Co) began in 2007 and will enter the production phase in 2009 and 2010.

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

By the end of 2008, all the operations of the KBL *epb* group, except for the German and Dutch domestic operations, should be integrated into the Hub.

With the private banking Hub, KBL *epb* has firmly oriented itself towards a new role, a high-quality proactive service based in Luxembourg for European private bankers who are seeking excellence for their customers. Pooling processing capabilities and skills plus the flexibility of the architecture implemented make the Hub an essential tool for KBL *epb*'s future growth.

3. Synergies within KBC Group

The synergies within KBC Group are meeting their targets and will reach a maximum stable level in 2010, on schedule.

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

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

Lastly, since 2006, the group has seen significant development in the marketing of structured products specially developed for the KBL *epb* network and its private banking customers (tailor-made products) in collaboration with KBC as regards the funding and investment vehicle aspect.

With regard to insurance, KBL *epb*, which has an insurance broker's licence, strengthened its collaboration with Vitis Life in the field of life assurance to integrate wealth management solutions, including branch 21 and branch 23 products, into its private customer range.

4. Development of the European Private Bankers network

4.1. KBL LUXEMBOURG

Wealth Management

In Luxembourg, Wealth Management – an entity created at the end of 2005, by grouping together all the bank's management and advisory services provided to customers – intensified the collaboration between the Private Banking and Management teams in 2006 and more so in 2007 to provide customers with a high-quality service.

This involves a strong and preferential client relationship for our account officers. For this purpose, they have focused even more on the relationship-building and commercial aspect of their role, leaving an ever greater share of administration to a specifically dedicated unit.

An expanded range of products and services

With regard to private banking, our approach seeks to understand customer assets in their entirety. That is why KBL has pursued its asset and/or fiscal policy in the context of the 'European Savings Directive' through its range of insurance services and products for private customers. Thus, in Luxembourg we have in-house specialists who are able to respond to the wishes of our customers and we work with Vitis Life, a member of the KBC group, recently attached to the Private Banking BU, and with other service providers not linked to the KBL European Private Bankers group.

In the context of extending the range of funds and products offered since 2006, the introduction and marketing of various structured issues by KBL in Luxembourg and across its private banking network must be highlighted. These structured products, whether or not capital-protected, are put together with the technical support of KBC and meet the specific expectations of customers in the whole KBL *epb* group in a targeted way.

KBL was also able to develop its offer in terms of third-party funds due to the sharing of resources and expertise existing within the private banking network and to an approved methodology. This approach was recognised by the French magazine *Investir* which awarded its Gold Laurel to KBL for its excellent management of the KBL Key Fund - Eastern Europe portfolio. Every year, Gold Laurels are awarded to the best investment fund managers over a period of five years and winners are determined on the basis of data defined by Standard & Poor's.

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

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

Acknowledged expertise

On 1 December 2007, *The Banker*, international magazine of the Financial Times group, named KBL European Private Bankers as 'Bank of the Year 2007' for Luxembourg. This prestigious distinction is reward for our efforts in constantly delivering the best service to our customers.

4.2. FRANCE

On 23 January 2008, a memorandum of understanding for the purchase of Richelieu Finance Gestion Privée was signed in Paris. This acquisition, which should be completed during the first half of 2008, will substantially reinforce the position of KBL *epb* in France.

The 2007 financial year marks a turning point for KBL France S.A. in terms of its operation, resulting from efforts beginning several years ago to increase the amount of assets under management, both through organic growth with the regular recruitment of private bankers and via the purchase of asset management companies or financial consultancy firms.

Thus, following the acquisition in 2006 of the management company René Aballéa Finance based in Brest, the presence of the French subsidiary in Brittany was consolidated by the purchase in April 2007 of the Eric Delaune Financial Management Consultancy based in Saint-Malo and Rennes.

Likewise, KBL France S.A., already present in Annecy, completed discussions at the start of 2008 to acquire the asset management consultancy firm Jacques Barbier du Doré based in Chambéry in the Savoy region.

Internally, the arrival of several private bankers, the creation of a Financial Consultancy department and the completion of a structured life insurance offer are giving a fresh impetus to the growth of private customers.

Efforts also continued to reduce operating expenses by outsourcing a number of support functions. Thus, in 2007, KBL France Gestion outsourced the role of custodian for the funds that it manages to an external service provider and signed a fund valuation contract with the company EFA.

Finally, it should be pointed out that, as in the past year, the performance of KBL France Gestion's range of UCITS was again recognised in 2007 by the French weekly magazine *Le Revenu* with the award of two Bronze Trophies, the first for the best overall performance over three years and the second for Aeden Invest Immo as the best 'sectoral shares' fund over 10 years.

4.3. UNITED KINGDOM

New products and services

The Brown Shipley AIM portfolio, which is not strictly speaking a new product but was reserved exclusively for Brown, Shipley & Co. customers, was brought onto the market in the summer of 2007. Note that the AIM Portfolio received a welcome boost from the famous *Tax Efficient Review* which placed our product first in its category based on proven performance on the UK market.

Other developments

With regard to support activities, the KBL *epb* computer platform was successfully installed in December 2006. Brown, Shipley & Co. can now take full advantage of this service platform and focus on its core business of customer service. The next development, which is underway with the support of KBL *epb*, is the optimisation of online banking and investment services, BS OnLine, which should be available from April 2008.

Brown, Shipley & Co. is also looking to put in place an important customer communication project. The bank thus wants to introduce a flexible solution and to offer each customer the style and method of communication that they want. The basic tool for this solution, the new BS OnLine portal, will be developed with a view to ensuring greater interactivity.

4.4. GERMANY

In 2007, Merck Finck & Co introduced a new service called ‘Liquidity Planning’. Based on financial planning, this tool gives customers and account officers quick and full access to the customer's assets and liquidity situation. If this exercise reveals that a more in-depth examination is necessary in order to meet customer concerns, Merck Finck & Co. offers a comprehensive financial plan. In 2007, around 250 top customers were able to benefit from this new service.

In December 2007, a financial magazine, *Elite - Report*, awarded Merck Finck & Co the highest rating (*Magna cum laude*) for the first time. The German private bank of the KBL *epb* network was thus classified among the top 20 private banks in Germany, Switzerland, Austria and Liechtenstein.

As regards tools, Merck Finck & Co introduced a new computer management system based on the return on investment. In addition, the first stages of the migration to the computer platform of the KBL *epb* group were successfully completed.

4.5. SWITZERLAND

In 2007, Kredietbank (Suisse) sought to return to the values of discretionary management and to achieve a greater personalisation of its client services.

The most notable event was therefore the implementation of a customer-focused development strategy advocating excellence in service and management performance for existing and new clients alike. New clients should come principally from countries in eastern Europe which Kredietbank (Suisse) has identified as its development zone, given its geographical proximity and the substantial economic growth that these countries are experiencing, generating the emergence of new wealth.

This development, already begun in 2006, should intensify further in the same way as the development previously undertaken in Argentina. In order to achieve this objective, a number of organisational measures have been adopted, in particular the strengthening of development teams, the recruitment of estate planners, the growth of the asset manager team, the creation of a communication and marketing post and the start of incorporation into the Private Banking Hub of KBL *epb*.

A major effort was also made in developing and seeking financial solutions appropriate to these growth zones based on, in particular, a range of structured products developed by dedicated teams of experts.

Furthermore, all customer documents have been reviewed, new means of communication have been created and a major reorganisation of premises has been undertaken to ensure that all services meet client expectations. Finally, along these lines, new combinations have been introduced into the discretionary management mandates proposed in order to meet client requirements in a highly targeted and personalised fashion.

4.6. NETHERLANDS

The year 2007 was a vintage year for Theodoor Gilissen Bankiers N.V. The merger of Effectenbank Stroeve and Theodoor Gilissen in 2006 is now effective and the rewards of the new organisation can be harvested.

With its new media campaign: *Serious Money*. *Taken Seriously,* which started at the end of 2006, Theodoor Gilissen Bankiers is seeking to improve its reputation, its brand image and the confidence that it generates on the market. The results are encouraging as a growing number of customers have been attracted by the image of Theodoor Gilissen Bankiers which has resulted in assets under management increasing.

Theodoor Gilissen Bankiers also successfully launched the European Banking Opportunity Note in 2007. This investment product is designed to take advantage of the explosion of mergers and acquisitions on the European banking landscape. It was named as product of the year by the largest Dutch newspaper *De Telegraaf*.

Theodoor Gilissen has improved its relations with its top customers by running several educational programmes. By way of example, for the spouses and children of its top customers, the bank has organised sessions in order to inform them about the world of investment and financial and estate planning. The programme has been enthusiastically received by a growing number of customers and will be continued in 2008.

Theodoor Gilissen has also supported a network of businesswomen, the 'Club for Professionals', for whom special meetings have been organised with both educational and recreational objectives with the aim of strengthening their business relations. The programme was also very well received and will be continued in 2008.

Being a private bank eager to inform its customers about trends on the financial markets, Theodoor Gilissen organised a series of events to give them its perspective on the market, to cover investment themes and to inform them about financial instruments such as technical analysis.

These aspects and other matters were also discussed in a new in-house communication tool called *Seriously*. Through this magazine, Theodoor Gilissen gives its customers and colleagues expert opinions on various aspects of the financial markets, with an in-depth analysis but delivered in a language that is understandable to the general public.

4.7. BELGIUM

The legal merger of the two banks that comprise Puilaetco Dewaay Private Bankers was carried out on 1 January 2008. During the year 2007, the Belgian subsidiary continued the refocusing of its activities on Private Banking, its sole core business.

During the past year, the bank prioritised its commercial development, particularly in Flanders, with the opening of a branch in Hasselt in February 2007 and in Waregem in February 2008.

In terms of support, the Belgian private banker of the KBL *epb* network successfully migrated to the Hub in 2007 and the IT migration to the KBL *epb* computer platform was completed in December.

4.8. MONACO

KB Luxembourg (Monaco) S.A. reaped the rewards of its organic growth policy, with a further increase in customer assets (+14%) and income up by 26% compared with the previous financial year.

In 2007, the Bank strengthened its internal control system in order to bring it in line with the relevant KBL *epb* and KBC group standards.

From an organisational point of view, the Bank completed the implementation of an STP platform both internally and externally, thereby enabling the placing of customer orders to be fully automated via the KBL *epb* Hub. A CRM (Customer Relationship Management) tool was also brought into operation in order to record, electronically, all aspects of the Bank's relationship with its customers.

5. Complementary niche activity

Alongside private banking, the Luxembourg financial market has specialised over many years in the collective investment undertakings (UCI) industry, a sector of activity in which our bank has for a long time played a leading role.

During 2007, strengthened by its recognised experience and high level of expertise in the various services offered to UCI customers and other institutional investors, KBL in Luxembourg created a new commercial entity, Global Investor Services (GIS). This entity clearly positions services for institutional and professional customers as the second core business for KBL *epb* in Luxembourg.

The main objective of the GIS is to develop new business relations and new business flows in sectors where KBL has specific recognised competences by transforming MiFID constraints into commercial advantages by means of a MiFID compliant Hub. As regards existing customers, the GIS essentially has the aim of developing relations by means of intelligent and balanced cross-selling.

In addition to its commercial responsibilities towards third-party customers, the GIS also acts as a contact point for the subsidiaries of KBL *epb* for the sourcing of private banking products by taking advantage of the opportunities offered by the KBC group while taking into account the specific and different needs of each national market.

At the end of this first and short year of operation, boosted by major investments in human and computer resources, successes have materialised and our commercial efforts have largely borne fruit. Numerous opportunities for cross-fertilisation and optimisation of our client relationships have been identified and often already materialised despite the recent creation of the GIS. The successes involve all sectors of our banking activity and have also had notable effects on our activities in the area of insurance. Encouraged by this success we will continue along this path and will seize all opportunities that our markets offer to develop further still our image as the leading bank on the financial market.

5.1. GLOBAL INVESTOR SERVICES

The commercial approach of the new Global Investor Services entity aims to understand the needs of professional and institutional customers in their entirety. In this context, KBL wishes to offer its professional and institutional customers and *epb* members a preferential point of entry for all products and services offered by the bank.

In particular, we must emphasise the products developed by our trading room, one of the last in-situ rooms in Luxembourg, and specific products and services such as those connected to the collective investment industry in Luxembourg.

Since its creation in February 2007, Global Investor Services, a commercial structure centralised and integrated within the bank, has been strengthened by the arrival of new highly qualified employees.

In addition to the more traditional services, such as stock-brokerage, access to money market instruments, precious metals and foreign exchange products, as well as Global Custody with all its related value-added services, the GIS provides its customers with integrated offers in the area of third-party fund brokerage, and especially alternative funds, and supplements the service offered with acknowledged expertise in asset allocation via UCI vehicles and with its proven hedge fund selection method.

A unit that listens to our customers is specifically dedicated to designing tailor-made alternative or structured products according to the needs and wishes expressed.

The GIS thus regularly extends its offer to new tailor-made products and solutions intended both for our Private Banking activity within the KBL *epb* group and for our professional and institutional customers.

5.2. UCI

In May 2007, the investment fund sector reached the threshold of EUR 2 trillion in net assets for the first time. This sector has grown by more than 11% since 1 January 2007, increasing from EUR 1 844.8 billion at the end of December 2006 to EUR 2 059.4 billion at the end of December 2007.

The net capital contribution of investors was EUR 188.5 billion at the end of December 2007 (compared with EUR 241.3 billion in 2006), which enables Luxembourg to retain its top position in Europe in terms of investment fund domiciliation and to occupy second place, straight after the United States, in the global league of investment funds.

The growth of venture capital investment companies (SICAR) remains solid. Since the coming into force of the SICAR Act in June 2004, 183 companies of this type had been created by the end of December 2007 (114 by the end of December 2006).

The main event in the area of regulation in 2007 was undoubtedly the introduction in February of the Specialised Investment Fund (SIF) Act. This replaced the 1991 law on funds intended for institutional investors. It introduces some new elements aimed at increasing further still the attraction of the Luxembourg investment funds sector:

- broader definition of 'eligible' investor to include not just institutional or professional investors but also 'well-informed' private investors;
- greater flexibility with regard to investment policy;
- more flexible regulatory reporting; and
- less onerous operating rules and the discontinuation of the concepts of promoter and approved manager.

Since February, 282 new Specialised Investment Funds (SIF) have been created, bringing the total number of SIFs (including the old institutional funds) to 572 units (at the end of December 2007). These are essentially funds pursuing an alternative investment strategy: real estate, unlisted companies, hedge funds, microfinance, etc.

In a difficult financial environment, marked in the second half of the year by the sub-prime lending crisis in the United States which brought in its wake stock market falls and volatility, net assets managed to remain at a satisfactory level of EUR 47.2 billion.

The number of sub-funds registered a net increase of 44, a rise of 6.70% compared with the end of December 2006.

Since 1998, Kredietrust Luxembourg, in its capacity of central UCI administration, has sub-contracted the management of accounts and the keeping of investor registers to a specialist company, European Fund Administration (EFA) in which KBL is the principal shareholder. At the end of 2007, EFA administered more than 2 444 sub-funds compared with 2 135 units at the end of 2006, a rise of 14.5%. As regards net assets under administration with EFA, at the end of December 2007, these amounted to EUR 122.66 billion, an increase of 6.2% over one year.

Note finally that, following the creation of EFA France in autumn 2006, the first French funds are now being administered directly by this subsidiary.

General balance sheet trend

At the end of the 2007 financial year, the balance sheet total was EUR 21.0 billion, some EUR 3.3 billion less than the figure for 31 December 2006. The crisis on the financial markets and the economic slowdown were factors in this balance sheet reduction.

In terms of assets, the repatriation to Luxembourg of the activities of KBL Finance Ireland required the sums receivable from our subsidiary, which were previously recorded as loans to customers, to be transferred to the Bank's bond portfolio.

