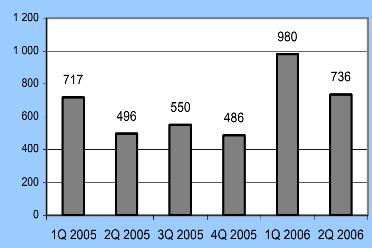
KBC Group 1H 2006 Report

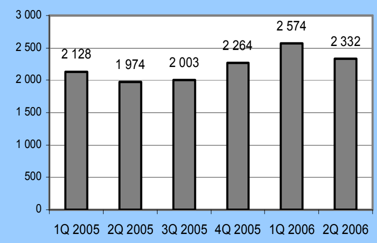
Snapshot overview 2Q 2006 and 1H 2006[1]

Profitability (in millions of EUR)	2Q 2005	1Q 2006	2Q 2006	1H 2005	1H 2006
Net profit, group share	496	980	736	1 213	1 715
Breakdown of net profit by business unit					
Belgium	173	373	304	455	676
Central Eastern Europe	113	144	129	304	274
Merchant Banking	171	281	205	350	486
European Private Banking	42	59	45	96	104
Group centre	-3	123	52	8	175
Total	496	980	736	1 213	1 715
Earnings per share, basic (in EUR)	1.38	2.73	2.07	3.39	4.81
Earnings per share, diluted (in EUR)	1.36	2.70	2.05	3.32	4.76
Underlying net profit	578	776	634	1 165	1 410
Balance sheet , solvency, AUM (in billions of EUR)				**31-12-2005**	**30-06-2006**
Total assets				325.8	320.4
Loans and advances to customers				119.5	119.3
Deposits from customers and debt securities				171.6	178.8
Life insurance reserves				18.7	19.9
Parent shareholders' equity				15.8	15.2
Assets under management (AUM)				196.4	208.4
Equity market capitalisation				28.8	30.5
Ratios				**31-12-2005**	**30-06-2006**
Return on equity (group)				18%	25%
Cost/income ratio (banking activities)				60%	51%
Combined ratio (non-life insurance activities)				96%	91%
Parent shareholders' equity per share (in EUR)				43.8	42.9
Tier-1 ratio (KBC Bank and KBL EPB)				9.4%	9.1%
Solvency ratio (KBC Insurance)				385%	343%
Credit portfolio, banking (in billions of EUR or %)				**31-12-2005**	**30-06-2006**
Total loan portfolio (granted amount)				174.8	177.1
Breakdown of total loan portfolio by origin					
Belgium				43.9%	44.9%
Central Eastern Europe				15.8%	16.8%
Rest of the world				40.3%	38.3%
Loan loss ratio, annualised (neg figures-> pos. impact on result)				0.01%	0.08%
Non-performing ratio				2.2%	1.8%
Other information					
Long-term rating KBC Bank (Fitch / Moody's / S&P's)					AA- / Aa3 / A+
Claims-paying ability rating KBC Insurance (Fitch / S&P's)					AA / A+
Bank branches, Belgium (KBC Bank, CBC Banque)					931
Bank branches, CEE (CSOB, K&H Bank, Kredyt Bank)					809
Clients					13 million
Staff (FTE)					50 thousand

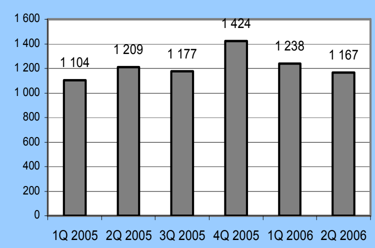
Net profit, group share (in millions of EUR)



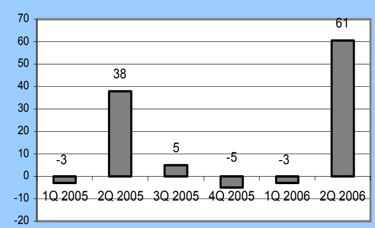
Gross income (including technical charges insurance and after deduction of ceded reinsurance result, in millions EUR)



Operating expenses (in millions of EUR)



Impairment on loans and receivables (in millions of EUR)*



* Negative figures indicate a net reversal of loan loss impairments (hence a positive impact on results)

1 For a definition of the ratios, see 'Annex 3'. Some figures for 2005 were restated: an overview and explanation follows in 'Annex 1'. The figures for 2004 are based on a combined KBC-Almanij entity and IAS32, IAS39 and IFRS 4 were not applied to these figures, which means that they are not fully comparable with the 2005 and 2006 figures.

Table of contents

Contents

Restatement of 2005 figures

Following the application by KBC of fair value hedge accounting for a portfolio hedge of interest rate risk (on the basis of the carved-out version of IAS 39 as approved by the EU) in the fourth quarter of 2005, KBC decided to retroactively adapt its 2005 figures. An explanation and overview of the restatements is provided in Annex 1.

Shareholder information

Financial targets

In mid-2005, the group announced its financial targets for the period up to 2008. These targets are shown in the table below. The group will update these targets by the end of the year, given its new management structure, and will communicate its new targets as soon as this exercise is finished.

Group financial targets	Target level	to be achieved
Return on equity, group	16%	on average in 2006-2008
Earnings per share growth, group	10%	as CAGR in 2006-2008
Cost/income ratio (banking activities)	58%	by 2008
Combined ratio (non-life insurance activities)	95%	by 2008
Tier-1 ratio (KBC Bank and KBL EPB)	8%	in 2006-2008
Solvency ratio (KBC Insurance)	200%	in 2006-2008

Shareholders

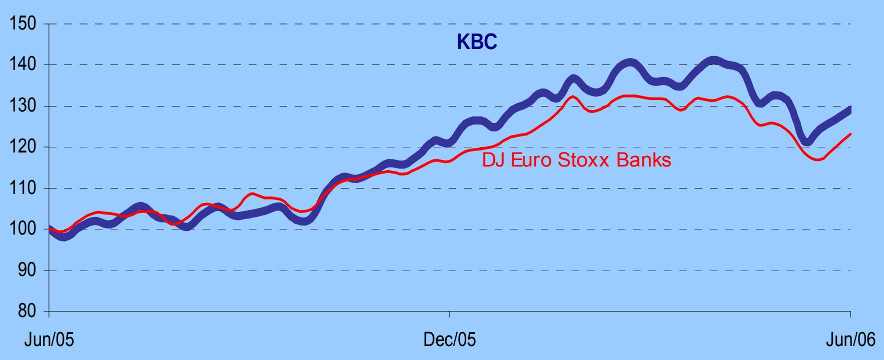
Shareholders, 30-06-2006[1]	number	(in %)
Ordinary shares		
Almancora	75 892 338	20.9%
CERA	23 345 499	6.4%
Maatschappij voor Roerend bezit van de Boerenbond	42 562 675	11.7%
Other core shareholders	42 715 838	11.8%
Subtotal	184 516 350	50.8%
KBC Group companies	11 160 664	3.1%
Related to the 1 billion share buy-back programme (to be cancelled)	*2 649 250*	*0.7%*
Other [2]	*8 511 414*	*2.3%*
Free float	167 419 179	46.1%
Total	363 096 193	100.0%
Mandatorily convertible bonds (MCBs)[3]	2 610 282	

1 Data based on value date.
2 Includes, inter alia, shares held for ESOP. Excludes shares held in the trading books of KBC Securities, Ligeva and KBC Financial Products (incl. in free float).
3 Number of shares on conversion. More information can be found on page 189 of KBC's 2005 Annual Report.

At the end of 2005, KBC announced a share buyback programme for 2006. Under this programme, KBC will buy back 1 billion euros' worth of own shares and cancel them. On or before 30 June 2006, already 6.1 million own shares were bought under this programme (for an amount of 0.5 billion euros), 3.5 million of which were cancelled at the Extraordinary General Meeting of 27 April 2006.
Open market purchases of own shares will continue during the remainder of the year. It is the intention to cancel the remaining treasury shares under the buyback programme in the first half of 2007.

KBC share performance

Relative performance of the KBC share (01-07-2005 = 100)[1]



Ticker codes:	Bloomberg:	KBC BB	Datastream:	B:KB	Reuters:	KBKBt.BR

Share price from 01-07-2005 to 30-06-2006 (EUR)

Highest price:	93.1	Lowest price:	63.7	Average price:	77.5	Closing price 30-06-2006:	83.9

1 Graphs are based on end-of-week prices.

Credit ratings

The long-term and short-term ratings for KBC Bank, KBC Insurance and KBC Group NV (the holding company) are mentioned in the table.

Since 31-12-2005, there was one change in these ratings: as at 19 May 2006, Fitch upgraded the ratings of KBC Group NV from A+ to AA- (long term) and from F1 to F1+ (short term), based on new criteria for assigning ratings to bank and insurance holdings.

Ratings, 31-08-2006	Long-term rating (+ outlook)	Short-term rating
Fitch		
KBC Bank	AA- (stable)	F1+
KBC Insurance (claims-paying ability)	AA (stable)	F1+
KBC Group NV	AA- (stable)	F1+
Moody's		
KBC Bank	Aa3 (stable)	P-1
KBC Group NV	A1 (stable)	P-1
Standard and Poor's		
KBC Bank	A+ (positive)	A-1
KBC Insurance (claims-paying ability)	A+ (positive)	-
KBC Group NV	A (positive)	A-1

Financial calendar

For the most up-to-date version of the financial calendar, including other investor relations events such as analyst meetings and investor road shows, see the KBC website (www.kbc.com).

Financial calendar	
Publication of 2Q 2006 results	31 August 2006
Publication of 3Q 2006 results	23 November 2006
Prague Investor Day	7 December 2006
Publication of FY 2006 results	22 February 2007
Publication of 1Q 2007 results	16 May 2007
Publication of 2 Q 2007 results	9 August 2007
Publication of 3Q 2007 results	8 November 2007
Publication of FY 2007 results	14 February 2008

Contacts

Contact details for investors and analysts	
Investor Relations	Luc Cool (Head of Investor Relations), Lucas Albrecht (Financial Communications Officer), Nele Kindt (IR Analyst), Tamara Bollaerts (IR Co-ordinator), Christel Decorte (IR Assistant) Marina Kanamori (CSR Communications Officer), Sándor Szabó (IR Manager)
Fax	+32 2 429 44 16
E-mail	investor.relations @ kbc.com
Website	www . kbc . com
Address	KBC Group NV, Investor Relations - IRO, 2 Havenlaan, BE-1080 Brussels

Group results

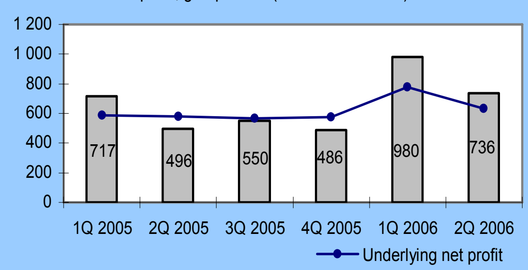
Overview

The consolidated income statement and balance sheet, a condensed consolidated statement of changes in equity and cash flow statement, and a number of notes to the accounts are provided in the ‘Consolidated financial statements’ section.

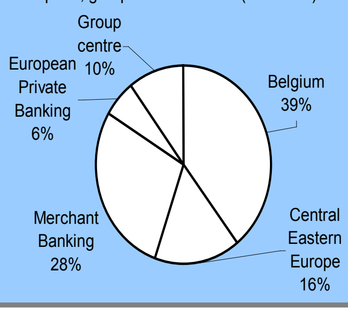
N.B.: Restatement of 2005 figures: see ‘Annex 1’.

Consolidated income statement, KBC Group (in millions of EUR)	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	cumul. 1H 2005	cumul. 1H 2006
Net interest income	1 019	1 043	1 096	1 061	1 047	1 039	2 062	2 086
Gross earned premiums, insurance	729	978	810	1 034	768	754	1 707	1 522
Dividend income	34	135	25	41	27	104	169	131
Net gains from financial instruments at fair value	163	63	166	251	519	328	225	847
Net realised gains from available-for-sale assets	168	97	49	144	242	116	265	357
Net fee and commission income	429	410	452	528	488	479	839	967
Other income	215	118	112	130	132	138	333	270
Gross income	2 757	2 843	2 709	3 189	3 223	2 958	5 600	6 181
Operating expenses	- 1 104	- 1 209	- 1 177	- 1 424	- 1 238	- 1 167	- 2 313	- 2 406
Impairment	- 15	- 42	3	- 49	3	- 67	- 57	- 64
Gross technical charges, insurance	- 612	- 852	- 696	- 899	- 631	- 620	- 1 464	- 1 251
Ceded reinsurance result	- 17	- 17	- 10	- 26	- 18	- 6	- 33	- 24
Share in results of associated companies	21	13	- 19	2	11	12	33	23
Profit before tax	1 030	735	810	793	1 349	1 110	1 766	2 459
Income tax expense	- 257	- 192	- 211	- 266	- 325	- 333	- 448	- 658
Profit after tax	774	544	598	528	1 024	777	1 318	1 801
Minority interests	- 57	- 48	- 48	- 41	- 44	- 41	- 104	- 86
Net profit, group share	**717**	**496**	**550**	**486**	**980**	**736**	**1 213**	**1 715**
Belgium	282	173	272	276	373	304	455	676
Central Eastern Europe	191	113	76	29	144	129	304	274
Merchant Banking	179	171	216	223	281	205	350	486
European Private Banking	54	42	43	52	59	45	96	104
Group centre	11	- 3	- 58	- 93	123	52	8	175
of which: Underlying net profit	587	578	566	575	776	634	1 165	1 410

Net profit, group share (in millions of EUR)



Net profit, group share 1H 2006 (% of total)



Financial highlights

Net underlying profit

In order to arrive at the figure for underlying group profit, factors that do not regularly occur during the normal course of business as well as fair value changes in ALM hedging derivatives are eliminated from the profit figure. In view of their nature and magnitude, it is important to separate out these factors to fully understand the profit trend.

Underlying profit analysis, KBC Group (in millions of EUR)	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006*	cumul. 1H 2005	cumul. 1H 2006
Net profit, group share	717	496	550	486	980	736	1 213	1 715
Non-recurring items (to be substracted):								
- Amounts before taxes and minority items								
MTM of derivatives for hedging purposes	-14	-159	-25	29	78	47	-173	125
Sale of shares in FBD Holdings	68	0	0	0	0	0	68	0
Sale of available-for-sale assets by Gevaert	4	34	0	3	56	0	37	56
Sale of shares in Dictaphone	0	0	0	0	66	0	0	66
Impaiment on Agfa-Gevaert shares	0	0	0	-49	0	0	0	0
Sale of 5.5% in Kredyt Bank	0	0	0	0	0	35	0	35
Settlement re. unpaid credit to the Slovak government	101	0	0	0	0	0	101	0
Pension and disablement benefits	0	0	0	-100	0	0	0	0
Capital gains on sale of buildings of CSOB (Czech republic)	0	0	0	0	29	0	0	29
Merger Gevaert - KBC Group: overfunding pension fund	0	0	0	0	0	56	0	56
Other	0	-18	0	4	11	15	-18	26
- Taxes and minority interests related to non-recurring items								
Income taxes and minority interests on the items above	-28	61	9	24	-36	-35	33	-71
Merger Gevaert - KBC Group: taxes on reserves	0	0	0	0	0	-16	0	-16
Underlying net profit, group share	587	578	566	575	776	634	1 165	1 410

* Additional information regarding main non-recurring items in this quarter:

MTM of derivatives for hedging purposes:	in 'net gains from financial instruments at fair value'; in various business units.
Sale of 5.5% in Kredyt Bank	in 'net realized gains from available-for-sale assets'; business unit: group centre.
Merger Gevaert - KBC Group: overfunding pension fund	in 'operating expenses'; business unit: group centre.
Merger Gevaert - KBC Group: taxes on reserves	in 'income tax expense'; business unit: group centre.

Financial highlights – 2Q 2006

Profit growth remained sound in the second quarter: underlying profit (i.e. excluding one-off factors and fair value changes in ALM hedging derivatives) came to 634 million euros, a good deal higher than the figure recorded for each of the quarters in 2005.

