

# The Consolidated Accounts of the Bank in 2005



# Unqualified Auditor's Report

To the Board of Directors  
Fortis Banque Luxembourg S.A.  
(formerly Banque Générale du Luxembourg S.A.)  
50, avenue J. F. Kennedy  
L-2951 Luxembourg

Following our appointment by the Board of Directors on 18 November 2004, we have audited the accompanying consolidated accounts of Fortis Banque Luxembourg S.A. for the year ended 31 December 2005, and have read the related consolidated management report. These consolidated accounts and the consolidated management report are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated accounts based on our audit and to check that the consolidated management report is consistent with them.

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

In our opinion, the attached consolidated accounts give, in conformity with Luxembourg legal and regulatory requirements, a true and fair view of the consolidated financial position of Fortis Banque Luxembourg S.A. as at 31 December 2005 and of the consolidated results of its operations for the year then ended.

The consolidated management report is consistent with the consolidated accounts.

*KPMG Audit S.à r.l.  
Réviseurs d'Entreprises*

Luxembourg, 16 March 2006

E. Damotte

<b>ASSETS</b>	<b>Notes</b>	<b>31 Dec. 2005</b>	<b>31 Dec. 2004</b>
<b>Cash, balances with central banks and post office banks</b>	5	<b>378,040,515</b>	<b>568,420,040</b>
<b>Treasury bills and other bills eligible for refinancing with the central bank</b>	6	<b>417,434</b>	<b>1,485,194</b>
Treasury bills and similar securities		417,434	1,485,194
<b>Loans and advances to credit institutions</b>	7	<b>7,213,160,933</b>	<b>11,113,691,267</b>
a) repayable on demand		6,481,702,283	9,150,362,785
b) other loans and advances		731,458,650	1,963,328,482
<b>Loans and advances to customers</b>	8	<b>8,359,346,212</b>	<b>6,750,571,123</b>
<b>Leasing transactions</b>	9	<b>4,357,375,075</b>	<b>849,429,420</b>
<b>Debt securities and other fixed-income securities</b>	10 and 17	<b>15,708,883,603</b>	<b>13,309,277,517</b>
a) issued by public bodies		6,907,955,966	5,846,166,680
b) issued by other borrowers		8,800,927,637	7,463,110,837
<b>Shares and other variable-yield securities</b>	11	<b>1,480,780,938</b>	<b>401,220,054</b>
<b>Participating interests</b>	12 and 17	<b>78,581,004</b>	<b>78,332,052</b>
<b>Shares in affiliated undertakings</b>	13 and 17	<b>27,444,951</b>	<b>30,294,552</b>
<b>Subsidiaries accounted for under the equity method</b>	17	<b>365,802,925</b>	<b>337,390,211</b>
<b>Intangible assets</b>	14 and 17	<b>3,719,199</b>	<b>1,684,705</b>
<b>Translation differences</b>		<b>5,415,615</b>	<b>515,377</b>
<b>Tangible assets</b>	15 and 17	<b>3,857,965,856</b>	<b>395,493,412</b>
<b>Own shares</b>	18	<b>-</b>	<b>53,327</b>
<b>Other assets</b>	17 and 19	<b>164,789,402</b>	<b>132,193,031</b>
<b>Prepayments and accrued income</b>		<b>884,648,337</b>	<b>580,969,173</b>
<b>TOTAL ASSETS</b>		<b>42,886,371,999</b>	<b>34,551,020,455</b>

The notes refer to the Notes to the Accounts.

<b>LIABILITIES</b>	<b>Notes</b>	<b>31 Dec. 2005</b>	<b>31 Dec. 2004</b>
<b>Amounts owed to credit institutions</b>	20	<b>8,912,034,153</b>	<b>2,729,109,730</b>
a) repayable on demand		2,560,514,689	398,826,613
b) with agreed maturity dates or periods of notice		6,351,519,464	2,330,283,117
<b>Amounts owed to customers</b>	21	<b>19,721,607,546</b>	<b>21,309,519,766</b>
a) savings deposits		2,283,010,317	2,402,352,339
b) other debts		17,438,597,229	18,907,167,427
- repayable on demand		8,743,180,971	8,008,841,431
- with agreed maturity dates or periods of notice		8,695,416,258	10,898,325,996
<b>Debts evidenced by certificates</b>	22	<b>8,657,131,577</b>	<b>5,734,087,862</b>
a) debt securities in issue		5,890,872,670	3,754,539,532
b) other		2,766,258,907	1,979,548,330
<b>Other liabilities</b>	23	<b>701,919,728</b>	<b>784,521,322</b>
<b>Accruals and deferred income</b>		<b>567,655,857</b>	<b>327,486,321</b>
<b>Provisions for liabilities and charges</b>		<b>513,066,888</b>	<b>462,188,101</b>
a) provisions for tax		230,973,877	200,333,356
b) other provisions		282,093,011	261,854,745
<b>Subordinated liabilities</b>	24	<b>910,025,558</b>	<b>599,130,147</b>
<b>Special items with a reserve quota portion</b>	25	<b>134,456,860</b>	<b>134,773,678</b>
<b>Fund for general banking risks</b>		<b>586,801,286</b>	<b>586,801,286</b>
<b>Subscribed capital</b>	26	<b>350,000,000</b>	<b>350,000,000</b>
<b>Share premium account</b>	26	<b>633,518,630</b>	<b>633,518,630</b>
<b>Reserves</b>	26	<b>697,158,605</b>	<b>414,802,789</b>
<b>Minority interests</b>		<b>3,245,951</b>	<b>20,250,604</b>
<b>Profit brought forward</b>	26	<b>191,119</b>	<b>260,255</b>
<b>Profit for the financial year</b>		<b>497,558,241</b>	<b>464,569,964</b>
a) Net of minority interests		497,416,360	460,540,256
b) Minority interests		141,881	4,029,708
<b>TOTAL LIABILITIES</b>		<b>42,886,371,999</b>	<b>34,551,020,455</b>
<b>OFF-BALANCE SHEET ITEMS</b>			
<b>Contingent liabilities</b>	28	<b>2,331,338,575</b>	<b>1,677,806,515</b>
of which:			
- guarantees and assets pledged as collateral security		1,499,972,343	1,329,586,045
<b>Commitments</b>	29	<b>5,735,843,164</b>	<b>5,998,339,388</b>
<b>Fiduciary operations</b>		<b>3,647,283,544</b>	<b>2,882,632,382</b>

The notes refer to the Notes to the Accounts.

	Notes	31 Dec. 2005	31 Dec. 2004
<b>Interest received and similar income</b>	34	+ 2,011,370,745	+ 2,666,834,207
of which: arising from fixed-income securities		612,815,777	559,740,597
<b>Interest paid and similar charges</b>		- 1,598,697,099	- 2,225,412,726
<b>Income from securities</b>	34	+ 108,200,378	+ 70,051,663
a) income from shares and other variable-yield securities		21,935,687	17,595,288
b) income from participating interests		5,505,647	3,640,358
c) income from shares in affiliated undertakings		10,243,797	2,464,352
d) share of profits of companies accounted for under the equity method		70,515,247	46,351,665
<b>Commissions receivable</b>	34	+ 359,656,432	+ 354,542,630
<b>Commissions payable</b>		- 78,989,452	- 53,446,477
<b>Net profit on financial operations</b>	34	+ 50,700,537	+ 40,419,751
<b>Other operating income</b>	34 and 35	+ 873,426,388	+ 142,827,911
of which: operating lease income		761,159,087	27,374,391
<b>General administrative expenses</b>		- 411,433,445	- 354,296,840
a) Staff costs	38 and 39	259,255,004	229,987,666
of which:			
- wages and salaries		211,728,558	188,994,879
- social security costs		37,991,310	32,320,397
of which: relating to pensions		23,389,118	22,972,792
b) Other administrative expenses		152,178,441	124,309,174
<b>Value adjustments in respect of tangible and intangible assets</b>		- 653,480,573	- 60,611,800
of which: operating lease depreciation		617,615,969	18,120,282
<b>Other operating charges</b>	36	- 56,165,107	- 63,352,741
<b>Value adjustments in respect of loans and advances and provisions for contingent liabilities and commitments</b>		- 7,258,032	+ 11,256,747
<b>Value adjustments in respect of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings</b>		+ 13,796,206	+ 46,746,442
<b>Transfers to "special items with a reserve quota portion"</b>		- 4,030,707	- 2,960,840
<b>Income from the writing back of "special items with a reserve quota portion"</b>		+ 4,272,583	+ 4,064,674
<b>Tax on results on ordinary activities</b>		- 110,771,291	- 111,250,763
<b>Results on ordinary activities, after tax</b>		+ 500,597,563	+ 465,411,838
<b>Extraordinary income</b>		+ 2,968,973	+ 1,468,405
<b>Extraordinary charges</b>		- 1,954,142	- 14,698
<b>Extraordinary results</b>	40	+ 1,014,831	+ 1,453,707
<b>Other taxes not shown under the preceding items</b>		- 4,054,153	- 2,295,581
<b>PROFIT FOR THE FINANCIAL YEAR</b>		497,558,241	464,569,964
a) Net of minority interests		497,416,360	460,540,256
b) Minority interests		141,881	4,029,708

The notes refer to the Notes to the Accounts.

**Note 1 - General Information**

Founded on 29 September 1919, Banque Générale du Luxembourg (referred to below as "the Bank") took the legal form of a limited liability company under Luxembourg law on 21 June 1935. The Extraordinary General Meeting of Shareholders of 17 November 2005 voted to change the name of the Bank from "Banque Générale du Luxembourg" to "Fortis Banque Luxembourg".

The corporate purpose of the Bank is to engage in all types of banking and financial operations and services, to take participating interests in businesses as well as to undertake commercial, industrial and other operations, including transactions in moveable or real property, for its own account and on behalf of third parties, relating directly or indirectly to its corporate purpose or being conducive to favour its achievement. It may perform its activities in the Grand Duchy of Luxembourg or abroad.

The Bank is included in the consolidated accounts of Fortis Bank SA, its principal shareholder. The consolidated accounts of Fortis Bank SA are available at its registered address, which is 3 Montagne du Parc, Brussels.

The Bank is a member of the Fortis group, the broadest grouping of businesses in which it is included as a subsidiary. The consolidated accounts of the Fortis group are available at the following addresses:

- Fortis and Fortis SA: Fortis, Rue Royale 20, 1000 Brussels, Belgium
- Fortis and Fortis NV: Fortis, Archimedeslaan 6, 3584 BA Utrecht, the Netherlands.

**Note 2 - Basis of consolidation**

The following consolidation methods have been applied:

**Full consolidation**

Assets, liabilities, off-balance-sheet items and income and expenses of consolidated companies have been added to the corresponding items of the parent company.

The annual accounts of the consolidated companies have been adjusted in order to harmonise them with the annual accounts of the parent company.

Intra-group balances and income and expenses resulting from transactions between consolidated companies have been eliminated.

Interests of minority shareholders in the consolidated net assets and in the consolidated profit are shown separately.

**Proportionate consolidation**

The annual accounts of companies consolidated on a proportionate basis are included in the consolidated accounts on a pro rata basis based on rights held in the capital of these companies.

**Undertakings accounted for under the equity method**

The participating interest held by the parent company is replaced by its share of the net assets of the associated undertaking represented by that participating interest. The resulting difference is written to the consolidation reserve. Similarly, dividends received from the participating interests are replaced in the consolidated profit and loss account by the parent company's share of the profits of the companies concerned.

**Note 3 - Scope of consolidation**

Full consolidation is applied to banking subsidiaries and non-banking subsidiaries whose activities are a direct extension of banking and in which the Bank directly or indirectly holds more than 50% of the share capital and which are material for the purposes of a true and fair view of the Bank's activities.

Proportionate consolidation is applied to companies owned and managed jointly by a limited number of shareholders.

The equity method is used to account for subsidiaries whose activities do not represent a direct extension of banking or services ancillary to banking, as well as to affiliated companies over which one or several companies within the scope of consolidation has significant influence.

In 2004, as part of the reorganization of the group's trust business, the Bank transferred ownership of BGL-Meespierson Trust (Luxembourg) SA, BGL Reads Group Limited, MeesPierson Trust (Schweiz) AG and MeesPierson Trust Reg. (Liechtenstein) and renounced its right of control over the shares held in MeesPierson (C.I.) Ltd in favour of Fortis Bank Nederland NV. As a result, the companies concerned were excluded from the scope of consolidation with effect from 1 October 2004. The interest in MeesPierson (C.I.) Ltd is held at its value under the equity method at 1 October 2004. The 25.04% interest in MeesPierson Intertrust Group Holding SA received in consideration is accounted for under the equity method from the same date.

In 2005, the Bank sold its interest in Fortis Commercial Finance SA to Fortis Commercial Finance Holding NV after EuroLease Factor SA had been split into Fortis Lease Luxembourg SA and Fortis Commercial Finance SA.

As part of the reorganisation of the Fortis group's leasing operations, in 2005 the Bank acquired Fortis Lease SA from its parent company Fortis Banque SA, along with that company's subsidiaries in Belgium and Poland, as well as Fortis Lease UK Ltd, Fortis Lease Holdings UK Ltd, Fortis Lease (France) SA, Fortis Lease Immobilier France SA, Fortis Lease (Nederland) N.V., Fortis Lease Deutschland AG, Fortis Lease Iberia E.F.C. SA and Fortis Lease Italia S.p.A.

During the year, the Bank also acquired Austrolease S.p.A. and Fortis Lease S.p.A. and set up four companies through its subsidiary Fortis Lease Group SA: Fortis Lease Portugal, Instituição Financeira de Crédito S.A., Fortis Lease Czech s.r.o. and Fortis Lease Schweiz AG.

All of these leasing companies are fully consolidated.

The Bank also fully consolidates Dalgarno SA and Delvino SA, both set up in 2005 as part of a financing transaction. Cranbourne Investments S.à r.l. and The Rowallan Trust, founded in 2004 in a refinancing operation, were liquidated in 2005.



