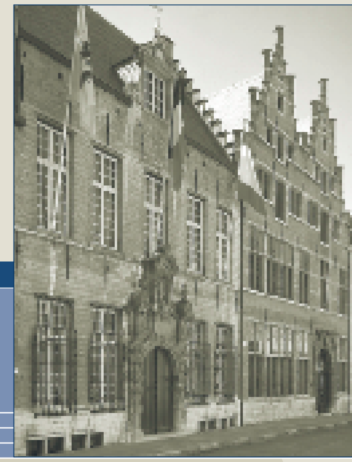
Annual report 2004

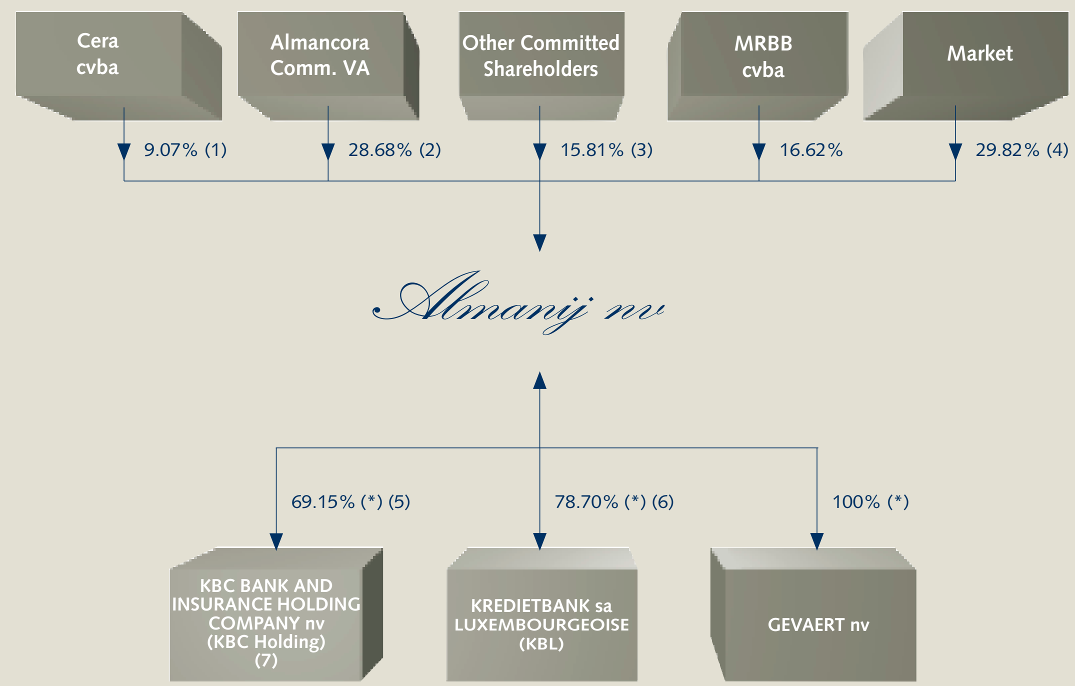
Almanij



Almanij

Annual report 2004

GROUP STRUCTURE AS AT 31 DECEMBER 2004



(*) The percentages given concern the share of the Almanij Group in capital, excluding the shares held for trading purposes.

(1) 3.95% of which contributed in concert with Almancora and the Other Committed Shareholders.
(2) 11.86% of which contributed in concert with Cera and the Other Committed Shareholders.
(3) This percentage was contributed in concert with Almancora and Cera.
(4) 1.12% of which temporarily with companies of the Almanij Group (including 0.16% held for trading purposes).
(5) Including share participations of 1.66%, 0.22% and 0.11% held by KBC group, KBL and Gevaert respectively.
(6) Including the participations of 6.58% and 5.48% held by Kredietcorp and Gevaert respectively.
(7) As a financial holding company, KBC Holding is the umbrella organization for the activities of KBC Bank, KBC Insurance and KBC Asset Management, in which (directly and indirectly) it holds a 100% interest.

KBC

KBL Kredietbank Luxembourg

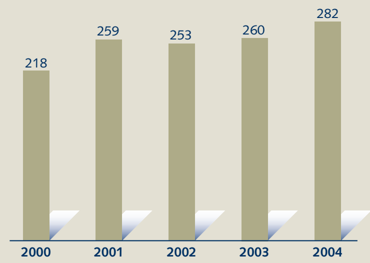
GEVAERT Naamloze Vennootschap

KEY FIGURES – BALANCE SHEET AND SOLVENCY (1)

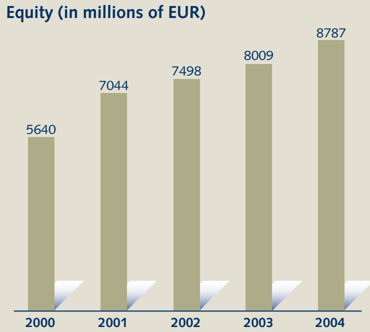
(in millions of EUR)

	2000	2001	2002	2003	2004
Total assets, Group	**217 574.2**	**259 302.3**	**252 780.0**	**259 629.3**	**282 014.9**
Capital and reserves, Group	**5 639.8**	**7 043.7**	**7 497.8**	**8 008.8**	**8 787.1**
Risk equity, Group (2)	**19 575.7**	**20 438.5**	**19 927.1**	**20 537.0**	**20 802.4**
Banking					
Loans and advances to customers	84 184.0	92 153.8	103 525.4	95 346.4	111 077.3
Securities	65 108.9	73 144.2	71 209.4	78 059.3	81 587.2
Amounts owed to customers and debts represented by securities	123 203.8	146 980.0	154 299.8	149 780.7	164 019.6
Insurance					
Investments (3)	10 545.9	11 602.8	12 870.3	14 329.8	18 182.5
Net technical provisions (4)	9 209.7	10 145.2	11 423.7	13 435.8	16 932.0
Investment activities, specialized financial services and proprietary holding-company activities					
Financial fixed assets	1 229.2	1 064.0	1 078.7	917.2	816.3
Cash investments and cash resources	478.5	581.5	685.6	673.3	799.0
Financial liabilities	2 112.8	1 950.7	2 513.9	2 220.2	2 220.8
Solvency, Banking (in %)					
Tier-1 ratio, KBC Bank	9.5%	8.8%	8.8%	9.5%	10.1%
Tier-1 ratio, KBL	8.3%	7.6%	8.5%	10.0%	9.2%
CAD ratio, KBC Bank	16.0%	14.7%	13.7%	13.4%	12.9%
CAD ratio, KBL	11.9%	11.8%	13.1%	15.4%	14.1%
Solvency, Insurance (in %)					
Solvency ratio (lowest of implicit and explicit ratio)	307%	318%	306%	316%	389%

Balance sheet total (in billions of EUR)



Equity (in millions of EUR)

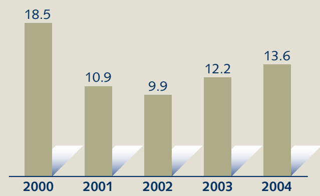


KEY FIGURES – RESULTS AND PROFITABILITY (1)

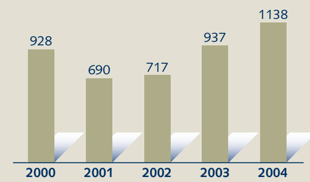
(in millions of EUR)

	2000	2001	2002	2003	2004
Profit for the financial year	**1 555.8**	**1 218.0**	**1 258.0**	**1 407.9**	**1 876.9**
Share of the Almanij Group	**928.3**	**689.8**	**717.5**	**937.2**	**1 137.7**
Minority interests	528.2	528.2	540.5	470.7	739.2
Contribution, banking	640.2	550.0	569.8	685.2	1 070.3
Contribution, insurance	216.6	243.8	229.9	187.3	143.0
Contribution, investment activities	72.6	-70.7	-44.5	83.3	-35.8
Contribution, specialized financial services and proprietary holding-company activities (5)	-1.1	-33.1	-37.7	-18.6	-39.8
Return on equity (in %) (6)	**18.5%**	**10.9%**	**9.9%**	**12.2%**	**13.6%**
Banking					
Gross income	5 535.3	5 771.8	6 617.6	6 445.7	6 734.6
of which: interest income (7)	2 774.2	2 989.4	3 571.6	3 563.6	3 477.8
net commission income	1 389.6	1 399.1	1 425.1	1 568.1	1 750.1
capital gains	257.1	276.5	444.4	263.3	290.3
General administrative expenses	-3 658.7	-4 080.7	-4 350.4	-4 237.4	-4 216.5
Cost/income ratio (in %)	66.1%	70.7%	65.7%	65.7%	62.6%
Write-downs and provisions	-433.3	-415.0	-697.1	-678.7	-214.7
Insurance					
Net earned premiums: Non-Life	769.2	820.1	910.3	1 047.6	1 428.0
Life	1 881.3	1 688.4	2 245.6	2 438.4	3 610.0
Gross margin (8)	747.9	809.3	852.2	847.3	985.5
General administrative expenses	-374.3	-407.0	-456.5	-499.0	-662.9
Combined ratio, Non-Life (in %)	106.6%	103.8%	105.1%	96.0%	95.0%
Non-recurring result	25.3	7.8	-0.1	-35.0	-33.8
Investment activities, specialized financial services and proprietary holding-company activities					
Income from the realization of investment portfolio securities and valuation differences	65.9	-4.9	-63.8	4.5	26.3

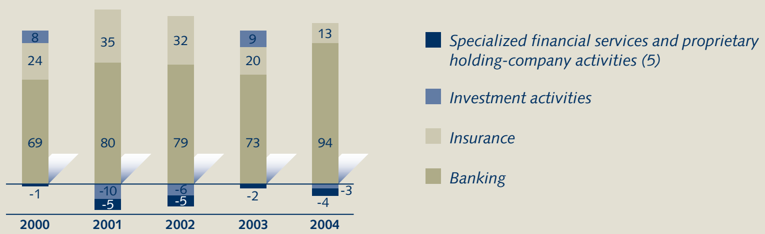
Return on average equity (in %)



Consolidated profit (in millions of EUR)



Profit contribution by activity (in %)

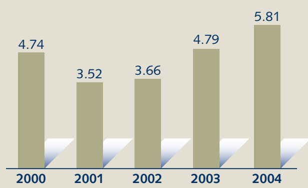


KEY FIGURES PER SHARE AND STOCK MARKET DATA (1)

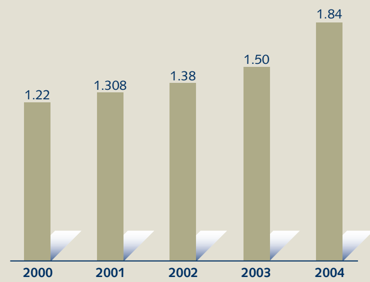
(in EUR)

	2000	2001	2002	2003	2004
Number of shares outstanding as at the end of the financial year	195 823 772	195 823 772	195 823 772	195 823 772	195 823 772
Earnings per share (Group share)	4.74	3.52	3.66	4.79	5.81
Gross dividend (9)	1.22	1.308	1.38	1.50	1.84
Net dividend per ordinary share	0.92	0.981	1.035	1.125	1.38
Payout ratio (in %) (10)	25.79%	37.23%	37.77%	31.41%	26.9
Net asset value per share	28.8	36.0	38.3	40.9	44.9
Highest price	51.55	45.12	44.70	40.55	77.00
Lowest price	34.30	32.00	30.46	25.11	40.28
Average price	43.59	39.86	37.64	34.72	52.94
Closing price, 31 December	41.40	37.50	32.51	40.28	75.30
Price / earnings	8.7	10.7	8.9	8.4	13.0
Price / carrying value, capital and reserves	1.4	1.0	0.8	1.0	1.7
Stock market capitalization as at 31 December (in millions of EUR)	8 107.1	7 343.4	6 366.2	7 888.0	14 745.5
Average daily volume traded (number of shares)	81 130	85 363	82 000	91 867	159 726
Average daily volume traded (in millions of EUR)	3.5	3.4	3.1	3.2	8.5

Net profit per share (in EUR)



Gross dividend per share (in EUR)



(1) In 2001, the fund for general banking risks (FGBR) was transferred to reserves, without the transfer having to occur via the profit and loss account. The reference figures for previous financial years are given in this table as they were published in those years. For calculation of the ROE, the annual allocation to/withdrawal from the FGBR and the FGBR itself were added retroactively to net profit and capital and reserves respectively.
Result figures for 2000 exclude the realized gain on the sale of the participation in CCF (the impact on Almanij's net profit amounted to 442 million euros).
(2) Capital and reserves, minority interests, the fund for general banking risks (FGBR) and subordinated loans.
(3) Including unit-linked life assurance products (class 23), i.e. 'Investments for the benefit of life assurance policyholders who bear the investment risk'.
(4) Technical provisions, net of reinsurers' share, including unit-linked life assurance products (class 23).
(5) Since 2003, specialized financial services have been included under investment activities.
(6) For calculation of the ROE, account was taken of the derogation granted by the Banking, Finance and Insurance Commission in respect of the immediate deduction from capital and reserves of goodwill paid on acquisitions in 1999, 2000 and 2001 in the banking and insurance business. Were that goodwill to have been capitalized and amortized over twenty years, the ROE would have amounted to 11.2% for 2004.
(7) Including dividends.
(8) Consisting of premiums, technical charges and investment income.
(9) For 2004, a joint dividend of 1.84 euros per share will be paid to all KBC Group shareholders. In consequence of the merger on 2 March 2005 with the KBC Bank and Insurance Holding Company, Almanij shares have been converted at the ratio of one Almanij share to 1.35 KBC shares.
(10) Total gross dividend/(consolidated profit - directors' entitlements).
The total dividend paid out to all shareholders of the KBC Group for 2004 is charged pro rata temporis to the joint profit of Almanij and the KBC Bank and Insurance Holding Company. The payout ratio is therefore less relevant.

Almanij

naamloze vennootschap

Reports on the 2004 financial year

Registered office:

Schoenmarkt 33, B-2000 Antwerpen

Administrative office:

Snydershuis, Keizerstraat 8, B-2000 Antwerpen

Company number BTW BE 0403 211 479

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BOARD OF DIRECTORS (*)

Jan Huyghebaert, *Chairman*

Philippe Vlerick, *Deputy-Chairman*

Luc Philips, *Managing Director*

Georges Beerden

Paul Borghgraef

Paul Bostoen

Cecile Cambien

Luc Debaillie

Noël Devisch

Rik Donckels

Beatrice Dubaere-Van Houtte

Marc Francken

Alex Geets

Jean-Marie Géradin

Dirk Heremans, *independent director*

Thierry Konings

Christian Leysen

Lexsearch bvba, *independent director*

(permanently represented by Walter Van Gerven)

Xavier Liénart

Lode Morlion

Philippe Naert, *independent director*

Marita Orlent-Heyvaert

Gustaaf Sap

Alain Tytgadt

Guido Van Roey

Jozef Van Waeyenberge

Germain Vantieghem

MANAGEMENT COMMITTEE (*)

Jan Huyghebaert, *Chairman*

Paul Borghgraef

Noël Devisch

Rik Donckels

Luc Philips

Alain Tytgadt

Germain Vantieghem

Philippe Vlerick

AUDIT COMMITTEE (*)

Philippe Naert, *Chairman*

Alex Geets

Dirk Heremans

Xavier Liénart

Jozef Van Waeyenberge

APPOINTMENTS AND REMUNERATIONS COMMITTEE (*)

Philippe Naert, *Chairman*

Rik Donckels

Philippe Vlerick

MANAGEMENT (*)

May Van Bedts

Investor Relations and Finance

Philippe Verly

Secretary to the Board of Directors

BOARD OF AUDITORS (*)

Ernst & Young Bedrijfsrevisoren bcv

permanently represented by

Mrs. Danielle Vermaelen and/or Mr. Jean-Pierre Romont

Klynveld Peat Marwick Goerdeler Bedrijfsrevisoren bcv

permanently represented by

Mr. Pierre P. Berger

(*) Situation to 2 March 2005, the date when the Extraordinary General Meetings of Shareholders of Almanij and the KBC Bank and Insurance Holding Company resolved upon a merger of the two companies.

LETTER FROM THE CHAIRMAN

Not really 'farewell' to Almanij

On 2 March 2005, Almanij was 'merged by absorption' – as the expression is – by KBC. It was naturally a moment for nostalgia among all those who have been involved in the life of Almanij.
Nevertheless – and rightly so – a joyful sphere prevailed, because the goals for which the company had been established had been amply achieved. Moreover, as an observer remarked, the old Almanij lives forth in the new KBC.

There will be other opportunities to pen the history of our company. Indeed, that has already been done in part in the book *Mensen maken geschiedenis* (People Make History) published on the occasion of the old Kredietbank's fiftieth anniversary.

The profile of Almanij changed radically in 1978, when the company became a three-pool administrative holding company, with the Kredietbank and Kredietbank sa Luxembourgeoise as its principal subsidiaries. Pool II grouped a number of institutions providing specialized financial services.
This structure permitted the expansion of KB and KBL within a decentralized model and provided the stimulus to build up insurance, leasing and risk capital activities.

Following Almanij's merger with Gevaert it was possible to realize the large-scale merger between the Kredietbank, Cera Bank and the insurance company ABB. This was implemented at Almanij level, with a leverage effect on KBC as a result.
Almanij was confirmed as the anchor of the new company and as guiding holding company.

The laurels for the realization of the successful integration go to the management and staff of KBC, but the framework, the long-term view and active support were provided by Almanij.

Towards the end of 2004, the decision was taken to proceed to merging Almanij with KBC, with a unity of strategy, capital and management. The merger would moreover remove the holding discount and lead to greater transparency and liquidity, as desired by the international markets.

With effect from 2 March 2005, work has been under way to achieve operational integration, synergy between KBC and KBL, and the repositioning of the private equity and real estate activities, to prepare the future organizational model and to tackle the strategic challenges.
Again, daily responsibility rests with the competent leaders of the KBC Group and the Group's management cadres and staff at home and abroad.
Via the weight of their argument within the General Meeting and their active presence in the Boards of Directors of KBC Group, however, the anchors of the old Almanij – more particularly, Cera-Almancora, the Other Committed Shareholders and the MRBB – will continue to guarantee stability, underpin dynamism and enthusiasm, and guide the management to a new and successful future.

Jan Huyghebaert
Chairman

HISTORY OF ALMANIJ

1922: incorporation of the company Belgische Onderlinge Verzekeringen, the forerunner of ABB Verzekeringen

After the difficult years that follow the First World War, the Belgische Boerenbond (Belgian Farmers League) sets up the company Belgische Onderlinge Verzekeringen nv (BOV – Belgian Mutual Insurance) to provide a safety-net for farmers and other clients. It is the forerunner of ABB Verzekeringen, which is to become a leading insurer in Belgium.

1931: incorporation of Almanij

Between 1925 and 1935, in the midst of the worldwide financial crisis, a restructuring of the Belgian financial sector becomes an urgent necessity. The Algemeene Bankvereeniging (General Banking Association), a commercial bank, regroups its industrial assets in Belgium and Hungary into a new holding company called Almanij (short for Algemene Maatschappij voor Nijverheids-krediet – General Company for Industrial Credit).

1935: incorporation of the Kredietbank

The Middenkredietkas (Central Credit Fund), the parent company of the Algemeene Bankvereeniging, is in danger of going into liquidation. Following restructuring, which gains government approval, a new and independent bank, the Kredietbank, comes into being. Almanij sells its industrial assets and in the restructuring process becomes a shareholder of the Kredietbank.

Traditionally, the Spaar- en Leningorganisaties (Savings and Loan organizations) of the Belgische Boerenbond – later to become CERA – have recourse to the Middenkredietkas to invest deposits. In consequence of the restructuring, they become savings banks for a predominantly rural clientele of private individuals and develop independently of the Kredietbank.

1949: incorporation of Kredietbank sa Luxembourgeoise (KBL)

The reconstruction after the Second World War and accelerating economic growth open the way to international expansion for the Kredietbank. The first initiative in this respect is the incorporation of KBL.

The Kredietbank expands rapidly and becomes the third biggest bank in Belgium, besides boasting a growing international network and a rising international reputation.

1978: refining of the Group structure, with Almanij as core company

Expanding international activity, an increasing emphasis on cultural matters and identity, and changes in the regulatory framework lead to a redefinition of the Almanij-Kredietbank Group within a three-pillar structure: 1) the Kredietbank; 2) the insurance companies, including Fidelitas (the present Fidea) and other specialized financial institutions active in leasing and other sectors; and 3) the private bank KBL.

1991: full banking licence for CERA

The co-operative CERA savings banks enjoyed rapid growth during Flanders' post-war development. As a result of the expansion and growth of their activities, they are granted recognition as a fully fledged bank, with the attendant licences. Both CERA Bank and MRBB (which manages the movables of the Belgische Boerenbond) restructure their group, including the shareholdership of ABB Verzekeringen, which has enjoyed nearly 70 years of profitable growth.

1997: Gevaert and Almanij join forces

When, in 1981, Agfa-Gevaert is sold to Bayer, the Belgian shareholders set up an investment company to manage the proceeds of the sale. That company retains the name Gevaert and expands its activities in Belgium and abroad.

In 1997, the General Meeting of Gevaert resolves to split the company: approximately one half of the assets are transferred to Copeba, long a prominent and important shareholder of Gevaert, the other half remaining with the revamped Gevaert. In consequence of the exchange of and conversion to Almanij shares, Almanij acquires control of Gevaert and is thus able to reinforce its capital base and to increase its technical know-how as regards investment.

1998: incorporation of the KBC Bank and Insurance Holding Company

The Kredietbank and Almanij – including Fidelitas – on the one hand, and CERA Bank and ABB Verzekeringen, on the other, join forces and integrate their activities. The KBC Bank and Insurance Holding Company resulting from that, with Almanij as parent company, occupies a strong and leading position on the Belgian financial market and has the potential to grow further, thanks to a minimal critical mass, a sound and stable capital base and more wide-ranging expertise.

During the first years of its existence, KBC gains a leading position in the banking sector in Central Europe and comes to match this in the insurance sector there, too.

2000: restructuring of Cera Holding

In 1998, the 468 000 co-operative members of CERA Bank resolve to operate within a new co-operative structure. That structure, Cera Holding, is given a twofold task: to respect the co-operative spirit and to provide the Almanij Group with a platform of committed shareholders.

At the beginning of 2001, the assets of Cera Holding, consisting virtually entirely of Almanij shares, are allotted as follows: approximately 25% remain with Cera Holding, in order to finance the social and cultural initiatives that the co-operative members wish to support, and approximately 75% are contributed to a *commanditaire vennootschap op aandelen* (limited partnership with share capital), Almancora Comm.VA. This particular structure reconciles the stability of the Almanij shareholdership with the desired liquidity for co-operative-member investment.

2001: listing of Almancora on Euronext

The listing of Almancora on Euronext is obtained in order to promote the liquidity of that portion of co-operative-member assets contributed to Almancora.

Additionally, Cera Holding reinforces its capital base by a successful issue of new co-operative shares.

2002: Almanij acquires all outstanding Gevaert shares

Via a public bid, followed by a public buyout bid, Almanij acquires all Gevaert shares that it did not yet hold. In consequence of this operation, the stock-market listing of the Gevaert share is scrapped.

2004: transfer of Almafin

Within the context of an internal arrangement and with a view to simplifying Group Structure, Almanij transfers its 100% participation in Almafin to Gevaert.

2005: new structure for the Almanij-KBC Group: KBC Group NV

The Extraordinary Annual Meetings of Shareholders of Almanij and the KBC Bank and Insurance Holding Company of 2 March 2005 approve the proposal to proceed to the legal merger of Almanij and the KBC Bank and Insurance Holding Company.

With effect from 2 March 2005, the new company bears the name KBC Group NV.

HIGHLIGHTS OF 2004

JANUARY	■ **KBC Bank** and Rabobank Nederland decide to set up a joint cross-border platform for the settlement of securities transactions. In consequence, Orbay NV is established on 23 September 2004.
	■ Following closure of the subscription period for the public offer made by **KBC Insurance** in December 2003 for all the outstanding shares of *WARTA*, the second-largest insurer in Poland, the participation in that company now amounts to 75.31%.
MARCH	■ **KBC Bank** acquires an additional 4.39% interest in *ČSOB Bank* (The Czech Republic and Slovenia), bringing its total participation up to 89.71%.
	■ **KBL Group European Private Bankers** announces the acquisition of *Puilaetco Bankers*, one of the major players in Private Banking in Belgium, whereby its presence in Europe in that activity is extended to eleven countries.
JULY	■ **Almanij** transfers its 100% participation in *Almafin* to **Gevaert**.
NOVEMBER	■ **Agfa-Gevaert** announces a definitive agreement in respect of the disinvestment of the entirety of the activities of its *Consumer Imaging Division* via a management buy-out/in. Agfa-Gevaert also sells *Agfa Monotype*, a supplier of fonts. With the acquisition of the German *GWI*, Agfa-Gevaert reinforces its position as a leading player in the hospital IT.
	■ **KBC Bank**'s establishment in Shanghai is granted two additional banking licences.
DECEMBER	■ **Almanij** and the **KBC Bank and Insurance Holding Company** announce their intention to proceed to a merger, which will be accomplished by the former being taken over by the latter. At the same time, **Almanij** announces an unconditional public bid for the ordinary and preferential shares of *Kredietbank sa Luxembourgeoise* not yet held by the Group. The bid is successfully closed on 14 February 2005 and results in the Group's participation rising to 96.7%.
	■ The Italian **Fumagalli Soldan**, a member of the European Private Bankers network, reinforces its capital base to the tune of 22 million euros and obtains a banking licence.

Information for the shareholder

1. Composition of the portfolio (as at 31 December 2004) (*)

Participation		Number of shares held	Total number of shares outstanding	Participation in the capital (in %)
KBC Bank and Insurance Holding Company:	ordinary shares	208 788 072	310 849 427	67.17%
KBL:	ordinary shares	14 405 859 (1)	18 353 387	78.49% (2)
	preferential shares	479 080	1 975 320	24.25% (2)
Gevaert		25 779 600	25 779 600	100.00%
Irish Life & Permanent		5 947 794	269 690 752	2.21%
Ardatis		61 713	323 861	19.06%
Other net assets		(3)		

(*) This table lists the portfolio of Almanij nv. The 100% participation in Kredietcorp is broken down into its component parts: more particularly, KBL shares and other net assets.

(1) Of these, Almanij holds 13 067 882 directly and 1 337 977 indirectly via Kredietcorp.

(2) The overall share of Almanij and Kredietcorp in the total capital of KBL amounts to 73.2%. The total Group share in KBL, i.e. including the interests held by Gevaert, amounts to 78.7%. The corresponding total voting rights in KBL amount to 84.6%.

(3) Other net assets include loans and advances to Group companies (50 million euros), other current assets (151 million euros) and the outstanding liabilities (-493 million euros) of Almanij and Kredietcorp.

2. Share information (1)

Stock market listing: Continual market, Euronext Brussels
Ordinary Almanij share: ALM ISIN: BE0003703171
Almanij VV strip: ALMS ISIN: BE0005530010
Reuters: ALMB.BR
Bloomberg: ALMB BB

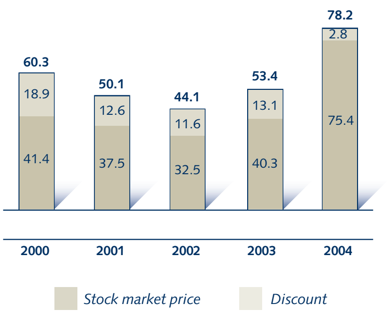
The Almanij share forms part of the BEL20 Index, the Eurostoxx Banking Index and the NextPrime segment of Euronext, among others.

Number of Almanij shares (as at 31 December 2004): 195 823 772
Number of Almanij VV strips (as at 31 December 2004): 13 027 997

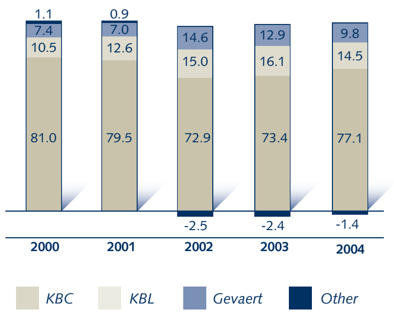
Stock market price of the Almanij share as at 31 December 2004 (last stock exchange day): 75.40 euros.
Stock market quotation of the Almanij VV strip as at 31 December 2004 (last stock exchange day): 0.13 of a euro.

Net asset value (2) (from 2000 to 2004)

Net asset value per share (in EUR)



Composition (in %)

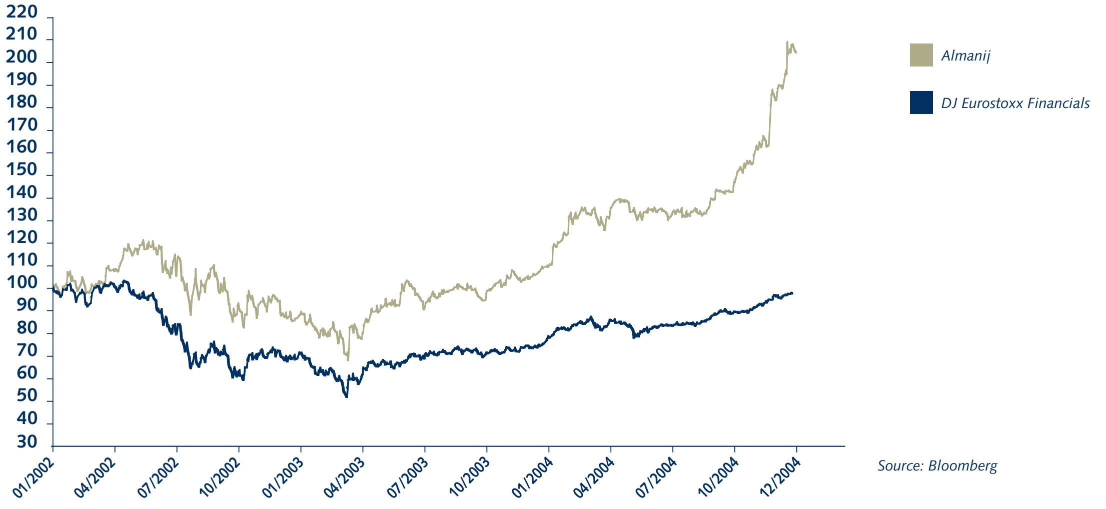


[1] In consequence of the merger between Almanij and the KBC Bank and Insurance Holding Company on 2 March 2005, Almanij's stock market listing was scrapped on 3 March 2005.

[2] Method: - listed shares valued at stock market price
- unlisted shares valued on the basis of an estimate of the real value.

Stock market price trend (from January 2002 to December 2004)

Relative trend of the Almanij share price and the DJ Eurostoxx Financials Index: 02.01.2002 = 100

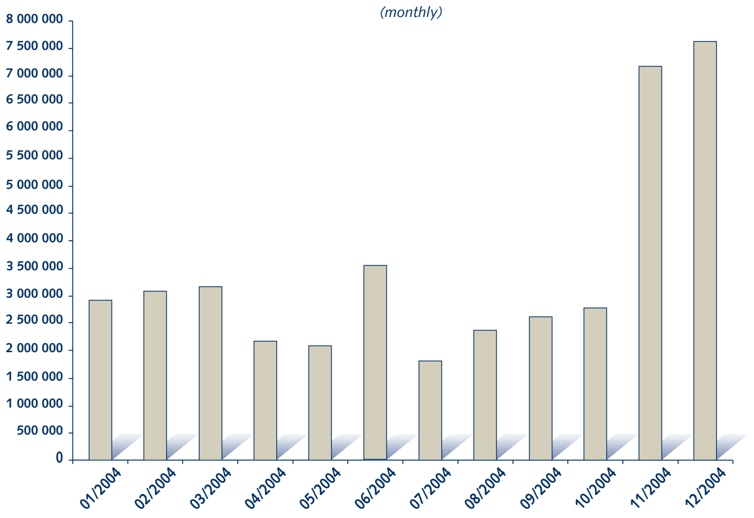


Source: Bloomberg

Volumes traded during 2004

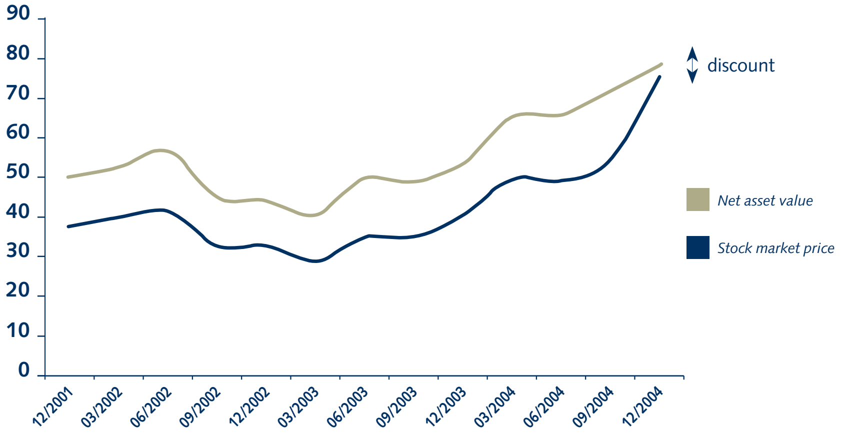
A total of 41 500 000 (rounded off) Almanij shares were traded in 2004 *(source: Bloomberg)*.

The average monthly volume of Almanij shares traded in 2004 was 3 500 000 (rounded off), with an average daily volume of 160 000 (rounded off) *(source: Bloomberg)*.



Trend of the net asset value and the stock market price (from 2002 to 2004)

In EUR per share

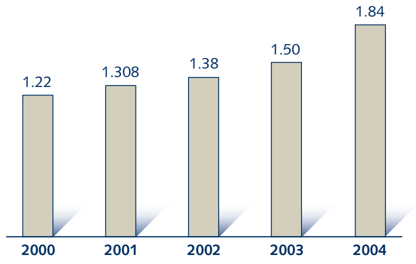


Return

Period held	Total return for the shareholder, with reinvestment of dividends (in %)	Annualized (in %)
1 year (2003-2004)	92.57	92.57
3 years (2001-2004)	122.31	30.48
5 years (1999-2004)	67.77	10.89
7 years (1997-2004)	95.19	10.02

Trend of the gross dividend (from 2000 to 2004)

Gross dividend per share (in EUR)



3. Shareholders and capital

Shareholdership as at 31 December 2004

	In %	Number of shares
Cera cvba	9.07% (1)	17 756 357
Almancora Comm. VA	28.68% (2)	56 159 510
Other Committed Shareholders	15.81% (3)	30 967 997
MRBB cvba	16.62%	32 552 562
Other	29.82% (4)	58 387 346
Total number of shares issued	**100%**	**195 823 772**

(1) 3.95% of which contributed in concert with Almancora and the Other Committed Shareholders.
(2) 11.86% of which contributed in concert with Cera and the Other Committed Shareholders.
(3) This percentage was contributed in concert with Almancora and Cera.
(4) 1.12% of which temporarily with companies of the Almanij Group (including 0.16% held for trading purposes).

Shareholdership structure and situation of the capital (as at 31 December 2004)

Shareholdership structure

As appears from the notifications received pursuant to the Law of 2 March 1989 concerning the disclosure of major participations in listed companies and the regulation of public takeover bids, on the one hand, and the provisions of the Companies Code, on the other, the shareholdership structure is as below.

Law of 2 March 1989

The following notifications have been received by Almanij:

- On 4 June 1998, the Maatschappij voor Roerend Bezit van de Belgische Boerenbond cv (MRBB, for short), Minderbroedersstraat 8, 3000 Leuven, acting in its own name, disclosed that it had a participation of 16.87% in Almanij, calculated on the basis of a total of 193 472 487 existing shares.
- On 18 December 1998, Cera Holding cv, Brusselsesteenweg 100, 3000 Leuven, acting in its own name, disclosed that it had a participation of 99.99% in Cera Ancora nv (the present Almancora Comm.VA), Brusselsesteenweg 100, 3000 Leuven. On the same day, this last disclosed that it had a participation of 18.85% in Almanij, calculated on the basis of a total of 193 472 487 existing shares.
  Of this latter participation, 15.94%, calculated on the basis of a total of 194 268 430 existing shares, was subsequently included in the following notification of 15 December 1999 by a group of persons acting in concert.
- On 15 December 1999, Mr. F.C. Collin, Begijnenvest 93, 2000 Antwerp, acting as proxy for a group of persons acting in concert, disclosed that that group had a participation of 1.07% in Almanij by way of shares held by natural persons, a participation of 21.40% by way of shares held by Belgian legal persons, and a participation of 9.41% by way of shares held by foreign legal persons, being a total of 31.88%, calculated on the basis of a total of 194 268 430 existing shares.
- On 16 January 2001, Cera Holding cvba, Brusselsesteenweg 100, 3000 Leuven, acting in its own name, disclosed that it had a participation of 9.32% in Almanij, calculated on the basis of a total of 195 823 772 existing shares.
- On 16 January 2001, Almancora Comm.VA (formerly Cera Ancora nv), Brusselsesteenweg 100, 3000 Leuven, acting in its own name, disclosed that it had a participation of 28.33% in Almanij, calculated on the basis of a total of 195 823 772 existing shares.
- On 20 December 2001, Almancora Comm.VA, Philipssite 5 post box 10, 3001 Leuven, acting in its own name and as proxy for Cera Holding cvba, disclosed a redistribution of the participation of 15.81% contributed by Almancora in concert with the Other Committed Shareholders (likewise 15.81%). In consequence of the redistribution, the percentage of the

participation contributed by Almancora was reduced to 11.86%, whereas Cera Holding, for its part, contributed a participation of 3.95% in concert. This is calculated on the basis of a total of 195 823 772 existing shares.

