QUARTERLY REPORT KBC GROUP 4Q 2006

KBC

KBC Group 4Q 2006 Report

Snapshot overview 4Q 2006 and FY 2006[1]

Profitability (in millions of EUR)	4Q 2005	3Q 2006	4Q 2006	FY 2005	FY 2006
Net profit, group share	486	1 081	634	2 249	3 430
Breakdown of net profit by business unit					
Belgium	276	228	298	1 003	1 202
Central Eastern Europe	29	110	80	409	464
Merchant Banking	223	168	217	789	872
European Private Banking	52	540	34	192	678
Group centre	-93	35	3	-144	214
Total	486	1 081	634	2 249	3 430
Earnings per share, basic (in EUR)	1.35	3.06	1.82	6.26	9.68
Earnings per share, diluted (in EUR)	1.34	3.03	1.80	6.15	9.59
Underlying net profit	575	574	564	2 306	2 548

Balance sheet , solvency, AUM (in billions of EUR)	31-12-2005	31-12-2006
Total assets	325.8	325.4
Loans and advances to customers	119.5	132.4
Deposits from customers and debt securities	171.6	180.0
Life insurance reserves	18.7	21.2
Parent shareholders' equity	15.8	17.2
Assets under management (AUM)	196.4	208.6
Equity market capitalisation	28.8	33.7

Ratios	31-12-2005	31-12-2006
Return on equity, group	18%	24%
Return on equity, group (based on underlying result)	18%	18%
Cost/income ratio, banking activities	60%	53%
Cost/income ratio, banking activities (based on underlying result)	58%	58%
Combined ratio (non-life insurance activities)	96%	96%
Parent shareholders' equity per share (in EUR)	43.8	49.2
Tier-1 ratio (KBC Bank and KBL EPB)	9.4%	8.7%
Solvency ratio (KBC Insurance)	385%	374%

Credit portfolio, banking (in billions of EUR or %)	31-12-2005	31-12-2006
Total loan portfolio (granted amount)	174.8	185.7
Breakdown of total loan portfolio by business unit		
Belgium	28.6%	29.0%
Central Eastern Europe	15.8%	18.4%
Merchant Banking	51.8%	50.6%
European Private Banking	3.9%	2.0%
Loan loss ratio, annualised (pos. figures-> neg. impact on result)	0.01%	0.13%
Non-performing ratio	2.2%	1.6%

Other information	
Long-term rating KBC Bank (Fitch / Moody's / S&P's)	AA- / Aa3 / AA-
Claims-paying ability rating KBC Insurance (Fitch / S&P's)	AA / AA-
Bank branches, Belgium (KBC Bank, CBC Banque)	927
Bank branches, CEE (CSOB, K&H Bank, Kredyt Bank)	874
Clients	11 million
Staff (FTE)	51 thousand

1 For a definition of the ratios, see 'Annex 3'. Some figures for 2005 were restated: an overview and explanation follows in 'Annex 1'.

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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 in the first quarter of 2006 decided to retroactively adapt its 2005 figures. An explanation and overview of the restatements is provided in Annex 1.

Shareholder information

Financial targets

On 7 December 2006, the group announced its new financial targets for the period up to and including 2009 (see table). On the same occasion, an updated capital planning, including a new share buyback programme, was announced (see further).

Group financial targets	Target level	Change	to be achieved
Return on equity (ROE), group	18.5%	(formerly 16%)	on average in 2007-2009
Earnings per share (EPS) growth, group	12%	(formerly 10%)	as CAGR in 2007-2009
Cost/income ratio (CI), banking activities	55%	(formerly 58%)	by 2009
Combined ratio, non-life insurance activities	95%	(unchanged)	by 2009
Tier-1 ratio, banking activities	8%	(unchanged)	in 2007-2009
Solvency ratio, insurance activities	200%	(unchanged)	in 2007-2009

Profitability and cost targets are based on the underlying results. Definition of ratios: see 'Annex 3'.

Shareholders

Shareholders, 31-12-2006[1]	number	in %
Ordinary shares		*
Almancora	75 980 000	20.9%
CERA	23 345 499	6.4%
MRBB	42 562 675	11.7%
Other core shareholders	42 715 837	11.8%
Subtotal	184 604 011	50.8%
KBC Group companies	15 680 600	4.3%
Related to the 1 billion share buy-back programme	*8 229 723*	*2.3%*
Other [2]	*7 450 877*	*2.1%*
Free float	162 932 457	44.9%
Total	363 217 068	100.0%
Of which entitled to dividend in 2007 [3]	*352 870 300*	
Mandatorily convertible bonds (MCBs)[4]	2 606 452	

1 Data based on value date. For non-KBC shareholders: based on latest publicly know information.
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 Calculation of the number of shares entitled to dividend: chapter 'Consolidated financial statements', note 38.
4 Number of shares on conversion.

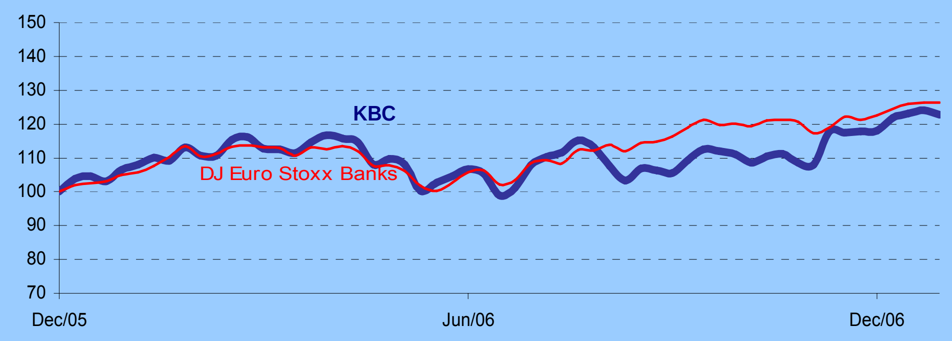
* The percentages are based on the numbers before cancellation (in 2007) of the remaining treasury shares relating to the 2006 share buyback programme.

At the end of 2005, KBC announced a share buyback programme for 2006. Under this programme, KBC intended to buy back 1 billion euros' worth of own shares in 2006 and cancel them. This programme was finished in the course of November 2006: in total 11.7 million shares were bought, at an average price of 85.08 euros per share. Of this total, already 3.5 million shares were cancelled at the Extraordinary General Meeting of 27 April 2006. The remaining treasury shares will in principle be cancelled at the Annual General Meeting of Shareholders of 26 April 2007.

End 2006, KBC announced a new share buyback programme for the next three years. The total amount of this programme is roughly 3 billion euros. The purchases will be effected on the open market. No dividend will be paid on these shares. Only when the total number of treasury shares at KBC Group exceeds 10% of the total number of shares, the (number in excess of this 10% of) shares will be cancelled. The size or maturity of the new programme may be adjusted in the case of significant changes in market conditions or following new important acquisition opportunities.

KBC share performance

Relative performance of the KBC share (31-12-2005 = 100)[1]



Ticker codes:	Bloomberg:	KBC BB	Datastream:	B:KB		Reuters:	KBKBt.BR
Share price from 31-12-2005 to 31-12-2006 (EUR)							
Highest price:	93.3	Lowest price: 76.2	Average price:	85.9	Closing price 31-12-2006:		92.9

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 were two changes in these ratings:

- on 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.
- on 18 December 2006, S&P's upgraded the ratings of KBC Bank from A+ to AA- (long term) and from A1 to A1+ (short term), of KBC Insurance from A+ to AA- (long term) and of KBC Group NV from A to A+ (long term).

Ratings, 31-12-2006	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)	P1
KBC Group NV	A1 (stable)	P1
Standard and Poor's		
KBC Bank	AA- (stable)	A1+
KBC Insurance (claims-paying ability)	AA- (stable)	-
KBC Group NV	A+ (stable)	A1

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).
Note that, compared to what was mentioned in earlier reports, the publication date for the 2Q 2007 and 3Q 2007 earnings releases were changed.

Financial calendar	
Publication of FY 2006 results	22 February 2007
Publication of annual report 2006	11 April 2007
Annual General Meeting	26 April 2007
Dividend payment	30 April 2007
Publication of 1Q 2007 results	16 May 2007
Publication of 2 Q 2007 results	10 August 2007
Publication of 3Q 2007 results	9 November 2007
Publication of FY 2007 results	14 February 2008

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Group results

Overview, IFRS-figures

The consolidated income statement and balance sheet, a condensed consolidated statement of changes in equity 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) IFRS-FIGURES	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	4Q 2006	cumul. FY 2005	cumul. FY 2006
Net interest income	1 019	1 043	1 096	1 061	1 047	1 039	1 025	1 047	4 219	4 158
Gross earned premiums, insurance	729	978	810	1 034	768	754	852	946	3 550	3 321
Dividend income	34	135	25	41	27	104	34	45	235	211
Net gains from financial instruments at fair value	163	63	166	251	519	328	153	370	642	1 370
Net realised gains from available-for-sale assets	168	97	49	144	242	116	86	69	458	513
Net fee and commission income	429	410	452	528	488	479	390	508	1 819	1 865
Other income	215	118	112	130	132	138	631	218	574	1 119
Gross income	2 757	2 843	2 709	3 189	3 223	2 958	3 171	3 204	11 498	12 556
Operating expenses	- 1 104	- 1 209	- 1 177	- 1 424	- 1 238	- 1 167	- 1 126	- 1 392	- 4 914	- 4 925
Impairment	- 15	- 42	3	- 49	3	- 67	- 19	- 92	- 103	- 175
Gross technical charges, insurance	- 612	- 852	- 696	- 899	- 631	- 620	- 754	- 838	- 3 059	- 2 843
Ceded reinsurance result	- 17	- 17	- 10	- 26	- 18	- 6	- 18	- 21	- 69	- 63
Share in results of associated companies	21	13	- 19	2	11	12	15	7	16	45
Profit before tax	1 030	735	810	793	1 349	1 110	1 269	867	3 369	4 595
Income tax expense	- 257	- 192	- 211	- 266	- 325	- 333	- 148	- 196	- 925	- 1 002
Profit after tax	774	544	598	528	1 024	777	1 121	671	2 443	3 593
Minority interests	- 57	- 48	- 48	- 41	- 44	- 41	- 40	- 37	- 194	- 163
Net profit, group share	**717**	**496**	**550**	**486**	**980**	**736**	**1 081**	**634**	**2 249**	**3 430**
Belgium	282	173	272	276	373	304	228	298	1 003	1 202
Central Eastern Europe	191	113	76	29	144	129	110	80	409	464
Merchant Banking	179	171	216	223	281	205	168	217	789	872
European Private Banking	54	42	43	52	59	45	540	34	192	678
Group centre	11	- 3	- 58	- 93	123	52	35	3	- 144	214

Overview, underlying figures

In order to provide more insight in the results, we provide, in this chapter, a number of 'underlying figures' (non-IFRS). The adjustments are related to the treatment of recognition of certain income components related to capital market activities, the treatment of certain ALM hedging derivatives and the exclusion of non-recurring items.

- In the IFRS P/L, the income related to trading activities is split over different components: while realized and unrealized capital gains are recognized under 'net gains from financial instruments at fair value', the funding costs and commissions paid in order to realize this trading income, are recognized under 'net interest income' and 'net fee and commission income' respectively. Moreover, part of the amounts mentioned under 'dividend income', 'net realized gains on available-for-sale assets' and 'other income' is also trading-related. In the 'underlying figures', all trading components (realized and unrealized gains, funding costs and related commissions paid, as well as the trading-related dividends, net realized gains on available-for-sale assets and other income) were shifted to 'net gains from financial instruments at fair value'.
- In the IFRS P/L, a large part of KBC's ALM-derivatives (those not falling under 'fair value hedge accounting for a portfolio hedge of interest rate risk') are treated as 'trading instruments' and hence interest on such derivatives is recognized under 'net gains from financial instruments at fair value', while interest on the underlying assets is recognized under 'net interest income'. In the 'underlying figures', the interest on these derivates is shifted to 'net interest income' too (where interest on the underlying assets is already presented).
  Moreover, fair value changes (i.e. due to marking-to-market) of these ALM-derivatives are recognized under 'net gains from financial instruments at fair value', while not all underlying assets are fair valued (i.e. are on a non marked-to-market basis). The underlying figures hence exclude the fair value changes of these ALM-derivatives.
- Last but not least, in order to arrive at the figure for underlying group profit, factors that do not regularly occur during the normal course of business 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.

The adjusted P/L is provided below. A table reconciling 'net profit according to IFRS' and the 'underlying net profit' figures is added.

Underlying profit analysis, KBC Group (in millions of EUR)	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	4Q 2006*	cumul. FY 2005	cumul. FY 2006
Net profit, group share	717	496	550	486	980	736	1 081	634	2 249	3 430
Non-recurring items (to be substracted):										
- Amounts before taxes and minority items										
MTM of derivatives for hedging purposes	-14	-159	-25	29	78	47	-37	-7	-168	81
Sale of shares in FBD Holdings	68	0	0	0	0	0	0	0	68	0
Sale of assets by Gevaert	4	34	0	3	56	0	10	6	40	71
Sale of shares in Dictaphone	0	0	0	0	66	0	0	0	0	66
Impaiment on Agfa-Gevaert shares	0	0	0	-49	0	0	0	0	-49	0
Sale of 5.5% in Kredyt Bank	0	0	0	0	0	35	0	0	0	35
Settlement re. unpaid credit to the Slovak government	101	0	0	0	0	0	0	0	101	0
Pension and disablement benefits	0	0	0	-100	0	0	0	0	-100	0
Sale of buildings of CSOB (Czech republic)	0	0	0	0	29	0	0	0	0	29
Merger Gevaert - KBC Group: overfunding pension fund	0	0	0	0	0	56	0	0	0	56
Sale of Banco Urquijo	0	0	0	0	0	0	501	0	0	501
Sale of participation in BCC/Banksys	0	0	0	0	0	0	0	60	0	60
Sale of building of Warta (Poland)	0	0	0	0	0	0	0	23	0	23
Other	0	-18	0	4	11	15	28	-6	-14	47
- Taxes and minority interests related to non-recurring items										
Income taxes and minority interests on the items above	-28	61	9	24	-36	-36	6	-6	66	-71
Merger Gevaert - KBC Group: taxes on reserves	0	0	0	0	0	-16	0	0	0	-16
Underlying net profit, group share	586	578	566	575	776	634	574	564	2 306	2 548

* 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', various business units
Sale of BCC/Banksys:	in 'Other income', Belgium business unit
Sale of building of Warta:	in 'Other income', Central Eastern Europe business unit

Consolidated income statement, KBC Group (in millions of EUR) UNDERLYING FIGURES (NON-IFRS)	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	4Q 2006	cumul. FY 2005	cumul. FY 2006
Net interest income	954	952	969	986	979	1 020	1 034	1 039	3 861	4 072
Gross earned premiums, insurance	729	978	810	1 034	768	754	852	946	3 550	3 321
Dividend income	19	107	5	24	12	71	15	18	155	115
Net gains from financial instruments at fair value	221	306	336	287	482	284	201	384	1 150	1 350
Net realised gains from available-for-sale assets	82	71	49	135	108	62	86	70	338	326
Net fee and commission income	479	438	460	564	531	529	398	550	1 941	2 008
Other income	114	115	106	123	103	142	84	123	457	452
Gross income	2 598	2 966	2 734	3 153	2 984	2 861	2 670	3 129	11 451	11 644
Operating expenses	- 1 104	- 1 189	- 1 177	- 1 324	- 1 238	- 1 223	- 1 126	- 1 388	- 4 794	- 4 976
Impairment	- 15	- 42	3	0	3	- 67	- 19	- 92	- 54	- 175
Gross technical charges, insurance	- 612	- 852	- 696	- 899	- 631	- 620	- 754	- 838	- 3 059	- 2 843
Ceded reinsurance result	- 17	- 17	- 10	- 26	- 18	- 6	- 18	- 21	- 69	- 63
Share in results of associated companies	21	13	- 19	2	11	12	15	7	16	45
Profit before tax	872	878	834	906	1 110	957	767	797	3 490	3 632
Income tax expense	- 237	- 252	- 220	- 290	- 292	- 281	- 160	- 197	- 999	- 931
Profit after tax	635	626	614	616	818	676	607	600	2 491	2 701
Minority interests	- 48	- 48	- 48	- 41	- 42	- 41	- 33	- 36	- 185	- 153
Net profit, group share	586	578	566	575	776	634	574	564	2 306	2 548
Belgium	229	270	279	318	323	275	266	241	1 096	1 104
Central Eastern Europe	108	108	79	33	124	135	110	56	327	426
Merchant Banking	188	181	226	226	282	200	162	227	821	871
European Private Banking	54	46	41	49	55	44	44	38	190	181
Group centre	8	- 26	- 58	- 51	- 9	- 19	- 8	3	- 127	- 33

Financial highlights

4Q 2006

During the final quarter of 2006, customer loan growth accelerated, especially in Central Eastern Europe. The customer loan book expanded by 4% (+9% in Central Eastern Europe), bringing the year-to-date increase to 14% (26% in Central Eastern Europe). The outstanding volume of mortgages grew during the quarter by 4% (3% in Belgium and 11% in Central Eastern Europe).

After a traditionally weak third quarter, fee and commission income recovered strongly, driven by robust sales of retail mutual funds, and almost reached the exceptionally high level achieved in the last quarter of 2005, which had been underpinned by strong tax-driven sales in Belgium.

Capital market revenues were buoyant. On an underlying basis, net gains from financial instruments at fair value (mostly institutional trading profit) were 91% higher compared with the previous quarter.

The quarter also benefited from the divestment gain of 60 million euros from the sale - in Belgium - of the stake in Banksys/Bank Card Company.

As expected, and in line with the usual seasonal cost pattern, operating expenses were up significantly compared with the previous quarter. Among other factors, the stronger results from the capital market activities were a major driver behind the 5% underlying cost increase on the last quarter of 2005.

Impairment on loans (102 million euros) was higher than in previous quarters, chiefly in Hungary where loan provisioning was tightened given the more difficult local economic environment. Overall loan quality nevertheless remained sound (the non-performing-loan ratio for the group decreased to 1.6% from 1.8% at the beginning of the quarter).

FY 2006

2006 was another period marked by solid organic business growth. On a normalised basis, the customer loan portfolio grew by 14% (residential mortgages in this portfolio were up 18%), while assets under management and life reserves grew by 14% and 13%, respectively. Volume growth was buoyant in all geographical areas and in both the consumer and commercial segments. Activity on the capital markets also picked up considerably.

IFRS-reported gross income came to 12.6 billion euros. Adjusted for non-recurring income items (in various results headings) and net of technical charges (insurance), gross income increased by 415 million euros (5%). Net interest income (+5%), gains from financial instruments at fair value (+17%, mostly institutional trading profit), and fee and commission income (+3%) were the main contributors to this increase.

Costs remained well under control. At 4.9 billion euros, operating expenses were on a par with the year-earlier figure. Adjusted for extraordinary items, an increase of 182 million euros (4%) was recorded. Aside from normal cost inflation, factors boosting the cost level included higher variable expenses for the stronger capital market activities. The underlying cost/income ratio for the banking activities came to 58%.

Impairment recorded on assets amounted to 175 million euros compared with 103 million euros for 2005. Loan-loss charges increased, especially in Central Eastern Europe (Hungary), but remained at low levels. The corresponding loan-loss ratio stood at 0.13%.

For non-life insurance, another solid technical result was recorded. The net combined ratio came in at 96%.

Income tax expense increased 8% to 1.0 billion euros.

The share of third parties in the group result decreased following various minority buy-outs.

Group net profit for 2006 came to 3.4 billion euros, while underlying net profit amounted to 2.6 billion euros. This implies underlying profit growth of 11%. Underlying profit growth in Central Eastern Europe came to 30%, testifying to the region’s role as a strong growth driver for the group.