Fully consolidated companies:						
Name	Registered office	Percentage of capital held		Net worth at 31 December 2005 (*)		Profit at 31 December 2005
ACE EQUIPMENT LEASING N.V. (**)	BERCHEM-SAINT-AGATHE (B)	100.00%	EUR	4,511,554	EUR	659,356
ACE LEASING N.V. (**)	BERCHEM-SAINT-AGATHE (B)	100.00%	EUR	19,983,927	EUR	1,865,043
AUSTROLEASE S.P.A. (**)	BOLZANO (I)	100.00%	EUR	4,232,604	EUR	110,932
BATICAL S.A. (**)	NANCY (F)	100.00%	EUR	44,393,051	EUR	11,800,832
BGL FINANCE HOLDING S.A.	LUXEMBOURG	99.99%	EUR	76,686,807	EUR	2,181,423
COFHYLUX S.A.	LUXEMBOURG	99.42%	EUR	26,290,126	EUR	1,883,407
DALGARNO S.A.	LUXEMBOURG	99.97%	EUR	31,000	EUR	-3
DELVINO S.A.	LUXEMBOURG	99.97%	EUR	31,000	EUR	-3
ES FINANCE S.A. (**)	BERCHEM-SAINT-AGATHE (B)	100.00%	EUR	33,765,003	EUR	2,560,219
FAM FUND ADVISORY S.A.	LUXEMBOURG	100.00%	EUR	85,000	EUR	677,796
FAM PERSONAL FUND ADVISORY S.A.	LUXEMBOURG	100.00%	EUR	85,000	EUR	675,431
F.L. ZEEBRÜGGE N.V. (**)	BERCHEM-SAINT-AGATHE (B)	100.00%	EUR	96,960	EUR	140,921
FORTIS BANQUE (SUISSE) S.A. (formely BANQUE MEESPIERSON BGL S.A.)	GENEVA	80.34%	CHF	117,736,591	CHF	36,614,166
FORTIS LEASE (B) S.A. (**)	BERCHEM-SAINT-AGATHE (B)	100.00%	EUR	52,901,694	EUR	15,374,144
FORTIS LEASE C.T. S.A. (**)	BRUSSELS (B)	100.00%	EUR	17,649,944	EUR	3,958,529
FORTIS LEASE S.P.A. (**)	TREVISO (I)	100.00%	EUR	25,913,330	EUR	2,081,367
FORTIS LEASE CZECH s.r.o. (**)	PRAGUE (CZ)	100.00%	CZK	120,000,000	CZK	-2,874,124
FORTIS LEASE DEUTSCHLAND AG (**)	DÜSSELDORF (D)	100.00%	EUR	49,896,823	EUR	93,603
FORTIS LEASE FRANCE S.A. (**)	PUTEAUX (F)	100.00%	EUR	86,085,316	EUR	2,150,045
FORTIS LEASE GROUP S.A.	LUXEMBOURG	100.00%	EUR	728,883,611	EUR	64,959,969
FORTIS LEASE GROUP SERVICES S.A./N.V. (**)	BRUSSELS (B)	99.80%	EUR	493,466	EUR	58,490
FORTIS LEASE HOLDINGS UK Ltd (**)	LONDON (GB)	100.00%	GBP	51,574,769	GBP	37,628,852
FORTIS LEASE IBERIA E.F.C. S.A. (**)	BARCELONA (E)	100.00%	EUR	21,344,357	EUR	-461,441
FORTIS LEASE IMMOBILIER FRANCE S.A. (**)	PUTEAUX (F)	100.00%	EUR	31,296,624	EUR	5,939,461
FORTIS LEASE ITALIA S.P.A.	ASSAGO (I)	99.90%	EUR	3,675,637	EUR	-193,004
FORTIS LEASE LUXEMBOURG S.A. (**)	LUXEMBOURG	100.00%	EUR	15,266,826	EUR	5,676,214
FORTIS LEASE NEDERLAND N.V. (**)	HERTOGENBOSCH (NL)	100.00%	EUR	40,986,260	EUR	8,123,621

FORTIS LEASE POLSKA Sp.z.o.o. (**)	WARSAW (PL)	100.00%	PLN	21,635,976	PLN	8,197,630
FORTIS LEASE PORTUGAL S.A. (**)	LISBON (P)	100.00%	EUR	10,000,000	EUR	- 225,923
FORTIS LEASE SCHWEIZ AG (**)	ZURICH (CH)	99.96%	CHF	7,750,000	CHF	- 503,643
FORTIS LEASE UK Ltd (**)	LONDON (GB)	100.00%	GBP	77,399,966	GBP	5,900,710
FUNDAMENTUM ASSET MANAGEMENT S.A. (FAM)	LUXEMBOURG	80.00%	EUR	1,200,000	EUR	1,728,330
INTERNAXX BANK S.A. (formely THE BANK OF TDW & BGL S.A.)	LUXEMBOURG	75.00%	EUR	11,855,556	EUR	- 731,873
MORAY INVESTMENTS LLP S.à r.l. (in liquidation)	LUXEMBOURG	99.99%	GBP	1,375,000	GBP	12,654,782
PBI HOLDING AG	ZUG (CH)	100.00%	CHF	123,288,319	CHF	6,352,337
SOCIETE ALSACIENNE DE DEVELOPPEMENT ET D'EXPANSION S.A. (SADE)	STRASBOURG (F)	100.00%	EUR	132,540,670	EUR	47,949,931

(\*) Net worth does not include profit for the financial year.

(\*\*) Companies held through a subsidiary, but directly consolidated by the Bank.

Companies consolidated by the equity method:

Name	Registered office	Percentage of capital held		Net worth at 31 December 2005 (*)		Profit at 31 December 2005
BIP INVESTMENT PARTNERS S.A. (formely BGL INVESTMENT PARTNERS S.A.)	LUXEMBOURG	41.60%	EUR	287,405,213	EUR	51,872,089
BG RÉ S.A.	LUXEMBOURG	99.98%	EUR	6,822,225	EUR	11,898,670
FASTNET BELGIUM S.A.	BRUSSELS (B)	47.80%	EUR	2,218,829	EUR	338,295
FASTNET EUROPE S.A.	LUXEMBOURG	28.00%	EUR	1,282,202	EUR	-12,052
FASTNET FRANCE S.A.	PARIS (F)	11.43%	EUR	9,262,389	EUR	1,109,119
FASTNET LUXEMBOURG S.A.	LUXEMBOURG	47.80%	EUR	6,190,829	EUR	1,196,404
FASTNET NETHERLANDS N.V.	AMSTERDAM (NL)	47.80%	EUR	1,872,211	EUR	371,284
FORTIS INVESTMENT MANAGEMENT S.A.	BRUSSELS (B)	25.01%	EUR	220,642,486	EUR	65,324,942
MEESPIERSON INTERTRUST GROUP HOLDING S.A.	GENEVA (CH)	25.04%	EUR	-2,707,392	EUR	71,338,080
NISSAN FINANCE BELGIUM N.V. (**)	BRUSSELS (B)	25.00%	EUR	3,972,587	EUR	731,453

(\*) Net worth does not include profit for the financial year.

(\*\*) Companies held through a subsidiary, but directly consolidated by the Bank.

Companies not included in the consolidation since they are of negligible interest in giving a true and fair view of accounts:

<b>Name</b>	<b>Registered office</b>	<b>Percentage of capital held</b>
CETREL S.C.	LUXEMBOURG	26.18%
ELIMMO S.à r.l.	LUXEMBOURG	33.33%
EUROPAY LUXEMBOURG S.C.	LUXEMBOURG	35.20%
FINANSDER S.A.	PARIS (F)	21.95%
FORTIS L CAPITAL S.A.	LUXEMBOURG	99.99%
FORTIS LUXEMBOURG VIE S.A.	LUXEMBOURG	50.00%
IMMOBILIERE DAVOUT S.à r.l.	DIJON (F)	100.00%
IMMO-ROYAL CONSEIL S.A.	LUXEMBOURG	50.00%
MEESPIERSON (C.I.) Ltd	GUERNSEY (GB)	100.00%
NORTHUMBERLAND GROUP Ltd (in liquidation )	LONDON (GB)	100.00%
PAR 3 S.A.	LUXEMBOURG	76.58%
ROTHESAY S.à r.l. (in liquidation)	LUXEMBOURG	100.00%
SCI EUROSUD S.C. (in liquidation)	ERSTEIN (F)	25.00%
VISALUX S.C.	LUXEMBOURG	33.07%

**Note 4 - Accounting principles**

The Bank's accounting principles are consistent with the legislation and regulations applicable in Luxembourg, and in particular with the modified Law of 17 June 1992 on the accounts of credit institutions.

**Translation of items denominated in foreign currencies**

The Bank's accounting records are maintained in euros (EUR) and the balance sheet and profit and loss account are expressed in the same currency.

Items denominated in currencies other than in EUR are translated in accordance with the following principles:

Assets and liabilities denominated in foreign currencies are translated at average rates prevailing at the balance sheet date. Any interest in affiliated companies for which cover has not been taken is converted into EUR at the rate prevailing at the date of acquisition (historical rate).

Income and expenses are translated at the exchange rates prevailing on the date on which they are recorded.

Forward exchange transactions covered by spot deals are considered to be neutral with respect to exchange rate fluctuations. Valuation differences which may result are neutralised and have no effect on the profit for the year.

Forward exchange transactions which are not covered and which are outstanding at the balance sheet date are valued at the forward exchange rates prevailing at balance sheet date. Provisions are made for any losses and included in the balance sheet under the item "Provisions for liabilities and charges: Other provisions", whereas unrealised gains are not recognised.

Forward exchange positions taken out to cover other forward exchange transactions are valued at the forward exchange rates prevailing at balance sheet date. Latent gains are deducted from latent losses provided they are recognised before or at the same date as the loss from which they are deducted. Provisions are made for residual losses and included in the balance sheet under the item "Provisions for liabilities and charges: Other provisions".

**Translation of annual accounts of consolidated companies denominated in foreign currency**

Annual accounts of consolidated companies denominated in foreign currency have been converted into EUR at the exchange rates prevailing at the balance sheet date.

Resulting translation differences are recorded under "Translation differences", after deduction of the proportion of such differences attributable to minority interests, which is included in liabilities under the heading "Minority interests".

**Derivatives**

The Bank's liabilities under derivative transactions, such as interest-rate swaps, forward rate agreements, futures and options, are booked as off-balance-sheet items at the date of the transaction.

At the balance sheet date, a provision is created for unrealised losses resulting from the valuation of outstanding transactions at market price. This provision is booked under "Provisions for liabilities and charges: Other provisions".

No provision is made if a derivative specifically covers an asset or liability or if such transactions form an economic unit. Gains and losses on hedging operations to cover market risks are booked to the profit and loss account in the same way as expenses and income relating to the underlying transactions.

**Assets and liabilities**

Assets and liabilities repayable on demand comprise amounts which can be withdrawn at any time without notice or for which a maximum maturity or notice of 24 hours or one business day has been agreed. The term "with agreed maturity dates" in the various headings refers to a final maturity of more than one business day, including notices of more than one business day. Claims and debts are always classified according to residual maturity, which represents the period from balance sheet date till maturity.

**Loans and advances**

Loans and advances are recorded in the balance sheet at nominal value. Accrued interest is included in the "Prepayments and accrued income" item under assets. The Bank's policy is to make specific value adjustments with respect to doubtful debts. Such value adjustments are held in the same currency as the asset to which they relate. Value adjustments and readjustments are offset in the profit and loss account. Value adjustments are deducted from the asset items concerned.

#### Leased equipment

Leasing contracts considered to be finance leases as defined by the Luxembourg supervisory authorities are reported as loans and advances included in the current assets. Loans and advances are recorded at the acquisition value less the proportion of rentals representing repayment of principal.

For leasing contracts considered to be operating lease transactions, the asset in question is recorded among tangible fixed assets. The asset is valued at cost less cumulative value adjustments. Rental income is taken to the profit and loss account.

#### Securities

Securities are initially recorded at cost. However, in the case of securities issued on a discount basis, accrued interest not payable is added to the acquisition price.

For valuation purposes, the Bank uses the weighted average method. The Bank's securities portfolio is divided into three categories as follows:

- \* The *investment portfolio* comprises fixed-income securities held as long-term investments and in general held to maturity.
- \* The *structural portfolio* comprises fixed-income and variable-yield securities held for investment purposes in the medium term (from six months to several years). In addition, this portfolio provides the Bank with alternative liquidity.
- \* The *trading portfolio* comprises fixed-income and variable-yield securities held by the Bank in order to act in the markets as a placing agent, market maker or counterparty to customers or professionals. The securities are only held for a short period, not exceeding six months.

Securities are valued as follows:

\* *Investment portfolio*: Fixed-income securities in the investment portfolio (including "Asset swaps") are valued at cost provided they are eligible for such treatment under the modified Law of 17 June 1992 on the accounts of credit institutions and prevailing banking regulations.

When securities in this portfolio do not fulfil the regulatory requirements for being valued at cost, they are valued at the lower of cost and market value.

Positive and negative differences between the acquisition and redemption value of securities valued at cost are amortised over the residual period to maturity.

\* *Trading portfolio and structural portfolio*: Securities in the structural and trading portfolios are valued in accordance with the lower of cost and market value method.

#### Participating interests and shares in affiliated undertakings

Acquisitions are shown on the assets side of the balance sheet at purchase price or value at which the asset has been contributed. Any proportion of such participating interests or shares representing subscribed capital unpaid is recorded on the off-balance sheet.

At year-end the book value of each security is compared with its market, intrinsic or probable realisation value. If the reduction in value appears to be permanent, a value adjustment is made.

#### "Beibehaltungsprinzip"

With reference to Articles 56 (2)f and 58 (2)e of the modified Law of 17 June 1992 on the accounts of credit institutions and in application of the Luxembourg tax legislation, the Bank's policy is to retain previous value adjustments on certain securities even if a loss is no longer deemed to be suffered as a result of an increase in valuation.

## Own shares

Own shares are recorded at cost on the balance sheet.

## Tangible and intangible assets

Tangible and intangible assets are recorded in the balance sheet at acquisition cost less accumulated depreciation.

Organisation costs included in assets on the balance sheet are generally amortised on a straight-line basis over five years.

The rates and methods of depreciation are as follows:

	<i>Depreciation rate</i>	<i>Method</i>
Property	50 years	Straight-line
Fittings	10 years	Straight-line
Equipment	4 years	Straight-line
Computer equipment	4 years	Straight-line
Software	3 years	Straight-line
Furniture	10 years	Declining balance

Equipment costing EUR 870 or less or whose useful life does not exceed one year is expensed.

## Provisions for liabilities and charges

Provisions for liabilities and charges cover probable or certain losses, the nature of which is clearly defined but the amount of which or the date on which they will arise are still uncertain at the balance sheet date.

## Fund for general banking risks

In accordance with Article 63 of the modified Law of 17 June 1992 on the accounts of credit institutions, the Bank has created a fund to cover specific risks associated with banking operations and arising during the normal course of business. Transfers to this fund are not deductible for tax purposes.

## Lump-sum provision for risk assets

In accordance with the applicable tax laws, the Bank has created a lump-sum provision in respect of the non-recovery of amounts owed to the Bank.

The maximum amount of this provision deductible for tax purposes is 1.25% of the risk weighted assets and off-balance sheet items calculated in accordance with CSSF circular 2000/10, specifying capital adequacy ratios.

The lump-sum provision proportion relating to balance sheet items is deducted from the value of the assets concerned. The lump-sum provision proportion relating to off-balance sheet items is allocated to the item "Provisions for liabilities and charges: Other provisions" under liabilities.

## Legal reserve

In accordance with Luxembourg law, at least 5% of the net profit is allocated annually to a legal reserve until that reserve equals 10% of the subscribed capital. This allocation is carried out in the following financial year. The legal reserve may not be distributed.