As expected, compared with the (particularly strong) performance in the first quarter of 2006, income growth in the wealth management business slowed slightly, due to the more difficult stock market climate that prevailed in May and June. In addition, fewer gains were realised on investments, while capital market revenues dipped. In other areas, the growth trend was unchanged. Total credit volume, for instance, went up by 3% compared with the end of the previous quarter, while home loans increased by 5% during the quarter under review.

The cost trend remained favourable. Operating expenses (adjusted for one-off factors) were able to be kept at the same level as a year earlier.

Loan losses continued to be relatively limited (61 million euros), though they exceeded the levels reached in previous quarters, when more loan loss provisions were able to be written back than additional provisions set aside.

Compared with the preceding quarter, income taxes were, relatively speaking, on the high side, mainly because of assessments on intragroup dividends and the lower level of tax-free gains.

Financial highlights – 1H 2006

Profit came to 1 715 million euros, with a return on equity of 25%.

Underlying group profit (i.e. group profit net of fair value changes in ALM hedging derivatives and one-off factors) came to 1 410 million euros and was up, on a comparable basis, by 246 million euros (+21%) on the first half of 2005. One-off factors related to the integration of Gevaert, the divestment of Agfa-Gevaert, the sale of office buildings (Czech Republic) and the increase in the free float of Kredyt Bank (Poland).

The various business units' contribution to underlying profit was as follows: Belgium, 597 million euros; Central Eastern Europe, 260 million euros; Merchant Banking, 482 million euros; European Private Banking, 99 million euros; and the Group Centre, -28 million euros.

Gross income totalled 6.2 billion euros. The first six months of the year were marked by a strong sales performance, with customer deposits, the loan portfolio, assets under management and life insurance reserves (on a comparable basis) increasing year-on-year by 8%, 12%, 19% and 33%, respectively. Developments on the interest rate and capital markets also had a net positive impact.

At 2.4 billion euros, expenses were 4% up on the figure for the first half of 2005. This increase was largely accounted for by the higher result-based expenses associated with the capital market activities, which generated a high level of income. In the banking business, the cost/income ratio – a barometer of efficiency – improved again to 51% (55%, if the non-recurring income is not taken into account).

Provisions for problem loans amounted to just 57 million euros, which meant the loan loss ratio remained limited to 0.08%. The non-life insurance activities continued to turn in a very good technical result (a combined ratio of 91%).

Income taxes amounted to 658 million euros, compared with 448 million euros a year earlier.

Overview of ratios

Ratios[1]	30-06-2005	31-12-2005	30-06-2006
Return on equity	20%	18%	25%
Cost/income ratio	58%	60%	51%
Combined ratio	94%	96%	91%
Earnings per share, basic (in EUR)	3.39	6.26	4.81
Earnings per share, diluted (in EUR)	3.32	6.15	4.76
Parent shareholders' equity per share (in EUR)	40.0	43.8	42.9
Tier-1 ratio (KBC Bank and KBL EPB)	9.6%	9.4%	9.1%
Solvency ratio (KBC Insurance)	397%	385%	343%
Loan loss ratio (neg. figure-> pos. impact on results)	0.06%	0.01%	0.08%
Non-performing ratio	2.8%	2.2%	1.8%

1 Annualised where relevant; for a definition of the ratios, see 'annex 3'.

Operating highlights

The investments in the Belgian industrial concern Agfa-Gevaert and in the Spanish Banco Urquijo were sold. In contrast, holdings in the Hungarian bank, K&H Bank, and the Polish insurance company, Warta, were stepped up to 100%.

The new organisational management structure was also introduced in the second quarter that will enhance group steering capabilities.

As at 24 August, 8 584 477 treasury shares had already been repurchased in 2006 for a sum of 729 million euros. By year-end, 1 billion euros in own shares should have been bought back.

The presence in Slovenia through Nova Ljubljanska banka is currently being reassessed and new opportunities for expansion are being explored, mainly in EU (candidate) countries.

Scope of consolidation, valuation rules and currency translation

During the first half of 2006, no changes were made to the valuation rules that had a material impact on the results. A limited number of changes were made to the scope of consolidation, but the impact this had on net profit was negligible.

The Czech koruna, the Polish zloty and the US dollar increased in value over the first six months of the year by an average of 6%, 5%, and 5% respectively, compared to the average for the first half of 2005. The Hungarian forint depreciated in value by 5%.

Earnings, diluted earnings and the net asset value per share as at 30 June 2006 are calculated on the basis of 356.9 (period average), 360.5 (period average) and 354.1 (at the end of the period) million shares. For this purpose, the number of mandatorily convertible bonds (and, for the diluted earnings per share, the outstanding share options) was added to the number of ordinary shares, and the number of treasury shares held deducted.

Exchange rates used for P/L (main currencies)

Exchange rate average in 2Q 2006

	1 EUR = … CURR	Appreciation (pos.figure) or depreciation (neg.figure) versus EUR		
		versus avg 2Q 2005	versus avg 1Q 2006	versus avg FY 2005
USD (USA)	1.260	0%	-5%	-1%
GBP (UK)	0.691	-2%	-1%	-1%
CZK (Czech Rep.)	28.39	7%	0%	5%
SKK (Slovakia)	37.69	4%	-1%	2%
HUF (Hungary)	266.91	-6%	-4%	-7%
PLN (Poland)	3.94	5%	-2%	2%

Exchange rate average in 1H 2006

	1 EUR = … CURR	Appreciation (pos.figure) or depreciation (neg.figure) versus EUR	
		versus avg 1H 2005	versus avg FY 2005
USD (USA)	1.229	5%	1%
GBP (UK)	0.688	0%	-1%
CZK (Czech Rep.)	28.45	6%	5%
SKK (Slovakia)	37.51	3%	3%
HUF (Hungary)	260.99	-5%	-5%
PLN (Poland)	3.89	5%	4%

Balance sheet and solvency

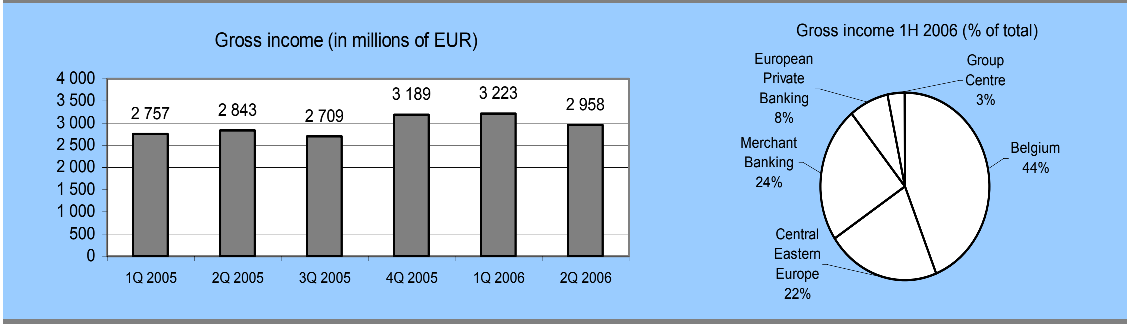
Highlights, consolidated balance sheet (in millions of EUR)	31-12-2005	30-06-2006
Total assets	325 801	320 376
Loans and advances to customers	119 475	119 298
Securities	125 810	121 848
Deposits from customers and debt securities	171 572	178 758
Gross technical provisions, insurance	14 779	15 206
Liabilities under investment contracts, insurance	7 615	8 537
Parent shareholders' equity	15 751	15 198

On 30 June, parent shareholders’ equity came to 15.2 billion euros, or 0.6 billion euros less than at the start of the year, owing mainly to the repurchase of treasury shares (which are deducted from accounting equity) and the lower level of unrealised gains on the bond portfolio (owing to the increase in market interest rates).

The tier-1 ratio for the banking business and the solvency margin of the insurance business came to 9.1% and 343% respectively (with a group gearing ratio of 102%).

Gross income

Gross income (in millions of EUR)	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	cumul. 1H 2005	cumul. 1H 2006
Net interest income	1 019	1 043	1 096	1 061	1 047	1 039	2 062	2 086
Gross earned premiums, insurance	729	978	810	1 034	768	754	1 707	1 522
Non-Life	*415*	*400*	*417*	*418*	*441*	*425*	*815*	*866*
Life	*314*	*578*	*393*	*616*	*327*	*330*	*892*	*657*
Note: unit-linked	*464*	*648*	*954*	*2 487*	*963*	*971*	*1 112*	*1 934*
Net fee and commission income	429	410	452	528	488	479	839	967
Net gains from financial instruments at fair value	163	63	166	251	519	328	225	847
Net realised gains from available-for-sale assets	168	97	49	144	242	116	265	357
Dividend income	34	135	25	41	27	104	169	131
Other income	215	118	112	130	132	138	333	270
Gross income	2 757	2 843	2 709	3 189	3 223	2 958	5 600	6 181
Belgium	1 220	1 327	1 298	1 627	1 373	1 345	2 547	2 717
Central Eastern Europe	705	632	618	635	686	646	1 337	1 332
Merchant Banking	570	597	602	716	787	676	1 167	1 463
European Private Banking	238	247	196	204	238	226	485	464
Group Centre	24	40	-5	7	140	64	64	204



For the second quarter of the year, gross income was up by 115 million euros compared with the year-earlier figure, growth which was marked by higher fee and commission income (chiefly from investment and wealth management activities), improved trading results from capital market activities and positive fair value adjustments in ALM hedging derivatives. As had been expected, income was down compared with the preceding quarter, mainly as a result of the drop in revenues from the capital markets (a difference of 133 million euros) and the decline in gains on investments (a difference of 126 million euros). The second quarter of every year is subject to a seasonal peak in dividend income (104 million euros).

For the first half-year, the main income developments were as follows:

Interest income (2.1 billion euros) was 24 million euros higher than last year, with sustained volume growth compensating for the narrower interest margin (-10 basis points). Net interest income is under the most pressure in the Merchant Banking Business Unit, partly because of the higher interest charges incurred to finance the increased activity on the capital markets.

Premium income in the non-life insurance business came to 866 billion euros, 51 million euros more than for 2005 (+6%). The increase came to 5% for the Belgium Business Unit, to 8% for the Central Eastern Europe Business Unit (3%, discounting the exchange rate effect) and 6% for the Merchant Banking Business Unit (reinsurance business).

In life insurance, in compliance with the IFRS, the figure for premium income (657 million euros) does not include sales of certain forms of life insurance. Otherwise, total sales of life insurance came to 2.6 billion euros, 1.9 billion euros of which were accounted for by unit-linked products. The outstanding life insurance reserves went up by 33% compared with a year earlier (+33% in Belgium, +27% in Central Eastern Europe and +34% in the European Private Banking Business Unit).

Net fee and commission income (967 million euros) was 128 million euros higher (+15%) year-on-year, thanks chiefly to strong growth in revenues from the sale of investment funds, life insurance, and wealth management products and services. Total assets under management have since gone up by 19% to 208 billion euros (+21% in the Belgium Business Unit, +32% in the Central Eastern Europe Business Unit and +20% in the European Private Banking Business Unit).

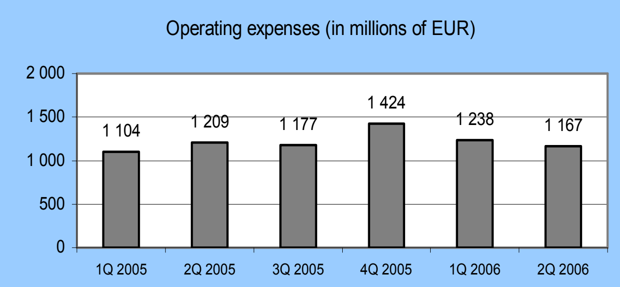
Net gains from financial instruments at fair value (847 million euros) were up by 621 million euros on the first half of 2005, thanks to a markedly better performance on the money and capital markets and upward fair value adjustments of ALM hedging derivatives (298 million euros, mainly as a result of the higher interest rates in the market).

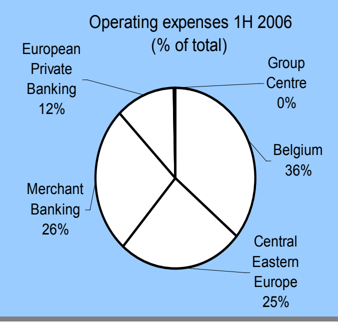
Gains realised on investments came to 357 million euros, 182 million euros of which can be considered ‘extraordinary’ (relating to, among other things, the divestment of Agfa-Gevaert in the first quarter and the increase in the free float of the Polish subsidiary, Kredyt Bank, in the second).

‘Other income’ amounted to 270 million euros and included gains on the sale of office buildings in the Czech Republic (34 million euros, gross) and gains on the disposal of a portfolio of non-performing loans in Poland (37 million euros, gross). This heading was 63 million euros lower than in 2005, when, among other things, non-recurring income of 101 million euros had been posted for the settlement of a credit dispute in Slovakia.

Operating expenses

Operating expenses (in millions of EUR)	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	cumul. 1H 2005	cumul. 1H 2006
Staff expenses	-636	-714	-651	-848	-775	-693	-1 350	-1 468
General administrative expenses	-380	-382	-388	-448	-396	-392	-763	-788
Depreciation and amortisation of fixed assets	-94	-92	-97	-106	-88	-86	-186	-174
Provisions for risks and charges	6	-20	-41	-22	21	3	-14	24
Operating expenses	-1 104	-1 209	-1 177	-1 424	-1 238	-1 167	-2 313	-2 406
Belgium	-411	-448	-422	-552	-427	-444	-859	-871
Central Eastern Europe	-295	-316	-333	-373	-302	-311	-611	-613
Merchant Banking	-231	-252	-258	-335	-336	-299	-483	-635
European Private Banking	-135	-155	-147	-131	-147	-144	-289	-292
Group Centre	-32	-38	-17	-32	-26	31	-70	5





Operating expenses fell by 71 million euros (-6%) in the second quarter compared to the first, mainly on account of the lower income-based wage costs stemming from the decline in profits on the capital markets (Merchant Banking Business Unit), as well as the (merger-related) reversal of pension provisions at the former Gevaert (56 million euros, gross). This last is also the main factor behind the drop in expenses (-42 million euros) compared to the second quarter of 2005.

Expenses for the first six months of the year were up by 92 million euros (+4%) compared to the corresponding period of 2005, primarily because of the higher wage costs resulting from the higher profits generated on the capital markets (Merchant Banking Business Unit). During the first half of 2005, profits on the capital markets had been low. The increase in expenses amounted to 1% for the Belgium Business Unit, to 0% for the Central Eastern Europe Business Unit (despite the upward exchange rate effect), to 1% for the European Private Banking Business Unit and to 31% for the Merchant Banking Business Unit.

For the first six months of the year, a cost/income ratio was recorded in the banking business of 51% (55%, if the one-off factors are not taken into account), compared to 60% for the 2005 financial year (58%, disregarding the one-off factors). In the Belgium Business Unit, this cost/income ratio stood at 50%, in the Central Eastern Europe Business Unit at 57%, in the Merchant Banking Business Unit at 48%, and in the European Private Banking Business Unit at 67%.

Impairment

Impairment (in millions of EUR)	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	cumul. 1H 2005	cumul. 1H 2006
Impairment on loans and advances	3	-38	-5	5	3	-61	-34	-57
Impairment on available-for-sale assets	-16	0	13	9	0	-3	-16	-2
Impairment on goodwill	-2	-5	-3	-10	0	0	-7	0
Impairment on other	0	0	-1	-53	0	-3	0	-4
Impairment	-15	-42	3	-49	3	-67	-57	-64
Belgium	1	-6	7	-1	-10	-6	-5	-16
Central Eastern Europe	4	-12	-34	-45	-19	-44	-8	-63
Merchant Banking	-19	-22	27	36	33	-17	-41	16
European Private Banking	-1	-4	12	16	0	0	-5	0
Group Centre	0	2	-8	-55	0	0	1	0

The quarter under review was again characterised by limited impairment on loans (61 million euros), though the figure was higher than the extremely low figure recorded in previous quarters, which were all bolstered by reversals of impairment in the merchant banking portfolio.