On an underlying basis, a return on equity of 18% was achieved. The underlying return of the capital allocated to the Belgium Business Unit came in at 29% (roughly on a par with 2005), proving that the franchise provides a strong platform for generating earnings that can be invested in future expansion. The corresponding return on equity in other areas (net of all funding costs) stood at 25% for Central Eastern Europe, 21% for Merchant Banking and 29% for European private banking.

Overview of ratios

Ratios[1]	31-12-2005	31-12-2006
Return on equity	18%	24%
Return on equity , based on underlying results	18%	18%
Cost/income ratio	60%	53%
Cost/income ratio, based on underlying results	58%	58%
Combined ratio	96%	96%
Parent shareholders' equity per share (in EUR)	43.8	49.2
Tier-1 ratio (KBC Bank and KBL EPB)	9.4%	8.7%
Solvency ratio (KBC Insurance)	385%	374%
Loan loss ratio (neg. figure-> pos. impact on results)	0.01%	0.13%
Non-performing ratio	2.2%	1.6%

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

Operating highlights

Non-core shareholdings, such as in the Belgian industrial concern Agfa-Gevaert and the Spanish Banco Urquijo, were sold off. On the other hand, most minority interests in Central Eastern European subsidiaries were bought out (total consideration: 0.7 billion euros). KBC also acquired virtually all remaining minority interests in its private banking subsidiary, Kredietbank SA Luxembourgeoise.

Moreover, in line with group strategy, new opportunities for geographical expansion in Central Eastern Europe were explored, resulting in new investments being announced in Bulgaria, Romania and Serbia for an amount of some 0.4 billion euros.

In 2006, a 1-billion-euro share-buyback programme was completed, with 11.7 million shares being repurchased at an average price of 85.08 euros per share. A new share buyback programme for 3 billion euros was announced for the 2007-2009 period.

In 2006, a new organisational structure was introduced to enhance group steering capabilities and performance.

The mid-term financial targets were upgraded, the ambition being to boost recurring earnings per share by an average 12% a year and to deliver a return on equity of 18.5%, on average, in the 2007-2009 period.

Information on the financial statements

In 2006, the average value of the Czech koruna relative to the euro increased by 5% compared with the average for 2005. Since non-euro profits are hedged against changes in the exchange rate, the net impact on earnings was negligible. Other currency value changes were less relevant.

The funding cost of the 2006 share buyback programme had a negative net earnings impact of about 12 million euros.

During 2006, a number of changes were made to the scope of consolidation. These related mainly to the buyout of minority interests in subsidiaries, as well as to the divestment from non-core assets. The combined earnings accretion of these transactions – apart from the amount of one-off divestment gains – came to around 50 million euros (recurring).

Earnings per share and the net asset value per share as at 31 December 2006 were calculated on the basis of 354.3 (period average) and 350.0 (at the end of the period) million shares, respectively. For this purpose, the number of mandatorily convertible bonds was added to the number of ordinary shares, while the number of treasury shares held was deducted. On the other hand, diluted earnings per share were calculated on the basis of 357.5 million shares (period average). Here, the number of outstanding share options was included.

Balance sheet and parent shareholders' equity

Highlights, consolidated balance sheet (in millions of EUR)	31-12-2005	31-12-2006
Total assets	325 801	325 400
Loans and advances to customers	119 475	132 400
Securities	125 810	121 414
Deposits from customers and debt securities	171 572	180 031
Gross technical provisions, insurance	14 779	15 965
Liabilities under investment contracts, insurance	7 615	9 156
Parent shareholders' equity	15 751	17 219

On 31 December, parent shareholders' equity came to 17.2 billion euros (2.0 billion euros of which related to unrealised gains on the available-for-sale investment portfolio, mainly on shares). This represents an increase of 1.5 billion euros compared with the start of the year. The increase was due mainly to net profit accumulated in the course of the year, net, however, of dividends paid and treasury shares repurchased, which are deducted from shareholders' equity.

Gross income

Gross income (in millions of EUR) IFRS-FIGURES	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	4Q 2006	cumul. FY 2005	cumul. FY 2006
Net interest income	1 019	1 043	1 096	1 061	1 047	1 039	1 025	1 047	4 219	4 158
Gross earned premiums, insurance	729	978	810	1 034	768	754	852	946	3 550	3 321
Non-Life	*415*	*400*	*417*	*418*	*441*	*425*	*441*	*441*	*1 650*	*1 748*
Life	*314*	*578*	*393*	*616*	*327*	*330*	*410*	*505*	*1 901*	*1 572*
Note: unit-linked	*464*	*648*	*954*	*2 487*	*963*	*971*	*369*	*347*	*4 552*	*2 651*
Net fee and commission income	429	410	452	528	488	479	390	508	1 819	1 865
Net gains from financial instruments at fair value	163	63	166	251	519	328	153	370	642	1 370
Net realised gains from available-for-sale assets	168	97	49	144	242	116	86	69	458	513
Dividend income	34	135	25	41	27	104	34	45	235	211
Other income	215	118	112	130	132	138	631	218	574	1 119
Gross income	2 757	2 843	2 709	3 189	3 223	2 958	3 171	3 204	11 498	12 556
Belgium	1 220	1 327	1 298	1 627	1 373	1 345	1 247	1 515	5 472	5 480
Central Eastern Europe	705	632	618	635	686	646	675	740	2 590	2 746
Merchant Banking	570	597	602	716	787	676	534	761	2 485	2 758
European Private Banking	238	247	196	204	238	226	691	176	885	1 331
Group Centre	24	40	-5	7	140	64	25	12	66	241

In order to provide more insight in the results, we provide, in the table below, a number of (non-IFRS) 'underlying figures'. An explanation of the difference between the IFRS-figures and the underlying figures is provided elsewhere in this chapter.

Gross income (in millions of EUR) UNDERLYING FIGURES (NON-IFRS)	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	4Q 2006	cumul. FY 2005	cumul. FY 2006
Net interest income	954	952	969	986	979	1 020	1 034	1 039	3 861	4 072
Gross earned premiums, insurance	729	978	810	1 034	768	754	852	946	3 550	3 321
Non-Life	*415*	*400*	*417*	*418*	*441*	*425*	*441*	*441*	*1 650*	*1 748*
Life	*314*	*578*	*393*	*616*	*327*	*330*	*410*	*505*	*1 901*	*1 572*
Net fee and commission income	479	438	460	564	531	529	398	550	1 941	2 008
Net gains from financial instruments at fair value	221	306	336	287	482	284	201	384	1 150	1 350
Net realised gains from available-for-sale assets	82	71	49	135	108	62	86	70	338	326
Dividend income	19	107	5	24	12	71	15	18	155	115
Other income	114	115	106	123	103	142	84	123	457	452
Gross income	2 598	2 966	2 734	3 153	2 984	2 861	2 670	3 129	11 451	11 644
Belgium	1 175	1 473	1 309	1 602	1 297	1 301	1 305	1 458	5 558	5 361
Central Eastern Europe	582	624	622	641	657	654	674	711	2 468	2 696
Merchant Banking	583	612	617	710	789	668	522	773	2 522	2 752
European Private Banking	238	253	192	199	233	224	190	174	882	821
Group Centre	20	4	-5	1	8	14	-22	13	20	13

4Q 2006

IFRS-based gross income for the last quarter of 2006 came to 3 204 million and was marked by accelerating loan growth, robust sales of mutual funds and buoyant capital market revenues.

The customer loan book expanded during the quarter by 4% (+9% in Central Eastern Europe (abbreviated to CEE below)), bringing the year-to-date increase to 14%. Mortgages were up 4% q/q; 3% in Belgium and 11% in CEE, bringing the year-to-date increase to 12% and 39%, respectively.

The underlying net interest margin for the banking activities remained stable during the quarter at 1.45%, 3 bps lower than for 4Q 2005. Underlying net interest income improved slightly q/q and was 5% higher y/y.

After a traditionally weak summer, net fee income recovered strongly (up 38% q/q on an underlying basis), thanks chiefly to the sale of mutual funds, and almost reached the exceptionally high level of 4Q 2005, which had been underpinned by strong sales in Belgium in anticipation of the introduction of a new investment tax.

Net gains from financial instruments at fair value (mostly institutional trading profit) were up on an underlying basis by 91% q/q and 34% y/y.

The quarter was also impacted by non-recurring income items (+82 million) and negative fair value changes on non-qualifying ALM hedges (-7 million). The main non-recurring factors were the divestment gains from the sale of a minority stake in Banksys/Bank Card company (Belgium) and the sale of office buildings (Poland), which amounted to 60 million and 23 million, respectively (in the ‘Other income’ heading).

FY 2006

IFRS-reported net interest income (4 158 million) was 1% lower than for 2005, due to the higher interest charges incurred to finance the increased activity on the capital markets, which generated high trading revenues. On an underlying basis (i.e. disregarding interest income from trading activities and also adjusting for interest charges paid on ALM hedging instruments), net interest income went up by 5%. The increase came to 8% in Belgium and 7% in CEE. The (underlying) net interest margin for the banking activities for 2006 edged down 3 bps to 1.43%.

Premium income in the non-life insurance business came to 1 748 million, up 6% y/y. The increase came to 6% for both Belgium and CEE.

Reported premium income in life insurance (1 572 million) does not include certain forms of life products in compliance with IFRS, such as most unit-linked products. Otherwise, total sales of life insurance came to 4.1 billion, 64% of which was accounted for by unit-linked products. The sales volume was lower than for 2005, when it had been boosted by customers’ anticipation of the introduction of a premium tax in Belgium. In 2006, the outstanding life reserves grew by another 13% compared with the end of 2005 (+11% in Belgium, +35% in CEE and +43% in the European Private Banking Business Unit).

Net fair value gains (1 370 million) were up markedly on the 2005 financial year, due chiefly to the significantly better performance of the Merchant Banking Business Unit on the capital markets (on an underlying basis: +37%) and upward fair-value adjustments of ALM hedging instruments (positive impact of 81 million but excluded from ‘underlying income’).

Realised gains on available-for-sale investments came to 513 million; although 187 million of this amount should be considered ‘extraordinary’ (it related to, among other things, the divestments out of Gevaert-related activities). In 2005, gains amounted to 458 million, 120 million of which were considered extraordinary. Excluding extraordinary items, gains were slightly lower than the 2005 figure (-3%).

Net fee and commission income amounted to 1 865 million; on an underlying basis, up 3% y/y. The increase came to 8% in Belgium, to 12% in CEE and – excluding the deconsolidation effect of Banco Urquijo – to 16% in European Private Banking. The upward trends were driven by buoyant sales of investment products and services. In the Merchant Banking Business Unit, however, underlying fee and commission income dropped by 19%, due to significantly lower alternative investment management fees. In 2006, total assets under management (AUM) went up to 209 billion, which corresponds to an increase of 17% to 143 billion in Belgium, of 39% to 10 billion in CEE and of 8% to 55 billion in European Private Banking (growth trend excluding the deconsolidation effect of Banco Urquijo). In Merchant Banking, assets managed dropped from 2.1 to 0.7 billion.

‘Other income’ amounted to 1 119 million, 545 million more than for the 2005 financial year, mainly due to the divestment gain on Banco Urquijo (excluded from underlying other income). On an underlying basis, other income was roughly on a par with the 2005 level.

Operating expenses

Operating expenses (in millions of EUR) **IFRS-FIGURES**	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	4Q 2006	cumul. FY 2005	cumul. FY 2006
Staff expenses	-636	-714	-651	-848	-775	-693	-671	-832	-2 849	-2 970
General administrative expenses	-380	-382	-388	-448	-396	-392	-392	-450	-1 599	-1 631
Depreciation and amortisation of fixed assets	-94	-92	-97	-106	-88	-86	-89	-96	-389	-359
Provisions for risks and charges	6	-20	-41	-22	21	3	26	-14	-77	36
Operating expenses	-1 104	-1 209	-1 177	-1 424	-1 238	-1 167	-1 126	-1 392	-4 914	-4 925
Belgium	-411	-448	-422	-552	-427	-444	-452	-501	-1 834	-1 824
Central Eastern Europe	-295	-316	-333	-373	-302	-311	-328	-397	-1 318	-1 338
Merchant Banking	-231	-252	-258	-335	-336	-299	-242	-357	-1 076	-1 234
European Private Banking	-135	-155	-147	-131	-147	-144	-118	-132	-568	-542
Group Centre	-32	-38	-17	-32	-26	31	14	-5	-119	14

In order to provide more insight in the results, we provide, in the table below, a number of (non-IFRS) ‘underlying figures’. An explanation of the difference between the IFRS-figures and the underlying figures is provided elsewhere in this chapter.

Operating expenses (in millions of EUR) **UNDERLYING FIGURES (NON-IFRS)**	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	4Q 2006	cumul. FY 2005	cumul. FY 2006
Staff expenses	-636	-699	-651	-748	-775	-749	-671	-827	-2 734	-3 021
General administrative expenses	-380	-377	-388	-448	-396	-392	-392	-450	-1 594	-1 631
Depreciation and amortisation of fixed assets	-94	-92	-97	-106	-88	-86	-89	-96	-389	-359
Provisions for risks and charges	6	-20	-41	-22	21	3	26	-14	-77	36
Operating expenses	-1 104	-1 189	-1 177	-1 324	-1 238	-1 223	-1 126	-1 388	-4 794	-4 976
Belgium	-411	-448	-422	-463	-427	-444	-452	-501	-1 744	-1 824
Central Eastern Europe	-295	-316	-333	-373	-302	-311	-328	-397	-1 318	-1 338
Merchant Banking	-231	-252	-258	-324	-336	-299	-242	-357	-1 065	-1 234
European Private Banking	-135	-155	-147	-131	-147	-144	-118	-127	-568	-537
Group Centre	-32	-18	-17	-32	-26	-25	14	-5	-99	-42

4Q 2006

On account of higher income-based wage costs stemming from the strong increase in profits on the capital markets (Merchant Banking Business Unit) and in line with the seasonal cost pattern in Belgium and CEE, operating expenses were up significantly compared with the previous quarter (23% q/q on an underlying basis). Moreover, the quarter’s cost level included net expense provisions of 14 million (compared with a net reversal of 26 million in 3Q 2006) and one-off charges in both CEE (25 million) and European private banking (9 million).

Stronger capital market activities were a major factor behind the 5% underlying cost increase compared with 4Q 2005. The underlying cost level in Belgium increased by 8% y/y, which can be put down not only to normal cost inflation, but also to a review of the staff profit-sharing scheme and higher IT investment charges. In CEE, the underlying cost level was 6% higher (4% discounting a 2% upward FX effect), mainly on account of higher wage costs.

FY 2006

On an IFRS-basis, operating expenses for 2006 were up only 9 million (+0%) compared with 2005. Adjusted for non-recurring cost items, an increase of 4% was recognised. Apart from normal cost inflation, factors boosting the cost level included higher profit-related staff expenses (chiefly) for the capital market activities (Merchant Banking).

The underlying cost increase came to 5% for Belgium and to 2% for the Central Eastern Europe Business Unit (4%, discounting the impact due to the use of expense provisions and to exchange rate fluctuations). Underlying expenses in the Merchant Banking Business Unit were up 16% - increased profits generated on the capital markets resulted in higher staff costs - while the European Private Banking Unit saw a 5% decrease in expenses (+4% excluding deconsolidation effects). The underlying cost level in the Group Centre improved substantially due to the downscaling of Gevaert-related activities in 2005.

For the 2006 financial year, the banking business recorded a C/I ratio of 53%. However, if the non-recurring factors are excluded, the ratio came to 58% (stable compared to 2005). In the Belgium Business Unit, the underlying C/I ratio stood at 58%, in CEE at 65%, in Merchant Banking at 50%, and in the European Private Banking Business Unit at 73%.

Impairment

Impairment (in millions of EUR) IFRS-FIGURES	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	4Q 2006	cumul. FY 2005	cumul. FY 2006
Impairment on loans and advances	3	-38	-5	5	3	-61	-18	-102	-35	-177
Impairment on available-for-sale assets	-16	0	13	9	0	-3	-1	-3	6	-6
Impairment on goodwill	-2	-5	-3	-10	0	0	0	-1	-20	-1
Impairment on other	0	0	-1	-53	0	-3	-1	14	-54	9
Impairment	-15	-42	3	-49	3	-67	-19	-92	-103	-175
Belgium	1	-6	7	-1	-10	-6	-12	-15	2	-42
Central Eastern Europe	4	-12	-34	-45	-19	-44	-10	-64	-88	-137
Merchant Banking	-19	-22	27	36	33	-17	-2	-12	22	2
European Private Banking	-1	-4	12	16	0	0	4	0	23	4
Group Centre	0	2	-8	-55	0	0	0	-1	-62	-1

In order to provide more insight in the results, we provide, in the table below, a number of (non-IFRS) 'underlying figures'. An explanation of the difference between the IFRS-figures and the underlying figures is provided elsewhere in this chapter.

Impairment (in millions of EUR) UNDERLYING FIGURES (NON-IFRS)	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	4Q 2006	cumul. FY 2005	cumul. FY 2006
Impairment on loans and advances	3	-38	-5	5	3	-61	-18	-102	-35	-177
Impairment on available-for-sale assets	-16	0	13	9	0	-3	-1	-3	6	-6
Impairment on goodwill	-2	-5	-3	-10	0	0	0	-1	-20	-1
Impairment on other	0	0	-1	-4	0	-3	-1	14	-5	9
Impairment	-15	-42	3	0	3	-67	-19	-92	-54	-175
Belgium	1	-6	7	-1	-10	-6	-12	-15	2	-42
Central Eastern Europe	4	-12	-34	-45	-19	-44	-10	-64	-88	-137
Merchant Banking	-19	-22	27	36	33	-17	-2	-12	22	2
European Private Banking	-1	-4	12	16	0	0	4	0	23	4
Group Centre	0	2	-8	-6	0	0	0	-1	-13	-1

4Q 2006

The quarter under review was impacted by an asset impairment charge totalling 92 million.

The impairment charge on loans amounted to 102 million, which was higher than the loan losses recorded in the previous quarters. Loan loss charges were higher especially in Hungary, on the back of the more difficult local macroeconomic environment. The loan quality on other markets remained sound. At the end of 4Q 2006, the non-performing loan ratio for the group stood at 1.6%, down from 1.8% at the end of the previous quarter.

No impairment of any significance was recognised on securities investments or on the goodwill of participating interests.

Impairment reversals of 14 million were recorded under the 'other' heading and related mainly to the revaluation of real estate in Poland.

FY 2006

For the 2006 financial year, impairment on the loan portfolio amounted to 177 million, corresponding to a loan-loss ratio of 0.13% (compared with 0.01% for 2005).

During the course of 2006, no net impairment of any significance was recognised on securities portfolios, participating interests or on any other asset. In the 2005 financial year, impairment losses had been recorded on Gevaert-related assets (in both the 'goodwill' and 'other' headings of the Group Centre).

The loan-loss ratio came to 0.07% for the Belgium Business Unit (compared with 0% the previous year), to 0.58% in CEE (0.37% in 2005) and to 0% for both Merchant Banking and European Private Banking (the same as in the 2005 financial year).

The non-performing-loan ratio came down to 1.6% from 2.2% at the start of the year.

The percentage of cover for non-performing loans afforded by loan-loss provisions came to 100%, slightly higher than at the start of the financial year (99%).

Insurance results

FY 2006

During the year, net insurance results amounted to 535 million (515 million on an underlying basis, 29% higher than in 2005).

The net insurance result stood at 392 million in Belgium (+10%), 45 million in CEE (compared to just 5 million as recently as 2005), 90 million in the Merchant Banking Business Unit (down 7 million due to lower gains realised on the investment portfolio), 11 million in European private banking (8 million in 2005) and a negative 3 million in the Group Centre.

In non-life insurance, a solid technical result was recorded in all BUs. The group 2006 net claims ratio came in at 64%. The group net combined ratio stood at 96%: 95% for Belgium, 99% for CEE and 92% for the Merchant Banking Business Unit. All these combined ratios were stable compared with those for the 2005 financial year.