Differences on first consolidation ("Goodwill")

Differences on first consolidation represent the difference between the cost of the parent company's participation in the consolidated subsidiaries and its share of the net assets of these companies on the date of acquisition of the participation.

If positive, the difference on first consolidation is deducted from the consolidation reserves on the date on which the company to be consolidated is included in the consolidated accounts for the first time.

If negative, the difference on first consolidation is included on the liabilities side of the consolidated balance sheet.

Taxes

Taxes are charged to the operating profit for the year to which they relate in accordance with the accruals principle and not to the year in which payment occurs. Tax provisions have been created for the years for which the tax authorities have not finally determined the amount of tax due.

**Note 5 - Cash, balances with central banks and post offices**

All amounts under Cash, balances with central banks and post offices are at sight.

**Note 6 - Treasury bills and other bills eligible for refinancing with the central bank**

Treasury bills and other bills eligible for refinancing with the central bank have a residual maturity of 3 months to a year.

**Note 7 - Loans and advances to credit institutions**

Loans and advances to credit institutions, other than those repayable on demand, were according to residual maturity as follows:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
3 months or less	275,639	36,313
3 months to a year	114,580	117,858
From 1 to 5 years	188,668	1,647,080
Over 5 years	152,572	162,077
	731,459	1,963,328

The item Loans and advances to credit institutions includes:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
Loans and advances to affiliated undertakings	6,457,395	10,286,621

The item Loans and advances to credit institutions includes subordinated loans in the following amounts:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
For a fixed term	10,000	10,000

**Note 8 - Loans and advances to customers**

Loans and advances to customers were analysed as follows:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
3 months or less	2,932,720	2,291,239
3 months to a year	583,596	564,311
From 1 to 5 years	1,455,969	960,078
Over 5 years	3,387,061	2,934,943
	8,359,346	6,750,571

This item includes:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
Loans and advances to affiliated undertakings	90,798	9,348
Loans and advances to undertakings in which the Bank has a participating interest	31,046	10,161

The item Loans and advances to customers includes subordinated loans in the following amounts:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
For an indefinite term	40	122
<i>Of which: to affiliated undertakings</i>	40	122
For a fixed term	16,118	60
<i>Of which: to undertakings in which the Bank has a participating interest</i>	60	60
	16,158	182

**Note 9 - Leasing transactions**

Leasing transactions were analysed as follows:

a) According to counterparty:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
Credit institutions	167,539	88,207
Customers	4,189,836	761,222
	4,357,375	849,429

b) According to residual maturity:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
3 months or less	358,393	45,468
3 months to a year	1,134,455	136,069
From 1 to 5 years	2,133,270	400,444
Over 5 years	731,257	267,448
	4,357,375	849,429



**Note 10 - Debt securities and other fixed-income securities**

Debt securities and other fixed-income securities were analysed as follows:

## a) According to maturity:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
3 months or less	378,703	337,388
3 months to a year	837,078	920,825
From 1 to 5 years	8,183,666	6,919,577
Over 5 years	6,309,437	5,131,488
	15,708,884	13,309,278

## b) According to listing on an exchange:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
Securities listed on an exchange	8,936,049	8,610,097
Securities not listed on an exchange	6,772,835	4,699,181
	15,708,884	13,309,278

## c) According to nature:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
Securities held in the investment portfolio	9,944,464	9,035,789
Securities held in the structural portfolio	5,727,935	4,192,493
Securities held in the trading portfolio	36,485	80,996
	15,708,884	13,309,278

The item Debt securities and other fixed-income securities includes securities eligible for refinancing with a Central Bank in the Euro zone in an amount of EUR 8,271,998,000 (31 December 2004: EUR 8,555,152,000).

The item Debt securities and other fixed-income securities includes fixed-income securities issued by:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
Affiliated undertakings	1,679	10,763
Undertakings in which the Bank has a participating interest	9,966	9,960

Debt securities and other fixed-income securities of a subordinated nature were as follows:

**Fixed-income securities**

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
Fixed-income securities	62,160	71,094

Book and "fair value" values of the trading portfolio were analysed as follows:

**Book value**

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
3 months or less	-	5,865
3 months to a year	586	16,799
From 1 to 5 years	22,024	46,230
Over 5 years	13,875	12,102
	36,485	80,996

**"Fair value"**

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
3 months or less	-	6,298
3 months to a year	929	17,645
From 1 to 5 years	22,309	47,996
Over 5 years	13,980	12,293
	37,218	84,232

With reference to Articles 56 (2)f and 58 (2)e of the modified Law of 17 June 1992 on the accounts of credit institutions and in compliance with Luxembourg tax law, the group made exceptional value adjustments to this item totalling EUR 25,647,000 (31 December 2004: EUR 33,078,000). These exceptional value adjustments were analysed as follows:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
Securities held in the investment portfolio	22,231	27,461
Securities held in the structural portfolio	3,290	4,847
Securities held in the trading portfolio	126	770
	25,647	33,078

The pro rata amounts of premiums and discounts accumulated since the date of their acquisition on debt securities and other fixed-income securities held as financial fixed assets were respectively EUR 104,981,000 (31 December 2004: EUR 74,225,000) and EUR 10,843,000 (31 December 2004: EUR 12,948,000).

**Note 11 - Shares and other variable-yield securities**

Shares and other variable-yield securities were analysed as follows:

a) According to listing on an exchange:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
Securities listed on an exchange	326,339	236,959
Securities not listed on an exchange	1,154,442	164,261
	1,480,781	401,220

b) According to nature:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
Securities held in the structural portfolio	1,471,669	395,611
Securities held in the trading portfolio	9,112	5,609
	1,480,781	401,220

Book and "fair value" values of the trading portfolio were as follows:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
Book value	9,112	5,609
"Fair value"	13,977	6,635

With reference to Article 58 (2)e of the modified Law of 17 June 1992 on the accounts of credit institutions and in compliance with Luxembourg tax law, the group made exceptional value adjustments to this item amounting to EUR 35,905,000 (31 December 2004: EUR 29,021,000).

Exceptional value adjustments were as follows:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
Securities held in the structural portfolio	35,905	28,537
Securities held in the trading portfolio	-	484
	35,905	29,021

#### **Note 12 - Participating interests**

Participating interests were analysed as follows:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
Securities listed on an exchange	53,430	54,115
Securities not listed on an exchange	25,151	24,217
	78,581	78,332

	Thousands of EUR	
Credit institutions	383	383
Other undertakings	78,198	77,949
	78,581	78,332

#### **Note 13 - Shares in affiliated undertakings**

Shares in affiliated undertakings were analysed as follows:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
Securities not listed on an exchange	27,445	30,295

	Thousands of EUR	
Other undertakings	27,445	30,295

#### **Note 14 - Intangible assets**

Intangible assets, which totalled EUR 3,719,000 (31 December 2004: EUR 1,685,000), consist primarily of start-up expenses and capital increases of subsidiaries as well as goodwill purchased.

#### **Note 15 - Tangible assets**

Tangible assets, which totalled EUR 3,857,966,000 (31 December 2004: EUR 395,493,000), include a net amount of EUR 200,359,000 (acquisition price less accumulated depreciation) representing the part of land and buildings used by the group for its own activities (31 December 2004: EUR 200,312,000).

#### **Note 16 - Assets denominated in foreign currencies**

Assets denominated in foreign currencies totalled EUR 12,591,537,000 (31 December 2004: EUR 9,108,661,000). This amount includes the spot element of transactions for which the hedging component is included in forward foreign exchange transactions.

**Note 17 - Movements in fixed assets**

Movements in assets considered as fixed assets under Article 56 of the modified Law of 17 June 1992 on the accounts of credit institutions are set out in the following table:

(Thousands of EUR )

Items	Gross values					Value adjustments at year-end		Net values at year-end
	Gross value at beginning of year	Additions	Disposals	Transfers and exchange rate adjustments	Gross value at year-end	Cumulative adjustments (1) and (2)	Cumulative write-backs	
Debt securities and other fixed-income securities	9,138,639	2,547,453	-2,017,153	371,731	10,040,670	-96,206		9,944,464
Participating interests	84,103	623	-926	-	83,800	-5,219		78,581
Shares in affiliated undertakings	42,173	9	-8,559	-5	33,618	-6,173		27,445
Subsidiaries accounted for under the equity method	337,390	28,413	-	-	365,803	-		365,803
Intangible assets of which:	6,332	8,066	-334	-1	14,063	-10,344		3,719
a) Organisation costs	4,452	6	-	-1	4,457	-4,429		28
b) Concessions, patents, licences, trade marks and similar rights and assets acquired for valuable consideration but which are not part of goodwill	1,880	4,550	-334	-	6,096	-2,845		3,251
c) Goodwill	-	3,510	-	-	3,510	-3,070		440
Tangible assets of which:	837,817	6,195,864	-774,997	-584,005	5,674,679	-1,816,713		3,857,966
a) Land and buildings	532,649	47,048	-15,960	-1,755	561,982	-225,392		336,590
b) Plant and machinery	253,652	6,141,716	-758,698	-582,175	5,054,495	-1,548,314		3,506,181
c) Other fixtures and fittings, tools and equipment	51,493	6,052	-335	-75	57,135	-43,007		14,128
d) Payments on account	23	1,048	-4	-	1,067	-		1,067
Other assets	123	8,299	-8	-	8,414	-		8,414

(1) Balance of value adjustments and releases.

(2) The Bank has availed itself of the option under Article 48 of the modified Law of 17 June 1992 on the accounts of credit institutions, of offsetting value adjustments and write-backs of value adjustments on securities considered as financial fixed assets, participating interests and shares in affiliated undertakings.

(3) Assets involved in operating lease transactions represent amounts of EUR 106,637,000 under land and buildings (31 December 2004: EUR 95,654,000) and EUR 3,472,965,000 under plant and machinery (31 December 2004: EUR 27,390,000).

**Note 18 - Own shares**

At 31 December 2005, the Bank held no own shares (31 December 2004: 316 shares with a book value of EUR 25.49 each, representing total value on acquisition of EUR 53,000).

**Note 19 - Other assets**

Other assets were analysed as follows:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
Short-term receivables	100,386	47,677
Option premiums purchased	30,677	80,024
Other	33,726	4,492
	164,789	132,193

Book values of option premiums purchased were analysed as follows:

**Book value**

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
3 months or less	2,524	39,553
3 months to a year	3,485	4,660
From 1 to 5 years	22,482	33,256
Over 5 years	2,186	2,555
	30,677	80,024

The "fair values" of trading portfolio option premiums purchased are shown in Note 31.

**Note 20 - Amounts owed to credit institutions**

Amounts owed to credit institutions with agreed maturity dates or periods of notice, analysed by residual maturity, were as follows:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
3 months or less	2,752,770	1,987,549
3 months to a year	672,471	99,880
From 1 to 5 years	1,934,219	161,487
Over 5 years	992,059	81,367
	6,351,519	2,330,283

The item Amounts owed to credit institutions includes:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
Amounts owed to affiliated undertakings	6,669,213	392,426

**Note 21 - Amounts owed to customers**

Amounts owed to customers represented by savings deposits, excluding special savings books, are repayable on demand and totalled EUR 2,225,650,000 (31 December 2004: EUR 2,345,448,000).

Amounts owed to customers recorded under the item "Other amounts owed with agreed maturity dates or periods of notice", analysed by residual maturity, were as follows:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
3 months or less	7,811,199	8,455,241
3 months to a year	735,592	859,721
From 1 to 5 years	109,313	150,791
Over 5 years	39,312	1,432,573
	8,695,416	10,898,326

The item Amounts owed to customers includes:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
Amounts owed to affiliated undertakings	464,946	413,964
Amounts owed to undertakings in which the Bank has a participating interest	97,188	136,433

**Note 22 - Debts evidenced by certificates**

Debts evidenced by certificates recorded under the item "Debt securities in issue", analysed by residual maturity, were as follows:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
3 months or less	234,369	282,041
3 months to a year	540,971	495,395
From 1 to 5 years	2,673,580	1,596,195
Over 5 years	2,441,953	1,380,909
	5,890,873	3,754,540

Debts evidenced by certificates recorded under the item "Other ", analysed by residual maturity, were as follows::

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
3 months or less	2,672,613	1,441,129
3 months to a year	93,646	538,419
	2,766,259	1,979,548

At 31 December 2005 and 2004, this heading did not include any debt to affiliated undertakings.

The positive difference between the amount repayable on debts evidenced by certificates and the amount received was EUR 23,454,000 (31 December 2004: EUR 16,917,000) and is included under accruals and deferred income.

**Note 23 - Other liabilities**

Other liabilities were analysed as follows:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
Short-term payables	554,177	670,206
Option premiums sold	11,212	10,460
Other	136,531	103,855
	701,920	784,521

Book values of option premiums sold were analysed as follows:

**Book value**

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
3 months or less	2,320	2,209
3 months to a year	3,707	3,731
From 1 to 5 years	2,763	3,662
Over 5 years	2,422	858
	11,212	10,460

The "fair values" of trading portfolio option premiums sold are detailed in Note 31.

**Note 24 - Subordinated liabilities**

Subordinated debt is governed generally by the following principles:

In the event of liquidation of the credit institution, the claim from subordinated creditors ranks after those of all non-subordinated creditors. Any early redemption or repurchase and any debt substitution is subject to prior authorisation from the Supervisory Commission for the Financial Sector (*Commission de Surveillance du Secteur Financier* or *CSSF*) and the initial maturity of each such debt cannot be less than five years. Issuance is governed by Luxembourg law. The courts in Luxembourg are competent.

Loans representing over 10% of total subordinated liabilities are as follows:

Amount of loan	Currency	Interest rate	Maturity
140,500,000	EUR	4.984%	30 Nov. 2025
150,000,000	EUR	Step up floating rate	16 Dec. 2015
100,000,000	USD	6.625%	23 Feb. 2011
100,000,000	EUR	6.50%	27 Oct. 2010

For the subordinated EUR 150,000,000 issue of 16 December 2005, mentioned above, the prospectus authorises the Bank, starting on 16 December 2010 and assuming prior agreement of the CSSF plus prior notification of at least 15 days and at most 45 days, to proceed with early redemption of all outstanding bonds at their nominal value at the date each quarterly interest payment falls due.

Subordinated liabilities were analysed as follows:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
3 months to a year	9,147	99,157
From 1 to 5 years	391,097	300,244
Over 5 years	509,782	199,729
	910,026	599,130

Interest expense paid during the year in respect of subordinated liabilities amounted to EUR 44,885,000 (31 December 2004: EUR 41,922,000) and is shown under the item "Interest paid and similar charges" in the consolidated profit and loss account.

Subordinated liabilities with affiliated undertakings totalled EUR 140,500,000 at 31 December 2005 (31 December 2004: EUR 0).

**Note 25 - Special items with a reserve quota portion**

The amount reported under "Special items with a reserve quota portion" consisted entirely of reinvested capital gains of EUR 134,457,000 under Article 54 of the income tax law (31 December 2004: EUR 134,774,000).