For the first six months of the year, impairment on the loan portfolio amounted to 57 million euros, corresponding to a loan loss ratio of 0.08% (0.04% in the Belgium Business Unit, 0.50% in the Central Eastern Europe Business Unit, nil in the Merchant Banking Business Unit, and 0.02% in the European Private Banking Business Unit). The percentage of cover afforded by loan loss provisions for non-performing loans came to 98%, approximately the same as at the start of the financial year (99%).

During the first half of 2006, no net impairment of any significance was recognised on investments or participating interests, or on other assets.

Gross technical charges insurance, ceded reinsurance result and taxes

During the second quarter of the year, technical insurance charges came to a gross 620 million euros and reinsurance expense to 6 million euros, bringing the totals to 1 251 and 24 million euros, respectively, for the first half-year.

As in previous periods, a strong technical result was recorded in the non-life insurance business, with a loss ratio of 61% being registered for the first six months. In the non-life business, the claims reserve ratio ended the period at 178%, roughly on a par with the figure recorded at the start of the year (174%).

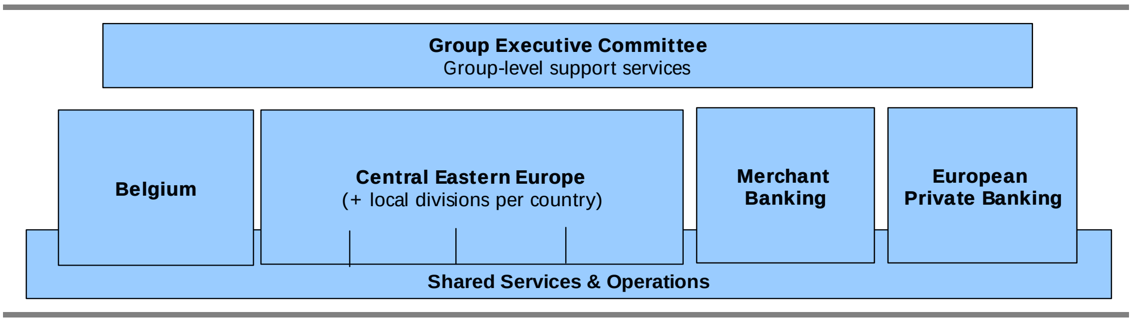
For the first half-year, the combined ratio in the non-life insurance business stood at 91% (96% for financial year 2005): 90% for the Belgium Business Unit, 96% for the Central Eastern Europe Business Unit and 83% for the Merchant Banking Business Unit (reinsurance business).

Income taxes for the first half of 2006 amounted to 658 million euros, compared with 448 million euros a year earlier.

Results per business unit

As of May 2006, the new management structure, which was announced at the end of 2005, is being rolled out throughout the group. This management structure is shown in the diagram and essentially breaks down the group into five business units: Belgium, Central Eastern Europe, Merchant Banking, European Private Banking, and Shared Services & Operations (such as ICT and logistics and 'product factories' such as payment systems, asset management, leasing and trade finance). A definition of each business unit is provided further in this report.

Each business unit is headed by a Chief Executive Officer (CEO), and these CEOs, together with the group CEO and group CFRO, constitute the group executive committee. Each business unit has direct responsibility for achieving the objectives set.



A detailed overview of results and commentary on every business unit is provided in the next few sections of this report.

Results according to the legal structure of the group

Under IFRS, the main segment reporting ('primary segmentation') format used by KBC is based on the group's legal structure (see table below). More information and detailed figures are provided in the 'Consolidated financial statements' section, note 2a.

Breakdown of net profit according to the legal structure of the group (in millions of EUR)	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	cumul. 1H 2005	cumul. 1H 2006
Banking	529	341	443	432	742	561	870	1 303
Insurance	122	124	120	95	130	137	246	268
European Private Banking	53	41	39	51	56	42	94	98
Holding-company Activities	13	-10	-53	-92	51	-5	3	46
KBC Group	717	496	550	486	980	736	1 213	1 715

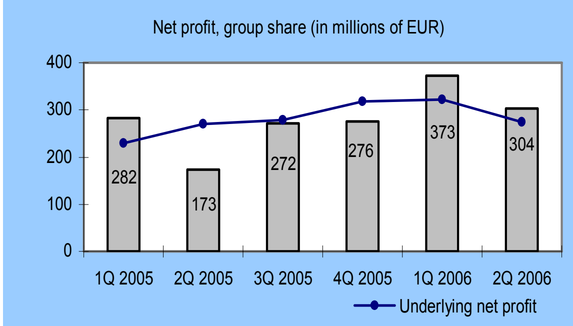
Profit outlook for the full year 2006

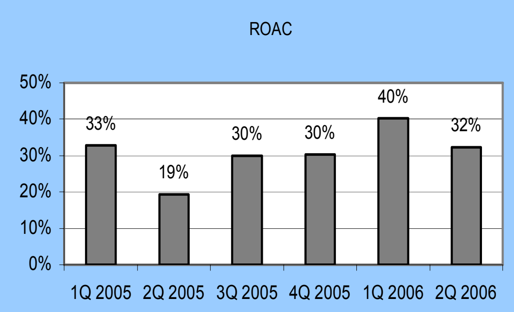
Company earnings growth has been exceptionally strong during the period under review, thanks to the strategic position the KBC group has acquired and the predominantly favourable financial and economic climate. KBC remains confident about the earnings potential of its strategy, but it is also alert to signs that outside factors are weakening. Taking account of a gain of 0.5 billion euros on the sale of Banco Urquijo in the third quarter and based on the assumption that the relevant financial and economic factors will remain unchanged, KBC expects that its group profit for 2006 will come to at least 3.2 billion euros.

Belgium Business Unit

Overview of results

Income statement, Belgium Business Unit (in millions of EUR)	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	cumul. 1H 2005	cumul. 1H 2006
Net interest income	501	511	538	532	529	534	1 012	1 063
Gross earned premiums, insurance	446	667	522	722	452	469	1 114	921
Dividend income	11	72	2	17	8	36	83	44
Net gains from financial instruments at fair value	- 82	- 193	- 32	- 14	40	10	- 275	50
Net realised gains from available-for-sale assets	110	37	27	83	87	27	147	114
Net fee and commission income	196	184	201	248	225	235	380	460
Other income	38	48	40	37	32	34	86	65
Gross income	1 220	1 327	1 298	1 627	1 373	1 345	2 547	2 717
Operating expenses	- 411	- 448	- 422	- 552	- 427	- 444	- 859	- 871
Impairment	1	- 6	7	- 1	- 10	- 6	- 5	- 16
Gross technical charges, insurance	- 407	- 636	- 495	- 672	- 410	- 449	- 1 043	- 859
Ceded reinsurance result	- 9	1	- 2	- 2	- 3	- 6	- 8	- 9
Share in results of associated companies	1	2	2	- 1	1	2	2	3
Profit before tax	395	239	388	399	524	441	633	965
Income tax expense	- 112	- 65	- 115	- 123	- 150	- 137	- 177	- 287
Profit after tax	283	174	273	276	374	304	457	678
Minority interests	- 1	- 1	- 1	0	- 1	- 1	- 1	- 2
Net profit, group share	**282**	**173**	**272**	**276**	**373**	**304**	**455**	**676**
Banking activities	*183*	*80*	*194*	*190*	*262*	*213*	*263*	*475*
Insurance activities	*99*	*93*	*78*	*86*	*111*	*91*	*192*	*201*
of which: Underlying net profit	229	270	279	319	323	275	499	597
Risk-weighted assets (end of period)	*34 153*	*34 839*	*35 807*	*36 123*	*38 217*	*38 540*	*34 839*	*38 540*
Allocated equity (end of period)	*3 439*	*3 531*	*3 618*	*3 681*	*3 795*	*3 840*	*3 531*	*3 840*
Return on allocated capital (ROAC)	*33%*	*19%*	*30%*	*30%*	*40%*	*32%*	*26%*	*36%*
Cost/income ratio (banking activities)	*55%*	*77%*	*55%*	*63%*	*47%*	*54%*	*65%*	*50%*
Combined ratio (non-life insurance activities)	*89%*	*98%*	*95%*	*98%*	*85%*	*96%*	*93%*	*90%*





For a definition of ratios, see 'annex 3'.

Description

The ‘Belgium’ business unit includes all retail and private bancassurance activities in Belgium. More specifically, it includes KBC Bank (limited to the retail and private banking activities in Belgium), KBC Insurance (except for some specific items), as well as a number of Belgian subsidiaries (the main ones being CBC Banque, Centea, KBC Asset Management, Fidea and ADD).

Commentary

In the second quarter of 2006, a profit of 304 million euros was recorded, significantly more than for the corresponding period of 2005 (173 million euros), though this last had been adversely affected by the fair valuing of interest-rate hedging derivatives.
Compared with the record figure achieved in the first quarter of 2006, profit was down by (an underlying) 48 million euros, largely due to the decline in gains realised on the share portfolio and the slight increase in non-life insurance charges (a combined ratio of 96%).

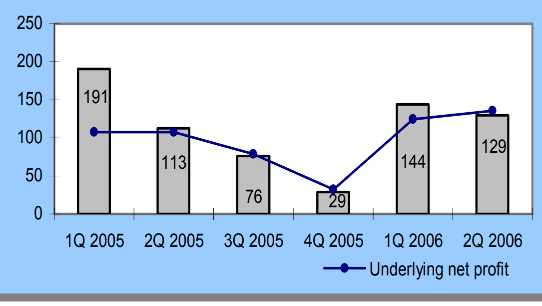
For the first six months, profit came to 676 million euros. On an underlying basis, this is 98 million euros more than for the first half of 2005.
Home loans went up by 15% year-on-year, while outstanding life insurance and assets under management for customers increased by 33% and 21%, respectively.
The interest margin narrowed by two basis points to 1.94%, but net interest earnings went up on balance by 5% and fee and commission income by 21%.
There was a favourable cost trend – the level of charges rose by a mere 1% and the cost/income ratio in banking improved to 50% – while loan losses remained negligible (a loan loss ratio of 0.04%).
In non-life insurance, the technical result remained strong (combined ratio: 90%).
The return on allocated capital went up to 36%.

Central Eastern Europe Business Unit

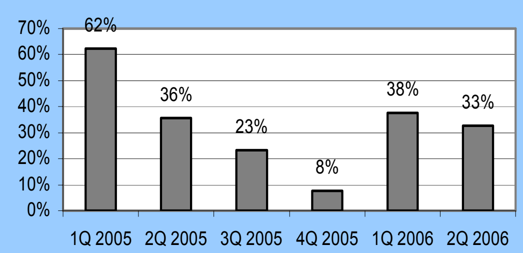
Overview of results

Income statement, Central Eastern Europe Business Unit (in millions of EUR)	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	cumul. 1H 2005	cumul. 1H 2006
Net interest income	220	233	232	242	244	232	452	476
Gross earned premiums, insurance	196	231	207	236	236	217	427	453
Dividend income	4	2	-3	1	0	2	6	3
Net gains from financial instruments at fair value	83	79	52	49	60	46	162	106
Net realised gains from available-for-sale assets	20	2	10	0	5	4	22	9
Net fee and commission income	66	62	72	76	74	77	128	152
Other income	117	22	48	31	66	68	140	134
Gross income	705	632	618	635	686	646	1 337	1 332
Operating expenses	-295	-316	-333	-373	-302	-311	-611	-613
Impairment	4	-12	-34	-45	-19	-44	-8	-63
Gross technical charges, insurance	-133	-149	-141	-172	-169	-112	-282	-281
Ceded reinsurance result	-9	-18	-6	-8	-7	-10	-27	-17
Share in results of associated companies	9	3	7	2	9	8	13	17
Profit before tax	281	140	110	39	198	177	421	375
Income tax expense	-59	-5	-10	5	-36	-31	-64	-66
Profit after tax	221	135	100	44	162	146	357	309
Minority interests	-30	-22	-23	-15	-18	-17	-53	-35
Net profit, group share	**191**	**113**	**76**	**29**	**144**	**129**	**304**	**274**
Banking activities	*183*	*96*	*72*	*53*	*146*	111	279	258
Insurance activities	*8*	*17*	*4*	*-24*	*-2*	18	25	16
of which: Underlying net profit	108	108	79	33	125	135	216	260
Risk-weighted assets (end of period)	*16 456*	*16 453*	*17 547*	*18 199*	*19 053*	*19 854*	*16 453*	*19 854*
Allocated equity (end of period)	*1 365*	*1 379*	*1 455*	*1 508*	*1 577*	*1 625*	*1 379*	*1 625*
Return on allocated capital (ROAC)	*62%*	*36%*	*23%*	*8%*	*38%*	*33%*	*49%*	*35%*
Cost/income ratio (banking activities)	*50%*	*69%*	*69%*	*76%*	*55%*	*59%*	*59%*	*57%*
Combined ratio (non-life insurance activities)	*98%*	*93%*	*104%*	*100%*	*99%*	*93%*	*96%*	*96%*

Net profit, group share (in millions of EUR)



ROAC



For a definition of ratios, see 'annex 3'.

Description

The 'Central Eastern Europe' business unit encompasses all banking and insurance activities (retail and private bancassurance, as well as merchant banking) in Central Eastern Europe:

- in the Czech and Slovak Republics: ČSOB (bank), ČSOB Pojisťovna and ČSOB Poisťovna
- in Hungary: K&H Bank, K&H Life and K&H General Insurance (both insurance companies are merged, as of 1 July 2006, into a single company, named 'K&H Insurance')
- in Poland: Kredyt Bank, Warta and Warta Life
- in Slovenia: Nova Ljubljanska banka (NLB) and NLB Vita.

Commentary

In Annex 2 of this report, detailed income statements for the Czech & Slovak Republics, Hungary, Poland and a category entitled 'Other' are provided. 'Other' includes the results of NLB and NLB Vita in Slovenia, the allocated funding cost of goodwill, minority interests at the level of KBC in the subsidiaries mentioned above, consolidation adjustments and some operating expenses at head office related to Central Eastern Europe.

Income statement, Central Eastern Europe Business Unit (in millions of EUR)	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	cumul. 1H 2005	cumul. 1H 2006
Breakdown of net profit, group share[1]								
Czech and Slovak Republics	168	25	85	62	131	105	193	236
Hungary	24	12	16	27	19	14	36	33
Poland	30	40	45	24	26	62	70	88
Other	- 31	36	- 70	- 83	- 32	- 51	5	- 83
Total	191	113	76	29	144	129	304	274

1 For a breakdown of the underlying net profit, see annex 2.

The Central Eastern Europe Business Unit generated a second-quarter profit of 129 million euros. Underlying profit was higher both quarter-on-quarter and year-on-year, although it was supported by the sale of a portion of the problem loan portfolio in Poland (net impact: 29 million euros). Following a sustained period of low loan losses, a higher level of impairment was recorded on loans.
Profit in the Czech and Slovak Republics came to 105 million euros (with a net 20 million euros in one-off profit being recorded in the first quarter on the sale of office buildings), in Poland to 62 million euros and in Hungary to 14 million euros.

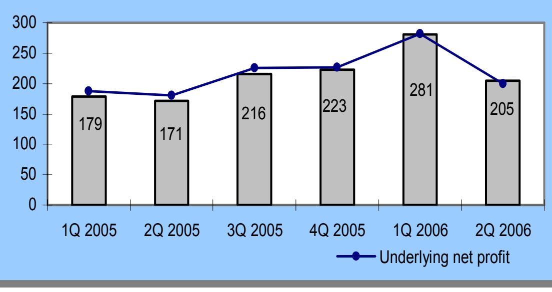
For the first six months of the year, the profit of the Central Eastern European Business Unit came to 274 million euros.
Underlying profit was up by 21% on the first half of 2005.
There was a 36% year-on-year increase in the portfolio of home loans, while outstanding life insurance and assets under management went up by 27% and 32%, respectively.
The interest margin narrowed by 0.31% to 2.65%, but on balance net interest earnings rose by 5%, while fee and commission income climbed by 19%.
The level of expenses remained stable (-2% after elimination of the exchange rate effect) and the cost/income ratio came to 57%.
The loan loss ratio edged up to 0.50% (0.32% for the 2005 financial year).
The return on allocated capital amounted to 35%.