Certain of the above official percentages have been updated in the diagram of the Group structure (see front cover) and the diagram of the shareholdership (see p. 13).

Companies Code

As at 31 December 2004, the following totals of Almanij shares were held by the following Group companies:

Centea nv,
Mechelsesteenweg 180, BE-2018 Antwerp: 96 308 shares
Gebema nv,
Septestraat 27, BE-2640 Mortsel: 1 626 126 shares
KBC Securities nv,
Havenlaan 12, BE-1080 Brussels: 321 701 shares
Kredietbank sa Luxembourgeoise,
43, boulevard Royal, LU-2955 Luxembourg: 150 078 shares.

During 2004, Almanij had no recourse to the authorization granted by the General Meeting to buy in shares.
As at 31 December 2004, Almanij held none of its own shares.

Of a total of 195 823 772 existing shares, the above number of shares held by Group companies together represent 2 194 213 or 1.12%, compared to 1.07% as at the end of 2003. Excluding the participations of KBC Securities, the percentages were 0.96% and 1.05% respectively.

Equity capital

As at 31 December 2004, Almanij's equity capital remained unchanged at 625 704 468 euros, represented by 195 823 772 ordinary shares of no par value.

The equity capital is paid up and there are no share certificates that do not represent the capital.

Development of capital over the past five years

		Capital after operation	Total number of shares
31.12.1999	Capital	620 734 764 EUR	194 268 430
13.10.2000	Capital increase through exercise of 1 555 342 put warrants and simultaneous contribution of an equal number of Gevaert shares: creation of 1 555 342 shares at the equivalent of 1 417 Belgian francs per share	625 704 468 EUR	195 823 772

Amount by which capital may be increased

The authority of the Board of Directors to increase the equity capital – as the case may be via the issue of subordinated or unsubordinated convertible bonds or warrants and possibly with the suspension or limitation of the pre-emptive right of existing shareholders – was renewed by the Extraordinary General Meeting of Shareholders of Almanij of 5 June 2002 to 625 704 468 euros and may be exercised until 3 July 2007. The Board of Directors may also make use of this authority to defend the company against a takeover bid for its shares. However, the term of this latter authority is limited to three years and was consequently renewed at the Extraordinary General Meeting of 2 June 2004, in order for it to be possible for the authority to be exercised until 2 June 2007.

Report of the Board of Directors

The Board of Directors of Almanij hereby reports on the activities of the Almanij Group during its 73rd financial year, which was closed as at 31 December 2004.

The present report provides a review of the results and strategic developments of Almanij during 2004.
Thereafter, it continues with an outline of the development of activities in respect of the following areas of activity: banking, insurance, the investment company Gevaert and other specialized financial services, and proprietary holding-company activities. Following this is a review of the development of activity at the company Almanij.
Dealt with finally are risk management, the appropriation of profit and the dividend, the discharge to the directors and the Board of Auditors, and the appointments to the Board of Directors.

Results and strategic developments at Almanij for 2004

The economic climate was fairly auspicious in 2004. The world economy expanded by 5%, driven by internal growth in the United States and particularly China, which was already leading at the beginning of the year in Europe to export-driven growth, subsequently followed by a marked improvement in consumer confidence. During the second half of the year, that growth slowed somewhat, chiefly in consequence of higher oil prices and the growing concern about the so-called ‘twin deficit’ in the United States, where the deficit on the current account has now risen to 5.7%.

By and large, inflation remained well under control, despite the rise in raw material prices. As a result, monetary policy moved into more neutral mode, which, on balance, can always be considered as reasonably favourable for economic growth.

Within the European Union, Belgium was able to boast one of the strongest-growing economies; in Central Europe, as expected, growth exceeded the European average.

Against the background of this stable environment, your company posted an excellent performance. Net profit went up by 21%, boosted by an especially strong showing in our basic activity, bancassurance, with both the Belgian and Central European subsidiaries contributing.

KBC: a sharply higher contribution to profit, the consequence of a consistent business strategy

For KBC, 2004 was the first year in which the strategic options of the past and the management efforts of previous years came together to produce a very sound result. More particularly, the disappearance of the (mainly infrastructural) costs attendant on the merger of 1998, the increasingly successful implementation of the unique concept of bancassurance, the efforts to make our investments in Central Europe profitable (including the major structural efforts in Poland following the loan losses in 2003), the projects to simplify products, and the many cost-control initiatives all served to push up the results of the KBC Bank and Insurance Holding Company by not less than 57%. The financial targets for the 2005 financial year were thus largely achieved at the end of 2004.

The bancassurance concept and the profitability of the retail activities ensuing from it confirmed the commendable development observed in 2003. The return on allocated capital rose further from 17% to 19%, boosted by, on the one hand, tight cost control in the banking business (where costs in absolute terms actually fell by 2%) and, on the other, the very brisk increase in earned premiums in the insurance business. In particular, there was spectacular organic growth of 45% for the production of insurance-linked saving, no less than 87% of which in bancassurance sold by the branch network.

As mentioned last year, the loan losses in Poland during 2003 concealed the structural progress already achieved in Central Europe, an important region for KBC. Confirmation of that progress came in 2004, the region’s negative contribution to profit in 2003 being turned around in 2004 with a positive contribution of about 270 million euros or 15% of Group profit.

Besides these improvements in figures, we have made great progress in Central Europe with the introduction of our West-European concept of bancassurance; this has been achieved through intense co-operation between the bank and insurance companies in each of the countries in which we are active. In The Czech Republic and Hungary, for example, the life assurance products of our insurance subsidiary are already being sold via the banking channel and this synergy within the company is already spreading to Poland. In the Non-Life business, growing success is being posted in home insurance policies: in Hungary, for example, already more than 60% of home loans are being sold with such a policy.

These developments, together with the new management structure introduced in 2004 for the activities in Central Europe, once again confirm us in our conviction that those activities will be accounting for a steadily more important proportion of our Group profit in the years ahead.

Group-wide, the banking business increased its contribution by

no less than 73%, profiting from not only a creditable growth in income, but also an exceptionally low loan ratio in lending.
The emphasis here continues to be on providing a service with greater added value, with particular attention being paid to the segment of medium-sized enterprises (the so-called mid-caps) and the optimization of the branch network, to ensure that service is brought to the customer as efficiently as possible.

In asset management, the position as leader on the Belgian market for funds for collective investment was consolidated, market share edging up from the already very high level of 31%. The factors of this success remain the same: in co-operation with the retail branches, a highly sensitive appreciation of the requirements of private investors and an extremely rapid translation of that appreciation into product design.
During 2004, this successful formula was further implemented in the Central European countries where the Group is active, which in turn has led to our Central European subsidiaries being counted among the market leaders as regards investment products. As at the end of 2004, our market share in investment funds was already 22% in The Czech Republic, though as much as 80%, if solely the market in capital-guaranteed funds is taken into account.

Market activities, lastly, bumped up their profitability further in structural terms. The return on allocated capital doubled to 20%, due to good basic profitability and optimization of the use of capital.

In 2004, KBC took a number of important steps in the unfolding of a consolidated and integrated risk model, whereby great attention is paid to not only the international dimension, but also the correlation risk between banking and insurance.

Solvency remained particularly sound at both KBC Bank and KBC Insurance.

KREDIETBANK SA LUXEMBOURGEOISE: consolidation of the presence in eleven European countries

The KBL group continued to develop the strategy that has been pursued for a number of years now. In 2004, the *European Private Bankers* network was further reinforced by the acquisition of Puilaetco, whereby KBL became active for the first time in Belgium. For the Almanij Group, this represents a particularly interesting addition to the private banking activities of KBC Bank, conducted through the retail network. Also within the context of the one-off declaration of tax discharge in respect of fiscal amnesty, the acquisition of Puilaetco has demonstrated that KBL's *European Private Bankers* concept is addressing a market segment that had not yet been reached via the existing channels of the Group in Belgium.

The efforts of recent years in streamlining and integrating processing systems within the network were continued unabated. In this respect, with effect from 1 January 2005, the Luxembourg subsidiary BCL was merged with KBL and a start has been made with the implementation of the joint 'Globus' ICT platform at Theodoor Gilissen Bankiers in The Netherlands and at Brown Shipley & Co in The United Kingdom. The role of KBL as centralizer of a number of corporate services was likewise developed further, especially with regard to the Group-wide Audit and Compliance function, risk management and organization.

In the meantime, efforts to squeeze costs continued to bear fruit, with costs falling on a comparable basis (i.e. without taking account of the effect of the expansion of the scope of consolidation to include Theodoor Gilissen and Puilaetco) by 2.5% for 2004 on their level for 2003.

Profit for the financial year climbed by 6.5% to 206 million euros. One of the most important negative factors was the sharp narrowing of the interest margin, resulting from, on the one hand, the regular maturing of high-interest assets and, on the other, the exceptionally high long-term rate of the Hungarian forint. Against that was the handsome 16% increase in commission income. For 2004, income from financial operations likewise made a fine contribution, unlike the case for 2003, when it showed a loss.

At the beginning of 2005, within the framework of the reorganization of the Almanij-KBC Group, Almanij launched a public bid for all KBL shares not yet in its possession. Following closure of the operation, Almanij held 96.7% of all outstanding KBL shares (situation as at 21 February 2005). In consequence of this, an application has been submitted to have the listing of the KBL share on the Luxembourg stock exchange scrapped.

GEVAERT: result substantially influenced by Agfa-Gevaert's sale of its Consumer Imaging Division

On 1 July 2004, in respect of the simplification of Group structure, Almafin was brought into Gevaert, though this expansion of Gevaert's scope of consolidation did not have any essential impact on Gevaert's contribution to profit.

In contrast to this, developments at Agfa-Gevaert had a very real impact on the trend of results at Gevaert (of whose portfolio it still accounts for 57%). During the year Agfa-Gevaert sold its Consumer Imaging Division and Gevaert's share in the extraordinary accounting loss on this operation amounted to 81 million euros. Now that the operation is out of the way, Agfa-Gevaert can concentrate on its HealthCare and Graphic Systems Divisions. Agfa-Gevaert nevertheless made a negative contribution of 66 million euros to Gevaert's result, compared to a positive contribution of 63 million euros for 2003.

Regarding the other components of Gevaert's portfolio, efforts were directed during 2004 at the further expansion of the private equity portfolio, which resulted in the sale of chiefly publicly listed equities in the amount of 57 million euros and the acquisition of a capital position in a number of Flemish small and medium-sized enterprises, (including Boma and Pinguin). This reduction of the position in publicly listed equities brought in 20 million euros' worth of capital gains.

For its part, Almafin realized 8 million euros' worth of capital gains in its real estate activity. Slowly but surely, the cash flow from the hotel sector is improving, though the result for 2004 was underpinned by the realization of a capital gain on the sale of Renthotel in Nice.

ALMANIJ: a change of Group structure

In its final year, the Almanij share provided shareholders with a return of no less than 92.6% (including dividend). That was naturally partly the consequence of the announcement in December 2004 that the Almanij-KBC Group was to be restructured, which was greeted enthusiastically by the financial markets. However, it was also due to the recognition of the shareholder value realized by the various operational activities. It is indeed remarkable that, after the merger was announced, the share rose by a further 18% between 1 January and 2 March 2005.

During 2004, the Board of Directors deliberated intensively about the conditions necessary to ensure, for the future, the continued safeguarding of the fundamental goals of the Group – i.e. to continue to steer an independent course and to achieve more than average growth. Towards the end of the year, the Board resolved that our future would be best guaranteed by bringing about a unity of vision, of capital and of management within the Almanij-KBC Group.

This led to the announcement on 23 December 2004 of the merger between Almanij and the KBC Bank and Insurance Holding Company, a merger that in the meantime – more particularly on 2 March 2005 – has been approved by the Extraordinary General Meetings of the two institutions. The merger means that Almanij has ceased to exist as a legal entity, although its activities are being continued within the new KBC Group, a group that has a market capitalization of 23 billion euros, employs a staff of 51 000 and serves eleven million customers.

The Board of Directors would like to take this opportunity to thank all the staff of the Group for the commitment they have demonstrated again in 2004. A particular word of thanks must go to the management and staff of Almanij itself. Over and above their normal work, they have made an indispensable contribution to the successful outcome of the above-mentioned merger.

Report on the activities of the Almanij Group

For 2004, the result from ordinary activities amounted to 2 548 million euros, a rise of 37% on the figure for 2003. After extraordinary charges and higher minority interests, net profit for the year climbed by 21% to 1 138 million euros.

Key figures [1]

(in millions of EUR)

	2003	2004	Change (in %)
Operating result (*)	**2 639**	**2 879**	**9%**
Result from ordinary activities (**)	**1 856**	**2 548**	**37%**
Net profit – Group share	**937**	**1 138**	**21%**
of which contribution of banking business (a)	685	1 070	56%
of which contribution of insurance business (b)	187	143	-24%
of which contribution of investment business and specialized financial services (c)	83	-36	-
of which contribution of other (d)	-19	-40	114%
Key figures per share *(in EUR)* (e)			
Result from ordinary activities	9.48	13.01	37%
Net profit	4.79	5.81	21%
	31.12.2003	**31.12.2004**	
Own funds as at the end of the period	40.9	44.9	10%
Estimated net asset value as at the end of the period	53.4	78.2	46%

[1] Figures in this table have been rounded off to the nearest unit. There may consequently be minor discrepancies in the additions or in the percentage calculations. The figures correspond to those in the annual accounts.

* Before value adjustments on loans and shares.
** Before extraordinary results and taxes.

(a) KBC Bank and Kredietbank SA Luxembourgeoise (KBL).
(b) KBC Insurance.
(c) Gevaert and Almafin.
(d) The holding-company activities of Almanij, the KBC Bank and Insurance Holding Company and Kredietcorp.
(e) The number of shares outstanding totalled 195 823 772, which represented an equal number of voting rights. Currently, no financial instruments have been issued that could lead to the issue of new shares.

Key ratios

(in %)

		31.12.2002	31.12.2003	31.12.2004
Cost/income ratio, banking		66%	66%	63%
Combined ratio, Non-Life insurance (including reinsurance)		105%	96%	95%
Solvency ratio, banking (Tier-1):	KBC Bank	8.8%	9.5%	10.1%
	KBL	8.5%	10.0%	9.2%
Solvency ratio, insurance (including the balance of unrealized gains)		320%	316%	389%
Return on equity (f), (g)		9.9%	12.2%	13.6%

(f) Calculated on average equity outstanding: (situation as at the end of 2003 + situation as at the end of 2004)/2.
(g) Goodwill paid on acquisitions in 1999, 2000 and 2001 was deducted forthwith in full from equity by the banking and insurance business.

Financial highlights

- Total **operating income** was up by 5%. Of note were the remarkable increase in premium income (by 1 159 million euros or 33%, on an organic basis), the 12% growth in commission income (9% on an organic basis), higher income from currency dealing and securities trading (up 33%), a slight decline in interest income (down 2%), a fall in the result from equity-method consolidation (down 27% and particularly in respect of the share in Agfa-Gevaert profit) and pressure on investment income in insurance.

- In the banking business, **costs** fell by 0.5% (2% on an organic basis). Given the favourable trend of income, the cost/income ratio narrowed by three percentage points to 63%. The insurance business posted a strong technical result. In Non-Life business, the combined ratio reached the low level of 95% (compared to 96% for 2003).

- These developments led to the **operating result** climbing by 9%.

- At 111 million euros, the amount set aside by way of provisions for **credit risks** was low (688 million euros for 2003). The loan loss ratio amounted to 0.20% at KBC Bank (0.71% for 2003) and 0.15% at KBL. In the banking business, shares were subject to a modestly positive valuation effect, as against a moderately negative effect in 2003. In the insurance business, 164 million euros' worth of negative value adjustments was entered on shares (96 million euros' worth during the reference period), though this was largely offset by additional capital gains on shares (37 million euros) and by a withdrawal from the provision for financial risks (93 million euros). Following the value adjustments for loans and securities, a sharp 37% increase was posted in the **result from ordinary activities**.

- **Extraordinary results** followed a negative trend (a negative balance of 130 million euros, as against a positive balance of 57 million euros for 2003; in 2004, KBL allocated a substantial amount to the provision for restructuring costs). This, together with proportionally higher minority interests (up 57%), ultimately resulted in a 21% increase in **net profit** to 1 138 million euros. To profit, the banking business contributed 94% (73% in 2003), the insurance business 13% (20% in 2003), the investment business and other specialized financial services -3% (9% in 2003), and other activities -4% (-2% in 2003). Net earnings per share amounted to 5.81 euros, compared to 4.79 euros for 2003.

- **Equity per share** climbed further to 44.9 euros.

- As at 31 December 2004, the **value per share**[2] was estimated at 78.2 euros. As at 2 March 2005, the date of the merger, the estimated value was 88.9 euros.

- The **return on equity** (ROE)[3] was 13.6%, compared to 12.2% for 2003 as a whole.

Changes within the scope of consolidation, to the valuation rules and to the currency conversion

- The impact of the changes within the **scope of consolidation** on the net profit of Almanij was limited[4]. The results of WARTA (Poland), in which company KBC recently increased its participation from 40% to 75%, are fully consolidated with effect from 2004; in 2003, they were still being consolidated according to the equity method. The major changes within the scope of consolidation at KBL concerned the inclusion with effect from 1 November 2003 of Theodoor Gilissen and, with

[2] Calculated on the basis of the stock market price in the case of listed shares and on the basis of an estimate in the case of unlisted shares.
[3] Calculated as the ratio between net profit and average own funds. Goodwill in respect of acquisitions in the banking and insurance business during 1999, 2000 and 2001 was deducted forthwith from own funds. The ROE calculated on the basis of capitalization of that goodwill and amortization of it over twenty years would have amounted to 11.2% (8.1% for 2003 as a whole).
[4] However, there was an impact on various components of the profit and loss account, chiefly as a result of the full consolidation of WARTA.

effect from 1 July 2004, of Puilaetco Private Bankers, as well as the 10% increase in April 2004 in the participation in Banco Urquijo. Worthy of note, too, are the raising of the participation in EFA to 52.7% and of the participation in Fumagalli Soldan to 94.5%.

- There were a limited number of changes to the **valuation rules**, which, on balance, had no noteworthy impact on the result.

- The major **foreign currencies** having an effect on the result are the US dollar and the currencies of the Central European countries in which our Group is present. During 2004, the average annual rate of the US dollar against the euro declined by 9%. Fluctuations in other currencies had no significant impact.

Development of results – banking

Contribution of the two banks

(in millions of EUR)

	2003	2004	Change (in %)
KBC	586	1 008	72%
KBL	99	63	-37%
Total contribution, banking	**685**	**1 070**	**56%**

- The development of **KBC Bank**'s contribution to profit was not entirely in line with the growth of profit reported by KBC (up 76% for 2004 as a whole). The difference is explained by the elimination of capital gains realized by KBC on the sale of Almanij shares to another company of the Almanij Group for 11 million euros.

- The contribution of KBL to the Almanij result fell by 37% on its level for 2003. KBL itself reported profit of 205.7 million euros, up 6.5%. The difference in the development of profit is explained principally by the following adjustments in consolidation[5]:

  - In 2003, KBL was paid a dividend of 62 million euros by KB Re. As that company is consolidated by Almanij – it is not included within the KBL scope of consolidation, because it does not conduct banking activities – that dividend is required to be eliminated in Almanij's consolidated annual accounts. After the write-back of a tax deferral, the impact on the Group account of Almanij in 2003 was 46 million euros.
  - In 2004, within the context of the introduction of the IFRS, KBL transferred the fund for general banking risks and another reserve fund to the result, the total amount being 130 million euros. This permitted KBL to set aside provisions totalling 127 million euros for future restructuring costs (for the 2005-2008 period). In Almanij's accounts, those reserve funds had already been transferred to the reserves in 2001 and, in consequence, the transfer by KBL in favour of the result required to be annulled. However, the allocation to the provision for restructuring costs has been retained.
  - In anticipation of the introduction of IAS 39 with effect from 1 January 2005, a standard credit provision of 41 million euros net has been written back in the accounts of Almanij. On the other hand, an additional IBNR provision of 8 million euros was set aside in the accounts of the reinsurer Renelux.
  - As a result of recent acquisitions, an additional 8 million euros by way of amortization of goodwill was charged to the result in 2004. Given that KBL deducts goodwill from own funds, it does not itself charge amortization of goodwill to the result.

[5] The amounts mentioned below are before application of Almanij's percentage interest in KBL.

Summary [6]

(in millions of EUR)

	2003	2004	Change (in %)
Gross income	6 446	6 735	4%
Administrative expenses	-4 237	-4 217	-1%
Operating result	**2 208**	**2 518**	**14%**
Value adjustments for credit risks	-688	-111	-84%
Value adjustments on securities	-8	18	
Other	16	-122	
Amortization of goodwill on consolidation	-50	-60	20%
Result from ordinary activities	**1 479**	**2 243**	**52%**
Extraordinary results	64	-48	
Taxes	-466	-455	-2%
Minority interests	-391	-670	71%
Contribution to Almanij Group profit	**685**	**1 070**	**56%**
Cost/income ratio	**66%**	**63%**	

In consequence of a 4% rise in income and good cost control, the operating result climbed by 14%. The sharp reduction in loan costs brought about a 52% increase in the result from ordinary activities. Negative extraordinary results, proportionally lower taxes and greater minority interests led to the contribution to Almanij Group profit rising by 56%.

Operating income

(in millions of EUR)

	2003	2004	Change (in %)
Net interest income	3 429	3 351	-2%
Net commission income	1 568	1 750	12%
Currency dealing and securities trading	508	675	33%
Gains realized on investments	263	290	10%
Dividends	134	127	-5%
Results from participating interests (equity-method consolidation)	18	37	110%
Other operating income	525	505	-4%
Total gross operating income	**6 446**	**6 735**	**4%**

- Interest income fell by 2%. At KBC, it went up by 1%. The slight narrowing of the interest margin (1.67% for 2004, compared to 1.73% for 2003) was offset by greater volumes. At KBL, interest income declined by 32%, although a reversal of the trend began to get under way at the end of the year.

The reasons for the negative development were the deliberate scaling-down of the loan portfolio, the recent acquisitions, the maturing of high-interest portfolios and the high rate of financing in Hungarian forints.

[6] Account is required to be taken in the profit and loss account of the following major changes within KBL's scope of consolidation: the inclusion of Theodoor Gilissen with effect from November 2003, the inclusion of Puilaetco with effect from 1 July 2004 and the acquisition of an additional participation of 10% in Banco Urquijo in April 2004.

- Overall commission income climbed by 12%: at KBC, by 10%, chiefly because of higher income from fund management; at KBL, by 17% (6% on an organic basis), mainly in consequence of a greater level of income from asset management.
- A more favourable financial climate led to a 33% rise in the results from currency dealing and securities trading. Capital gains on the investment portfolio were up 10%.
- Other operating income went down by 4%.

Operating charges

- In 2004, the work of controlling costs continued unabated. Overall, charges fell by 1%: in Belgium, by 4%; in Central Europe, by 1%. In private banking, they expanded by 5% (although falling by 2.5% on an organic basis). In the years ahead, too, measures will be taken by KBL to reduce staffing levels, chiefly by way of early retirement. The full costs of the plan were charged to 2004 (via extraordinary charges).
- The cost/income ratio improved by 3 percentage points overall.

Value adjustments

- Value adjustments on loans developed favourably. In 2004, 111 million euros were added to the provision for credit risks, compared to 688 million euros for 2003.
- At KBC, the loan loss ratio amounted to 0.20%, (compared to 0.71% for 2003). The ratio was 0.09% in Belgium (0.24% for 2003), 0.48% in Central Europe (2.75% for 2003) and 0.26% for KBC's international loan portfolio (0.48% for 2003).
- It is KBL's deliberate policy to scale down lending and thereby reduce risks. In 2004, the loan loss ratio amounted to 0.15%; for the past five years, it has averaged 0.17%. Given the policy of risk reduction, and in the run-up to the switch to the IFRS, an important amount by way of standard, general provisions was written back in 2004.
- A limited amount in value adjustments on securities was posted for 2004.
- 122 million euros' worth of provisions was set aside for other liabilities and charges, legal disputes and current cost-cutting programmes.

Extraordinary results

- In 2004, 93 million euros were realized in capital gains on financial fixed assets (the most notable being on the sale of Banco Espirito Santo shares and the sale of a participation in the Belgian telecommunications firm Belgacom). In 2003, like gains amounted to 73 million euros (mainly on the sale of the participation in Krefima and the shares of Al-Ahlia and Deutsche Asset Management).
- As indicated, KBL set aside provisions of 127 million euros in 2004 for restructuring costs: The principal item concerned a provision of 117 million euros for future early retirement measures; in KBL's accounts, this provision is offset by the full write-back of the fund for general banking risks. In Almanij's group accounts, that fund had already been written back in 2001, in line with the treatment at KBC, although the write-back had not been via the profit and loss account, but via the reserves.

Development of results – insurance

Summary

(in millions of EUR)

	2003	2004	Change (in %)
Net earned premiums	3 486	5 037	45%
Net technical charges (*)	-3 248	-4 680	44%
Investment income (*)	593	628	6%
Result from participating interests			
(equity-method consolidation)	17	20	22%
General administrative expenses	-499	-663	33%
Recurring operating result	**349**	**343**	**-2%**
Life	*202*	*164*	*-19%*
Non-Life	*191*	*238*	*25%*
Non-technical result	*-45*	*-59*	*31%*
Amortization of goodwill on consolidation	-3	-8	167%
Non-recurring results	-35	-34	-3%
Result from ordinary activities	**311**	**301**	**-3%**
Extraordinary results	-9	-6	-33%
Taxes	-27	-75	178%
Minority interests	-87	-77	-11%
Contribution to Almanij Group profit	**187**	**143**	**-24%**

* Excluding value adjustments borne by the policyholder in respect of unit-linked life products (class 23).

2004 saw sharp growth in premiums, up by 45%; on an organic basis, i.e. without the inclusion of WARTA within the scope of consolidation, the increase was 33%. With a combined ratio of 95%, Non-Life business once again posted a good technical result. The low level of interest rates meant that investment income remained under pressure. Administrative expenses rose, though not to the extent of premiums. The resultant of these developments was a 2% fall in the operating result. In 2004, a substantial amount by way of value adjustments on shares had to be taken, though that was largely offset by non-recurring gains and a withdrawal from the provision for financial risks.

For 2004, the insurance business contributed 143 million euros to Almanij Group profit, compared to 187 million euros for 2003 as a whole, which boiled down to a 24% decline.

KBC itself reported profit growth of 3%. The difference is explained by the elimination of capital gains realized by KBC Insurance on the sale of Almanij and KBL shares to companies of the Almanij Group for an amount of 70.4 million euros.

Operating result – life business

(in millions of EUR)

	2003	2004	Change (in %)
Net earned premiums	2 438	3 610	48%
Products with guaranteed interest rate (class 21)	*1 676*	*2 525*	*51%*
Unit-linked products (class 23)	*762*	*1 085*	*42%*
Net technical charges	-2 518	-3 748	49%
Investment income	444	488	10%
Administrative expenses	-162	-185	14%
Operating result	**202**	**164**	**-19%**

- Premiums volume reached a record level of 3.6 billion euros, an increase of 48%. On an organic basis, the increase was 45% (47% in Belgium and 28% in Central Europe).
- Investment income was under pressure from the low level of interest rates.
- The 14% climb in administrative expenses was substantially less than the growth in premiums.

Operating result – non-life business

(in millions of EUR)

	2003	2004	Change (in %)
Net earned premiums	1 048	1 428	36%
Net technical charges	-731	-932	28%
Investment income	210	219	4%
Administrative expenses	-337	-478	42%
Operating result	**191**	**238**	**25%**

- In Non-Life business, earned premiums went up by 36% to 1.4 billion euros, or by 5% on an organic basis. They rose by 7% in direct Non-Life business in Belgium and by 11% in Central Europe; in reinsurance, they fell by 3%.
- The loss ratio for 2004 narrowed by 3 percentage points to 62%, the improvement stemming from declines of 11 percentage points to 63% in the loss ratio in Central Europe and of 6 percentage points to 69% in the reinsurance business.
- The combined ratio amounted to 95% (96% in 2003).

Non-recurring and extraordinary results

(in millions of EUR)

	2003	2004	**Change** (in %)
Value adjustments on equities	-96	-164	71%
Realized gains on securities	122	37	-70%
Write-back from the equalization reserve	92	-	-
Withdrawal from/Transfer to the provision for financials risks	-140	93	-
Other	-13	-	-
Non-recurring result	**-35**	**-33**	**-6%**
Extraordinary result	**-9**	**-6**	**-33%**

The non-recurring result totalled -33 million euros, compared to -35 million euros for 2003.

- In accordance with the valuation rule whereby a loss is entered if, over a period of three years, the market value of equities is lower than the carrying value, an amount of 164 million euros was posted by way of value adjustments.
- The value adjustments were largely offset by realized capital gains on securities (chiefly on the sale of the Irish insurance group FBD) and by a withdrawal from the provision for financial risks.

Development of results – the investment company Gevaert and other specialized financial services

(in millions of EUR)

	2003	2004
Gevaert	88	-37
Almafin	-5	1
Total	**83**	**-36**

For 2004, the investment company and specialized financial services contributed -36 million euros to the Almanij result, compared to 83 million euros for 2003.

Summary of results

(in millions of EUR)

	2003	2004	Change (in %)
Realized capital gains	-9	19	-
Results from participating interests (equity method consolidation)	107	46	-57%
Other income	99	108	9%
Administrative expenses	-92	-109	19%
Operating result	**105**	**63**	**-40%**
Value adjustments	13	8	-42%
Amortization of goodwill on consolidation	-28	-28	0%
Share in the disinvestment loss of Agfa-Gevaert	-	-81	-
Other extraordinary results	0	6	-
Taxes	-9	-4	-56%
Minority interests	2	-	-
Contribution to Almanij Group profit	**83**	**-36**	**-**

- The result from capital transactions (consisting of realized gains and losses, as well as value adjustments) amounted to 27 million euros, as against 4 million euros for 2003. A number of handsome capital gains were realized in 2004, including those on the sale of a 1.8% participation in Groupe Bourbon and on the sale of Bayer, Agfa-Gevaert, Umicore, CMS and various other shares from the investment portfolio.
- The current results for companies consolidated according to the equity method declined by 57%, a decline situated at Agfa-Gevaert. Gevaert's share in the current result of Agfa-Gevaert moved from 90 million euros for 2003 to 42 million euros for 2004. In 2004, the trading climate for the two remaining core activities – Graphic Systems and HealthCare – improved, resulting towards the end of the year in a strong level of sales and performance. Total sales and the gross margin declined in consequence of changes in the business portfolio and of external factors, such as price erosion, exchange rate fluctuations and an increase in raw material prices. The overall contribution of Agfa-Gevaert to Gevaert's result – after amortization of goodwill (27 million euros) and after the share in the extraordinary loss on the sale of the Consumer Imaging Division (81 million euros)[7] – amounted to -66 million euros. For 2003, Agfa-Gevaert's contribution totalled 63 million euros.
- In the results of Almafin, the hotel sector is included showing a loss of 7.7 million euros, as against a loss of 15.4 million euros for 2003, an improvement due both to the sale of Rent-hotel Nice, which produced a capital gain of 5.7 million euros, and to the improvement in cash flow, which progressed from -5.2 million euros for 2003 to 4 million euros for 2004. The Real Estate Division posted a very good result of 7.6 million euros, consisting principally of realized capital gains. In the leisure sector, investment – and thus demand for financing – remained somewhat limited. The vendor lease programme for LED walls and projectors continued to make a steady contribution. Leasing, pursued via a joint venture with Touax concerning the leasing of intermodal railway wagons, recorded a growth in activity and in the result.

[7] This disinvestment loss is presented as an extraordinary charge, as it concerns a discontinuation of activities. The sale of Monotype Corporation in 2004 (profit of 118 million euros – Gevaert share after tax: 21 million euros) and the sale of the Non Destructive Testing Division in 2003 (for 231 million euros – Gevaert share after tax: 44 million euros) were not treated as a discontinuance of activities and were presented under current results.

Gevaert portfolio

Participation	**Number of shares**	**Value as at 31.12.2004** *(in millions of EUR)*	**Share** (in %)
Agfa-Gevaert	34 226 120	854	57%
KBL (ordinary)	1 114 810	167	11%
Almanij	1 626 126	123	8%
Almafin	171 221	55	4%
Bourbon	865 576	31	2%
VUM Media (*)	4 947	20	1%
Aegon	1 930 615	19	1%
KBC	329 137	19	1%
Delhaize	309 741	17	1%
ING	714 500	16	1%
CSM	394 402	9	1%
Other equities		89	6%
Cash		117	8%
Other net assets		-35	-2%
Total		**1 501**	**100%**

* Unlisted.

- In 2004, Gevaert invested 166 million euros (leaving out of account the acquisition of Almafin and of inter-Group shares), of which 19 million euros in financial fixed assets, 15 million euros in cash investments and 132 million euros in trading.

- In respect of the further expansion of the private equity activity, Gevaert exhibited an interest in small and medium-sized enterprises, both unlisted and listed (small caps and midcaps). The company completed the leveraged buyout of BOMA, a specialist in cleaning equipment and products, and subscribed to the public capital increase of Pinguin. Additionally, it exercised previously acquired options on Telenet shares, whereby the existing participation could be substantially expanded at interesting conditions. Within the context of a successful realization of the participation in the Leuven company Data4S, Gevaert also acquired shares in Norkom, a specialist in financial software for fraud detection. Lastly, it invested in Mapper Lithography, a spin-off of T.U. Delft, and in Alphaform, a European player in rapid prototyping.

- During 2004, the Gevaert group sold various shares from financial fixed assets and cash investments for a carrying value of 57 million euros. In the case of financial fixed assets, the shares concerned were Groupe Bourbon (1.8% of those outstanding), Bayer, Agfa-Gevaert, Umicore and CMS shares; as regards cash investments, they were Belgacom, DSM and Delhaize shares.

- As at the end of 2004, the estimated net asset value amounted to 1 501 million euros or 58 euros per Gevaert share, compared to 52 euros as at the end of 2003. The participation in Agfa-Gevaert represented 57% of the total value. Together, the five most important participations (Agfa-Gevaert, KBL, Almanij, Almafin and Bourbon) represented 82% of the total value.

Investment portfolio of Almafin

(in millions of EUR)

	2003	2004	**Change** (in %)
Real estate	227.4	147.2	-35.3%
Hotels	166.6	152.2	-8.6%
Leisure	218.9	204.4	-6.7%
Leasing and other	40.0	35.2	-12.0%
Total assets	**652.8**	**539.0**	**-17.4%**

The reduction in the real estate portfolio is due to sales.

Financial developments – holding-company activities

Summary

(in millions of EUR)

	2003	2004	**Change** (in %)
Almanij	-8	-19	110%
KBC Bank and Insurance Holding Company	-10	-21	122%
Total	**-18**	**-40**	**117%**

The two holding companies recorded a negative trend. This can be explained by the increase in interest charges, coupled with a decline in interest income, and by costs in respect of the merger.

Solvency and the balance sheet

- As at the end of 2004, consolidated own funds amounted to 8 787 million euros, up 778 million euros on the level as at the end of 2003. The increase is the resultant of the profit for 2004 (1 138 million euros), dividends and directors' entitlements paid (-307 million euros), a reduced level of badwill (-19 million euros), a rise in (negative) translation differences (-30 million euros) and other items (-4 million euros).
  Unrealized gains on the investment portfolio of Group companies totalled 3.2 billion euros at the end of 2004, 1.1 billion euros of which in respect of shares.
- In the banking business, the core capital ratio (Tier-1) amounted to 10.1% and 9.2% respectively for KBC Bank and KBL; the total solvency ratio (CAD ratio) was 12.9% and 14.1% respectively. In the insurance business, the solvency ratio (including the balance of unrealized gains) was 389%, almost four times the legal requirement.
- The overall loan portfolio expanded by 17% to 111 billion euros. If the reverse repos are left out of account, the loan portfolio grew by 7% at KBC, due principally to the 17%

increase in home loans (up 9% in Belgium and 51% in Central Europe), whereas it shrank by 0.6 billion euros at KBL.

- Customers' deposits went up by 9.5% to 164 billion euros. At KBC, they rose by 6% (professional counter-parties excluded) and at KBL fell by 5%, chiefly because of the decline in debt securities issued.
- Technical provisions in the insurance business climbed by 28% to 17.2 billion euros, principally as a result of strong volume growth in Life business.

Development of activities – Almanij nv

Key figures

(in millions of EUR)

	2003	2004	**Change** (in %)
Results			
Current operating result	402	464	15.5%
Result from capital transactions	-	-17	-
Net profit	402	447	11.1%
Balance sheet			
Balance sheet total	4 327	4 436	2.5%
Own funds	3 512	3 651	4.0%
Financial fixed assets	4 278	4 314	0.8%
Financial liabilities	815	785	-3.8%

- The increase in the current operating result stems wholly from higher dividend income, which went up overall by 16.4%. The result from capital transactions concerned chiefly the loss realized on the sale of the participation in Almafin to Gevaert. That loss is eliminated in the consolidated accounts.

- As at the end of December 2004, total assets amounted to 4 436 million euros, an increase of 2.5% or 109 million euros on the figure as at the end of 2003. On the assets side, the components of the increase were a rise of 36 million euros in financial fixed assets and a rise of 71 million euros in cash investments. On the liabilities side, the increase is the resultant of growth of 139 million euros in own funds and of a decline of 31 million euros in liabilities.

- Financial fixed assets represent 97% of total assets. During 2004, additional investments in the amount of 109 million euros were made. They concern:
  - the purchase of 1 463 500 KBC Bank and Insurance Holding Company shares (67 million euros);
  - the purchase of 259 833 KBL ordinary shares (39 million euros) and 21 980 KBL preferential shares (3 million euros).