**Note 26 - Shareholders' equity**

Changes in shareholders' equity are shown in the table below:

(Thousands of EUR)

	Capital subscribed	Issuing premiums	Reserves				Profit carried forward
			Legal reserve	Free reserves	Unavailable reserves	Consolidation reserves	
<b>Balance at 31 décembre 2004</b>	<b>350,000</b>	<b>633,519</b>	<b>35,000</b>	<b>620,744</b>	<b>173,856</b>	<b>-414,797</b>	<b>260</b>
2004 profit (net of minority interests)	-	-	-	-	-	-	460,540
Profit appropriation:							
- dividends	-	-	-	-	-	-	-
- allocation to reserves	-	-	-	379,800	43,000	36,498	-459,298
- directors' fees	-	-	-	-	-	-	-1,311
Transfers	-	-	-	32,524	-32,524	-	-
Goodwill 2005	-	-	-	-	-	-176,942	-
<b>Balance at 31 décembre 2005</b>	<b>350,000</b>	<b>633,519</b>	<b>35,000</b>	<b>1,033,068</b>	<b>184,332</b>	<b>-555,241</b>	<b>191</b>

At 31 December 2005, subscribed and paid-up capital amounted to EUR 350,000,000 (authorised capital: EUR 382,350,000) represented by 13,732,035 shares (compared with an authorised maximum of 15,000,000 shares).

The register of registered shares is held at the head office of the Bank.

Goodwill recorded in 2005 results primarily from the acquisition of the leasing companies, Fundamentum Asset Management SA and shares not yet held in SADE.

Minority interests totalled EUR 3,246,000 at 31 December 2005, consisting primarily of minority shareholders' interests in the capital of Internaxx Bank SA. At 31 December 2004, the figure was EUR 20,251,000, consisting primarily of minority shareholders' interests in the capital of EuroLease Factor SA, Société Alsacienne de Développement et d'Expansion SA, and Internaxx Bank SA.

As provided under paragraph 8a of the wealth tax law of 16 October 1934, the Bank opted to reduce wealth tax for the 2005 financial year by EUR 9,500,000 (2004: EUR 8,600,000). To this end, in 2006 the Annual General Meeting will need to appropriate an amount of EUR 47,500,000 to a special reserve representing five times the amount of the wealth-tax liability. This reserve must remain on the balance sheet for the five years following that in which the appropriation is made.

**Note 27 - Liabilities denominated in foreign currencies**

Liabilities denominated in foreign currencies totalled EUR 12,506,907,000 (31 December 2004: EUR 9,018,422,000). This amount includes the spot element of transactions for which the hedging component is included in forward foreign exchange transactions.

**Note 28 - Contingent liabilities**

Contingent liabilities consisted of the following principal items:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
Guarantees and other direct credit substitutes	1,458,706	1,279,992
Documentary credits	41,267	49,594
Counter-guarantees	831,366	348,220
	<b>2,331,339</b>	<b>1,677,806</b>

Contingent liabilities towards affiliated undertakings amounted to EUR 1,495,000 (31 December 2004: EUR 22,288,000).

Contingent liabilities were as follows:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
3 months or less	305,060	234,580
3 months to a year	350,411	139,915
From 1 to 5 years	683,409	345,522
Over 5 years	992,461	957,789
	<b>2,331,339</b>	<b>1,677,806</b>



**Note 29 - Commitments**

The Bank's commitments were analysed as follows:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
Forward purchases of assets	-	1,969,907
Amounts not paid up on securities, participating interests and shares in affiliated undertakings	9,065	10,659
Confirmed credits which are undrawn	5,726,778	4,017,773
	5,735,843	5,998,339

Commitments towards affiliated undertakings amounted to EUR 23,508,000 (31 December 2004: EUR 6,870,000).

Confirmed credits which are undrawn were analysed as follows:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
3 months or less	945,417	601,299
3 months to a year	1,054,196	1,699,421
From 1 to 5 years	2,272,551	1,201,912
Over 5 years	1,454,614	515,141
	5,726,778	4,017,773

**Note 30 - Assets serving as collateral**

At 31 December 2005, the Bank had pledged assets amounting to EUR 1,831,719,000 as collateral for its own undertakings (31 December 2004: EUR 2,011,483,000). Transactions guaranteed are primarily those linked to operations concluded with the Luxembourg Central Bank.

**Note 31 - Derivatives at balance sheet date**

The tables below provide a breakdown of derivative financial assets and liabilities entered into for trading or hedging purposes and traded on an organised market or an OTC (over-the-counter) market. The breakdown into financial assets and liabilities is made on the basis of the market value at the balance sheet date (positive fair value = asset, and negative fair value = liability).

The "fair value" columns show the fair values of traded derivative products at the end of the financial year.



**b) Derivative financial products entered into for trading purposes and traded on an OTC market**

Notional and "fair values" of traded derivative financial products were analysed as follows at the balance sheet date:

(Thousands of EUR)

At 31 December 2005	3 months or less		3 months to a year		From 1 to 5 years		Over 5 years		TOTAL	
	Notional value	Fair value	Notional value	Fair value	Notional value	Fair value	Notional value	Fair value	Notional value	Fair value
<b>Assets</b>										
Interest-related operations:										
Swap contracts	23,200	1,101	331,481	894	100,811	2,742	94,408	8,529	549,900	13,266
Options	-	-	70,000	116	113,954	325	74,869	1,259	258,823	1,700
Exchange rate operations:										
Swap contracts	-	-	-	-	137,624	6,153	-	-	137,624	6,153
Stock market/index-linked operations:										
Options	-	-	-	-	-	-	142,697	-	142,697	-
Futures	-	-	-	-	-	-	-	-	-	-
							<b>TOTAL</b>		<b>1,089,044</b>	<b>21,119</b>
<b>Liabilities</b>										
Interest-related operations:										
Swap contracts	23,200	-632	331,481	-878	88,000	-2,765	93,658	-8,323	536,339	-12,598
Options	-	-	70,268	-116	75,179	-245	59,909	-1,152	205,356	-1,513
Exchange rate operations:										
Futures contracts	3,142	-380	1,642	-195	-	-	-	-	4,784	-575
Swap contracts	-	-	-	-	143,802	-6,151	-	-	143,802	-6,151
Stock market/index-linked operations:										
Options	-	-	-	-	-	-	1,032,972	-	1,032,972	-
Futures	-	-	-	-	-	-	-	-	-	-
							<b>TOTAL</b>		<b>1,923,253</b>	<b>-20,837</b>

Notional and "fair values" of traded derivative financial products were analysed as follows at 31 December 2004:

(Thousands of EUR)

At 31 December 2004	3 months or less		3 months to a year		From 1 to 5 years		Over 5 years		TOTAL	
	Notional value	Fair value	Notional value	Fair value	Notional value	Fair value	Notional value	Fair value	Notional value	Fair value
<b>Assets</b>										
Interest-related operations:										
Swap contracts	-	-	78,831	734	832,727	10,998	137,509	10,444	1,049,067	22,176
Options	-	-	29,600	735	147,654	835	20,772	406	210,690	1,408
Exchange rate operations:										
Futures contracts	220	-	699	77	-	-	-	-	919	77
Swap contracts	18,144	826	-	-	79,667	8,696	-	-	97,811	9,522
							<b>TOTAL</b>		<b>1,358,487</b>	<b>33,183</b>
<b>Liabilities</b>										
Interest-related operations:										
Swap contracts	-	-	78,831	-806	815,100	-10,830	137,510	-10,214	1,031,441	-21,850
Options	-	-	29,600	-135	149,687	-802	20,772	-406	211,223	-1,408
Exchange rate operations:										
Futures contracts	282	-	5,361	-88	4,784	-12	-	-	10,427	-100
Swap contracts	18,964	-826	-	-	88,400	-8,649	-	-	107,364	-9,475
							<b>TOTAL</b>		<b>1,360,455</b>	<b>-32,833</b>

**c) Derivative financial products entered into for hedging purposes and traded on an organised market**

At 31 December 2004 and 2005, the Bank did not hold non traded derivative financial products traded on an organised market.

**d) Derivative financial products entered into for hedging purposes and traded on an OTC market**

Notional values of non traded derivative financial products were analysed as follows at the balance sheet date:

(Thousands of EUR)					
At 31 December 2005	3 months or less	3 months to a year	From 1 to 5 years	Over 5 years	TOTAL
	Notional value	Notional value	Notional value	Notional value	Notional value
<b>Assets</b>					
Interest-related operations:					
Swap contracts	116,044	745,823	3,641,739	515,926	5,019,532
Exchange rate operations:					
Futures contracts	2,818,451	1,513,332	34,195	-	4,365,978
Swap contracts	-	54,161	154,370	14,535	223,066
Options	160,125	105,341	20,719	-	286,185
Stock market/index-linked operations:					
Options	3,000	45,132	326,261	102,051	476,444
				<b>TOTAL</b>	<b>10,371,205</b>
<b>Liabilities</b>					
Interest-related operations:					
Swap contracts	1,224,661	1,022,719	3,964,678	3,599,034	9,811,092
Exchange rate operations:					
Futures contracts	2,834,460	1,514,531	46,447	-	4,395,438
Swap contracts	-	36,597	119,455	146,343	302,395
Options	158,338	105,073	20,787	-	284,198
Stock market/index-linked operations:					
Options	19,188	43,469	245,715	-	308,372
				<b>TOTAL</b>	<b>15,101,495</b>

Notional values of non traded derivative financial products were analysed as follows at 31 December 2004:

(Thousands of EUR)					
At 31 December 2004	3 months or less	3 months to a year	From 1 to 5 years	Over 5 years	TOTAL
	Notional value	Notional value	Notional value	Notional value	Notional value
<b>Assets</b>					
Interest-related operations:					
Swap contracts	64,942	959,083	2,995,422	551,644	4,571,091
Options	2,000	-	51,515	8,753	62,268
Exchange rate operations:					
Futures contracts	2,376,355	381,673	51,940	-	2,809,968
Swap contracts	-	84,497	154,880	43,491	282,868
Options	70,073	90,675	12,383	-	173,131
Stock market/index-linked operations:					
Options	111,143	38,194	192,037	101,578	442,952
				<b>TOTAL</b>	<b>8,342,278</b>
<b>Liabilities</b>					
Interest-related operations:					
Swap contracts	399,539	1,064,479	2,974,252	1,515,954	5,954,224
Options	28,000	-	73,658	20,178	121,836
Exchange rate operations:					
Futures contracts	2,408,442	378,595	76,774	-	2,863,811
Swap contracts	-	-	85,418	88,885	174,303
Options	67,396	87,324	10,092	-	164,812
Stock market/index-linked operations:					
Options	20,953	100,933	314,968	11,935	448,789
				<b>TOTAL</b>	<b>9,727,775</b>

**Note 32 - Credit risk management**

The degree of risk in respect of derivatives is measured on the basis of the total replacement cost, that is the estimated amount it would cost the Bank to reconstitute the contract with another counterparty, should the original counterparty default.

The current, potential and total replacement cost is calculated in accordance with the statutory provisions laid down in CSSF Circular 2000/10, defining capital adequacy ratios pursuant to Article 56 of the modified Law of 5 April 1993 on the financial sector.

The "current replacement cost" is determined on the basis of the market value of contracts with a positive fair value at the balance sheet date.

The "potential replacement cost" reflects the likely risk over the residual life of the contract. It is calculated by applying the weighting coefficients defined in CSSF Circular 2000/10 to the notional value of the contracts, for both financial assets and liabilities.

The bank's credit risk exposure can be analysed as follows at the balance sheet date:

(Thousands of EUR)						
At 31 December 2005	Notional amounts	Replacement cost		Guarantees	Net risk exposure	
		Current replacement cost	Potential future exposure	Total		
Treasury bills and other bills eligible for refinancing with the central bank	417	-	-	-	-	417
Loans and advances to credit institutions	7,213,161	-	-	-	456	7,212,705
Loans and advances to customers	8,359,346	-	-	-	3,975,700	4,383,646
Leasing transactions	4,357,375	-	-	-	-	4,357,375
Debt securities and other fixed-income securities	15,708,884	-	-	-	3,300,740	12,408,144
Shares and other variable-yield securities	1,480,781	-	-	-	-	1,480,781
Contingent liabilities and commitments	8,067,182	-	-	-	908,555	7,158,627
Derivative financial products OTC	26,703,696	411,538	299,280	710,818	-	710,818
<b>TOTAL</b>	<b>71,890,842</b>	<b>411,538</b>	<b>299,280</b>	<b>710,818</b>	<b>8,185,451</b>	<b>37,712,513</b>
<i>Derivative financial products OTC</i>						
<i>Interest-related operations:</i>						
Swap contracts	15,916,864	280,332	103,089	383,421	-	383,421
Options	232,786	720	1,486	2,206	-	2,206
<i>Exchange rate operations:</i>						
Futures contracts	8,766,200	46,280	90,953	137,233	-	137,233
Swap contracts	806,887	44,197	40,736	84,933	-	84,933
Options	286,589	6,194	3,695	9,889	-	9,889
<i>Stock market/index-linked operations:</i>						
Options	694,370	33,815	59,321	93,136	-	93,136
<b>DERIVATIVES TOTAL</b>	<b>26,703,696</b>	<b>411,538</b>	<b>299,280</b>	<b>710,818</b>	<b>-</b>	<b>710,818</b>

The Bank's credit risk exposure can be analysed as follows at 31 December 2004:

(Thousands of EUR)

At 31 December 2004	Notional amounts	Replacement cost		Guarantees	Net risk exposure
		Current replacement cost	Potential future exposure	Total	
Treasury bills and other bills eligible for refinancing with the central bank	1,485	-	-	-	1,485
Loans and advances to credit institutions	11,113,691	-	-	-	11,077,405
Loans and advances to customers	6,750,571	-	-	3,447,782	3,302,789
Leasing transactions	849,429	-	-	-	849,429
Debt securities and other fixed-income securities	13,309,278	-	-	2,344,195	10,965,083
Shares and other variable-yield securities	401,220	-	-	-	401,220
Contingent liabilities and commitments	7,676,146	-	-	732,751	6,943,395
Derivative financial products OTC	20,000,363	327,858	222,704	550,562	550,562
<b>TOTAL</b>	<b>60,102,183</b>	<b>327,858</b>	<b>222,704</b>	<b>550,562</b>	<b>6,561,014</b>
<i>Derivative financial products OTC</i>					
Interest-related operations:					
Swap contracts	12,605,821	163,662	72,807	236,469	236,469
Options	198,026	1,172	1,050	2,222	2,222
Exchange rate operations:					
Futures contracts	5,685,126	29,875	62,191	92,066	92,066
Swap contracts	662,346	72,400	31,563	103,963	103,963
Options	173,131	3,245	2,227	5,472	5,472
Stock market/index-linked operations:					
Options	675,913	57,504	52,866	110,370	110,370
<b>DERIVATIVES TOTAL</b>	<b>20,000,363</b>	<b>327,858</b>	<b>222,704</b>	<b>550,562</b>	<b>550,562</b>

### **Note 33 - Management and agency services provided to third parties**

The Bank provides management services and services on an agency basis to third parties, primarily portfolio management, the safekeeping and administration of securities, the renting of vault space, fiduciary services and other agency functions.

