

**INTERIM FINANCIAL REPORT FOR THE HALF YEAR TO JUNE 30, 2012**

(Unaudited)

of

**KBC INTERNATIONALE FINANCIERINGSMAATSCHAPPIJ N.V.,  
ROTTERDAM**

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## INTERIM DIRECTORS' REPORT

### General

In the half year to June 30<sup>th</sup>, 2012 the company continued to issue bonds and on-lend the proceeds to KBC Bank NV in line with the stated purpose of the company. The principal activity of the company continued to be the administration of the bonds issued and the loans granted.

The bonds issued by the company are fully guaranteed by KBC Bank NV.

In June 2012 the company's EMTN Programme was split into a Retail Programme of Eur 15 billion and a Wholesale Programme of Eur 25 billion.

### Financial

The financial indicators for the half year to June 30<sup>th</sup>, 2012 are summarised as follows:

	<b>June 30<sup>th</sup>, 2012</b>	<b>June 30<sup>th</sup>, 2011</b>
Net profit after tax	€ 2,900,049	€ 3,325,911
Interest income	€ 307,966,485	€ 289,431,412
Notes issued and on-lent	€ 2,795 million	€ 3,866 million
Earnings per share (Diluted and undiluted)	€ 273.9	€ 314.2

An interim dividend of € 4,000,000 was paid on January 2nd, 2012.

The dividend payment was ratified by the Annual General Meeting of Shareholders held on May 29<sup>th</sup>, 2012.

No further important events, material or financial, occurred relating to the company since June 30<sup>th</sup>, 2012.

The Financial Report for the half year to June 30<sup>th</sup>, 2012 is unaudited.

### Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements for the half year to June 30<sup>th</sup>, 2012 give a true and fair view of the assets, liabilities, financial position and profit of KBC Internationale Financieringsmaatschappij N.V. and the directors' report includes a fair review of the development and performance of the business and the position of KBC Internationale Financieringsmaatschappij N.V. together with a description of the principal opportunities and risks associated with the expected development of KBC Internationale Financieringsmaatschappij N.V.

## **Risk Management**

As stated above under General, the lending of the company is entirely to KBC Bank NV. As such, a credit risk exists in respect of lending to this company. The bonds issued by the company are fully guaranteed by KBC Bank NV; therefore the risk for investors in the company's bonds is ultimately a risk on KBC Bank NV, whose credit rating as at August 13<sup>th</sup>, 2012 is as follows:

<u>Rating agency</u>	<u>Long-term rating and outlook/watch</u>	<u>Short-term rating</u>
Fitch	A- (stable outlook, since July 2012)	F1, since July 2012
Moody's	A3 (stable outlook, since June 2012)	P-2, since June 2012
Standard & Poor's	A- (stable outlook, since December 2011)	A-2, since December 2011

## **Future Developments**

We expect that the company will continue to be active in the Group financing programmes; the level of activity will be dependent on market trends and the funding requirements of the KBC Group.

During the present year, the company expects to re-finance at least part of the bonds maturing. The current market conditions are such that the margins associated with bond issues are subject to upward pressure.

Our current expectations are that the number of bonds issued may decrease but that the individual amounts of bonds issued will remain large.

It is intended to liquidate the company's subsidiary, KBC International Finance N.V. during the course of 2012, after all loans and bonds in that company have matured and been redeemed. On liquidation, the remaining net asset value of the subsidiary will flow back to KBC Internationale Financieringsmaatschappij N.V.

We expect that the company will continue to be active in the group financing programmes; the level of activity will be dependent on market trends and the funding requirements of the group.

Rotterdam, August 13<sup>th</sup>, 2012

Management Board:

J.G. Heffernan

H.B.J. Wouters

**BALANCE SHEET AS AT JUNE 30, 2012 (UNAUDITED)**  
**(before profit appropriation)**

**A s s e t s**

	<b>June 30, 2012</b>		December 31, 2011	
	€	€	€	€
<b>Fixed assets</b>				
Tangible fixed assets		2,218		2,218
Financial fixed assets	(2)	16,848,581,810		16,723,834,552
Long term bank deposit	(2)	4,803,264		4,803,264
Derivatives	(2)	881,101,010		1,196,683,130
		17,734,488,302		17,925,323,164
<b>Current assets</b>				
Derivatives	(2)	116,815,670		109,357,625
Loans falling due within one year	(2)	3,113,754,610		4,736,495,814
Interest receivable and accrued expenses	(3)	222,709,129		229,805,648
Cash		4,023,241		4,462,402
		3,457,302,650		5,080,121,489
<b>Total assets</b>		21,191,790,952		23,005,444,653
<b>L i a b i l i t i e s</b>				
<b>Capital and reserves</b>				
Paid-in and called-up share capital	(4)	4,803,264		4,803,264
Retained earnings	(5)	4,106,733		3,864,725
Net profit for the half year/year		2,900,049		4,242,008
		11,810,046		12,909,997
<b>Provisions</b>				
Provision for pre-retirement costs		40,119		80,239
<b>Long term liabilities</b>				
Bonds Issued	(6)	16,852,762,464		16,730,610,610
<b>Derivatives</b>		881,101,010		1,196,683,130
<b>Current liabilities</b>				
Derivatives	(2)	116,815,670		109,357,625
Issued bonds falling due within one year	(6)	3,109,726,888		4,730,082,009
Other current liabilities	(7)	219,534,755		225,721,043
		3,446,077,313		5,065,160,677
<b>Total liabilities</b>		21,191,790,952		23,005,444,653