  As mentioned, the participation in Almafin (carrying value of 72 million euros) was sold to Gevaert.

- As at the end of 2004, cash investments totalled 113 million euros; concerned were time deposits maintained for the (partial) financing of the offer for KBL at the beginning of 2005.

- Own funds came to 3 651 million euros, an increase of 139 million euros on the figure as at the end of 2003. This rise represents the profit for the period under review (447 million euros), after deduction of dividends and directors' entitlements (308 million euros). For 2004, KBC Group will pay out a joint dividend charged proportionally to the profit of Almanij and the KBC Bank and Insurance Holding Company.

- Liabilities totalled 785 million euros, 31 million euros less than the figure as at the end of 2003. Of that total, financial liabilities accounted for 450 million euros, represented by two long-term debts, the first for 200 million euros (maturing in 2011) and the second for 250 million euros (maturing in 2009).

Article 523 of the Companies Code: conflicts of interests

- On 17 December 2004, within the context of the proposed merger operation between Almanij nv and the KBC Bank and Insurance Holding Company nv, the Board of Directors of Almanij deliberated on the proposed valuations and exchange ratio in respect of that merger and on the proposed offer prices regarding the public bid for Kredietbank sa Luxembourgeoise.

Where there is a conflict of interests, the procedure laid down in Article 523 §1 of the Companies Code requires the present report to include the minutes that record the nature of the resolution passed by the Board and that serve as justification for that resolution. At the above-mentioned meeting of the Board of Directors, however, no resolution had yet to be passed and the details referred to above were given to the members of the Board for them to reflect upon. As a precaution, the procedure of the said Article 523 §1 was nevertheless applied.

Extract from the minutes of the meeting of the Board of Directors held at Brussels on 17 December 2004 at 2.00 p.m.

"Deliberations on the proposed valuations and exchange ratio in respect of the Almanij/KBC merger

Prior to commencement of the deliberations, Mr. Jan Huyghebaert, Mr. Philippe Vlerick, Mr. Luc Philips, Mr. Paul Borghgraef, Mr. Paul Bostoen, Mrs. Cecile Cambien, Mr. Luc Debaille, Mrs. Beatrice Dubaere-Van Houtte, Mr. Marc Francken, Mr. Christian Leysen, Mrs. Marita Orlent-Heyvaert, Mr. Gustaaf Sap, Mr. Alain Tytgadt and Mr. Jozef Van Waeyenberge declare that, directly or indirectly, they are faced with a conflict of interests in the nature of proprietary rights, in the sense of Article 523 of the Companies Code. This conflict of interests arises from the fact that they hold or will hold, directly and/or indirectly, a substantial participation in Almanij and/or the KBC Bank and Insurance Holding Company. They request the secretary to the meeting to record the declaration in the minutes of the meeting and, on their behalf, to submit the minutes to the Board of Auditors after the meeting. They thereupon withdraw from the meeting for the point to be deliberated.

Under the temporary chairmanship of Mr. Rik Donckels, Mr. Alex Geets, Mr. Lode Morlion, Mr. Noël Devisch, Mr. Jean-Marie Géradin, Mr. Xavier Liénart, Mr. Germain Vantieghem, Professor Dirk Heremans and Professor Walter Van Gerven deliberate at length over the valuations made and the exchange ratio proposed.

The occasion is taken by Professors Heremans and Van Gerven, both independent directors, to detail their task in respect of Article 524 of the Companies Code. At the same time, they give a brief summary of the situation regarding their activities and their provisional findings. They are supported in their activities by Petercam, selected by them as independent expert. Pursuant to the law, they will submit the report and opinion the law requires them to prepare to the Board of Directors at the next meeting of that body at which the definitive resolution about the structural change will be taken.

Following these deliberations, the directors who withdrew from the meeting-room rejoin the meeting and are given a brief summary of the deliberations."

"Deliberations on the proposed offer prices

Prior to commencement of the deliberations, Mr. Paul Bostoen, Mr. Luc Debaille and Mr. Jozef Van Waeyenberge declare that, directly and/or indirectly, they are faced with a conflict of interests in the nature of proprietary rights, in the sense of Article 523 of the Companies Code. This conflict of interests arises from the fact that they hold, directly and/or indirectly, a substantial participation in Kredietbank sa Luxembourgeoise. They request the secretary to the meeting to record the declaration in the minutes of the meeting and, on their behalf, to submit the minutes to the Board of Auditors after the meeting. They thereupon withdraw from the meeting for the point to be deliberated.

Under the chairmanship of Mr. Jan Huyghebaert, the remaining directors deliberate briefly about the valuation made and the resulting offer prices. Following these deliberations, the directors who withdrew from the meeting-room rejoin the meeting."

- On 23 December 2004, the Board of Directors deliberated and passed resolutions on the public bid for Kredietbank sa Luxembourgeoise and the merger between Almanij and the KBC Bank and Insurance Holding Company. Pursuant to the procedure laid down in Article 523 §1 of the Companies Code, the minutes that record the nature of the resolutions passed by the Board and that serve as justification for those resolutions are, as already mentioned above, required to be included in the present report.

Extract from the minutes of the meeting of the Board of Directors held at Brussels on 23 December 2004 at 7.00 a.m.

"2. Declaration and justification of directors who, directly or indirectly, face a conflict of interests in the nature of proprietary rights, in the sense of Article 523 of the Companies Code, vis-à-vis the resolutions to be passed

Prior to commencement of the deliberations, Mr. Jan Huyghebaert, Mr. Philippe Vlerick, Mr. Luc Philips, Mr. Paul Borghgraef, Mr. Paul Bostoen, Mrs. Cecile Cambien, Mr. Luc Debaille, Mrs. Beatrice Dubaere-Van Houtte, Mr. Marc Francken, Mr. Thierry Konings, Mr. Christian Leysen, Mrs. Marita Orlent-Heyvaert, Mr. Gustaaf Sap, Mr. Alain Tytgadt and Mr. Jozef Van Waeyenberge declare that, directly or indirectly, they are faced with a conflict of interests in the nature of proprietary rights, in the sense of Article 523 of the Companies Code. This conflict of interests arises from the fact that they hold or will hold, directly and/or indirectly, a substantial participation in Almanij and/or the KBC Bank and Insurance Holding Company. They request the secretary to the meeting to record the declaration in the minutes of the meeting and, on their behalf, to submit the minutes to the Board of Auditors after the meeting.

Prior to commencement of the deliberations, Mr. Paul Bostoen, Mr. Luc Debaille and Mr. Jozef Van Waeyenberge declare that, directly and/or indirectly, they are faced with a conflict of interests in the nature of proprietary rights, in the sense of Article 523 of the Companies Code. This conflict of interests arises from the fact that they hold, directly and/or indirectly, a substantial participation in Kredietbank sa Luxembourgeoise. They request the secretary to the meeting to record the declaration in the minutes of the meeting and, on their behalf, to submit the minutes to the Board of Auditors after the meeting.
The Chairman will therefore request them to withdraw from the room when deliberations on point 5 of the agenda are to begin and proposes that, in this respect, the Meeting regards points 3 and 4 as purely a matter of taking cognizance, to which the Meeting agrees."

"5. Deliberations and resolutions concerning the public bid for Kredietbank sa Luxembourgeoise and the merger between Almanij and the KBC Bank and Insurance Holding Company

The Chairman requests those directors who had declared a personal conflict of interests to withdraw from the meeting and himself relinquishes the chairmanship to Mr. Rik Donckels.
5.1. Deliberations concerning the public bid for all ordinary and preferential shares of Kredietbank sa Luxembourgeoise not yet held by the Company
Within the same context as the restructuring of the Company and the KBC Bank and Insurance Holding Company nv – more particularly, reinforcement of the unity of the group – and partly in view of the content of the report of the Committee of Independent Directors in application of Article 524 of the Companies Code, the Board deliberates over the desirability of, prior to the merger, making a public bid to buy in all ordinary and preferential shares of Kredietbank sa Luxembourgeoise (KBL) not yet held by the Company, in accordance with the following conditions:

- that the said public bid be unconditional;
- that the said public bid occur at a price of 150.00 euros per ordinary share and 135.00 euros per preferential share, and
- that, after the said public bid, the Company shall consider whether it can obtain the delisting of all KBL ordinary and preferential shares from the Luxembourg Stock Exchange.

In determining the conditions of the public bid, the Company was advised by Goldman Sachs International. JPMorgan Chase was appointed by KBL as independent financial adviser and has delivered a fairness opinion to KBL in respect of the financial conditions of the bid.
The relative documents were already made available to the members of the Board on the occasion of the meeting of the Board on 16 December.
5.2. Approval of the interim figures concerning the situation of the assets of the Company as at 30 September 2004
With a view to the resolutions that the Board is required to pass regarding the planned merger, and bearing in mind the fact that the latest annual accounts concern the financial year closed more than six months before the date the merger proposal was drawn up (see below, point 5.3.), the Board deliberates on the interim figures concerning the situation of the assets of the Company as at 30 September 2004, in accordance with Article 697 §2, 5° of the Companies Code (see annex No. 4).
The interim figures were drawn up according to the same methods and the same layouts as the latest, approved annual accounts of the Company.
5.3. Deliberations concerning the merger proposal regarding the planned merger by absorption of the Company by the KBC Bank and Insurance Holding Company nv (the Merger)
The merger proposal is annexed to the present minutes (see Annex No. 5).
The Board deliberates over the merger proposal drawn up in accordance with Article 693 of the Companies Code and in which the Merger by absorption of the Company by the KBC Bank and Insurance Holding Company nv is proposed (exchange ratio on the basis of interim figures as at 30 September 2004).
The merger proposal contemplates a merger taking place at an exchange ratio of 1.35, meaning that, per twenty Almanij shares, an Almanij shareholder will receive twenty-seven shares in the company arising from the merger. The same exchange ratio applies to VV strips. No fractions of shares will be delivered; there will be rounding down to the nearest unit.

5.4. Approval, with reservation, of the merger report concerning the planned Merger by absorption of the Company by the KBC Bank and Insurance Holding Company nv

5.4.1. Notification regarding the special report of the Board of Auditors concerning the planned Merger with the KBC Bank and Insurance Holding Company nv

The Chairman notifies the Board that the report to be drawn up by the Board of Auditors in accordance with Article 695 of the Companies Code, and in which the exchange ratio in respect of the Merger and the valuation methods used to determine that ratio, are explained will be made available as soon as possible and in any case no later than the following meeting of the Board of Directors, set for 27 January 2005.

The Chairman assures the Board, however, that the Board of Auditors has indicated that it is sufficiently advanced in its work to be able to confirm that no fundamental remarks would be made in respect of the valuation methods used to determine the exchange ratio.

5.4.2. The merger report concerning the planned Merger with the KBC Bank and Insurance Holding Company nv, in application of Article 694 of the Companies Code

The report is annexed to the minutes (see Annex No. 6).

The Chairman explains that, strictly speaking, the report does not yet require to be approved, as the legal requirement is only that it be approved one month before the general meetings regarding the Merger.

The Chairman states further that, at the request of the Board, Goldman Sachs International, acting as exclusive financial adviser to the Company with regard to the Merger, has prepared a valuation on a consolidated basis of the Company, the KBC Bank and Insurance Holding Company nv and KBL. In preparing its report, the Board has had recourse to the financial advice of Goldman Sachs International.

The Board deliberates over the detailed, written report drawn up in accordance with Article 694 of the Companies Code and in which the Merger by absorption of the Company by the KBC Bank and Insurance Holding Company nv is commented on from a legal and economic point of view.

5.5. Conclusion

Taking account, in the first place, of the opinion of the Committee of Independent Directors, reproduced under point 4 of the present minutes, according to which opinion – given their business advantage for the Company and for all its shareholders, and given the consequence for the Company in respect of its proprietary rights (continued within KBC Group) – the transactions described under point 3 are in the interest of the Company and its shareholders and respect the interests of both the Committed Shareholders of the Company and the free float;

taking account, moreover, of the deliberations of the Board, as set out under points 5.1 to and including 5.4.,

the Board has unanimously resolved:

- to approve the public bid for Kredietbank sa Luxembourgeoise, as set out under point 5.1.;
- to approve the interim figures, as set out under point 5.2.;
- to approve the merger proposal, as elucidated under point 5.3.;
- to approve the merger report, as elucidated under 5.4.2., though with the reservation that the content of the report to be submitted by the Board of Auditors no later than 27 January 2005 is in accordance with what was announced today in that respect under point 5.4.1.

Insofar as necessary, the Board unanimously confirms that the procedure as laid down by Article 524 of the Companies Code has been observed.

The Board takes cognizance of the fact that the existing powers of attorney in respect of buying in can be activated after the public announcement of the restructuring.

Lastly, the Board resolves that the Board of Auditors would be requested to issue an opinion regarding the reliability of the data mentioned in the opinion of the Committee of Independent Directors and in the present minutes. As soon as it is received, that opinion will be annexed to the present minutes.

The conclusion of the Committee, an extract of the present minutes and the opinion of the Board of Directors will be included in the annual report for the 2004 financial year.

Following these deliberations and this conclusion, the acting Chairman requests all directors who had withdrawn from the meeting to rejoin it. Mr. Huyghebaert thanks Mr. Donckels and reassumes the chairmanship from him."

Article 524 of the Companies Code: intra-group – conflicts of interests

Pursuant to Article 524 of the Companies Code, the Board of Directors is required to observe a special regulation regarding conflicts of interests where the resolutions or operations of a listed company concern links between that company and companies associated with it, except in the case of links between the company and its subsidiaries.

The new structure arising out of the merger on 2 March 2005, preceded by the public bid for the shares of Kredietbank sa Luxembourgeoise still in the hands of the public, entailed resolutions that concerned links with the core shareholders of Almanij. Although it was not legally obliged to do so, given that the core shareholders were not ‘linked’ to Almanij in the sense of the Companies Code, the Board of Directors voluntarily resolved on 28 October 2004 to observe the procedure of Article 524 of the Companies Code. According to that procedure, the planned operation was required to be subject to the assessment of a committee of three independent directors, assisted by an independent expert. Furthermore, the conclusion of the said committee, an extract from the minutes of the Board of Directors and the opinion of the Board of Auditors are required to be published in the annual report.

Extract from the Opinion of the Committee of Independent Directors, delivered on 22 December 2004

"V. Conclusion

After deliberation, the Committee of Independent Directors of Almanij nv, comprising Mr. Dirk Heremans, Mr. Philippe Naert and Lexsearch bvba, permanently represented by Professor Walter Van Gerven – assisted by Petercam, independent financial expert, remunerated by Almanij – delivered the following opinion to the Board of Directors of Almanij:

On the basis of the criteria laid down in Article 524 of the Companies Code, the Committee has examined Almanij's public bid for all ordinary and preferential shares of KBL that are still in the hands of the public; has examined the ensuing merger by absorption of Almanij by the KBC Bank and Insurance Holding Company; and has examined the possible impact of the activation of current buying-in programmes after public announcement, under the terms and conditions submitted to the Board of Directors of Almanij.

The Committee has reached the following conclusions:

- The public bid for all ordinary and preferential shares of KBL not yet held by the Group at the price of 150 and 135 euros respectively fits logically into the contemplated unifying and streamlining of the Group. The prices offered, in the upper range of the valuation forks, are within acceptable limits.
- The Merger holds out promising business advantages for the company arising out of it and for that company's shareholders, and is proposed at a fair exchange ratio of 1.35. Activation of the buying-in programme occurs under acceptable conditions.
- The Restructuring will take place with the anchoring maintained, i.e. with a view to the continuity and stability that the Group has consciously opted for and that represent an additional plus point for all the stakeholders of the Group as a bancassurance entity.

The Committee is therefore of the opinion that – given their business advantage for Almanij and for all its shareholders, and given the consequence for Almanij in respect of its proprietary rights (continued within KBC Group) – these operations are not to the disadvantage of Almanij, let alone their being evidently irregular in the sense of Article 524 of the Companies Code. The Committee is further of the opinion that these operations will respect equally the interests of the Committed Shareholders of Almanij, united in a shareholder syndicate (Almancora, Cera, and others, and to which the MRBB will be acceding), and the interests of Almanij's free-float shareholders.

The Committee's opinion is consequently positive in respect of the proposed operations."

Extract from the minutes of the meeting of the Board of Directors held at Brussels on 23 December 2004 at 7.00 a.m.

For the relevant extract from the minutes of the meeting of the Board of Directors held on 23 December 2004, please refer to the text included above under 'Extract from the minutes of the meeting of the Board of Directors held at Brussels on 23 December 2004 at 7.00 a.m.' under 'Article 523 of the Companies Code: conflicts of interests' (pp. 35-36).

Extract from the report of the Board of Auditors of 19 January 2005

"3. Conclusion

In conclusion, we declare that:

- we proceeded to an assessment of the financial data contained in the opinion of the Committee of Independent Directors and in the minutes of the Board of Directors;
- on the basis of that assessment, no important elements have emerged that could indicate that the financial data mentioned in the opinion of the Committee of Independent Directors, dated 22 December 2004, and in the minutes of the Board of Directors, dated 23 December 2004, are not accurate.

Our task was executed exclusively within the framework of the provisions of Article 524 of the Companies Code."

Risk Management at the Almanij Group

Typical risks attach to the activities carried out.
For the banking business, they are mainly the credit risk, the market risk and the liquidity risk.
For the insurance business, they are essentially the investment risk (the credit risk, the market risk and the liquidity risk) and various technical risks (the pricing and acceptance risk, the risk of inadequate reserves and the risk of insurance fraud).
For the investment business, the typical risk is the investment risk.

For all activities, there are also the operational, the solvency, the strategic and the reputation risks.

These risks have in the first place to be measured and managed by the various companies of the Group. Almanij monitors these risks via its representatives in the various Boards of Directors and Audit Committees.
A specific task for Almanij is the measurement and management of the concentration risk that arises through the aggregation of the various activities at Almanij.

At actual Almanij level, a limited number of interest swap transactions were concluded, with the purpose of converting a variable financing interest rate into a fixed one or to cover an open interest position.

Appropriation of Profit and Dividend

(in EUR)

The profit for the financial year for appropriation amounts to	446 737 848.82
and the profit brought forward from the previous financial year to	10 266 794.50
which gives available profit of	457 004 643.32

The following proposals are made to the General Meeting of KBC Group in respect of the available profit to be appropriated:

- the profit carried forward from the previous financial year of 10 266 794.50 euros, together with a proportion of the available reserves, will be allocated to the cancellation of KBC Bank and Insurance Holding Company shares held by Almanij nv as a result of the merger between Almanij and the KBC Bank and Insurance Holding Company;
- the profit appropriation for KBC Group (the new company arising from the merger of Almanij and the KBC Bank and Insurance Holding Company) for the 2004 financial year will be included in the annual accounts of the merging companies, as set out in the table.

2004 appropriation account of the KBC Bank and Insurance Holding Company and Almanij

(in thousands of EUR)

	KBC Bank and Insurance Holding Company	Almanij	KBC Group
A. Profit to be appropriated	**623 130**	**457 005**	**1 080 135**
1. Profit for the period, available for appropriation	539 199	446 738	985 936
2. Profit brought forward from the previous financial year	83 932	10 267	94 199
C. Appropriation to capital and reserves	**-27**		**-27**
2. To the legal reserve	-27		-27
D. Profit/Loss to be carried forward	**-156 947**	**-139 412**	**-296 359**
F. Profit to be distributed	**-382 224**	**-307 326**	**-689 550**
1. Dividends	-368 583	-305 381	-673 964
2. Directors' entitlements	-1 153	-1 896	-3 049
3. Other entitlements	-12 488	-49	-12 537
Allocation for the cancellation of own shares	**-83 932**	**-10 267**	**-94 199**

For the 2004 financial year, KBC Group is paying a joint dividend from the profit appropriation of both the KBC Bank and Insurance Holding Company and Almanij.

Provided that the proposed appropriation of profit is approved, the gross dividend amounts to 1.84 euros per KBC Group share entitled to dividend for the 2004 financial year. After deduction of withholding tax of 25%, the net dividend amounts to 1.38 euros per ordinary share. For shares with a VV strip, the withholding tax is 15% and the net dividend amounts to 1.564 euros.

Discharge to the Directors and the Board of Auditors

Pursuant to the provisions of law, the General Meeting of KBC Group nv is invited to grant discharge by separate vote to the directors of Almanij and the Board of Auditors of Almanij in respect of the execution of their mandate during and with respect to the 2004 financial year.

Appointments

On 2 March 2005, Almanij nv was merged with the KBC Bank and Insurance Holding Company nv. In consequence, the company Almanij nv was dissolved and its Board of Directors disbanded.

Corporate Governance

Almanij

Applied until 2 March 2005, the date of the merger between Almanij and the KBC Bank and Insurance Holding Company

Board of Directors

1. Composition, appointments and expiration of the term of office

Pursuant to the Articles of Association, the management of the company is entrusted to a Board of Directors comprising a minimum of twelve and a maximum of thirty members.

The directors are appointed by the General Meeting of Shareholders for a term of maximum six years, pursuant to the Articles of Association.
Appointments are made on the recommendation of the Board of Directors. Candidates for vacant seats or for additional seats as non-executive directors are recommended to the Board of Directors by its members. Appointments are made on the basis of both professional management ability and representation of shareholder interests. The resolution for proposal to the General Meeting is arrived at by consensus.

Terms of office expire at the conclusion of the Ordinary Annual General Meeting. Directors whose term of office has expired are eligible for re-appointment. Pursuant to standing rules, members of the Board of Directors are required to step down after the annual meeting following the date when they reach the age of seventy.

On 29 November 2004, by way of exception, the Board of Directors appointed a legal person – Lexsearch BVBA – as director, permanently represented by Professor Emeritus Walter Van Gerven.

As at 31 December 2004, the Board of Directors of Almanij comprised twenty-seven members.

This number is greater than the twelve recommended by the stock market authority of Euronext Brussels and the Banking, Finance and Insurance Commission in respect of corporate governance, because of care to ensure a balanced distribution of seats among the chief and stable shareholders of Almanij and thereby preserve the family character of the Group. The shareholders acting in concert, more particularly Almancora Comm.VA, Cera cvba and the Other Committed Shareholders (OCSs), thus hold a total of nineteen seats, of which seven are occupied by the representatives of Almancora and Cera and twelve by those of the OCSs. The Maatschappij voor Roerend Bezit van de Belgische Boerenbond (MRBB), a co-operative society with limited liability, has two directors. In addition to these representatives of the chief shareholders and of the stable shareholder, two managing directors, the authorized representative of the above-mentioned shareholders in concert and three independent directors also have a seat on the Board.

Three independent directors sit on the Board of Directors, viz. Professors Philippe Naert and Dirk Heremans, and Professor Emeritus Walter Van Gerven, all of them appointed as independent directors in respect of their moral authority and expertise. These three independent directors were appointed in accordance with the criteria laid down in Article 524 §4 of the Companies Code.

Mr. Jan Huyghebaert and Mr. Luc Philips, as managing directors of Almanij (see below) are executive directors.

The members of the Board of Directors during the 2004 financial year are listed on p. 49 of the present annual report, together with their principal function (where that is elsewhere than in the company) and the period of their current term of office.

2. Powers

The Board of Directors is empowered to do all that is required for or conducive to the achievement of the object of the company, except that which, pursuant to the law, is reserved to another body.

More particularly, the Board of Directors determines the strategy of the financial group formed by Almanij and supervises the way in which that strategy is implemented at the various entities of the Group.

3. Operation

The operation of the Board of Directors is governed by the Companies Code, the Articles of Association and standing rules together with executive resolutions.

The Board of Directors appoints a chairman from among its members.

Save in exceptional cases, the Board may validly deliberate and pass resolutions only if at least half of its members are present or represented. Resolutions are passed by a simple majority of the votes cast. In the case of a tied vote, the chairman of the meeting exercises his casting vote. In practice, the Board acts in concert and resolutions are passed by consensus.

The Board may, if necessary, convene meetings at short notice, even within twenty-four hours.

Where the law permits, resolutions of the Board may be passed by unanimous written agreement of the members.
Prior to every meeting, the members of the Board will be sent an agenda for that meeting, as well as documents by way of preparation for the various items on the agenda. The directors are naturally informed forthwith of any major events relating to the Group.

Directors may, at the company's expense, seek the advice of independent experts, provided a majority of non-executive directors approve a reasoned request to that effect.

In respect of the competences of the Board of Directors, the company is legally represented by two directors acting jointly, or by proxies specially empowered for the purpose, within the bounds of their remit.

4. Meetings

The Board of Directors meets at least four times per calendar year.

Partly in light of the merger operation announced on 23 December 2004 between Almanij and the KBC Bank and Insurance Holding Company, the Board of Directors met nine times during the 2004 financial year, three times during the first half and six times during the second. Certain directors were unable to attend all meetings and were represented.

In addition to the annual tasks laid down by the Companies Code – such as the preparation of the annual (in respect of the 2003 financial year), half-yearly and quarterly (in respect of the 2004 financial year) consolidated and non-consolidated accounts, the discussion of the audit report of the Board of Auditors, the approval of the proposed profit appropriation, the compilation of the report of the Board of Directors to the Annual General Meeting of 2 June 2004 and the drawing-up of the agenda and convening notice for that Annual General Meeting and the Extraordinary General Meeting that preceded it – the Board of Directors also addressed other matters, among which a possible structural change of the strategy of the Group by way of a merger operation with the KBC Bank and Insurance Holding Company and a public bid for all ordinary and preferential shares of Kredietbank sa Luxembourgeoise, the transfer of the subsidiary Almafin to Gevaert, the composition of the Board of Directors, the Management Committee, the Audit Committee and the Appointments and Remunerations Committee, the reappointment of one of the auditors within the Board of Auditors and the increase of the honorarium of the auditors, the draft code of corporate governance, the approval of a code of ethics, the updating of internal regulations, the application of the procedure for conflicts of interest regarding the extension of the 2000 stock option plan, the reduction of the weighting of the Almanij share in the Bel20 Index, developments in respect of the IAS/IFRS, the reports of the meetings of the Management Committee, the outlook for Almanij in respect of the 2004 financial year, the development of the cash position and the portfolio, and the development of and outlook for the principal Group companies.

5. Supervision of subsidiaries and other participating interests

The Board of Directors supervises developments at Almanij's direct subsidiaries – more particularly the KBC Bank and Insurance Holding Company, Kredietbank sa Luxembourgeoise, Gevaert and Almafin (until 1 July 2004) – at a number of indirect subsidiaries – such as KBC Bank and KBC Insurance – and in respect of the other participations of Almanij; it does this via the reports of the Almanij managing directors to its meetings. This reporting takes place within the framework of discussions on:

1. the consolidated results for the first quarter in June, the first half-year in September, the third quarter in December of the financial year in question and for the full financial year at the end of March of the subsequent financial year;
2. the situation at the principal Group companies, according to a permanent item on the Board's agenda;
3. major developments at the companies and which are notified to the Board on an *ad hoc* basis.

One or both managing directors of Almanij, Mr. Jan Huyghebaert and Mr. Luc Philips, sit on the Boards of Directors of the direct subsidiaries. One or both of them are also members of the Audit Committees of the principal Group companies.

6. Supervision of day-to-day management

The Board of Directors supervises day-to-day management. It does this via the Management Committee, which is established from among its members and which includes the two managing directors (see below).

7. Remuneration

Save as the General Meeting resolves that the balance of net profit after deduction of the portion appropriated to the legal reserve be appropriated in full or in part to reserves or carried forward to the next financial year, a maximum of ten per cent of that balance may, pursuant to Article 42 of the Articles of Association, be distributed among the directors, according to the method determined by the Board of Directors itself. This regulation of the Articles of Association serves as starting-point for calculation of the individual amounts of profit participation or directors' entitlements (known as *tantièmes* in Belgium), with account taken of a number of internal and external factors, including the percentage increase in profit, legal restrictions and general market trends. During the past five years, this remuneration has remained unchanged.
Apart from this share in the profit, all non-executive directors and directors who are members of the Management Committee, with the exception of the managing directors, receive an *attendance allowance* determined by the General Meeting, as well as a *travelling expense allowance* determined by the Board of Directors in respect of their attendance at Board meetings; both allowances form part of general administrative expenses.
The directors who are members of the Management Committee (see below) – i.e. excluding the managing directors – are entitled to a *standard honorarium*.

The total amount of the above-mentioned fixed remunerations paid in 2004 by Almanij to the non-executive directors – i.e. excluding the managing directors and the other members of the Management Committee – amounted to 1 452 582.50 euros. Together, the managing directors and the other members of the Management Committee received a total fixed remuneration of 1 230 780.10 euros.

At Group level, including the above-mentioned fixed remunerations paid by Almanij, a total amount of 2 548 085.76 euros was paid by way of fixed remunerations to the non-executive directors in 2004. A total amount of 3 401 817.78 euros was paid by way of fixed remunerations to the directors who are members of Almanij's Management Committee, including the managing directors.

Solely the two managing directors are eligible for a variable emolument, against which, however, the emoluments they receive from Group companies are set off (see below under day-to-day management).

Almanij nv itself granted no benefits in kind and no advances or loans to directors.
At the end of 2004, within the framework of normal banking activities, financial institutions of the Group granted, at market conditions, advances and loans totalling 2 415 844 euros and 686 677 euros respectively to non-executive directors and to the members of the Management Committee, including the managing directors.

Non-executive directors and directors who are members of the Management Committee, with the exception of the managing directors, hold no options on Almanij shares.

The amount of remuneration is set by the **Appointments and Remunerations Committee**, which consists of three directors: Professor Philippe Naert, independent director and the committee's chairman, Mr. Rik Donckels and Mr. Philippe Vlerick. The Chairman of the Board of Directors assists the committee in an advisory capacity. The Appointments and Remunerations Committee is convened whenever it is deemed necessary and its resolutions are submitted to the Board of Directors for approval.

8. Holdings of Almanij shares

As at 31 December 2004, the members of the Almanij Board of Directors personally held a total of 226 904 of the company's shares. As at the same date, the managing directors held, in total, options on 4 800 Almanij shares.

Day-to-day management

By virtue of the powers vested in it by the Articles of Association, the Board of Directors has entrusted day-to-day management of the company to two directors, one of whom is Chairman of the Board and both of whom, by virtue of their appointment, have been granted the capacity of managing director and act jointly. They are Mr. Jan Huyghebaert and Mr. Luc Philips. Both managing directors are members of the Management Committee (see below).

Vis-à-vis the Board, the two managing directors have undertaken, in respect of day-to-day management, to take decisions in concert with the other members of the Management Committee.

The mandate of managing director expires at the end of the annual meeting following the date on which they reach the age of 65.

In addition to their share in profit as directors, both managing directors receive a fixed monthly emolument, as well as an annual, variable emolument calculated on Almanij's balance sheet profit and/or emoluments from Group companies. An annual income ceiling is in place for each managing director in respect of the totality of the above-mentioned emoluments. In consequence of this, no variable emolument was paid in 2004.

Furthermore, the managing directors are accorded the benefit of supplementary retirement and survivor's pension plans. The supplementary retirement pension, expressed as an annuity, amounts to a maximum of 33-36% of the annual income ceiling. The survivor's pension – paid out upon the death of the principal – amounts to a maximum of half that maximum.

Within the context of a stock option plan for the staff of Almanij nv, approved in 2000 by the Board of Directors and ratified by the Annual General Meeting, managing directors then in office may together exercise options on 7 200 existing Almanij shares, a first series of 4 800 shares from 1 July 2004 to 13 July 2010, during the months of July, October and December, at an exercise price of 42.41 euros per share, and a second series of 2 400 from June 2007 to October 2010 during the period from June, after dividend payment day, to the end of December – except during the times during those months when directors are prohibited from making securities transactions – at an exercise price of 37.50 euros per share.

Management Committee

A Management Committee is in operation within the Board of Directors. It does not have the status of an executive committee pursuant to Article 524*bis* of the Companies Code.

Pursuant to the Articles of Association, the Board of Directors is empowered to delegate its management competences to an executive committee established in accordance with Article 524*bis* of the Companies Code, without that delegation being able to have any effect on general policy or actions that, by virtue of the law, are reserved to the Board of Directors. So far, the Board of Directors has not had recourse to this power.

The number of members of the Management Committee is determined by the Board of Directors. The Chairman of the Management Committee is appointed by the Board, on the proposal of the Committee.

The members of the Management Committee are appointed for a term of six years and may be re-elected. The mandate of members of the Management Committee expires at the end of the annual general meeting following the date on which they reach the age of 65.

The Management Committee has a balanced composition. Day-to-day management is represented by Mr. Jan Huyghebaert as Chairman of the Board of Directors and Managing Director – he is also Chairman of the Management Committee – and Mr. Luc Philips , the other Managing Director. The chief shareholders and the stable shareholder are represented by Messrs. Paul Borghgraef, Noël Devisch, Rik Donckels, Paul Tanghe (until 2 June 2004), Alain Tytgadt, Germain Vantieghem (since 2 June 2004) and Philippe Vlerick. The members of the Management Committee act as a college.

The Management Committee is charged with the internal management, as determined by the Board of Directors. In this respect, the Management Committee is authorized by the Board of Directors to adopt positions in matters concerning the proper operation of the Almanij Group and of the Group companies, and to notify Group company bodies and officers of those positions. However, that authorization is granted under the express condition that the more important of the positions adopted are subsequently submitted to the Board of Directors for ratification.

Vis-à-vis the Board of Directors, the two managing directors have undertaken, in respect of day-to-day management, to take decisions in concert with the other members of the Management Committee.

The Management Committee has the additional task of preparing the meetings of the Board of Directors.

Within the authority granted to it, the Management Committee may grant special powers of attorney to agents of its choice.

In principle, the Management Committee meets twice a month.

After consultation with the Committee's chairman, the Board of Directors determines the remuneration of the members of the Management Committee, excluding the managing directors.

Reporting and auditing

Although, as a holding company, Almanij does not engage in operational activities, an **Audit Committee** is in operation within the Board of Directors.

The Audit Committee, an integral part of the Board of Directors, assists this last in the performance of its supervisory task. Its remit within the context of, and limited exclusively to, Almanij nv consists in, among other things, ensuring compliance with legal and regulatory requirements and the internal regulations and procedures, as well as developing the structures and procedures for risk control. As regards the consolidated accounts of the Almanij Group, the Committee checks whether sufficient supervision is being exercised at the Almanij subsidiaries. However, it is not responsible for verification conducted by the control bodies of the subsidiaries themselves.

The Audit Committee consists of at least three directors, chosen because of their expertise. Currently, there are five members: Professor Philippe Naert, independent director and the Committee's chairman, Professor Dirk Heremans, independent director, and Messrs. Alex Geets, Xavier Liénart and Jozef Van Waeyenberge, non-executive directors. The composition of the Committee reflects that of the Board of Directors.

In principle, the Audit Committee meets five times per year. In addition, the Committee may be convened at any time deemed necessary. The managing directors, the management, the Board of Auditors and external specialists may be invited to attend meetings as *ad hoc* (i.e. not permanent) members. The chairman of the Committee reports to the Board of Directors.
The activity of the Committee is evaluated each year by the Board of Directors.

The Audit Committee met five times in 2004 and dealt primarily with the quarterly, six-monthly and annual results of Almanij, the press communiqué and annex concerning the results, the independence of the auditorship, the provisions in respect of the Audit Committee in the draft code of corporate governance, the situation regarding the IFRS regulations, risk management within the Group, the appointment of an auditor within the Board of Auditors for a further period of three years and the adjustment of the auditors' remuneration. In addition, a member of the management of Gevaert gave the Audit Committee a presentation on that company.

A **Board of Recognized Auditors**, whose names are given on p. 4, is charged with examining the financial situation, the consolidated and non-consolidated annual accounts and the compliance of operations to be mentioned in the annual accounts with the provisions of the Companies Code and the company's Articles of Association. The Board of Recognized Auditors deliberates and decides as a college.

Pursuant to an Annual General Meeting resolution of 2 June 2004, the Board of Auditors is accorded a yearly remuneration of 58 000 euros or 29 000 euros per auditor.

Profit appropriation policy

For Almanij nv as a holding company, the Board of Directors pursues a policy of rather high payout percentages. The average percentage over the past five years was 69.18%, calculated on the basis of net profit, and 75.10%, calculated on the basis of current profit, both on a non-consolidated basis. These divergent figures stem from the realization during those years of capital gains and/or losses on financial fixed assets.

In respect of the appropriation of the results of Almanij and the KBC Bank and Insurance Holding Company following the merger on 2 March 2005, the payout ratio of Almanij nv for the 2004 financial year was 68.66%, calculated on net profit, and 66.11%, calculated on current profit.

Relationships with the chief shareholders

In December 1999, a shareholders agreement was concluded between Cera Holding cv, via Cera Ancora nv (now Almancora Comm.VA), with 15.94% (according to the latest disclosure in concert of 15 December 1999), and the Other Committed Shareholders (OCSs), likewise with 15.94% (according to that disclosure in concert). As a result of the capital increase in October 2000, the percentage is now 15.81%, instead of 15.94%.
In its disclosure of December 2001, Almancora Comm.VA, with the authorization of Cera Holding, disclosed that its participation contributed in concert had been reduced by 3.95% to 11.86% in favour of Cera Holding cvba, which contributed a similar percentage of 3.95% in concert.

The purpose of the agreement is to underpin and co-ordinate the general policy of Almanij and to ensure application of that policy through the joint exercise of the voting rights attaching to the shares contributed by each party within the framework of that agreement and through the reciprocal granting of pre-emptive rights.

Acting as a stable shareholder of the Group is the Maatschappij voor Roerend Bezit van de Belgische Boerenbond (MRBB), a co-operative society with limited liability, with 16.62%.

Any commercial transactions between the company and its shareholders will be at arm's length. Depending on their nature, such transactions will be verified by the company's management bodies, making use, where necessary, of the procedures laid down in the Companies Code.