### **Note 34 - Breakdown of income**

With reference to Article 68 (3) of the modified Law of 17 June 1992 on the accounts of credit institutions, no breakdown by geographical market is given for income recorded under the headings "Interest received and similar income", "Income from securities", "Commissions received", "Net profit on financial operations" and "Other operating income" since there is no major difference in markets represented.

The group's activities are mainly focused on member countries of the OECD.

### **Note 35 - Other operating income**

Other operating income of EUR 873,426,000 (31 December 2004: EUR 142,828,000) consisted mainly of income from leasing activities, capital gains on sales of participating interests and shares in affiliated undertakings, write-backs of provisions for liabilities and charges and income relating to previous years.

### **Note 36 - Other operating charges**

Other operating charges of EUR 56,165,000 (31 December 2004: EUR 63,353,000) consisted primarily of allocations to the provision for liabilities and charges and to the provision for the Deposit Guarantee Association (*Association pour la Garantie des Dépôts, Luxembourg* or *AGDL*), and of charges in relation with leasing activities.

**Note 37 - Deposit Guarantee Association**

The Bank is a member of the Deposit Guarantee Association (*Association pour la Garantie des Dépôts, Luxembourg* or *AGDL*).

The sole object of the AGDL is to establish a mutual system to guarantee cash deposits and claims resulting from investment operations of private customers of AGDL member banks, irrespective of their nationality or place of residence, of companies subject to Luxembourg law or subject to the law of another member state of the European Union, which, because of their size, are authorised to draw up abbreviated accounts in accordance with relevant legislation, as well as of companies of comparable size which are subject to the law of another member state of the European Union.

Guaranteed cash deposits and guaranteed investor claims are reimbursed by the AGDL up to an amount of EUR 20,000 (or the equivalent value in any foreign currency) per guaranteed cash deposit and of EUR 20,000 per guaranteed claim resulting from investment operations other than those concerning cash deposits.

The amount of the contribution of each member shall in no case exceed 5% per calendar year of his shareholder's equity as defined by the CSSF, pursuant to the law.

As at 31 December 2005, the Bank had a provision for possible future commitments in connection with the guarantee. The amount of this provision is included in the liabilities item "Provisions for liabilities and charges".

**Note 38 - Staff**

During 2005 the group employed an average of 3,301 people, of whom 2,838 were full-time employees and 463 part-time employees (31 December 2004: 3,023 of whom 2,533 were full-time and 490 part-time employees).

The average number of staff employed by the consolidated companies was as follows:

	2005	2004
Senior management	104	113
Other management	458	491
Employees	2,739	2,419
	<b>3,301</b>	<b>3,023</b>

Employees of trust companies (276 people on average) are counted over only nine months in 2004.

**Note 39 - Emoluments, loans and guarantees granted to members of the Board of Directors and to Senior Management of the Bank**

(Thousands of EUR)

2005	Position-related remuneration	Authorised lines of credit and guarantees	Lines of credit and guarantees drawn	Pension commitments
Members of the Board of Directors	1,365	7,735	4,937	-
Senior management	17,119	19,346	16,857	1,899
	<b>18,484</b>	<b>27,081</b>	<b>21,794</b>	<b>1,899</b>
<b>2004</b>				
Members of the Board of Directors	1,365	4,544	4,125	-
Senior management	17,371	18,941	17,229	1,784
	<b>18,736</b>	<b>23,485</b>	<b>21,354</b>	<b>1,784</b>

**Note 40 - Extraordinary results**

Extraordinary results amounting to EUR 1,014,831 at 31 December 2005 (31 December 2004: EUR 1,453,707) mainly result from the sale of fixed assets, in particular property not used for business operation.





# The Unconsolidated Accounts of the Bank in 2005



# Unqualified Auditor's Report

To the Board of Directors  
Fortis Banque Luxembourg SA  
(formerly Banque Générale du Luxembourg SA)  
50, avenue J.F. Kennedy  
L-2951 Luxembourg

Following our appointment by the Board of Directors on 18 November 2004, we have audited the accompanying annual accounts of Fortis Banque Luxembourg SA for the year ended 31 December 2005, and have read the related management report. These annual accounts and the management report are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these annual accounts based on our audit and to check that the management report is consistent with them.

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

In our opinion, the attached annual accounts give, in conformity with Luxembourg legal and regulatory requirements, a true and fair view of the financial position of Fortis Banque Luxembourg SA as at 31 December 2005 and of the results of its operations for the year then ended.

The management report is consistent with the annual accounts.

*KPMG Audit S.à r.l.  
Réviseurs d'Entreprises*

Luxembourg, 16 March 2006

E. Damotte

<b>ASSETS</b>	<b>Notes</b>	<b>31 Dec. 2005</b>	<b>31 Dec. 2004</b>
<b>Cash, balances with central banks and post office banks</b>	3	<b>369,363,066</b>	<b>545,712,007</b>
<b>Loans and advances to credit institutions</b>	4	<b>7,774,809,929</b>	<b>11,709,934,119</b>
a) repayable on demand		6,375,189,967	9,059,721,841
b) other loans and advances		1,399,619,962	2,650,212,278
<b>Loans and advances to customers</b>	5	<b>8,232,287,826</b>	<b>6,354,051,289</b>
<b>Debt securities and other fixed-income securities</b>	6 and 13	<b>16,595,973,914</b>	<b>13,178,476,824</b>
a) issued by public bodies		7,846,122,956	5,768,963,793
b) issued by other borrowers		8,749,820,958	7,409,513,031
<b>Shares and other variable-yield securities</b>	7	<b>447,476,250</b>	<b>378,675,639</b>
<b>Participating interests</b>	8 and 13	<b>72,718,846</b>	<b>72,584,584</b>
<b>Shares in affiliated undertakings</b>	9 and 13	<b>1,866,033,256</b>	<b>1,096,605,725</b>
<b>Intangible assets</b>	10 and 13	-	<b>20,723,905</b>
<b>Tangible assets</b>	11 and 13	<b>185,344,382</b>	<b>201,064,383</b>
<b>Own shares</b>	14	-	<b>53,327</b>
<b>Other assets</b>	13 and 15	<b>122,213,012</b>	<b>116,231,225</b>
<b>Prepayments and accrued income</b>		<b>769,857,981</b>	<b>598,742,422</b>
<b>TOTAL ASSETS</b>		<b>36,436,078,462</b>	<b>34,272,855,449</b>

The notes refer to the Notes to the Accounts.

<b>LIABILITIES</b>	<b>Notes</b>	<b>31 Dec. 2005</b>	<b>31 Dec. 2004</b>
<b>Amounts owed to credit institutions</b>	16	<b>3,054,372,530</b>	<b>2,537,954,084</b>
a) repayable on demand		1,113,426,435	457,934,502
b) with agreed maturity dates or periods of notice		1,940,946,095	2,080,019,582
<b>Amounts owed to customers</b>	17	<b>19,097,661,462</b>	<b>19,575,972,379</b>
a) savings deposits		2,283,010,317	2,402,352,339
b) other debts:		16,814,651,145	17,173,620,040
- repayable on demand		8,478,705,707	7,759,753,220
- with agreed maturity dates or periods of notice		8,335,945,438	9,413,866,820
<b>Debts evidenced by certificates</b>	18	<b>8,657,131,577</b>	<b>7,159,430,424</b>
a) debt securities in issue		5,890,872,670	5,179,882,094
b) other		2,766,258,907	1,979,548,330
<b>Other liabilities</b>	19	<b>592,973,051</b>	<b>713,220,774</b>
<b>Accruals and deferred income</b>		<b>374,176,329</b>	<b>299,517,908</b>
<b>Provisions for liabilities and charges</b>		<b>459,891,815</b>	<b>422,194,300</b>
a) provisions for tax		192,578,062	176,330,023
b) other provisions		267,313,753	245,864,277
<b>Subordinated liabilities</b>	20	<b>769,525,559</b>	<b>599,130,147</b>
<b>Special items with a reserve quota portion</b>	21	<b>133,383,016</b>	<b>135,201,741</b>
<b>Fund for general banking risks</b>		<b>592,812,575</b>	<b>592,812,575</b>
<b>Subscribed capital</b>	22	<b>350,000,000</b>	<b>350,000,000</b>
<b>Share premium account</b>	22	<b>633,518,630</b>	<b>633,518,630</b>
<b>Reserves</b>	22	<b>1,252,400,000</b>	<b>829,600,000</b>
<b>Profit brought forward</b>	22	<b>191,119</b>	<b>260,255</b>
<b>Profit for the financial year</b>		<b>468,040,799</b>	<b>424,042,232</b>
<b>TOTAL LIABILITIES</b>		<b>36,436,078,462</b>	<b>34,272,855,449</b>
<b>OFF-BALANCE SHEET ITEMS</b>			
<b>Contingent liabilities</b>	24	<b>2,168,236,918</b>	<b>1,551,838,409</b>
of which:			
- guarantees and assets pledged as collateral security		1,587,518,517	1,294,697,765
<b>Commitments</b>	25	<b>6,706,583,659</b>	<b>5,956,323,480</b>
<b>Fiduciary operations</b>		<b>2,022,290,745</b>	<b>1,576,832,028</b>

The notes refer to the Notes to the Accounts.

	Notes	31 Dec. 2005	31 Dec. 2004
<b>Interest received and similar income</b>	30	+ 1,757,143,031	+ 2,591,394,343
of which: arising from fixed-income securities		615,421,458	552,955,269
<b>Interest paid and similar charges</b>		- 1,385,868,271	- 2,196,285,037
<b>Income from securities</b>	30	+ 168,826,822	+ 124,041,446
a) income from shares and other variable-yield securities		21,309,618	16,785,041
b) income from participating interests		5,485,482	3,620,028
c) income from shares in affiliated undertakings		142,031,722	103,636,377
<b>Commissions receivable</b>	30	+ 283,560,858	+ 254,050,825
<b>Commissions payable</b>		- 63,065,176	- 48,178,480
<b>Net profit on financial operations</b>	30	+ 41,118,990	+ 28,317,565
<b>Other operating income</b>	30 and 31	+ 66,774,722	+ 86,145,919
<b>General administrative expenses</b>		- 284,660,498	- 272,728,241
a) Staff costs	34 and 35	176,498,685	167,959,746
of which:			
- wages and salaries		148,926,183	141,793,842
- social security costs		22,984,917	21,863,359
of which: relating to pensions		18,220,559	17,442,680
b) Other administrative expenses		108,161,813	104,768,495
<b>Value adjustments in respect of tangible and intangible assets</b>		- 49,194,653	- 62,399,781
<b>Other operating charges</b>	32	- 22,788,892	- 31,810,197
<b>Value adjustments in respect of loans and advances and provisions for contingent liabilities and commitments</b>		+ 8,953,371	+ 12,412,382
<b>Value adjustments in respect of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings</b>		+ 12,961,398	+ 29,111,739
<b>Transfers to "special items with reserve quota portion"</b>		- 2,181,463	- 872,585
<b>Income from the writing back of "special items with reserve quota portion"</b>		+ 4,000,188	+ 2,141,495
<b>Tax on results on ordinary activities</b>		- 66,207,083	- 90,275,595
<b>Results on ordinary activities, after tax</b>		+ 469,373,344	+ 425,065,798
<b>Extraordinary charges</b>		- 128,547	-
<b>Extraordinary results</b>	36	- 128,547	-
<b>Other taxes not shown under the preceding items</b>		- 1,203,998	- 1,023,566
<b>PROFIT FOR THE FINANCIAL YEAR</b>		468,040,799	424,042,232

The notes refer to the Notes to the Accounts.

**Note 1 - General Information**

Founded on 29 September 1919, Banque Générale du Luxembourg (referred to below as “the Bank”) took the legal form of a limited liability company under Luxembourg law on 21 June 1935. The Extraordinary General Meeting of Shareholders of 17 November 2005 voted to change the name of the Bank from “Banque Générale du Luxembourg” to “Fortis Banque Luxembourg”.

The corporate purpose of the Bank is to engage in all types of banking and financial operations and services, to take participating interests in businesses as well as to undertake commercial, industrial and other operations, including transactions in moveable or real property, for its own account and on behalf of third parties, relating directly or indirectly to its corporate purpose or being conducive to favour its achievement. It may perform its activities in the Grand Duchy of Luxembourg or abroad.

The Bank is included in the consolidated accounts of Fortis Bank SA, its principal shareholder. The consolidated accounts of Fortis Bank SA are available at its registered address, which is 3 Montagne du Parc, Brussels.

The Bank is a member of the Fortis group, the broadest grouping of businesses in which it is included as a subsidiary. The consolidated accounts of the Fortis group are available at the following addresses:

- Fortis and Fortis SA: Fortis, Rue Royale 20, 1000 Brussels, Belgium
- Fortis and Fortis NV: Fortis, Archimedeslaan 6, 3584 BA Utrecht, the Netherlands.

The Bank’s major participations are set out in the table below:

Name	Registered office	Percentage of capital held		Net worth at 31 December 2005 (*)		Profit at 31 December 2005
BGL FINANCE HOLDING S.A.	LUXEMBOURG	99.99%	EUR	76,686,807	EUR	2,181,423
BIP INVESTMENT PARTNERS S.A. (formerly BGL INVESTMENT PARTNERS S.A.)	LUXEMBOURG	41.33%	EUR	287,405,213	EUR	51,872,089
BG RÉ S.A.	LUXEMBOURG	99.00%	EUR	6,822,225	EUR	11,898,670
FORTIS BANQUE (SUISSE) S.A. (formerly BANQUE MEESPIERSON BGL S.A.)	GENEVA (CH)	80.34%	CHF	117,736,591	CHF	36,614,166
COFHYLUX S.A.	LUXEMBOURG	99.42%	EUR	26,290,126	EUR	1,883,407
DALGARNO S.A.	LUXEMBOURG	99.97%	EUR	31,000	EUR	-3
DELVINO S.A.	LUXEMBOURG	99.97%	EUR	31,000	EUR	-3
FAM FUND ADVISORY S.A.	LUXEMBOURG	100.00%	EUR	85,000	EUR	677,796
FAM PERSONAL FUND ADVISORY S.A.	LUXEMBOURG	100.00%	EUR	85,000	EUR	675,431
FUNDAMENTUM ASSET MANAGEMENT S.A. (FAM)	LUXEMBOURG	80.00%	EUR	1,200,000	EUR	1,728,330
FASTNET BELGIUM S.A.	BRUSSELS (B)	45.00%	EUR	2,218,829	EUR	338,295
FASTNET EUROPE S.A.	LUXEMBOURG	28.00%	EUR	1,282,202	EUR	-12,052
FASTNET FRANCE S.A.	PARIS (F)	10.76%	EUR	9,262,389	EUR	1,109,119
FASTNET LUXEMBOURG S.A.	LUXEMBOURG	45.00%	EUR	6,190,829	EUR	1,196,404
FASTNET NETHERLANDS N.V.	AMSTERDAM (NL)	44.99%	EUR	1,872,211	EUR	371,284
FORTIS INVESTMENT MANAGEMENT S.A.	BRUSSELS (B)	25.01%	EUR	220,642,486	EUR	65,324,942
FORTIS LEASE GROUP S.A.	LUXEMBOURG	100.00%	EUR	728,883,611	EUR	64,959,969
FORTIS LEASE ITALIA S.P.A.	ASSAGO (I)	99.90%	EUR	3,675,637	EUR	-193,004
MORAY INVESTMENTS LLP S.à r.l. (in liquidation)	LUXEMBOURG	99.99%	GBP	1,375,000	GBP	12,654,782

MEESPIERSON INTERTRUST GROUP HOLDING S.A.	GENEVA (CH)	25.04%	EUR	-2,707,392	EUR	71,338,080
PBI HOLDING AG	ZUG (CH)	100.00%	CHF	123,288,319	CHF	6,352,337
SOCIETE ALSACIENNE DE DEVELOPPEMENT ET D'EXPANSION S.A. (SADE)	STRASBOURG (F)	100.00%	EUR	132,540,670	EUR	47,949,931
INTERNAXX BANK S.A. (formely THE BANK OF TDW & BGL S.A.)	LUXEMBOURG	75.00%	EUR	11,855,556	EUR	-731,873

(\*) Net worth does not include profit for the financial year.