Merchant Banking Business Unit

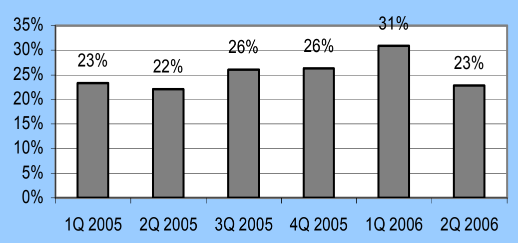
Overview of results

Income statement, Merchant Banking Business Unit (in millions of EUR)	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	cumul. 1H 2005	cumul. 1H 2006
Net interest income	266	264	264	213	190	180	531	370
Gross earned premiums, insurance	78	66	76	73	85	70	145	155
Dividend income	16	39	23	18	17	40	55	57
Net gains from financial instruments at fair value	99	147	157	263	430	308	246	738
Net realised gains from available-for-sale assets	33	2	3	50	7	20	35	27
Net fee and commission income	58	55	56	62	42	26	113	68
Other income	20	23	24	36	17	32	43	49
Gross income	570	597	602	716	787	676	1 167	1 463
Operating expenses	- 231	- 252	- 258	- 335	- 336	- 299	- 483	- 635
Impairment	- 19	- 22	27	36	33	- 17	- 41	16
Gross technical charges, insurance	- 48	- 42	- 48	- 43	- 54	- 45	- 90	- 99
Ceded reinsurance result	- 6	- 3	- 3	- 18	- 5	2	- 9	- 3
Share in results of associated companies	0	0	0	1	0	1	0	1
Profit before tax	267	277	321	356	425	317	544	742
Income tax expense	- 66	- 83	- 81	- 110	- 121	- 89	- 149	- 210
Profit after tax	201	194	240	246	304	228	395	532
Minority interests	- 22	- 23	- 24	- 24	- 24	- 23	- 45	- 46
Net profit, group share	**179**	**171**	**216**	**223**	**281**	**205**	**350**	**486**
Banking activities	*164*	*158*	*182*	*188*	*261*	179	322	440
Insurance activities	*15*	*13*	*34*	*35*	*20*	26	28	46
of which: Underlying net profit	188	181	226	227	282	200	369	482
Risk-weighted assets (end of period)	*47 248*	*50 277*	*51 015*	*54 347*	*53 891*	*55 935*	*50 277*	*55 935*
Allocated equity (end of period)	*3 298*	*3 503*	*3 548*	*3 775*	*3 752*	*3 885*	*3 503*	*3 885*
Return on allocated capital (ROAC)	*23%*	*22%*	*26%*	*26%*	*31%*	*23%*	*22%*	*27%*
Cost/income ratio (banking activities)	*46%*	*47%*	*48%*	*55%*	*47%*	*50%*	*46%*	*48%*
Combined ratio (reinsurance activities)	*90%*	*92%*	*88%*	*100%*	*81%*	*88%*	*90%*	*83%*

Net profit, group share (in millions of EUR)



ROAC



For a definition of ratios, see 'annex 3'.

Description

The ‘Merchant Banking’ business unit encompasses the services provided to corporate customers (including large SMEs) and all capital market activities, but not those of the Central Eastern European group companies.

More specifically, it includes the merchant banking activities of KBC Bank in Belgium, its foreign branches, as well the subsidiaries (only the main ones are mentioned) IIB Bank and KBC Finance Ireland in Ireland, KBC Deutschland in Germany, KBC Bank Nederland and KBC Clearing in the Netherlands, Antwerp Diamond Bank (various locations), KBC Lease (various locations), KBC Securities (various locations), KBC Financial Products (various locations), KBC Peel Hunt in the UK, KBC Private Equity and Secura in Belgium, Assurisk in Luxembourg, and various financing companies.

Commentary

Profit for the quarter under review came to 205 million euros. Underlying net profit was 19 million euros higher than the year-earlier figure, but 82 million euros under the extremely high level recorded for the preceding quarter, which had been characterised not only by a substantial profit contribution from the securities business, but also by a 33-million-euro reversal of loan loss provisions.

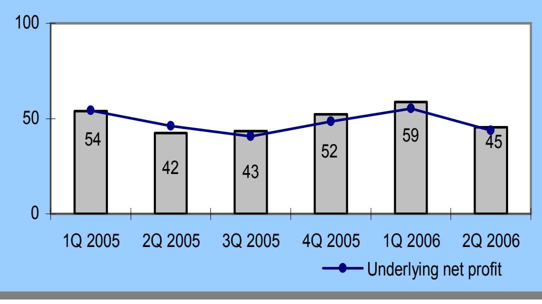
Profit for the first six months of the year came to 486 million euros. Underlying profit was up by 114 million euros on the first half of 2005.
The upward profit trend was characterised by a significant increase in income (especially from capital market activities, including business in structured loan products), which was partly offset by higher result-based staff expenses and an increase in tax.
The cost/income ratio for the banking activities came to 48%.
A net reversal from loan provisions of 17 million euros was also recorded (loan loss ratio of 0%).
The return on allocated capital came to 27%.

European Private Banking Business Unit

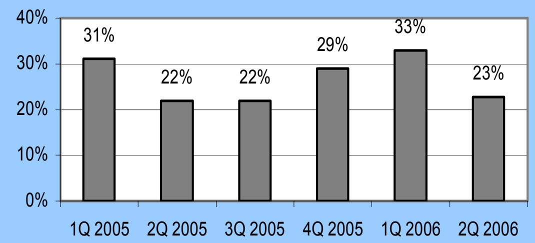
Overview of results

Income statement, European Private Banking Business Unit (in millions of EUR)	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	cumul. 1H 2005	cumul. 1H 2006
Net interest income	46	49	73	91	97	98	95	195
Gross earned premiums, insurance	18	19	15	11	3	7	37	10
Dividend income	2	6	3	2	2	9	9	10
Net gains from financial instruments at fair value	45	38	- 25	- 49	- 12	- 41	82	- 53
Net realised gains from available-for-sale assets	2	19	9	5	12	14	22	26
Net fee and commission income	100	107	114	129	135	132	207	267
Other income	24	9	7	16	2	7	33	9
Gross income	238	247	196	204	238	226	485	464
Operating expenses	- 135	- 155	- 147	- 131	- 147	- 144	- 289	- 292
Impairment	- 1	- 4	12	16	0	0	- 5	0
Gross technical charges, insurance	- 24	- 26	- 22	- 18	- 7	- 14	- 50	- 21
Ceded reinsurance result	0	0	0	0	0	0	0	0
Share in results of associated companies	1	1	1	1	1	1	2	2
Profit before tax	79	63	40	72	84	69	142	153
Income tax expense	- 22	- 19	4	- 18	- 24	- 23	- 41	- 47
Profit after tax	57	44	44	54	60	46	101	107
Minority interests	- 3	- 2	- 1	- 2	- 1	- 1	- 5	- 2
Net profit, group share	**54**	**42**	**43**	**52**	**59**	45	96	104
Banking activities	*53*	*41*	*39*	*51*	*56*	*42*	*94*	*98*
Insurance activities	*1*	*2*	*4*	*1*	*3*	*3*	*3*	*6*
of which: Underlying net profit	54	46	41	49	55	44	100	99
Risk-weighted assets (end of period)	*9 749*	*10 122*	*9 618*	*8 772*	*9 539*	*9 000*	*10 122*	*9 000*
Allocated equity (end of period)	*720*	*745*	*711*	*653*	*704*	*673*	*745*	*673*
Return on allocated capital (ROAC)	*31%*	*22%*	*22%*	*29%*	*33%*	*23%*	*27%*	*29%*
Cost/income ratio (banking activities)	*63%*	*71%*	*86%*	*71%*	*65%*	*69%*	*67%*	*67%*

Net profit, group share (in millions of EUR)



ROAC



For a definition of ratios, see 'annex 3'.

Description

The ‘European Private Banking’ business unit encompasses the activities of the KBL ‘European Private Bankers’ group (KBL EPB). More specifically, it includes Kredietbank SA Luxembourgeoise and its subsidiaries throughout Europe, as well as the insurance company VITIS Life in Luxembourg.

Commentary

The European Private Banking Business Unit contributed 45 million euros to profit in the second quarter, slightly less than the average achieved in previous quarters.
Adverse market conditions led to a decline in the value of assets under management (-4%, net) and resulted in a downward fair value adjustment of the portfolio held for trading purposes.

For the first six months of the year, a profit contribution of 104 million euros was recorded, with a return on allocated capital of 29%.
The profit trend was supported by steady growth in fee and commission income from the wealth management and custody business, which was up 29% year-on-year (19% on an organic basis).
Assets under management have grown by 20% over the past twelve months.
The business unit’s operating expenses went up by 1%, which meant that the cost/income ratio improved to 67% (72% for financial year 2005).

Group centre

Overview of results

Income statement, Group Centre (in millions of EUR)	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	cumul. 1H 2005	cumul. 1H 2006
Net interest income	- 15	- 15	- 11	- 17	- 14	- 4	- 30	- 19
Gross earned premiums, insurance	- 9	- 6	- 11	- 8	- 7	- 9	- 15	- 16
Dividend income	1	16	1	3	0	16	17	16
Net gains from financial instruments at fair value	18	- 9	14	1	2	5	9	7
Net realised gains from available-for-sale assets	4	36	0	6	132	50	39	182
Net fee and commission income	10	3	8	13	12	9	12	21
Other income	16	15	- 7	9	15	- 2	31	13
Gross income	24	40	- 5	7	140	64	64	204
Operating expenses	- 32	- 38	- 17	- 32	- 26	31	- 70	5
Impairment	0	2	- 8	- 55	0	0	1	0
Gross technical charges, insurance	0	1	8	5	9	1	1	9
Ceded reinsurance result	7	4	2	3	- 3	8	11	5
Share in results of associated companies	10	7	- 29	- 1	0	1	17	1
Profit before tax	9	16	- 49	- 73	119	105	25	224
Income tax expense	2	- 19	- 9	- 20	5	- 53	- 17	- 48
Profit after tax	11	- 3	- 58	- 93	123	52	8	175
Minority interests	0	0	1	0	0	0	- 1	0
Net profit, group share	**11**	**- 3**	**- 58**	**- 93**	**123**	**52**	**8**	**175**
Holding business (including Gevaert)	13	- 10	- 53	- 92	51	- 5	3	46
KBC Bank & KBC Insurance, non-allocated results	- 3	6	- 6	2	72	57	2	129
Other	1	1	0	- 4	0	0	2	0
of which: Underlying net profit	8	- 26	- 58	- 51	- 9	- 19	- 19	- 28

Description

The ‘Group Centre’ mainly comprises KBC Group NV (mainly the cost of leveraging at holding-company level, group strategy-related expenses and Gevaert (which was merged with KBC Group NV)), part of KBC Bank and KBC Insurance (inter alia the dividends and gains on a number of non-strategic equity holdings, and a limited number of non-allocated costs), Fin-Force, and the elimination of intrasegment transactions.

Commentary

Results not derived from the operating business units came to 175 million euros for the first six months of 2006 and included:

- 46 million euros in profit from the holding company (this includes the one-off positive impact of the divestment of Agfa-Gevaert and of the merger between Gevaert and KBC Group NV);
- 127 million euros in gains realised on the centrally managed portfolio of equity investments held outside the holding company (of which 35 million euros were accounted for by the increase in the free float of Kredyt Bank in Poland in the second quarter of the year).

Disregarding the one-off factors, however, the net contribution for the first half-year came to a negative 28 million euros.

Consolidated financial statements

Consolidated income statement

In millions of EUR	Note	2Q 2005	1Q 2006	2Q 2006	cumul 1H 2005	cumul 1H 2006
Net interest income	3	1 043	1 047	1 039	2 062	2 086
Gross earned premiums, insurance	9	978	768	754	1 707	1 522
Dividend income	4	135	27	104	169	131
Net gains from financial instruments at fair value	5	63	519	328	225	847
Net realised gains from available-for-sale assets	6	97	242	116	265	357
Net fee and commission income	7	410	488	479	839	967
Net post-tax income from discontinued operations		0	0	0	0	0
Other income	8	118	132	138	333	270
GROSS INCOME		2 843	3 223	2 958	5 600	6 181
Operating expenses	12	- 1 209	- 1 238	- 1 167	- 2 313	- 2 406
Impairment	14	- 42	3	- 67	- 57	- 64
on loans and receivables		- 38	3	- 61	- 34	- 57
on available-for-sale assets		0	0	- 3	- 16	- 2
on goodwill		- 5	0	0	- 7	0
on other		0	0	- 3	0	- 4
Gross technical charges, insurance	9	- 852	- 631	- 620	- 1 464	- 1 251
Ceded reinsurance result	9	- 17	- 18	- 6	- 33	- 24
Share in results of associated companies		13	11	12	33	23
PROFIT BEFORE TAX		735	1 349	1 110	1 766	2 459
Income tax expense		- 192	- 325	- 333	- 448	- 658
PROFIT AFTER TAX		544	1 024	777	1 318	1 801
Minority interests		- 48	- 44	- 41	- 104	- 86
NET PROFIT - GROUP SHARE		496	980	736	1 213	1 715
Earnings per share (in EUR)						
Basic		1.38	2.73	2.07	3.39	4.81
Diluted		1.36	2.70	2.05	3.32	4.76

Note: restatement of figures (in the ‘net interest income’ and ‘net gains from financial instruments at fair value’ items): see annex 1.

Quarterly consolidated income statement figures for the last six quarters are provided in the ‘Group results’ section, in the table on page 6 of this report.

Consolidated balance sheet

ASSETS (in millions of EUR)	Note	31-12-2005	30-06-2006
Cash and balances with central banks		2 061	2 064
Treasury bills and other bills eligible for rediscounting with central banks		2 649	2 633
Loans and advances to banks		45 312	44 544
Loans and advances to customers	20, 21	119 475	119 298
Securities	22	125 810	121 848
Derivative financial instruments		18 832	15 410
Portfolio hedge of interest rate risk		59	- 240
Investment property		313	339
Reinsurers' share in technical provisions, insurance	32	282	294
Accrued income		2 992	3 302
Other assets		2 825	1 988
Tax assets		545	667
Current tax assets		70	113
Deferred tax assets		475	554
Non-current assets held for sale and disposal groups		0	4 014
Investments in associated companies		989	517
Goodwill and other intangible fixed assets		1 537	1 839
Property and equipment		2 120	1 858
TOTAL ASSETS		325 801	320 376

LIABILITIES (in millions of EUR)	Note	31-12-2005	30-06-2006
Deposits from banks		60 821	58 290
Deposits from customers and debt securities	31	171 572	178 758
Derivative financial instruments		24 783	20 312
Portfolio hedge of interest rate risk		0	0
Gross technical provisions, insurance	32	14 779	15 206
Liabilities under investment contracts, insurance	33	7 615	8 537
Accrued expense		2 326	2 989
Other liabilities		18 674	9 308
Tax liabilities		928	896
Current tax liabilities		578	634
Deferred tax liabilities		350	261
Non-current liabilities held for sale and disposal groups		0	3 120
Provisions for risks and charges		522	502
Subordinated liabilities		6 314	5 902
TOTAL LIABILITIES		308 335	303 820
Total Equity		17 466	16 555
Parent shareholders' equity	38	15 751	15 198
Minority interests		1 715	1 357
TOTAL LIABILITIES AND EQUITY		325 801	320 376

The ‘non-current assets held for sale and disposal groups’ and ‘non-current liabilities held for sale and disposal groups’ on balance sheet date mainly consists of the disposal group containing all assets and liabilities of Banco Urquijo (part of European Private Banking business unit). In the second quarter of 2006, KBC Group reached an agreement with Banco Sabadell on the sale of the 99.74% stake in Banco Urquijo for about 760 million euros. KBC intends to finalize the transaction before the end of September 2006. The capital gain that KBC will realize on this sale (in 3Q 2006) will be 0.5 billion euros.