Special work conducted by the Board of Auditors

Below, pursuant to Article 134 §§ 2 and 4 of the Companies Code, is given the total amount paid, by way of remuneration for special tasks carried out during 2004, to the Board of Auditors and the companies with which it has a professional alliance by the Almanij Group and affiliated Belgian companies, as well as foreign subsidiaries:

- remunerations paid for additional 'assurance' tasks: 5 112 503 euros;
- remunerations paid for tax advisory services: 2 326 698 euros;
- remunerations paid for other, non-audit services: 337 388 euros.

Composition of the Board of Directors during the 2004 financial year

Name	Chief function	Expiry of term of office	Independent directors	Management Committee	Audit Committee	Appointments and Remunerations Committee
Jan Huyghebaert	Chairman and Managing Director, Almanij nv	2009		●[1]		
Philippe Vlerick	Deputy-Chairman, Almanij nv Chairman and Managing Director, UCO Textiles nv and B.I.C. Carpets nv	2005		●		●
Luc Philips	Managing Director, Almanij nv	2009		●		
Georges Beerden	Director, Cera Beheersmaatschappij nv and Almancora Beheersmaatschappij nv	2008				
Paul Borghgraef	Company director	2006		●		
Paul Bostoen	Managing Director, Christeyns nv and Algimo nv	2010				
Cecile Cambien	Company director	2005				
Gui de Vaucleroy *(until 2 June 2004)*	Chairman of the Board of Directors, Delhaize Group *(until 31 December 2004)*	-	●			●[2]
Luc Debaillie	Chairman and Managing Director, Voeders Debaillie nv	2006				
Noël Devisch	Chairman, Boerenbond	2007		●		
Rik Donckels	Managing Director, Cera Beheersmaatschappij nv and Almancora Beheersmaatschappij nv Chairman Management Committee, Cera cvba	2010		●		●
Beatrice Dubaere-Van Houtte	Company director	2008				
Marc Francken	Chairman and Managing Director, Gevaert Group	2006				
Alex Geets	Managing Director, Aveve nv	2008			●	
Jean-Marie Géradin	Lawyer Director, Cera Beheersmaatschappij nv and Almancora Beheersmaatschappij nv	2007				
Dirk Heremans	Professor at the Faculty of Economic and Applied Economic Sciences, Catholic University of Leuven	2008	●		●	
Thierry Konings	Member of management, Marsh nv	2005				
Lexsearch bvba *(from 30 November 2004)*	Permanently represented by Walter Van Gerven, Professor Emeritus Extraordinary, Catholic University of Leuven	2007	●			
Christian Leysen	Chairman, Axe Investments nv	2008				
Xavier Liénart	Company director Director, Cera Beheersmaatschappij nv	2005			●	
Lode Morlion *(from 2 June 2004)*	Director, Cera Beheersmaatschappij nv	2010				
Philippe Naert	Dean Tias Business School at the University of Tilburg and the Technical University, Eindhoven	2007	●		●[1]	●[3]
Marita Orlent-Heyvaert	Director, Robor nv and Managing Director, Inkao-Invest bvba	2007				
Gustaaf Sap	Lawyer	2006				
Paul Tanghe *(until 2 June 2004)*	Director, Cera Beheersmaatschappij nv *(until 30 June 2004)*	2004		●[4]		
Alain Tytgadt	Managing Director, Metalunion cvba	2010		●		
Guido Van Roey	Member of management, InBev nv Chairman of the Board of Directors, Cera Beheersmaatschappij nv	2010				
Germain Vantieghem	Managing Director, Cera Beheersmaatschappij nv and Almancora Beheersmaatschappij nv Member Management Committee, Cera cvba	2010		●[5]		
Jozef Van Waeyenberge	Director, De Eik nv	2009			●	

[1] Chairman of this committee.
[2] Chairman of this committee until 2 June 2004.
[3] Chairman of this committee from 9 December 2004.
[4] Member of this committee until 2 June 2004.
[5] Member of this committee from 3 June 2004.

Financial report

1. Consolidated balance sheet and profit and loss account as at 31 December 2004

1. Consolidated balance sheet after profit appropriation

(*in thousands of EUR*)

ASSETS	2002	2003	2004	Change (in %)
BANKING	**237 885 427**	**243 288 027**	**262 116 499**	**7.7**
I. Loans and advances to credit institutions	38 124 020	37 796 211	38 116 454	0.8
II. Loans and advances to customers	103 525 356	95 346 355	111 077 323	16.5
III. Securities	71 209 358	78 059 344	81 587 197	4.5
A. Fixed-income	*66 063 374*	*66 825 692*	*69 237 661*	*3.6*
B. Variable-yield	*5 145 984*	*11 233 652*	*12 349 536*	*9.9*
IV. Financial fixed assets	5 377 661	6 445 232	5 731 936	-11.1
V. Intangible fixed assets and goodwill on consolidation	607 097	703 867	852 549	21.1
VI. Tangible fixed assets	2 523 239	2 484 796	2 513 297	1.1
VII. Other assets	16 518 696	22 452 222	22 237 743	-1.0
INSURANCE	**14 117 148**	**16 212 329**	**20 241 685**	**24.9**
VIII. Intangible fixed assets and goodwill on consolidation	100 894	205 879	188 759	-8.3
IX. Investments	10 057 055	11 090 887	14 251 381	28.5
X. Investments for the benefit of life assurance policyholders who bear the investment risk	2 813 191	3 238 898	3 931 147	21.4
XI. Technical provisions, reinsurers' share	250 066	179 545	258 314	43.9
XII. Debtors	478 166	618 321	696 653	12.7
XIII. Other assets	417 776	878 799	915 431	4.2
INVESTMENT ACTIVITIES, SPECIALIZED FINANCIAL SERVICES AND PROPRIETARY HOLDING-COMPANY ACTIVITIES	**2 995 358**	**2 750 531**	**2 550 050**	**-7.3**
XIV. Intangible fixed assets and goodwill on consolidation	390 900	427 422	391 964	-8.3
XV. Financial fixed assets	1 078 668	917 187	816 273	-11.0
XVI. Investments and cash at bank and in hand	685 589	673 310	799 011	18.7
XVII. Other assets	840 201	732 612	542 802	-25.9
ELIMINATIONS *	**-2 217 932**	**-2 621 623**	**-2 893 350**	**10.4**
TOTAL ASSETS	**252 780 001**	**259 629 264**	**282 014 884**	**8.6**

* Due to direct elimination under "Subordinated liabilities", the amounts eliminated on the assets side do not match amounts eliminated on the liabilities side.

(*in thousands of EUR*)

LIABILITIES		2002	2003	2004	Change (in %)
RISK EQUITY					
I.	Capital	625 705	625 705	625 705	0.0
II.	Share premium account	1 961 801	1 961 801	1 961 801	0.0
III.	Revaluation reserve	6 369	5 919	4 952	-16.3
IV.	Reserves	5 878 652	6 265 091	7 015 297	12.0
V.	Goodwill on consolidation (+) (badwill)	386 187	320 617	301 247	-6.0
V*bis.*	Imputed goodwill on consolidation (-)	-1 356 851	-1 141 853	-1 068 625	-6.4
VI.	Translation differences	-4 377	-29 050	-53 653	84.7
VII.	Capital subsidies	351	521	383	-26.4
	Total capital and reserves	**7 497 837**	**8 008 751**	**8 787 109**	**9.7**
VIII.	Minority interests	5 119 060	5 270 486	5 248 607	-0.4
IX.	Subordinated liabilities				
	Aggregated amounts	7 693 044	7 517 230	7 025 010	-6.5
	- eliminations	-382 885	-259 458	-258 281	-0.5
X.	Fund for general banking risks	0	0	0	-
	Total risk equity	**19 927 056**	**20 537 009**	**20 802 445**	**1.3**
PROVISIONS AND LIABILITIES					
BANKING		**219 475 853**	**224 374 446**	**242 886 895**	**8.3**
XI.	Amounts owed to credit institutions	48 029 917	50 561 061	55 131 116	9.0
XII.	Amounts owed to customers	130 022 642	124 448 898	136 846 943	10.0
XIII.	Debts represented by securities	24 277 186	25 331 775	27 172 694	7.3
XIV.	Provisions, deferred taxes and contingent tax liabilities	1 111 015	899 778	1 006 935	11.9
XV.	Other liabilities	16 035 093	23 132 934	22 729 207	-1.7
INSURANCE		**12 251 604**	**14 371 926**	**18 235 373**	**26.9**
XVI.	Technical provisions	8 860 576	10 196 859	13 259 117	30.0
XVII.	Technical provisions for life assurance policies where the investment risk is borne by the policyholders	2 813 191	3 238 898	3 931 249	21.4
XVIII.	Deposits received from reinsurers	96 535	93 307	81 626	-12.5
XIX.	Provisions, deferred taxes and contingent tax liabilities	44 488	128 273	54 645	-57.4
XX.	Other liabilities	436 814	714 589	908 737	27.2
INVESTMENT ACTIVITIES, SPECIALIZED FINANCIAL SERVICES AND PROPRIETARY HOLDING-COMPANY ACTIVITIES		**2 960 535**	**2 708 048**	**2 725 241**	**0.6**
XXI.	Financial liabilities	2 513 946	2 220 208	2 220 844	0.0
XXII.	Provisions, deferred taxes and contingent tax liabilities	15 556	19 547	22 472	15.0
XXIII.	Other liabilities	431 033	468 293	481 925	2.9
ELIMINATIONS *		**-1 835 047**	**-2 362 165**	**-2 635 069**	**11.6**
TOTAL LIABILITIES		**252 780 001**	**259 629 264**	**282 014 884**	**8.6**

* Due to direct elimination under "Subordinated liabilities", the amounts eliminated on the assets side do not match amounts eliminated on the liabilities side.

2. Consolidated profit and loss account

(*in thousands of EUR*)

	2002	2003	2004	Change (in %)
BANKING				
A. Net interest income	3 367 468	3 429 377	3 350 526	-2.3
1. Interest receivable and similar income	11 935 065	10 032 436	10 245 841	2.1
2. Interest payable and similar charges	-8 567 597	-6 603 059	-6 895 315	4.4
B. Income from variable-yield securities	204 088	134 185	127 310	-5.1
1. From shares and other variable-yield securities	159 052	48 031	101 322	111.0
2. From participating interests and shares constituting financial fixed assets	45 036	86 154	25 989	-69.8
C. Profit (Loss) on financial transactions	1 096 010	771 070	965 174	25.2
1. On the trading of securities and other financial instruments	651 593	507 795	674 903	32.9
2. On the disposal of investment securities	444 417	263 275	290 272	10.3
D. Other commission and operating income	1 942 652	2 093 359	2 254 672	7.7
1. Net commission income	1 425 101	1 568 073	1 750 110	11.6
2. Other operating income	517 551	525 286	504 562	-3.9
E. Results from participating interests consolidated via the equity method	7 419	17 562	36 919	110.2
Gross operating income	*6 617 637*	*6 445 553*	*6 734 602*	*4.5*
F. General administrative expenses and other charges	-4 350 439	-4 237 402	-4 216 501	-0.5
1. Staff charges	-2 299 477	-2 342 901	-2 382 552	1.7
2. Depreciation on fixed assets	-468 894	-426 646	-412 138	-3.4
3. Other operating charges	-1 582 068	-1 467 855	-1 421 811	-3.1
G. Write-downs on and provisions for credit risks	-449 510	-687 571	-111 392	-83.8
H. Allocation to, transfer from the contingency funds	0	0	0	0.0
I. Write-downs on securities	-251 980	-7 069	18 334	-
J. Provisions for other liabilities and charges	4 425	15 985	-121 619	-
K. Amortization of goodwill on consolidation	-22 013	-43 025	-44 823	4.2
I. Profit (Loss) on ordinary activities, banking	**1 548 120**	**1 486 471**	**2 258 600**	**51.9**
INSURANCE				
A. Earned premiums, net of reinsurance	3 155 933	3 485 982	5 037 297	44.5
1. Gross premiums earned	3 244 829	3 559 361	5 157 784	44.9
2. Reinsurers' share	-88 896	-73 379	-120 487	64.2
B. Net technical charges	-2 273 978	-3 457 708	-4 905 973	41.9
C. Investment income and charges	-33 180	802 249	854 162	6.5
of which: realized gains on investments	197 971	91 227	103 941	13.9
of which: value adjustments, unit-linked life assurance	-679 777	209 338	225 985	8.0
D. Results from participating interests consolidated via the equity method	3 500	16 719	20 300	21.4
E. General administrative expenses and other charges	-456 540	-498 976	-662 938	32.9
F. Amortization of goodwill on consolidation	-2 669	-3 291	-8 071	145.3
Recurring result from ordinary activities	**393 066**	**344 975**	**334 777**	**-3.0**
G. Non-recurring income	305 044	248 367	129 888	-47.7
H. Non-recurring charges	-305 146	-283 394	-163 717	-42.2
II. Profit (Loss) on ordinary activities, insurance	**392 964**	**309 948**	**300 948**	**-2.9**

(in thousands of EUR)

	2002	2003	2004	Change (in %)
INVESTMENT ACTIVITIES, SPECIALIZED FINANCIAL SERVICES AND PROPRIETARY HOLDING-COMPANY ACTIVITIES				
A. Net interest income	-62 015	-60 892	-77 115	26.6
B. Income from variable-yield securities	17 536	18 510	18 160	-1.9
C. Results from participating interests consolidated via the equity method	63 739	106 836	45 983	-57.0
D. Other operating income	114 514	127 394	134 346	5.5
E. General administrative expenses and other charges	-100 729	-101 134	-122 511	21.1
F. Results from realization of investment securities and valuation differences	-63 804	4 507	26 315	483.9
G. Amortization of goodwill on consolidation	-32 285	-35 886	-36 298	1.1
III. Profit (Loss) on ordinary activities, investment activities, specialized financial services and proprietary holding-company activities	**-63 044**	**59 335**	**-11 121**	**-**
IV. Extraordinary income	**109 186**	**115 922**	**92 713**	**-20.0**
V. Extraordinary charges	**-190 171**	**-58 903**	**-222 862**	**278.4**
VI. Profit for the financial year, before tax	**1 797 055**	**1 912 773**	**2 418 277**	**26.4**
VII. A. Transfer from deferred taxes and contingent tax liabilities	65 046	63 934	95 242	49.0
B. Transfer to deferred taxes and contingent tax liabilities	-14 326	-9 394	-33 785	259.6
VIII. Income taxes	**-589 802**	**-559 449**	**-602 878**	**7.8**
A. Income taxes	-607 461	-581 807	-695 186	19.5
B. Adjustments to income taxes and amounts written back from tax provisions	17 659	22 358	92 308	312.9
IX. Consolidated profit	**1 257 973**	**1 407 864**	**1 876 855**	**33.3**
A. Minority interests	540 477	470 659	739 157	57.0
B. Group share	717 495	937 205	1 137 698	21.4

2. Consolidation and valuation rules

2.1. Criteria for consolidation and inclusion in the consolidated accounts using the equity method

1. Full and proportional consolidation

The method of full consolidation is applied to all subsidiaries and sub-subsidiaries over which the consolidating company exercises exclusive control *de jure* (participating interests in which more than 50% of the voting rights are held) or *de facto*.

Companies over which joint control is exercised *de jure* or *de facto* together with a limited number of partners are consolidated according to the method of proportional consolidation.

2. Equity method

This method is applied for affiliated companies over whose management the Group exercises considerable control. This method is also applied for companies in liquidation.

3. Valuation at acquisition cost

Participating interests in non-affiliated companies are included in the consolidated annual accounts at acquisition costs (less any amounts written down).

4. Cases where these criteria have been departed from

Companies qualifying for consolidation are also effectively included in the consolidated annual accounts, if two of the following criteria are met:

- Group interests in capital and reserves exceed 1.25 million euros;
- Group interests in the results exceed 0.5 million euros (in absolute value);
- total assets and the off-balance-sheet rights and commitments that can be taken into account for the purpose of calculating the CAD ratio exceed 6.25 million euros.

The aggregated total assets of companies excluded from consolidation may not exceed the lower of the following amounts: 1% of the consolidated total assets or 1 billion euros. Where a company that used to be consolidated no longer meets the stated criteria, it will in principle continue to be included in the consolidation, unless the situation is permanent.

Affiliated companies that issue real estate certificates are not consolidated, as the economic risk attaching to the assets of these companies is borne by the holders of the certificates.

5. Main companies included within the scope of consolidation

Shown below is a brief overview of the main companies included within the scope of consolidation. The complete list is contained in the annual accounts that have been filed with the National Bank of Belgium and is also available on request.

Company	Registered office	Participating percentage (in %)

A. Fully consolidated companies

Banking

Company	Registered office	Participating percentage (in %)
Via KBC Bank		
Antwerpse Diamantbank NV	Antwerp - BE	67.52
Assurisk SA	Luxembourg - LU	67.52
CBC Banque SA	Brussels - BE	67.52
Centea NV	Antwerp - BE	67.23
Československá Obchodní Banka a.s. (ČSOB)	Prague - CZ	60.69
Fin-Force NV	Brussels - BE	64.15
IIB Bank Ltd. (group)	Dublin - IE	67.52
KBC Investco NV	Brussels - BE	67.52
KBC Asset Management NV	Brussels - BE	67.52
KBC Bank NV	Brussels - BE	67.52
KBC Bank Deutschland AG	Bremen - GE	67.34
KBC Bank Funding LLC & Trust (group)	New York - USA	67.52
KBC Bank Nederland NV	Rotterdam - NL	67.52
KBC Clearing NV	Amsterdam - NL	67.52
KBC Exploitatie NV	Mechelen - BE	67.52
KBC Finance Ireland	Dublin - IE	67.52
KBC Financial Products (group)	Various locations	67.52
KBC Internationale Financieringsmaatschappij NV	Rotterdam - NL	67.52
KBC Lease NV (group)	Various locations	67.52
KBC Peel Hunt plc	London - UK	67.52
KBC Securities NV (group)	Various locations	67.52
Kereskedelmi és Hitelbank Rt. (K&H Bank)	Budapest - HU	40.15
Kredyt Bank SA	Warsaw - PL	57.75
Patria Finance a.s.	Prague - CZ	67.52
Via KBL		
Kredietbank SA Luxembourgeoise	Luxembourg - LU	78.70
Brown, Shipley & Co. Ltd. (group)	London - UK	78.70
KBL Bank Ireland	Dublin - IE	78.70
KB Luxembourg (Monaco) SA	Monaco - MC	78.70
Banque Continentale du Luxembourg SA	Luxembourg - LU	78.70
KBL France (group)	Paris - FR	78.70
KBL Beteiligungs AG	Mainz - GE	78.70
Merck Finck & Co. (group)	Munich - GE	78.70
Banco Urquijo SA	Madrid - ES	78.44
Kredietbank (Suisse) SA, Genève (group)	Geneva - SW	78.70

Company	Registered office	Participating percentage (in %)
Banking		
Via KBL (continuation)		
Fidef Ingénierie Patrimoniale	La Rochelle - FR	78.68
Kredietbank Informatique G.I.E.	Luxembourg - LU	78.70
Financière et Immobilière SA	Luxembourg - LU	78.70
KB Lux Immo SA	Luxembourg - LU	78.57
Theodoor Gilissen Bankiers NV	Amsterdam - NL	78.70
Renelux SA	Luxembourg - LU	78.69
Fumagalli Soldan SIM s.p.a.	Milan - IT	74.41
Kredietrust Luxembourg SA	Luxembourg - LU	78.70
Puilaetco Private Bankers SA	Brussels - BE	78.70
Insurance		
Via KBC Insurance		
ADD NV	Heverlee - BE	67.52
Argosz Insurance Corporation Ltd.	Budapest - HU	66.69
ČSOB Pojišt'ovna a.s.	Pardubice - CZ	65.81
ČSOB Pojišt'ovna a.s. (the former ERGO Pojist'ovňa a.s.)	Bratislava - SK	58.93
Fidea NV	Antwerp - BE	67.52
K & H Életbiztosító Rt.	Budapest - HU	53.83
KBC Life Fund Management SA	Luxembourg - LU	67.33
KBC Verzekeringen NV	Leuven - BE	67.52
Lucare Captive SA	Luxembourg - LU	67.52
Maatschappij voor Brandherverzekering CV	Leuven - BE	61.39
Secura NV	Brussels - BE	64.17
VITIS Life Luxembourg SA	Luxembourg - LU	63.69
VTB-VAB NV	Antwerp - BE	43.75
TUiR WARTA SA	Warsaw - PL	50.73
Investment activities, specialized financial services and proprietary holding-company activities		
Almanij NV	Antwerp - BE	100.00
Gevaert NV (group)	Antwerp - BE	100.00
Almafin NV (group)	Brussels - BE	100.00
City Hotels NV	Brussels - BE	85.52
Bofort NV (groep)	Brussels - BE	100.00
KBC Bankverzekeringsholding NV	Brussels - BE	67.52
Kredietcorp SA	Luxembourg - LU	99.99

Company	Registered office	Participating percentage (in %)

B. Joint subsidiaries consolidated proportionally

Banking

Via KBC Bank		
International Factors NV	Brussels - BE	33.76
Orbay NV	Utrecht - NL	33.09
Via KBL		
CDC Urquijo	Madrid - ES	34.58

Insurance

Via KBC Insurance		
NLB Vita d.d.	Ljubljana - SL	33.76

C. Companies consolidated according to the equity method

Banking

Via KBC Bank		
Bank Card Company NV	Brussels - BE	14.55
Banksys NV	Brussels - BE	13.88
Nova Ljubljanska banka d.d.	Ljubljana - SL	22.96
Via KBL		
Dish SA	Madrid - ES	70.58
Gaviel SA	Barcelona - ES	35.29
Nisa Gav SA	Barcelona - ES	35.29

Insurance

Via KBC Insurance		
FBD Holdings plc	Dublin - IE	15.36

Investment activities, specialized financial services and proprietary holding-company activities

Agfa-Gevaert NV	Mortsel - BE	27.15
Vlaamse Uitgeversmaatschappij NV	Groot-Bijgaarden - BE	24.65

Changes in the scope of consolidation in 2004

The balance sheet and the profit and loss account were affected by changes in the scope of consolidation in 2004.
Below are the major changes in the scope of consolidation vis-à-vis 2003. The complete list may be consulted in the annual accounts that have been filed with the National Bank of Belgium and is available on request.

1. Additions

Company	Consolidation method	Percentage participation (in %) 31.12.2003	31.12.2004	Commentary
Banking				
Via KBC				
Orbay NV	Proportional consolidation	-	33.09	Joint venture with Rabobank Nederland
Via KBL				
Puilaetco Private Bankers	Full consolidation	-	78.70	Inclusion from 1 July 2004
Insurance				
NLB Vita d.d.	Proportional consolidation	-	33.76	First consolidated in 2004

2. Exclusions

Company	Consolidation method	Percentage participation (in %) 31.12.2003	31.12.2004	Commentary
Banking				
Via KBC Bank				
Financière ADSB BV	Proportional consolidation	25.13	-	Converted into Belgacom shares in 1Q 2004
Krefima NV	-	-	-	Sold in 1Q 2003
Insurance				
FBD Ltd.	Equity method	12.94	-	Sold in 4Q 2004

3. Main changes in the method of consolidation

Company	Consolidation method	Percentage participation (in %) 31.12.2003	31.12.2004	Commentary
Banking				
Via KBC Bank				
K&H Equities Rt.	Full consolidation	33.51	67.52	50% proportional consolidation in 2003, full consolidation in 2004
Insurance				
TUiR WARTA Rt.	Full consolidation	50.07	50.73	Equity-method consolidation in 2003, full consolidation in 2004
VTB-VAB NV	Full consolidation	43.43	43.75	Equity-method consolidation in 2003, full consolidation in 2004

4. Main changes in participation percentages

Company	Consolidation method	Percentage participation (in %) 31.12.2003	31.12.2004	Commentary
Banking				
Via KBC Bank				
ČSOB a.s.	Full consolidation	56.99	60.69	Buying-in of the IFC share in ČSOB
Kredyt Bank SA	Full consolidation	54.56	57.75	Subscription to capital increase
Fin-Force NV	Full consolidation	60.32	64.15	
KBC Clearing NV	Full consolidation	63.60	67.52	
Via KBL				
Banco Urquijo SA	Full consolidation	70.13	78.44	
Fumagalli Soldan SIM s.p.a.	Full consolidation	62.56	74.71	
Insurance				
ČSOB Pojišt'ovna a.s. (Slovakia)	Full consolidation	49.48	58.93	ČSOB (bank) purchase of additional participation

2.2. Accounting principles and valuation rules

1. General principles

The accounting principles and valuation rules are in conformity with the Belgian accounting legislation included in the Companies Code and its implementing decree of 30 January 2001, the provisions of Royal Decree of 23 September 1992 concerning the consolidated annual accounts of credit institutions and Royal Decree of 13 February 1996 concerning the consolidated accounts of insurance and reinsurance companies, save, however, for the divergent presentation.

The Almanij Group is by nature a financial group, with activities in the banking, insurance and finance-related sectors.
Almanij employs a functional presentation that takes account of the variety of activities engaged in by a financial services group and that is based on application of Article 116 of the Companies Code implementing decree, which permits divergence on the basis of the provision of a true and fair picture. The option has been for a breakdown per area of activity (banking – including asset management – insurance, investment activities, specialized financial services and proprietary holding-company activities). This presentation respects the specificity of the different activities and provides the necessary flexibility with regard to the differences in regulation and valuation.

The consolidated annual accounts are closed as at 31 December, the closure date for the parent company and for the great majority of the consolidated companies. For those companies with a different closure date, interim accounts are drawn up as at 31 December for the purpose of consolidation.

The consolidated annual accounts are drawn up after profit appropriation by Almanij nv, whereas those of the other consolidated companies are included before profit appropriation.

Merger-related operations, the contribution of a totality of assets and liabilities and the contribution of a business entity have also been reflected in the consolidated annual accounts, in accordance with the principle of continuity, pursuant to the provisions of Royal Decree of 30 January 2001 concerning the annual accounts of companies. This means that equity items relating specifically to the consolidation and originating from the contributing companies have been added to the corresponding headings of the recipient companies on the basis of those items' carrying value.

In accordance with Article 152 § 2 of Royal Decree of 30 January 2001 concerning the consolidated annual accounts of companies, the valuation rules in respect of companies consolidated according to the equity method have not been adjusted to bring them into line with those of the consolidating company. An exception to this valuation rule concerns an associated company of KBC Insurance, namely FBD Holdings, where unrealized gains and losses are eliminated from the result.

The assets and liabilities belonging to one and the same activity are, in principle, valued according to uniform rules. Within the banking activity, the accounting principles and valuation rules applied by KBC Bank and KBL are not entirely uniform. Their differences originate primarily in differences in regulation (prudential and local), and relate mainly to the securities portfolio.

Differences persist between the activities, owing to sector-specific rules. However, these differences are not harmonized, given the specificity of the areas of activity, and relate primarily to the securities portfolio.

In the profit and loss account, reciprocal income and expenditure between the various areas of activity (banking, insurance, investment activities, specialized financial services and proprietary holding-company activities) and that arise in the normal course of business are not eliminated. The corresponding reciprocal positions on the balance sheet, however, are adjusted via the 'Eliminations' heading. This accounting treatment provides a better insight, in business-economic terms, into the results of each business area. Within the areas of activity, all reciprocal balances of at least 2.5 million euros are eliminated from the balance sheet and profit and loss account. Note 16, moreover, gives an indication of the reciprocal transactions among the banking, insurance and the other activities (investment activities, specialized financial services and proprietary holding-company activities).

Intra-group gains or losses are eliminated commensurate with the percentage share (direct and indirect) held by the consolidating company in each of the subsidiaries concerned. Internal gains and losses of less than 1 million euros are not eliminated, insofar as total non-eliminated results do not amount to more than 5 million euros. Where the total amount is more than 5 million euros, the threshold for non-elimination is lowered to 0.5 million euros, though without application of a cumulative upper threshold.

2. Specific valuation rules

a) Translation of foreign currency

All monetary items denominated in foreign currency are translated into their equivalent in euros at the spot rate at balance sheet date.

Banking - KBC

Negative and positive valuation differences, save those relating to the financing of shares and participating interests in foreign currency and dotation capital for foreign branches, are recorded in the profit and loss account. Translation differences on the financing of shares and foreign branches in foreign currency are recorded under own funds, with account being taken of tax deferrals. Non-monetary items are valued on the basis of the historical rate at acquisition or, where appropriate, on the basis of the exchange rate at which the currency used to pay the price was purchased.

For transactions that entailed funding (lending), the rate of the day is used where there is no exchange rate.

Income and charges denominated in foreign currency are stated in the profit and loss account at the rates prevailing when they were recognized. Foreign currency income and expenditure hedged in advance are entered in euros on the basis of the fixed rate.

Banking - KBL

All monetary and non-monetary items denominated in a foreign currency are translated into their equivalent in euros at the spot rate at balance sheet date. The ensuing valuation differences are recorded in the profit and loss account. With effect from 2004, income and charges denominated in foreign currency are entered periodically into the profit and loss account at the average rates of the month. In previous years, income and charges were translated at the rates prevailing when they were converted.

Insurance

The balance of the positive and negative differences arising from the translation of the technical provisions denominated in foreign currency are included under the corresponding 'Adjustments to the technical provisions' heading in the profit and loss account. The balances arising from the translation of the technical non-life reinsurance provisions denominated in foreign currency are included under the corresponding 'Other technical charges' heading in the profit and loss account for the non-life business.

The balance of the positive or negative differences arising from the conversion of monetary items, other than the technical provisions is imputed, per currency, to the profit and loss account as financial income or financial charges.

Non-monetary items expressed in foreign currency are posted in the balance sheet at the equivalent in euros, calculated at the rate prevailing at the end of the month preceding acquisition or, where that is not close to the rate at acquisition, at the rate prevailing at acquisition date. As the case may be, the rate used is that at which the foreign currency employed for payment of the price was purchased.

Charges and income expressed in foreign currency are included in the profit and loss account at the spot rate prevailing at the time (in certain cases, the spot rate prevailing at the end of the preceding month) or at a rate very close to it.

Investment activities, specialized financial services and proprietary holding-company activities

Negative translation differences are taken into account under the heading 'Unrealized exchange differences' in the profit and loss account. Positive translation differences are included in the balance sheet under the liabilities heading 'Accrued charges and deferred income'.

b) Translation of the financial statements of foreign subsidiaries

The balance sheets of foreign subsidiaries are translated into euros at the spot rate at balance sheet date (with the exception of the capital and reserves, which are converted at the historical rate). The profit and loss account is translated at the average rate for the financial year. Differences arising from the use of a different rate for, on the one hand, assets and liabilities items, than for, on the other, items constituting capital and reserves are included (together with the exchange rate differences on loans and derivative contracts concluded to finance participating interests in foreign currency, with account being taken of tax deferrals) under the liabilities heading 'Translation differences' (under Risk Equity) in the amount of the Group's share.

The cumulative translation differences stemming from the translation of financial statements expressed in an EMU currency for the period up to the currency's incorporation into the euro will remain under this heading.
Translation differences are imputed to the result upon the transfer in whole or in part of the participating interest.

c) Amounts receivable

Banking - KBC

Interest collected in advance and similar income (including such additional remuneration as fees for foreign loans) for the entire loan period cannot immediately be included in the profit and loss account and is therefore posted to an accruals and deferrals heading. At the end of the month, the amount earned is written to the profit and loss account.
Processing fees charged are booked forthwith in the results on inception of the loans and advances concerned; credit insurance premiums are posted to the profit and loss account annually when paid.
Commissions receivable (payable in advance) for bank guarantees given are included forthwith in the profit and loss account. The commissions granted by KBC Bank for credit broking are imputed to the results at the time the credit is disbursed.

Amounts receivable arising from advances or cash deposits are recorded in the balance sheet in the amount made available. The difference between the amount made available and the nominal amount (discount) is included according to the straight-line method and *pro rata temporis* via the accruals and deferrals account as interest receivable.
Dated commercial credit, consumer credit, home loans and receivables arising from leasing contracts are recorded in the balance sheet in the outstanding principal amount, plus the interest past due and sundry costs still to be paid by customers. Interest received but not yet due (interest collected in advance) is recorded in the profit and loss account on an accruals basis via the accruals and deferrals headings. The other amounts receivable are stated in the balance sheet at nominal value.

Loans and advances transferred through securitization operations, whereby the transfer of these assets qualifies as a sale under the Banking, Finance and Insurance Commission's guidelines, no longer constitute bank assets and consequently may not appear on the balance sheet of KBC Bank, although the bank is required to record the amount in the contingent accounts. During the term of the securitization operation, the entry in the contingent accounts is required to be adjusted at the end of each month in accordance with customers' loan repayments.
Any gains realized on the sale of securitized assets are included forthwith in the profit and loss account at the time of the sale. If the sales price consists entirely or in part of a variable element dependent on the buyer's operating profit, that element will be included in the profit and loss account only when the operating profit is known and that element is consequently fixed.
In the case of synthetic securitization, only the (credit) risk of the underlying (credit) portfolio is transferred to a third party; this is done by means of, for example, a credit default swap and not by the effective transfer/sale of the (loan and advance) receivables. In other words, the loans and advances remain on the balance sheet. Operations to hedge proprietary loan and advance receivables are hereby entered as guarantees received or given. Operations in respect of the trading portfolio are entered as interest rate swaps. Both types of operation are marked to market and included in the profit and loss account, save operations on an illiquid market: in that case, positive valuation differences are entered on an accruals and deferrals account and negative valuation differences in the profit and loss account.

For loans with an uncertain outcome, general provisions are set aside, specific write-downs charged and provisions created in respect of loans that are linked economically. All interest and various other receivables that have remained unpaid for three months after their due date will not be recognized in the profit and loss account.

The calculation of non-specific write-downs on domestic loans with an uncertain outcome is based on the principal amount whose repayment is uncertain, the percentage susceptible to reclassification (that portion of the 'uncertain outcome' portfolio that might become 'doubtful') and the loss percentage. The percentages are arrived at on the basis of their moving average over the last twelve months. For foreign loans, additional non-specific write-downs are entered, calculated on the basis of simple percentages.

For loans classified as doubtful and irrecoverable, specific write-downs are posted on a case-by-case basis and charged to the assets heading in the annual accounts in which the risks appear, in order to cover the losses which are considered certain or likely to ensue on the outstanding loans; write-downs are also posted for interest and costs receivable. Loans are classified as doubtful and irrecoverable if the loan balance is payable and if debt-recovery procedures have been initiated in or out of court.

The amount of any security is equal to the principal amount registered. Personal collateral is entered in the accounts in the amount that can be obtained if execution is levied. Whenever the borrower makes a payment, the current amount of security has to be adjusted. If insufficient security is provided for a loan, a risk premium in the form of a higher interest rate will be charged. The income this generates will be posted to 'Net interest income' on an accruals basis.

For country risks, provisions are established that meet the relevant requirements imposed by the Banking, Finance and Insurance Commission. In addition, the bank sets aside additional funds that it considers necessary for the management of country risks. These are risks in respect of countries or groups of countries whose economic, financial, legal or political situation warrants the setting aside of provisions on prudential grounds. Provisions for country risks are broken down by type of counter-party (credit institution, as against non-credit institution) and recorded as an adjusting entry under the heading 'Loans and advances to credit institutions' or the heading 'Loans and advances to customers', as appropriate.

Banking - KBL

According to guidelines set by the Board of Directors, specific write-downs are charged and provisions created for loans classified as doubtful and irrecoverable.

Until 31 December 2003, in keeping with local practices, a standard provision of 1.25% of the risk assets is set aside for possible, but not yet identified, risks. This provision is either charged to assets or recorded as a provision, depending on whether the relative risk asset is shown as a balance sheet or an off-balance-sheet item. The purpose of the provision is to cover risks that are possible, but not yet identified at the time the balance sheet is drawn up. In respect of the switch to the International Financial Reporting Standards (IFRS), the standard provision is written back in full in the profit and loss account for 2004. For the impact of this on figures, see '2.3. Changes in valuation rules'.

Insurance

Amounts receivable (debtors) are recorded in the balance sheet at nominal value. Interest that, on the basis of the contract between parties, is included in the nominal value of the receivable, the difference between acquisition cost and nominal value, and the discount on amounts receivable which bear an exceptionally low rate of interest or no interest at all are entered under the heading 'Deferred income and accrued charges' on the liabilities side and released to the profit and loss account *pro rata temporis* on the basis of the compound interest. Interest accrued, but not yet due, is entered in the profit and loss account pro rata temporis via an accruals and deferrals account.

If, at the close of the financial year, the realization value of a receivable is lower than its carrying value, and if this reduction in value can be considered real and lasting in nature, a write-down is applied in the amount of the recognized reduction in value.

Investment activities, specialized financial services and proprietary holding-company activities

Amounts receivable are entered at nominal value. If, at the close of the financial year, the realization value of a receivable is lower than its carrying value, and if this reduction in value can be considered real and lasting, a write-down is applied in the amount of the recognized reduction in value.

d) Securities

Securities are recorded under assets headings III, IX, X and XVI.

Securities are entered at acquisition cost at the time of purchase, excluding costs and less subscription fees. The ancillary costs attendant on acquisition are charged forthwith to the result.

Investment portfolio

Fixed-income investment securities are recorded at acquisition cost, plus or minus the matured portion of the premium or discount.

The difference between the acquisition cost and the redemption value is reflected as interest receivable in the profit and loss account on an accruals basis, over the remaining term to maturity of the securities. It is included in the profit and loss account on a discounted basis, according to the real rate of return at the time of purchase.

Perpetual debt is valued at the lower of acquisition cost and market value.

Where redemption of a security is uncertain or doubtful, a write-down is recorded according to the principles that apply for the valuation of amounts receivable. Where securities are sold, their carrying value is established on a case-by-case basis (at KBL, on the basis of average price). Gains or losses are posted directly to the profit and loss account.