**Note 2 - Accounting principles**

The Bank's accounting principles are consistent with the legislation and regulations applicable in Luxembourg, and in particular with the modified Law of 17 June 1992 on the accounts of credit institutions.

**Translation of items denominated in foreign currencies**

The Bank's accounting records are maintained in euros (EUR) and the balance sheet and profit and loss account are expressed in the same currency.

Items denominated in currencies other than in EUR are translated in accordance with the following principles:

Assets and liabilities denominated in foreign currencies are translated at average rates prevailing at the balance sheet date. Any interest in affiliated companies for which cover has not been taken is converted into EUR at the rate prevailing at the date of acquisition (historical rate).

Income and expenses are translated at the exchange rates prevailing on the date on which they are recorded.

Forward exchange transactions covered by spot deals are considered to be neutral with respect to exchange rate fluctuations. Valuation differences which may result are neutralised and have no effect on the profit for the year.

Forward exchange transactions which are not covered and which are outstanding at the balance sheet date are valued at the forward exchange rates prevailing at balance sheet date. Provisions are made for any losses and included in the balance sheet under the item "Provisions for liabilities and charges: Other provisions", whereas unrealised gains are not recognised.

Forward exchange positions taken out to cover other forward exchange transactions are valued at the forward exchange rates prevailing at balance sheet date. Latent gains are deducted from latent losses provided they are recognised before or at the same date as the loss from which they are deducted. Provisions are made for residual losses and included in the balance sheet under the item "Provisions for liabilities and charges: Other provisions".

**Derivatives**

The Bank's liabilities under derivative transactions, such as interest-rate swaps, forward rate agreements, futures and options, are booked as off-balance sheet items at the date of the transaction.

At the balance sheet date, a provision is created for unrealised losses resulting from the valuation of outstanding transactions at market price. This provision is booked under "Provisions for liabilities and charges: Other provisions".

No provision is made if a derivative specifically covers an asset or liability or if such transactions form an economic unit. Gains and losses on hedging operations to cover market risks are booked to the profit and loss account in the same way as expenses and income relating to the underlying transactions.

**Assets and liabilities**

Assets and liabilities repayable on demand comprise amounts which can be withdrawn at any time without notice or for which a maximum maturity or notice of 24 hours or one business day has been agreed. The term "with agreed maturity dates" in the various headings refers to a final maturity of more than one business day, including notices of more than one business day. Claims and debts are always classified according to residual maturity, which represents the period from balance sheet date till maturity.

**Loans and advances**

Loans and advances are recorded in the balance sheet at nominal value. Accrued interest is included in the "Prepayments and accrued income" item under assets. The Bank's policy is to make specific value adjustments with respect to doubtful debts. Such value adjustments are held in the same currency as the asset to which they relate. Value adjustments and readjustments are offset in the profit and loss account. Value adjustments are deducted from the asset items concerned.

## Securities

Securities are initially recorded at cost. However, in the case of securities issued on a discount basis, accrued interest not payable is added to the acquisition price.

For valuation purposes, the Bank uses the weighted average method. The Bank's securities portfolio is divided into three categories as follows:

- \* The *investment portfolio* comprises fixed-income securities held as long-term investments and in general held to maturity.
- \* The *structural portfolio* comprises fixed-income and variable-yield securities held for investment purposes in the medium term (from six months to several years). In addition, this portfolio provides the Bank with alternative liquidity.
- \* The *trading portfolio* comprises fixed-income and variable-yield securities held by the Bank in order to act in the markets as a placing agent, market maker or counterparty to customers or professionals. The securities are only held for a short period, not exceeding six months.

Securities are valued as follows:

\* *Investment portfolio*: Fixed-income securities in the investment portfolio (including asset swaps) are valued at cost provided they are eligible for such treatment under the modified Law of 17 June 1992 on the accounts of credit institutions and prevailing banking regulations.

When securities in this portfolio do not fulfil the regulatory requirements for being valued at cost, they are valued at the lower of cost and market value.

Positive and negative differences between the acquisition and redemption value of securities valued at cost are amortised over the residual period to maturity.

\* *Trading portfolio and structural portfolio*: Securities in the structural and trading portfolios are valued in accordance with the lower of cost and market value method.

## Participating interests and shares in affiliated undertakings

Acquisitions are shown on the assets side of the balance sheet at purchase price or value at which the asset has been contributed. Any proportion of such participating interests or shares representing subscribed capital unpaid is recorded on the off-balance sheet.

At year-end the book value of each security is compared with its market, intrinsic or probable realisation value. If the reduction in value appears to be permanent, a value adjustment is made.

## “Beibehaltungsprinzip”

With reference to Articles 56 (2)f and 58 (2)e of the modified Law of 17 June 1992 on the accounts of credit institutions and in application of the Luxembourg tax legislation, the Bank's policy is to retain previous value adjustments on certain securities even if a loss is no longer deemed to be suffered as a result of an increase in valuation.

## Own shares

Own shares are recorded at cost on the balance sheet.

#### Tangible and intangible assets

Tangible and intangible assets are recorded in the balance sheet at acquisition cost less accumulated depreciation.

Goodwill included in intangible assets is amortised over five years.

Organisation costs included in assets on the balance sheet are generally amortised on a straight-line basis over five years.

The rates and methods of depreciation are as follows:

	Depreciation rate	Method
Property	50 years	Straight-line
Fittings	10 years	Straight-line
Equipment	4 years	Straight-line
Computer equipment	4 years	Straight-line
Software	3 years	Straight-line
Furniture	10 years	Declining balance

Equipment costing EUR 870 or less or whose useful life does not exceed one year is expensed.

#### Provisions for liabilities and charges

Provisions for liabilities and charges cover probable or certain losses, the nature of which is clearly defined but the amount of which or the date on which they will arise are still uncertain at the balance sheet date.

#### Fund for general banking risks

In accordance with Article 63 of the modified Law of 17 June 1992 on the accounts of credit institutions, the Bank has created a fund to cover specific risks associated with banking operations and arising during the normal course of business. Transfers to this fund are not deductible for tax purposes.

#### Lump-sum provision for risk assets

In accordance with the applicable tax laws, the Bank has created a lump-sum provision in respect of the non-recovery of amounts owed to the Bank.

The maximum amount of this provision deductible for tax purposes is 1.25% of the risk weighted assets and off-balance sheet items calculated in accordance with CSSF circular 2000/10, specifying capital adequacy ratios.

The lump-sum provision proportion relating to balance sheet items is deducted from the value of the assets concerned. The lump-sum provision proportion relating to off-balance sheet items is allocated to the item "Provisions for liabilities and charges: Other provisions" under liabilities.

## Legal reserve

In accordance with Luxembourg law, at least 5% of the net profit is allocated annually to a legal reserve until that reserve equals 10% of the company's capital. This allocation is carried out in the following financial year. The legal reserve may not be distributed.

## Taxes

Taxes are charged to the operating profit for the year to which they relate in accordance with the accruals principle and not to the year in which payment occurs. Tax provisions have been created for the years for which the tax authorities have not finally determined the amount of tax due.

**Note 3 - Cash, balances with central banks and post offices**

All amounts under Cash, balances with central banks and post offices are at sight.

**Note 4 - Loans and advances to credit institutions**

Loans and advances to credit institutions, other than those repayable on demand, were according to residual maturity, as follows:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
3 months or less	265,979	65,626
3 months to a year	85,394	141,300
From 1 to 5 years	184,531	1,606,674
Over 5 years	863,716	836,612
	1,399,620	2,650,212

This item includes:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
Loans and advances to affiliated undertakings	7,085,688	11,038,537

The item Loans and advances to credit institutions includes subordinated loans in the following amounts:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
For a fixed term	10,000	10,000

**Note 5 - Loans and advances to customers**

Loans and advances to customers were analysed as follows:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
3 months or less	2,604,383	2,061,965
3 months to a year	601,454	445,062
From 1 to 5 years	1,966,771	1,004,588
Over 5 years	3,059,680	2,842,436
	8,232,288	6,354,051

This item includes:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
Loans and advances to affiliated undertakings	1,544,494	320,721
Loans and advances to undertakings in which the Bank has a participating interest	31,046	10,161

The item Loans and advances to customers includes subordinated loans in the following amounts:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
For an indefinite term	40	122
<i>Of which: to affiliated undertakings</i>	40	122
For a fixed term	16,118	60
<i>Of which: to undertakings in which the Bank has a participating interest</i>	60	60
	16,158	182

**Note 6 - Debt securities and other fixed-income securities**

Debt securities and other fixed-income securities were analysed as follows:

a) According to maturity:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
3 months or less	343,156	306,099
3 months to a year	817,412	913,717
From 1 to 5 years	8,109,052	6,831,328
Over 5 years	7,326,354	5,127,333
	16,595,974	13,178,477

b) According to listing on an exchange:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
Securities listed on an exchange	8,808,330	8,485,252
Securities not listed on an exchange	7,787,644	4,693,225
	16,595,974	13,178,477

c) According to nature:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
Securities held in the investment portfolio	9,935,070	9,024,810
Securities held in the structural portfolio	6,624,419	4,072,671
Securities held in the trading portfolio	36,485	80,996
	16,595,974	13,178,477

The item Debt securities and other fixed-income securities includes securities eligible for refinancing with a Central Bank in the Euro zone in an amount of EUR 8,218,525,000 (31 December 2004: EUR 8,482,944,000).

The item Debt securities and other fixed-income securities includes fixed-income securities issued by:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
Affiliated undertakings	1,019,204	10,763
Undertakings in which the Bank has a participating interest	9,966	9,960

Debt securities and other fixed-income securities of a subordinated nature were as follows:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
Fixed-income securities	1,079,684	71,094
<i>Of which: to affiliated undertakings</i>	<i>1,017,525</i>	-

Book and "fair value" values of the trading portfolio were analysed as follows:

**Book value**

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
3 months or less	-	5,865
3 months to a year	586	16,799
From 1 to 5 years	22,024	46,230
Over 5 years	13,875	12,102
	36,485	80,996

**"Fair value"**

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
3 months or less	-	6,298
3 months to a year	929	17,645
From 1 to 5 years	22,309	47,996
Over 5 years	13,980	12,293
	37,218	84,232

With reference to Articles 56 (2)f and 58 (2)e of the modified Law of 17 June 1992 on the accounts of credit institutions and in compliance with Luxembourg tax law, the Bank made exceptional value adjustments to this item totalling EUR 25,647,000 (31 December 2004: EUR 33,078,000). These exceptional value adjustments were analysed as follows:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
Securities held in the investment portfolio	22,231	27,461
Securities held in the structural portfolio	3,290	4,847
Securities held in the trading portfolio	126	770
	25,647	33,078

The pro rata amounts of premiums and discounts accumulated since the date of their acquisition on debt securities and other fixed-income securities held as financial fixed assets were respectively EUR 104,981,000 (31 December 2004: EUR 74,225,000) and EUR 10,843,000 (31 December 2004: EUR 12,948,000).

**Note 7 - Shares and other variable-yield securities**

Shares and other variable-yield securities were analysed as follows:

a) According to listing on an exchange:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
Securities listed on an exchange	326,267	236,095
Securities not listed on an exchange	121,209	142,581
	447,476	378,676

b) According to nature:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
Securities held in the structural portfolio	438,364	373,067
Securities held in the trading portfolio	9,112	5,609
	447,476	378,676

Book and "fair value" values of the trading portfolio were as follows:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
Book value	9,112	5,609
"Fair value"	13,977	6,635

With reference to Article 58 (2)e of the modified Law of 17 June 1992 on the accounts of credit institutions and in compliance with Luxembourg tax law, the Bank made exceptional value adjustments to this item amounting to EUR 35,905,000 (31 December 2004: EUR 29,021,000).

Exceptional value adjustments were as follows:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
Securities held in the structural portfolio	35,905	28,537
Securities held in the trading portfolio	-	484
	35,905	29,021

**Note 8 - Participating interests**

Participating interests were analysed as follows:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
Securities listed on an exchange	53,079	53,825
Securities not listed on an exchange	19,640	18,760
	72,719	72,585

This item does not include any directly or indirectly held interests in other credit institutions.

**Note 9 - Shares in affiliated undertakings**

Shares in affiliated undertakings were analysed as follows:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
Securities listed on an exchange	132,531	220,785
Securities not listed on an exchange	1,733,502	875,821
	1,866,033	1,096,606

	Thousands of EUR	
Credit institutions	413,454	384,587
Other undertakings	1,452,579	712,019
	1,866,033	1,096,606

**Note 10 - Intangible assets**

Intangible assets, which totalled EUR 20,724,000 at 31 December 2004, mainly included the net value of the goodwill of "Personal Banking" activities transferred to the Bank from Fortis Bank Luxembourg SA in the course of the year 2000. This item had reached EUR 19,906,000 at 31 December 2004. The depreciation of this goodwill is not tax-deductible.

The intangible assets item also included a net amount of EUR 818,000 at 31 December 2004 in organisation costs incurred as a result of the capital increase by contribution of interests in Banque MeesPierson Gonet SA and PBI Holding AG in the course of the year 2001.

At 31 December 2005, intangible assets had completely been amortised.

**Note 11 - Tangible assets**

Tangible assets, which totalled EUR 185,344,000 (31 December 2004: EUR 201,064,000), include a net amount of EUR 143,706,000 (acquisition price less accumulated depreciation) representing the part of land and buildings used by the Bank for its own activities (31 December 2004: EUR 150,643,000).