On the liabilities side, the decrease in amounts owed to customers stems principally from the reduction in liabilities from repos and securities borrowing.

Overall, the ratio of liquid assets to short-term liabilities remained stable. The Bank maintains a very comfortable liquidity position.

Holdings, shares in associated companies and equity portfolio

The item 'Shares in associated companies' fell by almost 23% in 2007 from EUR 1.12 billion to EUR 0.87 billion. This reduction is the consequence of the sales of Banca KBL Fumagalli Soldan and Renelux, of the capital reduction of KBL Finance Ireland following the repatriation of its business to Luxembourg and of the merger of Financière Groupe Dewaay with the Bank.

Intangible assets

Following this merger of Financière Groupe Dewaay, the Bank was forced to post a merger loss in its company accounts, the reason for the increase in intangible assets as at 31 December 2007.

Increase of interest income and of net commissions

Net interest income increased by 43.3%, substantially as a result of the improvement of the net cash margin. Net commissions also rose by 3.2%, reflecting our strong activity in Private Banking and in the securities area.

Large expansion in revenues from securities

Income from securities benefited from the substantial increase in dividends received from our subsidiaries. This income increased by more than EUR 35 million.

Other operating income

The 84% decrease in this item was due to the exceptional capital gain recorded in 2006 from the sale of our subsidiary Banco Urquijo for EUR 446 million. In 2007, the item 'Other operating income' includes the capital gains realised from the sales of our holdings in Renelux and in Banca KBL Fumagalli Soldan.

Fall in general administrative expenses

In 2006, the Bank decided to allocate additional funds to the supplementary pension provision in order to come in line, subject to existing legal constraints, with the calculation methods recognised under the IAS. If we disregard this exceptional allocation, expenses were almost stable from one year to the other.

Income trend

Income for the year was down by some 64.1%. However, if we disregard the significant capital gain realised from the sale of Banco Urquijo in 2006, net profit is up by 54.6%.

Annex 1: Compliance 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. To this end KBL & Group Compliance covers a range of tasks including identifying compliance risks, managing them, suggesting and implementing corrective measures, internal reporting and relations with the Public Prosecutor and the CSSF regarding money laundering and insider trading.

During the past financial year, while continuing its efforts in the fields of combating money laundering and the financing of terrorism, protecting the investor and ethics, the KBL & Group Compliance Division was actively involved in the project to prepare the bank and the KBL *epb* group for the entry into force of the new European MiFID (Markets in Financial Instruments Directive) Directive on 1 November 2007.

In summer 2006 KBL *epb* set up a 'MiFID Group Project', uniting the *epb* members affected by MiFID and jointly steered by KBL's Compliance and Organisation. Supervised by the GOC (Group Operations Committee), the Group Project also made use of the services of PricewaterhouseCoopers, whose MiFID expertise is acknowledged in the Luxembourg market.

The implementation of MiFID within the KBL *epb* group took place in three stages:

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

2007 also saw the active involvement of everyone concerned to ensure that the entry into force of MiFID was a success.

Furthermore, 2007 was marked by the rollout of a monitoring methodology common to all *epb* members. This methodology is based on a tool called a Compliance Monitoring Programme through which it is possible to report to the Management and to the Audit and Compliance Committees on the status of monitoring programmes and on any problems observed and to provide solutions that improve the level of conformity of *epb* members. KBL & Group Compliance offered its assistance in the implementation of this methodology by providing particularly valuable support to those entities that had experienced implementation difficulties. Quality checks performed by KBL & Group Compliance revealed that the monitoring dimension of Compliance was now globally in place in the KBL *epb* network.

Finally, substantial resources were allocated in 2007 to helping certain subsidiaries to complete - and others to initiate and continue - the plans to standardise customer files so that all KBL *epb* network establishments are equipped with correct customer files whether for the purposes of meeting anti-money laundering and anti-terrorism financing obligations or meeting investor protection obligations (knowledge of the financial situation, experience and investment objectives of customers through the establishment of risk profiles).

An outstanding communication tool, the Division's Intranet is regularly updated with articles and legal and regulatory texts. Numerous advisory, preventative and monitoring activities have been carried out, not just at KBL, in its capacity as a Luxembourg Bank, but also primarily at the level of the KBL *epb* network, the Bank thus acting in its role of parent company. Procedural adaptations have also taken place in order to take into account the guidelines defined within the first KBC Group compliance standards.

Lastly, group Compliance Officers had the opportunity to meet each other during 'Compliance Days', the annual event at which information held by each *epb* member can be updated, experiences can be exchanged and best practices can be introduced within the Group.

Annex 2: 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 in all the subsidiaries of the KBL *epb* group and at KBL.

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

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

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

2. CREDIT RISK MONITORING

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

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

Various types of monitoring reports are also drawn up to minimise any risk of portfolio deterioration. For this reason:

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

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

3. IMPLEMENTATION OF THE INTERNAL RATING APPROACH UNDER BASEL II

KBL has decided to implement the IRB (Internal Ratings Based) approach as from July 2009 for regulatory purposes. As far as the Bank's balance sheet is concerned, the main asset classes affected by this approach are Banks, Sovereigns, Securitisations and Large Corporates. The other asset classes will remain weighted according to the Standard approach, given their largely insignificant nature in terms of volume and/or credit risk.

With a view to achieving synergies, the Bank will use the models developed centrally within KBC Group to the maximum. Thus, for Banks and Sovereigns, the KBC models are those that will be used. For Large Corporates, the Bank is busy implementing a Luxembourg model, which is a replica of a model used by KBC Bank (the West European Large Corporates model).

During the 2007 financial year, work continued to prepare for the use of the internal rating approach. After a period of testing, the Large Corporates model was progressively integrated into the credit granting and review process. Internal ratings are now awarded to the Bank's Large Corporate counterparties. The coverage ratio of these outstandings by internal ratings is progressively increasing, the aim being to fully cover the defined scope by the end of June 2008.

Furthermore, the various procedures relating to the award of ratings and their use in the various credit processes have been adapted and approved by the Executive Committee.

Lastly, several computer system developments are underway with a view to allowing the use of integrated risk management tools as well as an engine for calculating own funds requirements according to the internal approach.

All developments will continue during the 2008 financial year.

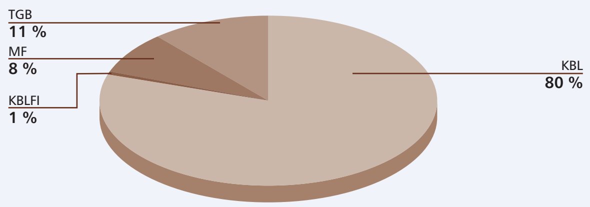
4. COMPOSITION OF LOAN PORTFOLIOS

To analyse the distribution of our credit risks, we examine the composition of the loan portfolios operated by the main group companies active in lending. The ‘consolidated’ figures given below include the outstandings of KBL, KBL Finance Ireland, Merck

Finck and Theodoor Gilissen Bankiers N.V. and represent around 95% of the KBL *epb* group's total loan portfolio. The other subsidiaries, namely Brown Shipley, KBL France S.A., KB Luxembourg (Monaco), Kredietbank (Suisse) and Puilaetco Dewaay Private Bankers are excluded from the scope, since either they do not actively lend (or not to a significant extent) or else the nature of their operations (mainly lending to private clients backed by diversified securities portfolios) does not give rise to any significant risk of loss.

KBL *epb* group has been voluntarily scaling down its lending activities since 2000. The sale of our Spanish subsidiary Banco Urquijo in 2006, which accounted for more than 40% of the consolidated loan portfolio, led to a significant fall in this to EUR 4.1 billion at the end of 2006 as against EUR 7.3 billion a year before. Over the course of the last year, the loan portfolio remained stable and was EUR 4.2 billion at the end of 2007.

CONSOLIDATED LOAN PORTFOLIO - BREAKDOWN BY GROUP COMPANY



The credit commitments of KBL and KBLFI, mainly high-quality externally-rated liquid international loans, make up 81% of the consolidated portfolio (79% at the end of 2006).

It should be noted that within the framework of wanting to centralise our outstandings with quality counterparties with superior ratings, it was decided in 2007 to move KBL Finance Ireland's loan portfolio to the KBL parent. This transfer, largely carried out in the fourth quarter of 2007, was finalised in January 2008.

Merck Finck & Co. has also been voluntarily scaling down its lending activities since 2000, to prioritise loans accompanying private banking activities. Its lending policy and decision-making procedures have also been reviewed in this framework. Since the end of 2000, the portfolio of Merck Finck & Co. has been reduced by 80%. In 2007, it fell 6% to EUR 340 million, i.e. 8% of the benchmark consolidated portfolio (against 9% in 2006).

The lending activities of Theodoor Gilissen Bankiers N.V. are also closely related to its private banking business, with loans essentially being granted to clients under management, either by Lombard loans backed by diversified portfolios or through mortgage loans, these being mainly residential.

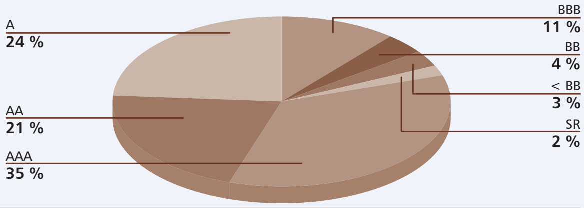
At the end of 2007, Theodoor Gilissen Bankiers N.V.'s share in the portfolio was EUR 488 million and its proportion in the consolidated portfolio 11% (12% in 2006).

4.1 Rating breakdown

As in 2006, investment grade securities make up the major part of the international securities portfolio (92% as against 89% in 2006) and another 2% (6% in 2006) comprise top-quality corporate issuers not rated by external rating agencies.

This illustrates the quality of our portfolio and its limited exposure to non-investment grade risks and emerging economies.

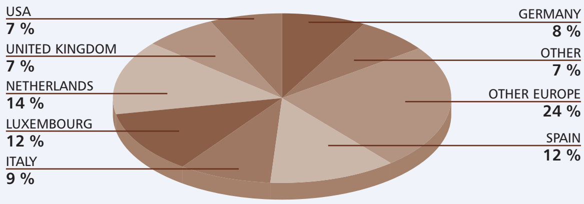
KBL + KBLFI - PORTFOLIO OF INTERNATIONAL SECURITIES - BREAKDOWN BY RATING



4.2 Breakdown by region

Borrowers from Europe make up 86% of the consolidated portfolio (84% in 2006). US accounts make up 7% (6% in 2006), with only 7% from other geographic areas (10% in 2006).

CONSOLIDATED LOAN PORTFOLIO - BREAKDOWN BY REGION



4.3 Breakdown by economic sector

The consolidated loan portfolio shows good sector diversification. Only two sectors account for more than 10%: private individuals (where loans have collateral) and the banking sector (which traditionally has quite a low risk profile).

Specific loan provisions

Below we list specific provisions established in respect of the consolidated loan portfolio as at 31 December 2007, and the changes in these provisions over the course of the year.

It should be noted that within the framework of managing our portfolio of structured products the decision was taken in 2007 to provision fully the part corresponding to the difference between our outstanding amounts on Structured Investment Vehicles and the Net Asset Values of which we are notified by the different managers of these products.

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

As at 31/12/2007 (in EUR thousand)	Gross loans	Specific loan provisions	Net loans
More than 90 days overdue	66,495	50,143	16,352
Other doubtful debts	81,197	38,092	43,105
All doubtful and non-performing loans	147,692	88,235	59,457

LOAN / LOSS RATIO (*)	2006	2007
Average over 5 years	0 bps (**)	2 bps
FY 2007	0 bps (**)	86 bps

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

(**) Net negative allocation.

VARIATION IN SPECIFIC LOAN PROVISIONS (in EUR million)
FY 2006

Total provisions as at 01.01.06 (*)	76.69
Transfer from income statement	
Increase in provisions	+7.15
Reduction in provisions	-14.28
Applications	-11.05
Adjustments for exchange-rate variations	-1.89
Total provisions as at 31.12.06	**56.62**

(*) corrected amount, ex Banco Urquijo

VARIATION IN SPECIFIC LOAN PROVISIONS (in EUR million)
FY 2007

Total provisions as at 01.01.07	56.62
Transfer from income statement	
Increase in provisions	+38.80
Reduction in provisions	-2.54
Applications	-4.14
Adjustments for exchange-rate variations	-0.51
Total provisions as at 31.12.07	**88.23**

Annex 3: Group Risk Management

1. INTRODUCTION: POLICY OF ASSUMING AND MANAGING RISK

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;
- on the bond markets, which are classic OTC markets, KBL's expertise has traditionally been recognised, making us not only the operator of choice for managing the internal flows generated by our private and institutional banking activities but also the counterparty of choice for our vast network of selected professional counterparties;
- on the equity markets, which are by their nature organised markets, our main function is to provide brokerage services. Our aim is to channel our customers' flows towards the organised stock markets, either directly or through approved brokers, as far as possible by automated means;
- our approach to taking proprietary positions is a conservative one and we engage in this activity on an incidental basis only or within the framework of ALM; and lastly
- 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 and corporate 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 the different operators.

Non-financial risks, known as operational, are also subject to substantial monitoring through the rollout of the 'Operational Risk Management' (ORM) project of the KBC Group, which has initially chosen the standardised method under Basel II/CRD for all its units.

The result of the centralisation of its decentralised units within the Business Lines, Group Risk Management has since 2002 spearheaded the identification, evaluation, quantification and reporting of the risks listed above. Its integration into the Finance & Risk unit in 2007 strengthened the coherence in approaches followed for market risks, particularly via adoption of common evaluation and reconciliation tools.

1.2. Risk management: role of Group Risk Management

Group Risk Management of the KBL *epb* group comprises three units:

- Risk Management Unit;
- Middle Office; and
- Group Insurance and Operational Risk Unit.

The Risk Management Unit acts for KBL in its capacity as Bank and parent company of the group. It is organised by type of risk and the following specific missions have devolved upon it, both at the methodological and reporting levels:

- management and control of **ALM** risks (Asset & Liability Management);
- management and control of **Trading Risk**;
- in the field of Credit Risk:
  - management and control of **Counterparty/ Country Risk** (unconfirmed lines); and
  - participation, from the viewpoint of **methodology**, in the project of implementing **credit risk** management and monitoring **in accordance with Basel II**;
- reporting for the monitoring of risks falling within its area of competence, both from subsidiaries to the parent company in Luxembourg and from KBL *epb* (Hub concept) to KBC's Risk Management department;
- implementation of Pillar 2, Basel II; and
- critical studies when a new activity is envisaged by the Bank and/or the Group for the scope of risks that concern it.

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

The **Middle Office** aims to:

- manage Middle Office IT tools (especially Kondor+);
- voluntarily optimise the control procedure; and
- specialise resources for carrying out Middle Office tasks.

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

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

The MO is built on two pillars:

- Systems Management;
- Project & Controlling.

Systems Management

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

Systems Management is responsible for the administration and data management of the Kondor+ system and is also involved in all cross-departmental and MO projects.

Project & Control

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

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

Control includes all checks, which can be summarised in five points:

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

The **Group Operational Risk and Insurance** unit ensures, for the KBL *epb* group, the introduction of the methodology linked to operational risk management and to managing the co-ordination of the insurance programme within the overall KBC Group plan.

2. RISK CONTROL

Within the framework of risk control, Group Risk Management contributes to the overall control of the following structural risks:

- market risks: trading risk and ALM risk;
- liquidity risk;
- counterparty/country risk; and
- operational risk.

2.1. Market risk

2.1.1. Trading risk

The Market Risk Division of the Risk Management Unit plays a predominant role in the validation and continuous improvement of managing the market risk of the KBL *epb* group. It also has expert responsibilities in the following risk management tasks:

2.1.1.1. Methodology

- Preparation, implementation and monitoring of various methodologies (VaR, BPV, etc.) and procedures relating to the identification, measurement, reporting and optimisation of market risks;
- Harmonisation of the KBL *epb* group methodologies on the basis of those in effect within KBC Group;
- Introduction of interest-rate, currency and price variation scenarios (analysis of historical 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.