Banking

Listed shares and other variable-yield securities are valued each month at the lower of acquisition cost and market value at balance sheet date. Other securities are valued at least once a year on the basis of the annual accounts for the previous year and material negative developments during the course of the year. No write-downs are posted for shares hedged against a decline in price by means of an option.

KBL's fixed income investment securities are valued at the lower of acquisition cost and market value. Premiums and from 2004, in respect of the switch to the IFRS, likewise discounts are included in the profit and result account on an accruals basis. For the impact of this on figures, see '2.3. Changes in valuation rules'.

Insurance

Write-downs are posted on fixed-income investment securities serving to support liquidity, where their market value is lower than the value arrived at by applying the other stipulations contained in these valuation rules, and where uncertainty prevails regarding payment of all or part of the amount receivable on the due date.

Shares and other variable-yield securities are valued at acquisition cost, with a write-down being charged in the event of a lasting diminution in value. In accordance with this valuation rule, shares that exhibit a loss in value for three years in succession are marked to market. A write-down is also entered to the level of the market value for those shares whose stock market price is 80% lower than the carrying value. This general rule may be derogated from on an *ad hoc* basis and per individual share, in order to put through an additional write-down.

Investment activities, specialized financial services and proprietary holding-company activities

Shares and fixed-yield securities are valued at the lower of acquisition cost and market value.

The own shares that the KBC Bank and Insurance Holding Company has in portfolio are valued at acquisition cost, as they are held for the purposes of employee stock option plans. As the acquisition price of the shares is virtually the same as the exercise price of the options, barely any gains or losses will be realized upon exercise. Upon exercise of the options (this occurred for the first time in 2004), the shares bought in for the purpose were realized, being booked out according to the FIFO method (at the acquisition price of first shares bought in). Where no exercise takes place at due date (because of a too low stock market price), the shares will be cancelled, without there being any impact on the results.

Trading portfolio

Securities belonging to the trading portfolio and investments for the benefit of life assurance policyholders who bear the investment risk are marked to market. The valuation differences this generates are entered in the profit and loss account under the heading 'Profit (Loss) on financial transactions' (for banking operations) or under 'Investment income and charges' (for insurance operations).

The securities belonging to the (limited) trading portfolio of KBL are valued at the lower of acquisition cost and market value.

e) Financial fixed assets

Financial fixed assets are recorded under assets headings IV, IX and XV, and, depending on the area of activity concerned, include participating interests, (subordinated) loans and advances, and securities held in portfolio.

Included in holdings or participating interests are the rights (shares) held in other companies with a view to creating specific, lasting ties with them.
If there is no question of lasting ties and the shares are acquired for resale, this investment will not be deemed a financial fixed asset, but rather as a component of the investment portfolio (for the banking business), as a component of other financial investments (for the insurance business) or as a cash investment (for the other activities), regardless of the size of the shareholding and the influence that could thereby be exerted on the management of the company concerned.

Participating interests consolidated according to the equity method are valued according to the share held in the relevant companies' capital and reserves. Participating interests that are not included in the consolidation and shares constituting financial fixed assets are recorded at acquisition cost. Additional costs incurred on acquisition are charged forthwith to the profit and loss account. KBL values holdings in companies linked by participating interests at the lower of acquisition cost or market value.

Write-downs are applied only in the event of a lasting impairment in or loss of value, established on the basis of the financial position, the profitability and the prospects of the company concerned.

Participating interests, shares and share certificates classified as financial fixed assets may be revalued, if, in light of their usefulness to the company, they exhibit an incontestable and lasting increase in value.

Regardless of whether they are represented by securities, subordinated loans and advances to affiliated companies and companies linked by participating interests are valued according to the same principles as non-subordinated loans and advances.

Banking - KBL

In accordance with local regulations, fixed-interest securities included in financial fixed assets are valued at acquisition cost where the relevant conditions are met. Where not, they are valued at the lower of acquisition cost and market value.
The premium (acquisition value > repayment value) is entered forthwith in the profit and loss account, but is limited to the lesser of the two following amounts; i) 10% of the result for the financial year; ii) 10% of the net interest result. For amounts exceeding this, the premium is included *pro rata temporis* in the profit and loss account.
The discount (acquisition value < repayment value) is released to the profit and loss account *pro rata temporis.* The spread of the premium/discount is taken into account under the heading 'Net interest earnings' in the profit and loss account and the accruals and deferrals accounts in the balance sheet.

In application of the *Beibehaltungsprinzip*, previous years' write-downs on securities – both those recorded under financial fixed assets and those recorded under securities – may be retained even if, in view of subsequent price rises, they can no longer be classified as write-downs.

Investment and holding-company activities

Participating interests and shares are valued at acquisition cost. Where securities are sold, their carrying value is established on a case-by-case basis, except for the securities in the Gevaert portfolio, which are stated on the basis of average prices.
Amounts receivable are recorded at nominal value. However, amounts receivable represented by fixed-income securities are valued at acquisition cost, minus or plus the accrued portion of the premium or the discount that is released to the profit and loss account *pro rata temporis* over the remaining term to maturity.
Where repayment of a security has become uncertain or doubtful, a write-down is posted according to the same principles that apply for valuing receivables that are not represented by securities.

f) Formation expenses and intangible fixed assets

Formation expenses and intangible fixed assets are recorded under assets headings V, VIII and XIV.
All formation expenses are charged forthwith to the financial year as administrative expenses.

Software developed in-house is charged forthwith to the result. System software is depreciated at the same rate as hardware. Standard software and software customized or developed by third parties is capitalized and depreciated according to the straight-line method over its useful economic life. With effect from the 2003 financial year, external staff charges in respect of implementation of software is capitalized in the same way as purchased software. Capitalized goodwill is amortized according to the straight-line method over a period of five years, save where the Board of Directors resolves otherwise.
Intangible fixed assets are capitalized at acquisition cost plus additional costs and depreciated *pro rata temporis* during the first year of the investment. In specialized financial services and, more particularly, the hotel business, formation costs and the costs of capital increases are depreciated over maximum five years, *pro rata temporis* for the first year. Intangible fixed assets are depreciated over maximum ten years, *pro rata temporis* for the first year.

g) Goodwill on consolidation

Goodwill on consolidation is recorded under assets headings V, VIII and XIV, and under liabilities headings V and V*bis*.

General principle

Goodwill on consolidation is the difference, at the time of acquisition, between the acquisition cost and the corresponding share in the capital and reserves of the acquisition.
Insofar as such differences are caused by the over- or under-valuation of certain assets or liabilities, they are imputed to those items, which leads to a restating of the annual accounts of the participating interest included in the consolidation. The remaining difference – resulting from expectations as to the Group's future profitability – is the goodwill on consolidation.
Where the acquisition cost exceeds the share in the (possibly restated) capital and reserves (i.e. after imputation of the difference to any unrealized gain on assets or overestimation of liabilities), the consolidation differences are positive (goodwill). Where the acquisition cost is lower than the share in the (possibly restated) capital and reserves, the consolidation differences are negative (negative goodwill or 'badwill'). Translation differences in respect of goodwill on consolidation of foreign currency participations are posted under capital and reserves.

Treatment of goodwill on consolidation for acquisitions prior to 1 January 1999

Goodwill or negative goodwill on consolidation of up to 0.5 million euros is posted forthwith to the profit and loss account.
Goodwill on consolidation in excess of 0.5 million euros is included in the consolidated accounts under the heading 'Goodwill on consolidation' on the assets or liabilities side of the balance sheet. Capitalized goodwill is, in principle, amortized over a period of ten years for banks and other financial institutions and over a period of five years for other companies, save as the Board of Directors resolves otherwise. Goodwill expressed upon the acquisition of a participating interest in Agfa-Gevaert is amortized over a period of fifteen years. Supplementary or extraordinary amortization charges are taken for goodwill if there is no further economic justification to keep them in the consolidated balance sheet at that value because of changes in economic circumstances.
Differences entered on the liabilities side remain unchanged, unless the participation is subsequently sold or compensation is entered for a positive difference subsequently established with respect to an increase in the same participation.

Exceptional derogation for the 1998 financial year

For 1998 (on the creation of the KBC Bank and Insurance Holding Company), the principle was observed that all gains and goodwill on consolidation resulting from the shifts that took place within the Group upon the creation of the KBC Bank and Insurance Holding Company would be fully reflected in the 1998 results as extraordinary income or an extraordinary charge, respectively.

Treatment of goodwill on consolidation for acquisitions during the period from 1 January 1999 to 31 December 2001

For acquisitions during the period from 1 January 1999 to 31 December 2001, the Banking, Finance and Insurance Commission granted temporary authorization to derogate from the rule and deduct positive goodwill on consolidation in the banking and insurance business from consolidated capital and reserves, more specifically via liabilities heading V*bis* 'Imputed goodwill on consolidation'. These differences are transferred periodically to the reserves, commensurate with the relevant theoretical amortization (over ten years).
Accordingly, where a participation is sold within ten years of its having being acquired, the gains are adjusted on the basis of the

goodwill which is still present under the heading V*bis* 'Imputed goodwill on consolidation' in capital and reserves.
The Board of Directors resolves on a case-by-case basis whether or not to have recourse to the derogation allowed by the Banking, Finance and Insurance Commission.
The derogation was not allowed for investment activities.
In 2001, the theoretical amortization period was amended to twenty years. The figures for the 1999 and 2000 financial years were not adjusted retroactively for this, the adjustment entries being made in full in accounts for the 2001 financial year by means of a shift between the reserves and goodwill on consolidation on the liabilities side.

For 2004, the theoretical amortization in respect of the derogation totalled 73,5 million euros. Had the Banking, Finance and Insurance Commission not granted the derogation, the return on equity would have amounted to 11.2% instead of 13.6%.

Treatment of goodwill on consolidation for acquisitions from 1 January 2002 on

Goodwill on acquisitions from 1 January 2002 on is required to be capitalized and amortized over a period of maximum twenty years (in accordance with international practice).

Negative goodwill on consolidation

Negative goodwill on consolidation is included in the consolidated accounts under the heading 'Goodwill on consolidation (negative goodwill)' on the liabilities side of the balance sheet.
Differences entered on the liabilities side remain unchanged, unless the participation is subsequently sold or compensation is entered for a positive difference subsequently established with respect to an increase in the same participation.

h) Tangible fixed assets

These are recorded under assets headings VI, XIII and XVII.

All tangible fixed assets are entered at acquisition cost, those with a limited life less accumulated depreciation. The rates of depreciation are determined on the basis of the anticipated useful economic life of the item and are applied according to the straight-line method.

Tangible fixed assets are depreciated *pro rata temporis* during the first year of the investment. They are entered at acquisition cost, including additional directly imputable costs (ancillary costs attendant on acquisition, non-deductible VAT, etc.). Additional costs are depreciated over the life of the asset. A write-down is charged for ancillary costs on the acquisition of land.

Where tangible fixed assets are sold, the realized gains or losses are posted forthwith to the profit and loss account. If these assets are destroyed, the remaining amount to be depreciated is charged forthwith to the result.
Tangible fixed assets that exhibit an incontestable and lasting appreciation in value compared to their carrying value may be revalued. This surplus is depreciated over the average residual useful life of the assets in question.

i) Accruals and deferrals accounts

The accruals and deferrals accounts are drawn up to allow income and expenditure to be allocated to the proper accounting period.
At the KBC Bank and Insurance Holding Company, option premiums received in respect of the stock option plan are taken to the profit and loss account *pro rata temporis* over three years and five months, i.e. they are treated in the same way as premiums paid at the Group companies.

j) Stocks and contracts in progress

Stocks and contracts in progress are included under heading VII on the assets side of the balance sheet (Other assets).

Since 2003, store articles (office supplies, printed matter, publicity material, etc.) have been included in an accounting stock and valued there at the moving average of the purchase prices of the articles. Previously, purchases and material stocks were entered forthwith in the cost account.

Specific software developed by KBC for third parties is included under 'Contracts in progress'. The production cost consists of all costs directly imputable to the project (third-party development costs, use of KBC staff and infrastructure, the implementation of software, etc.).

k) Amounts owed

Amounts owed as a result of advances or cash deposits are entered in the balance sheet in the amount made available, plus or minus any difference between this amount and the redemption price of the portion that has already accrued. The difference between the amount made available and the nominal value is reflected on an accruals basis in the profit and loss account.

l) Provisions for liabilities and charges

Provisions for liabilities and charges are recorded under liabilities headings XIV, XIX and XXII.

Provisions for liabilities and charges are intended to cover losses or charges whose nature is clearly defined and which at balance sheet date are either likely or certain to be incurred, though the amount is uncertain.

They are in respect of:

- Pensions

This concerns commitments with regard to retirement and survivor's pensions, and benefits paid out on chiefly early retirement and other similar pensions or annuities (including end-of-career arrangements).

- Taxes

This provision covers commitments that may arise from a change in the tax base or in the calculation of direct tax. It matches at least the estimated amount of the definitive cost attendant on the fiscal disputes the company is aware of at balance sheet date.

- Provision for financial risks, insurance business

In the insurance business, a provision for financial risks is set aside in order to cover the risk of a loss or a charge being incurred as a result of positions held in foreign currency, in securities or in other financial instruments, such as the share price risk, the exchange risk and other market risks. This provision is topped up consistently until a certain requisite amount is reached. This requisite amount varies, depending on the financial risk position. Funds will be transferred from this provision as losses or charges are incurred due to the relevant risks. For instance, the failure of the recurring income expected from the (listed) share portfolio to materialize, due to a change in conditions prevailing on the market, will mean that a financial risk has been incurred. The recurring income expected from the (listed) share portfolio is calculated on the basis of a normalized historic return and the normalized historic market value of the (listed) share portfolio.

- Other liabilities and charges

This item is residual in respect of the above provisions (in the banking business) and includes provisions for, among others, legal disputes, commitment credit and indirect tax.

m) Contingent tax liabilities

Contingent tax liabilities are recorded under liabilities headings XV, XX and XXIII.

In the consolidated balance sheet and profit and loss account, account is taken of the difference apparent on consolidation between the taxes to be imputed to the financial year and previous financial years and the taxes paid or still to be paid with respect to these financial years, insofar as there are grounds for assuming that one of the consolidated companies will indeed incur charges as a result in the foreseeable future.

This rule is applied in the adjustment of the valuation rules of subsidiaries to bring them into line with those of the parent company for the purpose of consolidation, where, on balance per subsidiary, contingent tax liabilities of a temporary nature result.

Deferred tax debits are entered for taxable write-downs on loans and provisions.

n) Technical provisions

Technical provisions are recorded under liabilities headings XVI and XVII. The provisions are required at all times to be sufficient to meet all obligations that can arise out of insurance contracts.

For direct business, the provision for unearned premiums is, in principle, calculated according to the accruals method, on a daily basis and per contract, and on the basis of gross premiums net of commission.

For reinsurance contracts issued, the provision for unearned premiums is calculated for each contract separately, on the basis of information supplied by the ceding party, supplemented – where necessary – by the company's own past assessment of the risk over time.

The provision for the group of life assurance activities is computed according to the prevailing actuarial principles. The following rules apply with regard to Belgian companies (local legislation is observed for foreign subsidiaries):

For class-21 insurance, per company and per product group, the higher of (i) the statutory provisions and (ii) the provisions calculated using the lower of the interest rate incorporated in the underwriting assumptions of the insurance contract and 4% is set aside.

Statutory provisions consist of two components:

1. Life assurance provisions, measured using a prospective or retrospective actuarial method resting on basic underwriting assumptions made with regard to the contracts, except in respect of the interest rate; these last, indeed, could be either the interest rate incorporated in the underwriting assumptions of the insurance contract or the balance sheet rate. The balance sheet rate is the rate at which the mathematical reserves on the statutory balance sheet are calculated. Where it applies, it is 4% for traditional, class-21 life insurance with a guaranteed rate of 4.75%, and is the guaranteed interest rate for all other insurance policies.

2. A supplementary provision, set aside according to the stipulations of the Royal Decree concerning life insurance, the 'warning light' procedure.

The 'warning light', an indicator of the long-term yield obtainable on the financial markets, determines when supplementary provisions have to be constituted.

The insurance company is required to set aside such supplementary provisions as soon as the guaranteed interest rate of an insurance contract exceeds the 'warning light' by more than 0.1%. The extra provision required to be constituted in this case is equal to the positive difference between the provision calculated using the balance sheet rate and the provision calculated using the 'warning light' as the technical interest rate.

With effect from 2004, it is the balance sheet rate that, in the calculation of the extra (the 'warning light') provision required, is used where appropriate, rather than the interest rate incorporated in the underwriting assumptions of the insurance contract, as previously. Moreover, the maximum provision to be set aside for class-21 insurance is now determined per company and per product group, rather than on an overall basis per company, as previously. For the impact of this on figures, see '2.3. Changes in valuation rules'.

- Technical provisions for class-23 (unit-linked) life assurance are computed by multiplying the number of units per fund by the price per unit of the fund in question.
- At consolidated level, a contingent tax liability is entered on the interest buffer of the provision for life assurance.

Other technical provisions (chiefly in respect of non-life business):

- The provision for claims outstanding is calculated per claim or per contract, on the basis of known elements in the file. For class-21 insurance, per company and per product group, the higher of (i) the statutory provisions and (ii) the provisions calculated using the lower of the interest rate incorporated in the underwriting assumptions of the insurance contract and 4% is set aside.
- Amounts recoverable from third parties, the deductibles that have had to be paid to injured parties, the acquisition of the rights of insured persons against third parties (subrogation) or the acquisition of legal ownership of insured goods (salvage) are – in accordance with the provisions of the law – not deducted from provisions for claims outstanding on the liabilities side of the balance sheet, but are capitalized – based on a prudent estimate – under 'debtors'.
- All amounts in the equalization and catastrophe provision are for offsetting non-recurring underwriting losses in the years ahead, for equalizing fluctuations in the loss ratio, and for covering special risks. At the consolidated level, allocations to this provision are made according to local regulations.

n.bis) Technical provisions, reinsurers' share

The reinsurers' share of technical provisions is recorded under assets heading XI.

Their real or estimated amount is calculated on the basis of the stipulations set out in reinsurance contracts, supplemented – where necessary – by the company's own judgements and experience. Write-downs may be applied in the event of actual or probable default on the part of the reinsurer.

o) Consolidated reserves

Group reserves include the reserves and the profit brought forward of the consolidating company, plus the Group's share in the retained profits of the other fully or proportionally consolidated companies and of the companies included in the consolidation according to the equity method from the start.

p) Minority interests

These include minority interests in the capital and reserves and in the profit (loss) of the fully consolidated companies. Minority interests also include the preferential shares issued via KBC Bank. These shares may qualify as Tier-1 capital for the purpose of calculating the solvency ratio.

q) Financial instruments

Banking - KBC

Valuation rules for trading and non-trading activities

Where trading activities are concerned, the unrealized profit or loss on revaluation is recognized at least at the end of every month. This revaluation takes into account any results realized from future cash flows that have already been recognized on an accruals basis. In the event of a sale, liquidation or expiration, the profit/loss on the position is recognized forthwith. Where illiquid currencies or securities are concerned, no profit on revaluation is recognized.

The existing proprietary directional or strategic positions the dealing room takes via derivatives with a view to generating a profit on the long-term by way of capital gains or interest spreads are valued according to the same principles used for illiquid interest-rate positions.

For non-trading activities, where interest-rate instruments are concerned, the gains or losses realized are only recognized on an accruals basis over the corresponding term. The valuation of non-interest-rate instruments (e.g., premiums on share options) matches the valuation of the hedged position. In addition, non-trading activities carried out for the purpose of general, long-term management of interest-rate products denominated in a foreign currency (macro-hedging) are valued according to the 'lower of cost and market' principle, along with the associated on-balance-sheet products. Profit or loss on similar transactions carried out for general EUR-ALM interest-rate-management purposes is recognized solely on an accruals basis.

Option premiums that are paid in advance are taken to the profit and loss account only on the due date or upon liquidation, with the exception of option premiums on caps, floors or collars that have been concluded for hedging purposes (accruals-basis recognition). In the meantime, they are posted under the 'Other assets' or 'Other liabilities' items. Option premiums relating to trading activities are revalued at least at the end of every month.

Valuation of derivatives

All derivatives are always recorded under specific off-balance-sheet headings on the transaction date. Amounts are released from the off-balance-sheet headings once the outcome of the transaction is definitive, even if the underlying term starts only at that time for certain interest-rate products (e.g., FRAs).

Trading transactions are marked to market and the mark to market is reported under trading results.

Non-trading transactions are taken to the interest results on an accruals basis. More particularly, that is the case for interest payable and receivable on interest-rate swaps and foreign-currency interest-rate swaps. The swap difference in respect of FX swaps (and FX outrights) is also taken to the profit and loss account on an accruals basis. Results realized from interest futures and FRAs are taken to the profit and loss account, spread over the maturity of the underlying hedged component.

Equity swaps are treated in the same way as interest-rate swaps. In practice (and in the same way as options) they are entered only under the trading portfolio and are thus marked to market.

KBC Bank has recourse to the derogation granted by the Banking, Finance and Insurance Commission from Article 36*bis* of Royal Decree of 23 September 1992 concerning the annual accounts of credit institutions, a derogation that permits interest rate derivatives that do not satisfy hedging criteria to be taken to the profit and loss account on an accruals basis (interest rate derivatives defined as ALM or treasury management instruments). Reference is made to the commentary in note 28 of the annual report, which also states the financial impact of the derogation.

Hedging criteria for forward interest rate transactions

The general criteria are set out in Article 36*bis* of Royal Decree of 23 September 1992 concerning the annual accounts of credit institutions. They are that:

- the hedged item or the combination of comparable hedged items must expose the credit institution to a risk of interest rate fluctuation;
- hedging transactions must be recorded as such in the books from their inception;
- a close correlation must be established between fluctuations in the value of the hedged item and fluctuations in the value of the hedge; in the case of hedging options, a correlation must be established between fluctuations in the value of the hedged item and fluctuations in the value of the underlying financial instrument.

In addition, specific company criteria apply. All these criteria are cumulative: if one criterion is no longer satisfied, the hedge will be considered a trading transaction and be subject to the appropriate accounting treatment.

Hedging combinations that involve derivatives and are terminated before maturity will be considered as trading transactions once the underlying position to be hedged no longer exists.
Future interest-rate positions can be hedged where there is reasonable certainty that the position will actually come about. Moreover, there must be sufficient certainty about the amount, term and interest rate conditions.

Calculation of unrealized profit/loss on revaluation
Derivatives are always valued on a contract basis; positive and negative valuation differences are not netted in the books. Only for calculating capital solvency requirements in respect of market risks is the market risk netted per counterparty.

For forward interest rate and similar forward foreign exchange rate products, valuation occurs on the basis of the net present value of future, determinable cash flows and uses a single yield curve per currency, which is applied throughout the bank. Any adjustments for operational and liquidity risks are deducted from the initial revaluation calculation. Options are valued according to the customary valuation models. For off-balance-sheet forward-interest-rate products, calculations are always based on the assumption of a liquid market, provided that the underlying currencies are liquid.

If a credit granted to a counterparty is classified as 'doubtful' or 'irrecoverable', the receivables and commitments stemming from off-balance-sheet products involving the same counterparty will be given the same classification. For loans and advances, write-downs may be taken; for commitments, provisions will be set aside.

Banking - KBL
Forward and swap exchange transactions intended as hedges are revalued together with the hedged component on balance sheet date. The ensuing valuation differences, including unrealized gains, are taken to the profit and loss account.

Forward transactions not intended as hedges are valued at the closing rate on a case-by-case basis. Gains are excluded, and losses are posted under the liabilities heading 'Provisions for liabilities and charges'.

Derivatives, such as interest-rate swaps and FRA, futures and option contracts, are included under the off-balance-sheet headings on the transaction date. On closure of the balance sheet, a provision is set aside for unrealized losses recognized on the individual mark-to-market valuation of as yet unsettled transactions. The provision is posted under the liabilities heading 'Provisions for liabilities and charges'. Unrealized gains are not entered.

Investment activities, specialized financial services and proprietary holding-company activities
Premiums received on written call or put options are included in the profit and loss account. Where written, unhedged contracts are concerned, a provision may be formed at the end of the financial year.

Premiums paid on options that do not serve to hedge written options are included under 'Investments'. Write-downs are applied if the market value of the option is lower than acquisition cost. Premiums paid on options serving to hedge written options are charged to the profit and loss account.

Commitments related to option contracts are included under the heading 'Off-balance-sheet rights and commitments' at strike price.

2.3. Changes in the valuation rules

Changes in the valuation rules during 2004 concerned the following points.

- The adjustment in the calculation of provisions for Life assurance (with a negative impact of approximately 9.3 million euros, after tax).
- In the banking business, at KBL, a number of changes to the valuation rules were made in anticipation of the switch to the IFRS, more particularly:
  - in 2004, the standard provision for credit risks was written back via the profit and loss account (with a positive impact of 43.7 million euros, after tax);
  - with effect from 2004, the premium as well as the discount on fixed-rate securities in the investment portfolio are taken to the profit and loss account on an accruals basis (with a positive impact of 4.3 million euros, after tax).

2.4. Switch to IFRS

Current state of affairs

KBC (de facto the new KBC Group) will be switching to the International Financial Reporting Standards (IFRS) in its financial reports from the first quarter of 2005. The preliminary work has been completed.

Financial instruments will be recognized and measured using the adapted version of IAS 39 approved by the European Commission (a number of paragraphs in IAS 39 that had been approved by the IAS Board are not included in this version).

Main differences between IFRS and Belgian GAAP (excluding IAS 32, IAS 39 and IFRS 4)

Amortization of goodwill

Goodwill cannot be amortized under IFRS 3. An impairment test has to be performed annually, even if there is no indication of impairment.

Under the Belgian GAAP, goodwill is amortized. An impairment loss is recognized if there is any lasting impairment.

Employee Benefits

Obligations under defined benefit plans are calculated using the projected-unit-credit method. The calculation takes into account different assumptions concerning inflation, increases in pay and pensions, etc. Future cash outflows are discounted using the long-term interest rate. Any excess or deficit pension obligations have to be recognized on the balance sheet.

Belgian GAAP does not lay down detailed rules about calculating long-term pension commitments. Excess or deficit pension obligations are not recognized on the balance sheet.

Tangible and intangible assets

Intangible assets (such as software) developed in-house should be recognized as assets if it is probable that the future economic benefits that are attributable to the assets will flow to the enterprise and if the cost of the assets can be measured reliably. Internal software development costs are capitalized under IFRS, whereas they are recorded as a cost under Belgian GAAP.

Provisions for liabilities and charges

Provisions can only be recognized pursuant to IAS 37 when an enterprise has a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

Leasing

As in the Belgian GAAP, IAS 17 makes a distinction between finance leases and operating leases. A lease is considered as a finance lease for IFRS purposes, if it transfers substantially all the risks and rewards relating to the underlying asset to the lessee. All other leases are considered as operating leases. Given the broader criteria under IAS 17 for considering a lease to be a finance lease, many of the leases currently recognized as operating leases will be reclassified as finance leases. Operating leases are presented as rentals in the financial statements, while finance leases are treated as loans.

Deferred taxes

IAS 12 requires recognition of all deferred tax liabilities due to taxable temporary differences. Deferred tax assets can be recognized for the carryforward of unused tax losses and unused tax credits if it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. Under Belgian GAAP, deferred tax assets and liabilities can be booked under specific circumstances.

Other changes

A significant change relates to the scope of consolidation: all entities controlled by KBC or in which KBC has significant influence should be included in the scope of consolidation pursuant to IAS 27, IAS 28 and SIC 12 (when they exceed the materiality limits). Therefore, special purpose entities, certain venture capital companies and certain investment property companies should be included in the scope of consolidation. Under Belgian GAAP, special purpose entities or entities to be sold in the future are not included in the scope of consolidation.

Another significant change relates to profit appropriation: under IFRS, equity is presented before profit appropriation, whereas under Belgian GAAP, equity is presented after profit appropriation.

Main differences between IFRS and Belgian GAAP, where IAS 32, IAS 39 and IFRS 4 are concerned

Treasury shares

Treasury shares have to be deducted from equity under IFRS. Treasury shares are classified as either trading assets or investments under Belgian GAAP depending on the enterprise's intention at acquisition. Any results from treasury shares are reported directly in equity under IFRS instead of in net profit or loss for the financial year.

Allocation of mandatorily convertible bonds to equity

IAS 32 requires a clear distinction to be made between equity instruments and debt instruments on the basis of several criteria. Certain financial instruments that are considered to be debt instruments under Belgian GAAP (such as mandatorily convertible bonds) are classified as equity instruments under IFRS. Any results from these financial instruments are reported directly in equity instead of net profit or loss for the financial year.

Credit provisioning

Specific as well as portfolio-based provisions can be recognized under IAS 39 if there is any indication of impairment at the balance-sheet date. Any indications of impairment have to be assessed on an individual basis for all significant loans. Loans for which there is no indication of impairment on an individual level have to be included in a portfolio of loans with similar risk characteristics and impairment then has to be assessed on a portfolio basis.

A specific loan loss provision has to be calculated as the difference between a loan's carrying value and its recoverable amount (i.e. the present value of estimated future cash flows). Under Belgian GAAP, no discount factor is taken into account to calculate specific loan loss provisions. Furthermore, Belgian GAAP does not require portfolio-based provisions to be recognized on the same basis as IAS 39.

Effective yield

When calculating the amortized cost of financial instruments, the effective interest method must be applied under IFRS. The effective interest rate is the rate that exactly discounts the expected stream of future cash payments through maturity or the next market-based repricing date to the current net carrying amount of the financial asset or financial liability. That computation should include all fees, transaction costs and points paid or received between parties to the contract. The main difference with Belgian GAAP is the fact that commissions paid to brokers for the distribution of financial instruments are included in the effective yield under IFRS and directly taken to profit and loss under Belgian GAAP.

■ Fair value of financial instruments

a) Fixed-income securities - investment portfolio

IAS 39 makes a distinction between Held to Maturity (HTM) investments and Available For Sale (AFS) investments. Furthermore, under IAS 39, any financial asset can be designated as being a at `Financial Instruments at Fair Value' (FIFV). HTM investments are measured at amortized cost. AFS and FIFV investments are measured at fair value. Fair value changes in AFS investments are reported in equity until the disposal or impairment of the investments, in which case the cumulative revaluation result will be reported in net profit or loss. Fair value changes in FIFV investments are reported in net profit or loss.

Under Belgian GAAP, no such distinction exists in the investment portfolio. Fixed-income investments in the investment portfolio are measured at amortized cost.

b) Shares - investment portfolio

Shares in the investment portfolio can be designated as being at fair value through profit or loss (FIFV) or available for sale (AFS) investments and both are measured at fair value. Unrealized gains or losses on AFS shares are reported in equity until the disposal or impairment of the shares, in which case the cumulative revaluation result will be reported in net profit or loss for the financial year. Unrealized gains or losses on FIFV shares are reported in net profit or loss for the financial year.

Under Belgian GAAP, shares in the banking investment portfolio are measured at cost unless their market value at balance sheet date is lower, in which case they are measured at market value (LoCoM principle). Shares in the insurance investment portfolio are reported at cost. Impairment losses are recognized on the basis of specific impairment rules. The impairment rules used for Belgian GAAP reporting differ significantly from the impairment rules under IAS 39.

c) Derivatives not held for trading purposes

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

Under Belgian GAAP, these derivatives are measured at cost.

■ IFRS 4

Equalization reserves: IFRS 4 prohibits provisions for possible claims under contracts that are not in existence at the reporting date, such as the equalization reserve, which are allowed under Belgian GAAP.

IFRS 4 makes a distinction between insurance contracts and investment contracts with DPF (Discretionary Participation Feature) and without DPF, whereas Belgian GAAP does not. Insurance contracts and investment contracts with DPF will continue to be recognized according to Belgian GAAP rules. However, investment contracts without DPF are measured using deposit accounting rules under IFRS 32 and IFRS 39. See `Valuation rules'.

Liability adequacy test: in addition to Belgian GAAP, the adequacy of debts regarding insurance contracts or investment contracts with DPF have to be measured using the `liability adequacy test'. Any deficit needs to be recognized immediately in profit and loss.

Provisional IFRS figures

The tables show the equity on the opening balance sheet on 1 January 2004, profit and loss for 2004 and the balance sheet at year-end 2004 in compliance with the IFRS (including a reconciliation of net profit and equity according to IFRS and Belgian accounting standards). Changes stemming from the implementation of IAS 32, IAS 39 and IFRS 4 are not reflected in these tables but, as previously stated, will be reported in the opening balance sheet as of 1 January 2005. The IFRS figures on the 2004 results and the balance sheet at year-end are provisional and unaudited; the definitive, audited figures may not therefore match the figures in the tables.

(in millions of EUR)

Reconciliation of opening balance, capital and reserves as at 1 January 2004; B-GAAP vs IFRS *	**Almanij**
Capital and reserves, according to Belgian GAAP	8 009
IFRS adjustments, excluding IAS 32, IAS 39 and IFRS 4	
Application of IAS 19 (employee benefits)	-414
Tangible and intangible fixed assets	78
Provisions for other liabilities and charges	116
Leasing	8
Tax deferrals (IAS 12)	7
Goodwill	-9
Other	-3
Minority interests	64
Profit appropriation: dividends	294
Capital and reserves of the parent company, according to the IFRS (but excluding IAS 32, IAS 39 and IFRS 4)	8 150

* Excluding the effect of IAS 32, IAS 39 and IFRS 4.

Profit and loss account, 2004; IFRS *	**Almanij**
Net interest income	3 833
Gross earned premiums (insurance)	5 158
Dividend income	231
Net gains from financial instruments at fair value	725
Net gains realized on Available for Sale assets	503
Net commission income	1 404
Other income	479
GROSS INCOME	12 333
Operating costs	- 4 944
Impairments,	-365
of which on loans and receivables	*-198*
of which on assets available for sale (AFS)	*-150*
of which on other	*-17*
Gross technical charges (insurance)	-4 633
Net result from ceded reinsurance	-68
Result from participating interests consolidated according to the equity method	22
PROFIT BEFORE TAXES	2 345
Taxes	-537
Minority interests	-707
NET PROFIT – GROUP SHARE	1 101

* Excluding the effect of IAS 32, IAS 39 and IFRS 4, provisional and not audited; still subject to amendment.

(in millions of EUR)

Reconciliation of net profit: B-GAAP vs IFRS *	Almanij
Consolidated profit – Group share, according to Belgian GAAP	1 138
IFRS adjustments, excluding IAS 32, IAS 39 and IFRS 4	
Amortization of goodwill	89
Application of IAS 19 (employee benefits)	-35
Tangible and intangible fixed assets	3
Provisions for other liabilities and charges	-97
Leasing	0
Deferred taxes (IAS 12)	2
Other	-35
Minority interests	36
NET PROFIT – GROUP SHARE, according to the IFRS (but excluding IAS 32, IAS 39 and IFRS 4)	1 101

Balance sheet as at 31 December 2004: IFRS *	Almanij
Cash in hand and balances at the central bank	1 554
Treasury bills and other short-term debt instruments eligible for rediscounting at the central bank	8 078
Loans and advances to credit institutions	38 463
Loans and advances to customers	111 177
Securities	98 862
Derivative financial instruments	15 377
Investment Property	169
Technical provisions, reinsurer's share (insurance)	258
Deferred charges and accrued income	3 504
Other assets	2 435
Tax receivables	671
Non-current assets held for sale	0
Investments in associated companies	1 229
Goodwill and other intangible fixed assets	1 104
Property and equipment	2 300
TOTAL ASSETS	285 181
Amounts owed to credit institutions	55 083
Amounts owed to customers, and debt instruments	157 712
Derivative financial instruments	17 728
Gross technical provisions	13 259
Debts in respect of investment contracts	3 931
Deferred income and accrued charges	2 743
Other liabilities	12 588
Tax liabilities	672
Non-current liabilities held for sale	0
Provision for liabilities and charges	580
Subordinated loans	6 768
Total capital and reserves	14 117
Capital and reserves of the parent company	*8 946*
Minority interests	*5 171*
TOTAL LIABILITIES AND OWN FUNDS	285 181

* Excluding the effect of IAS 32, IAS 39 and IFRS 4, provisional and not audited; still subject to amendment.

(in millions of EUR)

Reconciliation of capital and reserves: B-GAAP vs IFRS *	**Almanij**
Capital and reserves, according to Belgian GAAP	8 787
IFRS adjustments, excluding IAS 32, IAS 39 and IFRS 4	
Application of IAS 19 (employee benefits)	-450
Tangible and intangible fixed assets	81
Provisions for other liabilities and charges	19
Leasing	9
Deferred taxes (IAS 12)	11
Goodwill	98
Other	1
Minority interests	85
Profit appropriation: dividends	305
Capital and reserves of the parent company, according to the IFRS (but excluding IAS 32, IAS 39 and IFRS 4)	8 946

* Excluding the effect of IAS 32, IAS 39 and IFRS 4, provisional and not audited; still subject to amendment.