**Note 12 - Assets denominated in foreign currencies**

Assets denominated in foreign currencies totalled EUR 10,705,745,000 (31 December 2004: EUR 8,985,235,000). This amount includes the spot element of transactions for which the hedging component is included in forward foreign exchange transactions.



**Note 13 - Movements in fixed assets**

Movements in assets considered as fixed assets under Article 56 of the modified Law of 17 June 1992 on the accounts of credit institutions are set out in the following table:

(Thousands of EUR )

Items	Gross values					Value adjustments at year-end		Net value at year-end
	Gross value at beginning of year	Additions	Disposals	Transfers and exchange rate adjustments	Gross value at year-end	Cumulative adjustments (1) and (2)	Cumulative write-backs	
Debt securities and other fixed-income securities	9,127,660	2,546,446	-2,014,635	371,806	10,031,277	-96,207		9,935,070
Participating interests	75,367	484	-922	-	74,929	-2,210		72,719
Shares in affiliated undertakings	1,145,390	789,342	-23,880	-890	1,909,962	-43,929		1,866,033
Intangible assets of which:	123,525	-	-	-	123,525	-123,525		-
a) Organisation costs	4,090	-	-	-	4,090	-4,090		-
b) Goodwill	119,435	-	-	-	119,435	-119,435		-
Tangible assets of which:	497,694	13,273	-2,639	-	508,328	-322,984		185,344
a) Land and buildings	270,352	201	-427	17	270,143	-126,437		143,706
b) Plant and machinery	181,728	11,736	-2,186	-	191,278	-161,027		30,251
c) Other fixtures and fittings, tools and equipment	45,614	1,336	-26	-17	46,907	-35,520		11,387
Other assets (land not used)	115	-	-	-	115	-		115

(1) Balance of value adjustments and releases.

(2) The Bank has availed itself of the option under Article 48 of the modified Law of 17 June 1992 on the accounts of credit institutions, of offsetting value adjustments and write-backs of value adjustments on securities considered as financial fixed assets, participating interests and shares in affiliated undertakings.

**Note 14 - Own shares**

At 31 December 2005, the Bank held no own shares (31 December 2004: 316 shares with a book value of EUR 25.49 each, representing total value on acquisition of EUR 53,000).

**Note 15 - Other assets**

Other assets were analysed as follows:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
Short-term receivables	87,714	32,223
Option premiums purchased	30,677	80,024
Other	3,822	3,984
	122,213	116,231

Book values of option premiums purchased were analysed as follows:

<b>Book value</b>	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
3 months or less	2,524	39,553
3 months to a year	3,485	4,660
From 1 to 5 years	22,482	33,256
Over 5 years	2,186	2,555
	30,677	80,024

The "fair values" of trading portfolio option premiums purchased are shown in Note 27.

**Note 16 - Amounts owed to credit institutions**

Amounts owed to credit institutions with agreed maturity dates or periods of notice, analysed by residual maturity, were as follows:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
3 months or less	1,871,194	2,024,194
3 months to a year	31,051	20,662
From 1 to 5 years	23,189	22,203
Over 5 years	15,512	12,961
	1,940,946	2,080,020

This item includes:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
Amounts owed to affiliated undertakings	1,026,127	431,316

**Note 17 - Amounts owed to customers**

Amounts owed to customers represented by savings deposits, excluding special savings books, are repayable on demand and totalled EUR 2,225,650,000 (31 December 2004: EUR 2,345,448,000).

Amounts owed to customers recorded under the item "Other amounts owed with agreed maturity dates or periods of notice", analysed by residual maturity, were as follows:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
3 months or less	7,535,674	8,421,522
3 months to a year	706,396	849,787
From 1 to 5 years	86,177	131,176
Over 5 years	7,698	11,382
	8,335,945	9,413,867

The item Amounts owed to customers includes:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
Amounts owed to affiliated undertakings	575,590	455,485
Amounts owed to undertakings in which the Bank has a participating interest	97,188	136,433

**Note 18 - Debts evidenced by certificates**

Debts evidenced by certificates recorded under the item "Debt securities in issue", analysed by residual maturity, were as follows:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
3 months or less	234,369	282,041
3 months to a year	540,971	495,395
From 1 to 5 years	2,673,580	1,596,195
Over 5 years	2,441,953	2,806,251
	5,890,873	5,179,882

Debts evidenced by certificates recorded under the item "Other ", analysed by residual maturity, were as follows:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
3 months or less	2,672,613	1,441,129
3 months to a year	93,646	538,419
	2,766,259	1,979,548

At 31 December 2005, this heading did not include any debt to affiliated undertakings (31 December 2004: EUR 1,425,343,000).

The positive difference between the amount repayable on debts evidenced by certificates and the amount received was EUR 23,454,000 (31 December 2004: EUR 16,917,000), and is included under accruals and deferred income.

**Note 19 - Other liabilities**

Other liabilities were analysed as follows:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
Short-term payables	549,644	665,124
Option premiums sold	11,212	10,460
Other	32,117	37,637
	592,973	713,221

Book values of option premiums sold were analysed as follows:

**Book value**

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
3 months or less	2,320	2,209
3 months to a year	3,707	3,731
From 1 to 5 years	2,763	3,662
Over 5 years	2,422	858
	11,212	10,460

The "fair values" of trading portfolio option premiums sold are detailed in Note 27.

**Note 20 - Subordinated liabilities**

Subordinated debt is governed generally by the following principles:

In the event of liquidation of the credit institution, the claim from subordinated creditors ranks after those of all non-subordinated creditors. Any early redemption or repurchase and any debt substitution is subject to prior authorisation from the Supervisory Commission for the Financial Sector (*Commission de Surveillance du Secteur Financier* or *CSSF*) and the initial maturity of each such debt cannot be less than five years. Issuance is governed by Luxembourg law. The courts in Luxembourg are competent.

Loans representing over 10% of total subordinated liabilities are as follows:

	Amount of loan	Currency	Interest rate	Maturity
	150,000,000	EUR	step up floating rate	16 Dec. 2015
	100,000,000	USD	6.625%	23 Feb. 2011
	100,000,000	EUR	6.50%	27 Oct. 2010

For the subordinated EUR 150,000,000 issue of 16 December 2005, mentioned above, the prospectus authorises the Bank, starting on 16 December 2010 and assuming prior agreement of the CSSF plus prior notification of at least 15 days and at most 45 days, to proceed with early redemption of all outstanding bonds at their nominal value at the date each quarterly interest payment falls due.

Subordinated liabilities were analysed as follows:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
3 months to a year	9,147	99,157
From 1 to 5 years	391,097	300,244
Over 5 years	369,282	199,729
	769,526	599,130

Interest expense paid during the year in respect of subordinated liabilities amounted to EUR 38,893,000 (31 December 2004: EUR 41,922,000) and is shown under the item "Interest paid and similar charges" in the profit and loss account.

**Note 21 - Special items with a reserve quota portion**

The amount reported under "Special items with a reserve quota portion" consisted entirely of reinvested capital gains of EUR 133,383,000 under Article 54 of the income tax law (31 December 2004: EUR 135,202,000).

**Note 22 - Shareholders' equity**

Changes in shareholders' equity are shown in the table below:

	(Thousands of EUR)					
	Capital subscribed	Issuing premiums	Legal reserve	Free reserves	Unavailable reserves	Profit carried forward
<b>Balance at 31 December 2004</b>	<b>350,000</b>	<b>633,519</b>	<b>35,000</b>	<b>620,744</b>	<b>173,856</b>	<b>260</b>
2004 net profit	-	-	-	-	-	424,042
Profit appropriation:						
- allocation to reserves	-	-	-	379,800	43,000	-422,800
- directors' fees	-	-	-	-	-	-1,311
Transfers	-	-	-	32,524	-32,524	-
<b>Balance at 31 December 2005</b>	<b>350,000</b>	<b>633,519</b>	<b>35,000</b>	<b>1,033,068</b>	<b>184,332</b>	<b>191</b>

At 31 December 2005, subscribed and paid-up capital amounted to EUR 350,000,000 (authorised capital: EUR 382,350,000) represented by 13,732,035 shares (compared with an authorised maximum of 15,000,000 shares).

The register of registered shares is held at the head office of the Bank.

As provided under paragraph 8a of the modified law of 16 October 1934 on wealth tax, the Bank opted to reduce wealth tax for the 2005 financial year by EUR 9,500,000 (2004: EUR 8,600,000). To this end, in 2006 the Annual General Meeting will need to appropriate an amount of EUR 47,500,000 to a special reserve representing five times the amount of the wealth-tax liability. This reserve must remain on the balance sheet for the five years following that in which the appropriation is made.

**Note 23 - Liabilities denominated in foreign currencies**

Liabilities denominated in foreign currencies totalled EUR 10,256,232,000 (31 December 2004: EUR 8,500,460,000). This amount includes the spot element of transactions for which the hedging component is included in forward foreign exchange transactions.

**Note 24 - Contingent liabilities**

Contingent liabilities consisted of the following principal items:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
Guarantees and other direct credit substitutes	1,546,252	1,245,103
Documentary credits	41,267	49,594
Counter-guarantees	580,718	257,141
	2,168,237	1,551,838

At 31 December 2005, contingent liabilities towards affiliated undertakings amounted to EUR 10,889,000 (31 December 2004: EUR 22,490,000).

Contingent liabilities were as follows:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
3 months or less	265,479	202,575
3 months to a year	136,223	125,010
From 1 to 5 years	652,729	303,148
Over 5 years	1,113,806	921,105
	<b>2,168,237</b>	<b>1,551,838</b>

#### **Note 25 - Commitments**

The Bank's commitments were analysed as follows:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
Forward purchases of assets	-	1,941,322
Amounts not paid up on securities, participating interests and shares in affiliated undertakings	9,064	10,659
Confirmed credits which are undrawn	6,697,520	4,004,342
	<b>6,706,584</b>	<b>5,956,323</b>

Confirmed credits which are undrawn were analysed as follows:

	Thousands of EUR	
	31 Dec. 2005	31 Dec. 2004
3 months or less	877,350	600,038
3 months to a year	2,807,968	1,662,990
From 1 to 5 years	2,163,203	1,211,987
Over 5 years	848,999	529,327
	<b>6,697,520</b>	<b>4,004,342</b>

At 31 December 2005, commitments towards affiliated undertakings amounted to EUR 2,350,404,000 (31 December 2004: EUR 686,683,000).

#### **Note 26 - Assets serving as collateral**

At 31 December 2005, the Bank had pledged assets amounting to EUR 1,829,299,000 as collateral for its own undertakings (31 December 2004: EUR 2,155,608,000). Transactions guaranteed are primarily those made with the Luxembourg Central Bank.

#### **Note 27 - Derivatives at balance sheet date**

The tables below provide a breakdown of derivative financial assets and liabilities entered into for trading or hedging purposes and traded on an organised market or an OTC (over-the-counter) market. The breakdown into financial assets and liabilities is made on the basis of the market value at the balance sheet date (positive fair value = asset, and negative fair value = liability).

The "fair value" columns show the fair values of traded derivative products at the end of the financial year.

**a) Derivative financial products entered into for trading purposes and traded on an organised market**

At 31 December 2005, the Bank did not hold traded derivative financial products traded on an organised market.

Notional and "fair values" of traded derivative financial products were analysed as follows at 31 December 2004:

(Thousands of EUR)

At 31 December 2004	3 months or less		3 months to a year		From 1 to 5 years		Over 5 years		TOTAL	
	Notional value	Fair value	Notional value	Fair value	Notional value	Fair value	Notional value	Fair value	Notional value	Fair value
<b>Assets</b>										
Interest-related operations:										
Futures	20,000	72	-	-	-	-	-	-	20,000	72
Stock market/index-linked operations:										
Options	14,500	18	-	-	-	-	-	-	14,500	18
								<b>TOTAL</b>	<b>34,500</b>	<b>90</b>
<b>Liabilities</b>										
Interest-related operations:										
Futures	17,200	-64	-	-	-	-	-	-	17,200	-64
Exchange rate operations:										
Futures	-	-	-	-	-	-	-	-	-	-
Stock market/index-linked operations:										
Options	14,625	-124	-	-	-	-	-	-	14,625	-124
Futures	23,040	-181	-	-	-	-	-	-	23,040	-181
								<b>TOTAL</b>	<b>54,865</b>	<b>-369</b>

**b) Derivative financial products entered into for trading purposes and traded on an OTC market**

Notional and "fair values" of traded derivative financial products were analysed as follows at the balance sheet date:

(Thousands of EUR)

At 31 December 2005	3 months or less		3 months to a year		From 1 to 5 years		Over 5 years		TOTAL	
	Notional value	Fair value	Notional value	Fair value	Notional value	Fair value	Notional value	Fair value	Notional value	Fair value
<b>Assets</b>										
Interest-related operations:										
Swap contracts	20,200	1,046	317,481	653	95,311	2,682	94,408	8,529	527,400	12,910
Options	-	-	70,000	116	125,086	337	74,869	1,259	269,955	1,712
Exchange rate operations:										
Futures contracts	-	-	-	-	-	-	-	-	-	-
Swap contracts	-	-	-	-	137,624	6,153	-	-	137,624	6,153
							<b>TOTAL</b>		<b>934,979</b>	<b>20,775</b>
<b>Liabilities</b>										
Interest-related operations:										
Swap contracts	20,200	-578	317,481	-637	82,500	-2,705	93,658	-8,323	513,839	-12,243
Options	-	-	70,268	-116	85,186	-261	59,909	-1,152	215,363	-1,529
Exchange rate operations:										
Futures contracts	-	-	3,142	-380	1,642	-195	-	-	4,784	-575
Swap contracts	-	-	-	-	143,802	-6,151	-	-	143,802	-6,151
							<b>TOTAL</b>		<b>877,788</b>	<b>-20,498</b>

Notional and "fair values" of traded derivative financial products were analysed as follows at 31 December 2004:

(Thousands of EUR)

At 31 December 2004	3 months or less		3 months to a year		From 1 to 5 years		Over 5 years		TOTAL	
	Notional value	Fair value	Notional value	Fair value	Notional value	Fair value	Notional value	Fair value	Notional value	Fair value
<b>Assets</b>										
Interest-related operations:										
Swap contracts	-	-	78,831	734	832,727	10,998	137,509	10,444	1,049,067	22,176
Options	-	-	29,600	135	160,318	867	20,772	406	210,690	1,408
Exchange rate operations:										
Futures contracts	220	-	699	77	-	-	-	-	919	77
Swap contracts	18,144	826	-	-	79,667	8,696	-	-	97,811	9,522
							<b>TOTAL</b>		<b>1,358,487</b>	<b>33,183</b>
<b>Liabilities</b>										
Interest-related operations:										
Swap contracts	-	-	78,831	-806	815,100	-10,830	137,510	-10,214	1,031,441	-21,850
Options	-	-	29,600	-135	160,851	-867	20,772	-406	211,223	-1,408
Exchange rate operations:										
Futures contracts	282	-	5,361	-88	4,784	-12	-	-	10,427	-100
Swap contracts	18,964	-826	-	-	88,400	-8,649	-	-	107,364	-9,475
							<b>TOTAL</b>		<b>1,360,455</b>	<b>-32,833</b>



**c) Derivative financial products entered into for hedging purposes and traded on an organised market**

At 31 December 2004 and 2005, the Bank did not hold non traded derivative financial products traded on an organised market.