2.1.1.2. Prudential consolidation of risks

- Introduction at 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.

2.1.1.3. Reporting

- Development and/or monitoring of reports submitted to the Risk Management Committee and to the Executive Committee of KBL and KBC Group.

- Validation of periodic reporting prepared by the managers of local Risk Management supervisors (methodological management of market risks for the Group).

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

2.1.1.4. VaR positions for trading activities

In October 2007, the KBL Executive Committee reduced the *VaR* limit from EUR 10 million to EUR 8 million (a 10-day 99% HVaR limit with a 500-day history) for KBL trading activities.

In 2007 the overall *VaR* liability for these activities developed as seen below.

KBL GROUP HVaR (mln)	Limit	Outstanding as at 31/12/2006	Outstanding as at 31/12/2007	%
All Activities	8	0.88	1.25	42 %

The trading HVaR was EUR 1.25 million as at 31 December 2007, an increase of 42% on 2006. This increase is due to the inclusion of all Dealing Room activities in the trading HVaR in 2007. As at 31 December 2007, the total HVaR represented 16% of the limit and was broken down as follows:

KBL *GROUP* HVaR (mln)	Limit	Situation as at 31/12/2007 Outst.	Use %
Equity	1.80	0.17	9 %
Bond	2.70	0.35	13 %
Treasury	2.45	0.54	22 %
Forex	0.55	0.19	35 %
Buffer	0.50	0.00	0 %
Total	8.00	1.25	16 %

2.1.2. ALM risk

In asset/liability management, the ALM section of the Risk Management Unit works in accordance with three priorities: methodology, prudential risk consolidation and reporting.

The ALM division of the Risk Management Unit plays a predominant role in the validation and continuous improvement of KBL *epb* group's ALM management, having responsibilities as expert in the following risk management tasks:

2.1.2.1. Methodologies

- Preparation, implementation, critical analysis and proposals for improving various methodologies (rate spreads, BPV, *VaR*, 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 with those at the KBC Group.
- Definition and analysis of the balance sheet construction policy (replicating portfolios, fund transfer pricing, etc.).

- Establishment of interest-rate, currency and price variation scenarios (analysis of historical 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.

2.1.2.2. Prudential consolidation of risks

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

2.1.2.3. Reporting activities

- Development, analysis and validation of reports submitted to the KBC Group ALCO, the KBL Executive Committee and the regulators.
- Development of methodological applications relating to:
  - exchange-rate risk: *VaR* and others;
  - interest-rate risk: rate spread, BPV and *VaR* at a global level; and
  - asset/liability management: replicating portfolios, fund transfer pricing (FTP), etc.

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

2.1.2.4. Trend of ALM positions in 2007

KBL's ALM positions essentially consist of bonds and shares. These are mainly structural positions and correspond to policies aimed at replacing current/savings accounts and at replacing surplus capital in accordance with the methodologies adopted across the KBC Group. In addition, it should be noted that KBL does not take 'tactical' ALM positions.

During 2007, all of KBL's ALM limits were reviewed under the guidance of the KBC Group ALCO and validated by the KBL Executive Committee. To this end, the following limits were validated:

- interest rate: BPV limit of EUR 7.3 million; and
- equities: *VaR* limit of EUR 93 million. The confidence interval is 99%, the time horizon is a year and the history is over 20 years

The increased interest-rate risk in 2007 is essentially due to:

ALM positions in 2007

(EUR million)	Interest rate		Equities	
	Limit	Outstandings	Limit	Outstandings
Risk as at 31/12/2006	5	0.67	70	69
1st quarter 2007	5	0.38	70	66
2nd quarter 2007	7.3	1.24	93	85
3rd quarter 2007	7.3	2.13	93	84
Risk as at 31/12/2007	7.3	4.91	93	74

- the introduction of government bond portfolios as a replacement for the capital surplus under KBC Group standards; and
- the integration of the subsidiaries' ALM bond portfolios into the scope of consolidation of the ALM risk.

As regards equities, the slight increase is essentially due to the integration of the ALM bond portfolios of the subsidiaries in the scope of consolidation of ALM risk.

2.2. Liquidity risk

Given the size of liquidity risk in view of the events observed during 2007 on the financial markets and in relation to the implementation of the KBC methodology, the Bank continued with and developed a number of liquidity risk measures that went beyond the regulatory liquidity ratio in 2007:

- operational liquidity ratio (stock liquidity ratio);
- structural liquidity ratio (liquidity gap);
- stress testing;
- implementation of a Liquidity Contingency Plan; and
- regulatory liquidity ratio.

2.2.1. Stock Liquidity Ratio (SLR)

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

$$\text{SLR} = \frac{\text{Marketable assets}_{\text{within 5 working days}}}{(\text{Wholesale liquidity gap} + 5\ \%\ \text{of maturing retail deposits})_{\text{within 5 working days}}}$$

The marketable assets ('liquid assets') are:

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

The limit for this ratio has been fixed at a minimum of 110%. 2007 was dedicated to the implementation of this ratio and this shall continue in 2008 with the aim of finalising and integrating it into the liquidity risk monitoring/managing process.

2.2.2. Liquidity Gap

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

The principle for calculating this Liquidity Gap is to break down the outstanding items on the balance sheet by residual term to maturity, making the following specific assumptions:

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

The Liquidity Gap corresponds to the difference between outstanding assets/liabilities in the different residual maturity segments.

The cover ratio calculated at KBC Group level is the ratio between all liabilities and assets for periods greater than five years. It must be at least 60%.

2.2.3. Stress testing

During 2007, special attention was paid by KBC Group to the development of liquidity stress testing. The aim of this exercise is to measure the structural liquidity of the KBC Group in a crisis period scenario. This exercise was performed at the KBC Group level and for the various entities (including KBL). To this end, various scenarios are envisaged and, for each, a 'liquidity buffer' is calculated by time bucket.

This liquidity buffer is calculated as follows:

LIQUIDITY BUFFER = EXPECTED CASH CHANGES + EXPECTED LIQUIDITY INCREASING ACTIONS

where:

- 'expected cash changes' = consideration of incoming/outgoing flows on the basis of assumptions such as a 15% withdrawal of retail deposits, 50% reduction in interbank funding, etc.
- 'expected liquidity increasing actions' = use of the repo market to obtain liquidity, reductions / suspensions of interbank loans, etc.

  A negative 'liquidity buffer' therefore means that the bank cannot meet its debts falling due.

These stress tests are performed on a quarterly basis. The development of liquidity stress testing methodologies will be continued during 2008.

2.2.4. Liquidity Contingency Plan

As part of the Liquidity Contingency Plan, KBL establishes a Daily Liquidity Gap containing a wide range of information:

- a liquidity gap for each day over a period of 30 working days and for each currency;
- all liquid assets classified in different categories; and
- trends in the liquidity position compared with the day before.

Triggers have been defined in order, where necessary, to activate this Liquidity Contingency Plan based on different criteria depending on whether the crisis is considered as minor or major. In this latter case, the KBC Group's ALCO, on which the General Manager of the Dealing Room sits, would handle the crisis in conjunction with KBL's Executive Committee.

2.2.5. Regulatory liquidity ratio

A regulatory liquidity ratio is also calculated and reported to the Luxembourg regulator on a monthly non-consolidated basis. This ratio must be greater than 30%. As at 31 December 2007, KBL's liquidity ratio was 68.1% (as at 31 December 2007, it was 66.1%).

2.3. Counterparty / Country Risk Management

Within the framework of credit risk management, the Counterparty / Country Risk Division of the Risk Management Unit contributes to the overall control of credit risk focusing its action on three points: methodology, prudential risk consolidation and reporting.

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

2.3.1. Methodology

- Preparation, implementation, and monitoring of various methodologies (Mkd-to-Mkt + Add-On, IRB etc) and procedures relating to the identification, measurement, reporting and optimisation of credit risks.
- Harmonisation of the methodologies of the KBL *epb* network based on those in effect within KBC Group.

- 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 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.

2.3.2. 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.

2.3.3. Control activities

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

2.3.4. Reporting

- Development and/or follow-up of reports for the Risk Management Committee and the Executive Committees of KBL and KBC Group.
- Contribution to the coordination and validation 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 outstandings reports.

In order to comply with the overall KBC Group policy on counterparty/country risk, in 2007 the Counterparty / Country section finished developing methods and systems for the KBL *epb* group in collaboration with the KBC Risk Management department:

- Adapting KBL principles and rules to KBC Group standards;
- Mkd-to-Mkt + Add- on method;
- IT projects linked to new forms of processing; and
- Creation and introduction of reports in line with KBC Group standards.

The Counterparty / Country section also contributes, on the methodological level, to the IRB project (Basel II / CRD).

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

2.4. 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 implementing the KBC Group 'Operational Risk Management' (ORM) project, which has chosen the Basel II/CRD Standardised method for all its units.

2.4.1. Definition

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

2.4.2. General organisation

In accordance with CSSF Circular 98/143, the Bank's internal audit system generally provides for the following monitoring levels:

- first-level daily audits by order executors;
- ongoing critical checks by those responsible for administrative order processing;
- checks carried out by members of management on all activities and functions that fall under their direct responsibility; and
- second-level checks carried out by the Internal Audit department.

High-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 safeguards of 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 processes engaging the Bank's responsibility and all related decisions are documented;
- the recording of transactions is exhaustive and carried out as near as possible to the place of the transaction; double (and if necessary triple) involvement is provided for (recording-authorisation);
- all transactions made on customer accounts are accounted for in real time in an application enabling the Bank to monitor risk and liquidity positions in parallel, both at the account and overall client level;
- the accounts department identifies and records transactions, justifies changes in account balances, prepares reports and keeps accounting records; and
- the Bank's IT system is tailored to its requirements and complies with the provisions of CSSF Circular 05/178 in all of the following respects: hardware configuration, applications in use, physical and logical security, organisation and procedures in place.

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

The 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 production site are simultaneously updated onto disks at the back-up site.

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

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

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

2.4.3. Transfer of risks

The regulations (CSSF, CRD and Basel II) intended to introduce a new system relating to the adequacy of shareholders' equity for lending institutions provide for, in respect of operating risk, 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.

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

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

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

- the risk is transferred to market policies (from KBC Group or directly) and/or to KBC Group's captive insurer, the decision criterion being the relationship between the premium and the proposed area of coverage; and
- 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.

2.4.4. Methodological aspects

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

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

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

2.4.5. 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 Central Operational Risk Management (CORM, i.e. the Group Insurance and Operational Risk Unit for KBL).

Each KBL unit has implemented this structure at the local level (ORC – CORM – LORM), with the local ORCs reporting to the ORC of the KBL *epb* group, itself represented on the ORC of the KBC Group.
This structure works in association with the KBL Group Internal Audit and with local Audits.

2.4.6. Loss Event Reporter (LER)
KBL has established an incident database (LER) via its Intranet, which complies with the requirements of Basel II/CAD III and those of KBC Group.

2.4.7. 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 is part of the Management of the Business Lines. Group Risk Management naturally has access to it. The LORMs of each Business Unit (at KBC and KBL level), with the assistance of the local CORM, obtain the 'Risk / Control' matrices relating to them and, for each risk identified:
- perform the necessary updates (especially between two audits);
- evaluate frequency and/or severity; and
- identify the Key Risk Indicators (KRI, see below) in order to monitor the risk closely.

2.4.8. 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; and
- 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's compliance with these Standards (which relate to outsourcing, BCP, etc.).

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

2.4.10. Key Risk Indicators (KRI)
These are predictive parameters allowing the *ex ante* measurement of changes in the operational risk profile of the activities under review. The introduction of KRIs has begun in certain entities and will gradually be extended to the rest of the Bank.

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 2007 was	
	208,574,798.97
Balance carried forward	5,540,939.99
Profit to be distributed	214,115,738.96
Pursuant to legal and statutory provisions, we propose appropriating this profit as follows:	
Statutory reserve	-
Dividend	201,365,880.00
Board of Directors	1,023,000.00
Voluntary reserve	-
Carried forward	11,726,858.96
	214,115,738.96

Subject to approval of this allocation and on the basis of a gross dividend of EUR 10.00 per share, a net dividend of EUR 8.50 shall be payable at our branches from 20 March 2008 upon submission of Coupon No. 11 of the ordinary shares and Coupon No. 10 of the non-voting preference shares.

COMPOSITION OF THE BOARD OF DIRECTORS

The directorship of Mr Diego du Monceau comes to an end at the Ordinary General Meeting in 2008.

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

Luxembourg, 20 February 2008

Board of Directors

UNRESERVED CERTIFICATION OF THE AUDITOR

To the Board of Directors of Kredietbank S.A. Luxembourgeoise
Société Anonyme - Luxembourg

Following our appointment by the Board of Directors, we have audited the accompanying consolidated accounts of Kredietbank S.A. Luxembourgeoise, including the consolidated balance sheet as at 31 December 2007 and the consolidated income statement, statement of changes in equity and cash flow statement for the year then ended, as well as the notes thereto summarising the main accounting policies and other explanatory information for the consolidated accounts.

Responsibility of the Board of Directors for the preparation and presentation of the consolidated financial statements

The Board of Directors is responsible for the preparation and faithful presentation of the consolidated accounts in accordance with International Financial Reporting Standards adopted by the European Union. This responsibility includes the planning, performance and monitoring of internal controls that the preparation and faithful presentation of the consolidated financial statements are free of material misstatement, whether intentional or unintentional, and that the accounting estimates determined are reasonable in respect of the circumstances.

Responsibility of the Statutory Auditor

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We performed our audit in accordance with the International Standards on Auditing adopted by the Institute of Statutory Auditors (Institut des Réviseurs d'Entreprises). These standards require us to comply with ethical rules and to plan and perform the audit to obtain reasonable assurance that these consolidated accounts are free of material misstatement.

An audit involves performing procedures in order to obtain evidence of the amounts and information provided in the consolidated accounts. The choice of procedure falls to the discretion of the statutory auditor, as does the evaluation of the risk of material misstatement, whether intentional or unintentional, in the consolidated financial statements. In performing this evaluation, the consideration by the statutory auditor of internal controls in effect at the entity, on the preparation and faithful presentation of the consolidated accounts, does not have the purpose of expressing an opinion on their effectiveness but of defining appropriate audit procedures in the circumstances.

Responsibility of the Statutory Auditor (continued)

An audit also involves assessing the suitability of the accounting policies applied and reasonability of the accounting estimates used by the Board of Directors, as well as an assessment of the overall presentation of the consolidated accounts.

We believe the evidence obtained forms an adequate, appropriate basis for forming our opinion.

Opinion

In our opinion, the consolidated accounts give a true and fair view of the consolidated financial situation of Kredietbank S.A. Luxembourgeoise as at 31 December 2007, as well as the financial performance and the consolidated cash flows for the period then ended in accordance with the system of International Financial Reporting Standards adopted by the European Union.