The non-life premium retention ratio was stable y/y at 93% while the claims reserve ratio went up to 176% from 174%.

Results per business unit

As a reminder, as of May 2006, the new management structure (announced at the end of 2005), was rolled out throughout the group. This management structure 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). The results of the Shared Services & Operations business unit are assigned to the other business units.

A definition and a detailed overview of results and commentary on the business units Belgium, Central Eastern Europe, Merchant Banking, European Private Banking and 'Group item' (see definition below) 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	3Q 2006	4Q 2006	cumul. FY 2005	cumul. FY 2006
Banking	529	341	443	432	742	561	423	474	1 745	2 201
Insurance	122	124	120	95	130	137	129	139	462	535
European Private Banking	53	41	39	51	56	42	539	30	184	668
Holding-company Activities	13	-10	-53	-92	51	-5	-9	-10	-141	27
KBC Group	717	496	550	486	980	736	1 081	634	2 249	3 430

Belgium Business Unit

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

4Q 2006

The net profit recorded in this BU came to 298 million, marked by a robust underlying revenue trend and (partly seasonal) higher costs.

Net interest income was on a par with the previous quarter on an underlying basis. The 1-bp narrowing of the banking interest margin (to 1.81%) was offset by continued volume growth. Total loan volume increased by 1% in the quarter (mortgage book: +3%), while deposits grew by 2%. Net interest income was up 8% compared to 4Q 2005.

After a traditionally weak summer, fee income made a strong recovery (up 34% q/q), thanks chiefly to sales of mutual funds. The income level again reached the extraordinarily high level of 4Q 2005, which had been underpinned by strong sales of unit-linked insurance products on the back of an impending tax change. Managed assets only edged up (1%), as they were adversely affected by the non-renewal of low-yield advisory retail mandates.

Earned premiums in the insurance activities were up 21% q/q, a better performance than in all the previous quarters of 2006, but they remained below the record level achieved in 4Q 2005. On the other hand, in the non-life business, higher claims charges – incurred in the normal course of business were recognised (Q4 claims ratio: 70%).

The result for the quarter benefited from the one-off gain on the sale of the participating interest in the Belgian payments settlement operator, Banksys/Bank Card Company, of 60 million (in the 'other income' heading and excluded from 'underlying profit'). Since this amount was non-taxable, the effective tax rate for the quarter (24%) ended at the low end of its average range.

As expected, operating expenses (501 million) were higher (+11% q/q), due to the review of the staff profit-sharing scheme (13 million), to higher IT costs (7 million) and to the seasonally higher administrative expenses such as those incurred for marketing efforts that traditionally take place in Q4. Besides normal cost inflation, the review of the staff profit-sharing scheme and the higher IT costs also accounted for the 8% increase in the underlying cost level compared with 4Q 2005.

Loan impairment losses remained low (14 million), although a gradual upward trend has been recorded over the last few quarters. In comparison, no net impairment had been recognised during the course of 2005. At the end of 4Q 2006, the non-performing-loan ratio stood at 1.5%, unchanged vis-à-vis the end of the previous quarter.

FY 2006

In the 2006 financial year, net profit came to 1 202 million, representing, on an underlying basis, 43% of the group total, and corresponding to an underlying return on allocated capital of 29%. The net insurance result stood at 392 million (+34%), while KBC private banking contributed 78 million (+22%).

Loan growth was robust (+8%), particularly in the consumer segment, where 12% growth in the mortgage book was recorded. Risk-weighted assets grew by 10%. The banking interest margin narrowed to 1.88% (versus 1.97% for 2005), as a result of the flattening of the yield curve. On balance, underlying net interest earnings (i.e. adjusted for interest charges on hedging instruments) went up 8%.

Net fees and commissions were up 8% to 895 million, thanks chiefly to the sale of structured mutual funds and retail investment services. At the end of the year, AUM (143 billion) stood 17% higher than a year earlier (13% new inflows and 4% fund performance). Belgian life reserves went up by 11% to 19 billion.

Non-life insurance premiums (829 million) grew by 6%, with sustained strong technical results. The combined ratio was stable at 95%.

Gains realised on available-for-sale securities amounted to 249 million (256 million in 2005), and related almost completely to the active management of the equity portfolio of the insurance business.

A one-off gain of 60 million was recognised under the ‘other income’ heading on the sale of the participating interest in Banksys/Bank Card Company, but was excluded from ‘underlying profit’.

The level of operating expenses (1 824 million) rose by 5% on an underlying basis. Aside from normal wage inflation (around 3%), other factors accounting for the higher staff charges included the review of the staff profit-sharing remuneration scheme. The C/I ratio for the banking activities ended at 58%.

Credit quality remained favourable, resulting in a loan loss ratio of a mere 7 bps. In 2005, the loan loss ratio had stood at zero (a 22-million net impairment reversal had even been recorded).

Overview of results

Income statement, Belgium Business Unit (in millions of EUR) **IFRS-FIGURES**	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	4Q 2006	cumul. FY 2005	cumul. FY 2006
Net interest income	501	511	538	532	529	534	512	502	2 082	2 078
Gross earned premiums, insurance	446	667	522	722	452	469	504	611	2 358	2 036
Dividend income	11	72	2	17	8	36	8	11	102	63
Net gains from financial instruments at fair value	- 82	- 193	- 32	- 14	40	10	- 81	- 17	- 320	- 49
Net realised gains from available-for-sale assets	110	37	27	83	87	27	83	52	256	249
Net fee and commission income	196	184	201	248	225	235	186	249	830	895
Other income	38	48	40	37	32	34	36	107	164	208
Gross income	1 220	1 327	1 298	1 627	1 373	1 345	1 247	1 515	5 472	5 480
Operating expenses	- 411	- 448	- 422	- 552	- 427	- 444	- 452	- 501	- 1 834	- 1 824
Impairment	1	- 6	7	- 1	- 10	- 6	- 12	- 15	2	- 42
Gross technical charges, insurance	- 407	- 636	- 495	- 672	- 410	- 449	- 482	- 604	- 2 210	- 1 946
Ceded reinsurance result	- 9	1	- 2	- 2	- 3	- 6	- 3	0	- 13	- 13
Share in results of associated companies	1	2	2	- 1	1	2	2	0	3	5
Profit before tax	395	239	388	399	524	441	299	394	1 421	1 659
Income tax expense	- 112	- 65	- 115	- 123	- 150	- 137	- 71	- 95	- 415	- 454
Profit after tax	283	174	273	276	374	304	228	299	1 005	1 205
Minority interests	- 1	- 1	- 1	0	- 1	- 1	- 1	- 1	- 2	- 3
Net profit, group share	**282**	**173**	**272**	**276**	**373**	**304**	**228**	**298**	**1 003**	**1 202**
Banking activities	*183*	*80*	*194*	*190*	*262*	*213*	*115*	*220*	*647*	*810*
Insurance activities	*99*	*93*	*78*	*86*	*111*	*91*	*112*	*78*	*356*	*392*
Risk-weighted assets (end of period)	*34 153*	*34 839*	*35 807*	*36 123*	*38 217*	*38 540*	*38 582*	*39 858*	*36 123*	*39 858*
Allocated equity (end of period)	*3 439*	*3 531*	*3 618*	*3 681*	*3 795*	*3 840*	*3 903*	*4 027*	*3 681*	*4 027*
Return on allocated capital (ROAC)	*33%*	*19%*	*30%*	*30%*	*40%*	*32%*	*24%*	*30%*	*28%*	*31%*
Cost/income ratio (banking activities)	*55%*	*77%*	*55%*	*63%*	*47%*	*54%*	*67%*	*58%*	*61%*	*56%*
Combined ratio (non-life insurance activities)	*89%*	*98%*	*95%*	*98%*	*85%*	*96%*	*94%*	*99%*	*95%*	*95%*

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

In order to provide more insight in the results, we provide, in the table below, a number of (non-IFRS) 'underlying figures'. An explanation of the difference between the IFRS-figures and the underlying figures is provided in the chapter 'Group Results'.

Income statement, Belgium Business Unit (in millions of EUR) **UNDERLYING FIGURES (NON-IFRS)**	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	4Q 2006	cumul. FY 2005	cumul. FY 2006
Net interest income	437	434	471	443	479	489	481	478	1 786	1 928
Gross earned premiums, insurance	446	667	522	722	452	469	504	611	2 358	2 036
Dividend income	11	72	2	17	8	36	8	11	102	63
Net gains from financial instruments at fair value	5	30	45	51	14	11	7	11	131	43
Net realised gains from available-for-sale assets	42	37	27	83	87	27	83	52	188	249
Net fee and commission income	196	184	201	248	225	235	186	249	830	895
Other income	38	48	40	37	32	34	36	47	164	148
Gross income	1 175	1 473	1 309	1 602	1 297	1 301	1 305	1 458	5 558	5 361
Operating expenses	- 411	- 448	- 422	- 463	- 427	- 444	- 452	- 501	- 1 744	- 1 824
Impairment	1	- 6	7	- 1	- 10	- 6	- 12	- 15	2	- 42
Gross technical charges, insurance	- 407	- 636	- 495	- 672	- 410	- 449	- 482	- 604	- 2 210	- 1 946
Ceded reinsurance result	- 9	1	- 2	- 2	- 3	- 6	- 3	0	- 13	- 13
Share in results of associated companies	1	2	2	- 1	1	2	2	0	3	5
Profit before tax	349	385	398	464	448	397	357	338	1 597	1 541
Income tax expense	- 120	- 115	- 119	- 145	- 124	- 122	- 91	- 96	- 498	- 434
Profit after tax	230	270	280	319	324	276	266	242	1 098	1 107
Minority interests	- 1	- 1	- 1	0	- 1	- 1	- 1	- 1	- 2	- 3
Net profit, group share	**229**	**270**	**279**	**318**	**323**	**275**	**266**	**241**	**1 096**	**1 104**
Banking activities	*198*	*177*	*200*	*228*	*212*	*184*	*153*	*162*	*803*	*712*
Insurance activities	*31*	*93*	*78*	*90*	*110*	*90*	*112*	*78*	*293*	*392*
Risk-weighted assets (end of period)	*34 153*	*34 839*	*35 807*	*36 123*	*38 217*	*38 540*	*38 582*	*39 858*	*36 123*	*39 858*
Allocated equity (end of period)	*3 439*	*3 531*	*3 618*	*3 681*	*3 795*	*3 840*	*3 903*	*4 027*	*3 681*	*4 027*
Return on allocated capital (ROAC)	*27%*	*30%*	*31%*	*35%*	*35%*	*29%*	*28%*	*24%*	*31%*	*29%*
Cost/income ratio (banking activities)	*53%*	*59%*	*54%*	*53%*	*52%*	*58%*	*61%*	*63%*	*55%*	*58%*
Combined ratio (non-life insurance activities)	*89%*	*98%*	*95%*	*98%*	*85%*	*96%*	*94%*	*99%*	*95%*	*95%*

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

Central Eastern Europe Business Unit

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 Pojist'ovna (Czech Rep.) and ČSOB Poist'ovna (Slovakia)
- in Hungary: K&H Bank and K&H Insurance
- in Poland: Kredyt Bank and Warta
- in Slovenia: Nova Ljubljanska banka (NLB - minority participation) and NLB Vita.

Commentary

4Q 2006

This BU's net profit contribution came to 80 million and was marked by a robust underlying revenue trend. However, this was offset by rising loan impairment losses (essentially in Hungary) and (partly seasonal) higher costs.

Net interest income increased – on an underlying basis – by a solid 10% on the previous quarter. The banking interest margin expanded by 0.26% to 2.70%, driven by higher market rates and a positive mix effect (lower share of low-spread interbank activities). Customer loan growth accelerated (9% q/q) and was strong in both the consumer segment - the mortgage portfolio was up 11% q/q – and the commercial segment. Deposits, on the other hand, were down 5% q/q, due to the non-renewal of some large corporate deposits (and partly also to the shift from retail deposits to mutual funds). Net interest income was up 10% compared to 4Q 2005.

During the quarter under review, net fee and commission income (83 million) was up 10% q/q following a slowdown in growth during the summer. Factors fuelling this trend included the 9% increase in mutual and pension funds under management.

Sales of life products remained buoyant (although, from an accounting perspective, this was only partly reflected in the 'premium income' heading), boosting life reserves by 13% during the quarter under review. Compared with a year earlier, life reserves ended 35% higher.

In the non-life sector, gross premium earnings (166 million) ended on a par with the previous quarters and up 6% year-on-year.

Technical charges for the insurance activities (167 million) were at a favourable level compared to both 4Q 2005 and 3Q 2006, since these periods had been negatively impacted by the marking-to-market of life reserves (impact in both cases of roughly a negative 20 million).

The result for the quarter benefited from a one-off gain on the sale of office buildings in Poland for an amount of 23 million, pre-tax (in the 'other income' heading, but excluded from 'underlying profit').

Operating expenses amounted to 397 million. The cost level was significantly higher than for the previous quarter (+21% q/q) on the back of higher staff expenses (especially in the Czech Republic), seasonal administrative expenses and expense provisions for commercial litigation and restructuring in Poland (10 million). In the Czech Republic, the cancellation of an existing stock option plan (part of the planned squeeze-out of minority shareholders) added 19 million to the cost base, while another 6 million in staff charges were booked due to a one-off change in the accounting treatment of untaken holidays. The cost level y/y was 6% higher (4% when discounting a 2% upward FX effect), mainly because of higher wage costs.

Asset impairment charges rose to 64 million, mainly due to higher loan-loss charges in Hungary. Here, the loan provisioning policy was tightened on account of the more difficult economic environment. A new loan quality review resulted in 18 million being allocated to portfolio-based provisions, while another 35 million was set aside for a range of individual corporate debtors. In the Czech and Slovak Republics, impairment was higher q/q too, but remained lower than, for instance, the 4Q 2005 level. In Poland, no significant net impairment has been recorded for many quarters (moreover, Q4 also saw a 10-million impairment reversal on real estate in Poland). At the end of 4Q 2006, the non-performing loan ratio stood at 2.4%, down from 3.0% at the end of the previous quarter.

FY 2006

In 2006, a net profit was recorded of 464 million (+30% y/y on an underlying basis), with an underlying return of 25% on allocated capital. As a rule, these figures are presented net of funding costs for the acquisition amounts paid. The BU's underlying earnings represented 17% of the group total.

Underlying profit in the Czech and Slovak Republics stood at 346 million, in Poland at 136 million and in Hungary at 58 million. For the region as a whole, the insurance companies contributed 45 million. The underlying 'other results' (-114 million) related to the funding charges for our participations (negative impact on profit of 101 million for 2006), minority interests in profit (a negative 50 million), the profit contribution of the minority shareholding in Slovenia (a positive 33 million) and some consolidation adjustments.

Loan growth in the region was robust: customer loans and risk-weighted assets were up 26% and 28%, respectively, compared with the start of the year, while the mortgage book edged up by 39%. Customer deposits ended 11% higher.

The banking interest margin has risen quarter after quarter since the spring of 2006, but the yearly average still ended 16 bps lower at 2.53% compared with the 2005 average. On balance, an underlying 7% increase in net interest earnings was recorded.

A net 311 million in fees and commissions were earned, 12% more than in the 2005 financial year. This had to do in large part with the growing share of investment fund sales in revenue. At the end of the year, AUM grew to 10 billion, up 39% (23% of which was due to new money inflows).

The sum of dividends received (6 million) and realised gains on securities investments (29 million) was on a par with the figure recorded for 2005, as was (almost) – on an underlying basis - the fair-value income from treasury and money markets activities.

'Other income' in 2006 amounted to 206 million; this included the income realised on the disposal of office buildings in Prague in Q1 (34 million, gross), part of the non-performing loan portfolio in Poland in Q2 (37 million, gross) and office buildings in Warsaw in Q4 (23 million, gross). Income items not generated in the normal course of business were excluded from 'underlying profit'.

Operating expenses stood at 1 338 million. The underlying cost trend came to +2% (+4% discounting the impact of using or reversing expense provisions set aside in previous years and of exchange rates). The underlying C/I ratio for the banking activities fell to 65% from 70%.

Impairment on the loan portfolio amounted to 146 million, corresponding to a loan-loss ratio of 0.58%. The ratio came to 0.36% for the Czech and Slovak Republics (compared with 0.40% the previous year), 0% in Poland (stable y/y) and 1.50% in Hungary (up from 0.69%).

The effective tax rate stood at 16%, somewhat higher than for 2005 (12%), which had benefited from tax credits in Poland.

The share of minority interests in the group's full-year profit went down from 18% to 10% following several minority buy-outs during the course of the year.

Note

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 Central Eastern European subsidiaries, consolidation adjustments and some operating expenses at head office related to Central Eastern Europe.

Overview of results

Income statement, Central Eastern Europe Business Unit (in millions of EUR) **IFRS-FIGURES**	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	4Q 2006	cumul. FY 2005	cumul. FY 2006
Net interest income	220	233	232	242	244	232	245	268	926	989
Gross earned premiums, insurance	196	231	207	236	236	217	255	251	870	959
Dividend income	4	2	-3	1	0	2	2	1	3	6
Net gains from financial instruments at fair value	83	79	52	49	60	46	75	67	263	247
Net realised gains from available-for-sale assets	20	2	10	0	5	4	5	15	33	29
Net fee and commission income	66	62	72	76	74	77	76	83	276	311
Other income	117	22	48	31	66	68	17	55	219	206
Gross income	705	632	618	635	686	646	675	740	2 590	2 746
Operating expenses	-295	-316	-333	-373	-302	-311	-328	-397	-1 318	-1 338
Impairment	4	-12	-34	-45	-19	-44	-10	-64	-88	-137
Gross technical charges, insurance	-133	-149	-141	-172	-169	-112	-195	-167	-594	-643
Ceded reinsurance result	-9	-18	-6	-8	-7	-10	-12	-15	-42	-43
Share in results of associated companies	9	3	7	2	9	8	11	6	22	34
Profit before tax	281	140	110	39	198	177	142	102	570	619
Income tax expense	-59	-5	-10	5	-36	-31	-21	-14	-69	-101
Profit after tax	221	135	100	44	162	146	120	89	501	518
Minority interests	-30	-22	-23	-15	-18	-17	-10	-8	-92	-54
Net profit, group share	**191**	**113**	**76**	**29**	**144**	**129**	**110**	**80**	**409**	**464**
Banking activities	*183*	*96*	*72*	*53*	*146*	111	109	52	404	419
Insurance activities	*8*	*17*	*4*	*-24*	*-2*	18	1	28	5	45
Risk-weighted assets (end of period)	*16 456*	*16 453*	*17 547*	*18 199*	*19 053*	*19 854*	*21 608*	*23 358*	*18 199*	*23 358*
Allocated equity (end of period)	*1 365*	*1 379*	*1 455*	*1 508*	*1 577*	*1 625*	*1 760*	*1 890*	*1 508*	*1 890*
Return on allocated capital (ROAC)	*62%*	*36%*	*23%*	*8%*	*38%*	*33%*	*26%*	*16%*	*31%*	*27%*
Cost/income ratio (banking activities)	*50%*	*69%*	*69%*	*76%*	*55%*	*59%*	*67%*	*74%*	*65%*	*64%*
Combined ratio (non-life insurance activities)	*98%*	*93%*	*104%*	*100%*	*99%*	*93%*	*101%*	*103%*	*99%*	*99%*

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

In order to provide more insight in the results, we provide, in the table below, a number of (non-IFRS) ‘underlying figures’. An explanation of the difference between the IFRS-figures and the underlying figures is provided in the chapter 'Group Results'.