3. Notes

3.1. Balance sheet

(in thousands of EUR)

Note 1: Geographic breakdown of total assets, banking	**2003**	**2004**	**Change** (in %)
Belgium	83 388 469	87 098 553	4.4%
Abroad	159 899 558	175 017 946	9.5%
of which the euro zone	*77 595 651*	*81 119 202*	*4.5%*
Total assets, banking	**243 288 027**	**262 116 499**	**7.7%**

(in thousands of EUR)

Note 2: Loans and advances to credit institutions, banking	**2003**	**2004**	**Change** (in %)
Total	**37 796 211**	**38 116 454**	**0.8%**
of which trade bills eligible for refinancing at the central bank of the country in which the institution is established	*2 638*	*1 494*	*-43.4%*
Geographical breakdown			
Belgium	2 395 597	2 944 033	22.9%
Abroad	35 400 614	35 172 421	-0.6%
of which the euro zone	*20 666 000*	*17 590 298*	*-14.9%*
Breakdown according to remaining term to maturity			
Repayable on demand	5 624 074	4 259 715	-24.3%
With agreed maturity dates or periods of notice	32 172 137	33 856 739	5.2%
* not more than three months	27 562 859	29 157 624	5.8%
* more than three months, but not more than one year	3 803 842	3 493 857	-8.1%
* more than one year, by not more than five years	422 862	796 430	88.3%
* more than five years	179 995	101 921	-43.4%
* undated	202 579	306 907	51.5%

(in thousands of EUR)

Note 3: Loans and advances to customers, banking	**2003**	**2004**	**Change** (in %)
Total	**95 346 354**	**111 077 323**	**16.5%**
of which trade bills eligible for refinancing at the central bank of the country in which the institution is established	*5 916*	*6 588*	*11.4%*
of which subordinated loans	*51 458*	*23 988*	*-53.4%*
Geographical breakdown			
Belgium	48 865 555	51 317 425	5.0%
Abroad	46 480 801	59 759 898	28.6%
of which the euro zone	*16 146 643*	*17 706 715*	*9.7%*
Breakdown according to remaining term to maturity			
Not more than three months	27 480 923	36 019 639	31.1%
More than three months, but not more than one year	7 838 819	10 337 780	31.9%
More than one year, by not more than five years	18 729 898	19 868 696	6.1%
More than five years	35 623 436	39 288 073	10.3%
Undated	5 673 278	5 563 135	-1.9%
Breakdown according to type of credit			
Discount and acceptance credit	418 602	280 674	-32.9%
Consumer credit	1 900 074	1 637 009	-13.8%
Mortgage loans	23 726 025	27 561 252	16.2%
Term loans at not more than one year	35 331 474	36 027 545	2.0%
Term loans at or more than one year	16 528 228	28 878 043	74.7%
Current account advances	4 837 204	4 544 883	-6.0%
Other amounts receivable	12 522 421	12 302 956	-1.8%
Doubtful loans, write-downs and provisions	82 326	-155 039	-288.3%

(in thousands of EUR)

Note 4: Securities, banking	**2003**	**2004**	**Change (in %)**
A. Total portfolio	**78 059 344**	**81 587 197**	**4.5%**
Geographical breakdown			
Belgium	21 648 681	19 746 022	-8.8%
Abroad	56 410 663	61 841 175	9.6%
Breakdown according to type of security			
Fixed income securities	66 825 692	69 237 661	3.6%
of which treasury bills eligible for refinancing at the central bank	8 877 509	8 157 741	-8.1%
of which bonds and other fixed-income securities	57 948 183	61 079 921	5.4%
Shares and other variable-yield securities	11 233 652	12 349 536	9.9%

Breakdown according to type of security and portfolio	2003		2004	
	Trading portfolio	Investment portfolio	Trading portfolio	Investment portfolio
Total fixed-income securities	**16 796 562**	**50 029 130**	**20 723 381**	**48 514 280**
of which treasury bills eligible for refinancing at the central bank	739 705	8 137 803	2 045 784	6 111 955
of which bonds and other fixed-income securities	16 056 857	41 891 327	18 677 597	42 402 325
Public issuers	8 248 472	32 640 415	10 281 923	33 578 455
Belgian government	1 263 023	18 329 002	1 943 008	16 010 907
Other governments	6 985 449	14 311 413	8 338 915	17 567 548
Other issuers	7 808 385	9 250 912	8 395 674	8 823 870
a) Belgian issuers	56 908	380 595	55 867	337 493
Other issues	7 751 477	8 870 317	8 339 807	8 486 377
b) Credit institutions	1 525 939	6 531 337	2 914 622	6 463 650
Other	6 282 447	2 732 308	5 481 050	2 357 869
Shares and other variable-yield securities	**9 829 378**	**1 404 274**	**11 245 362**	**1 104 174**
Belgian issuers	435 130	474 775	109 178	344 169
Other issuers	9 394 248	929 499	11 136 184	760 005
Total securities portfolio, banking	**26 625 940**	**51 433 404**	**31 968 743**	**49 618 454**
Premiums, discounts, etc.				
Bonds and other fixed-income securities				
Trading portfolio				
Positive difference between market value and acquisition cost	45 967		110	
Investment portfolio				
Premiums (positive difference between redemption value and carrying value)		282 931		237 517
Discounts (negative difference between redemption value and carrying value)		968 058		2 048 543
Shares and other variable-yield securities				
Trading portfolio				
Positive difference between market value and acquisition cost	11 638		21 559	

(in thousands of EUR)

Note 4: Securities, banking	2003		2004	
B. Total portfolio, excluding treasury bills eligible for refinancing at the central bank	Bonds and other	Shares	Bonds and other	Shares
Breakdown according to remaining term to maturity				
Not more than one year	7 870 983	0	11 840 050	0
More than one year	50 077 200	0	49 225 326	0
Shares	0	11 233 652	0	12 364 080
Listing and market value				
Carrying value, unlisted securities	764 863	423 363	1 597 225	398 066
Carrying value, listed securities	57 183 320	10 810 289	59 468 151	11 966 014
Market value, listed securities	58 439 761	11 007 026	60 915 237	12 090 946
Unrealized gains	1 256 921	131 738	1 423 373	77 304
C. Investment portfolio				
Gross, net and write-downs				
Gross amount outstanding	41 962 497	1 679 163	42 430 900	1 278 590
Write-downs	-71 170	-274 889	-43 120	-172 313
Net amount outstanding	41 891 327	1 404 274	42 387 780	1 106 277
Movements, acquisition value				
Opening balance	42 547 036	1 761 243	41 962 497	1 679 163
Acquisitions	26 605 138	368 954	37 435 060	392 057
Carrying value, transfers	-27 917 652	-292 591	-37 024 454	-686 335
Accrued discounts/premiums	844	0	-150 025	0
Translation differences	369 502	-8 351	-436 596	-35 523
Transfers between headings	196 580	1 750	0	-3 928
Changes in the scope of consolidation	173 783	48	102 930	-30 109
Other movements	-12 734	-151 890	541 488	-36 735
Closing balance	41 962 497	1 679 163	42 430 900	1 278 590
Movements, write-downs				
Opening balance	71 577	337 107	71 170	274 889
Movements with an impact on results				
Increase	43 923	38 907	51	20 303
Decrease	-32 036	-51 700	-18 107	-17 178
Movements without an impact on results				
Write-offs	-3 882	-43 080	-9 487	-8 972
Translation differences	-8 412	-1 589	-550	-105
Changes in the scope of consolidation, and reclassification	0	-4 756	43	-96 624
Closing balance	71 170	274 889	43 120	172 313

(in thousands of EUR)

Note 5: Financial fixed assets, banking	**2003**	**2004**	**Change** (in %)
Total	**6 445 232**	**5 731 936**	**-11.1%**
Participating interests	535 606	633 943	18.4%
Subordinated loans	134 151	103 319	-23.0%
Bond loans	5 775 475	4 994 674	-13.5%
Breakdown of participating interests			
Companies consolidated using the equity method	214 554	275 504	28.4%
Participating interests in credit institutions	179 452	230 300	28.3%
Participating interests in other financial institutions	15 323	17 851	16.5%
Other participating interests	19 779	27 353	38.3%
Other participating interests	321 052	358 439	11.6%
Participating interests in credit institutions	106 874	90 707	-15.1%
Participating interests in other financial institutions and other participating interests	214 178	267 732	25.0%
Breakdown of subordinated loans and advances			
Other participating interests	134 151	103 319	-23.0%
To credit institutions	120 650	98 593	-18.3%
To other participating interests	13 501	4 726	-65.0%

Participating interests	**2003**		**2004**	
	Consolidated using the equity method	Other	Consolidated using the equity method	Other
Movements, acquisition value				
Opening balance	234 157	493 914	214 554	407 144
Acquisitions	84	46 637	5 982	93 194
Carrying value, transfers	-1 781	-122 940	0	-30 810
Share in the result for the financial year	17 566	0	35 042	0
Translation differences	-9 536	-6 333	2 949	309
Transfers between headings	0	4 280	0	13 399
Changes in the scope of consolidation	-12 666	-27 421	25 815	-42 992
Change in uncalled amounts	0	0	0	407
Other movements	-13 270	19 007	-8 839	281
Closing balance	214 554	407 144	275 503	440 932
Gross, net and write-downs				
Gross amount outstanding	214 554	407 144	275 503	440 932
Write-downs	0	-86 092	0	-82 493
Net amount outstanding	214 554	321 052	275 503	358 439

(in thousands of EUR)

Note 6: (In)tangible fixed assets, goodwill on consolidation and other assets, banking	**2003**	**2004**	**Change** (in %)
Intangible fixed assets and goodwill on consolidation	703 867	852 549	21.1%
Formation expenses, intangible fixed assets	177 831	170 501	-4.1%
Goodwill on consolidation	526 036	682 048	29.7%
Tangible fixed assets	2 484 796	2 513 297	1.1%
Land and buildings	1 412 355	1 446 516	2.4%
Plant, machinery and equipment	211 613	196 358	-7.2%
Furniture and vehicles	119 270	128 243	7.5%
Leasing and similar rights	46 654	34 716	-25.6%
Other tangible fixed assets	662 263	676 177	2.1%
Assets under construction and advance payments	32 641	31 287	-4.1%
Other assets	22 452 222	22 237 743	-1.0%
Cash in hand, balances at central banks and post office banks	2 040 129	1 611 483	-21.0%
Deferred charges and accrued income	14 062 025	16 158 513	14.9%
Other assets	6 350 068	4 467 747	-29.6%

(in thousands of EUR)

Movements, (in)tangible fixed assets	**Formation expenses and intangible fixed assets**	**Total tangible fixed assets**	**Land and buildings**	**Plant, machinery and equipment**	**Furniture and vehicles**	**Leasing and similar rights**	**Other tangible fixed assets**	**Assets under construction and advance payments**
Acquisition value								
Opening balance	550 876	4 416 461	2 051 603	914 716	346 703	63 743	1 005 737	33 959
Acquisitions	84 680	877 481	155 839	88 119	42 155	13 739	429 431	148 198
Transfers and asset retirements	-65 697	-811 825	-119 531	-111 298	-56 172	-23 636	-395 373	-105 814
Transfers between headings	21 611	-29 650	4 078	387	8 644	998	1 658	-45 414
Translation differences	20 128	76 308	32 025	29 520	5 846	4 518	2 582	1 818
Other movements	-2 992	-54 947	-8 760	-3 201	-4 148	-472	-38 282	-84
Closing balance	608 606	4 473 828	2 115 254	918 243	343 028	58 890	1 005 753	32 663
Revaluation surpluses								
Opening balance	0	108 772	108 772	0	0	0	0	0
Written off	0	-7 100	-7 100	0	0	0	0	0
Other movements	0	100	-88	188	0	0	0	0
Closing balance	0	101 772	101 584	188	0	0	0	0

(in thousands of EUR)

Movements, (in)tangible fixed assets	Formation expenses and intangible fixed assets	Total tangible fixed assets	Land and buildings	Plant, machinery and equipment	Furniture and vehicles	Leasing and similar rights	Other tangible fixed assets	Assets under construction and advance payments
Write-downs and depreciation								
Opening balance	373 045	2 040 436	748 020	703 103	227 433	17 089	343 474	1 318
Recorded	70 828	313 640	58 626	100 939	23 988	8 615	121 471	0
Written back, as surplus	0	-1 809	-1 809	0	0	0	0	0
Written off	-22 791	-264 481	-39 196	-83 009	-41 904	-2 399	-97 846	-127
Transfers between headings	32 454	-14 357	-14 928	-3 827	3 806	125	467	0
Translation differences	10 362	36 847	9 747	21 444	3 168	1 552	751	185
Other movements	-25 793	-47 973	9 862	-16 577	-1 706	-808	-38 741	0
Closing balance	438 105	2 062 303	770 322	722 073	214 785	24 174	329 576	1 376
Net carrying value as at the end of the financial year	**170 501**	**2 513 297**	**1 446 516**	**196 358**	**128 243**	**34 716**	**676 177**	**31 287**

(in thousands of EUR)

Note 7: Investments, insurance	**2003**	**2004**	**Change** (in %)
Carrying value			
Investments	11 105 222	14 251 781	28.3%
Land and buildings	210 343	301 243	43.2%
Participating interests in companies accounted for using the equity method	112 551	101 858	-9.5%
Other participating interests	102 426	33 089	-67.7%
Shares and other variable-yield securities	2 791 264	2 914 828	4.4%
Bonds and other fixed-income securities	7 460 705	10 408 615	39.5%
Participation in investment pools	39 511	39 147	-0.9%
Loans guaranteed by mortgages and other loans	150 703	140 003	-7.1%
Deposits with ceding companies	133 714	120 085	-10.2%
Other	104 003	192 913	85.5%
Investments for the benefit of life insurance policyholders who bear the investment risk	3 238 898	3 931 147	21.4%
Total carrying value, investments	**14 344 120**	**18 182 928**	**26.8%**
Market value			
Investments	11 428 990	15 364 504	34.4%
Land and buildings	296 500	418 729	41.2%
Participating interests in companies accounted for using the equity method	170 975	192 757	12.7%
Other participating interests	122 993	54 065	-56.0%
Shares and other variable-yield securities	2 620 389	3 166 460	20.8%
Bonds and other fixed-income securities	7 788 762	11 035 867	41.7%
Participation in investment pools	40 182	43 188	7.5%
Loans guaranteed by mortgages and other loans	150 703	140 003	-7.1%
Deposits with ceding companies	133 714	120 085	-10.2%
Other	104 771	193 350	84.5%
Investments for the benefit of life insurance policyholders who bear the investment risk	3 238 898	3 931 147	21.4%
Total market value, investments	**14 667 887**	**19 295 651**	**31.6%**
Unrealized gains			
Participating interests, shares and other variable-yield securities	-91 884	363 508	-
Bonds and other fixed-income securities	328 057	627 252	91.2%
Other	87 595	121 963	39.2%
Total unrealized gains	**323 768**	**1 112 723**	**-**

(in thousands of EUR)

Movements, investments 2004	**Land and buildings**	**Participating interests in affiliated companies**	**Participating interests in companies linked by participating interests**	**Debt securities issued by and loans and advances to companies linked by participating interests**	**Participating interests in companies accounted for using the equity method**	**Shares, participating interests and other variable-yield securities**	**Bonds and other fixed-income securities**	**Debt securities issued by and loans and advances to associated companies**
Acquisition cost								
Opening balance	366 615	6 621	100 930	0	112 551	3 105 047	7 470 588	0
Acquisitions	9 397	439	6 729	0	0	1 125 574	5 274 844	0
Transfers and asset retirements	-6 833	0	-67 723	0	-17 451	-1 149 100	-2 566 776	0
Transferred from one heading to another	81	-2 507	-8 669	0	0	0	0	0
Translation differences	3 102	213	1	-3	0	24 111	42 753	0
Result for the period	0	0	0	0	20 300	0	0	0
Other movements	122 465	1 896	12	1 252	-13 543	225 294	194 981	0
Closing balance	494 828	6 661	31 281	1 249	101 858	3 330 927	10 416 390	0
Revaluation surpluses								
Opening balance	0	0	0	0	0	-727	2 499	0
Written off	0	0	0	0	0	0	-1 341	0
Transferred from one heading to another	0	0	0	0	0	-732	0	0
Translation differences	0	0	0	0	0	-131	156	0
Other movements	0	0	0	0	0	1 840	0	0
Closing balance	0	0	0	0	0	250	1 314	0
Write-downs and depreciation								
Opening balance	156 272	2 192	2 863	0	0	307 208	12 382	0
Recorded	17 053	172	686	0	0	191 158	19	0
Written back	-37	-60	0	0	0	-24 735	-6	0
Written off	-104	0	-1 735	0	0	-57 603	-2 057	0
Transferred from one heading to another	81	0	0	0	0	-732	0	0
Translation differences	2 273	84	0	0	0	338	0	0
Other movements	18 047	650	0	0	0	220	0	0
Closing balance	193 585	3 038	1 814	0	0	415 853	10 339	0
Uncalled amounts								
Opening balance	0	0	68	0	0	5 849	0	0
Movements during the financial year	0	0	-67	0	0	-5 353	0	0
Closing balance	0	0	1	0	0	496	0	0
Net carrying value at the end of the financial year	301 243	3 623	29 466	1 249	101 858	2 914 827	10 407 365	0

(in thousands of EUR)

Note 8: (In)tangible fixed assets, goodwill on consolidation, debtors and other assets, insurance	**2003**	**2004**	**Change** (in %)
Debtors	**618 321**	**696 653**	**12.7%**
Arising out of direct insurance operations	195 999	274 255	39.9%
Arising out of reinsurance operations	155 920	152 087	-2.5%
Other debtors and called capital as yet unpaid	266 402	270 311	1.5%
Other assets	**878 800**	**915 431**	**4.2%**
Deferred charges and accrued income	209 159	305 081	45.9%
Other assets	669 641	610 350	-8.9%
Intangible fixed assets and goodwill on consolidation	**205 879**	**188 759**	**-8.3%**
Formation expenses and intangible fixed assets	36 446	49 552	36.0%
Goodwill on consolidation	169 434	139 207	-17.8%
Formation expenses and intangible fixed assets			
Acquisition cost			
Opening balance	155 547	155 465	
Acquisitions	4 992	64 511	
Transfers and asset retirements	-4 811	-119	
Other movements	-264	-241	
Closing balance	155 465	219 616	
Write-downs and depreciation			
Opening balance	93 450	119 019	
Recorded	26 533	51 521	
Written back	-190	20	
Written off	-774	-496	
Closing balance	119 019	170 064	
Net carrying value	**36 446**	**49 552**	

(in thousands of EUR)

Note 9: Financial fixed assets, holding-company activities	2003	2004	Change (in %)
Total	**917 187**	**816 274**	**-11.0%**
Participating interests	634 709	539 686	-15.0%
Loans and advances	282 478	276 588	-2.1%
of which subordinated loans	*250 412*	*251 728*	*0.5%*
Breakdown of participating interests			
Companies consolidated using the equity method	408 826	321 180	-21.4%
Participating interests in other financial institutions	0	0	-
Other participating interests	408 826	321 180	-21.4%
Other participating interests	225 883	218 506	-3.3%
Participating interests in credit institutions	1 026	16 112	1470.4%
Participating interests in other financial institutions	44 489	31 859	-28.4%
Other participating interests	180 368	170 535	-5.5%
Breakdown of loans and advances			
Companies consolidated using the equity method	6 129	6 901	12.6%
To other participating interests	6 129	6 901	12.6%
Other participating interests	276 349	269 687	-2.4%
To credit institutions	250 412	251 729	0.5%
To other participating interests	25 937	17 958	-30.8%

Movements, participating interests	2003		2004	
	Consolidated using the equity method	Other	Consolidated using the equity method	Other
Acquisition value, participations				
Opening balance, gross amount	399 572	522 474	408 826	225 883
Acquisitions	235	2 541	922	66 887
Carrying value, transfers	-1 575	-79 479	-11 238	-28 223
Share in the result for the financial year	106 837	0	-34 905	0
Change in uncalled amounts	0	983	0	1 242
Other movements	-96 243	4 068	-42 425	-57 724
Closing balance, gross amount	408 826	450 587	321 180	208 065
Gross, write-downs and net participations				
Gross amount outstanding	408 826	450 587	321 180	208 065
Write-downs	0	-224 704	0	10 441
Net amount outstanding	**408 826**	**225 883**	**321 180**	**218 506**

(in thousands of EUR)

Movements, loans and advances	**2003**		**2004**	
	Consolidated using the equity method	Other	Consolidated using the equity method	Other
Opening balance	5 301	380 549	6 129	276 349
Additions	0	16 069	1 704	1 426
Repayments	-105	-120 269	0	-8 357
Other movements (re-classifications)	933	0	-933	270
Net carrying value as at the end of the financial year	6 129	276 349	6 900	269 688

(in thousands of EUR)

Note 10: Capital and reserves, Group

a) Movements, capital and reserves

	Opening balance	**Profit retention**	**Write-off of imputed goodwill on consolidation**	**Translation differences**	**Other movements**	**Closing balance**
Movements, 2004						
Capital	625 705	0	0	0	0	625 705
Share premium account	1 961 801	0	0	0	0	1 961 801
Revaluation reserve	5 919	0	0	0	-967	4 952
Reserves and profit brought forward	6 265 091	830 306	-73 539	0	-6 561	7 015 297
Goodwill on consolidation (+)	320 617	0	0	0	-19 369	301 248
Imputed goodwill on consolidation (-)	-1 141 853	0	73 539	0	-311	-1 068 625
Translation differences	-29 050	0	0	-24 603	0	-53 653
Capital subsidies	521	0	0	0	-137	384
Capital and reserves	**8 008 751**	**830 306**	**0**	**-24 603**	**-27 345**	**8 787 109**
Movements, 2003						
Capital	625 705	0	0	0	0	625 705
Share premium account	1 961 801	0	0	0	0	1 961 801
Revaluation reserve	6 369	0	0	0	-450	5 919
Reserves and profit brought forward	5 878 652	641 504	-214 766	0	-40 299	6 265 091
Goodwill on consolidation (+)	386 187	0	0	0	-65 570	320 617
Imputed goodwill on consolidation (-)	-1 356 851	0	214 766	0	232	-1 141 853
Translation differences	-4 377	0	0	-24 673	0	-29 050
Capital subsidies	351	0	0	0	170	521
Capital and reserves	**7 497 837**	**641 504**	**0**	**-24 673**	**-105 917**	**8 008 751**

- For 2004, capital and reserves grew by 778 million euros, which was due primarily to profit of 1 138 million euros for the period under review, after deduction of 307 million euros by way of dividends and directors' entitlements.
- For the 1999, 2000 and 2001 financial years, goodwill on acquisitions in the banking and insurance businesses was deducted forthwith from capital and reserves. The Banking, Finance and Insurance Commission had granted a temporary derogation in this respect until the end of 2001. The deduction is included visibly under the heading V*bis* 'Imputed goodwill on consolidation'. The amount of goodwill is posted regularly to the reserves in proportion to its theoretical amortization. For 2004, the theoretical amortization amounted to 74 million euros. Goodwill on acquisitions after 31 December 2001 is capitalized and amortized over a period of twenty years.
- The liabilities heading 'Goodwill on consolidation' concerns negative goodwill.

(in thousands of EUR)

Note 10: Capital and reserves, Group

b) Statement of reserves and profit brought forward

Opening balance	6 265 091
Profit (Group share)	1 137 698
Dividends	-305 496
Directors	-1 896
Other movements	-6 561
Theoretical amortization of goodwill on consolidation	-73 539
Closing balance	7 015 297

c) Statement of own shares

	Number	In % of the shares issued	Carrying value *(in thousands of EUR)*
In portfolio at:			
Centea	**96 308**	0.049%	807
Kredietbank sa Luxembourgeoise	**150 078**	0.077%	4 308
KBC Securities	**321 701**	0.164%	24 256 255
Gevaert	**1 626 126**	0.830%	122 609 900
Total, excluding trading portfolio	**1 872 512**	0.956%	122 615 015
Total, including trading portfolio	**2 194 213**	1.121%	146 871 270

(in thousands of EUR)

Note 10: Capital and reserves, Group

d) Overview of goodwill on consolidation, per activity

	Opening balance	Increase in percentage of capital held	Decrease in percentage of capital held	Amounts amortized	Other movements	Closing balance
BANKING						
Goodwill on consolidation						
Capitalized goodwill (assets side)	279 211	231 205	-3 107	-34 197	3 739	476 851
Negative goodwill (liabilities side)	8 693	6	0	0	-2 230	6 469
Imputed goodwill (liabilities side)	-893 177	-410	1 400	69 776	-193 033	-1 015 444
Goodwill after application of the equity method						
Capitalized goodwill (assets side)	246 823	0	0	-10 627	-30 999	205 197
Negative goodwill (liabilities side)	3 252	24	0	0	0	3 276
Imputed goodwill (liabilities side)	0	0	0	0	0	0
INSURANCE						
Goodwill on consolidation						
Capitalized goodwill (assets side)	39 374	5 552	0	-13 586	110 458	141 799
Negative goodwill (liabilities side)	1 679	12	0	0	0	1 691
Imputed goodwill (liabilities side)	-4 668	-35	0	3 469	-51 947	-53 181
Goodwill after application of the equity method						
Capitalized goodwill (assets side)	130 059	0	-230	0	-128 907	922
Negative goodwill (liabilities side)	3 574	27	-1 375	0	0	2 226
Imputed goodwill (liabilities side)	-51 561	-386	0	0	51 947	0
HOLDING-COMPANY ACTIVITIES						
Goodwill on consolidation						
Capitalized goodwill (assets side)	135 692	-1 943	0	-8 511	9 998	135 236
Negative goodwill (liabilities side)	303 419	-18 044	-20	0	2 230	287 585
Imputed goodwill (liabilities side)	-98 989	0	0	0	98 989	0
Goodwill after application of the equity method						
Capitalized goodwill (assets side)	285 985	2 974	0	-24 727	-9 590	254 642
Negative goodwill (liabilities side)	0	0	0	0	0	0
Imputed goodwill (liabilities side)	-93 458	0	0	0	93 458	0
Total						
Capitalized goodwill (assets side), banking	526 034	231 205	-3 107	-44 824	-27 260	682 048
Capitalized goodwill (assets side), insurance	169 433	5 552	-230	-13 586	-18 449	142 721
Capitalized goodwill (assets side), holding-company activities	421 677	1 031	0	-33 238	408	389 878
Negative goodwill (liabilities side)	320 617	-17 975	-1 395	0	0	301 247
Imputed goodwill (liabilities side)	-1 141 853	-831	1 400	73 245	-586	-1 068 625

(in thousands of EUR)

Note 11: Third-party interests	2003	2004	Change (in %)
Total	**5 270 486**	**5 248 607**	**-0.4%**
Third-party interests	3 900 427	4 228 111	8.4%
Preferential shares	1 370 059	1 020 496	-25.5%

(in thousands of EUR)

Note 12: Subordinated liabilities	2003	2004	Change (in %)
Total	**7 257 773**	**6 766 728**	**-6.8%**
Convertible	503 350	503 350	0.0%
Non-convertible	6 754 423	6 263 378	-7.3%
Company			
Banking	7 499 507	7 007 300	-6.6%
Insurance	17 724	17 709	-0.1%
Eliminations	-259 459	-258 281	-0.5%
Banking	**7 499 507**	**7 007 300**	**-6.6%**
Geographical breakdown			
Belgium	3 788 635	3 807 148	0.5%
Abroad	3 710 872	3 200 152	-13.8%

Breakdown according to remaining term to maturity (year maturing)				
	2005	2006	2007	2008
	1 903 887	917 166	546 929	669 213
	2009	2010	2011	2012
	382 352	250 163	515 566	67 896
	2013	2014	2015	2016
	43 326	65 398	17 294	223 216
				Perpetual
				1 404 894

(in thousands of EUR)

Note 13: Amounts owed to credit institutions, banking	2003	2004	Change (in %)
Total	**50 561 060**	**55 131 116**	**9.0%**
of which amounts owed as a result of the rediscounting of trade bills	*0*	*0*	*-*
Geographical breakdown			
Belgium	3 439 103	4 263 282	24.0%
Abroad	47 121 957	50 867 834	7.9%
of which the euro zone	*23 925 196*	*24 965 319*	*4.3%*
Breakdown according to remaining term to maturity			
Repayable on demand	3 653 500	4 075 298	11.5%
With agreed maturity dates or periods of notice:	46 907 560	51 055 818	8.8%
* not more than three months	36 967 660	40 666 104	10.0%
* more than three months, but not more than one year	8 574 549	8 749 500	2.0%
* more than one year, by not more than five years	741 111	1 286 626	73.6%
* more than five years	606 663	292 605	-51.8%
* undated	17 577	60 983	246.9%

(in thousands of EUR)

Note 14: Amounts owed to customers and debts represented by securities, banking	2003	2004	Change (in %)
Total	**149 780 672**	**164 019 636**	**9.5%**
Amounts owed to customers	124 448 898	136 846 943	10.0%
Debts represented by securities	25 331 774	27 172 693	7.3%
Amounts owed to customers	**124 448 898**	**136 846 943**	**10.0%**
Geographical breakdown			
Belgium	63 326 764	64 742 924	2.2%
Abroad	61 122 134	72 104 019	18.0%
of which the euro zone	*22 586 229*	*23 433 047*	*3.7%*
Breakdown according to remaining term to maturity			
Repayable on demand	47 337 525	33 496 231	-29.2%
With agreed maturity dates or periods of notice:	77 111 373	103 350 712	34.0%
* not more than three months	28 662 899	48 797 479	70.2%
* more than three months, but not more than one year	13 955 981	20 144 873	44.3%
* more than one year, by not more than five years	3 377 168	3 763 118	11.4%
* more than five years	1 199 650	1 822 586	51.9%
* undated	29 915 675	28 822 656	-3.7%
Debts represented by securities	**25 331 774**	**27 172 693**	**7.3%**
Geographical breakdown			
Belgium	5 976 550	4 713 438	-21.1%
Abroad	19 355 224	22 459 255	16.0%
of which the euro zone	*8 565 064*	*10 520 761*	*22.8%*
Breakdown according to remaining term to maturity			
Not more than three months	10 841 837	11 840 689	9.2%
More than three months, but not more than one year	4 487 458	5 766 386	28.5%
More than one year, by not more than five years	9 447 561	7 791 919	-17.5%
More than five years	520 740	1 744 568	235.0%
Undated	34 178	29 131	-14.8%
Amounts owed to customers and debts represented by securities, breakdown by type			
Total amounts owed to customers	124 448 898	136 846 943	10.0%
Demand deposits	27 999 814	30 820 758	10.1%
Time deposits	44 984 712	45 963 633	2.2%
Savings deposits	25 988 182	28 394 068	9.3%
Special deposits	3 214 052	3 760 068	17.0%
Other deposits	22 262 138	27 908 416	25.4%
Total debt securities	25 331 774	27 172 693	7.3%
Savings certificates	5 451 023	4 303 970	-21.0%
Bonds	7 616 436	9 259 656	21.6%
Certificates of deposit	12 264 315	13 609 068	11.0%
Other	0	0	-

(in thousands of EUR)

Note 15: Technical provisions, insurance	2003	2004	Change (in %)
Gross			
Technical provisions	10 196 859	13 259 117	30.0%
Provision for unearned premiums and unexpired risk	252 357	437 047	73.2%
Life insurance provision	7 287 843	9 563 191	31.2%
Provision for claims outstanding	2 395 130	2 912 143	21.6%
Provision for bonuses and rebates	34 969	43 875	25.5%
Equalization and catastrophe provision	127 832	191 262	49.6%
Other technical provisions	98 728	111 599	13.0%
For life insurance policyholders who bear the investment risk	3 238 898	3 931 147	21.4%
Total gross technical provisions	**13 435 756**	**17 190 264**	**27.9%**
Reinsurers' share			
Technical provisions	179 545	258 314	43.9%
Provision for unearned premiums and unexpired risk	3 533	23 496	-
Life insurance provision	8 594	6 984	-18.7%
Provision for claims outstanding	165 823	227 238	37.0%
Provision for bonuses and rebates	-92	0	-
Equalization and catastrophe provision	0	0	-
Other technical provisions	1 687	596	-64.7%
For life insurance policyholders who bear the investment risk	0	0	-
Total, reinsurers' share	**179 545**	**258 314**	**43.9%**
Net			
Technical provisions	10 017 314	13 000 803	29.8%
Provision for unearned premiums and unexpired risk	248 824	413 551	66.2%
Life insurance provision	7 279 249	9 556 207	31.3%
Provision for claims outstanding	2 229 307	2 684 905	20.4%
Provision for bonuses and rebates	35 061	43 875	25.1%
Equalization and catastrophe provision	127 832	191 262	49.6%
Other technical provisions	97 041	111 002	14.4%
For life insurance policyholders who bear the investment risk	3 238 898	3 931 147	21.4%
Total net technical provisions	**13 256 211**	**16 931 950**	**27.7%**
secured by collateral security committed as a charge against the company's assets	*188 604*	*155 958*	*-17.3%*

(in thousands of EUR)

Note 16: Eliminations and relations with affiliated companies and with companies linked by participating interests that are not included in the consolidation or not eliminated, Group

	As among the banking, insurance and holding-company activities (eliminations)		Affiliated companies (not eliminated)		Companies linked by participating interests (not eliminated)	
	2003	**2004**	**2003**	**2004**	**2003**	**2004**
ASSETS						
BANKING						
I. Loans and advances to credit institutions	0	0	196 789	292 873	315 766	83 130
II. Loans and advances to customers	920 442	1 387 519	452 900	238 918	80 558	59 888
III. Securities - A. Fixed-income	0	0	21 095	18 180	0	0
IV. Financial fixed assets	9 047	7 809	34 209	26 567	166 735	127 759
VII. Other assets	219 639	119 304	0	0	0	0
INSURANCE						
IX. Investments	0	0	4 427	3 623	97 999	29 466
XII. Debtors	0	0	7 149	90	54	404
XIII. Other assets	882 877	697 981	0	0	0	0
HOLDING-COMPANY ACTIVITIES AND SPECIALIZED FINANCIAL SERVICES						
XV. Financial fixed assets	250 412	250 472	307	307	3 189	2 432
XVI. Investments and cash at bank and in hand	325 541	416 531	0	0	0	0
XVII. Other assets	13 665	13 734	0	0	0	0
TOTAL ASSETS	**2 621 623**	**2 893 350**	**716 876**	**580 558**	**583 824**	**303 079**
LIABILITIES						
IX. Subordinated liabilities	259 459	258 281	9 048	17 709	0	0
Provisions and liabilities						
BANKING						
XI. Amounts owed to credit institutions	0	0	265 720	260 616	36 756	3 770
XII. Amounts owed to customers	1 113 056	1 068 395	770 825	174 258	126 783	17 255
XIII. Debts represented by securities	0	0	99 915	119 904	0	430
XV. Other liabilities	158 634	124 047	0	0	0	0

(in thousands of EUR)

Note 16: Eliminations and relations with affiliated companies and with companies linked by participating interests that are not included in the consolidation or not eliminated, Group

	As among the banking, insurance and holding-company activities (eliminations)		Affiliated companies (not eliminated)		Companies linked by participating interests (not eliminated)	
	2003	**2004**	**2003**	**2004**	**2003**	**2004**
LIABILITIES (cont.)						
INSURANCE						
XX. Other liabilities	174 701	463 872	9 317	3 879	317	0
HOLDING-COMPANY ACTIVITIES AND SPECIALIZED FINANCIAL SERVICES						
XXI. Financial liabilities	838 536	939 206	0	0	0	0
XXIII. Other liabilities	77 237	39 549	0	0	0	0
Subtotal, excluding subordinated liabilities	2 362 164	2 635 069	1 145 777	558 657	163 856	21 455
TOTAL LIABILITIES	**2 621 623**	**2 893 350**	**1 154 825**	**576 366**	**163 856**	**21 455**
PROFIT AND LOSS ACCOUNT						
BANKING						
C. Net commission income	62 068	77 797	0	0	0	0

3.2. Profit and loss account

3.2.1. Results arising from ordinary activities, banking

(in thousands of EUR)

Note 17: Gross income, banking	2003		2004	
	Belgian branches and subsidiaries	Foreign branches and subsidiaries	Belgian branches and subsidiaries	Foreign branches and subsidiaries
A. Interest receivable and similar income	5 018 633	5 013 803	4 978 169	5 267 672
B. Income from variable-yield securities				
from shares and other variable-yield securities	20 505	27 526	35 223	66 099
from participating interests and shares constituting financial fixed assets	6 532	79 622	12 335	13 653
C. Profit on financial transactions				
on the trading of securities and other financial instruments	50 598	457 196	158 780	516 122
on the disposal of investment securities	248 196	15 079	203 632	86 639
D1. Commission receivable	913 301	1 090 382	933 420	849 082
D2. Other operating income	295 606	229 680	323 032	181 530
E. Equity method result	17 643	-81	34 913	2 006

Geographic breakdown of heading B (Participating interests and shares constituting financial fixed assets) of the profit and loss account.