Report on other legal or regulatory obligations

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

ERNST & YOUNG
Société Anonyme
Statutory auditor

Sylvie TESTA Daniel MEIS

20 February 2008

CONSOLIDATED ACCOUNTS

CONSOLIDATED IFRS BALANCE SHEET

in EUR million, as at 31 December

ASSETS	NOTES	2006	2007
Cash and balances with central banks		1,436	1,620
Financial assets	15, 16, 17, 18	20,221	17,745
Held-for-trading assets	22	918	733
At fair value via profit and loss		467	569
Available-for-sale assets	20	5,868	5,672
Loans and receivables	21, 36	12,881	10,686
Hedging derivatives	22	87	86
Accrual of interest income	15, 36	218	223
Tax assets	24	19	21
Current tax assets		-	1
Deferred tax assets		19	19
Held-for-sale assets	33	29	-
Investments in associates	25	11	14
Investment property	27	38	39
Property and equipment	27	196	190
Goodwill and other intangible assets	26	284	289
Other assets	23, 36	228	131
TOTAL ASSETS		**22,682**	**20,271**

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

CONSOLIDATED IFRS BALANCE SHEET

in EUR million, as at 31 December

LIABILITIES	NOTES	2006	2007
Financial liabilities	15, 17, 36	20,205	18,372
Held-for-trading	22	836	459
At amortised cost		19,293	17,864
Hedging derivatives	22	77	49
Accrual of interest expense	15, 36	140	139
Tax liabilities	24	141	95
Current tax liabilities		46	33
Deferred tax liabilities		95	62
Held-for-sale liabilities	33	38	-
Provisions	28	61	40
Other liabilities	29, 30, 36	357	320
TOTAL LIABILITIES		**20,942**	**18,966**
TOTAL EQUITY		**1,739**	**1,305**
Equity, Group share	*31*	*1,737*	*1,304*
Minority interests		*2*	*-*
TOTAL EQUITY AND LIABILITIES		**22,682**	**20,271**

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

CONSOLIDATED IFRS INCOME STATEMENT

in EUR thousand, as at 31 December

	NOTES	2006	2007
Net interest income	4, 36	326,778	243,671
Dividend income	5	13,069	11,705
Net gains from financial instruments at fair value	6	-99,829	-56,082
Net realised gains from available-for-sale financial assets	7	17,888	61,207
Net fee and commission income	8, 36	475,511	461,436
Other income	9	515,939	34,396
GROSS INCOME		**1,249,357**	**756,332**
Operating expenses	10	-536,648	-475,505
Staff expenses	11, 30	-343,603	-311,843
General administrative expenses	40	-166,123	-130,925
Other	26, 27, 28	-26,922	-32,737
Impairment	12, 20, 21	3,930	-37,501
Share in profit of associates	13, 25	3,290	3,084
PROFIT BEFORE TAX		**719,930**	**246,410**
Income tax expenses	14	-41,645	-38,066
PROFIT AFTER TAX		**678,285**	**208,343**
Minority interests		1,530	59
Attributable to GROUP SHAREHOLDERS		**676,755**	**208,284**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR million

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

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

Consolidated statement of changes in equity

in EUR million

	Issued and paid-up share capital	Share premium	Treasury shares	Revaluation reserve (AFS investments)	Consolidated reserves	Currency translation differences	**Equity, group share**	Minority interests	**Total equity**
2007									
Balance as at 01/01/2007	**189.0**	**354.6**	**-38.4**	**117.7**	**1,118.5**	**-4.0**	**1,737.4**	**2.0**	**1,739.4**
Net movements on treasury shares	-	-	3.4	-	-	-	3.4	-	3.4
Fair value adjustments before tax	-	-	-	-39.5	-	-	-39.5	-	-39.5
Deferred tax on fair value changes	-	-	-	12.6	-	-	12.6	-	12.6
Transfer from revaluation reserve to profit and loss									
Impairment losses	-	-	-	-1.7	-	-	-1.7	-	-1.7
Net gains/losses on disposal	-	-	-	-64.2	-	-	-64.2	-	-64.2
Deferred income tax	-	-	-	14.2	-	-	14.2	-	14.2
Net profit for the period	-	-	-	-	208.3	-	208.3	0.1	208.4
Dividends	-	-	-	-	-574.9	-	-574.9	-0.8	-575.7
Currency translation changes	-	-	-	-	-	8.9	8.9	-	8.9
Changes in scope of consolidation	-	-	-	-	-	-	-	-	-
Effects of acquisitions/disposals on minority interests	-	-	-	0.3	-	-	0.3	-0.4	-0.2
Other	-1.8	-33.1	34.9	-	-	-	-	-0.3	-0.4
Total change	-1.8	-33.1	38.3	-78.4	-366.6	8.9	-432.8	-1.5	-434.3
Balance as at 31/12/2007	**187.2**	**321.4**	**-0.1**	**39.3**	**751.9**	**4.9**	**1,304.6**	**0.5**	**1,305.0**

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

CONSOLIDATED CASH FLOW STATEMENT

in EUR million, as at 31 December

	2006	2007
Profit before tax	719.9	246.4
Adjustments for:	-486.6	-66.5
Depreciation, amortisation and impairment of property and equipment, intangible assets, investment property and securities	*21.1*	*65.4*
Profit/loss on the disposal of investments	*-500.5*	*-19.6*
Change in impairment for losses on loans and advances	*2.2*	*-*
Change in other provisions	*-0.3*	*4.9*
Unrealised foreign currency gains and losses	*-5.7*	*-114.0*
Profit from associates	*-3.3*	*-3.1*
Cash flows from operating activities before tax and before changes in operating assets and liabilities	**233.4**	**179.9**
Changes in operating assets (1)	4,486.2	5,779.7
Changes in operating liabilities (2)	-5,663.6	-2,539.4
Income taxes paid	-39.3	-49.6
Adjustment in the definition of cash and cash equivalent	-	3,106.2
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**-983.3**	**6,476.8**
Acquisition of subsidiaries or business units, net of cash acquired/disposed of	-0.9	-
Sale of subsidiaries or business units, net of cash acquired/disposed of	658.2	34.9
Proceeds from the sale of investment property	-	-
Acquisition of intangible assets	-17.3	-2.5
Proceeds from the sale of intangible assets	0.2	0.1
Purchase of property and equipment	-22.2	-22.5
Proceeds from the sale of property, plant and equipment	18.3	18.8
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**636.3**	**28.9**
Purchase/sale of treasury shares	-38.4	3.3
Issue /repayment of promissory notes and other debt securities	-135.7	-3.3
Proceeds from /repayment of subordinated liabilities	5.9	-11.9
Dividends paid	-139.1	-574.9
NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	**-307.3**	**-586.8**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (3)	**-654.4**	**5,918.8**

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

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

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

Consolidated cash flow statement

	2006	2007
CASH AND CASH EQUIVALENTS AS AT 01/01	**2,361.0**	**1,706.7**
Net increase/decrease in cash and cash equivalents	-654.4	5,918.8
Effect of exchange rates on cash and cash equivalents	-	-
CASH AND CASH EQUIVALENTS AS AT 31/12	**1,706.7**	**7,625.5**
ADDITIONAL INFORMATION		
Interest paid	-3,669.9	-1,447.7
Interest received	3,843.0	1,747.2
Dividends received (including equity method)	13.1	11.7
COMPONENTS OF CASH AND CASH EQUIVALENTS	**1,706.7**	**7,625.5**
Cash and balances with central banks (including legal reserve with the central bank)	1,436.3	1,619.7
Treasury bills and other bills eligible for rediscounting with central banks	5.0	-
Loans and advances to banks repayable on demand	417.2	7,586.9
Deposits from banks repayable on demand	-151.9	-1,581.2
Of which: not available (4)	327.1	1,501.7

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

Note 1 | General

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

The corporate purpose of the KBL Group EPB is to carry out all banking and credit activities. In addition, KBL Group 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 shareholdings, or in any other manner, these provisions to be understood in the widest manner possible. KBL Group EPB may carry out any activity which contributes in any way whatsoever to the achievement of its corporate purpose. The Group's main activities are described in Note 3a.

KBL Group EPB is headed by Kredietbank SA Luxembourgeoise (hereinafter 'KBL') a public limited company (société anonyme) in Luxembourg and having its registered office at
43, boulevard Royal, L-2955 Luxembourg

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

The net consolidated results of KBL Group *epb*, Group share, for 2007 are hard to compare with the net consolidated results, Group share, for 2006 which include the capital gain on the sale of the holding in Banco Urquijo to Banco Sabadell of EUR 501.2 million and a contribution from Banco Urquijo to the results of EUR 2.9 million (contribution up to the date of the sale in 2006).

Note 2a | Statement of compliance

The consolidated accounts presented in this report were approved by the Board of Directors of KBL on 20 February 2008.

The consolidated accounts of KBL Group EPB have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. Given its activity, KBL Group 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 these.

In 2007, KBL Group EPB changed the way it presents its consolidated accounts in order to meet, on the one hand, the requirements of IFRS 7, applicable from 1 January 2007 and on the other, the presentation of prudential reporting in Luxembourg applicable from 2008. To compare these two financial years, certain data for 2006 have also been changed. These changes have had no effect on the results or the financial situation of the Group as at 31 December 2006.

The most significant adaptations are to the balance sheet, which is henceforth presented by portfolio (i.e. according to the categories of financial instruments defined under IAS 39) and no longer by product. However, a combined breakdown of financial assets and liabilities by portfolio and by product can be found in Note 15. Other notes have also been adapted to conform to the presentation by portfolio.

Published in November 2006, IFRS 8 'Operating segments' – which replaces IAS 14 'Segment Reporting' – applies to annual accounts opened on or after 1 January 2009. This standard will change the presentation of information by activity and geographic sector (information currently available in Notes 3a and 3b). KBL Group EPB has decided not to apply this standard in advance.

Furthermore, the changes in standards and interpretations in the published IFRIC, but not yet applied for the financial year ending 31 December 2007 (i.e. essentially the change to IAS 23 – Borrowing Costs and IFRIC 11 and 14 relating respectively to share-based payment and employee benefits) have no effect on the presentation of the annual accounts of the Group.

Note 2b | Main accounting methods

a. Consolidation criteria

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

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

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

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

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

Conversion of items in foreign currencies

The consolidated accounts of KBL Group EPB are drawn up in EUR, which is the operating currency of the Group.

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

In preparing the annual accounts for KBL and its consolidated subsidiaries the accounts of which are prepared in EUR, assets and liabilities in foreign currencies are translated into EUR. Foreign currency items have been converted at the exchange rate applicable on the date of the balance sheet; differences arising from such conversion are recognised in profit and 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 EUR 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 income statements of foreign subsidiaries 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 31/12/2007 1 EUR = ... CUR		**Change versus 31/12/2006**
CHF	1.654700	2.97 %
GBP	0.733350	9.21 %

AVERAGE ANNUAL EXCHANGE RATES IN 2007 1 EUR = ... CUR		**Change versus 31/12/2006**
CHF	1.642749	4.42 %
GBP	0.684706	0.33 %

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.

b. Financial assets and liabilities

General principles of recognition and derecognition of financial instruments

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

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

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

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

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

Pursuant to the principles of IAS 39 on derecognition, the Group keeps securities lent in its securities portfolio but the securities borrowed are not recorded on the balance sheet. Similarly, the securities concerned by repurchase agreements are kept in the securities portfolio but those under reverse-repo contracts are not recorded on the balance sheet.

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

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

The IAS 39 classifications are as follows:

- *Held-to-maturity assets* are all non-derivative financial assets with a fixed maturity and fixed or determinable payments that KBL Group EPB intends and is able to hold to maturity.

  The Group's management has decided not to class financial instruments in this category.

- *Loans and receivables* are all non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

- *Financial assets at fair value via profit and loss* include held-for-trading assets and any other financial assets initially recognised at fair value via 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 via 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. The 'fair value' option may be used when a contract contains one or more derivatives under certain conditions or when its application produces more pertinent information,

  - either because a group of financial assets/liabilities is managed on the fair-value basis and the performance is measured on the fair-value basis, according to a documented investment or risk management strategy, or

  - because the application of this option makes it possible to eradicate or strongly limit discrepancies resulting from differing valuations of the assets and liabilities concerned.

  This option is mainly used by the Group firstly for contracts with one or more embedded derivatives and secondly as an alternative to hedge accounting (aligning of the way of valuing the instrument covered on that of the covering instrument).

- *Available-for-sale assets* are all non-derivative financial assets which do not fall into one of the above categories.

- *Held-for-trading liabilities* are liabilities incurred mainly with a view to repurchases in the short term. All derivative liabilities are considered as being held for trading unless designated as effective hedging instruments.

- *Other liabilities* are all other financial instruments not held for trading.

- *Hedging derivatives* are derivatives used for hedging purposes.

<u>Measurement of financial instruments</u>

Financial assets and liabilities are initially recognised at fair value and are then measured according to the principles governing the IAS 39 category in which they are placed.

- General principles -

Loans and receivables with a fixed maturity are measured at amortised cost using the effective interest rate (hereinafter 'EIR') method, i.e. the rate that precisely discounts the future cash inflows or outflows to obtain the carrying amount. The instruments without a fixed maturity are measured at cost.

The *available-for-sale assets* are measured at fair value with changes in this recognised in a separate item in equity ('Revaluation reserve (available-for-sale financial instruments)') until the sale or impairment of these instruments. In the latter case, the cumulative result of the revaluation is transferred from equity to the period income statement.

The *financial assets at fair value via profit and loss* and the *held-for-trading liabilities* are measured at fair value with variations in this taken to the income statement.

Other liabilities are recognised in the balance sheet at amortised cost. The difference between the amount made available and the nominal amount is recognised in the income statement (net interest income) pro rata temporis, on a yield-to-maturity basis using the EIR.

- Impairment -

Available-for-sale assets and loans and receivables are also subject to impairment tests and impairment losses are recognised if signs of impairment exist on the balance sheet date.

- *Available-for-sale assets*

For listed shares and other equity instruments, the signs of impairment are determined based on a coherent set of indicators and the amount of impairment is calculated based on the recoverable amount. For debt instruments, the amount of impairment is also calculated using the recoverable value.

Impairment losses are always recognised in the profit and loss account. Meanwhile, reversals are recognised on the income statement only for debt instruments. For listed shares and other equity instruments, reversals are taken to equity in the revaluation reserve (available-for-sale financial instruments).

- *Loans and receivables*

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

- Embedded derivatives -

Derivatives contained in financial instruments that are not measured at fair value via profit and loss are separated from the financial instrument and measured at fair value via profit and loss if the risk relating to the embedded derivative is not closely related to the risk on the host contract.

In practice, financial assets with embedded derivatives are however primarily classified as financial instruments at fair value via profit or loss, making it unnecessary to separate the embedded derivative from the hybrid (combined) instrument, since the entire financial instrument is measured at fair value, with fair value changes being taken to profit or loss.

- Hedge accounting -

The Group does not currently make use of macro-hedge accounting.

It does however use micro-hedge accounting when all the necessary conditions have been met: 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 designated.

Fair value hedge accounting is used by the Group to cover the exposure of available-for-sale assets and certain financial liabilities to changes in the fair value as a result of variations in interest rates or exchange rates. In this case those derivatives designated as hedging instruments (mainly interest-rate swaps and interest-rate and currency swaps) are valued at fair value with variations in fair value being recognised in profit and loss. Furthermore, the gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged element and is also recognised in profit and loss. 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 hedging relationship, recognised in the profit and loss, and a part for unhedged risks, recognised in the revaluation reserve in equity.

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, if applicable, in equity is taken to profit or loss on an accrual basis until maturity of the instrument.

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

Determination of fair value

Fair value: when available, published price quotations on active markets are used to determine the 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 models). The valuation technique must incorporate all factors that market participants would consider in setting a price and be consistent with accepted methodologies used for pricing financial instruments;
- by using the European Venture Capital Association (EVCA) guidance for private equity.

c. Goodwill and other intangible assets

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

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

An impairment loss is recognised if the carrying amount of the goodwill exceeds the recoverable amount. The recoverable amount is estimated using various methods such as discounted cash flow analysis, percentage of assets under management or a price/earnings ratio. Impairment losses on goodwill cannot be reversed.

Negative goodwill is the excess of KBL Group EPB's interests in the net fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary, joint venture or associate on the date of the acquisition, compared with 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, joint venture or associate, it is immediately recognised in profit.

The purchase of a client portfolio (goodwill) generally includes the transfer of the client assets under management to the Group and also the recruitment of all or part of the account officers in charge of the client relations.

The client portfolio is not amortised, but is tested for impairment at least annually. The criteria used for impairment testing are those used on the acquisition of the client portfolio (percentage of assets under management, gross margin multiple, etc.). The result of the impairment test is compared with an estimation based on the parameters deduced from similar transactions, if available.