Income statement, Central Eastern Europe Business Unit (in millions of EUR) **UNDERLYING FIGURES (NON-IFRS)**	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	4Q 2006	cumul. FY 2005	cumul. FY 2006
Net interest income	222	235	236	246	247	236	247	271	939	1 001
Gross earned premiums, insurance	196	231	207	236	236	217	255	251	870	959
Dividend income	4	2	-3	1	0	2	2	1	3	6
Net gains from financial instruments at fair value	59	68	52	50	57	50	72	58	230	237
Net realised gains from available-for-sale assets	20	2	10	0	5	4	5	15	33	29
Net fee and commission income	66	62	72	76	74	77	76	83	276	311
Other income	16	22	48	31	37	68	17	32	118	154
Gross income	582	624	622	641	657	654	674	711	2 468	2 696
Operating expenses	-295	-316	-333	-373	-302	-311	-328	-397	-1 318	-1 338
Impairment	4	-12	-34	-45	-19	-44	-10	-64	-88	-137
Gross technical charges, insurance	-133	-149	-141	-172	-169	-112	-195	-167	-594	-643
Ceded reinsurance result	-9	-18	-6	-8	-7	-10	-12	-15	-42	-43
Share in results of associated companies	9	3	7	2	9	8	11	6	22	34
Profit before tax	157	133	114	44	169	185	141	74	448	569
Income tax expense	-28	-3	-12	4	-29	-33	-21	-9	-38	-92
Profit after tax	130	130	102	48	140	152	120	65	410	477
Minority interests	-22	-22	-23	-15	-16	-17	-10	-8	-83	-52
Net profit, group share	**108**	**108**	**79**	**33**	**124**	**135**	**110**	**56**	**327**	**426**
Banking activities	*99*	*91*	*75*	*57*	*126*	*117*	*109*	*48*	*322*	*401*
Insurance activities	*8*	*17*	*4*	*-24*	*-2*	*18*	*1*	*8*	*5*	*25*
Risk-weighted assets (end of period)	*16 456*	*16 453*	*17 547*	*18 199*	*19 053*	*19 854*	*21 608*	*23 358*	*18 199*	*23 358*
Allocated equity (end of period)	*1 365*	*1 379*	*1 455*	*1 508*	*1 577*	*1 625*	*1 760*	*1 890*	*1 508*	*1 890*
Return on allocated capital (ROAC)	*35%*	*34%*	*24%*	*9%*	*32%*	*34%*	*26%*	*11%*	*25%*	*25%*
Cost/income ratio (banking activities)	*67%*	*70%*	*69%*	*75%*	*59%*	*58%*	*67%*	*75%*	*70%*	*65%*
Combined ratio (non-life insurance activities)	*98%*	*93%*	*104%*	*100%*	*99%*	*93%*	*101%*	*103%*	*99%*	*99%*

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

Merchant Banking Business Unit

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 Bank 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

4Q 2006

The profit contribution for the quarter under review came to 217 million, of which 110 million came from commercial banking activities and 107 million from investment banking.

On an underlying basis, the quarter result was up 41% q/q due to the strong recovery in capital market activities, and remained on a par with the 4Q 2005 profit amount, as strong capital market earnings offset the non-recurrence of loan-loss impairment reversals made at that time.

Underlying income from trading activities in the investment banking units came in at 294 million, much higher than the average of the preceding 2005-2006 quarters (195 million), but lower than the record level of 340 million recorded in 1Q 2006.

The net interest result of the BU came to 208 million, which corresponds with 279 million on an underlying basis. Underlying net interest income, which is related to commercial banking activities, remained on a par with the previous quarter and was 16% higher than the year-earlier figure. Over the past twelve months, risk-weighted assets have grown by 10% (+13% for commercial banking and -3% for investment banking).

Fee and commission income amounted to 54 million, more than triple the previous quarter's performance (on an underlying basis), which had been seasonally weak. Compared with 4Q 2005, the income component remained stable on an underlying basis, whereby the growth in the commercial banking segment (+16%) was offset by the decline in the investment banking segment related to the downscaling of institutional AIM activity.

On balance, total income reached a record level of 761 million; on an underlying basis up 48% q/q and 9% y/y.

Operating expenses (357 million) rose in line with the revenue growth trend (on an underlying basis, +47% q/q and +10% y/y), due chiefly to the high level of profit-sharing staff remuneration in the capital market activities. In addition, provisions were recorded in the amount of 21 million (chiefly) for commercial litigation.

Impairment losses for problem loans remained limited to a mere 12 million. The non-performing-loan ratio stood at 1.2%, down from 1.4% at the end of the previous quarter.

FY 2006

In the 2006 financial year, net profit came to 872 million, 66% of which was accounted for by commercial banking activities (576 million) and 34% by investment banking activities (296 million). The BU's underlying net profit was up 6% y/y on the back of solid revenue growth, especially in the investment banking division, but this was partly offset by higher result-based staff remuneration. Moreover, the BU achieved an (underlying) return on allocated capital of 21%.

Risk-weighted assets were up by 10% (+13% for commercial banking and -3% for investment banking), while gross income (2 758 billion) ended 9% higher y/y on an underlying basis.

The upward revenue trend was characterised by solid trading results especially from the derivatives and structured credit business. Trading and other fair-value income (combined underlying amount of 992 million) were up 37% on an underlying basis.

Underlying net interest income, which is related to the commercial banking activity, was up 5%.

An underlying net amount of 286 million in fees and commissions was earned, 67 million less (-19%) than for 2005, due chiefly to the decline in institutional investment management fees (hedge fund strategies).

Gross earned premiums in the inbound re-insurance activity grew by 9% to 318 million. With a stable combined ratio of 92%, the underwriting result remained sound. The net profit contribution from these insurance activities (90 million), however, came in slightly lower due to a drop in investment results, which had been exceptionally high in 2005.

The BU's underlying cost trend came to +16% for 2006. The change in the business mix (bigger share of investment banking) explains why the underlying C/I ratio for the banking activities was up from 48% to 50%.

Credit quality remained favourable, resulting in a zero loan-loss ratio, on a par with the 2005 financial year, when a net impairment reversal of 36 million had been recorded.

Note

A breakdown of the Merchant Banking business unit figures into 'Commercial Banking' and 'Investment Banking' is provided in annex 2.

Overview of results

Income statement, Merchant Banking Business Unit (in millions of EUR) **IFRS-FIGURES**	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	4Q 206	cumul. FY 2005	cumul. FY 2006
Net interest income	266	264	264	213	190	180	194	208	1 008	772
Gross earned premiums, insurance	78	66	76	73	85	70	81	82	293	318
Dividend income	16	39	23	18	17	40	21	29	95	107
Net gains from financial instruments at fair value	99	147	157	263	430	308	186	354	667	1 278
Net realised gains from available-for-sale assets	33	2	3	50	7	20	- 1	5	89	31
Net fee and commission income	58	55	56	62	42	26	21	54	231	142
Other income	20	23	24	36	17	32	32	29	103	109
Gross income	570	597	602	716	787	676	534	761	2 485	2 758
Operating expenses	- 231	- 252	- 258	- 335	- 336	- 299	- 242	- 357	- 1 076	- 1 234
Impairment	- 19	- 22	27	36	33	- 17	- 2	- 12	22	2
Gross technical charges, insurance	- 48	- 42	- 48	- 43	- 54	- 45	- 54	- 45	- 181	- 198
Ceded reinsurance result	- 6	- 3	- 3	- 18	- 5	2	- 7	- 18	- 30	- 29
Share in results of associated companies	0	0	0	1	0	1	0	0	1	1
Profit before tax	267	277	321	356	425	317	229	329	1 221	1 300
Income tax expense	- 66	- 83	- 81	- 110	- 121	- 89	- 38	- 85	- 340	- 334
Profit after tax	201	194	240	246	304	228	191	243	882	966
Minority interests	- 22	- 23	- 24	- 24	- 24	- 23	- 22	- 26	- 92	- 94
Net profit, group share	**179**	**171**	**216**	**223**	**281**	**205**	**168**	**217**	**789**	**872**
Banking activities	*164*	*158*	*182*	*188*	*261*	*179*	*154*	*188*	*692*	*781*
Insurance activities	*15*	*13*	*34*	*35*	*20*	*26*	*15*	*29*	*97*	*90*
Risk-weighted assets (end of period)	*47 248*	*50 277*	*51 015*	*54 347*	*53 891*	*55 935*	*57 837*	*59 892*	*54 347*	*59 892*
Allocated equity (end of period)	*3 298*	*3 503*	*3 548*	*3 775*	*3 752*	*3 885*	*4 017*	*4 160*	*3 775*	*4 160*
Return on allocated capital (ROAC)	*21%*	*19%*	*23%*	*24%*	*28%*	*21%*	*16%*	*21%*	*22%*	*21%*
Cost/income ratio (banking activities)	*46%*	*47%*	*48%*	*55%*	*47%*	*50%*	*52%*	*52%*	*49%*	*50%*
Combined ratio (reinsurance activities)	*90%*	*92%*	*88%*	*100%*	*81%*	*88%*	*96%*	*102%*	*92%*	*92%*

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

In order to provide more insight in the results, we provide, in the table below, a number of (non-IFRS) 'underlying figures'. An explanation of the difference between the IFRS-figures and the underlying figures is provided in the chapter 'Group Results'.

Income statement, Merchant Banking Business Unit (in millions of EUR) **UNDERLYING FIGURES (NON-IFRS)**	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	4Q 2006	cumul. FY 2005	cumul. FY 2006
Net interest income	264	242	222	241	208	245	284	279	969	1 017
Gross earned premiums, insurance	78	66	76	73	85	70	81	82	293	318
Dividend income	1	10	3	1	1	7	3	1	15	12
Net gains from financial instruments at fair value	94	177	231	222	388	217	100	287	724	992
Net realised gains from available-for-sale assets	19	13	3	48	5	17	- 1	6	82	27
Net fee and commission income	108	83	64	97	85	76	28	96	353	286
Other income	19	20	18	29	17	36	26	22	86	101
Gross income	583	612	617	710	789	668	522	773	2 522	2 752
Operating expenses	- 231	- 252	- 258	- 324	- 336	- 299	- 242	- 357	- 1 065	- 1 234
Impairment	- 19	- 22	27	36	33	- 17	- 2	- 12	22	2
Gross technical charges, insurance	- 48	- 42	- 48	- 43	- 54	- 45	- 54	- 45	- 181	- 198
Ceded reinsurance result	- 6	- 3	- 3	- 18	- 5	2	- 7	- 18	- 30	- 29
Share in results of associated companies	0	0	0	1	0	1	0	0	1	1
Profit before tax	280	292	335	362	427	309	218	340	1 269	1 294
Income tax expense	- 70	- 88	- 86	- 112	- 121	- 87	- 34	- 87	- 356	- 329
Profit after tax	210	204	249	250	306	222	184	253	913	965
Minority interests	- 22	- 23	- 24	- 24	- 24	- 23	- 22	- 26	- 92	- 94
Net profit, group share	**188**	**181**	**226**	**226**	**282**	**200**	**162**	**227**	**821**	**871**
Banking activities	*173*	*167*	*192*	*192*	*262*	*173*	*147*	*198*	*724*	*781*
Insurance activities	*15*	*13*	*34*	*35*	*20*	*26*	*15*	*29*	*97*	*90*
Risk-weighted assets (end of period)	*47 248*	*50 277*	*51 015*	*54 347*	*53 891*	*55 935*	*57 837*	*59 892*	*54 347*	*59 892*
Allocated equity (end of period)	*3 298*	*3 503*	*3 548*	*3 775*	*3 752*	*3 885*	*4 017*	*4 160*	*3 775*	*4 160*
Return on allocated capital (ROAC)	*22%*	*21%*	*25%*	*24%*	*29%*	*20%*	*15%*	*22%*	*22%*	*21%*
Cost/income ratio (banking activities)	*45%*	*46%*	*47%*	*54%*	*47%*	*51%*	*53%*	*51%*	*48%*	*50%*
Combined ratio (reinsurance activities)	*90%*	*92%*	*88%*	*100%*	*81%*	*88%*	*96%*	*102%*	*92%*	*92%*

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

European Private Banking Business Unit

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

4Q 2006

This BU contributed 34 million to 4Q profit, a decline attributable to lower non-core income and a higher (non-recurring) cost level.

Following a somewhat weaker summer quarter, fee and commission revenue from private banking and global custody services recovered to 111 million (+7% q/q), while AUM went up to 55 billion, a 2% increase (+6% for onshore private banking, -1% for offshore, institutional and low-yielding assets). However, total revenue (176 million) edged down on an underlying basis by 8% q/q, essentially on the back of the downsizing of non-core activities. Over the past few quarters, some non-core businesses, such as commercial lending and capital market activities, have been gradually scaled down. Total risk-weighted assets declined 33% y/y (this included the deconsolidation of Banco Urquijo), which had an adverse effect on the revenue trend. Compared with 4Q 2005, and excluding any significant impact of changes to the scope of consolidation, underlying gross income increased by 8%.

Operating expenses amounted to 132 million, up 9 million q/q (+8%) on an underlying basis, due to one-off staff pension insurance expenses (9 million) and restructuring charges (6 million). The cost level was down by 4 million compared with 4Q 2005, chiefly due to the deconsolidation of Banco Urquijo. The 4Q 2005 cost level also benefited from a net writeback of restructuring charges of 16 million.

In the last quarter of the year, a tax recovery of 10 million was recorded. This was the result mainly of adjusting previous quarter bookings and aligning IFRS accounts-based taxes with local tax regulations.

As of Q4, the share of minority interests in the group results came to zero after KBC (virtually) completed the buy-out of minority interests in Kredietbank SA Luxembourgeoise.

FY 2006

For the 2006 financial year, a profit contribution of 678 million was recorded. The year was marked by divestiture from Spain through the sale of Banco Urquijo, which generated a value gain of 0.5 billion (in the ‘other income’ heading, but excluded from ‘underlying profit’ as it is a one-off item).

Underlying net profit came to 181 million, generating a corresponding return on allocated capital of 29%. The private banking activities accounted for 73% of the BU’s results (132 million), while the contribution from global custody and related services accounted for 22% (39 million). The remainder entails ‘other’ activities, such as corporate lending, treasury etc., that have been scaled down. The share of the BU’s underlying result in the group total came to 7%.

Over the past twelve months, customer assets under management grew by 8% to 55 billion (disregarding the deconsolidation of Banco Urquijo).There was a 15% increase registered for the on-shore private banking activities (accounting for 24 billion of AUM), of which 9 pp net new inflows. In contrast, as in previous years, the off-shore business was a low growth area (+1%).

After the divestment from Banco Urquijo and the announced sale of the Italian subsidiary, activities have become more focused on the Benelux (37 billion in AUM) and the neighbouring countries: Germany (7 billion), the UK (4 billion) and France (3 billion, including Monaco). In Switzerland, an amount of 4 billion is managed.

The 2006 profit trend was underpinned by steady growth in fee and commission income from wealth management and global custody services of 16% excluding the deconsolidation effect of Banco Urquijo.

On the other hand, in line with the business strategy, non-core businesses (such as commercial lending and capital market activities) were gradually scaled down, which had an adverse effect on the revenue trend.

The BU's operating expenses (542 million) declined by 5%; excluding the effect of deconsolidation, a 4% increase was recorded. The C/I ratio stood at 73%, leaving room for further improvement. No net impairment on assets was recognized.

Note

Besides the capital gain of 0.5 billion euros, the deconsolidation of Banco Urquijo since 1 July 2006 also provoked a decrease in most other P/L items, the main ones being (figures on a quarterly basis - based on to the average contribution of Banco Urquijo in 1Q 2006 and 2Q 2006) net interest income (10 million euros), net gains from financial instruments at fair value (4 million euros), net fee and commission income (18 million euros), operating expenses (-27 million euros) and impairments (-3 million euros).

Overview of results

Income statement, European Private Banking Business Unit (in millions of EUR)

IFRS-FIGURES	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	4Q 2006	cumul. FY 2005	cumul. FY 2006
Net interest income	46	49	73	91	97	98	80	82	258	358
Gross earned premiums, insurance	18	19	15	11	3	7	17	13	63	40
Dividend income	2	6	3	2	2	9	2	2	13	15
Net gains from financial instruments at fair value	45	38	- 25	- 49	- 12	- 41	- 20	- 27	8	- 100
Net realised gains from available-for-sale assets	2	19	9	5	12	14	- 1	- 3	35	22
Net fee and commission income	100	107	114	129	135	132	104	111	450	481
Other income	24	9	7	16	2	7	509	- 3	57	515
Gross income	238	247	196	204	238	226	691	176	885	1 331
Operating expenses	- 135	- 155	- 147	- 131	- 147	- 144	- 118	- 132	- 568	- 542
Impairment	- 1	- 4	12	16	0	0	4	0	23	4
Gross technical charges, insurance	- 24	- 26	- 22	- 18	- 7	- 14	- 23	- 21	- 90	- 65
Ceded reinsurance result	0	0	0	0	0	0	0	0	0	0
Share in results of associated companies	1	1	1	1	1	1	1	1	3	3
Profit before tax	79	63	40	72	84	69	554	25	254	732
Income tax expense	- 22	- 19	4	- 18	- 24	- 23	- 9	10	- 55	- 45
Profit after tax	57	44	44	54	60	46	546	35	199	687
Minority interests	- 3	- 2	- 1	- 2	- 1	- 1	- 6	0	- 7	- 9
Net profit, group share	**54**	**42**	**43**	**52**	**59**	**45**	**540**	**34**	**192**	**678**
Banking activities	*53*	*41*	*39*	*51*	*56*	*42*	*539*	*31*	*184*	*668*
Insurance activities	*1*	*2*	*4*	*1*	*3*	*3*	*1*	*4*	*8*	*11*
Risk-weighted assets (end of period)	*9 749*	*10 122*	*9 618*	*8 772*	*9 539*	*9 000*	*7 005*	*5 842*	*8 772*	*5 842*
Allocated equity (end of period)	*720*	*745*	*711*	*653*	*704*	*673*	*539*	*461*	*653*	*461*
Return on allocated capital (ROAC)	*31%*	*22%*	*22%*	*29%*	*33%*	*25%*	*351%*	*26%*	*28%*	*119%*
Cost/income ratio (banking activities)	*63%*	*71%*	*86%*	*71%*	*65%*	*69%*	*18%*	*87%*	*72%*	*43%*

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

In order to provide more insight in the results, we provide, in the table below, a number of (non-IFRS) ‘underlying figures’. An explanation of the difference between the IFRS-figures and the underlying figures is provided in the chapter 'Group Results'.

Income statement, European Private Banking Business Unit (in millions of EUR)

UNDERLYING FIGURES (NON-IFRS)	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	4Q 2006	cumul. FY 2005	cumul. FY 2006
Net interest income	48	57	53	76	58	48	29	24	233	160
Gross earned premiums, insurance	18	19	15	11	3	7	17	13	63	40
Dividend income	2	6	3	2	2	9	2	2	13	15
Net gains from financial instruments at fair value	44	35	- 9	- 40	22	7	32	29	30	89
Net realised gains from available-for-sale assets	2	19	9	5	12	14	- 1	- 3	35	22
Net fee and commission income	100	107	114	129	135	132	104	111	450	481
Other income	24	9	7	16	2	7	7	- 3	57	14
Gross income	238	253	192	199	233	224	190	174	882	821
Operating expenses	- 135	- 155	- 147	- 131	- 147	- 144	- 118	- 127	- 568	- 537
Impairment	- 1	- 4	12	16	0	0	4	0	23	4
Gross technical charges, insurance	- 24	- 26	- 22	- 18	- 7	- 14	- 23	- 21	- 90	- 65
Ceded reinsurance result	0	0	0	0	0	0	0	0	0	0
Share in results of associated companies	1	1	1	1	1	1	1	1	3	3
Profit before tax	79	68	36	67	79	67	54	27	251	227
Income tax expense	- 22	- 21	5	- 17	- 22	- 22	- 9	11	- 54	- 42
Profit after tax	57	48	42	50	57	45	45	38	197	184
Minority interests	- 3	- 2	- 1	- 2	- 1	- 1	- 1	0	- 7	- 3
Net profit, group share	**54**	**46**	**41**	**49**	**55**	**44**	**44**	**38**	**190**	**181**
Banking activities	*53*	*44*	*36*	*48*	*52*	*41*	*43*	*34*	*182*	*170*
Insurance activities	*1*	*2*	*4*	*1*	*3*	*3*	*1*	*4*	*8*	*11*
Risk-weighted assets (end of period)	*9 749*	*10 122*	*9 618*	*8 772*	*9 539*	*9 000*	*7 005*	*5 842*	*8 772*	*5 842*
Allocated equity (end of period)	*720*	*745*	*711*	*653*	*704*	*673*	*539*	*461*	*653*	*461*
Return on allocated capital (ROAC)	*31%*	*24%*	*20%*	*27%*	*31%*	*24%*	*20%*	*28%*	*27%*	*29%*
Cost/income ratio (banking activities)	*63%*	*69%*	*88%*	*73%*	*66%*	*70%*	*71%*	*88%*	*72%*	*73%*

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

Group centre

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

4Q 2006

In the last quarter, results not derived from the BUs came to a net 3 million. The settlement of tax-related receivables had a 30-million positive impact on profit (in the ‘other income’ heading).