Belgium	Germany	France	Egypt	Poland	Hungary	Spain
3 404	441	546	10	180	124	1 792
Luxembourg	Netherlands	Lebanon	Portugal	Czech Republic	Ireland	Italy
8 582	334	4	738	70	3 295	6 435
					Panama	**Total**
					33	**25 988**

(in thousands of EUR)

Note 18: Net interest income, banking	2003	2004	Change (in %)
Net interest income	**3 429 377**	**3 350 526**	**-2.3%**
Interest receivable and similar income	10 032 436	10 245 841	2.1%
Loans and advances to credit institutions	1 101 084	1 185 191	7.6%
Loans and advances to customers	4 687 174	4 658 415	-0.6%
Fixed-income securities, trading portfolio	599 329	705 653	17.7%
Fixed-income securities, investment portfolio	2 619 639	2 524 270	-3.6%
Other	1 025 210	1 172 312	14.3%
Interest payable and similar charges	-6 603 059	-6 895 315	4.4%
Amounts owed to credit institutions	-1 208 251	-1 538 224	27.3%
Amounts owed to customers	-2 660 619	-2 672 823	0.5%
Debts represented by securities	-804 304	-692 332	-13.9%
Subordinated liabilities	-407 880	-392 361	-3.8%
Net result, hedging operations	-395 574	-397 546	0.5%
Other	-1 126 431	-1 202 029	6.7%

(in thousands of EUR)

Note 19: Income from variable-yield securities, banking	2003	2004	Change (in %)
Total	**134 186**	**127 310**	**-5.1%**
Shares and other variable-yield securities, trading portfolio	51 431	67 568	31.4%
Shares and other variable-yield securities, investment portfolio	-3 399	33 754	-1093.1%
Other income from financial fixed assets	86 154	25 988	-69.8%

(in thousands of EUR)

Note 20: Profit on financial transactions, banking	2003	2004	Change (in %)
Total	**771 070**	**965 174**	**25.2%**
On the trading of securities and other financial instruments	507 795	674 903	32.9%
On the disposal of investment securities	263 275	290 271	10.3%
Variable-yield securities	218 904	116 556	-46.8%
Securitization of receivables	10 880	12 841	18.0%
Variable-yield securities	33 491	160 874	380.3%

(in thousands of EUR)

Note 21: Net commission and other operating income, banking	2003	2004	Change (in %)
Total	**2 093 360**	**2 254 672**	**7.7%**
Commission receivable	2 064 879	2 246 155	8.8%
Securities and asset management	1 185 794	1 327 538	12.0%
Commitment credit	130 501	122 060	-6.5%
Payments	332 479	360 864	8.5%
Insurance	62 068	78 731	26.8%
Other	354 037	356 962	0.8%
Commission payable	-496 805	-496 044	-0.2%
Acquisition costs	-68 598	-74 761	9.0%
Other commission payable	-428 207	-421 283	-1.6%
Other operating income	525 286	504 561	-3.9%

(in thousands of EUR)

Note 22: Share in the result of companies consolidated using the equity method, banking	**2003**	**2004**	**Change** (in %)
Total	**17 562**	**36 919**	**110.2%**
of which NLB	*7 261*	*26 646*	*267.0%*

(in thousands of EUR)

Note 23: Write-downs on and provisions for credit risks, banking	**2003**	**2004**	**Change** (in %)
Total	**-687 571**	**-111 392**	**-83.8%**
Belgium	-117 154	-45 056	-61.5%
Abroad	-570 417	-66 336	-88.4%

(in thousands of EUR)

Note 24: Write-downs on securities, banking	**2003**	**2004**	**Change** (in %)
Total	**-7 069**	**18 334**	**-359.4%**
Fixed-income securities	-10 465	32 076	-406.5%
Write-downs	-53 752	-30 252	-43.7%
Write-backs	43 287	62 328	44.0%
Variable-yield securities	3 396	-13 742	-504.7%
Write-downs	-62 293	-42 556	-31.7%
Write-backs	65 689	28 814	-56.1%

3.2.2. Results arising from ordinary activities, insurance

Recurring as against non-recurring

Non-recurring income and charges are result components that have to do with ordinary activity, but that are one-off by nature. Non-recurring income consists of the capital gains on shares considered as non-recurring and the use of those gains for setting aside (usually) additional non-recurring provisions. Recurring income from the equities portfolio is defined as the product of the 'historical normalized return' and the 'historical normalized market value'. The 'historical normalized return' is the average return expected on the equity portfolio held over the past ten years and the 'historical normalized market value' is the average market value of the equity portfolio held over those years. The positive difference between the dividends actually received plus realized gains and the recurring income that has been calculated is entered as non-recurring income. Where the difference is negative, the deficit is drawn from the provision for financial risks.

(in thousands of EUR)

Note 25 a: Overview of profit arising from ordinary activities, insurance	**2003**	**2004**	**Change** (in %)
Gross income	847 242	1 005 786	18.7%
Net earned premiums	3 485 982	5 037 297	44.5%
Net technical charges *	-3 248 370	-4 679 988	44.1%
Investment income and charges *	592 911	628 177	5.9%
Results from participating interests consolidated using the equity method	16 719	20 300	21.4%
Administrative expenses	-502 268	-671 009	33.6%
Recurring result arising from ordinary activities	**344 974**	**334 777**	**-3.0%**
of which Non-Life business	191 004	237 866	24.5%
of which Life business	202 321	163 549	-19.2%
of which Non-Technical result	-48 351	-66 638	-
Non-recurring income and charges	**-35 027**	**-33 829**	-
Result from ordinary activities	**309 947**	**300 948**	**-2.9%**

* Excluding value adjustments in respect of unit-linked life assurance (class 23).

(in thousands of EUR)

Note 25 b: Overview Non-Life business	**2003**	**2004**	**Change** (in %)
Gross earned premiums	1 117 017	1 543 050	38.1%
Outward reinsurance premiums	-69 396	-115 470	66.4%
Net earned premiums (heading A)	**1 047 621**	**1 427 580**	**36.3%**
Gross premiums paid	-644 656	-838 529	30.1%
Gross claims paid, reinsurers' share	55 975	59 568	6.4%
Gross provision for claims outstanding	-21 222	-81 459	283.8%
Provision for claims outstanding, reinsurers' share	-67 084	-20 309	-
Bonuses and rebates, net of reinsurance	41	-758	-
Other technical provisions	-42 197	-29 040	-
Other technical income and charges	-10 944	-20 988	91.8%
Net technical charges (heading B)	**-730 087**	**-931 515**	**27.6%**
Allocation to the technical accounts	210 110	219 329	4.4%
Investment income and charges (heading C)	**210 110**	**219 329**	**4.4%**
Net acquisition charges	-274 987	-350 833	27.6%
Operating charges	-61 653	-126 694	105.5%
General administrative expenses (heading E)	**-336 640**	**-477 527**	**41.9%**
Recurring result arising from ordinary activities, Non-Life business	**191 004**	**237 867**	**24.5%**

(in thousands of EUR)

Note 25 c: Overview Life business	2003	2004	Change (in %)
Gross earned premiums	2 442 343	3 614 735	48.0%
Outward reinsurance premiums	-3 983	-5 017	26.0%
Net earned premiums (heading A)	**2 438 360**	**3 609 718**	**48.0%**
Gross premiums paid	-970 965	-1 258 835	29.6%
Gross claims paid, reinsurers' share	1 866	126	-93.2%
Gross provision for claims outstanding	-15 173	-16 501	8.8%
Provision for claims outstanding, reinsurers' share	1 680	-245	-
Bonuses and rebates, net of reinsurance	-4 081	-8 399	105.8%
Other technical provisions	-1 738 669	-2 691 751	54.8%
Other technical income and charges	-2 280	1 148	-150.4%
Net technical charges (heading B)	**-2 727 622**	**-3 974 457**	**45.7%**
Value adjustments, unit-linked life assurance	209 338	225 985	-
Allocation to the technical accounts	444 580	487 714	9.7%
Investment income and charges (heading C)	**653 918**	**713 699**	**-**
Net acquisition charges	-122 525	-140 940	15.0%
Operating charges	-39 810	-44 471	11.7%
General administrative expenses (heading E)	**-162 335**	**-185 411**	**14.2%**
Recurring result arising from ordinary activities	**202 321**	**163 549**	**-19.2%**

(in thousands of EUR)

Note 25 d: Non-recurring result	2003	2004	Change (in %)
Total	**-35 027**	**-33 829**	-
Non-recurring realized gains and losses	122 003	36 463	-70.1%
Valuation adjustments	-96 028	-163 717	70.5%
Equalization and catastrophe provision (+) Withdrawal	92 163	0	-
Provision for financial risks (-) Addition (+) Withdrawal	-140 164	93 425	-
Other	-13 001	0	-

3.2.3. Results arising from ordinary activities, holding company

(in thousands of EUR)

Note 26: Overview	2003	2004	Change (in %)
Net interest income and dividends	-42 382	-58 955	39.1%
Results from participating interests consolidated using the equity method	106 836	45 983	-57.0%
Amortization of goodwill on consolidation	-35 886	-36 298	1.1%
Results realized on the investment portfolio, and valuation differences	4 507	26 315	483.9%
Other operating income and charges	26 260	11 835	-54.9%
Result arising from ordinary activities	**59 335**	**-11 121**	**-**

3.2.4. Extraordinary results

(in thousands of EUR)

Note 27: Extraordinary results, Group	2003	2004	Change (in %)
Extraordinary results	**57 018**	**-130 149**	**-**
Extraordinary results, banking	63 473	-47 637	-
Extraordinary write-downs and depreciation (and write-backs) on tangible fixed assets	16 579	-8 921	-
Gains and losses realized on the disposal of tangible fixed assets	414	7 151	1627.3%
Gains and losses realized on the disposal of financial fixed assets	73 034	80 075	9.6%
Provisions for restructuring, KBL	-24 535	-127 272	418.7%
Other extraordinary income and charges	-2 019	1 330	-
Extraordinary results, insurance	-8 952	-6 229	-30.4%
Depreciation of intangible fixed assets	-8 190	-6 223	-24.0%
Provisions for restructuring	-2 000	0	-100.0%
Other extraordinary income and charges	1 238	-6	100.5%
Extraordinary results, holding company	2 497	-76 283	-
Share in restructuring costs, Agfa-Gevaert	-	-80 833	-
Other extraordinary income and charges	2 497	4 550	-

3.3. Off-balance-sheet headings

(in thousands of EUR)

Note 28: Off-balance-sheet headings, banking	2003	2004	Change (in %)
1. Contingent liabilities	**17 153 850**	**33 829 830**	**97.2%**
A. Non-negotiated acceptances	61 601	74 994	21.7%
B. Guarantees in the nature of direct credit substitutes	7 264 861	23 879 605	228.7%
C. Other guarantees	8 264 499	8 512 765	3.0%
D. Documentary credits	980 172	1 164 868	18.8%
E. Assets charged as collateral security on behalf of third parties	582 717	197 598	-66.1%
2. Commitments that could give rise to a credit risk	**44 677 939**	**41 249 376**	**-7.7%**
A. Firm credit commitments	7 693 447	3 045 255	-60.4%
B. Commitments arising from spot purchases of securities	1 213 570	1 346 069	10.9%
C. Undrawn margin on confirmed credit lines	35 762 442	36 797 496	2.9%
D. Underwriting and placing commitments	8 480	60 556	614.1%
3. Assets lodged with the companies included in the consolidation	**115 415 951**	**152 112 369**	**31.8%**
A. Assets held for fiduciary purposes	3 858 264	3 760 835	-2.5%
B. Safe custody and equivalent items	111 557 687	148 351 534	33.0%

4. Forward off-balance-sheet transactions in securities, foreign currencies and other financial instruments (including insurance)	**Contracted amounts**	**Of which trading**	**Of which non-trading**
In securities			
Purchase and sale of securities	5 453	0	5 453
In foreign currencies			
Forward foreign exchange transactions	81 126 688	68 612 180	12 514 508
Currency and interest-rate swaps	39 764 168	27 190 120	12 574 048
Futures	13 007	0	0
Options	12 853 496	12 541 166	312 330
In other financial instruments			
Interest-rate contracts			
Interest-rate swap agreements	564 960 390	489 508 428	75 451 962
Forward-rate agreements	22 173 825	22 046 498	127 327
Interest-rate futures	34 491 414	34 388 873	102 541
Interest-rate options	84 975 800	83 670 792	1 305 008
Other contracts			
Share options	102 244 646	102 224 228	20 418
Futures transactions	0	0	0

(in thousands of EUR)

Note 28: Off-balance-sheet headings, banking

5. Impact on the results of the derogation from the valuation rules laid down in Article 36bis, §2, regarding forward interest-rate transactions (exclusively KBC)	**Amount as at closure date of the accounts**	**Difference between market and carrying value**
Categories of forward interest-rate transactions		
For the purpose of treasury management	28 729 991	-1 164
For the purpose of ALM	7 050 576	-830 393

The final section of this table (Article 36bis, §2) indicates the amounts at closure date of transactions concluded within the context of treasury management and of ALM (ALM in euros + overall management in foreign currency). Where treasury transactions were marked to market, an additional loss of 1.1 million euros is entered. Where ALM transactions were marked to market, an additional loss of 830.4 million euros is entered. These unrealized losses are required to be set against unrealized gains on balance-sheet items that are not recorded in the profit and loss account, either.

OFF-BALANCE-SHEET HEADINGS, INSURANCE

At the end of the 2004 financial year, the insurance group had 119.0 million euros' worth of securities that had been sold, but had not yet been delivered and 668.7 million euros' worth of securities that had been purchased, but had not yet been received. The Group's reinsurance companies blocked 106.3 million euros in securities in favour of cedants.

OFF-BALANCE-SHEET HEADINGS, HOLDING-COMPANY ACTIVITIES

Interest rate swap contracts for a notional amount of 1 250 million euros.
Forward currency contracts for a notional amount of 15.6 million euros.
Major commitments to purchase fixed assets in consequence of written put options in the amount of 8.2 million euros.
Major commitments to sell fixed assets in consequence of written call options in the amount of 5.4 million euros.

(in thousands of EUR)

Note 29: Uncalled share capital - Group

Company	**Affiliated companies**	**Companies linked by participating interests**	**Other**	**Total**
Banking	4 607	0	27 672	**32 279**
Insurance	8 401	61	496	**8 958**
Holding-company activities	0	0	6 275	**6 275**

(in thousands of EUR)

Note 30: Other material commitments not reflected in the balance-sheet items, Group		
A. Collateral security constituted by the consolidated entity or irrevocably committed as a charge against its own assets		
a. As security for the debts and commitments of the consolidated entity	**Pledges on other assets**	**Mortgages**
Liabilities headings		
Mobilisations	27 433 994	
Fixed pledge in respect of EIB credit facility	741 317	
Asset pledge requirement, KBC New York	39 428	
Pledge, Federal Reserve Bank of New York	1 393 800	
Activities with the National Bank of Belgium and the Luxembourg Central Bank	589 002	
Securities lending	106 177	
Guarantees to the Swiss National Bank and the Dutch Central Bank	44 585	
Guarantees in respect of clearing operations	100 307	
Activities with the German Bundesbank	47 219	
Activities with the Bank of Spain, the Royal Bank of Scotland and the NBP	109 430	
Loans without recourse	0	109 606
Repo and reverse-repo activities	6 152 292	
Other	1 103 444	
Off-balance-sheet headings		
Options and futures	850 387	
b. As security for the debts and commitments of third parties		
Liabilities headings		
Other	607 827	
Off-balance-sheet headings		
Other	32 993	

B. Commitments in respect of the supplementary retirement or survivor's pension for staff or members of management, for account of consolidated companies

In a large number of consolidated companies, the staff benefit from a supplementary retirement and survivor's pension, whether or not built up by an autonomous pension fund.

C. Commitments in respect of stock option plans for the staff

Almanij has issued 13 280 options for the benefit of the managing directors and staff of Almanij nv, of which 9 560 were still outstanding as at the end of 2004. The options – 2000 offer – of the first tranche (a total of 8 920, of which 5 200 were still outstanding as at the end of 2004) granted by Almanij to its managing directors and staff can be exercised at a fixed exercise price of 42.41 euros per share during the period from 1 July 2004 to 13 July 2010.

The options – 2003 offer – of the second tranche (a total of 4 360) granted by Almanij to its managing directors and staff can be exercised at a fixed exercise price of 37.50 euros per share during the period from 1 January 2007 to the end of September/beginning of October 2010.

The KBC Bank and Insurance Holding Company has likewise granted options to its managing directors and staff. Subsidiaries of the KBC Group have likewise granted KBC Bank and Insurance Holding Company to their managing directors and staff (see also the annual report of the KBC Bank and Insurance Holding Company).

As regards the stock option plans granted by Almafin nv and Kredietbank sa Luxembourgeoise to their staff, Almanij has undertaken to take over the shares that the members of staff concerned would acquire through exercise of their warrants, according to the terms and conditions set out in the stock option plans.

Note 30: Other rights and commitments not included in the balance sheet, Group

D. Pending litigation

This section refers to material litigation to which a Group company (or certain individuals in their capacity as current or former employees or officers of one of these companies) is a party.

Besides the specific matters mentioned below, Almanij Group companies are involved in a number of legal claims and procedures that have arisen in the ordinary course of their business. Although the outcome of these matters is uncertain and some of the claims concern relatively substantial amounts in damages, management does not believe that the liabilities arising from these claims will adversely affect the group's consolidated financial position or results, given the provisions that, where necessary, have been set aside for these disputes.

KBC Group

Judicial inquiries

An inquiry was instituted in mid-1996 by the Belgian judicial authorities relating to the alleged co-operation by (former) directors or members of staff of KBC Bank and Kredietbank SA Luxembourgeoise (KBL) in tax evasion committed by customers of KBC Bank and KBL. This inquiry ended in October 2000 and resulted in several persons being placed under suspicion. Being placed under suspicion is certainly not a conviction, but rather the act of an investigating magistrate that gives the persons placed under suspicion full rights to mount a defence and to gain access to the criminal file prepared against them by the magistrate. KBC Bank believes these allegations to be untrue. The individuals concerned deny the allegations levelled against them and will refute them in court. In February 2004, the public prosecutor's office announced that it would formulate a request before the court in chambers with a view to establishing further judicial procedure with regard to the persons previously placed under suspicion. These persons were informed in November 2004 that they will be able to find out exactly what the charges against them are and will subsequently decide whether to request that further investigations be conducted. The court in chambers will then decide whether the charges are sufficient to justify committal to the competent court.

Another inquiry was started in mid-1995 by the Belgian judicial authorities relating to transactions in Italian bonds involving the foreign tax credit (FBB or QFIE) in 1988 and 1989. In June 2002, the investigating magistrate placed nine (former) directors and members of staff under suspicion. KBC Bank is firmly convinced that the actions of the directors and members of staff were lawful in every respect and that the legality of these transactions will be demonstrated in court.

Disputes no longer adversely affecting the profit and loss account

In the above-mentioned KBL case, the Belgian tax authorities claimed withholding tax and stock exchange tax from KBC Bank because they refused to accept the validity of the non-resident status declared by a number of customers during a certain period in the past. As in the inquiry referred to above, KBC Bank is convinced that the arguments of the tax authorities are not viable and that the courts will find in its favour. Nonetheless, for policy reasons, KBC Bank has opted to pay the disputed withholding and stock exchange tax, but has expressly reserved all its rights in this regard.

Like all the other Belgian banks, KBC Bank NV has, since 1992, been involved in a discussion with the tax authorities about the exact method that should be used in grossing-up a foreign tax credit. Two Courts of Appeal and the Hof van Cassatie/Cour de Cassation, Belgium's Supreme Court, have already decided in favour of the method used by the banks. Consequently, KBC Bank NV will endeavour to expedite the proceedings, so that the case can be closed. For policy reasons, KBC Bank NV has opted to pay the disputed tax, but expressly reserves all of its rights in this regard. Part of this disputed tax has already been reimbursed by the Belgian State to KBC Bank because the oldest tax audits have been conclusively settled.

Note 30: Other rights and commitments not included in the balance sheet, Group

KBC Insurance NV is involved in a dispute with the Belgian tax authorities concerning the way in which underwriting reserves were calculated for its life insurance activities (it used a technical rate of 4% instead of the 4.75% used to calculate the inventory provisions, or the guaranteed return for the persons insured). The tax authorities claim that the difference between these two calculations is taxable. After its initial appeal to the tax authorities was dismissed, KBC Insurance NV appealed to the courts. The court of first instance has dismissed the above-mentioned claim by the tax authorities, but they have appealed the decision. Since the amounts have been paid and a deferred tax asset has been recorded at the consolidated level for the difference between the technical interest rate (4%) and the interest rate incorporated in the underwriting assumptions of the insurance contract (4.75%), a subsequent negative (for KBC) ruling would only have a limited impact on the results of the insurance group.

Other litigation

On 19 June 2000, ČSOB concluded an `Agreement on Sale of Enterprise' with another Czech bank, IPB, that had been placed under forced administration on 16 June 2000. The execution of this agreement was approved by the Czech National Bank (CNB). In connection with the acquisition by ČSOB of the Enterprise of IPB (`IPB Enterprise'), the Czech Ministry of Finance (acting on behalf of the Czech Republic) entered into an agreement with and provided a State guarantee to ČSOB, and the CNB also entered into an indemnity agreement with ČSOB. The purpose of these two agreements is, inter alia, to protect ČSOB against (i) losses existing as at the date of the sale of the IPB Enterprise as revealed by extraordinary audits of the IPB Enterprise carried out after the closing of the acquisition of the IPB Enterprise by ČSOB and (ii) damages incurred by ČSOB as a result of the acquisition of the IPB Enterprise.

ČSOB is party (claimant/plaintiff or defendant) to a number of civil and criminal actions that were triggered by this acquisition. These actions relate to alleged off-record assets and legal actions of former IPB management, various attempts to contest the take-over of IPB Enterprise by ČSOB, the rescue and restructuring of IPB Enterprise and state aid provided in connection with the rescue and restructuring of IPB Enterprise.

In this respect, Nomura Principal Investment Plc (Nomura) has filed a complaint against ČSOB and KBC Bank for unfair competition. Nomura alleges that ČSOB and KBC Bank (with a view to securing the market position of ČSOB and redirecting public support from IPB) acted in bad faith and attempted to influence the Czech government and the CNB to ensure that IPB did not receive public support or any other type of rescue package and that it would not be sold to an investor in a transparent tender procedure. Nomura demands, inter alia, that the defendants be jointly obliged to pay Nomura 31.5 billion CZK by way of compensation, and to make good the material detriment suffered by Nomura due to the conduct of the two defendants. The case is being heard by a Czech court.

From the end of 1995 until the beginning of 1997, KBC Bank and KB Consult NV (KB Consult) were involved in the so-called transfer of cash companies. KB Consult acted as an intermediary between the seller and the purchaser of cash companies. The involvement of KBC Bank differed from case to case and related to the handling of payments and/or the granting of loans. The transfer of a cash company is in principle a completely legal transaction. Nevertheless, in March 1997, KBC Bank and KB Consult discovered that certain purchasers were apparently acting in bad faith since they did not make any investments at all and did not file tax returns for the cash companies they purchased. KBC Bank and KB Consult immediately took the necessary measures to prevent any further involvement with these parties. The activities of KB Consult were subsequently wound up. KBC Bank and KB Consult were summoned to court in three cases. In addition, KB Consult has recently been placed under suspicion by an investigating magistrate. A provision of 32 million euros has been constituted to cover the potential impact of liability procedures in this respect.

In March 2000, in respect of the acquisition of the participation in Philipp Holzmann, the Gevaert group began legal proceedings against Deutsche Bank AG on the grounds of prospectus responsibility and pre-contractual liability. The indictment was extended in April 2000 by the inclusion of a limited claim for damages against Philipp Holzmann AG as issuer of the prospectus. During 2001, the Court appointed an independent expert, whose work has been delayed by Philipp Holzmann AG having been declared bankrupt in June 2002. A provision has been set aside for expected legal costs.

Note 31: Personnel, Group	2003	2004
1. Average number of persons employed (full-time equivalent):		*(in units)*
Banking	44 180	40 598
Insurance	3 845	8 187
Holding-company activities	2 923	3 017
Total	**50 948**	**51 802**
of which employed in Belgium	*19 022*	*18 477*
2. Staff and pension charges		*(in thousands of EUR)*
Banking	2 202 056	2 377 013
Insurance	159 849	239 274
Other	197 970	218 855
Total	**2 559 875**	**2 835 142**

(in thousands of EUR)

Note 32: Financial relationships with directors and management, Group	2004
A. Total amount of remuneration to directors or management of the consolidating company on the basis of their activity in that company, its subsidiaries and associated companies, including the amount in respect of retirement pensions granted to former directors or members of management	5 950
B. Advances and loans granted to the directors and members of management referred to under A.	3 103

Cash flow table, 2004

The cash flow table provides an overview of the changes in available cash and cash equivalents, and indicates how cash flows are generated and allocated, and broken down according to operating, investment, and financing activities. Cash flows from operating activities are presented according to the indirect method, whereby consolidated profit is adjusted for non-monetary items.

In the banking business, 5.2 billion euros were generated by way of cash and cash equivalents: 2.4 billion euros from profit and 2.8 billion euros from other elements of operating capital (chiefly an increase in net inter-bank liabilities). Of the monies released and 2.9 million euros' worth of cash monies applied, 5.5 billion euros were invested in securities for the trading and investment portfolio, 1.5 billion euros in customers and 0.3 billion euros net in investments, with a further 0.8 billion euros being applied to the redemption of subordinated bonds and preferential shares.

In the insurance business, the 4 billion euros' worth of cash monies generated through profit was applied chiefly to the net purchase of investments.

In investment, other specialized company and proprietary holding-company activities, the monies obtained from operating capital were applied to the payment of dividends.

Overall, available Group cash and cash equivalents fell by 3 billion euros during 2004 to 10.9 billion euros.

(in thousands of EUR)

Cash flow table, 2004	Total 2003	Total 2004	Banking	Insurance	Holding-company activities
Cash flow from operating activities (1)	**2 849 663**	**-1 513 311**	**-1 775 705**	**17 196**	**245 198**
Cash flow from profit	4 488 549	6 477 484	2 419 638	4 096 434	-38 588
Consolidated profit	1 407 864	1 876 900	1 748 000	219 900	-91 000
Net write-downs on and provisions for receivables and investment securities	678 937	93 191	93 058	0	133
Depreciation on fixed assets	563 132	590 601	456 961	82 390	51 250
Depreciation on investments, insurance portfolio	131 532	192 034	0	192 034	0
Net change in provisions, tax deferrals and taxes	-123 461	50 915	121 619	-73 629	2 925
Net change in provisions, Non-Life	1 458 227	2 907 189	0	2 907 189	0
Net change in provisions, Life	374 283	768 550	0	768 550	0
Directors' entitlements	-1 965	-1 896	0	0	-1 896
Cash flow from securities portfolio	-7 754 548	-9 431 189	-5 459 131	-4 047 895	75 837
Acquisitions, investment portfolio	-32 352 545	-44 936 350	-37 827 117	-7 109 233	0
Transfers, investment portfolio	31 971 534	40 847 964	37 710 789	3 061 338	75 837
Net change, trading portfolio	-7 373 537	-5 342 803	-5 342 803	0	0
Change in net customers' deposits	3 659 846	-1 492 004	-1 492 004	0	0
Loans and advances to customers	8 179 001	-15 730 968	-15 730 968	0	0
Amounts owed to customers	-4 519 155	14 238 964	14 238 964	0	0
Other changes in operating capital	2 455 816	2 932 398	2 755 792	-31 343	207 949
of which change in interbank operating funds (excluding cash deposits)	*3 727 141*	*2 463 656*	*2 463 656*	*0*	*0*
Cash flow from investment activities (2)	**-1 031 312**	**-325 735**	**-318 730**	**-69 924**	**62 919**
Acquisitions of financial fixed assets	-1 201 280	-264 652	-193 713	0	-70 939
Transfers of financial fixed assets	205 775	78 628	30 810	0	47 818
Acquisitions of (in)tangible fixed assets	-967 497	-1 105 781	-1 033 349	-70 063	-2 369
Transfers of (in)tangible fixed assets	931 690	966 070	877 522	139	88 409
Cash flow from financing activities (3)	**-283 021**	**-1 139 235**	**-840 608**	0	**-298 627**
Income from the issue of shares	160 179	6 753	0	0	6 753
Net issue of preferential shares	-97 078	-349 563	-349 563	0	0
Net issue of subordinated bonds	-52 386	-491 045	-491 045	0	0
Dividends paid by consolidating company	-293 736	-305 380	0	0	-305 380
Net increase/decrease in cash flow (1) + (2) + (3)	**1 535 330**	**-2 978 281**	**-2 935 043**	**-52 728**	**9 490**
Cash and cash equivalents at the start of the financial year	**12 317 174**	**13 852 504**	**12 896 766**	**371 263**	**584 475**
Cash and cash equivalents at the end of the financial year	**13 852 504**	**10 874 223**	**9 961 723**	**318 535**	**593 965**

Review of quarterly results, 2003 and 2004

(in millions of EUR)

CONSOLIDATED RESULTS, ALMANIJ GROUP	1Q 2003	2Q 2003	3Q 2003	4Q 2003	1Q 2004	2Q 2004	3Q 2004	4Q 2004
GROSS OPERATING INCOME	**1 883.1**	**1 863.5**	**1 779.2**	**1 950.2**	**2 040.8**	**1 978.6**	**1 825.9**	**2 035.1**
Banking	**1 648.9**	**1 591.0**	**1 544.7**	**1 661.1**	**1 788.3**	**1 669.1**	**1 531.0**	**1 746.2**
Net interest income	802.7	856.2	906.4	864.1	864.6	847.3	810.5	828.1
Dividends	31.3	50.4	24.8	27.7	17.9	44.2	30.2	35.0
Result, participations consolidated using the equity method	3.7	4.0	2.0	7.9	10.0	2.7	19.7	4.5
Profit from financial transactions	287.0	194.2	123.3	166.6	317.3	248.1	153.2	246.6
of which: on currency dealing and securities trading	*152.6*	*130.2*	*113.4*	*111.6*	*241.5*	*168.0*	*104.0*	*161.4*
on realized gains and losses	*134.4*	*64.0*	*9.9*	*55.0*	*75.8*	*80.1*	*49.2*	*85.2*
Net commission income	419.6	372.8	383.0	392.7	444.0	401.7	409.2	495.2
Other operating income	104.6	113.4	105.2	202.1	134.5	125.1	108.2	136.8
Insurance	**210.9**	**222.4**	**206.8**	**207.1**	**233.9**	**276.5**	**262.3**	**233.1**
Net earned premiums	956.5	1 219.1	598.6	711.8	1 244.8	1 372.6	869.7	1 550.2
Net technical charges	-800.3	-1 327.0	-586.3	-744.1	-1 248.8	-1 274.4	-764.5	-1 618.3
of which: value adjustments, unit-linked life assurance	*87.4*	*-171.9*	*-33.5*	*-91.3*	*-79.7*	*-16.0*	*9.7*	*-140.0*
Investment income and charges	53.4	325.1	182.7	241.0	234.2	171.1	150.1	298.8
of which: realized gains	*49.9*	*-4.2*	*4.2*	*41.3*	*46.1*	*-18.2*	*39.1*	*36.9*
value adjustments, unit-linked life assurance	*-87.4*	*171.9*	*33.5*	*91.3*	*79.7*	*16.0*	*-9.7*	*140.0*
Result, participations consolidated using the equity method	1.3	5.2	11.8	-1.6	3.7	7.2	7.0	2.4
Investment-company activities	**27.4**	**46.9**	**34.0**	**88.5**	**27.9**	**35.2**	**43.0**	**66.5**
Realized gains	-3.4	0.7	-13.6	7.6	2.1	1.3	4.1	11.2
Result, participations consolidated using the equity method	12.0	18.5	20.7	55.6	6.9	11.5	6.1	21.5
Other income	18.8	27.7	26.9	25.3	18.9	22.4	32.8	33.8
Holding-company activities and other	**-4.1**	**3.2**	**-6.3**	**-6.5**	**-9.3**	**-2.2**	**-10.4**	**-10.7**
GENERAL ADMINISTRATIVE EXPENSES	**-1 218.0**	**-1 227.5**	**-1 159.3**	**-1 232.7**	**-1 265.2**	**-1 226.2**	**-1 185.8**	**-1 324.7**
Banking	**-1 061.0**	**-1 072.2**	**-1 020.6**	**-1 083.6**	**-1 068.7**	**-1 042.0**	**-991.8**	**-1 114.0**
Staff charges	-598.1	-587.6	-550.2	-607.0	-614.8	-572.7	-557.3	-637.8
Operating charges and write-downs on tangible fixed assets	-462.9	-484.6	-470.4	-476.6	-453.9	-469.3	-434.5	-476.2
Insurance	**-132.3**	**-131.9**	**-115.9**	**-118.9**	**-172.7**	**-162.5**	**-158.0**	**-169.7**
Acquisition costs	-108.5	-102.9	-92.7	-93.4	-132.2	-121.1	-118.8	-138.2
Operating charges	-23.8	-29.0	-23.2	-25.5	-40.5	-41.4	-39.2	-31.5
Investment-company activities	**-21.3**	**-21.8**	**-21.2**	**-27.3**	**-20.8**	**-21.2**	**-35.0**	**-32.2**
Holding-company activities	**-3.4**	**-1.6**	**-1.6**	**-2.9**	**-3.0**	**-0.5**	**-1.0**	**-8.8**
OPERATING RESULT BEFORE VALUE ADJUSTMENTS AND AMORTIZATION OF GOODWILL ON CONSOLIDATION	**665.1**	**636.0**	**619.9**	**717.5**	**775.6**	**752.4**	**640.1**	**710.4**
of which: banking	587.9	518.8	524.1	577.5	719.6	627.1	539.2	632.2
insurance	78.6	90.5	90.9	88.2	61.2	114.0	104.3	63.4
investment-company activities	6.1	25.1	12.8	61.2	7.1	14.0	8.0	34.3
holding-company activities	-7.5	1.6	-7.9	-9.4	-12.3	-2.7	-11.4	-19.5
Value adjustments, banking	**-161.8**	**-99.9**	**-184.6**	**-232.4**	**-143.0**	**20.2**	**-8.5**	**-83.4**
Write-downs and provisions for credit risks	-80.5	-168.5	-210.6	-228.0	-66.2	-48.2	-7.1	10.1
Value adjustments on securities	-92.5	67.9	27.0	-9.5	3.7	16.3	22.3	-24.0
Provisions for other liabilities and charges	11.2	0.7	-1.0	5.1	-80.5	52.1	-23.7	-69.5
Value adjustments, investment-company activities and specialized financial services	**-2.4**	**-2.5**	**13.2**	**4.9**	**6.5**	**0.9**	**0.0**	**0.2**
Amortization of goodwill on consolidation	**-17.3**	**-27.8**	**-17.9**	**-19.2**	**-22.4**	**-23.3**	**-23.7**	**-19.8**
Non-recurring result, insurance	**-13.0**	**8.8**	**-13.2**	**-17.6**	**-17.0**	**-8.5**	**-53.7**	**45.4**
RESULT FROM ORDINARY ACTIVITIES	**470.6**	**514.6**	**417.4**	**453.2**	**599.7**	**741.7**	**554.2**	**652.8**
Extraordinary results	**23.0**	**22.1**	**-4.3**	**16.2**	**56.8**	**-78.6**	**3.3**	**-111.6**
PROFIT (LOSS) BEFORE TAX	**493.6**	**536.7**	**413.1**	**469.4**	**656.5**	**663.1**	**557.5**	**541.2**
Income tax	**-118.8**	**-162.6**	**-83.8**	**-139.7**	**-188.3**	**-178.0**	**-136.9**	**-38.2**
CONSOLIDATED PROFIT	**374.8**	**374.1**	**329.3**	**329.7**	**468.2**	**485.1**	**420.6**	**503.0**
Minority interests	**-145.3**	**-136.3**	**-114.0**	**-75.1**	**-178.1**	**-210.8**	**-165.1**	**-185.2**
NET GROUP PROFIT	**229.5**	**237.8**	**215.3**	**254.6**	**290.1**	**274.3**	**255.5**	**317.8**
Contribution: banking	182.8	177.6	161.4	163.4	271.4	313.5	246.5	238.9
insurance	55.1	45.1	45.9	41.2	21.5	41.3	18.4	61.8
investment-company activities	-4.2	13.9	16.2	57.4	6.0	-75.4	1.1	32.5
holding-company activities	-4.2	1.2	-8.2	-7.4	-8.8	-5.1	-10.5	-15.4
Earnings per share (*in EUR*)	**1.17**	**1.21**	**1.10**	**1.30**	**1.48**	**1.40**	**1.30**	**1.62**

JOINT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF ALMANIJ NV FOR THE YEAR ENDED DECEMBER 31, 2004 TO THE SHAREHOLDERS' MEETING

In accordance with legal and regulatory requirements, we are pleased to report to you on the performance of the audit mandate which you have entrusted to us.

We have audited the consolidated financial statements as of and for the year ended December 31, 2004 which have been prepared under the responsibility of the Board of Directors of the company and which show a balance sheet total of EUR 282 014 884(000) and a share of the group in the profit for the year of EUR 1 137 698(000). We have also examined the consolidated Directors' report.

Unqualified audit opinion on the consolidated financial statements

We conducted our audit in accordance with the standards of the "Institut des Reviseurs d'Entreprises/Instituut der Bedrijfsrevisoren". Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, taking into account the legal and regulatory requirements applicable to consolidated financial statements in Belgium.

In accordance with those standards, we considered the group's administrative and accounting organisation, as well as its internal control procedures. We have obtained explanations and information required for our audit. We examined, on a test basis, evidence supporting the amounts in the consolidated financial statements. We have assessed the validity of the accounting principles, the consolidation policies and significant accounting estimates made by management, as well as the overall presentation of the consolidated financial statements. The financial statements of the companies included in the consolidation were audited by one of the external statutory auditors of Almanij for the Belgian companies and by external auditors for the foreign companies. We relied on their opinion. We believe that our procedures, and those of the external auditors who audited the financial statements of the subsidiaries, provide a reasonable basis for our opinion.

In our opinion, taking into account the legal and regulatory requirements applicable in Belgium, the consolidated financial statements give a true and fair view of the group's assets, liabilities and financial position as of December 31, 2004 and the consolidated results of its operations for the year then ended, and the information given in the notes to the consolidated financial statements is adequate.

Additional certifications

We supplement our report with the following certifications which do not modify our audit opinion on the consolidated financial statements for the year ended December 31, 2004:

- The Director's consolidated report contains the information required by law and is consistent with the consolidated financial statements.
- The notes to the financial statements contain adequate comments on:
  - the changes in the valuation rules;
  - the derogations from the general law on annual accounts regarding:
    - the treatment of positive consolidation differences;
    - the presentation of the financial statements and;
    - the application of valuation rules that take into account the specifity of the areas of activity.

Antwerp, 23 March 2005

ERNST & YOUNG BEDRIJFSREVISOREN BCV

represented by
Danielle Vermaelen, *Partner*
Jean-Pierre Romont, *Partner*

KLYNVELD PEAT MARWICK GOERDELER
BEDRIJFSREVISOREN BCV

represented by
Pierre P. Berger, *Partner*

Company annual accounts of Almanij nv as at 31 December 2004

The company annual accounts of Almanij nv are presented below in summarized form (*). Pursuant to the law, the company annual accounts, the report of the Board of Directors and the report of the Board of Auditors have been lodged with the National Bank of Belgium.