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

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

d. Property and equipment

Property and equipment are initially recognised at cost.

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

OVERVIEW OF AVERAGE DEPRECIATION RATES

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

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

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

e. Investment property

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

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

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

f. Pension commitments

In addition to the general legally prescribed plans, KBL Group EPB maintains both defined-contribution and defined-benefit pension plans. Defined-benefit plans are those under which the Group 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 past periods. Defined-contribution plans are those under which the Group has no further legal or constructive liability beyond the amount it pays into the fund.

In the case of defined-benefit pension plans, the pension cost on the income statement and liability on the balance sheet are calculated according to IAS 19, based on the projected unit credit method, which envisages each period of service granting additional entitlement to pension benefits. The calculations are made each year by independent actuaries.

Actuarial gains and losses are recognised according to what is known as the 'corridor method'. The portion of gains and losses exceeding 10% of the greater of the two values below shall be recognised in profit or loss on a straight-line basis over a period of five years maximum:

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

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

g. 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 enacted or substantively enacted 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 for the periods of the realisation of the assets or settlement of the liabilities, on the basis of the tax rates enacted or substantively enacted at the date of the balance sheet.

Deferred tax assets are recognised for all unused tax loss carryforwards and tax credits and 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 these losses, tax credits and deductible temporary differences can be used.

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

h. Provisions

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

- the Group 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.

i. Equity

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

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

- The acquisition cost of KBL treasury shares acquired or being acquired 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 gains or losses are transferred to profit or loss for the financial year.
- If applicable 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'.

j. Revenue

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

- it is probable that the economic benefits relating to the transaction shall flow to KBL Group EPB, and
- the amount of revenue can be estimated reliably.

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

Net interest income

Interest is recognised pro rata temporis (using the EIR method, a method of allocating financial income or expenses during the period concerned).

All interest paid and received on financial instruments is recognised in the net interest income, except for interest generated by held-for-trading derivatives which appear under 'Net gains from financial instruments at fair value' on the income statement.

Dividends

Dividends are recognised when the right of the shareholder to receive payment is recognised. They are entered under 'Dividends' on the income statement regardless of the IFRS asset category concerned.

Services provided

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

k. Assets and groups held for sale

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

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

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

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

Note 3a | Segment reporting by business segment

KBL Group EPB distinguishes between the following primary segments:

- The **'PRIVATE BANKING'** segment includes the wealth management activities provided to private customers by KBL Group EPB including investment fund management, mainly for private customers. This segment includes all major subsidiaries of KBL Group EPB (Kredietbank (Suisse) S.A., Geneva, KB Luxembourg (Monaco) S.A., KBL France, Puilaetco Private Bankers S.A., Financière Groupe Dewaay, Theodoor Gilissen Bankiers N.V., Brown Shipley & Co Limited and Merck Finck & Co, as well as Banca KBL Fumagalli Soldan S.p.A until 31 March 2007) and the private banking activities of KBL and Kredietrust Luxembourg S.A..
- The **'GLOBAL INVESTOR SERVICES'** segment includes securities activities for institutional clients. This segment includes custodian bank and fund administration activities (including the shareholding in European Fund Administration), paying agent activities, specialised securities depository and central securities depository Clearstream / Euroclear, as well as intermediation and portfolio management services for KBL institutional clients.
- The **'CORPORATE BANKING'** segment covers international loan activities (including syndicated loans, SAS and FRN) and direct loans to the corporate and institutional clients of KBL and KBL Finance Ireland.

- The **'FINANCIAL MARKETS'** segment represents the extension of intermediation activities to KBL clients, and includes cash management, securities lending, repos/reverse repos and proprietary position-taking for the bank itself.
- The **'OTHER'** segment includes all the elements not directly linked to the four preceding segments, i.e. the replacement of excess equity, central costs, exceptional elements not directly linked to other business segments, the results of small non-core subsidiaries, analytical switches and consolidation.

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

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

PROFIT AND LOSS ACCOUNT (in EUR million)

	PRIVATE BANKING		GLOBAL INVESTOR SERVICES		CORPORATE BANKING		FINANCIAL MARKETS		OTHER		KBL Group EPB	
	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007
Net interest income	85.7	83.8	23.2	26.0	32.5	23.0	20.2	6.3	165.1	104.5	326.8	243.7
Dividend income	2.9	3.2	-	-	-	-	10.1	8.5	0.1	-	13.1	11.7
Net gains from financial instruments at fair value	22.0	19.6	2.7	4.0	0.4	-14.8	28.4	39.4	-153.4	-104.3	-99.8	-56.1
Net realised gains from available-for-sale financial assets	5.7	5.2	-	-	0.2	0.2	0.1	3.1	11.9	52.7	17.9	61.2
Net fee and commission income	407.0	394.4	58.4	62.5	4.6	1.2	-2.0	-0.6	7.5	3.9	475.5	461.4
Other income	3.8	3.4	-	-	0.1	0.2	1.3	1.1	510.7	29.7	515.9	34.4
GROSS INCOME	527.1	509.7	84.3	92.6	38.0	9.8	58.1	57.7	541.9	86.6	1,249.4	756.3
Operating expenses	-374.4	-337.0	-33.4	-35.8	-17.6	-6.1	-22.9	-22.4	-88.2	-74.2	-536.6	-475.5
Impairment	7.0	-0.7	-	-	-0.5	-35.4	-2.1	-2.0	-0.5	0.6	3.9	-37.5
Share in profit of associates	-	-	2.8	3.4	-	-	-	-	0.5	-0.3	3.3	3.1
PROFIT BEFORE TAX	159.6	172.0	53.7	60.1	19.9	-31.7	33.1	33.4	453.6	12.6	719.9	246.4
Income tax expense	-38.0	-39.3	-15.2	-16.7	-3.9	12.4	-	-3.6	15.5	9.2	-41.6	-38.1
PROFIT AFTER TAX	121.6	132.7	38.5	43.4	16.0	-19.4	33.1	29.8	469.1	21.9	678.3	208.3
Minority interests	-1.0	-0.1	-	-	-	-	-	-	-0.6	-	-1.5	-0.1
ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT	120.6	132.6	38.5	43.4	16.0	-19.4	33.1	29.8	468.6	21.9	676.8	208.3

BALANCE SHEET (in EUR million)

	PRIVATE BANKING		GLOBAL INVESTOR SERVICES		CORPORATE BANKING		FINANCIAL MARKETS		OTHER		KBL Group EPB	
	2006	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**
Cash and balances with central banks	65	99	-	-	-		1,372	1,521	-	-	1,436	1,620
Financial assets	3,059	3,402	262	294	2,606	2,545	14,232	11,503	62	-	20,221	17,745
Held-for-sale assets	26	298	-	-	-	-	892	435	-	-	918	733
At fair value via profit and loss	229	220	-	-	73	213	103	136	62		467	569
Available-for-sale assets	1,123	1,408	-	-	2,392	2,217	2,354	2,046	-	-	5,868	5,672
Loans and receivables	1,681	1,477	262	294	141	115	10,797	8,801	-	-	12,881	10,686
Hedging derivatives	-	-	-	-	-	-	87	85	-	-	87	86
Accrual of interest income	36	47	-	-	13	12	51	35	117	129	218	223
Tax assets	19	20	-	-	-	1	-	-	-	-	19	21
Current tax assets	-	1	-	-	-	-	-	-	-	-	-	1
Deferred tax assets	19	19	-	-	-	-	-	-	-	-	19	19
Held-for-sale assets	29	-	-	-	-	-	-	-	-	-	29	-
Investments in associates	-	-	11	14	-	-	-	-	-	-	11	14
Investment property	-	-	-	-	-	-	-	-	38	39	38	39
Property and equipment	126	163	14	15	5	4	5	7	46	-	196	190
Goodwill and other intangible assets	277	281	-	-	-	-	-	-	8	9	284	289
Other assets	91	131	-	-	-	-	-	-	137	-	228	131
TOTAL ASSETS	3,702	4,142	288	323	2,624	2,562	15,660	13,067	409	177	22,682	20,271
Financial assets	6,847	8,046	3,288	3,326	854	277	8,857	6,724	358	-	20,205	18,372
Held-for-sale assets	14	186	-	-	-	-	663	273	158	-	836	459
At fair value via profit and loss	-	-	-	-	-	-	-	-	-	-	-	-
At amortised cost	6,833	7,859	3,288	3,326	854	277	8,117	6,402	200	-	19,293	17,864
Hedging derivatives	-	-	-	-	-	-	77	49	-	-	77	49
Accrual of interest expense	12	20	-	-	1	-	-	-	127	119	140	139
Tax liabilities	-	20	-	-	-	-	-	-	141	76	141	95
Current tax liabilities	-	17	-	-	-	-	-	-	46	16	46	33
Deferred tax liabilities	-	2	-	-	-	-	-	-	95	60	95	62
Held-for-sale liabilities	38	-	-	-	-	-	-	-	-	-	38	-
Provisions	-	20	-	-	-	-	-	-	61	19	61	40
Other liabilities	175	263	-	-	-	-	-	-	182	56	357	320
TOTAL LIABILITIES, EXCLUDING EQUITY	7,072	8,368	3,288	3,326	855	278	8,857	6,724	869	269	20,941	18,966
Acquisitions of tangible and intangible assets	27	23	2	2	-	-	1	1	3	1	33	28

Note 3b | Segment reporting by geographic segment

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

(in EUR million)

	On-shore		Off-shore		KBL Group EPB	
	2006	2007	2006	2007	2006	2007
Gross income	390	290	859	467	1,249	756
Total assets	3,678	4,463	19,004	15,809	22,682	20,271
Total liabilities (excluding equity)	4,090	4,874	16,852	14,092	20,941	18,966
Acquisition of non-current assets	17	8	16	20	33	28

Note 4 | Net interest income

(in EUR thousand)	31/12/2006	31/12/2007
Breakdown by portfolio		
Interest income	1,055,125	1,027,486
Available-for-sale assets	309,520	271,323
Loans and receivables	722,187	718,307
Other	1,780	1,909
Sub-total of interest income from financial assets not measured at fair value via profit and loss	1,033,487	991,540
Financial assets held-for-trading	3,150	7,221
Net interest on hedging derivatives (if net income)	-	1,970
Financial assets at fair value via profit and loss	18,488	26,755
Interest expense	-728,347	-783,816
Financial liabilities at amortised cost	-715,181	-780,561
Other	-3,416	-3,255
Sub-total of interest expense on financial liabilities not measured at fair value via profit and loss	-718,597	-783,816
Net interest on hedging derivatives (if net expense)	-9,750	-
Net interest income	326,778	243,671

Note 5 | Dividend income

(in EUR thousand)	31/12/2006	31/12/2007
Available-for-sale shares	12,411	11,111
Shares held-for-trading	658	591
At fair value via profit and loss	-	4
Dividend income	13,069	11,705

Note 6 | Net gains from financial instruments at fair value

(in EUR thousand)	31/12/2006	31/12/2007
Held-for-trading (including interest and valuation of trading derivatives)	-142,325	-100,512
Other financial instruments at fair value	-6,305	-18,882
Foreign exchange trading	48,237	63,321
Fair value adjustment in hedge accounting	564	-9
Micro-hedging	564	-9
Fair-value hedging	564	-9
Fair value of hedged item	-74,228	4,621
Fair value of hedging derivatives	74,792	-4,630
Net gains from financial instruments at fair value	**-99,829**	**-56,082**

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

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

(in EUR thousand)	31/12/2006	31/12/2007
Fixed-income securities	-12,333	2,927
Variable-yield securities	30,221	58,280
Net realised gains from available-for-sale financial assets	**17,888**	**61,207**

Note 8 | Net fee and commission income

(in EUR thousand)	31/12/2006	31/12/2007
Fee and commission income	**588,996**	**591,211**
Asset management	315,485	331,282
Securities transactions	219,281	210,151
Other	54,231	49,778
Fee and commission expense	**-113,485**	**-129,775**
Asset management	-49,953	-64,434
Securities transactions	-49,640	-51,800
Other	-13,891	-13,541
Net fee and commission income	**475,511**	**461,436**

Note 9 | Other income

(in EUR thousand)	31/12/2006	31/12/2007
Total	515,939	34,396
Of which:		
Net proceeds on the sale of Urquijo	501,233	
Net proceeds on the sale of Westhouse	2,776	
Net proceeds on the sale of Banca KBL Fumagalli Soldan		14,416
Write-back of provisions for various expenses		8,673
Net proceeds on the sale of Renelux		3,026
Net proceeds on the sale of the 'Pretorio' building (KB Suisse)		1,601
Net proceeds on precious metals transactions		1,057

Note 10 | Other operating expenses

Operating expenses include the employee benefits expense, amortisation and depreciation of property and equipment and intangible assets, changes in the provisions for risks and charges and general administrative expenses.

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

(in EUR thousand)	31/12/2006	31/12/2007
Staff expenses	-343,603	-311,843
General administrative expenses	-166,123	-130,925
Depreciation and amortisation of tangible and intangible assets	-27,222	-27,873
Provisions for risks and charges	300	-4,864
Operating expenses	-536,648	-475,505

Note 11 | Personnel

	31/12/2006	31/12/2007
Total average number of persons employed (in full-time equivalents)	3,268	2,668
Breakdown by business line [1]	3,268	2,668
Private banking	2,248	1,816
Global Investor Services	249	276
Corporate banking	171	39
Financial markets	101	99
Other	499	438
Geographic breakdown	3,268	2,668
On-shore	1,868	1,308
Off-shore	1,400	1,360

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

Note 12 | Impairment

(in EUR thousand)	31/12/2006	31/12/2007
(Impairment)/reversal of impairment on:		
Loans and receivables	-2,169	-33,443
Available-for-sale financial assets	6,281	-4,009
Other	-182	-49
Total impairment	3,930	-37,501

Impairment on loans and receivables

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

(in EUR thousand)	31/12/2006	31/12/2007
Total	-2,169	-33,443
Breakdown by type	-2,169	-33,443
(Impairment)/reversal of impairment		
Specific impairments for on-balance-sheet lending	-972	-34,618
Specific impairments for off-balance-sheet credit commitments	51	993
Portfolio-based impairments	-1,248	182
Geographic breakdown	-2,169	-33,443
On-shore	582	-192
Off-shore	-2,751	-33,251

See also Note 21 – Impairment on loans and receivables – and Note 28 – Provisions for risks and charges.

Impairment on available-for-sale financial assets

(in EUR thousand)	31/12/2006	31/12/2007
(Impairment)/reversal of impairment on:		
Fixed-income securities	6,566(1)	-1,505
Variable-yield securities	-285	-2,504
Total	6,281	-4,009

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

Other impairment

(in EUR thousand)	31/12/2006	31/12/2007
Property and equipment	-182	-49
Total	-182	-49

Note 13 | Share in profit of associates

(in EUR thousand)	31/12/2006	31/12/2007
Total	3,290	3,084
Of which: European Fund Administration S.A. and EFA Partners S.A.	2,869	3,084
Others	421	-

Note 14 | Income tax

(in EUR thousand)	31/12/2006	31/12/2007
Total	-41,645	-38,066
Breakdown by type	-41,645	-38,066
Current tax	-42,398	-34,956
Deferred tax	753	-3,111
Breakdown by major components	-41,645	-38,066
Profit before tax	719,930	246,410
Luxembourg statutory income tax	29.63 %	29.63 %
Income tax calculated at the Luxembourg statutory rate	-213,315	-73,011
Plus/minus tax effects attributable to:		
Differences in tax rates, Luxembourg – abroad	4,727	-28,839
Tax-free income	158,273	55,452
Other non-deductible expenses	-3,138	-3,814
Adjustments related to prior years	1,147	8,323
Adjustment to opening balance due to tax rate change	-	331
Unused tax losses and tax credits	13,248	11,203
Other	-2,587	-7,711
Income tax adjustments	171,670	34,945

Details of tax assets and liabilities are given in Note 24.