FY 2006

The net result for FY 2006 came to 214 million for 2006. It mainly entailed:
- 27 million in profit from the holding company KBC Group NV, including the positive impact of the divestment from Agfa-Gevaert and the merger of Gevaert and KBC Group NV in the first half of 2006;
- 165 million (net) in dividends and gains realised on the centrally managed portfolio of equity holdings of KBC Bank NV.

Group Centre profit incorporates 247 million in one-off factors. Disregarding these factors, the net contribution for 2006 came to a negative 33 million.

Overview of results

Income statement, Group Centre (in millions of EUR) **IFRS-FIGURES**	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	4Q 2006	cumul. FY 2005	cumul. FY 2006
Net interest income	- 15	- 15	- 11	- 17	- 14	- 4	- 5	- 14	- 57	- 38
Gross earned premiums, insurance	- 9	- 6	- 11	- 8	- 7	- 9	- 5	- 11	- 33	- 33
Dividend income	1	16	1	3	0	16	0	2	21	19
Net gains from financial instruments at fair value	18	- 9	14	1	2	5	- 6	- 7	24	- 7
Net realised gains from available-for-sale assets	4	36	0	6	132	50	0	0	45	182
Net fee and commission income	10	3	8	13	12	9	4	11	33	36
Other income	16	15	- 7	9	15	- 2	37	31	32	82
Gross income	24	40	- 5	7	140	64	25	12	66	241
Operating expenses	- 32	- 38	- 17	- 32	- 26	31	14	- 5	- 119	14
Impairment	0	2	- 8	- 55	0	0	0	- 1	- 62	- 1
Gross technical charges, insurance	0	1	8	5	9	1	0	- 1	15	9
Ceded reinsurance result	7	4	2	3	- 3	8	5	12	16	21
Share in results of associated companies	10	7	- 29	- 1	0	1	0	0	- 13	1
Profit before tax	9	16	- 49	- 73	119	105	44	17	- 97	285
Income tax expense	2	- 19	- 9	- 20	5	- 53	- 8	- 12	- 46	- 69
Profit after tax	11	- 3	- 58	- 93	123	52	36	5	- 143	216
Minority interests	0	0	1	0	0	0	- 1	- 1	0	- 2
Net profit, group share	**11**	**- 3**	**- 58**	**- 93**	**123**	**52**	**35**	**3**	**- 144**	**214**
Banking activities	*- 1*	*7*	*- 5*	*0*	*73*	*58*	*45*	*14*	*1*	*190*
Insurance activities	*- 1*	*0*	*- 1*	*- 2*	*- 1*	*0*	*0*	*- 1*	*- 4*	*- 3*
Holding activities	*13*	*- 10*	*- 53*	*- 92*	*51*	*- 5*	*- 9*	*- 10*	*- 141*	*27*

In order to provide more insight in the results, we provide, in the table below, a number of (non-IFRS) ‘underlying figures’. An explanation of the difference between the IFRS-figures and the underlying figures is provided in the chapter 'Group Results'.

Income statement, Group Centre (in millions of EUR) **UNDERLYING FIGURES (NON-IFRS)**	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	4Q 2006	cumul. FY 2005	cumul. FY 2006
Net interest income	- 17	- 18	- 13	- 21	- 14	2	- 7	- 14	- 68	- 34
Gross earned premiums, insurance	- 9	- 6	- 11	- 8	- 7	- 9	- 5	- 11	- 33	- 33
Dividend income	1	16	1	3	0	16	0	2	21	19
Net gains from financial instruments at fair value	20	- 6	16	5	2	- 1	- 11	0	35	- 10
Net realised gains from available-for-sale assets	0	0	0	0	0	0	0	0	0	0
Net fee and commission income	10	3	8	13	12	9	4	11	33	36
Other income	16	15	- 7	9	15	- 2	- 3	25	32	36
Gross income	20	4	- 5	1	8	14	- 22	13	20	13
Operating expenses	- 32	- 18	- 17	- 32	- 26	- 25	14	- 5	- 99	- 42
Impairment	0	2	- 8	- 6	0	0	0	- 1	- 13	- 1
Gross technical charges, insurance	0	1	8	5	9	1	0	- 1	15	9
Ceded reinsurance result	7	4	2	3	- 3	8	5	12	16	21
Share in results of associated companies	10	7	- 29	- 1	0	1	0	0	- 13	1
Profit before tax	5	0	- 49	- 31	- 13	- 1	- 2	18	- 74	1
Income tax expense	2	- 26	- 9	- 20	5	- 18	- 6	- 14	- 53	- 34
Profit after tax	8	- 26	- 58	- 51	- 8	- 19	- 8	3	- 127	- 33
Minority interests	0	0	1	0	0	0	1	- 1	0	0
Net profit, group share	**8**	**- 26**	**- 58**	**- 51**	**- 9**	**- 19**	**- 8**	**3**	**- 127**	**- 33**
Banking activities	*- 1*	*5*	*- 5*	*- 4*	*- 3*	*7*	*14*	*18*	*- 5*	*37*
Insurance activities	*- 1*	*0*	*0*	*- 2*	*- 1*	*0*	*0*	*- 1*	*- 4*	*- 3*
Holding activities	*10*	*- 30*	*- 53*	*- 45*	*- 4*	*- 26*	*- 21*	*- 15*	*- 118*	*- 67*

Consolidated financial statements

Consolidated income statement

In millions of EUR	Note	4Q 2005	3Q 2006	4Q 2006	cumul 12M 2005	cumul 12M 2006
Net interest income	3	1 061	1 025	1 047	4 219	4 158
Gross earned premiums, insurance	9	1 034	852	946	3 550	3 321
Dividend income	4	41	34	45	235	211
Net gains from financial instruments at fair value	5	251	153	370	642	1 370
Net realised gains from available-for-sale assets	6	144	86	69	458	513
Net fee and commission income	7	528	390	508	1 819	1 865
Net post-tax income from discontinued operations		0	0	0	0	0
Other income	8	130	631	218	574	1 119
GROSS INCOME		3 189	3 171	3 204	11 498	12 556
Operating expenses	12	- 1 424	- 1 126	- 1 392	- 4 914	- 4 925
Impairment	14	- 49	- 19	- 92	- 103	- 175
on loans and receivables		5	- 18	- 102	- 35	- 177
on available-for-sale assets		9	- 1	- 3	6	- 6
on goodwill		- 10	0	- 1	- 20	- 1
on other		- 53	- 1	14	- 54	9
Gross technical charges, insurance	9	- 899	- 754	- 838	- 3 059	- 2 843
Ceded reinsurance result	9	- 26	- 18	- 21	- 69	- 63
Share in results of associated companies	15	2	15	7	16	45
PROFIT BEFORE TAX		793	1 269	867	3 369	4 595
Income tax expense	16	- 266	- 148	- 196	- 925	- 1 002
PROFIT AFTER TAX		528	1 121	671	2 443	3 593
Minority interests		- 41	- 40	- 37	- 194	- 163
NET PROFIT - GROUP SHARE		486	1 081	634	2 249	3 430
Earnings per share (in EUR)	17					
Basic		1.35	3.06	1.82	6.26	9.68
Diluted		1.34	3.03	1.80	6.15	9.59

Note: restatement of 2005-figures (‘net interest income’ and ‘net gains from financial instruments at fair value’ items): see annex 1.

Consolidated balance sheet

ASSETS (in millions of EUR)	Note	31-12-2005	31-12-2006
Cash and balances with central banks		2 061	2 787
Treasury bills and other bills eligible for rediscounting with central banks		2 649	1 727
Loans and advances to banks	19	45 312	39 881
Loans and advances to customers	20, 21	119 475	132 400
Securities	22	125 810	121 414
Derivative financial instruments	23	18 832	16 774
Portfolio hedge of interest rate risk		59	- 175
Investment property	29	313	413
Reinsurers' share in technical provisions, insurance	32	282	290
Accrued income		2 992	2 274
Other assets	24	2 825	2 346
Tax assets	25	545	761
Current tax assets	25	70	154
Deferred tax assets	25	475	608
Non-current assets held for sale and disposal groups		0	92
Investments in associated companies	26	989	522
Goodwill and other intangible fixed assets	27, 28	1 537	1 988
Property and equipment	29	2 120	1 906
TOTAL ASSETS		325 801	325 400

LIABILITIES (in millions of EUR)	Note	31-12-2005	31-12-2006
Deposits from banks	30	60 821	59 108
Deposits from customers and debt securities	31	171 572	180 031
Derivative financial instruments	23	24 783	23 488
Portfolio hedge of interest rate risk		0	0
Gross technical provisions, insurance	32	14 779	15 965
Liabilities under investment contracts, insurance	33	7 615	9 156
Accrued expense		2 326	1 747
Other liabilities	36	18 674	9 818
Tax liabilities	25	928	846
Current tax liabilities	25	578	534
Deferred tax liabilities	25	350	312
Non-current liabilities held for sale and disposal groups		0	43
Provisions for risks and charges	34	522	493
Subordinated liabilities	35	6 314	6 253
TOTAL LIABILITIES		308 335	306 947
Total Equity		17 466	18 453
Parent shareholders' equity	38	15 751	17 219
Minority interests		1 715	1 234
TOTAL LIABILITIES AND EQUITY		325 801	325 400

The ‘non-current assets held for sale and disposal groups’ and ‘non-current liabilities held for sale and disposal groups’ as at 31-12-2006 mainly consist of Banca KBL Fumagali Soldan (a subsidiary of KBL EPB) and Reliz (a subsidiary of Kredyt Bank) which are in the process of being sold. Seen the limited amount, no additional information is provided.

Condensed consolidated statement of changes in equity

	Issued and paid up share capital	Share premium	Other Equity (Mandatory convertible bonds)	Treasury shares	Revaluation reserve (AFS-investments)	Hedging reserve (cash flow hedges)	Reserves	Translation differences	Parent share-holders' equity	Minority Interest	Total Equity
31-12-2005											
Balance at the beginning of the year	1 234	4 130	185	- 291	1 415	9	6 672	- 34	13 321	1 771	15 092
Net income recognised directly in equity	0	0	0	0	714	- 8	0	160	866	0	866
Net profit for the period	0	0	0	0	0	0	2 249	0	2 249	0	2 249
Total recognised income and expense for the period	0	0	0	0	714	- 8	2 249	160	3 116	0	3 116
Dividends	0	0	0	0	0	0	- 672	0	- 672	0	- 672
Capital increase	0	8	- 1	0	0	0	0	0	8	0	8
Purchases of treasury shares	0	0	0	- 272	0	0	0	0	- 272	0	- 272
Sales of treasury shares	0	0	0	129	0	0	0	0	129	0	129
Results on (derivatives on) treasury shares	0	0	0	- 51	0	0	176	0	126	0	126
Change in minority interest	0	0	0	0	0	0	0	0	0	- 56	- 56
Other	0	0	0	0	0	0	- 5	0	- 5	0	- 5
									0		
Total change	0	8	- 1	- 193	714	- 8	1 749	160	2 430	- 56	2 374
Balance at the end of the period	1 234	4 138	185	- 484	2 129	1	8 421	127	15 751	1 715	17 466
of which revaluation reserve for shares					1 304						
of which revaluation reserve for bonds					825						
of which revaluation reserve for other assets than bonds and shares					0						
of which relating to non-current assets or disposal groups				0	0	0		0	0	0	0
31-12-2006											
Balance at the beginning of the year	1 234	4 138	185	- 484	2 129	1	8 421	127	15 751	1 715	17 466
Net income recognised directly in equity	0	0	0	0	- 160	44	0	- 28	- 144	0	- 144
Net profit for the period	0	0	0	0	0	0	3 430	0	3 430	0	3 430
Total recognised income and expense for the period	0	0	0	0	- 160	44	3 430	- 28	3 286	0	3 286
Dividends	0	0	0	0	0	0	- 898	0	- 898	0	- 898
Capital increase	1	12	- 2	0	0	0	0	0	10	0	10
Purchases of treasury shares	0	0	0	- 1 033	0	0	0	0	- 1 033	0	- 1 033
Sales of treasury shares	0	0	0	106	0	0	0	0	106	0	106
Results on (derivatives on) treasury shares	0	0	0	0	0	0	0	0	0	0	0
Cancellation treasury shares	0	0	0	300	0	0	- 300	0	0	0	0
Change in minority interest	0	0	0	0	- 2	0	0	0	- 2	- 481	- 483
Other	0	0	0	0	0	0	- 3	0	- 3	0	- 3
Total change	1	12	- 2	- 627	- 162	44	2 230	- 28	1 468	- 481	987
Balance at the end of the period	1 235	4 150	183	- 1 111	1 968	46	10 651	98	17 219	1 234	18 453
of which revaluation reserve for shares					1 824						
of which revaluation reserve for bonds					144						
of which revaluation reserve for other assets than bonds and shares					0						
of which relating to non-current assets or disposal groups				0	0	0		4	4	- 1	3

Condensed consolidated cash flow statement

A full cash flow statement will be available in the annual report.

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 will be available on the web site www . kbc. com.

Note 1a: Statement of compliance

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.

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 annual report. In 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 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 12M 2005						
Net interest income	3 505	548	226	- 54	- 7	4 219
Gross earned premiums, insurance	0	3 550	0	0	0	3 550
Dividend income	114	107	12	3	0	235
Net gains from financial instruments at fair value	606	1	8	26	0	642
Net realised gains from available-for-sale assets	123	264	32	40	0	458
Net fee and commission income	1 645	- 269	447	- 2	- 2	1 819
Net post-tax income from discontinued operations	0	0	0	0	0	0
Other income	390	56	57	560	- 489	574
GROSS INCOME	6 383	4 257	782	574	- 498	11 498
Operating expenses	- 3 736	- 523	- 563	- 589	498	- 4 914
Impairment	- 34	- 30	23	- 62	0	- 103
on loans and receivables	- 27	- 1	- 3	- 3	0	- 35
on available-for-sale assets	- 4	- 19	28	1	0	6
on goodwill	0	- 10	- 2	- 8	0	- 20
on other	- 2	0	0	- 52	0	- 54
Gross technical charges, insurance	0	- 3 059	0	0	0	- 3 059
Ceded reinsurance result	0	- 69	0	0	0	- 69
Share in results of associated companies	28	0	3	- 15	0	16
PROFIT BEFORE TAX	2 642	575	244	- 93	0	3 369
Income tax expense	- 706	- 118	- 53	- 48	0	- 925
PROFIT AFTER TAX	1 936	456	191	- 141	0	2 443
Minority interests	- 192	5	- 7	0	0	- 194
NET PROFIT - GROUP SHARE	1 745	462	184	- 141	0	2 249
INCOME STATEMENT 12M 2006						
Net interest income	3 271	595	327	- 27	- 8	4 158
Gross earned premiums, insurance	0	3 321	0	0	0	3 321
Dividend income	125	70	13	3	0	211
Net gains from financial instruments at fair value	1 469	- 2	- 100	3	0	1 370
Net realised gains from available-for-sale assets	179	261	18	55	0	513
Net fee and commission income	1 648	- 259	476	- 2	2	1 865
Net post-tax income from discontinued operations	0	0	0	0	0	0
Other income	457	94	515	682	- 628	1 119
GROSS INCOME	7 148	4 080	1 248	715	- 635	12 556
Operating expenses	- 3 881	- 530	- 537	- 612	635	- 4 925
Impairment	- 169	- 9	3	0	0	- 175
on loans and receivables	- 176	1	- 2	0	0	- 177
on available-for-sale assets	- 2	- 10	6	0	0	- 6
on goodwill	0	0	- 1	0	0	- 1
on other	9	0	0	0	0	9
Gross technical charges, insurance	0	- 2 843	0	0	0	- 2 843
Ceded reinsurance result	0	- 63	0	0	0	- 63
Share in results of associated companies	41	0	3	0	0	45
PROFIT BEFORE TAX	3 139	635	718	103	0	4 595
Income tax expense	- 757	- 130	- 42	- 74	0	- 1 002
PROFIT AFTER TAX	2 382	505	676	29	0	3 593
Minority interests	- 181	30	- 9	- 3	0	- 163
NET PROFIT - GROUP SHARE	2 201	535	668	27	0	3 430
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 31-12-2006						
Total assets	273 171	29 285	22 030	915		325 400
Total liabilities	259 993	26 161	19 913	880		306 947

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 – 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
12M 2005					
Gross income	6 385	2 693	2 420	0	11 498
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
12M 2006					
Gross income	6 590	2 860	3 106	0	12 556
31-12-2006					
Total assets	192 526	38 588	94 286	0	325 400
Total liabilities	173 841	37 900	95 207	0	306 947

Notes to the income statement

General remark:

All data in this chapter are based on IFRS. However, from an analytical point of view (for instance, due to the treatment of recognition of certain income components related to capital market activities and the treatment of certain ALM hedging derivatives), it may be useful to look at additional ‘underlying’ figures. These ‘underlying’ data are provided in the chapter ‘Group results’ (which is not part of the ‘Consolidated Financial Statements’).

Note 3: Net interest income

In millions of EUR	4Q 2005	3Q 2006	4Q 2006	cumul FY 2005	cumul FY 2006
Total	1 061	1 025	1 047	4 219	4 158
Interest income	2 715	3 022	3 131	10 390	11 927
Loans and advances to banks	400	581	582	1 428	2 220
Loans and advances to customers	1 321	1 415	1 555	5 180	5 679
Deposits with ceding companies	1	1	3	4	6
Fixed-income securities not measured at fair value through profit and loss	590	511	548	2 220	2 227
Subtotal, interest income for financial assets not measured at fair value through profit and loss	*2 312*	*2 508*	*2 687*	*8 832*	*10 132*
of which interest income on impaired loans				*43*	*34*
Financial assets at fair value through profit and loss	403	514	444	1 558	1 795
Interest expense	- 1 654	- 1 997	- 2 084	- 6 171	- 7 769
Deposits from banks	- 627	- 669	- 704	- 1 864	- 2 634
Deposits from customers	- 730	- 896	- 876	- 2 967	- 3 348
Debt securities	- 175	- 341	- 433	- 878	- 1 432
Subordinated liabilities	- 87	- 82	- 71	- 333	- 303
Investment contracts at amortised cost	0	0	0	0	0
Hedging derivatives	- 35	- 9	- 1	- 129	- 52

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

Note 4: Dividend income

In millions of EUR	4Q 2005	3Q 2006	4Q 2006	cumul 12M 2005	cumul 12M 2006
Total	41	34	45	235	211
Available-for-sale shares	20	21	12	148	109
Shares held for trading	16	14	26	78	86
Other shares measured at fair value through profit and loss	4	0	8	10	16

N.B.:
- As of 2Q 2006, ‘dividend income’ related to securities lending is reclassified to ‘net fee and commission income’. For FY 2006, it concerns 49 million euros (of which 5 million euros in 4Q 2006).