The disposal group of all assets of Banco Urquijo mainly includes loans and advances to banks (1.26 billion euros, figures concern 30 June 2006) and loans and advances to customers (2.28 billion euros). The ‘non-current liabilities held for sale and disposal groups’ include deposits from customers and debt securities (1.73 billion euros) and deposits from banks (1.04 billion euros).

Condensed consolidated statement of changes in equity

In millions of EUR	Issued and paid up share capital	Share premium	Treasury shares	Revaluation reserve (AFS investments)	Hedging reserve (cash flow hedges)	Reserves	Translation differences	Parent shareholders' equity	Minority interests	Total Equity
30-06-2005										
Balance at the beginning of the year	1 234	4 130	0	0	0	7 002	- 38	12 328	1 771	14 099
First-time application of IAS32/39 and IFRS4 on 01-01-2005	0	185	- 291	1 415	9	- 330	4	992	0	992
Net income recognised directly in equity	0	1	0	223	12	- 1	126	360	0	360
Net profit for the period	0	0	0	0	0	1 213	0	1 213	0	1 213
Dividends	0	0	0	0	0	- 659	0	- 659	0	- 659
Capital increase	0	0	0	0	0	0	0	0	0	0
(Results / Derivatives on) treasury shares	0	0	- 170	0	0	174	0	4	0	4
Change in minority interests	0	0	0	0	0	0	0	0	- 96	- 96
Total change	0	185	- 461	1 638	22	397	130	1 910	- 96	1 815
Balance at the end of the period	1 234	4 315	- 461	1 638	22	7 399	92	14 239	1 675	15 914
30-06-2006										
Balance at the beginning of the year	1 234	4 323	- 484	2 129	1	8 421	127	15 751	1 715	17 466
Net income recognised directly in equity	0	0	0	- 778	32	6	- 100	- 840	0	- 840
Net profit for the period	0	0	0	0	0	1 715	0	1 715	0	1 715
Dividends	0	0	0	0	0	- 897	0	- 897	0	- 897
Capital increase	0	0	0	0	0	0	0	0	0	0
Cancellation own shares	0	0	300	0	0	- 300	0	0	0	0
(Results / Derivatives on) treasury shares	0	0	- 530	0	0	- 1	0	- 531	0	- 531
Change in minority interests	0	0	0	0	0	0	0	0	- 357	- 357
Total change	0	0	- 230	- 778	32	523	- 100	- 553	- 357	- 910
Balance at the end of the period	1 234	4 323	- 714	1 351	33	8 944	27	15 198	1 357	16 555
of which revaluation reserve for shares				1 312						
of which revaluation reserve for bonds				40						
of which revaluation reserve for other assets than bonds and shares				0						

Condensed consolidated cash flow statement

In millions of EUR	1H 2005	1H 2006
Net cash from (used in) operating activities	- 7 480	2 909
Net cash from (used in) investing activities	- 974	- 1 361
Net cash flows from (used in) financing activities	2 537	- 1 181
Net increase/(decrease) in cash and cash equivalents	- 5 917	367
Cash and cash equivalents at the beginning of the year	10 874	3 199
Effects of exchange rate changes on opening cash and cash equivalents	247	101
Cash and cash equivalents at the end of the period	5 204	3 667

Notes on the accounting policies

Provided below is a selection of notes to the accounts. The numbers and titles of the notes that will only appear in the annual report, but not in the quarterly reports, are shown below solely to ensure there is a link with the annual report. The annual report is available on the web site www . kbc. com.

Note 1a: Statement of compliance

The financial statements were authorised for issue on 30 August 2006 by the Board of Directors of KBC Group NV.

The consolidated financial statements of the KBC group have been prepared in accordance with the International Financial Reporting Standards ('endorsed IFRS') as adopted for use in the European Union. They are presented in accordance with IAS 34 'Interim Financial reporting'.

The consolidated financial statements of KBC present one year of comparative information.

In 2005, the group qualified as a first-time adopter of IFRS. The adjustments stemming from the first-time adoption of IFRS were reflected in the opening balance sheet at 1 January 2004, except for items related to IAS 32, IAS 39 and IFRS 4 (in the opening balance sheet at 1 January 2005).

Note 1b: Summary of significant accounting policies

A summary of the main accounting policies is provided in the 2005 annual report, pages 121-127.

In the first half of 2006, no changes in content were made in the accounting policies that had a material impact on the results.

Restatement of the 2005 reference figures: see 'annex 1'.

Notes on segment reporting

Note 2a: Reporting according to the legal structure of the group

Under IFRS, the 'primary segment' reporting format used by KBC is based on the group's legal structure.

As in 2006 Gevaert was merged with KBC Group NV (the holding company) and KBC Asset Management became a majority-owned subsidiary of KBC Bank, the former Asset Management and Gevaert 'primary IFRS segments' ceased to exist and, since then, KBC distinguishes only between the following primary segments:

- Banking: KBC Bank and its subsidiaries (also including KBC Asset Management);
- Insurance: KBC Insurance and its subsidiaries;
- European Private Banking: Kredietbank SA Luxembourgeoise and its subsidiaries;
- Holding Company Activities: mainly KBC Group NV on a non-consolidated basis, KBC Exploitatie, Kredietcorp and Almafin group (a former subsidiary of Gevaert);
- Intersegment transactions are transactions conducted between the different primary segments at arm's length. As a number of items are reported on a net basis (e.g., net interest income), the balance of the intragroup transactions for these items is immaterial. Intersegment transfers are measured on the basis actually used to price the transfers.

The figures for the holding-company activities also include the 'cost-sharing structure', which comprises a number of common support services such as marketing, logistics, IT and communication. Costs incurred by this cost-sharing structure are paid by the holding company and afterwards charged to the other segments. Hence, these amounts are shown both under expenses and under income (income from costs that have been passed on) in the 'holding-company activities' segment, and under expenses in the other segments.

N.B.: The 2005 reference figures were restated as a consequence of:

- the already mentioned changes relating to the application of the 'fair value hedge accounting for a portfolio hedge of interest rate risk', see Annex 1, and
- the retroactive use of the breakdown according to the simplified legal structure (see above).

In millions of EUR	Banking	Insurance	European Private Banking	Holding - Company Activities	Inter-segment elimi-nations	KBC Group
INCOME STATEMENT 1H 2005						
Net interest income	1 746	266	79	- 32	4	2 062
Gross earned premiums, insurance	0	1 707	0	0	0	1 707
Dividend income	74	86	7	3	0	169
Net gains from financial instruments at fair value	129	4	82	11	0	225
Net realised gains from available-for-sale assets	63	144	21	37	0	265
Net fee and commission income	789	- 148	206	- 2	- 7	839
Net post-tax income from discontinued operations	0	0	0	0	0	0
Other income	224	29	33	285	- 239	333
GROSS INCOME	3 025	2 088	429	301	- 242	5 600
Operating expenses	- 1 715	- 254	- 287	- 299	242	- 2 313
Impairment	- 34	- 20	- 5	1	0	- 57
on loans and receivables	- 34	- 1	0	1	0	- 34
on available-for-sale assets	1	- 18	1	1	0	- 16
on goodwill	0	- 1	- 6	0	0	- 7
on other	0	0	0	0	0	0
Gross technical charges, insurance	0	- 1 464	0	0	0	- 1 464
Ceded reinsurance result	0	- 33	0	0	0	- 33
Share in results of associated companies	17	0	2	15	0	33
PROFIT BEFORE TAX	1 294	316	137	18	0	1 766
Income tax expense	- 328	- 66	- 39	- 14	0	- 448
PROFIT AFTER TAX	965	250	98	4	0	1 318
Minority interests	- 96	- 4	- 4	- 1	0	- 104
NET PROFIT - GROUP SHARE	870	246	94	3	0	1 213
INCOME STATEMENT 1H 2006						
Net interest income	1 630	294	179	- 12	- 5	2 086
Gross earned premiums, insurance	0	1 522	0	0	0	1 522
Dividend income	69	51	9	2	0	131
Net gains from financial instruments at fair value	904	- 11	- 53	7	0	847
Net realised gains from available-for-sale assets	169	108	26	56	0	357
Net fee and commission income	814	- 110	263	- 1	1	967
Net post-tax income from discontinued operations	0	0	0	0	0	0
Other income	208	33	9	278	- 257	270
GROSS INCOME	3 794	1 887	433	328	- 261	6 181
Operating expenses	- 1 886	- 260	- 290	- 230	261	- 2 406
Impairment	- 55	- 8	0	0	0	- 64
on loans and receivables	- 51	0	- 7	0	0	- 57
on available-for-sale assets	- 1	- 8	6	0	0	- 2
on goodwill	0	0	0	0	0	0
on other	- 4	0	0	0	0	- 4
Gross technical charges, insurance	0	- 1 251	0	0	0	- 1 251
Ceded reinsurance result	0	- 24	0	0	0	- 24
Share in results of associated companies	21	0	2	0	0	23
PROFIT BEFORE TAX	1 874	343	145	97	0	2 459
Income tax expense	- 479	- 84	- 44	- 51	0	- 658
PROFIT AFTER TAX	1 395	259	101	46	0	1 801
Minority interests	- 91	9	- 2	0	0	- 86
NET PROFIT - GROUP SHARE	1 303	268	98	46	0	1 715
BALANCE SHEET 31-12-2005						
Total assets	272 283	26 178	25 766	1 574		325 801
Total liabilities	256 762	23 781	26 400	1 392		308 335
BALANCE SHEET 30-06-2006						
Total assets	264 437	27 731	27 043	1 156		320 376
Total liabilities	252 013	24 805	25 826	1 176		303 820

Note 2b: Reporting by geographic segment

The IFRS ‘secondary segment’ reporting format is based on geographic areas, and reflects KBC’s focus on its two home markets – Belgium and Central Eastern Europe (Poland, Czech and Slovak Republics, Hungary and Slovenia) – and its selective presence in other countries (‘rest of the world’, i.e. mainly Western Europe excluding Belgium, the US and Southeast Asia).
The geographic segmentation is based on the location where the services are rendered. Since at least 95% of the customers are local customers, the location of the branch or subsidiary determines the geographic breakdown of both the balance sheet and income statement.
More detailed geographic segmentation figures for balance sheet items are provided in the various notes to the balance sheet. The breakdown here is made based on the geographic location of the counterparty.

N.B.: 2005 restated gross income figures, see Annex 1.

In millions of EUR	Belgium	Central Eastern Europe	Rest of the world	Inter-segment elimi-nations	KBC Group
1H 2005					
Gross income	3 039	1 388	1 172	0	5 600
31-12-2005					
Total assets	192 213	35 067	98 521	0	325 801
Total liabilities	175 515	33 615	99 205	0	308 335
1H 2006					
Gross income	3 330	1 384	1 468	0	6 181
30-06-2006					
Total assets	190 633	35 023	94 720	0	320 376
Total liabilities	172 557	35 028	96 235	0	303 820

Notes to the income statement

Note 3: Net interest income

In millions of EUR	2Q 2005	1Q 2006	2Q 2006	cumul 1H 2005	cumul 1H 2006
Total	1 043	1 047	1 039	2 062	2 086
Interest income	2 720	2 870	2 905	5 208	5 774
Loans and advances to banks	375	552	505	701	1 057
Loans and advances to customers	1 419	1 331	1 379	2 648	2 709
Deposits with ceding companies	1	1	1	2	2
Fixed-income securities not measured at fair value through profit and loss	531	635	533	1 079	1 168
Subtotal, interest income for financial assets not measured at fair value through profit and loss	*2 326*	*2 519*	*0 2 418*	*4 429*	*4 937*
Financial assets at fair value through profit and loss	393	351	487	778	838
Interest expense	- 1 677	- 1 823	- 1 865	- 3 146	- 3 688
Deposits from banks	- 548	- 646	- 616	- 962	- 1 261
Deposits from customers	- 775	- 771	- 805	- 1 497	- 1 576
Debt securities	- 240	- 311	- 348	- 460	- 659
Subordinated liabilities	- 82	- 74	- 76	- 167	- 150
Investment contracts at amortised cost	0	0	0	0	0
Hedging derivatives	- 32	- 22	- 21	- 60	- 42

N.B.: 2005 restated figures, see Annex 1.

The net interest income includes, apart from interest related to commercial activities, also interest income related to trading activities (estimated as follows: 2Q 2005: 26 million euros, 1Q 2006: 15 million euros, 2Q 2006: -6 million euros, 1H 2005: 37 million euros; 1H 2006: 8 million euros).

Note 4: Dividend income

In millions of EUR	2Q 2005	1Q 2006	2Q 2006	cumul 1H 2005	cumul 1H 2006
Total	135	27	104	169	131
Available-for-sale shares	99	13	64	116	77
Shares held for trading	30	14	32	47	46
Other shares measured at fair value through profit and loss	5	0	8	5	8

Note: as of 2Q 2006, 'dividend income' related to securities lending is reclassified to 'net fee and commission income'. For 2Q 2006, it concerns 38 million euros.

Note 5: Net gains from financial instruments at fair value

In millions of EUR	2Q 2005	1Q 2006	2Q 2006	cumul 1H 2005	cumul 1H 2006
Total	63	519	328	225	847
Trading instruments (including trading derivatives)	- 201	595	343	- 207	938
Other financial instruments at fair value	195	- 199	- 110	242	- 309
Portfolio hedge of interest rate risk	0	0	0	0	0
Foreign exchange trading	68	123	96	190	219

N.B.: 2005 restated figures, see Annex 1.

The net gains from financial instruments at fair value still includes interest on certain ALM derivatives (those not falling under 'fair value hedge accounting for a portfolio hedge of interest rate risk' on the basis of the carved-out version of IAS 39 as approved by the EU as described in annex 1 of this report), namely -78 million euros in 2Q 2005, -107 million euros in 1Q 2006, -100 million euros in 2Q 2006, -115 million euros in 1H 2005 and -207 million euros in 1H 2006.

Note 6: Net realized gains from available-for-sale assets

In millions of EUR	2Q 2005	1Q 2006	2Q 2006	cumul 1H 2005	cumul 1H 2006
Total	97	242	116	265	357
Fixed-income securities	22	25	8	49	33
Shares	75	217	108	216	325

Note 7: Net fee and commission income

In millions of EUR	2Q 2005	1Q 2006	2Q 2006	cumul 1H 2005	cumul 1H 2006
Total	410	488	479	839	967
Fee and commission income	626	796	784	1 285	1 579
Securities and asset management (including from investment contracts)	415	562	557	855	1 119
Commitment credit	36	35	40	71	75
Payments	99	98	101	194	199
Other	76	101	86	166	187
Fee and commission expense	- 216	- 307	- 305	- 447	- 613
Acquisition costs	- 89	- 104	- 93	- 202	- 196
Other	- 127	- 203	- 213	- 244	- 416

We refer to the comment in note 4.

Note 8: Other income

In millions of EUR	2Q 2005	1Q 2006	2Q 2006	cumul 1H 2005	cumul 1H 2006
Total	118	132	138	333	270
of which: Slovak Collection Unit award* - CSOB	0	0	0	101	0
of which: impact of sale bad loans - Kredyt Bank	0	0	37	0	37
of which: realised gain on sale buildings - CSOB	1	35	1	3	36

*Related to the settlement of an unpaid loan to the Slovak government.

The amount reported under 'Other income' generally includes income from operating leases, amounts recovered under guarantees, rental income, realised gains on property and equipment and investment property, and amounts recovered on loans that have been written off in full.

Note 9: Technical accounts, insurance

The technical accounts in the table differ from the presentation in the consolidated income statement of KBC Group. The main differences are:

- a breakdown is provided of insurance contracts (life versus non-life), investment contracts (with and without Discretionary Participation Feature (DPF)) and the non-technical account;
- technical charges include the internal cost of handling non-life claims;
- the investment income and charges include the internal cost of investment management. In the group income statement, the investment income is broken down into the various items on the income statement (net interest income, dividend income, net gains from financial instruments at fair value, net realised gains from available-for-sale assets, net fee and commission income and other income).