Note 15 | Classification of financial instruments: breakdown by portfolio and by product

- Financial instruments are divided into several categories (portfolios). Details of these various categories and the valuation rules linked to them are given in Annex 2b, in point b, dealing with financial assets and liabilities (IAS 39).

- As mentioned elsewhere in Annex 2a, the presentation of the balance sheet has been modified, moving from an approach by product to one by portfolio. However, Annex 15 has a cross-reference table including the financial liabilities and assets using both approaches. The comparative figures as at 31 December 2006 have been restated in order to be comparable with the data in the new categories. The totals by product category are based on the figures mentioned in the 2006 annual report, restated as follows:

  - The short positions included in the 2006 annual report in 'other liabilities' are now classified as 'held-for-trading liabilities'.

- Derivatives, considered in the 2006 annual report as being 'held-for-trading', have now been separated into 'held-for-trading' derivatives and 'hedging derivatives'.
- The breakdown by counterparty type is based on the Basel II definitions. The main reclassification concerns investment firms, which have been reclassified with banks.

- The interest accrued on financial assets and liabilities is presented in the 'Accrual of interest income/expense' items, among the held-for-trading derivatives.

CARRYING AMOUNT

ASSETS (in EUR million)	**Held-for-trading (HFT) assets**	**Financial instruments at fair value (FIFV) via profit and loss**	**Available-for-sale (AFS) assets**	**Loans and receivables (L&R)**	**Hedging derivatives**	**Total**
31/12/2006						
Loans and advances to banks and investment firms	-	14	-	10,035	-	10,048
Loans and advances to customers	-	4	-	2,847	-	2,851
Consumer credit	-	-	-	7	-	7
Mortgage loans	-	-	-	234	-	234
Term loans	-	-	-	394	-	394
Current accounts	-	-	-	2,063	-	2,063
Other	-	4	-	149	-	153
Variable-yield securities	9	-	396	-	-	405
Fixed-income securities issued by	109	450	5,472	-	-	6,031
- government bodies	11	215	2,666	-	-	2,892
- banks and investment firms	82	233	1,840	-	-	2,155
- corporations	16	3	965	-	-	984
Derivatives	799	-	-	-	87	886
Total	918	467	5,868	12,881	87	20,221
Of which reverse repos				9,602		9,602

ASSETS (in EUR million)	Held-for-trading (HFT) assets	Financial instruments at fair value (FIFV) via profit and loss	Available-for-sale (AFS) assets	Loans and receivables (L&R)	Hedging derivatives	Total
31/12/2007						
Loans and advances to banks and investment firms	-	-	-	8,854	-	8,854
Loans and advances to customers	-	27	-	1,832	-	1,859
Discount and acceptance credit	-	-	-	2	-	2
Consumer credit	-	-	-	6	-	6
Mortgage loans	-	-	-	258	-	258
Term loans	-	-	-	652	-	652
Current accounts	-	-	-	739	-	739
Other	-	27	-	175	-	201
Variable-yield securities	18	-	304	-	-	322
Fixed-income securities issued by	287	542	5,368	-	-	6,197
- government bodies	17	142	2,575	-	-	2,734
- banks and investment firms	83	189	1,097	-	-	1,368
- corporations	187	211	1,697	-	-	2,095
Derivatives	428	-	-	-	86	514
Total	733	569	5,672	10,686	86	17,745
Of which reverse repos				3,840		3,840

LIABILITIES (in EUR million)	Held-for-trading (HFT) liabilities	Hedging derivatives	Financial liabilities at amortised cost	Total
31/12/2006				
Deposits from banks and investment firms	-	-	8,813	8,813
Deposits from customers	-	-	9,435	9,435
Demand deposits	-	-	4,925	4,925
Time deposits	-	-	4,485	4,485
Other deposits	-	-	25	25
Debt securities	-	-	1,045	1,045
Certificates of deposit	-	-	6	6
Customer savings bonds	-	-	10	10
Non-convertible bonds	-	-	15	15
Non-convertible subordinated liabilities	-	-	1,014	1,014
Derivatives	816	77	-	893
Debts associated with short sales - Variable-yield securities	1	-	-	1
- Fixed-income securities	19	-	-	19
Other	-	-	-	-
Total	836	77	19,293	20,205
Of which repos			3,137	3,137

LIABILITIES (in EUR million)	**Held-for-trading (HFT) liabilities**	**Financial liabilities at fair value (FIFV) via profit and loss**	**Hedging derivatives**	**Financial liabilities at amortised cost**	**Total**
31/12/2007					
Deposits from banks and investment firms	-	-	-	5,974	5,974
Deposits from customers	-	-	-	10,894	10,894
Demand deposits	-	-	-	5,356	5,356
Time deposits	-	-	-	5,478	5,478
Other deposits	-	-	-	59	59
Debt securities	-	-	-	997	997
Certificates of deposit	-	-	-	2	2
Customer savings bonds	-	-	-	7	7
Non-convertible bonds	-	-	-	13	13
Non-convertible subordinated liabilities	-	-	-	976	976
Derivatives	423	-	49	-	472
Debts associated with short sales	36	-	-	-	36
- Variable-yield securities	1	-	-	-	1
- Fixed-income securities	35	-	-	-	35
Other	-	-	-	-	-
Total	459	-	49	17,864	18,372
Of which repos		-		1,107	1,107

Fair value of financial instruments

The following table summarises the carrying amounts and fair values of the financial assets and liabilities not appearing on the balance sheet at fair value.

(in EUR million)

	Carrying amount		Fair value	
	31/12/2006	31/12/2007	31/12/2006	31/12/2007
ASSETS				
Loans and advances to banks and investment firms	10,035	8,854	10,035	8,854
Loans and advances to customers	2,847	1,832	2,848	1,832
Discount and acceptance credit	-	2	-	2
Consumer credit	7	6	7	6
Mortgage loans	234	258	234	258
Term loans	394	652	394	651
Current accounts	2,063	739	2,063	739
Other	149	175	149	175
LIABILITIES				
Deposits from banks and investment firms	8,813	5,974	8,812	5,974
Deposits from customers	9,435	10,894	9,433	10,893
Demand deposits	4,925	5,356	4,925	5,356
Time deposits	4,485	5,478	4,484	5,477
Other deposits	25	59	25	59
Debt securities	1,045	997	1,063	1,005
Certificates of deposit	6	2	6	2
Customer savings bonds	10	7	10	7
Non-convertible bonds	15	13	15	20
Non-convertible subordinated liabilities	1,015	976	1,032	976

Note 16 | Available-for-sale assets and loans and receivables: breakdown by portfolio and quality

(in EUR million)	Available-for-sale (AFS) assets	Loans and receivables (L&R)	Total
31/12/2006			
Unimpaired assets	5,841	12,873	18,714
Impaired assets	41	77	118
Impairment	-14	-69	-83
Total	**5,868**	**12,881**	**18,749**
31/12/2007			
Unimpaired assets	5,659	10,646	16,305
Impaired assets	30	140	170
Impairment	-17	-100	-117
Total	**5,672**	**10,686**	**16,358**

Note 17 | Financial assets and liabilities: breakdown by portfolio and residual maturity

ASSETS (in EUR million)	Held-for-trading (HFT) assets	Financial instruments at fair value (FIFV) via profit and loss	Available-for-sale (AFS) assets	Loans and receivables (L&R)	Hedging derivatives	Total
31/12/2006						
Less than or equal to 1 year	641	283	1,345	12,454	-	14,723
More than 1 but less than or equal to 5 years	228	175	2,786	170	65	3,424
More than 5 years	40	9	1,340	239	22	1,650
Indefinite period	9	-	396	19	-	424
Total	**918**	**467**	**5,868**	**12,881**	**87**	**20,221**
31/12/2007						
Less than or equal to 1 year	300	193	1,010	10,308	52	11,862
More than 1 but less than or equal to 5 years	250	148	2,382	186	15	2,982
More than 5 years	166	227	1,976	192	18	2,579
Indefinite period	18	-	304	-	-	322
Total	**733**	**569**	**5,672**	**10,686**	**86**	**17,745**

LIABILITIES (in EUR million)	Held-for-trading (HFT) liabilities	Hedging derivatives	Liabilities at amortised cost	Total
31/12/2006				
Less than or equal to 1 year	641	5	18,058	18,704
More than 1 but less than or equal to 5 years	163	42	889	1,094
More than 5 years	12	30	346	388
Indefinite period	20	-	-	20
Total	**836**	**77**	**19,293**	**20,206**
31/12/2007				
Less than or equal to 1 year	220	2	16,783	17,005
More than 1 but less than or equal to 5 years	82	21	673	777
More than 5 years	121	26	408	555
Indefinite period	36	-	-	36
Total	**459**	**49**	**17,864**	**18,372**

Note 18 | Securities lending and securities given in guarantee

The Bank regularly performs transactions in which the assets transferred do not qualify for derecognition under IAS 39.

This mainly concerns the following operations:

- repurchase (‘repo’) agreements,
- securities lending,
- securities given as collateral (in particular for securities borrowing or to guarantee credit lines received).

These transactions can be broken down as follows:

(in EUR million)	Repo (**)	Securities lending		Other
	Fixed-income securities	Fixed-income securities	Variable-yield securities	Fixed-income securities
31/12/2006				
Financial assets held-for-trading	-	1	-	-
Financial assets at fair value via profit and loss	140	-	-	-
Available-for-sale financial assets	959	78	6	253
Total financial assets not derecognised	1,099	79	6	253
Other (*)	1,889	1,950(***)	-(***)	4,213
Total	**2,988**	**2,029**	**6**	**4,466**

(in EUR million)	Repo (**) Fixed-income securities	Securities lending Fixed-income securities	Variable-yield securities	Other Fixed-income securities
31/12/2007				
Financial assets held for trading	-	4	-	-
Financial instruments at fair value via profit and loss	125	-	-	-
Available-for-sale financial assets	173	393	6	783
Total financial assets not derecognised	298	397	6	783
Other (*)	766	1,994	246	3,228
Total	1,064	2,391	252	4,011

(*) the item 'Other' relates to securities borrowed or received as collateral for other operations.

(**) the carrying amount of debts associated with repo operations is available in Note 15.

(***) A breakdown of fixed-income and variable-yield securities is not available for 2006.

Note 19 | Securities received in guarantee

The Bank mainly receives securities as collateral in its reverse-repurchase agreement operations and securities lending.

These securities are generally transferred under full ownership and the Bank is able to re-use them in other operations.

The fair value of these guarantees can be broken-down as follows:

(in EUR million)	31/12/2006	31/12/2007
Reverse-repurchase agreements	9,569	3,819
Collateral received in securities lending	4,041	2,702
Total	13,610	6,521
Of which, transferred to: Repurchase agreements	41	122
Securities lent	-	-
Collateral given for securities borrowing	3,887	3,014
Other	166	-
	4,094	3,136

Note 20 | Impairment of available-for-sale financial assets

(in EUR million)	31/12/2006		31/12/2007	
	Fixed-income securities	Variable-yield securities	Fixed-income securities	Variable-yield securities
Impairment				
Balance as at 1 January	16	4	7	7
Changes affecting profit and loss				
Allowances	2	0	2	3
Reversals	-9	0	-1	0
Changes not affecting profit and loss				
Repayments	-	-	-	-1
Other	-2	3	-1	1
Balance as at 31 December	7	7	7	10

Note 21 | Impairment of loans and receivables

The annex to the consolidated management report contains a certain amount of information relating to non-performing receivables and the management of the related impairment.

(in EUR million)	31/12/2006	31/12/2007
Total	69	100
Breakdown by type	69	100
Specific impairments for on-balance sheet lending	68	99
Specific impairments for credit commitments	-	-
Portfolio-based impairment	-	1
Breakdown by counterparty	69	100
Loans and advances to banks	1	-
Loans and advances to customers	67	100
Credit commitments (specific and portfolio-based impairment)	-	-
Geographical breakdown	69	100
On-shore	58	56
Off-shore	11	44

MOVEMENTS (in EUR million)	Specific impairments for on-balance sheet lending	Specific impairments for credit commitments	Portfolio-based impairment	Total
Balance as at 01/01/2007	68	-	-	69
Changes affecting profit and loss	35	-1	-	33
Allowances and reversals	37	-	-	37
Reprises	-2	-1	-	-4
Changes not affecting profit and loss	-4	1	-	-2
Repayments	-4	-	-	-4
Other	-	1	-	1
Changes in scope				
Balance as at 31/12/2007	99	-	1	100

Note 22 | Derivatives

(in EUR million)	Held-for-trading				Micro-hedging Fair value hedging			
	Fair value		Notional value		Fair value		Notional value	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
31/12/2006								
Total	799	816	61,179	61,102	87	77	2,453	2,474
Interest rate contracts	646	598	46,389	46,389	48	64	2,147	2,147
Interest rate swaps	643	593	46,079	46,079	48	64	2,147	2,147
Forward rate agreements	-	1	174	174	-	-	-	-
Futures	-	-	15	15	-	-	-	-
Options	2	2	1	1	-	-	-	-
Other	2	2	120	120	-	-	-	-
Foreign exchange contracts	134	199	14,241	14,164	38	13	297	318
Forward foreign exchange operations	132	197	14,090	14,013	-	-	-	-
Currency and interest rate swaps	-	-	-	-	38	13	297	318
Options	1	1	40	40	-	-	-	-
Other	1	1	111	111	-	-	-	-
Equity contracts	17	17	509	509	-	-	9	9
Futures	1	1	33	33	-	-	-	-
Options	6	6	34	34	-	-	-	-
Other	10	10	443	443	-	-	9	9
Credit contracts	-	-	12	12	-	-	-	-
Raw material and other contracts	2	2	28	28	-	-	-	-

(in EUR million)	Held-for-trading				Micro-hedging Fair value hedging			
	Fair value		Notional value		Fair value		Notional value	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
31/12/2007								
Total	428	423	28,966	28,990	86	49	2,460	2,419
Interest rate contracts	138	101	14,692	14,692	34	39	2,188	2,188
Interest rate swaps	131	94	14,359	14,359	34	39	2,188	2,188
Futures	1	1	123	123	-	-	-	-
Others	6	6	210	210	-	-	-	-
Foreign exchange contracts	135	165	9,608	9,632	51	10	263	222
Forward foreign exchange operations	126	156	9,175	9,199	-	-	-	-
Currency and interest rate swaps	-	-	-	-	51	10	263	222
Options	4	4	343	343	-	-	-	-
Other	4	4	90	90	-	-	-	-
Equity contracts	152	153	4,454	4,454	-	-	9	9
Futures	1	1	49	49	-	-	-	-
Options	119	119	3,397	3,397	-	-	-	-
Others	31	32	1,009	1,009	-	-	9	9
Raw material and other contracts	4	5	211	211	-	-	-	-

Note 23 | 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 of which the countervalue has already been paid.

Note 24 | Tax assets and liabilities

(in EUR million)	31/12/2006	31/12/2007
Current tax assets	-	1
Deferred tax assets	19	19
Losses carried forward	13	10
Financial instruments available for sale	1	2
Other	5	7
TAX ASSETS	19	21
Tax losses and tax credits not capitalised (1)	3	60

(1) Tax losses and tax credits not capitalised concern tax losses of Group companies which are not recognised because of uncertainty about future taxable profits.

(in EUR million)	31/12/2006	31/12/2007
Current tax liabilities	46	33
Deferred tax liabilities	95	62
Employee benefits	-2	-2
Provisions for risk and charges	33	25
Financial instruments at fair value via profit and loss	15	24
Financial instruments available for sale	47	21
Other	2	-6
TAX LIABILITIES	141	95

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 is mainly due to the deferred tax linked to the recognition in the revaluation reserve of the fair value changes in available-for-sale financial instruments.