Note 5: Net gains from financial instruments at fair value

In millions of EUR	4Q 2005	3Q 2006	4Q 2006	cumul 12M 2005	cumul 12M 2006
Total	251	153	370	642	1 370
Trading instruments (including trading derivatives)	251	- 36	285	209	1 187
Other financial instruments at fair value	- 254	65	- 101	- 95	- 345
Portfolio hedge of interest rate risk	0	0	0	0	0
Foreign exchange trading	254	124	186	528	528

N.B.:

- 2005 restated figures, see Annex 1.

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

In millions of EUR	4Q 2005	3Q 2006	4Q 2006	cumul 12M 2005	cumul 12M 2006
Total	144	86	69	458	513
Fixed-income securities	38	2	1	99	35
Shares	107	84	68	360	477

Note 7: Net fee and commission income

In millions of EUR	4Q 2005	3Q 2006	4Q 2006	cumul 12M 2005	cumul 12M 2006
Total	528	390	508	1 819	1 865
			0		
Fee and commission income	780	662	782	2 693	2 977
Securities and asset management (including from investment contracts)	530	465	555	1 800	2 093
Commitment credit	30	35	42	135	152
Payments	106	107	111	405	417
Other	114	55	73	352	315
Fee and commission expense	- 252	- 272	- 273	- 874	- 1 112
Acquisition costs	- 97	- 96	- 111	- 382	- 403
Other	- 154	- 177	- 163	- 492	- 710

N.B.:

- As of 2Q 2006, ‘dividend income’ related to securities lending is reclassified to ‘net fee and commission income’. For FY 2006, it concerns 49 million euros (of which 5 million euros in 4Q 2006).

Note 8: Other income

In millions of EUR	4Q 2005	3Q 2006	4Q 2006	cumul 12M 2005	cumul 12M 2006
Total	130	631	218	574	1 119
of which: Slovak Collection Unit award* - CSOB	0	0	0	101	0
of which: impact of sale bad loans - Kredyt Bank	0	0	0	0	37
of which: realised gain on sale buildings - CSOB	- 4	- 1	1	0	36
of which: realised gain on sale of Banco Urquijo - KBL EPB	0	501	0	0	501
of which: realised gain on sale of Banksys and BCC - KBC Bank	0	0	60	0	60
of which: realised gain on building - Warta	0	0	23	0	23

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

N.B.:

- 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).

N.B.: Figures for premium income **exclude** the investment contracts without DPF, which roughly coincide with the **unit-linked products**.

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
12M 2005							
Gross earned premiums	655	1 650	2 304	1 246	0	0	3 550
Gross technical charges	- 664	- 1 032	- 1 696	- 1 450	- 445	0	- 3 591
Gross claims paid	- 411	- 863	- 1 274	- 274	- 1	0	- 1 548
Gross provision for claims outstanding	4	- 137	- 133	15	0	0	- 119
Bonuses and rebates	- 2	0	- 2	- 3	0	0	- 5
Other technical provisions	- 256	- 8	- 263	- 1 189	- 563	0	- 2 016
Other technical income and charges	0	- 24	- 24	2	119	0	96
Investment income and charges	305	185	490	252	573	165	1 480
Investment income	0	0	0	0	0	1 100	1 100
Value adjustments	0	0	0	0	573	0	573
Investment charges	0	0	0	0	0	- 200	- 200
Other income and charges (non-technical)	0	0	0	0	0	7	7
Allocation to the technical accounts	305	185	490	252	0	- 742	0
General administrative expenses	- 133	- 521	- 653	- 56	- 75	0	- 784
Net acquisition costs	- 89	- 356	- 445	- 36	- 68	0	- 548
Administrative expenses	- 44	- 164	- 208	- 20	- 8	0	- 236
Impairment of goodwill	0	0	0	0	0	- 10	- 10
Share in results of associated companies	0	0	0	0	0	0	0
Ceded reinsurance result	- 3	- 63	- 66	0	0	- 4	- 69
Technical charges	2	37	38	0	0	0	38
Fee and commission expense	1	16	17	0	0	0	17
Interest expense, deposits from reinsurers	0	0	0	0	0	- 4	- 4
Earned premiums	- 5	- 115	- 121	0	0	0	- 121
PROFIT BEFORE TAX	161	219	380	- 8	52	151	575
12M 2006							
Gross earned premiums	764	1 748	2 512	809	0	0	3 321
Gross technical charges	- 760	- 1 124	- 1 883	- 1 061	- 339	0	- 3 284
Gross claims paid	- 377	- 876	- 1 253	- 603	- 1	0	- 1 857
Gross provision for claims outstanding	2	- 213	- 211	0	0	0	- 211
Bonuses and rebates	- 5	0	- 5	- 17	0	0	- 22
Other technical provisions	- 380	- 9	- 389	- 442	- 407	0	- 1 239
Other technical income and charges	0	- 26	- 26	2	69	0	45
Investment income and charges	378	235	612	305	424	95	1 437
Investment income	0	0	0	0	0	1 245	1 245
Value adjustments	0	0	0	0	424	0	424
Investment charges	0	0	0	0	0	- 254	- 254
Other income and charges (non-technical)	0	0	0	0	0	22	22
Allocation to the technical accounts	378	235	612	305	0	- 918	0
General administrative expenses	- 151	- 526	- 677	- 45	- 52	0	- 775
Net acquisition costs	- 106	- 379	- 485	- 27	- 42	0	- 555
Administrative expenses	- 44	- 147	- 191	- 18	- 10	0	- 220
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	- 2	- 57	- 59	0	0	- 5	- 63
Technical charges	2	48	51	0	0	0	51
Fee and commission expense	1	16	18	0	0	0	18
Interest expense, deposits from reinsurers	0	0	0	0	0	- 5	- 5
Earned premiums	- 6	- 121	- 127	0	0	0	- 127
PROFIT BEFORE TAX	229	276	505	8	32	90	635

Note 10: Gross written premiums, life insurance

In millions of EUR	4Q 2005	3Q 2006	4Q 2006	cumul 12M 2005	cumul 12M 2006
Accepted reinsurance	- 1	7	8	19	30
Primary business	615	398	486	1 877	1 540
Individual versus group					
Individual premiums	554	347	413	1 683	1 309
Premiums under group contracts	61	51	73	194	231
Periodic versus single					
Periodic premiums	163	167	236	658	729
Single premiums	452	230	251	1 219	810
Non-bonus versus bonus contracts					
Premiums from non-bonus contracts	34	56	44	159	181
Premiums from bonus contracts	550	324	411	1 641	1 257
Unit linked	31	18	32	77	101
Ceded reinsurance	- 1	- 1	0	- 2	- 1
Commissions	- 60	- 33	- 52	- 151	- 154

N.B.:

- Under IFRS, figures for premium income **exclude** the investment contracts without DPF, which roughly coincide with the **unit-linked products**.

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	4Q 2005	3Q 2006	4Q 2006	cumul 12M 2005	cumul 12M 2006
Total	- 1 424	- 1 126	- 1 392	- 4 914	- 4 925
Staff expenses	- 848	- 671	- 832	- 2 849	- 2 970
General administrative expenses	- 448	- 392	- 450	- 1 599	- 1 631
Depreciation and amortisation of fixed assets	- 106	- 89	- 96	- 389	- 359
Provisions for risks and charges	- 22	26	- 14	- 77	36

Note 13: Personnel

Note available in the annual report only.

Note 14: Impairment (income statement)

In millions of EUR	4Q 2005	3Q 2006	4Q 2006	cumul 12M 2005	cumul 12M 2006
Total	- 49	- 19	- 92	- 103	- 175
Impairment on loans and receivables					
Total	5	- 18	- 102	- 35	- 177
Breakdown by type	5	- 18	- 102	- 35	- 177
Specific impairment for on-balance-sheet lending	- 26	- 36	- 82	- 126	- 177
Specific impairment for off-balance-sheet credit commitments	- 5	- 5	- 3	2	- 8
Portfolio-based impairment	35	24	- 17	89	8
Geographic breakdown	5	- 18	- 102	- 35	- 177
Belgium	- 20	- 17	- 11	- 14	- 36
Central Eastern Europe	- 37	- 9	- 78	- 77	- 146
Rest of the world	61	9	- 13	56	5
Impairment on available-for-sale assets					
Total	9	- 1	- 3	6	- 6
Impairment on goodwill					
Total	- 10	0	- 1	- 20	- 1
Impairment on other					
Total	- 53	- 1	14	- 54	9
Other intangible fixed assets	- 3	0	0	- 3	- 1
Tangible fixed assets	- 1	- 1	14	- 2	10
Held to maturity	0	0	0	0	0
Associated companies (goodwill)	- 49	0	0	- 49	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 sale of Banco Urquijo mid 2006, this subsidiary is not reflected anymore in the balance sheet figures for 31-12-2006.

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	31-12-2006
Total	119 475	132 400
Geographic breakdown	119 475	132 400
Belgium	55 247	59 840
Central Eastern Europe	15 957	20 112
Rest of the World	48 271	52 448
Breakdown by type of credit	119 475	132 400
Discount and acceptance credit	545	223
Consumer credit	2 123	1 940
Mortgage loans	34 233	39 998
Term loans	65 859	72 415
Finance leasing	5 906	6 082
Current account advances	6 437	7 671
Advances on life insurance contracts	8	8
Other (including impairments)	4 363	4 063
of which: securitised	1 038	302
of which: repos	14 973	15 932
Quality		
Gross amount outstanding	122 220	134 542
Impairment for losses on loans and advances	- 2 745	- 2 142
Net amount outstanding	119 475	132 400

Note: 31-12-2006 figures exclude Banco Urquijo.

Note 21: Impairment for loan losses (balance sheet)

In millions of EUR	31-12-2005	31-12-2006
Total	2 822	2 224
Breakdown by type	2 822	2 224
Specific impairment, on-balance-sheet lending	2 471	1 934
Specific impairment, off-balance-sheet credit commitments	61	67
Portfolio-based impairment	290	222
Breakdown by counterpart	2 822	2 224
Impairment for loans and advances to banks	1	1
Impairment for loans and advances to customers	2 745	2 142
Off-balance-sheet credit commitments	75	80
Geographic breakdown	2 822	2 224
Belgium	996	981
Central Eastern Europe	1 078	775
Rest of the world	747	468

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: 31-12-2006 figures exclude Banco Urquijo.

Note 22: Securities

In millions of EUR	31-12-2005	31-12-2006
Total	125 810	121 414
Geographic breakdown	125 810	121 414
Belgium	46 925	48 752
Central Eastern Europe	12 286	13 497
Rest of the World	66 600	59 164
Breakdown by type and counterparty	125 810	121 414
Fixed-income securities	89 028	88 199
Government bonds	54 637	50 268
Credit institutions	17 157	16 520
Other	17 233	21 411
Equity instruments	36 782	33 214
Shares	29 699	23 910
Investment contracts	7 083	9 304

Note: 31-12-2006 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	31-12-2006
Total	171 572	180 031
Geographic breakdown	171 572	180 031
Belgium	72 302	75 431
Central Eastern Europe	26 879	29 905
Rest of the World	72 391	74 694
Breakdown by type	171 572	180 031
Demand deposits	33 383	36 446
Time deposits	49 639	48 954
Savings deposits	30 872	29 628
Special deposits	4 215	4 638
Other deposits	17 869	14 363
Savings certificates	3 528	2 714
Bonds	10 760	17 521
Certificates of deposit	21 305	25 766
of which repos	13 221	9 071

Note: 31-12-2006 figures exclude Banco Urquijo.

Note 32: Technical provisions, insurance

In millions of EUR	31-12-2005	31-12-2006
Gross technical provisions	14 779	15 965
Insurance contracts	8 097	8 828
Provisions for unearned premiums and unexpired risk	454	453
Life insurance provision	4 234	4 680
Provision for claims outstanding	3 094	3 312
Provision for bonuses and rebates	20	25
Other technical provisions	294	358
Investment contracts with DPF	6 683	7 138
Life insurance provision	6 655	7 093
Provision for claims outstanding	0	0
Provision for bonuses and rebates	27	45
Reinsurers' share	282	290
Insurance contracts	282	290
Provisions for unearned premiums and unexpired risk	32	24
Life insurance provision	7	8
Provision for claims outstanding	243	257
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	31-12-2006
Total	7 615	9 156
Unit-linked	7 604	9 139
Insurance bond without death rider	0	0
Other	11	17

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	31-12-2006
Total number of shares issued and fully paid up	369 206 475	365 823 520
Ordinary shares	366 566 637	363 217 068
Other equity instruments	2 639 838	2 606 452
of which ordinary shares that entitle the holder to a dividend payment	366 431 731	352 870 300
of which treasury shares	9 191 599	15 823 991

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 31 December 2006, there were 363 217 068 ordinary shares in circulation. 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 31 December 2006. There are no shares issued that have not been fully paid.
The authorisation to increase capital may be exercised until 17 June 2009 for an amount of 198 876 943 euros (which, based on the par value of the shares at the end of 2006, may lead to the issue of maximum 58.5 million new shares).
At 31 December 2006, KBC group companies held 15 823 991 KBC shares (15 680 600 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 31 December 2006: 2 323 332 shares).
- the shares that were bought in 2006 in relation to the 1-billion-euro share buyback programme announced at the end of 2005. This programme was finished in November 2006; by then 11 729 723 shares were bought under this programme, at an average price of 85.08 euros per share. Of this total, 3.5 million were already cancelled at the Extraordinary General Meeting of 27 April 2006; the remaining shares will in principle be cancelled following the next General Meeting.

The calculation of the number of shares entitled to dividend takes into account that the shares issued in relation to the 2006 capital increase for the staff will only be entitled to dividend as of the financial year 2007 (117 045 shares) and the fact that it is proposed to the AGM not to pay divided on the remaining treasury shares in relation to the 2006 buyback programme (8 229 723 shares) as well treasury shares bought in relation to the 2007-2009 buyback programme.

At 31 December 2006, there were 2 606 452 1998-2008 MCBs in circulation, for a nominal amount of 182 529 624 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.: Prefered trust securities are not included in parent shareholders' equity, but in minority interests. At 31 December 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	31-12-2006
By business unit		
Belgium	122 423	142 866
Central Eastern Europe	7 200	9 979
Merchant Banking	2 056	737
European Private Banking	64 679	55 008
Total	196 358	208 590
By product or service[1]		
Investment funds for private individuals	76 663	85 177
Assets managed for private individuals	74 305	73 932
Assets managed for institutional investors	30 688	34 061
Group assets (managed by KBC Asset Management)	14 701	15 420
Total	196 358	208 590

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

Note: 31-12-2006 figures exclude Banco Urquijo.

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	31-12-2006
Regulatory capital, KBC Bank + KBL (after profit appropriation)		14 669	15 141
Tier-1 capital		11 065	11 253
Parent shareholders' equity		11 462	12 340
Intangible fixed assets		- 114	- 169
Goodwill on consolidation		- 533	- 948
Preference shares / Hybrid tier-1		1 645	1 671
Minority interests		654	530
Elimination	Mandatorily convertible bonds / other tier 2-instruments	- 436	- 204
	Revaluation reserve AFS	- 830	- 673
	Hedging reserve (cash flow hedges)	- 3	- 46
	Minority interests on AFS reserve & hedging reserve (CF hedges)	- 8	- 7
Dividend payout assumed		- 772	- 1 242
Tier-2 capital		4 857	5 221
Mandatory convertible bonds		436	186
Perpetuals (incl. hybrid tier-1 not used in tier-1 capital)		840	731
Revaluation reserve AFS shares (at 90%)		331	538
Minority interests on revaluation reserve AFS shares (at 90%)		1	3
Subordinated liabilities		3 250	3 763
Tier-3 capital		11	14
Items to be deducted		- 1 263	- 1 348
Total weighted risk volume		117 730	128 968
Credit risk, investment		106 127	118 329
Market Risk		11 604	10 639
Solvency ratios			
Tier-1 ratio		9.40%	8.73%
CAD ratio		12.46%	11.74%

The table provides solvency figures for KBC Bank and KBL EPB combined, which have been calculated based on IFRS principles and the Belgian regulator’s guidelines. The tier-1 ratio calculated in this way at 31 December 2006 came to 8.7% (broken down as follows: 8.5% for KBC Bank and 14.5% for KBL EPB).

Note 44: Solvency insurance (KBC Insurance)

In millions of EUR	31-12-2005	31-12-2006
AVAILABLE CAPITAL		
Share capital	29	29
Share premium account	122	122
Reserves	2 293	2 301
Revaluation reserve, available-for-sale (AFS) investments	1 255	1 459
Translation differences	28	27
Total group equity	3 726	3 938
Dividend payout, KBC Insurance	- 510	- 430
Minority interests	74	13
Total capital and reserves	3 290	3 521
Subordinated liabilities	15	1
Total capital resources	3 305	3 522
Intangible fixed assets	- 164	- 214
Available capital	3 141	3 308
REQUIRED SOLVENCY MARGIN		
Non-life and industrial accidend-legal lines	256	268
Annuities	7	8
Required solvency margin for the Non Life business	263	276
Class 21	535	589
Class 23	17	20
Required solvency margin for the Life business	552	609
Total required solvency margin	815	884
SOLVENCY RATIO AND SURPLUS		
Solvency ratio (%)	385%	374%
Solvency surplus (in millions of EUR)	2 326	2 423

The table shows the solvency calculated for KBC Insurance, based on IFRS principles. The solvency ratio calculated in this way came to 374% at 31 December 2006.

Note 45: Risk Management

Extensive risk management data for 31-12-2006 will be provided in KBC's 2006 Annual Report. A summary of this information is provided below. 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	31-12-2006
Total loan portfolio (in billions of EUR)		
Amount granted	174.8	185.7
Amount outstanding	126.9	138.6
Total loan portfolio, by business unit (as a % of the portfolio of credit granted)		
Belgium	28.6%	29.0%
Central Eastern Europe	15.8%	18.4%
Merchant Banking	51.8%	50.6%
European Private Banking	3.9%	2.0%
Total	100.0%	100.0%
Total loan portfolio, by sector (selected sectors as a % of the portfolio of credit granted)		
Real estate	5.5%	6.0%
Electricity	2.6%	2.7%
Aviation	0.6%	0.5%
Automobile industry	3.2%	2.9%
Impaired loans (in millions of EUR or %)		
Amount outstanding	3 977	3 324
Specific loan impairment	2 532	2 001
Portfolio-based loan impairment	290	222
Loan-loss ratio, per business unit (negative figures -> positive impact on results)		
Belgium	-0.05%	0.07%
Central Eastern Europe[1]	0.37%	0.58%
Merchant Banking	-0.04%	-0.01%
European Private Banking	-0.46%	-0.10%
Total	0.01%	0.13%
Non-performing (NP) loans (in millions of EUR or %)		
Amount outstanding	2 848	2 221
Specific loan impairment for NP loans	2 056	1 541
Non-performing ratio, per business unit		
Belgium	1.7%	1.5%
Central Eastern Europe	4.5%	2.4%
Merchant Banking	1.8%	1.3%
European Private Banking	1.6%	1.9%
Total	2.2%	1.6%
Cover ratio		
Specific loan impairment for NP loans / outstanding NP loans	72%	69%
Specific & portfolio-based loan impairment for performing and NP loans / outstanding NP loans	99%	100%

Definition of ratios: see annex 3. Figures for 31-12-2006 exclude Banco Urquijjo.