**PROFIT AND LOSS ACCOUNT FOR THE HALF YEAR ENDED JUNE 30, 2012 (UNAUDITED)**

	<b>June 30, 2012</b>		June 30, 2011	
	€	€	€	€
<b>Interest Income</b>				
Interest on fixed income investments	105,994		107,165	
Other interest income (8)	<u>307,860,491</u>		<u>289,324,247</u>	
Total interest income	307,966,485		289,431,412	
<b>Interest Expense (8)</b>	<u>(303,979,351)</u>		<u>(284,855,438)</u>	
<b>Gross margin</b>		3,987,134		4,575,974
<b>Change in fair value of derivatives</b>		-		-
Fair value change-profit	330,013,661		198,077,268	
Fair value change –loss	<u>(330,013,661)</u>		<u>(198,077,268)</u>	
	-		-	
<b>Income from participating Interests (9)</b>		101,558		91,973
<b>Staff and other operating expenses</b>				
General & administrative expenses	(271,717)		(244,420)	
Exchange rate differences	2,571		(5,463)	
<b>Total</b>		<u>(269,146)</u>		<u>(249,883)</u>
<b>Profit before taxation</b>		3,819,546		4,418,064
Corporation tax		(919,497)		(1,092,153)
<b>Net profit for the half year</b>		<u>2,900,049</u>		<u>3,325,911</u>

**CASH FLOW STATEMENT FOR THE HALF YEAR ENDED JUNE 30, 2012 (UNAUDITED)**

	<b>June 30, 2012</b>	June 30,
	€	2011
		€
Net profit	2,900,049	3,325,911
Adjustments for:		
Provision for (pre)retirement costs	1,590	31,602
Amortization on loans and bonds	(97,369)	(69,042)
Income from participating interest	<u>(101,558)</u>	<u>(91,973)</u>
	2,702,712	3,196,498
Investment in tangible fixed assets	-	(1,962)
Change in other assets and liabilities	628,667	(553,493)
Taxes received/ (paid)	281,563	392,153
(Pre)retirement costs paid	<u>(41,710)</u>	<u>(99,431)</u>
<b>Net cash flow from operational activities</b>	<b>3,571,232</b>	<b>2,933,765</b>
Financial fixed assets- increase	(2,795,150,930)	(3,865,753,990)
Financial fixed assets- decrease	<u>4,507,668,594</u>	<u>2,491,358,473</u>
<b>Net cash flow from investment activities</b>	<b>1,712,517,664</b>	<b>(1,374,395,517)</b>
Bonds issued	2,795,150,930	3,865,753,990
Bonds repaid	(4,507,678,987)	(2,491,297,127)
Dividend paid	<u>(4,000,000)</u>	<u>(4,750,000)</u>
<b>Net cash flow from financing activities</b>	<b>(1,716,528,057)</b>	<b>1,369,706,863</b>
<b>Net cash flow</b>	<b><u>(439,161)</u></b>	<b><u>(1,754,889)</u></b>
Cash balance as at January 1	4,462,402	5,821,627
Cash balance as at June 30	<u>4,023,241</u>	<u>4,066,738</u>
<b>Net cash flow</b>	<b><u>(439,161)</u></b>	<b><u>(1,754,889)</u></b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR TO JUNE 30, 2012****1 Accounting principles**

The company is a wholly-owned subsidiary of KBC Bank NV, Brussels. The main activity of the company is to assist in financing the activities of KBC Bank NV, its subsidiaries and associated companies. The address of the company is Watermanweg 92, 3067 GG Rotterdam, The Netherlands.

The same accounting principles as were applied in the Financial Report 2011 have also been applied in the financial statements for the half year to June 30<sup>th</sup>, 2012.

**2 Financial fixed assets**

The breakdown of the financial fixed assets is as follows:

	<b>June 30 2012</b>	December 31 2011
	€	€
KBC International Finance N.V., Curaçao	1,271,785	1,170,227
Loans to group companies	19,961,064,635	21,459,160,139
of which falling due within one year	(3,113,754,610)	(4,736,495,814)
	<u>16,848,581,810</u>	<u>16,723,834,552</u>

The company has a 100% investment in KBC International Finance N.V., Curaçao.