Note 25 | Investments in associates

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

(in EUR million)	31/12/2006	31/12/2007
Total	11	14
Overview of investments in associates (including goodwill)		
European Fund Administration S.A. and EFA Partners S.A.	11	14
Goodwill in associates		
Gross amount	-	-
Accumulated impairment	-	-

MOVEMENTS (in EUR million)	
Balance as at 01/01/2007	11
Share in profit for period	3
Changes in scope	-
Balance as at 31/12/2007	14

SUMMARY FINANCIAL INFORMATION (in EUR thousand) 31/12/2007 (Provisional figures)	Total assets	Total liabilities excluding equity	Profit for period
European Fund Administration S.A.	51,081	29,917	6,192
EFA Partners	1,879	7	-7

Note 26 | Goodwill and other intangible assets

MOVEMENTS (in EUR million)	Goodwill	Client portfolio	Software developed in-house	Software bought	Other	Total
Balance as at 01/01/2006	248	27	2	8	4	288
Acquisitions	-	4	3	2	-	9
Disposals	-	-	-	-	-	-
Amortisation	-	-	-3	-3	-	-6
Impairment	-	-	-	-	-	-
Allowances	-	-	-	-	-	-
Reversals	-	-	-	-	-	-
Transfers to non-current assets held for sale	-	-	-	-	-	-
Translation differences	-	-	-	-	-	-
Changes in scope	-8	1	-	-1	-	-8
Others	-1	-	6	0	-4	3
Balance as at 31/12/2006	239	32	8	6	-	284
Of which, cumulative amortisation and impairment	-2	-47	-1	-29	-	-79

MOVEMENTS (in EUR million)	Goodwill	Client portfolio	Software developed in-house	Software bought	Other	Total
Balance as at 01/01/2007	239	32	8	6	0	284
Acquisitions	3	1	3	2	-	9
Disposals	-	-	-	-	-	-
Amortisation	-	-	-2	-2	-5	-9
Impairment	-	-	-	-	-	-
Allowances	-	-	-	-	-	-
Reversals	-	-	-	-	-	-
Transfers to non-current assets held for sale	-	-	-	-	-	-
Translation differences	-	-	-	-	-	-
Changes in scope	-	-	-	-	-	-
Others	1	-	-	-	5	6
Balance as at 31/12/2007	242	33	9	5	-	289
Of which, cumulative amortisation and impairment	0	-47	-3	-31	-	-81

Note 27 | Property and equipment and investment properties

(in EUR million)		31/12/2006	31/12/2007
PROPERTY AND EQUIPMENT		196	190
INVESTMENT PROPERTIES	Carrying amount	38	39
	Fair value	47	46
Investment properties – Rental income		2	3

MOVEMENTS

	Land and buildings	IT equipment	Other equipment	Total property and equipment	Investment property
Balance as at 01/01/2006	252	8	56	316	10
Acquisitions	7	9	9	24	-
Disposals	-8	-9	-3	-21	-
Depreciation	-6	-10	-4	-20	-1
Impairment	-	-	-	-	-
Allowances	-	-	-	-	-
Reversals	-	-	-	-	-
Transfers to non-current assets held for sale	-	-	-	-	-
Translation differences	-1	-	-	-1	-
Changes in scope	-60	-1	-18	-80	-3
Others	-28	19	-14	-23	32
Balance as at 31/12/2006	156	15	25	196	38
Of which, cumulative depreciation and impairment	-65	-65	-38	-168	-5
Balance as at 01/01/2007	156	15	25	196	38
Acquisitions	9	7	6	22	1
Disposals	-7	-	-1	-9	-
Depreciation	-7	-7	-4	-18	-1
Impairment	-	-	-	-	-
Allowances	-	-	-	-	-
Reversals	-	-	-	-	-
Transfers to non-current assets held for sale	-	-	-	-	-
Translation differences	-1	-	-	-1	-
Changes in scope	-	-	-	-	-
Others	-1	-	-	-1	1
Balance as at 31/12/2007	150	15	25	190	39
Of which, cumulative depreciation and impairment	-65	-66	-38	-169	-7

Note 28 | Provisions

(in EUR million)

	Provisions for restructuring	Specific impairment for credit commitments	Other provisions (1)	Total
Balance as at 01/01/2007	15	-	45	61
Changes affecting profit and loss	2	-	3	5
Allowances	3	1	5	9
Reversals	-1	-1	-2	-5
Other changes	-8	-	-19	-26
Balance as at 31/12/2007	10	-	29	40

(1) The column ‘Other provisions’ mainly contains provisions for the expenses relating to disputes, consultancy and miscellaneous fees.

Note 29 | Other liabilities

The heading ‘Other liabilities’ covers various items payable in the short term such as coupons and redeemable securities as paying agent.

Also included in this item are net liabilities related to staff pension funds (see Note 30).

Note 30 | Retirement benefit obligations

In addition to the legally prescribed plans, KBL Group EPB maintains both defined-contribution and defined-benefit complementary pension plans.

The staff of the various KBL Group 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 some of these plans, a certain minimum period of service is required and the benefits are also dependent on the employees' years of affiliation to the plans as well as on their remuneration in the years before retirement. The annual funding requirements for these complementary pension plans are determined based on actuarial cost methods.

DEFINED-BENEFIT PLANS (in EUR million)	31/12/2006	31/12/2007
Defined benefit-plan obligations		
Value of obligations as of 01/01	328	138
Current service cost	4	5
Interest cost	6	7
Plan amendments	6	1
Actuarial gain/(loss)	-6	-5
Benefits paid	-11	-9
Currency adjustment	1	-2
Changes in scope	-178	-
Other	-12	2
Value of obligations as at 31/12	138	138
Fair value of plan assets		
Fair value of assets as at 01/01	167	72
Actual return on plan assets	1	2
Employer contributions	34	7
Plan participant contributions	1	0
Benefits paid	-7	-6
Currency adjustment	1	-1
Changes in scope	-113	-
Others	-11	6
Fair value of assets as at 31/12	72	79
Of which financial instruments issued by KBL Group EPB	-	-
Funded status		
Plan assets in excess of defined-benefit obligations	-66	-59
Unrecognised net actuarial gains	10	5
Unrecognised past service costs	-	-
Unrecognised assets	-2	-1
Plan excess/underfunding	-58	-55
Movements relating to net liability		
Net liability as at 01/01	-144	-58
Net period pension cost	-17	-7
Employer contributions	31	7
Currency adjustments	-	-
Change in scope of consolidation	68	-
Other	3	4
Net liability as at 31/12	-58	-55
Amounts recognised in profit or loss		
Current service cost	-4	-5
Interest cost	-6	-7
Expected return on plan assets	2	4
Adjustments to limit prepaid pension cost	-	-
Amortisation of unrecognised past service costs	-6	2
Amortisation of unrecognised net actuarial (gains)/losses	-3	-
Other	-	-
Net period pension cost	-17	-7
Actual return on plan assets (in %)	0.79 %	3.13 %
Principal actuarial assumptions used (1)		
Discount rate	from 3.86 % to 4.77 %	from 4.18 % to 5.70 %
Expected rate of return on plan assets	from 4.26 % to 4.54 %	from 4.66 % to 5.50 %
Expected rate of salary increase	from 2.00 % to 7.00 %	from 2.50 % to 3.00 %
Expected rate of pension increase	from 1.80 % to 5.00 %	from 1.80 % to 5.00 %

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

DEFINED-CONTRIBUTION PLANS (in EUR million)	31/12/2006	31/12/2007
Net period pension cost	-17	-5

Note 31 | Equity, Group share

The subscribed and paid-up capital was EUR 187.2 million represented by 18 187 507 ordinary shares without par value and by 1 949 951 non-voting preference shares without par value. Prior to 23 October 2008, the Board of Directors is authorised to increase the subscribed share capital up to a maximum of EUR 100 million by issuing new ordinary shares, to be paid up in accordance with methods to be stipulated by the Board of Directors.

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)	31/12/2006	31/12/2007
Total number of shares issued	20,328,707	20,137,458
Ordinary shares	18,353,387	18,187,507
Preference shares	1,975,320	1,949,951
of which: those that entitle the holder to a dividend payment	20,137,458	20,136,588
of which: treasury shares, including commitments	210,770	870
of which: shares representing equity under IFRS	20,117,937	20,136,588

MOVEMENTS	Ordinary shares	Preference shares	Total
Balance as at 01/01/2007	18,353,387	1,975,320	20,328,707
Cancellation of shares bought back	-165,880	-25,369	-191,249
Balance as at 31/12/2007	18,187,507	1,949,951	20,137,458

Note 32 | Dividend per share

At the General Meeting of 19 March 2008, a gross dividend for 2007 of EUR 10 per share was proposed (in 2007, the gross dividend for 2006 was EUR 28.55 per share). The consolidated financial statements for the year ended 31 December 2007 do not show the effects of this profit appropriation resolution; the payment of dividends will be recognised in equity during 2008 as an appropriation of retained earnings.

Note 33 | Assets and liabilities held for sale

In 2006, pursuant to IFRS 5 'Non-current assets held for sale and discontinued activities', the contribution of the subsidiary Banca KBL Fumagalli Soldan S.p.A. to the consolidated balance sheet, excluding equity, was entered solely under the headings 'Held for sale assets' and 'Held for sale liabilities'.

The profit for the period attributable to equity holders of the parent for 2007 includes the capital gain on the sale of the shareholding in Fumagalli to Banco Banif for a value of EUR 14.4 million.

Note 34 | Lending commitments, financial guarantees and other commitments

(in EUR million)	31/12/2006	31/12/2007
Confirmed credits, unused	1,139	1,194
Financial guarantees	153	97
Other commitments (securities issuance facilities, spot transaction settlement, etc.)	1,868	1,092
Total	3,160	2,383

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. On 11 January 2008 this same court issued its ruling. However, the proceedings are not yet closed and since their outcome is uncertain, it is not possible to measure its possible impact on the financial statements of KBL Group EPB reliably.

Note 35 | Assets under management

Total assets under management as at 31 December 2007 were EUR 54.5 billion, of which EUR 41.0 billion was from clients in the private banking sector (2006: EUR 55 billion, of which EUR 45.3 billion from clients in the private banking sector).

Note 36 | Related-party transactions

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

Transactions with associates are not included because they are non material.

(in EUR million)	KBL Parent company	KBL subsidiaries	31/12/2006 Total
Assets	778	26	805
Loans	443	26	469
Current accounts	18	1	19
Loans	424	25	449
Securities	10	-	10
Derivatives	325	-	325
Other assets	1	-	1
Liabilities	1,032	-	1,033
Deposits	802	-	802
Deposits	663	-	663
Other debts	139	-	139
Derivatives	229	-	229
Other liabilities	2	-	2
Income statement	29	-	29
Net interest income	28	-	28
Net fee and commission income	1	-	1
Guarantees received by KBL Group EPB	5	-	5

(in EUR million)	KBL Parent company	KBL subsidiaries	31/12/2007 Total
Assets	2,611	152	2,763
Loans	2,387	28	2,415
Current accounts	6	3	9
Loans	2,381	25	2,406
Securities	57	119	176
Derivatives	167	4	171
Other assets	-	1	1
Liabilities	632	4	636
Deposits	562	-	562
Deposits	433	-	433
Other debts	128	-	128
Derivatives	70	3	73
Other liabilities	-	1	1
Income statement	60	11	71
Net interest income	69	5	74
Net fee and commission income	-10	6	-4
Guarantees provided by KBL Group EPB	3	-	3
Guarantees received by KBL Group EPB	41	-	41

WITH KEY MANAGEMENT PERSONNEL (in EUR million)	31/12/2006	31/12/2007
Amount of remuneration to key management personnel of KBL Group EPB on the basis of their activity, including the amount in respect of retirement pensions granted to former key management personnel.	41	48
Credit facilities and guarantees granted	14	26
Loans outstanding	10	13
Guarantees outstanding	-	-
Pension commitments	64	65
Expenses for defined-contribution plans	2	1

Note 37 | Solvency

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

(in EUR million)	31/12/2006	31/12/2007
Regulatory capital (after profit appropriation)	1,246	1,369
Tier 1 capital	737	823
Capital and reserves	963	1,039
Hybrid Tier One	96	121
Formation expenses and intangible assets	-46	-47
Treasury shares	-38	-
Goodwill acquired in business combinations	-239	-242
Negative revaluation of AFS liabilities	-	-49
Minority interests	-	-
Tier 2 capital	533	547
Preference shares	18	18
Subordinated liabilities	397	441
Revaluation reserve (available-for-sale financial instruments)	118	88
Tier 3 capital	-	-
Items to be deducted	-23	-1
Total weighted risk volume	5,665	6,489
Credit risk, investment	4,889	5,834
Credit risk, trading	147	132
Interest-rate risk, trading	277	373
Price risk on trading portfolio position in equities	225	22
Foreign-exchange risk	127	128
Solvency ratios		
Consolidated solvency ratio, core capital (Tier 1 ratio)	13.0 %	12.7 %
Consolidated solvency ratio, after profit appropriation (CAD ratio)	22.0 %	21.1 %

Note 38 | Maximum credit-risk exposure

(in EUR million)	31/12/2006	31/12/2007
Assets	**22,084**	**19,695**
Balances with central banks	1,417	1,596
Financial assets	20,221	17,745
Held-for-trading	918	733
At fair value via profit and loss	467	569
Available-for-sale assets	5,868	5,672
Loans and receivables	12,881	10,686
Hedging derivatives	87	86
Accrued income	218	223
Other assets	228	131
Off-balance sheet items	**3,160**	**2,383**
Confirmed credits, unused	1,139	1,194
Financial guarantees	153	97
Other commitments (securities issuance facilities, spot transaction settlement, etc.)	1,868	1,092
Maximum credit-risk exposure	**25,244**	**22,078**

For the instruments carried at fair value, the amounts in the above table represent the current credit-risk exposure and not the maximum credit risk that could apply in accordance with future changes in the estimates made.

The amount and type of collateral required depends on the type of business considered and the Bank's assessment of the debtor's credit risk.

The main types of collateral received are as follows:

- cash,
- securities (in particular reverse-repo operations and securities lending),
- other personal and/or collateral guarantees (mortgages).

These guarantees are then regularly monitored to ensure their market value remains adequate for the assets they are intended to cover. If a guarantee is noted to be insufficient, margin calls are made in accordance with the agreements signed with the various counterparties concerned.