In millions of EUR	Insurance contracts, Life	Insurance contracts, Non-Life	Insurance contracts, Total	Investment contracts with DPF (Life)	Investment contracts without DPF (Life)	Non-technical account	TOTAL
1H 2005							
Gross earned premiums	308	815	1 123	584	0	0	1 707
Gross technical charges	- 305	- 524	- 828	- 684	- 216	0	- 1 728
Gross claims paid	- 214	- 419	- 634	- 114	- 1	0	- 749
Gross provision for claims outstanding	10	- 84	- 74	15	0	0	- 59
Bonuses and rebates	2	0	2	5	0	0	7
Other technical provisions	- 103	- 5	- 108	- 591	- 247	0	- 946
Other technical income and charges	0	- 14	- 14	1	32	0	19
Investment income and charges	157	79	235	121	253	128	737
Investment income	0	0	0	0	0	570	570
Value adjustments	0	0	0	0	253	0	253
Investment charges	0	0	0	0	0	- 83	- 83
Other income and charges (non-technical)	0	0	0	0	0	- 2	- 2
Allocation to the technical accounts	157	79	235	121	0	- 357	0
General administrative expenses	- 63	- 255	- 318	- 23	- 24	0	- 365
Net acquisition costs	- 46	- 192	- 238	- 19	- 22	0	- 279
Administrative expenses	- 17	- 64	- 80	- 4	- 3	0	- 86
Impairment of goodwill	0	0	0	0	0	- 1	- 1
Share in results of associated companies	0	0	0	0	0	0	0
Ceded reinsurance result	- 1	- 30	- 32	0	0	- 2	- 33
Technical charges	1	19	20	0	0	0	20
Fee and commission expense	0	8	9	0	0	0	9
Interest expense, deposits from reinsurers	0	0	0	0	0	- 2	- 2
Earned premiums	- 3	- 58	- 61	0	0	0	- 61
PROFIT BEFORE TAX	96	85	180	- 2	12	125	316
1H 2006							
Gross earned premiums	339	866	1 204	318	0	0	1 522
Gross technical charges	- 312	- 537	- 850	- 443	252	0	- 1 041
Gross claims paid	- 194	- 423	- 617	- 457	0	0	- 1 075
Gross provision for claims outstanding	3	- 99	- 96	0	0	0	- 96
Bonuses and rebates	1	0	1	7	0	0	8
Other technical provisions	- 122	- 3	- 125	6	204	0	86
Other technical income and charges	0	- 12	- 13	1	48	0	36
Investment income and charges	188	114	302	147	- 205	42	286
Investment income	0	0	0	0	0	632	632
Value adjustments	0	0	0	0	- 205	0	- 205
Investment charges	0	0	0	0	0	- 151	- 151
Other income and charges (non-technical)	0	0	0	0	0	11	11
Allocation to the technical accounts	188	114	302	147	0	- 449	0
General administrative expenses	- 71	- 273	- 344	- 21	- 35	0	- 400
Net acquisition costs	- 49	- 192	- 241	- 12	- 30	0	- 283
Administrative expenses	- 23	- 80	- 103	- 9	- 5	0	- 117
Impairment of goodwill	0	0	0	0	0	0	0
Share in results of associated companies	0	0	0	0	0	0	0
Ceded reinsurance result	0	- 22	- 22	0	0	- 2	- 24
Technical charges	3	33	35	0	0	0	35
Fee and commission expense	0	9	10	0	0	0	10
Interest expense, deposits from reinsurers	0	0	0	0	0	- 2	- 2
Earned premiums	- 3	- 64	- 67	0	0	0	- 67
PROFIT BEFORE TAX	143	148	291	0	12	40	343

Note 10: Gross written premiums, life insurance

In millions of EUR	2Q 2005	1Q 2006	2Q 2006	cumul 1H 2005	cumul 1H 2006
Accepted reinsurance	8	9	6	11	15
Primary business	582	318	337	878	655
Individual versus group					
Individual premiums	536	262	287	790	548
Premiums under group contracts	45	57	50	88	107
Periodic versus single					
Periodic premiums	155	159	167	295	326
Single premiums	427	159	170	583	329
Non-bonus versus bonus contracts					
Premiums from non-bonus contracts	49	39	104	80	144
Premiums from bonus contracts	495	248	213	760	461
Unit linked	38	31	20	38	51
Ceded reinsurance	0	0	0	- 1	0
Commissions	- 30	- 37	- 32	- 58	- 69

Note 11: Overview of non-life insurance per class of business

Note available in the annual report only.

Note 12: Operating expenses

In millions of EUR	2Q 2005	1Q 2006	2Q 2006	cumul 1H 2005	cumul 1H 2006
Total	- 1 209	- 1 238	- 1 167	- 2 313	- 2 406
Staff expenses	- 714	- 775	- 693	- 1 350	- 1 468
General administrative expenses	- 382	- 396	- 392	- 763	- 788
Depreciation and amortisation of fixed assets	- 92	- 88	- 86	- 186	- 174
Provisions for risks and charges	- 20	21	3	- 14	24

Note 13: Personnel

Note available in the annual report only.

For information: as at mid 2006, the group employed almost 50 thousand people (in FTE). Around 38% of the workforce was located in Belgium, 50% in Central Eastern Europe and 12% in the rest of the world. Only majority-owned subsidiaries are taken into account in these figures.

Note 14: Impairment (income statement)

In millions of EUR	2Q 2005	1Q 2006	2Q 2006	cumul 1H 2005	cumul 1H 2006
Total	- 42	3	- 67	- 57	- 64
Impairment on loans and receivables					
Total	- 38	3	- 61	- 34	- 57
Breakdown by type	- 38	3	- 61	- 34	- 57
Specific impairment for on-balance-sheet lending	- 75	- 7	- 52	- 72	- 59
Specific impairment for off-balance-sheet credit commitments	3	0	0	3	0
Portfolio-based impairment	34	10	- 9	35	1
Geographic breakdown	- 38	3	- 61	- 34	- 57
Belgium	- 8	- 6	- 2	- 7	- 7
Central Eastern Europe	- 8	- 18	- 41	- 7	- 59
Rest of the world	- 21	27	- 18	- 21	9
Impairment on available-for-sale assets					
Total	0	0	- 3	- 16	- 2
Impairment on goodwill					
Total	- 5	0	0	- 7	0
Impairment on other					
Total	0	0	- 3	0	- 4
Other intangible fixed assets	0	0	- 1	0	- 1
Tangible fixed assets	0	0	- 2	0	- 2
Held to maturity	0	0	0	0	0
Associated companies (goodwill)	0	0	0	0	0

Note 15: Share in results of associated companies
Note 16: Income tax expense
Note 17: Earnings per share

Notes available in the annual report only.

Notes to the balance sheet

Note: following the agreement on the sale of Banco Urquijo, this subsidiary is, as at 30-06-2006, reflected in the balance sheet items ‘non-current assets held for sale and disposal groups’ and ‘non-current liabilities held for sale and disposal groups’. As a consequence, the other asset and liability items as of 30-06-2006 do not include Banco Urquijo anymore (whereas the figures for 31-12-2005 still do).

Note 18: Classification and fair value of financial instruments
Note 19: Loans and advances to banks

Notes available in the annual report only.

Note 20: Loans and advances to customers

In millions of EUR	31-12-2005	30-06-2006
Total	119 475	119 298
Geographic breakdown	119 475	119 298
Belgium	55 247	58 225
Central Eastern Europe	15 957	17 195
Rest of the World	48 271	43 878
Breakdown by type of credit	119 475	119 298
Discount and acceptance credit	545	233
Consumer credit	2 123	2 080
Mortgage loans	34 233	36 822
Term loans	65 859	61 683
Finance leasing	5 906	5 953
Current account advances	6 437	6 684
Advances on life insurance contracts	8	8
Other (including impairments)	4 363	5 834
of which: securitised	1 038	327
of which: repos	14 973	9 812
Quality		
Gross amount outstanding	122 220	121 577
Impairment for losses on loans and advances	- 2 745	- 2 279
Net amount outstanding	119 475	119 298

Note: 30-06-2006 figures exclude Banco Urquijo.

Note 21: Impairment for loan losses (balance sheet)

In millions of EUR	31-12-2005	30-06-2006
Total	2 822	2 352
Breakdown by type	2 822	2 352
Specific impairment, on-balance-sheet lending	2 471	2 064
Specific impairment, off-balance-sheet credit commitments	61	62
Portfolio-based impairment	290	226
Breakdown by counterpart	2 822	2 352
Impairment for loans and advances to banks	1	0
Impairment for loans and advances to customers	2 745	2 279
Off-balance-sheet credit commitments	75	73
Geographic breakdown	2 822	2 352
Belgium	996	995
Central Eastern Europe	1 078	836
Rest of the world	747	521

Information on loan loss ratios, non-performing loans (impaired loans for which principal repayments or interest payments are more than 90 days in arrears) and coverage of non-performing loans by loan loss impairment is provided in note 45. Note: 30-06-2006 figures exclude Banco Urquijo.

Note 22: Securities

In millions of EUR	31-12-2005	30-06-2006
Total	125 810	121 848
Geographic breakdown	125 810	121 848
Belgium	46 925	49 882
Central Eastern Europe	12 286	10 980
Rest of the World	66 600	60 986
Breakdown by type and counterparty	125 810	121 848
Fixed-income securities	89 028	90 658
Government bonds	54 637	55 774
Credit institutions	17 157	15 993
Other	17 233	18 892
Equity instruments	36 782	31 190
Shares	29 699	22 458
Investment contracts	7 083	8 732

Note: 30-06-2006 figures exclude Banco Urquijo.

Note 23: Derivative financial instruments
Note 24: Other assets
Note 25: Tax assets and tax liabilities
Note 26: Investments in associated companies
Note 27: Goodwill
Note 28: Other intangible assets
Note 29: Property and equipment (including investment property)
Note 30: Deposits from banks

Notes available in the annual report only.

Note 31: Deposits from customers and debt securities

In millions of EUR	31-12-2005	30-06-2006
Total	171 572	178 758
Geographic breakdown	171 572	178 758
Belgium	72 302	75 486
Central Eastern Europe	26 879	30 728
Rest of the World	72 391	72 545
Breakdown by type	171 572	178 758
Demand deposits	33 383	36 593
Time deposits	49 639	48 549
Savings deposits	30 872	30 910
Special deposits	4 215	4 414
Other deposits	17 869	21 168
Savings certificates	3 528	3 301
Bonds	10 760	13 313
Certificates of deposit	21 305	20 511
of which repos	13 221	10 853

Note: 30-06-2006 figures exclude Banco Urquijo.

Note 32: Technical provisions, insurance

In millions of EUR	31-12-2005	30-06-2006
Gross technical provisions	14 779	15 206
Insurance contracts	8 097	8 542
Provisions for unearned premiums and unexpired risk	454	537
Life insurance provision	4 234	4 472
Provision for claims outstanding	3 094	3 162
Provision for bonuses and rebates	20	19
Other technical provisions	294	352
Investment contracts with DPF	6 683	6 664
Life insurance provision	6 655	6 643
Provision for claims outstanding	0	0
Provision for bonuses and rebates	27	21
Reinsurers' share	282	294
Insurance contracts	282	294
Provisions for unearned premiums and unexpired risk	32	31
Life insurance provision	7	8
Provision for claims outstanding	243	254
Provision for bonuses and rebates	0	0
Other technical provisions	0	0
Investment contracts with DPF	0	0
Life insurance provision	0	0
Provision for claims outstanding	0	0
Provision for bonuses and rebates	0	0

Technical provisions relate to insurance contracts and investment contracts with a discretionary participation feature (DPF). Liabilities under investment contracts without DPF (see note 33) have to be valued according to IAS39 (deposit accounting); these liabilities concern mainly the unit-linked contracts.

Note 33: Liabilities under investment contracts, insurance

In millions of EUR	31-12-2005	30-06-2006
Total	7 615	8 537
Unit-linked	7 604	8 531
Insurance bond without death rider	0	0
Other	11	6

Note 34: Provisions for risk and charges
Note 35: Subordinated liabilities
Note 36: Other liabilities
Note 37: Retirement benefit obligations

Notes available in the annual report only.

Note 38: Parent shareholders’ equity

in number of shares	31-12-2005	30-06-2006
Total number of shares issued and fully paid up	369 206 475	365 706 475
Ordinary shares	366 566 637	363 096 193
Other equity instruments	2 639 838	2 610 282
of which those that entitle the holder to a dividend payment	369 071 569	365 706 475
of which treasury shares	9 191 599	11 653 224

The share capital of KBC Group NV consists of ordinary shares of no nominal value and mandatorily convertible bonds (MCBs – see ‘Other equity instruments’ in the table).

At 30 June 2006, there were 363 096 193 ordinary shares in circulation. All ordinary shares carry voting rights and each share represents one vote. No participation certificates or non-voting shares have been issued. The shares are quoted on Euronext Brussels and on the Luxembourg Stock Exchange. The par value per ordinary share (issued and paid up share capital per ordinary share) amounted to approximately 3.40 euros at 30 June 2006. There are no shares issued that have not been fully paid. There are no other restrictions attaching to the shares. The authorisation to increase capital may be exercised until 17 June 2009 for an amount of 199 274 896 euros (which, based on the par value of the shares at the end of June 2006, may lead to the issue of maximum 58 610 263 new shares).
At 30 June 2006, KBC group companies held 11 653 224 KBC shares (11 160 664 excluding the shares held in the trading book of KBC Securities, Ligeva and KBC Financial Products). This number includes, inter alia:

- the shares that are held to meet requirements under the various employee stock option plans (as at 30 June 2006: 3 353 742 shares).
- the shares that were bought in relation to the 1-billion-euro share buyback programme announced at the end of 2005. Up to and including 30 June 2006, roughly 6.1 million shares were bought under this programme, of which 3.5 million were cancelled at the Extraordinary General Meeting of 27 April 2006, leaving a remaining number as at 30 June 2006 of 2.6 million (exactly 2 649 250) shares. It is the intention to cancel these shares, together with the ones resulting from new open market purchases that will continue during the remainder of the year, in the first half of 2007.

At 30 June 2006, there were 2 610 282 1998-2008 MCBs in circulation, for a nominal amount of 182 797 839 euros, with a maturity date of 30 November 2008 and a base rate of 3.5% (as of 2000, related to changes in the dividend on the KBC share), which had not yet been converted into ordinary shares. Holders of these MCBs are entitled, until 30 November 2008, to request that their MCBs be converted according to a ratio of one KBC ordinary share for one MCB. MCBs which have not been converted by their holders will be converted automatically into ordinary shares at maturity. MCBs only carry voting rights when converted into ordinary shares.

N.B.: Preference shares are not included in parent shareholders’ equity, but in minority interests. At 30 June 2006, there were no freely convertible bonds outstanding.

Other notes

Note 39: Commitments and contingent liabilities
Note 40: Operating lease receivables

Notes available in the annual report only.

Note 41: Assets under management

Assets under advice or management (AUM) at KBC group, in millions of EUR	31-12-2005	30-06-2006
By business unit		
Belgium	122 423	133 692
Central Eastern Europe	7 200	7 949
Merchant Banking	2 056	759
European Private Banking	64 679	66 042
Total	196 358	208 443
By product or service[1]		
Investment funds for private individuals	76 663	79 094
Assets managed for private individuals	74 305	83 049
Assets managed for institutional investors	30 688	32 104
Group assets (managed by KBC Asset Management)	14 701	14 196
Total	196 358	208 443

1 The breakdown of the 31-12-2005 totals has been changed retroactively.

Note 42: Related party transactions

Note available in the annual report only.