Upon request, a copy of the full text lodged may be obtained free of charge.

The Board of Auditors has approved the company annual accounts of Almanij nv without reserve.

1. Company balance sheet after profit appropriation

(in thousands of EUR)

ASSETS	2002	2003	2004	Change (in %)
FIXED ASSETS	**4 098 112**	**4 278 339**	**4 314 454**	**0.8%**
III. Tangible fixed assets	24	18	11	-38.7%
C. Furniture and rolling stock	24	18	11	-38.7%
IV. Financial fixed assets	4 098 088	4 278 321	4 314 443	0.8%
A. Affiliated companies				
1. Participations	3 930 852	4 139 538	4 176 416	0.9%
2. Loans and advances	78 012	49 579	49 579	-
B. Participating interests in companies linked by participating interests				
1. Participations	3 208	3 189	2 432	-23.7%
C. Other financial fixed assets				
1. Shares	86 016	86 016	86 016	-
CURRENT ASSETS	**119 788**	**48 928**	**121 321**	**148.0%**
VII. Amounts receivable within one year	1 026	587	1 423	142.4%
A. Trade debtors	1	4	2	-46.0%
B. Other amounts receivable	1 025	583	1 421	143.6%
VIII. Investments	109 991	42 691	113 381	165.6%
A. Own shares	1 859	1 859	0	-100.0%
B. Other investments	108 132	40 832	113 381	177.7%
IX. Cash at bank and in hand	4 850	3 305	3 638	10.1%
X. Deferred charges and accrued income	3 921	2 345	2 879	22.8%
TOTAL ASSETS	**4 217 900**	**4 327 267**	**4 435 775**	**2.5%**

* An adjusted layout has been used for the presentation of the profit and loss account, in order better to reflect Almanij's activities as a holding company. The layout was also used in previous years, in accordance with Article 2 of Royal Decree of 1 September 1986 concerning the annual accounts and the consolidated annual accounts of holding companies. However, the particular status accorded to holding companies has been abolished. Our company is now subject to the general law governing the annual accounts, which does not provide for a special layout appropriate for our activities. Consequently, Almanij has obtained from the Minister for the Economy a derogation to enable it to continue to use the adjusted layout.

(in thousands of EUR)

LIABILITIES	2002	2003	2004	Change (in %)
CAPITAL AND RESERVES	**3 405 558**	**3 511 853**	**3 651 265**	**4.0%**
I. Capital	625 704	625 704	625 704	-
A. Subscribed capital	625 704	625 704	625 704	-
II. Share premium account	1 961 802	1 961 802	1 961 802	-
III. Revaluation reserve	87	87	87	-
IV. Reserves	806 993	913 993	913 994	-
A. Legal reserve	62 570	62 570	62 570	-
B. Reserves unavailable for distribution				
a) for own shares	1 859	1 859	0	-100.0%
C. Untaxed reserve	60 818	60 818	60 818	-
D. Reserves available for distribution	681 745	788 745	790 605	0.2%
V. Profit brought forward	10 972	10 267	149 679	1356.8%
CREDITORS	**812 342**	**815 414**	**784 510**	**-3.8%**
VIII. Amounts payable after one year	200 000	200 000	450 000	125.0%
A. Financial debts				
5. Other loans	200 000	200 000	450 000	125.0%
IX. Amounts payable within one year	599 594	604 854	312 777	-48.3%
B. Financial debts	324 494	305 879	0	-100.0%
C. Trade debts	29	23	1 948	8414.9%
E. Amounts owed in respect of taxation, remuneration and social security charges				
2. Remuneration and social security charges	109	233	165	-29.3%
F. Other debts	274 962	298 720	310 665	4.0%
X. Accrued charges and deferred income	12 748	10 560	21 733	105.8%
TOTAL LIABILITIES	**4 217 900**	**4 327 267**	**4 435 775**	**2.5%**

2. Company profit and loss account

(in thousands of EUR)

CHARGES		2002	2003	2004	Change (in %)
A.	Interest and other debt charges	16 461	20 930	24 275	16.0%
B.	Other financial charges	42	48	164	240.3%
C.	Services and sundry goods	5 292	2 693	4 964	84.3%
D.	Remuneration, social security charges and pensions	914	1 010	899	-11.0%
F.	Depreciation and write-downs on formation expenses and tangible and intangible fixed assets	8	7	7	0.0%
G.	Write-downs	0	0	2 638	-
	1. on financial fixed assets	0	0	2 638	-
I.	Losses on realization	0	12	17 064	-
	2. of financial fixed assets	0	12	17 064	-
K.	Income taxes	2 125	1 250	0	-100.0%
L.	Profit for the financial year	377 523	401 995	446 738	11.1%
TOTAL		**402 366**	**427 945**	**496 749**	**16.1%**
N.	Profit for the period, available for appropriation	377 523	401 995	446 738	11.1%

INCOME		2002	2003	2004	Change (in %)
A.	Income from financial fixed assets	400 196	425 469	490 837	15.4%
	1. Dividends	392 898	418 352	486 937	16.4%
	2. Interest	7 298	7 117	3 900	-45.2%
B.	Income from current assets	2 164	2 143	3 610	68.5%
C	Other financial income	0	83	83	-
D.	Income from services provided	1	2	0	-
E.	Other operating income	5	5	5	-
I.	Gains on realization	0	97	2 165	2131.6%
	3. of current assets	0	97	2 165	2131.6%
K.	Adjustment of income taxes	0	146	49	-66.4%
TOTAL		**402 366**	**427 945**	**496 749**	**16.1%**

Appropriation account

(in thousands of EUR)

	2002	2003	2004
A. Profit to be appropriated	388 170	412 967	457 005
1. Profit for the period, available for appropriation	377 523	401 995	446 738
2. Profit brought forward from the previous financial year	10 647	10 972	10 267*
C. Appropriation to capital and reserves	105 000	107 000	0
3. To other reserves	105 000	107 000	0
D. Profit/Loss to be carried forward	10 972	10 267	149 679*
1. Profit to be carried forward	10 972	10 267	149 679
F. Profit to be distributed	272 198	295 700	307 326
1. Dividends	270 237	293 736	305 381
2. Directors' entitlements	1 961	1 965	1 896
3. Other entitlements	0	0	49

* Together with a proportion of the available reserves, profit of 10 267(000) euros carried forward from the previous financial year is being allocated to the cancellation of KBC Bank and Insurance Holding Company shares held by Almanij as a result of the merger between Almanij and the KBC Bank and Insurance Holding Company.

3. Notes

(in thousands of EUR)

Note 1: Financial fixed assets

	Affiliated companies	Participating interests in companies linked by participating interests	Other financial fixed assets	Total
Carrying value as at 01.01.2004	4 189 117	3 188	86 016	4 278 321
Acquisitions	108 737	0	0	108 737
Transfers and repayments	-71 859	-756	0	-72 615
Carrying value as at 31.12.2004	4 225 995	2 432	86 016	4 314 443

- Financial fixed assets grew by 36 million euros to 4 314 million euros, the resultant of, on the one hand, investments in KBC and KBL shares (109 million euros) and, on the other, the disposal of the participation in Almafin (72 million euros). These assets account for 97% of total assets.
- Over the past financial year, Almanij acquired 1 463 500 KBC Bank and Insurance Holding Company shares, 259 833 KBL ordinary shares and 21 980 KBL preferential shares.
- As at the end of 2004, Almanij held directly (i.e. excluding the shares held by Kredietcorp and Gevaert) 71.2% of the voting shares of KBL and 66.6% of all KBL shares; in total, the Almanij Group holds 84.6% of the voting shares and 78.7% of all shares.

(in thousands of EUR)

Note 2: Capital and reserves, and shareholders

	Opening balance	Retained profit	Closing balance
Capital	625 704	0	625 704
Share premium account	1 961 802	0	1 961 802
Revaluation surpluses	87	0	87
Reserves	913 993	0	913 993
Profit brought forward	10 267	139 412	149 679
Capital and reserves	**3 511 853**	**139 412**	**3 651 265**

- Capital and reserves totalled 3 651 million euros, an increase of 139 million euros on the figure as at the end of 2003.
- The increase stemmed from the result of 447 million euros for the financial year, after deduction of 308 million euros in respect of dividends and directors' entitlements to be paid.
- As at the end of 2004, the number of Almanij shares outstanding was still 195 823 772.

Note 3: Creditors

- As at the end of 2004, outstanding amounts payable totalled 785 million euros, compared to 815 million euros as at the end of 2003. The debt ratio (the ratio of borrowings to capital and reserves) amounted to 17.7%; if no account is taken of dividends to be paid, it amounted to 10.8%.
- As at the end of 2004, financial liabilities totalled 450 million euros, which consisted of two long-term liabilities of respectively 200 million euros (maturity date: 2011) and 250 million euros (maturity date: 2009).
- At the beginning of 2004, advantage was taken of the low level of interest rates to issue a long-term loan of 250 million euros for the repayment of short-term debt and whose variable rate of interest was converted into a fixed five-year rate.

Note 4: Charges

- The increase in financial charges is explained by the inclusion of a long-term loan by way of replacing short-term (low-interest-rate) treasury certificates.
- The increase in the item 'services and sundry goods' is due to the costs attendant on the merger, in which respect 2.2 million euros were charged in 2004.

Note 5: Income

- Dividend income went up by 16.4% to 487 million euros. The breakdown for 2004 was as follows:

(in millions of EUR)

	Amount	**Change (in %)**
KBC Bank and Insurance Holding Company	338.6	8.3
KBL	77.4	9.4
Kredietcorp	32.5	-
Gevaert	35.3	10.5
Irish Life & Permanent	3.1	8.9
Total	**487.0**	**16.4**

Company information

(Valid until the merger of Almanij with the KBC Bank and Insurance Holding Company on 2 March 2005, which led to the creation of KBC Group)

Name of the company

ALMANIJ

(Algemene Maatschappij voor Nijverheidskrediet).

Registered office

Schoenmarkt 33
B-2000 Antwerpen

Administrative office:
Snydershuis
Keizerstraat 8
B-2000 Antwerpen

Date of incorporation

Almanij was incorporated on 9 November 1931 by deed executed before Maître Hubert Scheyven, notary-public at Brussels, and published in the Appendices to the Belgian Official Gazette of 2 December 1931 under No. 15695.

Legal form

Naamloze vennootschap (limited company).

Duration

Indefinite.

Company number

BTW BE 0403 211 479

Objective of the company

The objective of the company is to acquire and to hold – both in Belgium and abroad, and in no matter what form – participations in existing companies and companies yet to be established, which participations it may manage, realize and maximize, among other things by involvement in the management and supervision of the companies concerned, and by provision to those companies of technical, administrative and financial support.
The company aims to stimulate, plan and co-ordinate the further favourable development of the companies in which it participates.
Moreover, within the framework of its cash management, the company may directly or indirectly through establishments in Belgium or abroad acquire or sell financial assets, engage in securities trading and foreign exchange transactions, and involve itself in the acquisition and placing of all types of share, bond and security.
The company may, furthermore, perform all acts that can contribute directly or indirectly to the realization of its objective in the widest sense.
(Article 2 of the Articles of Association)

General Meeting of Shareholders

The General Meeting is held at the registered office of the company or elsewhere, as indicated in the convening notice. The Annual General Meeting is held at 11.00 a.m. on the last Wednesday of May each year, or, if that day is a legal holiday, at the same hour on the business day immediately preceding it.

To be admitted to the General Meeting, holders of bearer shares, bonds, warrants or bearer certificates issued in co-operation with the company are required to deposit those securities at the registered office of the company or elsewhere, as indicated in the convening notice, at least four business days prior to the meeting.
Likewise within the same time constraints, the holders of registered shares, bonds or warrants or registered certificates issued in co-operation with the company are required to notify the company in writing at its registered office of their intention to attend the General Meeting.

Practical information

Locations where Almanij documents open for public inspection may be consulted

The Articles of Association of the company are open to public inspection at the Registry of the Brussels Commercial Court.
The annual accounts of Almanij and the reports of the Board of Auditors are lodged with the National Bank of Belgium.

Until the day of the merger between Almanij and the KBC Bank and Insurance Holding Company i.e. 2 March 2005, resolutions concerning the appointment and dismissal of members of the Board of Directors, as well as amendments to the Articles of Association, were published in the Appendices to the Belgian Official Gazette.
Financial reports on the company were published in the financial press, newspapers, periodicals and on the Almanij website.
Notices convening General Meetings were published in the Belgian Official Gazette and likewise in the financial press and on the Almanij website.

Copies of the company's annual reports are available at the registered office until approximately the end of April 2005. Thereafter, they will be available from KBC Group.
Annual reports are forwarded each year prior to the Annual General Meeting to the holders of registered shares and to the holders of bearer shares who have deposited shares. After the Annual General Meeting, they are forwarded to those who have applied for a copy.
Annual reports may also be consulted on the company website.

Investor Relations

Information about the results of Almanij and the Almanij Group up to and including the 2004 financial year may be obtained from Luc Cool and Nele Kindt.

Tel.: + 32 (0)2 429 49 16
Fax: + 32 (0)2 429 44 16
E-mail: investor.relations@kbc.be
Address: KBC Groep nv
Strategy & Expansion Division – SEE
Havenlaan 2
B-1080 Brussel

Almanij website

Annual reports, press communiqués and other financial information concerning Almanij and the Almanij Group over recent years are available on the Almanij website at www.almanij.be for as long as the website is maintained. The most important information will this year appear on the KBC Group website www.kbc.com.

Almanij annual report

The annual report of Almanij for the 2004 financial year is available in pdf format on the Internet in Dutch, French and English at www.almanij.be for as long as the website is maintained and on the KBC Group website www.kbc.com.
The annual report may be obtained in printed form from:

Tel.: + 32 (0)2 429 49 16
Fax: + 32 (0)2 429 44 16
E-mail: investor.relations@kbc.be
Address: KBC Groep nv
Strategy & Expansion Division – SEE
Havenlaan 2
B-1080 Brussel

Information concerning Group companies

The 2004 annual report of the KBC Bank and Insurance Holding Company nv is available on website www.kbc.com.

The 2004 annual report of Kredietbank sa Luxembourgeoise is available on website www.europeanprivatebankers.com.

Almanij - KBC merger

A new Group is created

On 2 March 2005, the Extraordinary General Shareholder Meetings of Almanij and KBC Bank and Insurance Holding Company (referred to below as KBC) approved the restructuring of the Almanij-KBC group through the merger by acquisition of Almanij by KBC Bank and Insurance Holding Company.

This has resulted in a simpler, more streamlined group structure with one single entity controlling the underlying companies KBC Bank, KBC Insurance, KBC Asset Management, Kredietbank SA Luxembourgeoise (KBL) and Gevaert (see chart).

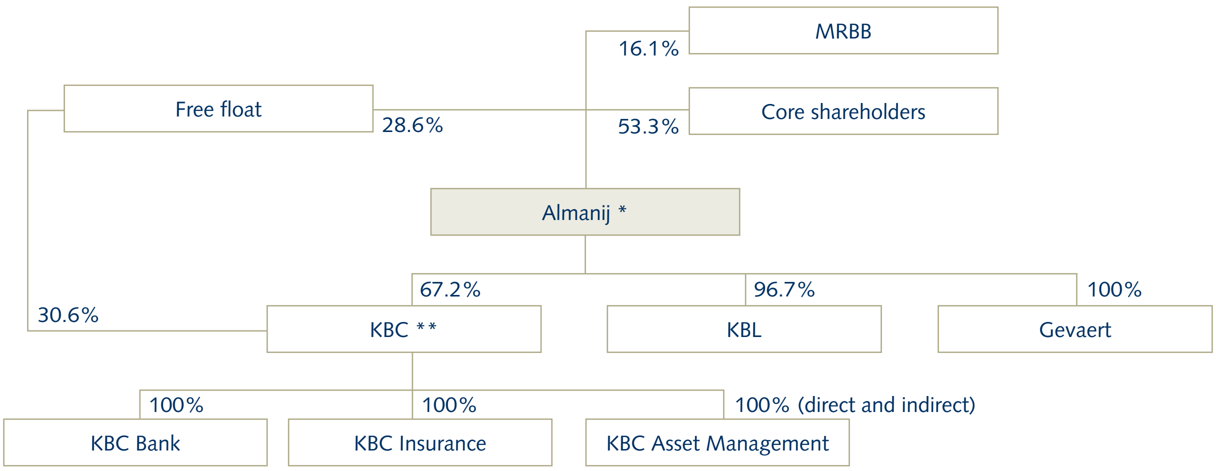
The name of the new entity is *KBC Group NV* (`*KBC Group NV*' as used below refers to the holding company alone without its subsidiaries and sub-subsidiaries, `*KBC Group*' refers to the consolidated entity).

Prior to the actual merger of Almanij and KBC, an unconditional public cash tender offer was made for the KBL shares not yet owned by Almanij or its subsidiaries. The price offered per KBL share amounted to 150 euros per ordinary share and 135 euros per preference share. The purchase was financed in part with liquid assets and in part through an existing commercial paper programme. The public offer was closed on 14 February 2005, by which time Almanij had acquired 96.6% ownership of KBL.

Following the Almanij-KBC merger, Almanij shareholders received new KBC Group shares according to an exchange ratio of 1.35 new KBC Group shares for each Almanij share. The legal status of the new KBC Group shares is the same as that of the KBC shares prior to the merger. The number of KBC Group shares in circulation after the merger (on 3 March 2005) came to 366 423 447.
The existing core shareholders of Almanij, who were already bound by a shareholder agreement, together with the Maatschappij voor Roerend Bezit van de Boerenbond (the MRBB, which became a party to the shareholder agreement), are the core shareholders of the new Group. On 3 March 2005, they held a majority shareholding of 50.1%; a further 3.3% is held by KBC Group companies. More information is available in the merger prospectus in Chapter VI, under '4 Shareholder structure'.

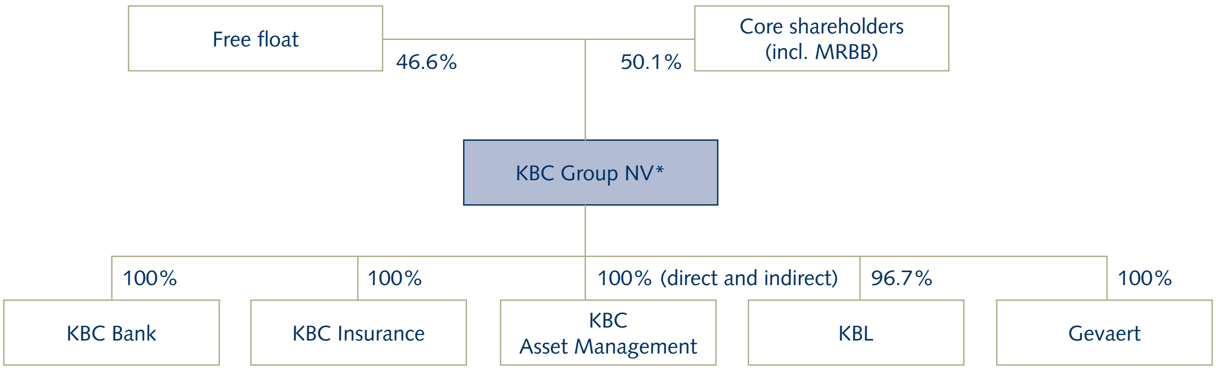
The chart below is a simplified representation of the Almanij-KBC Group on 2 March 2005, before and after the merger described above.

Structure immediately before the merger (after the offer for KBL)



* Almanij shares held by Almanij Group companies represent approximately 2% of share capital.
** KBC shares held by KBC Group companies represent approximately 2% of share capital.

Structure immediately after the merger



* KBC Group shares held by KBC Group companies represent approximately 3% of share capital.

Transaction rationale

The new structure, which groups all operational entities under a single listed company, enhances transparency and, even more importantly, allows the Group to achieve complete unity of strategy, capital and management. The new, integrated management structure streamlines the organization and makes it possible to harness synergies between Group companies. Given the greater diversification of activities, the new Group also has a more balanced risk profile.

Risk management, capital allocation, supervisory functions and various staff functions (such as corporate communications) are being centralized at Group level. In addition, greater efficiency will be achieved by realizing potential synergies in various domains within the Group, such as in private banking (between KBL and the KBC private banking network in Belgium), private equity (between Gevaert and KBC Investco) and real estate (between Gevaert/Almafin and KBC Bank). Possibilities for co-operating in other areas such as asset management and market activities are also being explored.

Furthermore, by combining two listed entities, the liquidity of the KBC Group NV share will be greatly enhanced. The free float of the KBC Group NV share will go up from around 30% to some 47%, significantly increasing the new Group's visibility in both the equity and the bond markets. The Group also expects that its weighting in various equity indices will increase, that the share will become more attractive to investors, and that it will be of more interest (for research purposes) to other banks and brokerages.

Shareholder stability is assured, thanks to the core shareholders, who will maintain a majority shareholding in the new Group under a shareholder agreement. This commitment, combined with strong solvency, good profitability and a strict focus, guarantees the long-term strategic development of the Group.

Strategy of the new Group

The new Group combines the old KBC's strength in banking and insurance – and the unique KBC bancassurance model – with KBL's expertise in private banking and Gevaert's expertise in private equity.

Geographically, the focus of the new Group is on Belgium and Central Europe for retail bancassurance activities and corporate services (it also maintains a limited presence in a number of other European countries), and on the whole of Europe for private banking activities. Central Europe, where the primary focus remains on the Czech Republic, Slovakia, Hungary, Poland and Slovenia, and the pan-European private banking network (more than 100 locations in eleven countries, including Belgium) are expected to remain the long-term earnings drivers for the new KBC Group.

Efficiency remains an important objective. The cost-cutting measures (including product and process rationalization and various co-operative projects with other financial institutions) already initiated in the various Group companies will remain in place, and synergies will be realized as regards both income and expenditure, thanks to the co-operation within the Group.

The Group, just as the individual companies before the merger, aims to maintain solid solvency levels and high credit ratings. The three international rating agencies (S&P's, Moody's and Fitch) have already confirmed that the long-term ratings of the holding company, as well as of KBC Bank and KBC Insurance, would remain unchanged.

Key figures for the new Group

The new KBC Group is a major financial group in the euro zone. In the banking business, it is among the top ten in Euroland, with a market capitalization in excess of 22 billion euros (mid-February 2005).

One of the top three bancassurers in Belgium, the new Group has strong positions there in retail bancassurance, asset management, private banking and corporate banking. It also remains one of the largest groups in Central Europe and has an extensive private banking network in Western Europe, as well as a corporate banking presence in selected countries outside Belgium and Central Europe.

The table on this page gives a number of key figures for the new Group (presented in accordance with Belgian accounting standards and unaudited). Pro forma figures for the KBC Group have been drawn up to reflect the merger between KBC Bank and Insurance Holding Company and Almanij. Profit and loss were calculated as if the merger had taken place on 1 January 2004. Pro forma figures for KBC Group are based on the balance sheet and profit and loss account of Almanij for 2004. Minority interests in KBC have been transferred to the group share.

Pro forma figures drawn up according to the IFRS are given in the `Additional information' section. With regard to the method used to arrive at the pro forma figures, please see the above method used with regard to Belgian GAAP figures (though in this case, Almanij's IFRS figures have been used as the point of departure).

(in millions of EUR)

Key consolidated figures, new KBC Group (Belgian GAAP)	31.12.2004 (pro forma)
Total assets	282 015
Capital and reserves	11 902
Total capital resources	20 434
Loans and advances to customers	111 077
Customer deposits and debts represented by securities	164 020
Technical provisions, insurance (incl. unit-linked life assurance)	17 190
Equity market capitalization (in billions of EUR, mid-February 2005)	22
Number of staff (in FTEs)	51 000
Number of customers	11 million
Consolidated profit, Group share	1 682

Corporate Governance

General

As was the case at the KBC Bank and Insurance Holding Company, the management and supervision structure of KBC Group NV is based on a distinction between:

- the management of KBC Group NV, a task conducted autonomously by the Executive Committee (within the meaning of Article 524 bis of the Companies Code), which will initially be composed of managing directors and which acts within the framework of the general strategy defined by the Board of Directors; and
- the development of the general strategy of KBC Group NV, the supervision of management performed by the Executive Committee, the exercise of powers to appoint and remove members of the Executive Committee, and the exercise of

specific powers attributed by the Companies Code, the Articles of Association or the understanding with the BFIC on the internal governance principles of the KBC Group as a whole (which includes KBC Group NV, KBC Bank, KBC Insurance, KBC Asset Management and KBL) (the Internal Governance Understanding with the BFIC), which responsibilities are the purview of the Board of Directors.

This dual management and supervision structure will be reflected in KBC Group NV's Articles of Association and in the Internal Governance Understanding with the BFIC.

New Belgian Corporate Governance Code

KBC Group NV will observe the recommendations set out in the Belgian code on corporate governance for Belgian listed companies (the `Corporate Governance Code'), except where, in view of the nature of the activities conducted by KBC Group NV and/or KBC Group, regulations applicable to such activities and specific circumstances require otherwise, in which case this will be explained (`comply or explain').

The Code was issued in December 2004 upon the initiative of the BFIC, the Belgian Federation of Enterprises (Verbond van Belgische Ondernemingen) and Euronext Brussels and became effective on 1 January 2005.

KBC Group NV will describe the principal aspects of its corporate governance, such as its governance structure, the charter of the Board of Directors and its committees and other important topics (e.g., remuneration policy) in a Corporate Governance Charter that will be posted on KBC Group NV's website at the latest by the end of 2005 and that will be updated regularly. KBC Group NV will also include a `Corporate Governance' section in its annual report for the 2005 financial year that will provide more factual information relating to corporate governance, including changes in the company's corporate governance and relevant events that took place during the year under review, such as the appointment of new directors or committee members, the annual remuneration received by members of the Board of Directors and explanations, where necessary, regarding non-compliance with the Corporate Governance Code.

The key principles of corporate governance applied by KBC Group NV that will be reflected in the respective charters of the Board of Directors, the various specialized Board Committees and the Executive Committee are summarized below.

Board of Directors

The company will be directed by a Board of Directors of at least twelve and not more than twenty-seven members – who may or may not be shareholders – appointed by the General Meeting of Shareholders. The independent directors of KBC Group NV may not act as independent directors of other companies of KBC Group.

The composition of the Board of Directors will reflect the different stakeholders of KBC Group NV. The Board will therefore be composed of representatives of the core shareholders, independent directors and executive directors who are members of the Executive Committee (managing directors). All executive directors of KBC Group NV will be managing directors.

The directors can be appointed for a renewable term of a maximum of six years, but as a rule will be appointed for a renewable term of four years. Any proposal for the appointment of a director by the General Meeting of Shareholders will be accompanied by a recommendation from the Board of Directors, based upon the advice of the Appointments Committee. The Appointments Committee will also advise the Board of Directors in case a directorship falls vacant and the remaining directors provisionally arrange for replacement.

The chairman and the deputy chairman of the Board of Directors will be elected by the Board of Directors from among its members. The chairman of the Board of Directors will be elected and removed upon the prior concurrent advice of the BFIC and may not be a member of the Executive Committee.

The Board of Directors may perform all acts necessary or useful for achieving the company's corporate purpose, with the exception of those acts that by or pursuant to law, the Articles of Association, or the Internal Governance Understanding with the BFIC are explicitly reserved for another corporate body.

Management supervision

Besides carrying out the activities required under the Companies Code (such as preparing the consolidated and non-consolidated annual financial statements and the annual reports, setting the agenda for General Meetings of Shareholders and proposing how profit should be appropriated), the Board of Directors will monitor the monthly performance of the direct subsidiaries and their respective subsidiaries and review the quarterly results and the activities of the Board Committees.

A key role in the Board of Directors' supervisory activities will be played by the Audit Committee (see below).

Supervision of subsidiaries and companies in which a participating interest is held

Because KBC Group NV is a company whose object is to hold and manage its participations in its direct subsidiaries, the deliberations of the Board of Directors will be focused on supervising the activities and the performance of these companies. The Board of Directors will monitor developments at the indirect subsidiaries for the purpose of following up the consolidated results. Whenever major developments occur at these companies, the Board of Directors will be informed thereof on an ad hoc basis. All direct subsidiaries will likewise have audit committees. The chairman of the Audit Committee of KBC Group NV will preside over most of the bank and insurance subsidiaries' audit committees, as well.

Remuneration

The remuneration of non-executive directors will consist exclusively of a fixed annual emolument and an attendance fee per meeting of the Board of Directors attended (set by the General Meeting of Shareholders). In addition, non-executive directors serving on specialized Board committees will be remunerated by way of an attendance fee per committee meeting attended.

KBC Group NV will not grant loans to directors. Such loans may, however, be granted by KBC Bank in compliance with Article 28 of the Banking Act, meaning that the loans may be granted at terms applying to customers.

Executive Committee

The Board of Directors has constituted an Executive Committee, within the meaning of Article 524 bis of the Companies Code, which has been constituted initially from among its members, to which it has delegated its powers of management in respect of KBC Group NV. The names of the members of the Executive Committee and the date on which their term of office comes to an end are set out in the table at the end of this section.

The Executive Committee will exercise its powers autonomously, but always within the framework of the general strategy defined by the Board of Directors, and in accordance with the Internal Governance Understanding with the BFIC. This delegation does not relate to general policy or matters which by law are reserved for the Board of Directors. The Board of Directors is responsible for the supervision of the Executive Committee.

The Executive Committee is a collegiate body. It will consist initially of the presidents of the Executive Committees of the three principal group entities, i.e., KBC Bank, KBC Insurance and Kredietbank SA Luxembourgeoise. In due time, the Executive Committee will be reorganized along the major business lines, supported by a limited number of centralized corporate staff functions. The Executive Committee may divide its duties amongst its members, but will not detract from their collective responsibility. Membership of the Executive Committee will be the main activity of the relevant persons. The president and the other members of the Executive Committee will be appointed by the Board of Directors on the proposal of the Appointments Committee that should consider proposals made by relevant parties, including management and shareholders. The president and the other members of the Executive Committee will be elected and removed upon the prior concurrent advice of the BFIC. The members of the Executive Committee as initially constituted, will by virtue of their appointment become managing directors. The

Board of Directors will be composed in such a manner that the managing directors do not constitute the majority of the members of the Board of Directors. The Executive Committee will meet at least once a week, but in any event whenever this is in the company's interest.

The Executive Committee will further delegate some of its authority to a number of committees, some of which will be installed at the level of KBC Group NV, such as various group risk committees and a Group Asset and Liability Committee (ALCO). Other committees will be installed at the level of one or more subsidiaries of KBC Group NV.

Remuneration

The remuneration of the members of the Executive Committee will be set by the Board of Directors based on a proposal by the Remuneration Committee. For this purpose, a regular comparison is made with remuneration levels prevailing in the market.
The members of the Executive Committee will be remunerated by way of a fixed monthly emolument, a variable annual emolument (the amount of which depends on the consolidated profit of the KBC Group) and options on KBC Group NV shares. They will also participate in stock option plans organized for KBC Group staff. An income ceiling will apply to the total (fixed and variable) remuneration paid annually to each member of the Executive Committee. The remuneration they receive for the offices they hold in other KBC Group companies will be set off against the abovementioned remuneration. The supplementary pension scheme will comprise a supplementary retirement pension or – if the insured dies and leaves a spouse – a survivor's pension. The annuity payable under the supplementary retirement pension will amount to a maximum of 33% or 36% of the annual income ceiling, depending on whether the beneficiary is the president or another member. The survivor's pension will equal a maximum of 50% of this amount.

Chief Finance and Risk Officer

Strong, centralized risk management will be set up at KBC Group level, under the direction of the Group Chief Finance and Risk Officer (CFRO). Although the CFRO is not a member of the KBC Group NV Executive Committee, he will have a standing invitation to attend all of its meetings for those items on the agenda that are within his functional expertise. He will periodically inform the Board of Directors of the overall risk profile and risk management of KBC Group and seek approval for the overall risk appetite. The responsibilities and the organization of the risk management function will be described in a risk management charter that will be approved by the Board of Directors before the end of 2005.

Committees within the Board of Directors

To carry out the preparatory work for the activities of the Board of Directors and to support it in carrying out its duties, the following four specialized committees will analyse specific issues and advise the Board of Directors on these issues. Decision-making will remain the collegiate responsibility of the Board of Directors. The composition of these committees is set out in the table at the end of this section.

The Agenda Committee will consist of the chairman of the Board of Directors, the chairman of the Audit Committee, and certain members of the Executive Committee. The Agenda Committee will meet at least prior to each meeting of the Board of Directors. The chairman of the Board of Directors will set the agenda and the matters for deliberation by the Board of Directors, after consultation with the Agenda Committee.

The Audit Committee will consist of seven non-executive directors, at least two of whom must be independent. The Audit Committee will assist the Board of Directors in the execution of its supervisory task. Its remit is to:

- oversee the accuracy of financial information;
- examine the internal control and risk management systems at least once a year in order to gain assurance that internal risks are being properly identified, managed and reported to it;
- make recommendations to the Board of Directors regarding the selection, appointment or reappointment of the statutory auditor and the conditions governing his or her appointment;
- approve the annual audit plan of the internal auditor, review the statutory auditor's audit plan and discuss their reports;

- review the drafts of the annual accounts and of the press releases on the quarterly results prior to their submission to the Board of Directors;
- subject to scrutiny any matter that falls within its competence and to that end requisition all relevant information.

The KBC Group aims to optimize contacts and the exchange of information between the Audit Committee of KBC Group NV and the audit committees of the relevant direct subsidiaries. In that respect, one of the independent members of KBC Group NV's Audit Committee will be invited to all meetings of the audit committees of the relevant direct subsidiaries.

The Remuneration Committee will consist of three directors, comprising the chairman of the Board of Directors and two independent directors. The Remuneration Committee will be chaired by one of the independent directors. The president of the Executive Committee will attend the meetings as an advisory member. The Remuneration Committee will submit to the Board of Directors for decision its proposals on the remuneration policy for non-executive directors and the resulting proposals to be submitted to the shareholders, as well as the remuneration policy for executive management (including the managing directors). The Remuneration Committee will also make recommendations on the individual remuneration of directors, including bonuses and long-term incentives, whether stock-related or not, in the form of stock options or other financial instruments.

The Appointments Committee will consist of seven members, comprising the chairman of the Board of Directors, who will also chair the Appointments Committee, the chairman of the Audit Committee, one independent director, three representatives of the core shareholders and the president of the Executive Committee. The Appointments Committee will submit to the Board of Directors for approval its recommendations regarding the appointment of directors and members of the Executive Committee.

Further information

For more information on KBC Group NV corporate governance, please see the merger prospectus issued on the merger of KBC and Almanij.

Composition of the Board of Directors, the Executive Committee and the Board committees of KBC Group NV

Composition of the Board of Directors of KBC Group on 3 March 2005

Name	Primary responsibility	End of current term of office	Non-executive directors	Representatives of principal shareholders	Independent directors	Executive Committee	Agenda Committee	Audit Committee	Remuneration Committee	Appointments Committee
Jan Huyghebaert	Chairman of the Board of Directors	2008	•	•			•*		•	•*
Philippe Vlerick	Deputy-Chairman of the Board of Directors Chairman and Managing Director, UCO Textiles nv and B.I.C. Carpets nv	2009	•	•						•
Willy Duron	President of the Executive Committee	2010				•*	•			•
André Bergen	Managing Director	2007				•	•			
Etienne Verwilghen	Managing Director	2009				•	•			
Paul Borghgraef	Company Director	2009	•	•						
Paul Bostoen	Managing Director, Christeyns nv and Algimo nv	2009	•	•						
Luc Debaillie	Chairman and Managing Director, Voeders Debaillie nv	2009	•	•						
Jo Cornu	Director, Alcatel nv	2008	•		•				•*	•
Noël Devisch	Chairman, Boerenbond	2009	•	•						•
Frank Donck	Managing Director, 3D nv	2007	•	•						
Rik Donckels	Managing Director, Cera Beheersmaatschappij nv and Almancora Beheersmaatschappij nv Chairman Management Committee, Cera cvba	2010	•	•						•
Jean-Marie Géradin	Director, Cera Beheersmaatschappij nv and Almancora Beheersmaatschappij nv	2009	•	•						
Dirk Heremans	Professor at the Faculty of Economic and Applied Economic Sciences, Catholic University of Leuven	2009	•		•			•		
Herwig Langohr	Professor, Banking and Finance, INSEAD	2007	•		•			•		
Christian Leysen	Chairman, Axe Investments nv	2009	•	•						
Xavier Liénart	Company Director Director, Cera Beheersmaatschappij nv	2010	•	•						
Philippe Naert	Dean Tias Business School at the University of Tilburg and the Technical University, Eindhoven	2009	•		•			•	•	
Luc Philips	Director	2005	•	•			•	•*		•
Theodoros Roussis	CEO Ravago Plastics nv	2008	•	•				•		
Hendrik Soete	Managing Director, Aveve nv	2009	•	•						
Alain Tytgadt	Managing Director, Metalunion cvba	2009	•	•						
Guido Van Roey	Member of management, Inbev nv Chairman of the Board of Directors, Cera Beheersmaatschappij nv	2009	•	•						
Germain Vantieghem	Managing Director, Cera Beheersmaatschappij nv and Almancora Beheersmaatschappij nv Member Management Committee, Cera cvba	2010	•	•				•		
Jozef Van Waeyenberge	Director, De Eik nv	2009	•	•						
Marc Wittemans	Director, Maatschappij voor Roerend Bezit van de Belgische Boerenbond cvba	2010	•	•				•		

* Chairman of this committee.

Auditor: Ernst & Young Bedrijfsrevisoren BCV, represented by Danielle Vermaelen and Jean-Pierre Romont
Secretary to the Board of Directors: Tom Debacker

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