Note 39 | Risk management

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

Note 40 | Remuneration for auditors

(in EUR thousand)	31/12/2006	31/12/2007
Standard audit services	2,283	2,231
Other services	571	41
Total	2,854	2,272

Note 41 | List of significant subsidiaries and associates

Company	Registered office	Ownership percentage as at 31/12/2007	Control percentage as at 31/12/2007	Sector of activity
FULLY CONSOLIDATED SUBSIDIARIES (global method)				
Brown, Shipley & Co. Limited	London - GB	100.00%	100.00%	Bank
Brown Shipley Holding (Jersey) Ltd	St. Helier - JE	100.00%	100.00%	Holding
Cawood Smithie & Co	London - GB	100.00%	100.00%	Other - financial
Fairmount Group Nominees Ltd	Leatherhead - GB	100.00%	100.00%	Other - financial
Fairmount Pension Trustee Limited	London - GB	100.00%	100.00%	Other - financial
Fairmount Trustee Services Ltd	Leatherhead - GB	100.00%	100.00%	Other - financial
KBL Investment Funds Ltd	London - GB	100.00%	100.00%	Management (Funds/Pensions/Portfolios)
The Brown Shipley Pension Portfolio Ltd	London - GB	100.00%	100.00%	Other - financial
Slark Trustee Company Ltd	Leatherhead - GB	100.00%	100.00%	Other - financial
White Rose Nominees Ltd	London - GB	100.00%	100.00%	Other - financial
Fidef Ingénierie Patrimoniale, S.A.	La Rochelle - FR	100.00%	100.00%	Other - financial
Financière et Immobilière, S.A.	Luxembourg - LU	100.00%	100.00%	Other - financial
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
Rocher Ltd	Isle of Man - IM	100.00%	100.00%	Real estate
S.C.I. KB Luxembourg Immo III (Monaco)	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 Immo I (Monaco)	Monaco - MC	100.00%	100.00%	Real estate
KBL Finance Ireland	Dublin - IE	100.00%	100.00%	Other - financial
KBL Beteiligungs A.G.	Mainz - DE	100.00%	100.00%	Holding
Modernisierungsgesellschaft Lübecker Str. 28/29 Gbr	Mainz - DE	79.06%	79.06%	Real estate
Merck Finck & Co.	Munich - DE	100.00%	100.00%	Bank
Merck Finck Invest Asset Management GmbH	Munich - DE	100.00%	100.00%	Fund administration
Merck Finck Pension Universal Funds	Munich - DE	100.00%	100.00%	Management (Funds/Pensions/Portfolios)
Merck Finck Treuhand A.G.	Frankfurt - DE	100.00%	100.00%	Other - financials
Merck Finck Vermögensbetreuungs	Munich - DE	100.00%	100.00%	Other - financials
Unterstützug U. Einrichtung des Bankhauses MF	Munich - DE	100.00%	100.00%	Management (Funds/Pensions/Portfolios)
KBL France S.A.	Paris - FR	100.00%	100.00%	Bank
KBL France Gestion	Paris - FR	100.00%	100.00%	Management (Funds/Pensions/Portfolios)
René Aballea Finance S.A.	Brest - FR	100.00%	100.00%	Management (Funds/Pensions/Portfolios)
Kredietbank Informatique G.I.E.	Luxembourg - LU	100.00%	100.00%	IT
Kredietbank (Suisse) S.A., Genève	Geneva - CH	99.99%	99.99%	Bank
Privagest	Geneva - CH	100.00%	100.00%	Management (Funds/Pensions/Portfolios)
Kredietrust Luxembourg S.A.	Luxembourg - LU	100.00%	100.00%	Management (Funds/Pensions/Portfolios)
Puilaetco Private Bankers S.A.	Brussels - BE	100.00%	100.00%	Bank
Banque Puilaetco Dewaay Luxembourg S.A.	Luxembourg - LU	100.00%	100.00%	Bank
DL Quality Asset Management S.A.	Luxembourg - LU	100.00%	100.00%	Other - financials

Company	Registered office	Ownership percentage as at 31/12/2007	Control percentage as at 31/12/2007	Sector of activity
FULLY CONSOLIDATED SUBSIDIARIES (global method) (continued)				
Theodoor Gilissen Bankiers N.V.	Amsterdam - NL	100.00%	100.00%	Bank
Adm. Kantoor Interland B.V.	Amsterdam - NL	100.00%	100.00%	Company administration
Pacific Administratiekantoor B.V.	Amsterdam - NL	100.00%	100.00%	Company administration
Adm. Kantoor voor Handel en Nijverheid B.V.	Amsterdam - NL	100.00%	100.00%	Company administration
Adm. Kant. Boissevain en Kerkhoven en compagnie B.V	Amsterdam - NL	100.00%	100.00%	Company administration
Adm. Kant. Van Theodoor Gilissen B.V.	Amsterdam - NL	100.00%	100.00%	Company administration
Trust- en Adm. My. Interland B.V.	Amsterdam - NL	100.00%	100.00%	Company administration
Adm. Kant. Gebr. Boissevain en Gebr. Texeira de Mattos B.V	Amsterdam - NL	100.00%	100.00%	Company administration
TG Fund Management B.V.	Amsterdam - NL	100.00%	100.00%	Management (Funds/Pensions/Portfolios)
TG Ventures B.V	Amsterdam - NL	100.00%	100.00%	Corporate Finance
Theodoor Gilissen Trust B.V.	Amsterdam - NL	100.00%	100.00%	Management (Funds/Pensions/Portfolios)
Theodoor Gilissen Global Custody N.V.	Amsterdam - NL	100.00%	100.00%	Custodian
Van Kollem en Broekman Effecten B.V.	Amsterdam - NL	100.00%	100.00%	Broker
Financiële Onderneming Smidwater B.V.	The Hague - NL	100.00%	100.00%	Broker
Lange Voorbehout B.V.	Amsterdam - NL	100.00%	100.00%	Real estate
Stroeve & Co Breda N.V.	Breda - NL	100.00%	100.00%	Broker
Stroeve 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)
Puilaetco Dewaay Private Bankers S.A.	Brussels - BE	100.00%	100.00%	Bank
ASSOCIATES				
EFA Partners S.A.(1)	Luxembourg - LU	52.70%	52.70%	Holding
European Fund Administration S.A.(1)	Luxembourg - LU	52.70%	65.00%	Fund administration
European Fund Administration France S.A.S.	Paris - FR	52.70%	65.00%	Fund administration
NON-CONSOLIDATED COMPANIES (materiality threshold not reached)				
KBL				
Cogere S.A.	Münsbach - LU	50.00%	50.00%	
Gécalux S.A.	Münsbach - LU	50.00%	50.00%	
TVM GmbH	Grünwald - DE	31.25%	31.25%	
TVM KG	Grünwald - DE	21.46%	21.46%	
KBL Beteiligungs AG				
Steubag G. Betriebsw. & Bankendienst GmbH	Mainz - DE	100.00%	100.00%	
Merck Finck & Co				
Merck Finck Beteiligungs GmbH	Munich - DE	100.00%	100.00%	
KB Lux Immo S.A.				
Plateau Real Estate Limited	Douglas - IM	100.00%	100.00%	
SCI KB Luxembourg Immo II (Monaco)	Monaco - MC	99.90%	99.90%	
KBL France				
SNC KBL France Courtage Assurances	Paris - FR	100.00%	100.00%	
Theodoor Gilissen Bankiers N.V.				
Damsigt SCP	Utrecht - NL	24.58%	24.58%	

Note:

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

Note 42 | Main changes in the scope of consolidation

Activity	Company	Ownership percentage (direct + indirect) 31/12/2007	31/12/2006	Comments
INCLUDED IN SCOPE OF CONSOLIDATION				
Fund administration	European Fund Administration France S.A.S	52.70%		First-time consolidation by European Fund Administration S.A. of European Fund Administration France S.A.S, a company incorporated in September 2006
REMOVED FROM SCOPE OF CONSOLIDATION				
Other - financial	Avocet Holding B.V.		100.00%	Liquidation on 16 January 2007
Other - financial	Neufvilles B.V.		100.00%	Liquidation on 16 January 2007
Other - financial	Lechia B.V.		100.00%	Liquidation on 16 January 2007
Bank	Banca KBL Fumagalli Soldan, S.p.A.		100.00%	Sale to Banif, a Spanish bank, in April 2007
Reinsurance	Renelux		100.00%	Sale to Assurisk S.A. in June 2007
Bank	Financière Groupe Dewaay		100.00%	Liquidation on 27 August 2007
CHANGES IN HOLDING				
Other - financial	Merck Finck Vermögensbetreuungs	100.00%	85.69%	
Management (Funds/ Pensions/ Portfolio)	Privagest	100.00%	90.00%	
Real estate	Rocher Ltd	100.00%	100.00%	Acquired by KB Lux Immo from Renelux
Real estate	S.C.I. KB Luxembourg Immo III (Monaco)	100.00%	100.00%	Acquired by KB Lux Immo from Renelux
Brokerage	Stroeve & Co. Breda N.V.	100.00%	80.00%	

Note 43 | Events after the balance sheet date

There were no significant events after the date of the balance sheet requiring an update to the information provided or adjustments to the consolidated financial report as at 31 December 2007.

NON-CONSOLIDATED ACCOUNTS

NON-CONSOLIDATED ACCOUNTS

The non-consolidated annual accounts of KBL *epb* were drawn up pursuant to the legal and regulatory requirements in force in Luxembourg, in particular the Act of 17 June 1992 on Luxembourg credit institutions' annual and consolidated accounts and 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 annual accounts are published in accordance with legislation in effect, as is other information to be published such as the management report, report of statutory auditors responsible for verifying the annual accounts, the dates of publication in the *Mémorial* of the bank's Articles of Association and amendments thereto and any other information required by law.

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

The auditor responsible for verifying the accounts as at 31 December 2007 delivered an unqualified certification of the KBL *epb* group's non-consolidated accounts.

NON-CONSOLIDATED BALANCE SHEET

(in EUR million, as at 31 December)

ASSETS	2006	2007
Cash, balances with central banks and post office banks	**1,371**	**1,521**
Loans and advances to banks	**10,489**	**9,273**
a) repayable on demand	773	646
b) other	9,716	8,627
Loans and advances to customers	**4,750**	**2,675**
Bonds and other fixed-income securities	**5,241**	**5,629**
a) public issuers	4,222	2,423
b) issued by other borrowers	1,019	3,206
Shares and other variable-yield securities	**158**	**143**
Participating interests	**20**	**-**
Shares in associated companies	**1,121**	**867**
Intangible assets	**8**	**93**
Tangible assets	**109**	**115**
Treasury shares	**34**	**-**
Other assets	**81**	**24**
Payments and accrued income	**897**	**627**
TOTAL ASSETS	**24,279**	**20,967**

NON-CONSOLIDATED BALANCE SHEET

(in EUR million, as at 31 December)

LIABILITIES	2006	2007
Deposits from banks	**8,582**	**7,903**
a) repayable on demand	1,289	1,367
b) with agreed maturity or periods of notice	7,293	6,536
Deposits from customers	**11,697**	**9,769**
a) savings deposits	447	311
b) other debts		
ba) repayable on demand	2,483	2,301
bb) with agreed maturity or periods of notice	8,767	7,157
Debt securities	**30**	**21**
Bonds and debentures in circulation	30	21
Other liabilities	**117**	**141**
Accruals and deferred income	**816**	**546**
Provisions for risks and charges	**146**	**116**
a) provisions for taxes	18	-
b) other provisions	128	116
Subordinated liabilities	**860**	**848**
Hybrid capital instruments	**127**	**121**
Subscribed capital	**189**	**187**
Share premium account	**355**	**321**
Reserves	**779**	**779**
Profit brought forward	**-**	**6**
Profit for the financial year	**581**	**209**
TOTAL LIABILITIES	**24,279**	**20,967**

NON-CONSOLIDATED OFF-BALANCE SHEET ITEMS

(in EUR million as at 31 December)

	2006	2007
Contingent liabilities	**329**	**290**
Of which:		
- guarantees and assets pledged as security	324	286
Commitments	**1,324**	**1,299**
Fiduciary operations	**58**	**66**

NON-CONSOLIDATED PROFIT AND LOSS ACCOUNT

(in EUR thousand, as at 31 December)

	2006	2007
Interest receivable and similar income	**3,695,663**	**2,656,179**
Of which: That arising from fixed-income securities	242,718	199,012
Interest and similar charges	**(3,634,529)**	**(2,568,568)**
Net interest	**61,134**	**87,611**
Income from securities	**74,332**	**110,027**
a) income from shares and other variable-yield securities	9,647	7,765
b) income from participating interests	276	259
c) income from shares in associated undertakings	64,409	102,003
Commissions received	**151,000**	**173,693**
Commissions paid	**(28,301)**	**(47,016)**
Net commissions	**122,699**	**126,677**
Profit on financial operations	**87,287**	**87,871**
Other operating income	**461,648**	**75,855**
General operating expenses	**(189,280)**	**(161,680)**
a) staff costs	(130,754)	(108,509)
Of which: - wages and salaries - social security costs	 (83,396) (44,475)	 (90,088) (14,661)
Of which: social security costs relating to pensions	(39,147)	(10,260)
b) other administrative expenses	(58,525)	(53,171)
Value adjustments on tangible and intangible assets	**(6,922)**	**(8,058)**
Other operating expenses	**(9,570)**	**(10,437)**
Value adjustments and re-adjustments for loans and advances and provisions for contingent liabilities and commitments	**(3,959)**	**(6,115)**
Value adjustments and re-adjustments for transferable securities held as financial assets, participating interests and shares in associated undertakings	**3,791**	**(63,644)**
Proceeds from discontinuation of 'special items with share of reserves'	**10,082**	**-**
Tax on profit from ordinary activities	**(22,800)**	**(23,165)**
PROFIT ON ORDINARY ACTIVITIES AFTER TAX	**588,442**	**214,942**
Exceptional income	**(2,018)**	**(2,825)**
Other taxes not shown under the preceding items	**(5,289)**	**(3,542)**
PROFIT FOR THE FINANCIAL YEAR	**581,136**	**208,575**

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

(In EUR million)	Explanation of main differences (reference to notes to the consolidated accounts)	31/12/2006	31/12/2006 Pro forma (*)	31/12/2007
IFRS consolidated profit, KBL *epb*, Group share		676.8	175.5	208.3
Of which: IFRS non-consolidated parent company results		578.0	131.7	216.9
Fair valuation of financial instruments	Note 2b - b	19.6	19.6	(1.4)
Deferred taxes	Note 2b - g	(1.1)	(1.1)	3.3
Translation impact on participating interests	Note 2b - a	0.4	0.4	(0.4)
Employee benefits	Note 2b - f	(15.8)	(15.8)	1.0
Provisions for risks and charges	Note 2b - h	-	-	(10.8)
KBL non-consolidated Lux GAAP net profit		581.1	134.9	208.6

(*) ex capital gain from the sale of the holding in Banco Urquijo

KBC GROUP N.V.

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

KBC BANK N.V.

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

KBC INSURANCE N.V.

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

KBL EUROPEAN PRIVATE BANKERS

- Kredietbank S.A. Luxembougreoise (KBL), based in Luxembourg, heads a European network of private bankers offering tailor-made private banking services to a wealthy European and international clientele.

More information on KBC Group companies is available at www.kbc.com

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Olivier de Jamblinne, Manager

Private Banking		**Private Banking Bertrange**	
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Personal Banking		**Private Banking Ettelbruck**	
43, boulevard Royal	Tel.: 4797-2272	4, avenue J. F. Kennedy	Tel.: 4797-7724
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GLOBAL FINANCIAL MARKETS

Management & Executive Assistant	Tel.: 4797-2774
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Market Support	Tel.: 4797-7882
Fixed Income	
Pool Euro & Euro-In Currencies	Tel.: 2621-0122
Pool USD, CAD, AUD, NZD & Emerging Markets	Tel.: 2621-0122
Pool CMS, Tier 1 & Tier 2	Tel.: 2621-0122
Structured Products, Derivatives & Equities	
Structured Products + Derivatives	Tel.: 2621-0233
Domestic & Foreign Equity Markets	Tel.: 2621-0366
Investment Funds - OTC	Tel.: 2621-0366
Money Markets	
Treasury	Tel.: 2621-0311
Repos & Securities Lending	Tel.: 2621-0322
Fiduciary Deposits	Tél : 2621-0344
Forex	Tel.: 2621-0333
Bullion	Tel.: 2621-0355

GLOBAL MARKET SALES

Management & Executive Assistant	Tel.: 4797-3783
Fixed Income	Tel.: 2621-0133
Structured Products	Tel.: 4797-2267
Global Equities	Tel.: 2621-0211
Money Market & Forex	Tel.: 2621-0144
Repurchase Agreements & Securities Lending	Tel.: 4797-3154
Third Party Funds	Tel.: 2621-2306

EXECUTION CLEARING & SETTLEMENT

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

Corporate, Credit and Analysis	Tel.: 4797-3885
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Custody Division	Tel.: 4797-2750
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Transfers	Tel.: 4797-2571
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Private Equity	Tel.: 4797-2941
Corporate Banking & International Loans	Tel.: 4797-2941

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Account Administration	Tel.: 4797-2610
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Human Resources	Tel.: 4797-2636
Finance & Risk	Tel.: 4797-2933

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Franck Sarre, Managing Director

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This annual report is available in Dutch, English and French.

Only the French version is authentic.

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