**d) Financial products entered into for hedging purposes and traded on an OTC market**

Notional values of non traded derivative financial products were analysed as follows at the balance sheet date:

(Thousands of EUR)

At 31 December 2005	3 months or less	3 months to a year	From 1 to 5 years	Over 5 years	TOTAL
	Notional value	Notional value	Notional value	Notional value	Notional value
<b>Assets</b>					
Interest-related operations:					
Swap contracts	116,044	745,823	3,641,739	515,926	5,019,532
Options	-	-	-	-	-
Exchange rate operations:					
Futures contracts	2,130,678	1,397,872	34,195	-	3,562,745
Swap contracts	-	54,161	154,370	14,535	223,066
Options	160,125	105,341	20,720	-	286,186
Stock market/index-linked operations:					
Options	3,000	45,132	241,131	102,051	391,314
				<b>TOTAL</b>	<b>9,482,843</b>
<b>Liabilities</b>					
Interest-related operations:					
Swap contracts	222,280	1,016,965	3,848,478	3,556,688	8,644,411
Options	-	-	-	-	-
Exchange rate operations:					
Futures contracts	2,147,048	1,399,159	46,447	-	3,592,654
Swap contracts	-	36,597	119,455	146,343	302,395
Options	158,089	105,073	20,786	-	283,948
Stock market/index-linked operations:					
Options	19,188	43,470	245,715	-	308,373
				<b>TOTAL</b>	<b>13,131,781</b>

Notional values of non traded derivative financial products were analysed as follows at 31 December 2004:

(Thousands of EUR)

At 31 December 2004	3 months or less	3 months to a year	From 1 to 5 years	Over 5 years	TOTAL
	Notional value	Notional value	Notional value	Notional value	Notional value
<b>Assets</b>					
Interest-related operations:					
Swap contracts	64,942	959,083	2,981,041	533,710	4,538,776
Options	-	-	-	1,425,343	1,425,343
Exchange rate operations:					
Futures contracts	1,913,583	236,447	51,940	-	2,201,970
Swap contracts	-	84,497	154,880	43,491	282,868
Options	70,073	90,675	12,383	-	173,131
Stock market/index-linked operations:					
Options	111,143	38,194	192,036	101,578	442,951
				<b>TOTAL</b>	<b>9,065,039</b>
<b>Liabilities</b>					
Interest-related operations:					
Swap contracts	399,539	1,064,479	2,959,872	1,498,019	5,921,909
Options	-	-	-	-	-
Exchange rate operations:					
Futures contracts	1,945,789	232,929	76,774	-	2,255,492
Swap contracts	-	-	85,418	88,885	174,303
Options	67,396	87,324	10,092	-	164,812
Stock market/index-linked operations:					
Options	20,953	100,933	314,968	11,935	448,789
				<b>TOTAL</b>	<b>8,965,305</b>

**Note 28 - Credit risk management**

The degree of risk in respect of derivatives is measured on the basis of the total replacement cost, that is the estimated amount it would cost the Bank to reconstitute the contract with another counterparty, should the original counterparty default.

The current, potential and total replacement cost is calculated in accordance with the statutory provisions laid down in CSSF Circular 2000/10, defining capital adequacy ratios pursuant to Article 56 of the modified Law of 5 April 1993 on the financial sector.

The "current replacement cost" is determined on the basis of the market value of contracts with a positive fair value at the balance sheet date.

The "potential replacement cost" reflects the likely risk over the residual life of the contract. It is calculated by applying the weighting coefficients defined in CSSF Circular 2000/10 to the notional value of the contracts, for both financial assets and liabilities.

The Bank's credit risk exposure can be analysed as follows at the balance sheet date:

(Thousands of EUR)

At 31 December 2005	Notional amounts	Replacement cost			Guarantees	Net risk exposure
		Current replacement cost	Potential future exposure	Total		
Loans and advances to credit institutions	7,774,810	-	-	-	456	7,774,354
Loans and advances to customers	8,232,288	-	-	-	3,975,700	4,256,588
Debt securities and other fixed-income securities	16,595,974	-	-	-	3,300,740	13,295,234
Shares and other variable-yield securities	447,476	-	-	-	-	447,476
Contingent liabilities and commitments	8,817,790	-	-	-	908,555	7,909,235
Derivative financial products OTC	23,741,056	410,021	266,527	676,548	-	676,548
<b>TOTAL</b>	<b>65,609,394</b>	<b>410,021</b>	<b>266,527</b>	<b>676,548</b>	<b>8,185,451</b>	<b>34,359,435</b>
<i>Derivative financial products OTC</i>						
Interest-related operations:						
Swap contracts	14,705,181	279,975	101,818	381,793	-	381,793
Options	242,793	720	1,537	2,257	-	2,257
Exchange rate operations:						
Futures contracts	7,160,182	45,120	74,893	120,013	-	120,013
Swap contracts	806,887	44,197	40,736	84,933	-	84,933
Options	286,339	6,194	3,692	9,886	-	9,886
Stock market/index-linked operations:						
Options	539,674	33,815	43,851	77,666	-	77,666
<b>DERIVATIVES TOTAL</b>	<b>23,741,056</b>	<b>410,021</b>	<b>266,527</b>	<b>676,548</b>	<b>-</b>	<b>676,548</b>

The Bank's credit risk exposure can be analysed as follows at 31 December 2004:

(Thousands of EUR)

At 31 December 2004	Notional amounts	Replacement cost		Guarantees	Net risk exposure
		Current replacement cost	Potential future exposure	Total	
Loans and advances to credit institutions	11,709,934	-	-	-	36,286
Loans and advances to customers	6,354,051	-	-	-	3,447,782
Debt securities and other fixed-income securities	13,178,477	-	-	-	2,344,195
Shares and other variable-yield securities	378,676	-	-	-	-
Contingent liabilities and commitments	7,461,247	-	-	-	732,751
Derivative financial products OTC	20,157,956	321,175	231,305	552,480	-
<b>TOTAL</b>	<b>59,240,341</b>	<b>321,175</b>	<b>231,305</b>	<b>552,480</b>	<b>6,561,014</b>
<i>Derivative financial products OTC</i>					
Interest-related operations:					
Swap contracts	12,541,192	162,965	72,125	235,090	-
Options	1,636,565	7,122	22,496	29,618	-
Exchange rate operations:					
Futures contracts	4,468,809	17,939	50,028	67,967	-
Swap contracts	662,346	72,400	31,563	103,963	-
Options	173,131	3,245	2,227	5,472	-
Stock market/index-linked operations:					
Options	675,913	57,504	52,866	110,370	-
<b>DERIVATIVES TOTAL</b>	<b>20,157,956</b>	<b>321,175</b>	<b>231,305</b>	<b>552,480</b>	<b>-</b>

#### **Note 29 - Management and agency services provided to third parties**

The Bank provides management services and services on an agency basis to third parties, primarily portfolio management, the safekeeping and administration of securities, the renting of vault space, fiduciary services and other agency functions.

#### **Note 30 - Breakdown of income**

With reference to Article 68 (3) of the modified Law of 17 June 1992 on the accounts of credit institutions, no breakdown by geographical market is given for income recorded under the headings "Interest received and similar income", "Income from securities", "Commissions received", "Net profit on financial operations" and "Other operating income" since there is no major difference in markets represented.

The Bank's activities are mainly focused on member countries of the OECD.

#### **Note 31 - Other operating income**

Other operating income of EUR 66,775,000 (31 December 2004: EUR 86,146,000) consisted mainly of capital gains on sales of participating interests and shares in affiliated undertakings, write-backs of excess tax provisions and write-backs of provisions for liabilities and charges and income relating to previous years.

#### **Note 32 - Other operating charges**

Other operating charges of EUR 22,789,000 (31 December 2004: EUR 31,810,000) consisted primarily of allocations to the provision for liabilities and charges and to the provision for the Deposit Guarantee Association (*Association pour la Garantie des Dépôts, Luxembourg* or *AGDL*).

**Note 33 - Deposit Guarantee Association**

The Bank is a member of the Deposit Guarantee Association (*Association pour la Garantie des Dépôts, Luxembourg* or AGDL).

The sole object of the AGDL is to establish a mutual system to guarantee cash deposits and claims resulting from investment operations of private customers of AGDL member banks, irrespective of their nationality or place of residence, of companies subject to Luxembourg law or subject to the law of another member state of the European Union, which, because of their size, are authorised to draw up abbreviated accounts in accordance with relevant legislation, as well as of companies of comparable size which are subject to the law of another member state of the European Union.

Guaranteed cash deposits and guaranteed investor claims are reimbursed by the AGDL up to an amount of EUR 20,000 (or the equivalent value in any foreign currency) per guaranteed cash deposit and of EUR 20,000 per guaranteed claim resulting from investment operations other than those concerning cash deposits.

The amount of the contribution of each member shall in no case exceed 5% per calendar year of his shareholder's equity as defined by the CSSF, pursuant to the law.

At 31 December 2005, the bank had a provision for possible future commitments in connection with the guarantee. The amount of this provision is included in the liabilities item "Provisions for liabilities and charges".

**Note 34 - Staff**

During 2005 the Bank employed an average of 2,492 persons, of whom 2,076 were full-time employees and 416 part-time employees (31 December 2004: 2,460 of whom 2,074 were full-time and 386 part-time employees).

The average number of staff employed by the Bank was as follows:

	2005	2004
Senior management	73	79
Other management	359	331
Employees	2,060	2,050
	<b>2,492</b>	<b>2,460</b>

**Note 35 - Emoluments, loans and guarantees granted to members of the Board of Directors and to Senior Management of the Bank**

(Thousands of EUR)

2005	Position-related remuneration	Authorised lines of credit and guarantees	Lines of credit and guarantees drawn	Pension commitments
Members of the Board of Directors	1,365	7,735	4,937	-
Senior management	17,119	19,346	16,857	1,899
	<b>18,484</b>	<b>27,081</b>	<b>21,794</b>	<b>1,899</b>
<b>2004</b>				
Members of the Board of Directors	1,365	4,544	4,125	-
Senior management	17,371	18,941	17,229	1,784
	<b>18,736</b>	<b>23,485</b>	<b>21,354</b>	<b>1,784</b>

**Note 36 - Extraordinary results**

At 31 December 2005, the Bank's extraordinary results amounted to EUR -129,000 (31 December 2004: EUR 0), resulting from the sale of fixed assets, in particular buildings not used for operational purposes.

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# Abbreviations and Technical Terms

**Advanced Measurement Approach (AMA):** Advanced method for the quantification of operational risk in the calculation of the risk/asset ratio under Basel II regulations.

**Basel II:** The principal objective of the Basel Accord is to achieve a closer match between statutory capital requirements and the economic risks actually involved in banking. More broadly, it is intended to reinforce the stability of the international banking industry and encourage banks to upgrade their risk management systems.

**Banking book:** Term used to refer to financial instruments other than those included in the Bank's trading portfolios.

**Commercial paper:** Short-term debt instrument similar to promissory notes, with maturities ranging from a few days to a year.

**Modified Duration:** Allows to measure the sensitivity of the market value of a bond to a parallel shift of 1% in yield curves.

**Extreme Value Distribution:** Statistical method used to allow for maximum possible losses on a given financial instrument.

**Interest-Rate Gap:** An imbalance in the assets and liabilities being repriced during a given period (month or year).

**Option:** A financial instrument conferring the right, but not the obligation, to buy or sell during a given period a specific underlying asset such as a share, stock-market index or commodity at a stated price.

**Risk Asset Ratio (RAR):** Statutory ratio whereby qualifying own funds are subject to capital adequacy requirements relating to coverage of credit risk for non-trading book activities, exchange rate risk for all activities and exposure of trading book activities. Activities subject to capital adequacy requirements are weighted according to the level of risk involved. Own funds must equal at least 8% of the total of weighted activities.

**Risk Self-Assessment:** A structured method for annual assessments of operational risk within each business line.

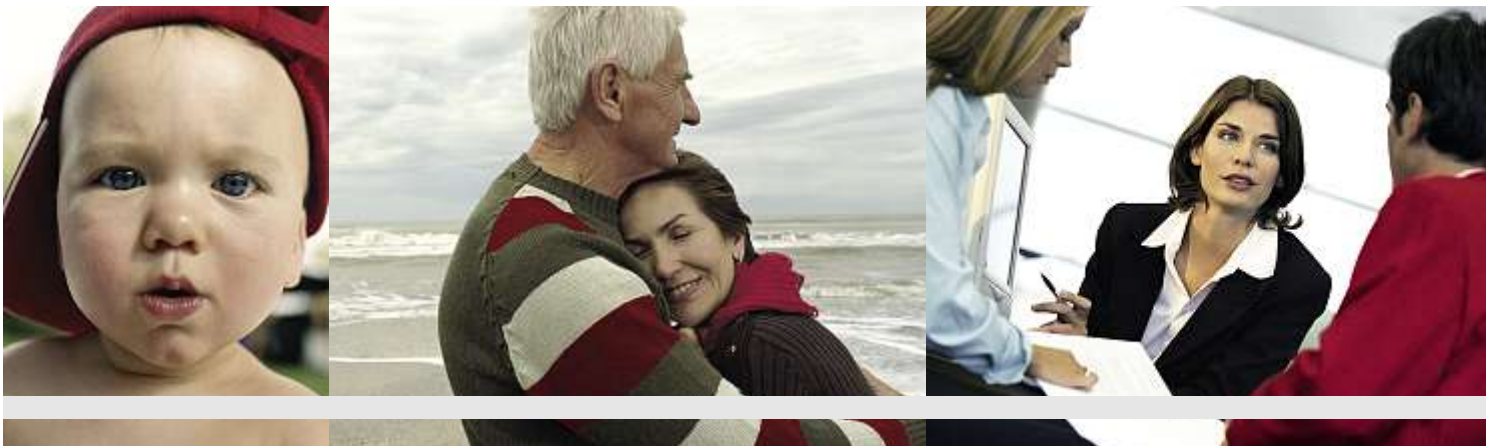
**Stress Testing:** Analysis of the impact of extreme market shifts on the value of the Bank's financial assets and revenues. Stress testing scenarios can thus be based, for example, on market crashes observed in the past.

**Trading Book:** Represents the Dealing Room's trading portfolios.

**Value at Risk:** The maximum estimated loss over a given period (e.g. two months) and a given statistical confidence level (e.g. 99%).

**Total Diversified Value at Risk:** For the Bank's banking book, this factors in interest-rate, exchange-rate and market risk over a period of two months with a statistical confidence level of 99%. Calculation of the total diversified value at risk allows for the diversification of exposure to equities, currencies and interest rates.

**Vega:** Represents the impact on the value of an option of a 1% increase in volatility.



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