1 Broken down as follows for 31-12-2006: 0.36% for CSOB, 1.50% for K&H Bank and -0.21% 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 lesser 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
Average 3Q 2006	88
Average 4Q 2006	74
31-12-2006	67
Maximum in FY 2006	92
Minimum in FY 2006	66

ALM risk: investment portfolio, insurance (carrying value, in millions of EUR)	31-12-2005	31-12-2006
Bonds and other fixed-income securities	12 685	13 145
Shares and other variable-yield securities	4 197	4 529
Loans and advances to customers	131	148
Loans and advances to banks	557	1 010
Property and equipment and investment property	283	228
Liabilities under investment contracts, unit-linked	7 778	9 367
Other	128	131
Total investment portfolio KBC Insurance	25 759	28 558

Market risk data

The table shows the Value-at-Risk (99% confidence interval, 1-day holding period) for the bank's dealing rooms on the money and capital markets (KBC Bank in the table – including KBL EPB as of 2006), for KBC Financial Products (KBC FP), KBC Securities and KBC Peel Hunt, based on historical simulation.

Market risk: VAR (in millions of EUR)*	KBC Bank	KBC FP	KBC Securities	KBC Peel Hunt
Average 1Q 2005	4.4	[1]	[2]	[2]
Average 2Q 2005	4.1	[1]	[2]	[2]
Average 3Q 2005	3.5	[1]	[2]	[2]
Average 4Q 2005	4.1	7.9	[2]	[2]
Average 1Q 2006	3.9	19.5	0.2	0.5
Average 2Q 2006	3.8	12.0	0.2	0.5
Average 3Q 2006	3.2	8.3	0.3	0.5
Average 4Q 2006	2.6	6.8	0.4	0.6
31-12-2006	3.1	4.6	0.5	0.8
Maximum in FY 2006	6.4	20.2	0.6	0.9
Minimum in FY 2006	1.9	3.8	0.2	0.3

* Remark: as of this report, the VAR figures are based on '1 day holding period', instead of '10 day holding period'.

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

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	97.44	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	99.99	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	99.96	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
Associated companies			
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	99.36	Insurance company
CSOB Poist'ovna a.s.(Slovak Republic)	Bratislava - SK	99.52	Insurance company
Fidea NV	Antwerp - BE	100.00	Insurance company
K&H Insurance	Budapest - HU	100.00	Insurance company
KBC Verzekeringen NV	Leuven - BE	100.00	Insurance company
Secura NV	Brussels - BE	95.04	Insurance company
VITIS Life Luxembourg SA	Luxembourg - LU	99.99	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			
Brown, Shipley & Co Ltd.	London - GB	100.00	Credit institution
KBL Finance Ireland	Dublin - IE	100.00	Credit institution
Kredietbank SA Luxembourgeoise	Luxembourg - LU	100.00	Credit institution
Kredietbank (Suisse) SA, Genève	Geneva - CH	99.99	Credit institution
Merck Finck & Co.	München - DE	100.00	Credit institution
Puilaetco Private Bankers SA	Brussels - BE	100.00	Credit institution
Theodoor Gilissen Bankiers NV	Amsterdam - NL	100.00	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

Note 47: Main changes in the scope of consolidation

Segment	Company	Consolidation method	Ownership percentage at KBC Group level 31-12-2005	31-12-2006	Comments
EXCLUSIONS					
European Private Banking	Banco Urquijo SA	Full	97.06%	-	sold in 3Q 2006
Banking	Bank Card Company NV	Equity	21.55%	-	sold in 4Q 2006
Banking	Banksys NV	Equity	20.55%	-	sold in 4Q 2006
Holding company activities	Agfa-Gevaert NV	Equity	27.13%	-	sold in 1Q 2006
CHANGES IN OWNERSHIP PERCENTAGE					
European Private Banking	Kredietbank SA Luxembourgeoise	Full	97.32%	100.00%	increase of participation
Banking	CSOB a.s.	Full	89.97%	97.44%	shares bought mainly from EBRD
Banking	K&H Bank Rt.	Full	59.47%	99.96%	shares bought mainly 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	CSOB Poist'ovna a.s.(Slovak Republic)	Full	87.30%	99.52%	buyout of minorities
Insurance	TUIR WARTA SA	Full	75.13%	100.00%	buyout of minorities; in profit as of 2Q06

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 (31 December 2006) and the publication of this report (22 February 2007):

- The finalisation of the acquisition of a 100%-participation in Romstal Leasing in Romania and of a 100%-participation in the equity broker Swiss Capital in Romania are expected soon. Additionally, early 2007, an agreement was reached as regards the acquisition of a majority share (between 70% and 100%, depending on the number of shareholders that decides to sell its shares to KBC) in A Banca in Serbia and 100% in the online retail broker Equitas in Hungary. These agreements still have to be approved by the relevant authorities. The total amount of the four acquisitions mentioned above is relatively limited.
- Agreement, in January 2007, to take a 70%-participaton in the Bulgarian insurance company DZI Insurance (the market leader in both life and non-life insurance in that country). The agreement still has to be approved by the relevant authorities. KBC will consequently also launch a public bid for the remaining shares. KBC will pay 185 million euros for the 70%-stake (and additionally, approximately 75 million euros, i.e. an amount equal to 70% of the capital gain realized by DZI Insurance on the sale of their stake in DZI Bank and which is a cash item in DZI Insurance’s balance sheet).
- Agreement on the sale, in January 2007, by K&H Bank of its participation in the Hungarian bank card clearing house Giro Bankkartya (GBC). By this deal, K&H Bank will realise a capital gain.
- Sale, in early January 2007, of KBC’s non-strategic participation in Intesa San Paolo. KBC has realised a capital gain of roughly 200 million euros on this sale.
- Closing of the sale of the Italian private bank Banca KBL Fumagalli Soldan (a subsidiary of KBL EPB) is expected in 1Q 2007. This sale with generate a capital gain of circa 14 million euros, on a total price of 44 million euros.
- Mid January 2007, the storm Kyrill caused damage across Europe, which has boosted insurance claims. KBC estimates that the impact of this event on its consolidated net profit will be around 25 million euros. The impact on the combined ratio of 1Q 2007 is estimated at 5%pts.

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, providing the correct distribution of 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	<u>1 019</u>	1 074	<u>1 043</u>	1 129	<u>1 096</u>	1 097	<u>1 061</u>	4 348	<u>4 219</u>
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	<u>163</u>	92	<u>63</u>	123	<u>166</u>	165	<u>251</u>	513	<u>642</u>
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	<u>2 757</u>	2 904	<u>2 843</u>	2 699	<u>2 709</u>	3 138	<u>3 189</u>	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	<u>1 030</u>	797	<u>735</u>	800	<u>810</u>	743	<u>793</u>	3 369	3 369
Income tax expense	-256	<u>-257</u>	-212	<u>-192</u>	-208	<u>-211</u>	-249	<u>-266</u>	-925	-925
Profit after tax	774	<u>774</u>	585	<u>544</u>	592	<u>598</u>	494	<u>528</u>	2443	2443
Minority interests	-57	-57	-48	-48	-48	-48	-41	-41	-194	-194
Net profit - Group share	717	<u>717</u>	536	<u>496</u>	543	<u>550</u>	453	<u>486</u>	2 249	2 249

Annex 2: detailed information regarding Central Eastern Europe and Merchant Banking

Annex 2.1: breakdown of the Central Eastern European business unit by country

The ‘Central Eastern Europe’ business unit is divided up into the various Central Eastern European countries. Below, 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 the table ‘Central Eastern Europe - other’.

Income statement, Czech and Slovak Republics (in millions of EUR) **IFRS-FIGURES**	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	4Q 2006	cumul. FY 2005	cumul. FY 2006
Net interest income	130	134	135	144	150	158	166	185	544	658
Gross earned premiums, insurance	57	60	62	64	63	65	70	72	243	269
Dividend income	4	2	-4	1	0	1	1	0	3	2
Net gains from financial instruments at fair value	46	11	24	20	30	24	30	22	101	105
Net realised gains from available-for-sale assets	4	2	7	6	3	0	2	6	19	11
Net fee and commission income	53	52	55	55	57	57	51	57	215	221
Other income	111	13	25	38	54	19	10	27	187	110
Gross income	404	274	305	328	356	323	329	368	1 310	1 376
Operating expenses	-133	-154	-131	-194	-138	-148	-163	-205	-612	-654
Impairment	8	-2	-23	-27	-3	-18	-7	-22	-44	-50
Gross technical charges, insurance	-55	-81	-34	-31	-41	-23	-77	-52	-201	-193
Ceded reinsurance result	-2	-3	-4	-2	-1	-1	-1	-3	-11	-6
Share in results of associated companies	0	0	0	0	0	0	0	2	0	2
Profit before tax	222	34	112	73	173	133	81	88	441	475
Income tax expense	-53	-8	-27	-7	-41	-28	-16	-21	-96	-106
Profit after tax	169	25	85	66	132	105	65	67	345	369
Minority interests	0	-1	-1	-4	-1	0	0	-2	-6	-4
Net profit	**168**	**25**	**85**	**62**	**131**	**105**	**64**	**66**	**340**	**366**
Banking activities	173	53	72	48	127	86	72	52	346	337
Insurance activities	-4	-29	13	13	4	18	-7	14	-6	29
Risk-weighted assets (end of period)	*8 485*	*8 621*	*9 552*	*10 139*	*11 079*	*11 613*	*13 056*	*14 182*	*10 139*	*14 182*
Allocated equity (end of period)	*670*	*683*	*749*	*792*	*860*	*896*	*1 000*	*1 082*	*792*	*1 082*
Return on allocated capital (ROAC)	*97%*	*8%*	*39%*	*27%*	*55%*	*41%*	*23%*	*21%*	*41%*	*34%*
Cost/income ratio (banking activities)	*36%*	*69%*	*49%*	*67%*	*43%*	*51%*	*61%*	*67%*	*53%*	*55%*
Combined ratio (non-life insurance activities)	*98%*	*99%*	*98%*	*117%*	*111%*	*87%*	*106%*	*108%*	*103%*	*103%*

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

In order to provide more insight in the results, we provide, in the table below, a number of (non-IFRS) ‘underlying figures’. An explanation of the difference between the IFRS-figures and the underlying figures is provided in the chapter 'Group Results'.

Income statement, Czech and Slovak Republics (in millions of EUR) **UNDERLYING FIGURES (NON-IFRS)**	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	4Q 2006	cumul. FY 2005	cumul. FY 2006
Net interest income	133	138	140	150	154	163	170	185	562	671
Gross earned premiums, insurance	57	60	62	64	63	65	70	72	243	269
Dividend income	4	2	-4	1	0	1	1	0	3	2
Net gains from financial instruments at fair value	20	-1	23	20	26	19	26	22	63	92
Net realised gains from available-for-sale assets	4	2	7	6	3	0	2	6	19	11
Net fee and commission income	53	52	55	55	57	57	51	57	215	221
Other income	10	13	25	38	25	19	10	27	86	81
Gross income	281	266	308	334	327	323	329	368	1 189	1 347
Operating expenses	-133	-154	-131	-194	-138	-148	-163	-205	-612	-654
Impairment	8	-2	-23	-27	-3	-18	-7	-22	-44	-50
Gross technical charges, insurance	-55	-81	-34	-31	-41	-23	-77	-52	-201	-193
Ceded reinsurance result	-2	-3	-4	-2	-1	-1	-1	-3	-11	-6
Share in results of associated companies	0	0	0	0	0	0	0	2	0	2
Profit before tax	99	26	116	79	144	133	81	88	320	446
Income tax expense	-22	-6	-28	-9	-34	-28	-16	-21	-65	-99
Profit after tax	77	20	88	69	110	105	65	67	255	347
Minority interests	8	-1	-1	-4	1	0	0	-2	3	-1
Net profit	**85**	**19**	**87**	**66**	**111**	**105**	**64**	**66**	**257**	**346**
Banking activities	*89*	*48*	*74*	*52*	*107*	*86*	*72*	*52*	*264*	*317*
Insurance activities	*-4*	*-29*	*13*	*13*	*4*	*18*	*-7*	*14*	*-6*	*29*
Risk-weighted assets (end of period)	*8 485*	*8 621*	*9 552*	*10 139*	*11 079*	*11 613*	*13 056*	*14 182*	*10 139*	*14 182*
Allocated equity (end of period)	*670*	*683*	*749*	*792*	*860*	*896*	*1 000*	*1 082*	*792*	*1 082*
Return on allocated capital (ROAC)	*40%*	*5%*	*41%*	*29%*	*45%*	*41%*	*23%*	*21%*	*29%*	*31%*
Cost/income ratio (banking activities)	*56%*	*72%*	*49%*	*66%*	*47%*	*51%*	*61%*	*67%*	*60%*	*57%*
Combined ratio (non-life insurance activities)	*98%*	*99%*	*98%*	*117%*	*111%*	*87%*	*106%*	*108%*	*103%*	*103%*

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

Income statement, Hungary (in millions of EUR) **IFRS-FIGURES**	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	4Q 2006	cumul. FY 2005	cumul. FY 2006
Net interest income	56	56	64	60	56	53	54	56	236	219
Gross earned premiums, insurance	19	22	21	19	18	20	27	17	81	83
Dividend income	0	0	0	0	0	1	0	0	0	1
Net gains from financial instruments at fair value	25	25	23	24	25	16	33	37	97	111
Net realised gains from available-for-sale assets	0	0	0	0	0	0	1	3	1	4
Net fee and commission income	23	17	21	27	24	25	30	28	87	107
Other income	2	4	3	5	4	9	0	-2	14	11
Gross income	125	125	130	135	127	123	145	140	515	536
Operating expenses	-72	-78	-88	-78	-77	-68	-80	-73	-316	-298
Impairment	-10	-16	-5	-7	-14	-20	-11	-53	-37	-99
Gross technical charges, insurance	-12	-15	-17	-14	-10	-15	-22	-15	-58	-62
Ceded reinsurance result	-1	-1	0	-1	0	0	-1	0	-2	0
Share in results of associated companies	1	1	1	0	1	0	1	0	2	1
Profit before tax	32	16	21	35	28	20	32	-2	104	78
Income tax expense	-8	-4	-5	-8	-8	-6	-5	-1	-26	-20
Profit after tax	24	12	16	27	19	14	27	-2	79	58
Minority interests	0	0	0	0	0	0	0	0	0	0
Net profit	**24**	**12**	**16**	**27**	**19**	**14**	**27**	**-2**	**79**	**58**
Banking activities	21	10	16	26	16	12	25	-1	73	52
Insurance activities	3	3	0	1	4	2	2	-1	6	6
Risk-weighted assets (end of period)	*4 207*	*4 425*	*4 641*	*4 803*	*4 745*	*4 971*	*4 866*	*5 241*	*4 803*	*5 241*
Allocated equity (end of period)	*311*	*328*	*343*	*354*	*351*	*366*	*365*	*393*	*354*	*393*
Return on allocated capital (ROAC)	*21%*	*7%*	*12%*	*24%*	*16%*	*7%*	*22%*	*-11%*	*16%*	*8%*
Cost/income ratio (banking activities)	*65%*	*73%*	*77%*	*64%*	*67%*	*63%*	*66%*	*56%*	*70%*	*63%*
Combined ratio (non-life insurance activities)	*83%*	*88%*	*113%*	*102%*	*73%*	*98%*	*100%*	*112%*	*97%*	*100%*

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

In order to provide more insight in the results, we provide, in the table below, a number of (non-IFRS) ‘underlying figures’. An explanation of the difference between the IFRS-figures and the underlying figures is provided in the chapter 'Group Results'.

Income statement, Hungary (in millions of EUR) **UNDERLYING FIGURES (NON-IFRS)**	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	4Q 2006	cumul. FY 2005	cumul. FY 2006
Net interest income	56	56	64	60	56	53	54	61	236	223
Gross earned premiums, insurance	19	22	21	19	18	20	27	17	81	83
Dividend income	0	0	0	0	0	1	0	0	0	1
Net gains from financial instruments at fair value	25	25	23	24	25	23	32	26	97	107
Net realised gains from available-for-sale assets	0	0	0	0	0	0	1	3	1	4
Net fee and commission income	23	17	21	27	24	25	30	28	87	107
Other income	2	4	3	5	4	9	0	-2	14	11
Gross income	125	125	130	135	127	130	144	133	515	535
Operating expenses	-72	-78	-88	-78	-77	-68	-80	-73	-316	-298
Impairment	-10	-16	-5	-7	-14	-20	-11	-53	-37	-99
Gross technical charges, insurance	-12	-15	-17	-14	-10	-15	-22	-15	-58	-62
Ceded reinsurance result	-1	-1	0	-1	0	0	-1	0	-2	0
Share in results of associated companies	1	1	1	0	1	0	1	0	2	1
Profit before tax	32	16	21	35	28	27	31	-8	104	77
Income tax expense	-8	-4	-5	-8	-8	-8	-5	1	-26	-20
Profit after tax	24	12	16	27	19	19	26	-7	79	58
Minority interests	0	0	0	0	0	0	0	0	0	0
Net profit	**24**	**12**	**16**	**27**	**19**	**19**	**26**	**-7**	**79**	**58**
Banking activities	*21*	*10*	*16*	*26*	*16*	*17*	*25*	*-6*	*73*	*52*
Insurance activities	*3*	*3*	*0*	*1*	*4*	*2*	*2*	*-1*	*6*	*6*
Risk-weighted assets (end of period)	*4 207*	*4 425*	*4 641*	*4 803*	*4 745*	*4 971*	*4 866*	*5 241*	*4 803*	*5 241*
Allocated equity (end of period)	*311*	*328*	*343*	*354*	*351*	*366*	*365*	*393*	*354*	*393*
Return on allocated capital (ROAC)	*21%*	*7%*	*12%*	*24%*	*16%*	*13%*	*21%*	*-16%*	*16%*	*8%*
Cost/income ratio (banking activities)	*65%*	*73%*	*77%*	*64%*	*67%*	*63%*	*66%*	*56%*	*70%*	*63%*
Combined ratio (non-life insurance activities)	*83%*	*88%*	*113%*	*102%*	*73%*	*98%*	*100%*	*112%*	*97%*	*100%*

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

Income statement, Poland (in millions of EUR) **IFRS-FIGURES**	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	4Q 2006	cumul. FY 2005	cumul. FY 2006
Net interest income	52	69	44	60	61	48	51	53	226	213
Gross earned premiums, insurance	119	142	124	147	150	128	155	159	532	592
Dividend income	0	0	1	0	0	1	1	0	1	3
Net gains from financial instruments at fair value	16	12	11	11	8	7	12	15	49	41
Net realised gains from available-for-sale assets	16	1	4	- 5	2	3	2	6	15	14
Net fee and commission income	- 5	- 2	- 14	- 3	- 6	- 4	- 5	- 2	- 24	- 17
Other income	2	6	6	- 3	5	43	7	27	11	81
Gross income	200	228	174	206	219	226	223	259	809	927
Operating expenses	- 83	- 99	- 66	- 96	- 83	- 88	- 92	- 114	- 344	- 377
Impairment	- 2	9	0	2	- 2	- 1	10	6	9	13
Gross technical charges, insurance	- 76	- 82	- 78	- 86	- 103	- 63	- 94	- 96	- 323	- 356
Ceded reinsurance result	- 6	- 15	- 3	- 6	- 6	- 9	- 10	- 12	- 29	- 37
Share in results of associated companies	1	- 1	0	0	0	0	0	0	0	0
Profit before tax	34	42	28	20	25	66	37	42	123	170
Income tax expense	- 4	- 2	17	4	1	- 3	- 7	- 5	15	- 14
Profit after tax	30	40	45	24	26	62	30	38	138	156
Minority interests	0	0	0	0	0	0	0	0	0	0
Net profit	**30**	**40**	**45**	**24**	**26**	**62**	**30**	**38**	**138**	**156**
Banking activities	*22*	*24*	*37*	*19*	*23*	*53*	*23*	*21*	*101*	*120*
Insurance activities	*8*	*16*	*8*	*4*	*3*	*9*	*8*	*17*	*37*	*37*
Risk-weighted assets (end of period)	*3 763*	*3 407*	*3 354*	*3 257*	*3 230*	*3 270*	*3 686*	*3 936*	*3 257*	*3 936*
Allocated equity (end of period)	*383*	*368*	*363*	*361*	*364*	*362*	*394*	*414*	*361*	*414*
Return on allocated capital (ROAC)	*25%*	*35%*	*40%*	*18%*	*18%*	*58%*	*28%*	*29%*	*30%*	*32%*
Cost/income ratio (banking activities)	*72%*	*82%*	*72%*	*83%*	*72%*	*53%*	*79%*	*89%*	*78%*	*72%*
Combined ratio (non-life insurance activities)	*101%*	*93%*	*104%*	*95%*	*99%*	*94%*	*100%*	*100%*	*98%*	*98%*

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

In order to provide more insight in the results, we provide, in the table below, a number of (non-IFRS) ‘underlying figures’. An explanation of the difference between the IFRS-figures and the underlying figures is provided in the chapter 'Group Results'.