Note 43: Solvency banking (KBC Bank and KBL EPB, combined)

In millions of EUR		31-12-2005	30-06-2006
Regulatory capital, KBC Bank + KBL (after profit appropriation)		14 669	15 045
Tier-1 capital		11 065	11 219
Parent shareholders' equity		11 462	11 620
Intangible fixed assets		- 114	- 144
Goodwill on consolidation		- 533	- 892
Preference shares / Hybrid tier-1		1 645	1 664
Minority interests		654	841
Elimination	Mandatorily convertible bonds / other tier 2-instruments	- 436	- 454
	Revaluation reserve AFS	- 830	- 434
	Hedging reserve (cash flow hedges)	- 3	- 33
	Minority interests on AFS reserve & hedging reserve (CF hedges)	- 8	- 1
Dividend payout assumed		- 772	- 948
Tier-2 capital		4 857	4 754
Mandatory convertible bonds		436	436
Perpetuals (incl. hybrid tier-1 not used in tier-1 capital)		840	686
Revaluation reserve AFS shares (at 90%)		331	380
Minority interests on revaluation reserve AFS shares (at 90%)		1	2
Subordinated liabilities		3 250	3 250
Tier-3 capital		11	12
Items to be deducted		- 1 263	- 940
Total weighted risk volume		117 730	123 343
Credit risk, investment		106 127	111 614
Market Risk		11 604	11 730
Solvency ratios			
Tier-1 ratio		9.40%	9.10%
CAD ratio		12.46%	12.20%

The table provides solvency figures for KBC Bank and KBL EPB combined, which have been calculated based on IFRS principles and regulators' guidelines. The tier-1 ratio calculated in this way at 30 June 2006 came to 9.10% (broken down as follows: 9.11% for KBC Bank and 8.93% for KBL EPB).

Note 44: Solvency insurance (KBC Insurance)

In millions of EUR	31-12-2005	30-06-2006
AVAILABLE CAPITAL		
Share capital	29	29
Share premium account	122	122
Reserves	2 293	2 035
Revaluation reserve, available-for-sale (AFS) investments	1 255	1 035
Translation differences	28	15
Total group equity	3 726	3 235
Dividend payout, KBC Insurance	- 510	- 187
Minority interests	74	17
Total capital and reserves	3 290	3 065
Subordinated liabilities	15	1
Total capital resources	3 305	3 066
Intangible fixed assets	- 164	- 208
Available capital	3 141	2 859
REQUIRED SOLVENCY MARGIN		
Non-life and industrial accidend-legal lines	256	257
Annuities	7	8
Required solvency margin for the Non Life business	263	264
Class 21	535	551
Class 23	17	19
Required solvency margin for the Life business	552	570
Total required solvency margin	815	834
SOLVENCY RATIO AND SURPLUS		
Solvency ratio (%)	385%	343%
Solvency surplus (in millions of EUR)	2 326	2 024

The table shows the solvency calculated for KBC Insurance, based on IFRS principles. The solvency ratio calculated in this way came to 343% at 30 June 2006. The decrease versus 31-12-2005 (385%) is mainly due to a decrease of the revaluation reserve for AFS investments and increased goodwill due to the participation increase in Warta.

Note 45: Risk Management

Extensive risk management data are provided in KBC's 2005 Annual Report, on pages 65 to 89. For a selection of these data, updates will be provided on a quarterly basis. Part of the risk management data are based on non-audited management information. For an explanation regarding the methodology used, please refer to the 2005 Annual Report.

Credit risk data

The main source of credit risk is the loan portfolio of the bank. A snapshot of this portfolio is shown in the table below. It includes all payment credit, guarantee credit (except for confirmations of letters of credit and similar export-/import-related commercial credit), standby credit and credit derivatives, granted by KBC Bank and KBL EPB to private persons, companies, governments and banks. Bonds held in the investment portfolio are included if they are corporate- or bank-issued, hence government bonds (which are used more for treasury and liquidity management purposes) and trading book exposure are not included. Ratios are defined in 'Annex 3'.

Credit risk: loan portfolio overview (KBC Bank and KBL EPB)	31-12-2005	30-06-2006
Total loan portfolio (in billions of EUR)		
Amount granted	174.8	177.1
Amount outstanding	126.9	130.6
Total loan portfolio, by origin (as a % of the portfolio of credit granted)		
Network in Belgium	43.9%	44.9%
Network in Central Eastern Europe	15.8%	16.8%
Network in the rest of the world	40.3%	38.3%
Total	100.0%	100.0%
Total loan portfolio, by sector (selected sectors as a % of the portfolio of credit granted)		
Real estate	5.5%	5.3%
Electricity	2.6%	2.3%
Aviation	0.6%	0.5%
Automobile industry	3.2%	3.1%
Impaired loans (in millions of EUR or %)		
Amount outstanding	3 977	3 464
Specific loan impairment	2 532	2 125
Portfolio-based loan impairment	290	226
Loan-loss ratio, per business unit (negative figures -> positive impact on results)		
Belgium	-0.05%	0.04%
Central Eastern Europe[1]	0.37%	0.50%
Merchant Banking	-0.04%	-0.06%
European Private Banking	-0.46%	0.02%
Total	0.01%	0.08%
Non-performing (NP) loans (in millions of EUR or %)		
Amount outstanding	2 848	2 392
Specific loan impairment for NP loans	2 056	1 690
Non-performing ratio, per business unit		
Belgium	1.7%	1.5%
Central Eastern Europe	4.5%	3.1%
Merchant Banking	1.8%	1.5%
European Private Banking	1.6%	2.3%
Total	2.2%	1.8%
Cover ratio		
Specific loan impairment for NP loans / outstanding NP loans	72%	71%
Specific & portfolio-based loan impairment for performing and NP loans / outstanding NP loans	99%	98%

Definition of ratios: see annex 3. Figures for 30-06-2006 exclude Banco urquijjo.

1 Broken down as follows for 30-06-2006: 0.31% for CSOB, 1.26% for K&H Bank and -0.07% for Kredyt Bank.

Asset/Liability management data

The first table shows - for the banking business - the extent to which the value of the portfolio would change (basis-point-value or BPV) if interest rates were to fall by ten basis points across the entire curve (positive figures indicate an increase in the value of the portfolio). The figures relate to KBC Bank, CBC Banque, Centea, KBC Lease, KBC Deutschland, IIB Bank, KBC Bank Nederland, Antwerpse Diamantbank, ČSOB, K&H Bank, Kredyt Bank and KBL EPB.

The second table provides - for the insurance business - an overview of the composition of the investment portfolio. In the consolidated financial statements of KBC Group, the insurer's investment portfolio is not shown as such, but is spread over various balance sheet items (mainly securities and to a less extent investment property, loans and advances to customers, etc.).

ALM risk: BPV of the ALM book, banking (in millions of EUR)	
Average 1Q 2005	57
Average 2Q 2005	53
Average 3Q 2005	58
Average 4Q 2005	76
Average 1Q 2006	76
Average 2Q 2006	87
30-06-2006	90
Maximum in 1H 2006	90
Minimum in 1H 2006	66

ALM risk: investment portfolio, insurance (carrying value, in millions of EUR)	31-12-2005	30-06-2006
Bonds and other fixed-income securities	12 685	12 401
Shares and other variable-yield securities	4 197	4 186
Loans and advances to customers	131	122
Loans and advances to banks	557	639
Property and equipment and investment property	283	281
Liabilities under investment contracts, unit-linked	7 778	8 759
Other	128	134
Total investment portfolio KBC Insurance	25 759	26 521

Market risk data

The table shows the Value-at-Risk (99% confidence interval, ten-day holding period) for the bank's dealing rooms on the money and capital markets, for KBC Financial Products (KBC FP) and for KBL EPB, based on historical simulation.
A VAR-approach for KBC Peel Hunt has been developed during the last quarter of 2005 and is currently being tested (average VAR was 2 million euros both in 1Q 2006 and in 2Q 2006). The average VAR for KBC Securities was 1 million euros both in 1Q 2006 and in 2Q 2006).

Market risk: VAR (in millions of EUR)	KBC Bank	KBC FP	KBL EPB
Average 1Q 2005	14	[1]	[2]
Average 2Q 2005	13	[1]	[2]
Average 3Q 2005	11	[1]	[2]
Average 4Q 2005	13	25	[2]
Average 1Q 2006	12	30	13
Average 2Q 2006	12	38	4
30-06-2006	9	20	6
Maximum in 1H 2006	20	64	18
Minimum in 1H 2006	8	12	3

1 Up to and including 3Q 2005, KBC FP's risk exposure was measured using the scenario analysis technique.

2 Not available.

Note 46: List of significant subsidiaries and associated companies as at 30-06-2006

Company	Location of registered seat	Ownership percentage at KBC Group level	Activity
BANKING			
Fully consolidated subsidiaries			
Antwerpse Diamantbank NV	Antwerp - BE	100.00	Credit institution
CBC Banque SA	Brussels - BE	100.00	Credit institution
CENTEA NV	Antwerp - BE	99.56	Credit institution
CSOB a.s.	Prague - CZ	89.97	Credit institution
Fin-Force NV	Brussels - BE	63.03	Processing financial transactions
IIB Bank Plc	Dublin - IE	100.00	Credit institution
KBC Asset Management NV	Brussels - BE	100.00	Asset Management
KBC Asset Management Ltd.	Dublin - IE	100.00	Asset Management
KBC Towarzystwo Funduszy Inwestycyjnych sa	Warsaw - PL	94.00	Asset Management
KBC Bank NV	Brussels - BE	100.00	Credit institution
KBC Bank Deutschland AG	Bremen - DE	99.76	Credit institution
KBC Bank Funding LLC & Trust (group)	New York - US	100.00	Issuance of trust preferred securities
KBC Bank Nederland NV	Rotterdam - NL	100.00	Credit institution
KBC Clearing NV	Amsterdam - NL	100.00	Clearing
KBC Finance Ireland	Dublin - IE	100.00	Lending
KBC Financial Products (group)	Various locations	100.00	Equities and derivatives trading
KBC Internationale Financieringsmaatschappij NV	Rotterdam - NL	100.00	Issuance of bonds
KBC Lease (group)	Various locations	100.00	Leasing
KBC Peel Hunt Ltd.	London - GB	100.00	Stock exchange broker / corporate finance
KBC Private Equity NV (ex-KBC Investco NV)	Brussels - BE	100.00	Private equity
KBC Securities NV	Brussels - BE	100.00	Stock exchange broker / corporate finance
K&H Bank Rt.	Budapest - HU	99.70	Credit institution
Kredyt Bank SA	Warsaw - PL	80.00	Credit institution
Patria Finance a.s.	Prague - CZ	100.00	Stock exchange broker / corporate finance
Proportionally consolidated subsidiaries			
International Factors NV	Brussels - BE	50.00	Factoring
Orbay NV	Utrecht - NL	49.00	Administration of securities transactions
Associated companies			
Bank Card Company NV	Brussels - BE	21.55	Credit cards
Banksys NV	Brussels - BE	20.55	Credit cards
Nova Ljubljanska banka d.d. (group)	Ljubljana - SI	34.00	Credit institution
INSURANCE			
Fully consolidated subsidiaries			
ADD NV	Heverlee - BE	100.00	Insurance company
Assurisk SA	Luxembourg - LU	100.00	Insurance company
CSOB Pojist'ovna a.s.(Czech Republic)	Pardubice - CZ	97.49	Insurance company
CSOB Poist'ovna a.s.(Slovak Republic)	Bratislava - SK	92.02	Insurance company
Fidea NV	Antwerp - BE	100.00	Insurance company
K&H Életbiztosító Rt. (K&H Life)	Budapest - HU	99.85	Insurance company
K&H General Insurance (ex-Argosz Insurance Corporation Ltd.)	Budapest - HU	100.00	Insurance company
KBC Verzekeringen NV	Leuven - BE	100.00	Insurance company
Maatschappij voor Brandherverzekering CV	Leuven - BE	90.55	Insurance company
Secura NV	Brussels - BE	95.04	Insurance company
VITIS Life Luxembourg SA	Luxembourg - LU	99.94	Insurance company
VTB-VAB NV	Zwijndrecht - BE	64.80	Car assistance
TUIR WARTA SA	Warsaw - PL	100.00	Insurance company
Proportionally consolidated subsidiaries			
NLB Vita d.d.	Ljubljana - SI	50.00	Insurance company
EUROPEAN PRIVATE BANKING			
Fully consolidated subsidiaries			
Banco Urquijo SA	Madrid - ES	98.69	Credit institution
Brown, Shipley & Co Ltd.	London - GB	98.95	Credit institution
KBL Finance Ireland	Dublin - IE	98.95	Credit institution
Kredietbank SA Luxembourgeoise	Luxembourg - LU	98.95	Credit institution
Kredietbank (Suisse) SA, Genève	Geneva - CH	98.94	Credit institution
Merck Finck & Co.	München - DE	98.95	Credit institution
Puilaetco Private Bankers SA	Brussels - BE	98.95	Credit institution
Theodoor Gilissen Bankiers NV	Amsterdam - NL	98.95	Credit institution
HOLDING COMPANY ACTIVITIES			
Fully consolidated subsidiaries			
Almafin NV (group)	Zaventem - BE	100.00	Financial services
KBC Exploitatie NV	Brussels - BE	100.00	Cost sharing structure
KBC Groep NV	Brussels - BE	100.00	Holding

A complete list of the companies included in or excluded from the scope of consolidation, as well as all associated companies, as at 31-12-2005, is provided in the 2005 annual report of KBC, on pages 173-182.

Note 47: Main changes in the scope of consolidation

	Company	Consolidation method	Ownership percentage at KBC Group level		Comments
For income statement comparison			1H 2005	1H 2006	
ADDITIONS					
European Private Banking	Effectenbank Stroeve NV	Full	-	98.95%	acquisition in 3Q 2005; merger with Theodoor Gilissen Bankiers NV
European Private Banking	HSBC Dewaay NV	Full	-	98.95%	acquisition in 4Q 2005; merger with Puilaetco Private Bankers SA
EXCLUSIONS					
Holding company activities	Gevaert NV	Full	100.00%	-	merger with KBC Group NV
Holding company activities	Agfa-Gevaert NV	Equity	27.13%	-	sold in 1Q 2006
Holding company activities	Bofort NV (group)	Full	100.00%	-	sold in 4Q 2005
CHANGES IN OWNERSHIP PERCENTAGE					
European Private Banking	Kredietbank SA Luxembourgeoise	Full	97.13%	98.95%	
Banking	K&H Bank Rt.	Full	59.47%	99.70%	shares bought from ABN-AMRO
Banking	Kredyt Bank SA	Full	85.53%	80.00%	sale of shares to increase free float to 20%
Banking	Fin-Force NV	Full	85.01%	63.03%	sale of shares to new participants in Fin-Force
Insurance	TUIR WARTA SA	Full	75.13%	100.00%	buyout of minorities; in profit as of 2Q06
For balance sheet comparison			31-12-2005	30-06-2006	
ADDITIONS					
none					
EXCLUSIONS					
Holding company activities	Gevaert NV	Full	100.00%	-	merger with KBC Group NV
Holding company activities	Agfa-Gevaert NV	Equity	27.35%	-	sold in 1Q 2006
CHANGES IN OWNERSHIP PERCENTAGE					
European Private Banking	Kredietbank SA Luxembourgeoise	Full	97.32%	98.95%	
Banking	K&H Bank Rt.	Full	59.47%	99.70%	shares bought from ABN-AMRO
Banking	Kredyt Bank SA	Full	85.53%	80.00%	sale of shares to increase free float to 20%
Banking	Fin-Force NV	Full	85.01%	63.03%	sale of shares to new participants in Fin-Force
Insurance	TUIR WARTA SA	Full	75.13%	100.00%	buyout of minorities

Note 48: General information

Note available in the annual report only.

Note 49: Post-balance-sheet events

Events after balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the financial statements are authorised for issue by the Board of Directors. They include both adjusting events after balance sheet date (events that provide evidence of conditions that existed at the balance sheet date) and non-adjusting events after balance sheet date (events that are indicative of conditions that arose after the balance sheet date). Adjusting events in principle lead to an adjustment of the financial statements for the financial period preceding the event, whereas non-adjusting events in principle only influence the financial statements for the following period(s).

Significant (non-adjusting) events between the balance sheet date (30 June 2006) and the publication of this report (31 August 2006):

- Sale of Banco Urquijo: as announced on 24 May 2006 and after approval of the relevant regulatory authorities, KBC Group on 4 July 2006 finalized the sale of the group's entire stake (99.74%) in Banco Urquijo to Banco Sabadell for circa 760 million euros. We refer to the comment under the 'Consolidated Balance Sheet' heading.