**Activity in loans to group companies**

	<b>June 30 2012</b>	June 30 2011
	€	€
Loans issued in the half year to June 30	2,795,150,930	3,865,753,990
Loan repayments in the half year to June 30,	4,507,668,594	2,491,358,473



**Long term bank deposit**

<b>June 30 2012</b>	December 31 2011
€	€
4,803,264	4,803,264

The long term bank deposit is placed with KBC Bank NV and will mature on February 28<sup>th</sup>, 2018.

**Derivatives**

<b>Derivatives</b>	<b>June 30 2012</b>	December 31 2011
	€	€
<b>Derivative Assets</b>		
Falling due within 1 year	116,815,670	109,357,625
Balance at June 30/ December 31, over 1 year	<u>881,101,010</u>	<u>1,196,683,130</u>
Total Derivative assets	<b><u>997,916,680</u></b>	<b><u>1,306,040,755</u></b>
<b>Derivative Liabilities</b>		
Falling due within 1 year	116,815,670	109,357,625
Balance at June 30/ December 31, over 1 year	<u>881,101,010</u>	<u>1,196,683,130</u>
Total Derivative Liabilities	<b><u>997,916,680</u></b>	<b><u>1,306,040,755</u></b>

The derivative assets and liabilities are embedded in the loans and bonds issued and are stated at fair value.

	<b>June 30 2012</b>	December 31 2011
Total notional amount of the derivative assets (which equals the derivative liabilities)	7,868,091,908	8,335,050,296

**3 Interest receivable and accrued expenses**

	<b>June 30 2012</b>	December 31 2011
	€	€
Interest receivable	222,636,658	229,710,265
Prepaid expenses	72,471	33,317
Tax receivable	-	62,066
	<u>222,709,129</u>	<u>229,805,648</u>

The interest on bonds issued and loans granted to group companies is calculated using a straight-line method.

**4 Paid-in and called-up share capital**

	€
Authorized 50,000 ordinary shares of € 453.78	<u>22,689,000</u>
Paid-in and called-up share capital 10,585 ordinary shares of € 453.78	<u>4,803,264</u>

The paid-in and called-up share capital is fully held by KBC Bank NV, Belgium. There have been no movements in paid-in and called-up share capital during the half year to June, 30, 2012 (half year to June 30, 2011: no movements).

**5 Retained earnings**

The movement in Retained Earnings is as follows:

	<b>June 30 2012</b>	December 31 2011
	€	€
Balance as at January 1	3,864,725	3,876,988
Net profit appropriation	4,242,008	4,737,737
Dividends paid during the half year/year	(4,000,000)	(4,750,000)
Balance as at June 30/ December 31	<u>4,106,733</u>	<u>3,864,725</u>

**6 Bonds Issued**

The breakdown of the bonds issued is as follows:

	<b>June 30 2012</b>	December 31 2011
	€	€
Total Bonds Issued	19,962,489,352	21,460,692,619
of which falling due within one year	(3,109,726,888)	(4,730,082,009)
	<u>16,852,762,464</u>	<u>16,730,610,610</u>

**Activity in Bonds Issued**

	<b>June 30 2012</b>	June 30 2011
	€	€
Bonds issued in the half year to June 30	2,795,150,930	3,865,753,990
Bonds repaid in the half year to June 30,	4,507,678,987	2,491,297,127

All bonds are guaranteed by KBC Bank NV, Brussels, Belgium.

**7 Other current liabilities**

	<b>June 30 2012</b>	December 31 2011
	€	€
Interest payable	219,268,380	225,671,766
Accounts payable and accrued expenses	44,875	36,591
Tax payable	221,500	12,686
	<u>219,534,755</u>	<u>225,721,043</u>

## NOTES TO THE PROFIT AND LOSS ACCOUNT

### 8 Interest income and expense

The interest income results from the loans granted by the company to KBC Bank NV, Brussels, Belgium and other group companies. The interest expense relates to bonds issued.

### 9 Income from participating interests

This represents the net profit after tax of KBC International Finance N.V. for the half year.

### 10 Risk management

It is the policy of the company to strictly limit interest rate, exchange, market and operational risks to the company and the structure and organisation of the company are designed to give effect to this policy. Furthermore, the company's financial administration is so arranged as to prevent exposures to the above risks and controls are in place to ensure strict adherence.

This policy, which applies to all bond issues, ensures that the company has no exposures in relation to open or unmatched positions in interest rate risk, market risk, currency risk, liquidity risk, cash flow risk or interest re-pricing risk and consequently runs no risks in respect to these categories. This policy is the basis of the company's asset and liability management. Credit risks are present in relation to the loans on-lent to KBC Bank NV.

The interest margins on the loans where applicable, have been set in conjunction with KBC Bank NV and take account of the company's obligations under an Advance Pricing Agreement entered into with the Dutch tax authorities.

## NOTES TO THE CASH FLOW STATEMENT

### 11 Cash flow statement

The Cash Flow Statement is compiled according to the indirect method.

The cash balances of the company are free of encumbrance.

**Rotterdam, August 13th, 2012**

**Board of Directors:**

J.G. Heffernan

H.B.J. Wouters