Income statement, Poland (in millions of EUR) **UNDERLYING FIGURES (NON-IFRS)**	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	4Q 2006	cumul. FY 2005	cumul. FY 2006
Net interest income	52	69	44	60	61	48	51	53	226	213
Gross earned premiums, insurance	119	142	124	147	150	128	155	159	532	592
Dividend income	0	0	1	0	0	1	1	0	1	3
Net gains from financial instruments at fair value	16	12	11	11	8	7	12	15	49	41
Net realised gains from available-for-sale assets	16	1	4	- 5	2	3	2	6	15	14
Net fee and commission income	- 5	- 2	- 14	- 3	- 6	- 4	- 5	- 2	- 24	- 17
Other income	2	6	6	- 3	5	43	7	4	11	58
Gross income	200	228	174	206	219	226	223	236	809	904
Operating expenses	- 83	- 99	- 66	- 96	- 83	- 88	- 92	- 114	- 344	- 377
Impairment	- 2	9	0	2	- 2	- 1	10	6	9	13
Gross technical charges, insurance	- 76	- 82	- 78	- 86	- 103	- 63	- 94	- 96	- 323	- 356
Ceded reinsurance result	- 6	- 15	- 3	- 6	- 6	- 9	- 10	- 12	- 29	- 37
Share in results of associated companies	1	- 1	0	0	0	0	0	0	0	0
Profit before tax	34	42	28	20	25	66	37	19	123	148
Income tax expense	- 4	- 2	17	4	1	- 3	- 7	- 2	15	- 12
Profit after tax	30	40	45	24	26	62	30	18	138	136
Minority interests	0	0	0	0	0	0	0	0	0	0
Net profit	**30**	**40**	**45**	**24**	**26**	**62**	**30**	**18**	**138**	**136**
Banking activities	22	24	37	19	23	53	23	21	101	119
Insurance activities	8	16	8	4	3	9	8	- 3	37	17
Risk-weighted assets (end of period)	*3 763*	*3 407*	*3 354*	*3 257*	*3 230*	*3 270*	*3 686*	*3 936*	*3 257*	*3 936*
Allocated equity (end of period)	*383*	*368*	*363*	*361*	*364*	*362*	*394*	*414*	*361*	*414*
Return on allocated capital (ROAC)	*25%*	*35%*	*40%*	*18%*	*18%*	*58%*	*28%*	*9%*	*30%*	*27%*
Cost/income ratio (banking activities)	*72%*	*82%*	*72%*	*83%*	*72%*	*53%*	*79%*	*89%*	*78%*	*72%*
Combined ratio (non-life insurance activities)	*101%*	*93%*	*104%*	*95%*	*99%*	*94%*	*100%*	*100%*	*98%*	*98%*

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

Income statement, Central Eastern Europe - other (in millions of EUR) **IFRS-FIGURES**	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	4Q 2006	cumul. FY 2005	cumul. FY 2006
Net interest income	- 18	- 28	- 11	- 23	- 22	- 27	- 26	- 26	- 79	- 101
Gross earned premiums, insurance	0	7	1	5	6	4	3	3	13	15
Dividend income	0	0	- 1	0	0	0	0	0	- 1	0
Net gains from financial instruments at fair value	- 3	31	- 6	- 6	- 3	0	0	- 7	17	- 10
Net realised gains from available-for-sale assets	0	- 1	0	0	0	0	0	0	- 2	0
Net fee and commission income	- 4	- 4	10	- 2	0	0	0	0	- 1	- 1
Other income	2	0	14	- 9	3	- 3	0	3	7	4
Gross income	- 24	5	8	- 35	- 16	- 27	- 23	- 27	- 45	- 93
Operating expenses	- 8	14	- 48	- 4	- 4	- 7	8	- 6	- 46	- 9
Impairment	7	- 4	- 6	- 13	0	- 4	- 1	5	- 15	- 1
Gross technical charges, insurance	9	30	- 11	- 40	- 15	- 11	- 3	- 3	- 12	- 32
Ceded reinsurance result	0	0	0	0	0	0	0	0	0	0
Share in results of associated companies	8	3	5	3	8	8	11	4	19	31
Profit before tax	- 8	49	- 51	- 89	- 28	- 41	- 8	- 26	- 99	- 104
Income tax expense	6	9	4	17	13	7	7	12	37	39
Profit after tax	- 1	58	- 47	- 72	- 15	- 34	- 1	- 14	- 62	- 65
Minority interests	- 30	- 21	- 23	- 11	- 17	- 17	- 10	- 7	- 86	- 50
Net profit	**- 31**	**36**	**- 70**	**- 83**	**- 32**	**- 51**	**- 11**	**- 21**	**- 148**	**- 116**
Banking activities	- 32	10	- 52	- 41	- 19	- 40	- 10	- 19	- 116	- 89
Insurance activities	1	27	- 17	- 43	- 13	- 11	- 1	- 2	- 32	- 27

In order to provide more insight in the results, we provide, in the table below, a number of (non-IFRS) ‘underlying figures’. An explanation of the difference between the IFRS-figures and the underlying figures is provided in the chapter 'Group Results'.

Income statement, Central Eastern Europe - other (in millions of EUR) **UNDERLYING FIGURES (NON-IFRS)**	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	4Q 2006	cumul. FY 2005	cumul. FY 2006
Net interest income	- 19	- 29	- 12	- 24	- 23	- 29	- 27	- 27	- 84	- 106
Gross earned premiums, insurance	0	7	1	5	6	4	3	3	13	15
Dividend income	0	0	- 1	0	0	0	0	0	- 1	0
Net gains from financial instruments at fair value	- 2	32	- 4	- 4	- 2	2	2	- 5	21	- 3
Net realised gains from available-for-sale assets	0	- 1	0	0	0	0	0	0	- 2	0
Net fee and commission income	- 4	- 4	10	- 2	0	0	0	0	- 1	- 1
Other income	2	0	14	- 9	3	- 3	0	3	7	4
Gross income	- 24	5	8	- 35	- 16	- 26	- 23	- 26	- 45	- 91
Operating expenses	- 8	14	- 48	- 4	- 4	- 7	8	- 6	- 46	- 9
Impairment	7	- 4	- 6	- 13	0	- 4	- 1	5	- 15	- 1
Gross technical charges, insurance	9	30	- 11	- 40	- 15	- 11	- 3	- 3	- 12	- 32
Ceded reinsurance result	0	0	0	0	0	0	0	0	0	0
Share in results of associated companies	8	3	5	3	8	8	11	4	19	31
Profit before tax	- 8	49	- 51	- 89	- 28	- 40	- 8	- 26	- 99	- 102
Income tax expense	6	9	4	17	13	7	7	12	37	38
Profit after tax	- 1	58	- 47	- 72	- 15	- 34	- 1	- 14	- 62	- 64
Minority interests	- 30	- 21	- 23	- 11	- 17	- 17	- 10	- 7	- 86	- 50
Net profit	**- 31**	**36**	**- 70**	**- 83**	**- 32**	**- 50**	**- 11**	**- 20**	**- 148**	**- 114**
Banking activities	- 32	10	- 52	- 41	- 20	- 39	- 10	- 19	- 116	- 87
Insurance activities	1	27	- 17	- 43	- 13	- 11	- 1	- 1	- 32	- 27

Annex 2.2: breakdown of the Merchant Banking business unit into ‘Commercial Banking’ and ‘Investment Banking’

The ‘Merchant Banking’ business unit consists of both Commercial Banking (mainly services to SMEs and corporate customers) as well as Investment Banking (inter alia dealing activities, securities brokerage, corporate finance,..). Below, the income statement of the Merchant Banking business unit is broken down into these two businesses.

Income statement, Commercial Banking (in millions of EUR) **IFRS-FIGURES**	1Q 2005*	2Q 2005*	3Q 2005*	4Q 2005*	1Q 2006*	2Q 2006*	3Q 2006	4Q 206	cumul. FY 2005*	cumul. FY 2006*
Net interest income	251	254	234	230	231	258	277	264	968	1 030
Gross earned premiums, insurance	78	66	76	73	85	70	81	82	293	318
Dividend income	1	10	3	1	1	7	3	1	15	12
Net gains from financial instruments at fair value	-4	-41	6	21	23	33	-12	-4	-18	39
Net realised gains from available-for-sale assets	19	13	3	48	5	17	-1	6	82	27
Net fee and commission income	24	25	24	27	22	22	5	32	101	82
Other income	19	20	18	29	17	36	26	22	86	101
Gross income	389	347	364	429	384	443	379	403	1 529	1 609
Operating expenses	-127	-102	-117	-141	-112	-115	-123	-148	-487	-498
Impairment	-17	-20	26	38	29	-17	-3	-6	28	3
Gross technical charges, insurance	-48	-42	-48	-43	-54	-45	-54	-45	-181	-198
Ceded reinsurance result	-6	-3	-3	-18	-5	2	-7	-18	-30	-29
Share in results of associated companies	0	0	0	0	0	0	0	0	0	0
Profit before tax	190	180	222	266	242	267	192	186	859	887
Income tax expense	-46	-45	-61	-72	-68	-70	-27	-53	-223	-218
Profit after tax	144	136	161	194	174	197	165	133	636	669
Minority interests	-22	-23	-24	-23	-24	-23	-23	-23	-92	-93
Net profit, group share	**122**	**113**	**138**	**170**	**151**	**173**	**142**	**110**	**543**	**576**
Banking activities	*111*	*100*	*125*	*127*	*142*	*148*	*133*	*96*	*463*	*519*
Insurance activities	*12*	*12*	*12*	*44*	*9*	*25*	*9*	*14*	*80*	*57*
Risk-weighted assets (end of period)	*37 073*	*39 327*	*39 996*	*43 698*	*44 801*	*45 308*	*48 055*	*49 593*	*43 698*	*49 593*
Allocated equity (end of period)	*2 607*	*2 759*	*2 799*	*3 051*	*3 134*	*3 163*	*3 352*	*3 460*	*3 051*	*3 460*
Return on allocated capital (ROAC)	*17%*	*16%*	*18%*	*23%*	*18%*	*21%*	*16%*	*13%*	*18%*	*17%*
Cost/income ratio (banking activities)	*39%*	*35%*	*39%*	*43%*	*35%*	*31%*	*40%*	*45%*	*39%*	*37%*
Combined ratio (reinsurance activities)	*90%*	*92%*	*88%*	*100%*	*81%*	*88%*	*96%*	*102%*	*92%*	*92%*

For a definition of ratios, see 'annex 3'.
* On a best effort basis

In order to provide more insight in the results, we provide, in the table below, a number of (non-IFRS) ‘underlying figures’. An explanation of the difference between the IFRS-figures and the underlying figures is provided in the chapter 'Group Results'.

Income statement, Commercial Banking (in millions of EUR) **UNDERLYING FIGURES**	1Q 2005*	2Q 2005*	3Q 2005*	4Q 2005*	1Q 2006*	2Q 2006*	3Q 2006	4Q 2006	cumul. FY 2005*	cumul. FY 2006*
Net interest income	264	242	222	241	208	245	284	279	969	1 017
Gross earned premiums, insurance	78	66	76	73	85	70	81	82	293	318
Dividend income	1	10	3	1	1	7	3	1	15	12
Net gains from financial instruments at fair value	-4	-15	33	5	48	37	-31	-7	19	47
Net realised gains from available-for-sale assets	19	13	3	48	5	17	-1	6	82	27
Net fee and commission income	24	25	24	27	22	22	5	32	101	82
Other income	19	20	18	29	17	36	26	22	86	101
Gross income	402	362	378	424	387	434	367	415	1 566	1 603
Operating expenses	-127	-102	-117	-130	-112	-115	-123	-148	-476	-498
Impairment	-17	-20	26	38	29	-17	-3	-6	28	3
Gross technical charges, insurance	-48	-42	-48	-43	-54	-45	-54	-45	-181	-198
Ceded reinsurance result	-6	-3	-3	-18	-5	2	-7	-18	-30	-29
Share in results of associated companies	0	0	0	0	0	0	0	0	0	0
Profit before tax	204	195	237	271	245	258	180	198	907	881
Income tax expense	-50	-50	-66	-74	-69	-67	-22	-55	-240	-213
Profit after tax	153	146	171	197	176	191	158	143	667	668
Minority interests	-22	-23	-24	-23	-24	-23	-23	-23	-92	-93
Net profit, group share	**131**	**122**	**147**	**174**	**153**	**168**	**135**	**120**	**575**	**575**
Banking activities	*119*	*110*	*135*	*130*	*144*	*142*	*126*	*106*	*495*	*518*
Insurance activities	*12*	*12*	*12*	*44*	*9*	*25*	*9*	*14*	*80*	*57*
Risk-weighted assets (end of period)	*37 073*	*39 327*	*39 996*	*43 698*	*44 801*	*45 308*	*48 055*	*49 593*	*43 698*	*49 593*
Allocated equity (end of period)	*2 607*	*2 759*	*2 799*	*3 051*	*3 134*	*3 163*	*3 352*	*3 460*	*3 051*	*3 460*
Return on allocated capital (ROAC)	*18%*	*17%*	*20%*	*23%*	*18%*	*20%*	*15%*	*14%*	*19%*	*17%*
Cost/income ratio (banking activities)	*38%*	*34%*	*37%*	*41%*	*35%*	*32%*	*41%*	*43%*	*37%*	*38%*
Combined ratio (reinsurance activities)	*90%*	*92%*	*88%*	*100%*	*81%*	*88%*	*96%*	*102%*	*92%*	*92%*

For a definition of ratios, see 'annex 3'.
* On a best effort basis

Income statement, Investment Banking (in millions of EUR) **IFRS-FIGURES**	1Q 2005*	2Q 2005*	3Q 2005*	4Q 2005*	1Q 2006*	2Q 2006*	3Q 2006	4Q 206	cumul. FY 2005*	cumul. FY 2006*
Net interest income	16	11	29	- 17	- 41	- 78	- 83	- 56	39	- 258
Gross earned premiums, insurance	0	0	0	0	0	0	0	0	0	0
Dividend income	15	28	20	17	16	33	19	28	80	95
Net gains from financial instruments at fair value	103	188	151	242	407	275	198	358	684	1 239
Net realised gains from available-for-sale assets	14	- 10	0	2	1	4	0	- 1	7	4
Net fee and commission income	34	30	31	34	20	4	16	22	130	61
Other income	0	3	6	7	0	- 4	5	7	16	8
Gross income	182	250	238	286	403	234	155	358	956	1 149
Operating expenses	- 103	- 151	- 141	- 194	- 224	- 184	- 119	- 209	- 589	- 736
Impairment	- 2	- 2	1	- 2	4	0	1	- 6	- 6	- 1
Gross technical charges, insurance	0	0	0	0	0	0	0	0	0	0
Ceded reinsurance result	0	0	0	0	0	0	0	0	0	0
Share in results of associated companies	0	0	0	1	0	1	0	0	1	1
Profit before tax	77	97	98	90	182	50	38	142	362	413
Income tax expense	- 20	- 39	- 20	- 38	- 53	- 19	- 12	- 32	- 116	- 116
Profit after tax	57	58	78	53	130	31	26	110	246	297
Minority interests	0	0	0	0	0	1	0	- 3	0	- 2
Net profit, group share	**57**	**58**	**78**	**52**	**130**	**32**	**26**	**107**	**246**	**296**
Banking activities	*54*	*57*	*57*	*61*	*119*	*31*	*21*	*92*	*229*	*263*
Insurance activities	*3*	*1*	*22*	*- 9*	*11*	*1*	*6*	*15*	*17*	*33*
Risk-weighted assets (end of period)	*10 175*	*10 950*	*11 019*	*10 650*	*9 090*	*10 627*	*9 781*	*10 300*	*10 650*	*10 300*
Allocated equity (end of period)	*692*	*745*	*749*	*724*	*618*	*723*	*665*	*700*	*724*	*700*
Return on allocated capital (ROAC)	*35%*	*34%*	*43%*	*28%*	*76%*	*18%*	*13%*	*61%*	*36%*	*40%*
Cost/income ratio (banking activities)	*57%*	*60%*	*59%*	*68%*	*56%*	*79%*	*77%*	*58%*	*62%*	*64%*

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

* On a best effort basis

In order to provide more insight in the results, we provide, in the table below, a number of (non-IFRS) 'underlying figures'. An explanation of the difference between the IFRS-figures and the underlying figures is provided in the chapter 'Group Results'.

Income statement, Investment Banking (in millions of EUR) **UNDERLYING FIGURES**	1Q 2005*	2Q 2005*	3Q 2005*	4Q 2005*	1Q 2006*	2Q 2006*	3Q 2006	4Q 206	cumul. FY 2005*	cumul. FY 2006*
Net interest income	0	0	0	0	0	0	0	0	0	0
Gross earned premiums, insurance	0	0	0	0	0	0	0	0	0	0
Dividend income	0	0	0	0	0	0	0	0	0	0
Net gains from financial instruments at fair value	98	192	199	216	340	180	132	294	705	945
Net realised gains from available-for-sale assets	0	0	0	0	0	0	0	0	0	0
Net fee and commission income	84	58	40	70	63	54	23	64	252	204
Other income	0	0	0	0	0	0	0	0	0	0
Gross income	182	250	238	286	403	234	155	358	956	1 149
Operating expenses	- 103	- 151	- 141	- 194	- 224	- 184	- 119	- 209	- 589	- 736
Impairment	- 2	- 2	1	- 2	4	0	1	- 6	- 6	- 1
Gross technical charges, insurance	0	0	0	0	0	0	0	0	0	0
Ceded reinsurance result	0	0	0	0	0	0	0	0	0	0
Share in results of associated companies	0	0	0	1	0	1	0	0	1	1
Profit before tax	77	97	98	90	182	50	38	142	362	413
Income tax expense	- 20	- 39	- 20	- 38	- 53	- 19	- 12	- 32	- 116	- 116
Profit after tax	57	58	78	53	130	31	26	110	246	297
Minority interests	0	0	0	0	0	1	0	- 3	0	- 2
Net profit, group share	**57**	**58**	**78**	**52**	**130**	**32**	**26**	**107**	**246**	**296**
Banking activities	*54*	*57*	*57*	*61*	*119*	*31*	*21*	*92*	*229*	*263*
Insurance activities	*3*	*1*	*22*	*- 9*	*11*	*1*	*6*	*15*	*17*	*33*
Risk-weighted assets (end of period)	*10 175*	*10 950*	*11 019*	*10 650*	*9 090*	*10 627*	*9 781*	*10 300*	*10 650*	*10 300*
Allocated equity (end of period)	*692*	*745*	*749*	*724*	*618*	*723*	*665*	*700*	*724*	*700*
Return on allocated capital (ROAC)	*35%*	*34%*	*43%*	*28%*	*76%*	*18%*	*13%*	*61%*	*36%*	*40%*
Cost/income ratio (banking activities)	*57%*	*60%*	*59%*	*68%*	*56%*	*79%*	*77%*	*58%*	*62%*	*64%*

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

* On a best effort basis

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'. The cover ratio may also include the individual impairment on still performing loans and portfolio-based impairments.
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.