Annexes

Annex 1: Restatement of 2005 figures

Originally, KBC opted to limit the volatility caused by the asymmetric valuation, under IAS 32/39, of the loan portfolio (at amortised cost) and of the ALM derivatives used to hedge the interest rate risk of the loan portfolio (at fair value), by using the so-called 'fair value option' instead of hedge accounting. In practice, a part of the bond portfolio was classified as 'financial instruments at fair value through profit and loss' (FIFV), so that the fair value changes of the hedging derivatives were (largely) offset by the opposite fair value changes of the FIFV portfolio. Under this approach, the interest component of the hedging derivatives was booked under 'net gains from financial instruments at fair value'.

In 4Q 2005, KBC decided to apply 'fair value hedge accounting for a portfolio hedge of interest rate risk' on the basis of the carved-out version of IAS 39 as approved by the EU (in short 'portfolio hedging') for a substantial part of the activities of KBC Bank in Belgium. As a consequence, 'hedging' via the FIFV book was, to a considerable extent, replaced by the use of portfolio hedging, which implies the fair valuing of both the ALM derivatives and the underlying loan portfolio. This change resulted in a negative 40-million-euro pre-tax impact for the full year 2005, but the effect was fully taken in 4Q 2005. The interest component of the portfolio hedge derivatives remained provisionally in the 'net gains from financial instruments at fair value' item.

In 1Q 2006, finally, KBC restated its 2005 figures, 'spreading out' the above-mentioned effect over the four quarters of 2005 (instead of in one quarter) and shifting the interest on portfolio hedge derivatives from the 'net gains from financial instruments at fair value' to the 'net interest income' item. *Note that the full year 2005 net result was not affected.*

The table below provides an overview of the original (i.e. as published in the 2005 annual and quarterly reports) and restated figures per quarter. Restated figures are underlined.

Restatement of 2005 figures, KBC Group (in millions of EUR)	1Q 2005		2Q 2005		3Q 2005		4Q 2005		FY 2005	
	original	**restated**	original	**restated**	original	**restated**	original	**restated**	original	**restated**
Net interest income	1 048	**1 019**	1 074	**1 043**	1 129	**1 096**	1 097	**1 061**	4 348	**4 219**
Gross earned premiums	729	729	978	978	810	810	1 034	1 034	3 550	3 550
Dividend income	34	34	135	135	25	25	41	41	235	235
Net gains from financial instruments at fair value	133	**163**	92	**63**	123	**166**	165	**251**	513	**642**
Net realised gains from available-for-sale assets	168	168	97	97	49	49	144	144	458	458
Net fee and commission income	429	429	410	410	452	452	528	528	1 819	1 819
Other income	215	215	118	118	112	112	130	130	574	574
Gross income	2 756	**2 757**	2 904	**2 843**	2 699	**2 709**	3 138	**3 189**	11 498	11 498
Operating expenses	-1 104	-1 104	-1 209	-1 209	-1 177	-1 177	-1 424	-1 424	-4 914	-4 914
Impairment	-15	-15	-42	-42	3	3	-49	-49	-103	-103
Gross technical charges, insurance	-612	-612	-852	-852	-696	-696	-899	-899	-3 059	-3 059
Ceded reinsurance result	-17	-17	-17	-17	-10	-10	-26	-26	-69	-69
Share in results of associated companies	21	21	13	13	-19	-19	2	2	16	16
Profit before tax	1 030	**1 030**	797	**735**	800	**810**	743	**793**	3 369	3 369
Income tax expense	-256	**-257**	-212	**-192**	-208	**-211**	-249	**-266**	-925	-925
Profit after tax	774	**774**	585	**544**	592	**598**	494	**528**	2443	2443
Minority interests	-57	-57	-48	-48	-48	-48	-41	-41	-194	-194
Net profit - Group share	717	**717**	536	**496**	543	**550**	453	**486**	2 249	2 249

Annex 2: Income statement per Central Eastern European country

Income statement, Czech and Slovak Republics (in millions of EUR)	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	cumul. 1H 2005	cumul. 1H 2006
Net interest income	130	134	135	144	150	158	264	308
Gross earned premiums, insurance	57	60	62	64	63	65	116	127
Dividend income	4	2	- 4	1	0	1	6	1
Net gains from financial instruments at fair value	46	11	24	20	30	24	57	54
Net realised gains from available-for-sale assets	4	2	7	6	3	0	6	3
Net fee and commission income	53	52	55	55	57	57	104	114
Other income	111	13	25	38	54	19	124	73
Gross income	404	274	305	328	356	323	678	679
Operating expenses	- 133	- 154	- 131	- 194	- 138	- 148	- 287	- 286
Impairment	8	- 2	- 23	- 27	- 3	- 18	6	- 21
Gross technical charges, insurance	- 55	- 81	- 34	- 31	- 41	- 23	- 136	- 64
Ceded reinsurance result	- 2	- 3	- 4	- 2	- 1	- 1	- 5	- 2
Share in results of associated companies	0	0	0	0	0	0	0	0
Profit before tax	222	34	112	73	173	133	256	306
Income tax expense	- 53	- 8	- 27	- 7	- 41	- 28	- 62	- 69
Profit after tax	169	25	85	66	132	105	194	237
Minority interests	0	- 1	- 1	- 4	- 1	0	- 1	- 1
Net profit, group share	**168**	**25**	**85**	**62**	**131**	**105**	**193**	**236**
Banking activities	173	53	72	48	127	86	226	214
Insurance activities	- 4	- 29	13	13	4	18	- 33	22
of which : Underlying net profit	85	20	87	66	111	105	105	217
Risk-weighted assets (end of period)	*8 485*	*8 621*	*9 552*	*10 139*	*11 079*	*11 613*	*8 621*	*11 613*
Allocated equity (end of period)	*670*	*683*	*749*	*792*	*860*	*896*	*683*	*896*
Return on allocated capital (ROAC)	*97%*	*8%*	*39%*	*27%*	*55%*	*41%*	*52%*	*49%*
Cost/income ratio (banking activities)	*36%*	*69%*	*49%*	*67%*	*43%*	*51%*	*48%*	*47%*
Combined ratio (non-life insurance activities)	*98%*	*99%*	*98%*	*117%*	*111%*	*87%*	*98%*	*99%*

For a definition of ratios, see 'annex 3'.

Income statement, Hungary (in millions of EUR)	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	cumul. 1H 2005	cumul. 1H 2006
Net interest income	56	56	64	60	56	53	112	109
Gross earned premiums, insurance	19	22	21	19	18	20	42	38
Dividend income	0	0	0	0	0	1	0	1
Net gains from financial instruments at fair value	25	25	23	24	25	16	50	41
Net realised gains from available-for-sale assets	0	0	0	0	0	0	0	0
Net fee and commission income	23	17	21	27	24	25	40	49
Other income	2	4	3	5	4	9	6	13
Gross income	125	125	130	135	127	123	250	251
Operating expenses	- 72	- 78	- 88	- 78	- 77	- 68	- 149	- 145
Impairment	- 10	- 16	- 5	- 7	- 14	- 20	- 25	- 35
Gross technical charges, insurance	- 12	- 15	- 17	- 14	- 10	- 15	- 27	- 25
Ceded reinsurance result	- 1	- 1	0	- 1	0	0	- 1	1
Share in results of associated companies	1	1	1	0	1	0	1	1
Profit before tax	32	16	21	35	28	20	48	47
Income tax expense	- 8	- 4	- 5	- 8	- 8	- 6	- 12	- 14
Profit after tax	24	12	16	27	19	14	36	33
Minority interests	0	0	0	0	0	0	0	0
Net profit, group share	**24**	**12**	**16**	**27**	**19**	**14**	**36**	**33**
Banking activities	21	10	16	26	16	12	30	27
Insurance activities	3	3	0	1	4	2	6	6
of which: Underlying net profit	24	12	16	27	19	19	36	38
Risk-weighted assets (end of period)	*4 207*	*4 425*	*4 641*	*4 803*	*4 745*	*4 971*	*4 425*	*4 971*
Allocated equity (end of period)	*311*	*328*	*343*	*354*	*351*	*366*	*328*	*366*
Return on allocated capital (ROAC)	*21%*	*7%*	*12%*	*24%*	*16%*	*7%*	*14%*	*11%*
Cost/income ratio (banking activities)	*65%*	*73%*	*77%*	*64%*	*67%*	*63%*	*69%*	*65%*
Combined ratio (non-life insurance activities)	*83%*	*88%*	*113%*	*102%*	*73%*	*98%*	*86%*	*86%*

For a definition of ratios, see 'annex 3'.

Income statement, Poland (in millions of EUR)	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	cumul. 1H 2005	cumul. 1H 2006
Net interest income	52	69	44	60	61	48	121	109
Gross earned premiums, insurance	119	142	124	147	150	128	261	278
Dividend income	0	0	1	0	0	1	0	1
Net gains from financial instruments at fair value	16	12	11	11	8	7	28	14
Net realised gains from available-for-sale assets	16	1	4	- 5	2	3	16	6
Net fee and commission income	- 5	- 2	- 14	- 3	- 6	- 4	- 7	- 10
Other income	2	6	6	- 3	5	43	8	47
Gross income	200	228	174	206	219	226	428	445
Operating expenses	- 83	- 99	- 66	- 96	- 83	- 88	- 181	- 171
Impairment	- 2	9	0	2	- 2	- 1	8	- 3
Gross technical charges, insurance	- 76	- 82	- 78	- 86	- 103	- 63	- 158	- 166
Ceded reinsurance result	- 6	- 15	- 3	- 6	- 6	- 9	- 21	- 15
Share in results of associated companies	1	- 1	0	0	0	0	0	0
Profit before tax	34	42	28	20	25	66	75	91
Income tax expense	- 4	- 2	17	4	1	- 3	- 6	- 2
Profit after tax	30	40	45	24	26	62	70	88
Minority interests	0	0	0	0	0	0	0	0
Net profit, group share	**30**	**40**	**45**	**24**	**26**	**62**	**70**	**88**
Banking activities	22	24	37	19	23	53	45	76
Insurance activities	8	16	8	4	3	9	24	12
of which: Underlying net profit	30	40	45	24	26	62	70	88
Risk-weighted assets (end of period)	*3 763*	*3 407*	*3 354*	*3 257*	*3 230*	*3 270*	*3 407*	*3 270*
Allocated equity (end of period)	*383*	*368*	*363*	*361*	*364*	*362*	*368*	*362*
Return on allocated capital (ROAC)	*25%*	*35%*	*40%*	*18%*	*18%*	*20%*	*31%*	*38%*
Cost/income ratio (banking activities)	*72%*	*82%*	*72%*	*83%*	*72%*	*53%*	*77%*	*61%*
Combined ratio (non-life insurance activities)	*101%*	*93%*	*104%*	*95%*	*99%*	*94%*	*97%*	*96%*

For a definition of ratios, see 'annex 3'.

Income statement, Central Eastern Europe - other (in millions of EUR)	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	cumul. 1H 2005	cumul. 1H 2006
Net interest income	- 18	- 28	- 11	- 23	- 22	- 27	- 46	- 50
Gross earned premiums, insurance	0	7	1	5	6	4	7	9
Dividend income	0	0	- 1	0	0	0	0	0
Net gains from financial instruments at fair value	- 3	31	- 6	- 6	- 3	0	28	- 3
Net realised gains from available-for-sale assets	0	- 1	0	0	0	0	- 1	0
Net fee and commission income	- 4	- 4	10	- 2	0	0	- 9	0
Other income	2	0	14	- 9	3	- 3	2	1
Gross income	- 24	5	8	- 35	- 16	- 27	- 19	- 43
Operating expenses	- 8	14	- 48	- 4	- 4	- 7	6	- 11
Impairment	7	- 4	- 6	- 13	0	- 4	4	- 5
Gross technical charges, insurance	9	30	- 11	- 40	- 15	- 11	39	- 26
Ceded reinsurance result	0	0	0	0	0	0	0	0
Share in results of associated companies	8	3	5	3	8	8	11	16
Profit before tax	- 8	49	- 51	- 89	- 28	- 41	41	- 69
Income tax expense	6	9	4	17	13	7	15	20
Profit after tax	- 1	58	- 47	- 72	- 15	- 34	57	- 50
Minority interests	- 30	- 21	- 23	- 11	- 17	- 17	- 51	- 34
Net profit, group share	**- 31**	**36**	**- 70**	**- 83**	**- 32**	**- 51**	**5**	**- 83**
Banking activities	- 32	10	- 52	- 41	- 19	- 40	- 23	- 59
Insurance activities	1	27	- 17	- 43	- 13	- 11	28	- 24
of which: Underlying net profit	- 31	36	- 70	- 83	- 32	- 51	5	- 83

The ‘Central Eastern Europe’ business unit is divided up into the various Central Eastern European countries. Above, separate income statements for the Czech & Slovak Republics, Hungary and Poland are provided. These include the company figures of the above-mentioned companies, on a 100%-ownership basis. Allocated funding costs on goodwill, allocated head office expenses, consolidation adjustments, minority interests at the level of KBC and the results for Slovenia are summarised in a single table (‘Central Eastern Europe - other’).

Annex 3: Glossary of ratios used

CAD ratio (banking)	[consolidated regulatory capital of KBC Bank and KBL EPB] / [total risk-weighted volume of KBC Bank and KBL EPB]. Detailed calculations in the 'Consolidated financial statements' section, note 43. This information is also available for KBC Bank and KBL EPB separately.
Combined ratio (non-life insurance)	[net claims incurred / net earned premiums] + [net expenses / net written premiums].
Cost/income ratio (banking)	[operating expenses of the banking businesses of the group (i.e. KBC Bank and KBL EPB)] / [gross income of the banking businesses of the group].
Cover ratio	[individual impairment on non-performing loans] / [outstanding non-performing loans]. For a definition of 'non-performing', see 'Non-performing ratio'.
Earnings per share, basic	[net profit, group share)] / [average number of ordinary shares, plus mandatorily convertible bonds, less treasury shares].
Earnings per share, diluted	[net profit, group share, adjusted for interest expense (after tax) for non-mandatorily convertible bonds] / [average number of ordinary shares, plus mandatorily convertible bonds, less treasury shares, plus the potentially dilutive effect of share options and ordinary convertible bonds].
Equity market capitalisation	[closing price of KBC share] x [number of ordinary shares].
Gearing ratio	[sum of the consolidated equity of KBC Bank, KBC Insurance, KBL EPB, KBC Exploitatie and the participations of the former Gevaert group] / [consolidated equity of KBC group]
Loan loss ratio	[net changes in individual and portfolio-based impairment for credit risks]/ [average outstanding loan portfolio].
Non-performing ratio	[amount outstanding of non-performing loans (loans for which principal repayments or interest payments are more than ninety days in arrears)] / [total outstanding loan portfolio].
Parent shareholders' equity per share	[parent shareholders' equity] / [number of ordinary shares and mandatorily convertible bonds, less treasury shares (at period-end)].

Return on allocated capital (ROAC - for a particular business unit)

[net profit, including minority interests, of a business unit, corrected for income on allocated instead of real equity] / [average allocated equity to business unit]

- net profit of a business unit is the sum of the profit of the companies belonging to the business unit, corrected for the funding cost of goodwill (related to the companies in the business unit) and allocated central governance expenses.
- The allocated equity to a business unit is based on a tier-1 ratio of 8% of risk-weighted assets for banking activities and a solvency ratio of 200% for the insurance activities. In the banking business, allocated tier-1 capital consists of core equity (85%) and preference shares (15%), while in the insurance business, allocated capital consists purely of core equity. To calculate ROAC, only core equity is taken into account in the denominator.

Return on equity	[net profit, group share] / [average parent shareholders' equity, excluding the revaluation reserve for available-for-sale investments].
Solvency ratio (insurance)	[consolidated solvency capital available to KBC Insurance] / [minimum required solvency margin]. Detailed calculations in the 'Consolidated financial statements' section, note 44.
Tier-1 ratio (banking)	[consolidated tier-1 capital of KBC Bank and KBL EPB] / [total risk-weighted volume of KBC Bank and KBL EPB]. Detailed calculations in the 'Consolidated financial statements' section, note 43. This information is also available for KBC Bank and KBL EPB separately.