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KBC Bank

## Half-Year Report 1H2012



## Company name

'KBC', 'the group' or 'KBC Bank' as used in this report refer to the consolidated bank entity (i.e. KBC Bank NV including all companies that are included in the scope of consolidation). 'KBC Bank NV' refers solely to the non-consolidated entity. KBC Group or the KBC group refers to the parent company of KBC Bank (see below).

## Difference between KBC Bank and KBC Group

KBC Bank is a subsidiary of KBC Group. Simplified, the KBC group's legal structure has one single entity – KBC Group NV – in control of two underlying companies, viz. KBC Bank and KBC Insurance (KBL EPB is not mentioned anymore in view of its sale at the end of July 2012).

## Forward-looking statements

The expectations, forecasts and statements regarding future developments that are contained in this report are, of course, based on assumptions and are contingent on a number of factors that will come into play in the future. Consequently, the actual situation may turn out to be (substantially) different.

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## Glossary of ratios used

CAD ratio  
[consolidated regulatory capital] / [total weighted risk].

Cost/income ratio  
[operating expenses] / [total income].

Cover ratio  
[impairment on loans] / [outstanding non-performing loans]. For a definition of 'non-performing', see 'Non-performing loan ratio'. Where appropriate, the numerator may be limited to individual impairment on non-performing loans.

Credit cost ratio  
[net changes in impairment for credit risks] / [average outstanding loan portfolio]. Note that, inter alia, governments bonds are not included in this calculation.

Net interest margin  
[underlying net interest income / [average interest-bearing assets].

Non-performing loan ratio  
[amount outstanding of non-performing loans (loans for which principal repayments or interest payments are more than ninety days in arrears or overdrawn)] / [total outstanding loan portfolio].

(Core) Tier-1 ratio  
[consolidated tier-1 capital] / [total weighted risk]. The calculation of the core tier-1 ratio does not include hybrid instruments.

## Management certification

'I, Luc Popelier, Chief Financial Officer of KBC Bank, certify on behalf of the Executive Committee of KBC Bank NV that, to the best of my knowledge, the abbreviated financial statements included in the interim report are based on the relevant accounting standards and fairly present in all material respects the financial condition and results of KBC Bank NV including its consolidated subsidiaries, and that the interim report provides a fair overview of the main events, the main transactions with related parties in the period under review and their impact on the abbreviated financial statements, and an overview of the main risks and uncertainties for the remainder of the financial year.

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This report contains information that is subject to transparency regulations for listed companies. 31 August 2012, 8 a.m. CEST.

# Report for the first six months of 2012

KBC Bank

## Summary

KBC Bank ended the first six months of 2012 (1H2012) with a consolidated net result according to IFRS of -865 million euros, compared with +911 million euros in the first six months of 2011 (1H2011). The 'underlying' net result for 1H2012 (i.e. excluding exceptional and non-operating items, see below) came to +562 million euros, compared to +861 million euros in 1H2011.

| Key consolidated figures, KBC Bank (in millions of EUR) |            |            |
|---|------------|------------|
|   | 1H2011     | 1H2012     |
| Net result, IFRS  | 911        | -865       |
| Underlying net result                                   | 861        | 562        |
| per business unit:                                      |            |            |
| Belgium   | 270        | 259        |
| Central and Eastern Europe (CEE-4)                      | 251        | 295        |
| Merchant Banking  | 238        | -22        |
| Group Centre  | 102        | 30         |
|   | 31-12-2011 | 30-06-2012 |
| Total assets  | 241 076    | 243 749    |
| Parent shareholders' equity                             | 11 117     | 10 585     |
| Tier-1 ratio (in %, Basel II)                           | 11.6%      | 11.9%      |

Summary table containing the 'results according to IFRS' and the 'underlying results' can be found further on in this report.

The exceptional and non-operating items, which impacted the IFRS result for 1H2012 and which were excluded in the underlying figures, totalled -1.4 billion euros after tax. They mainly consisted of:

- Impairment charges for remaining divestments (-1.1 billion euros after tax). On the basis of the progress made in the respective divestment processes, a thorough assessment was made of the value of the businesses of Absolut Bank (Russia), NLB (Slovenia), KBC Bank Deutschland (Germany) and Antwerpse Diamantbank (Belgium). Given our determination to continue with the divestments, we have decided to reclassify three of these businesses under IFRS 5 and record impairment charges for the divestment files. The impact of these charges is 1.1 billion euros, after tax. Given that impairment is largely related to goodwill, the impact on regulatory capital is substantially lower at 0.6 billion euros. This negative capital impact will be reversed entirely at the time these divestments are closed, mainly through the release of risk-weighted assets (RWAs).
- Valuation of own debt (-0.3 billion euros, after tax). The improvement in the credit spread of KBC Bank debt between year-end 2011 and the end of June 2012 resulted in a negative marked-to-market adjustment of 0.3 billion euros.

The main special elements that impacted both the IFRS and underlying results in 1H2012 were:

- Greece. As a result of the exchange offer of Greek bonds (PSI debt restructuring), KBC Bank recorded an additional and final negative result of 25 million euros (pre-tax) on its Greek government bond portfolio. KBC also recorded an additional charge of 56 million euros (pre-tax) for the 5/5/5 bonds (repurchase on a voluntary basis of KBC IFIMA 5/5/5 and KBC Group 5/5/5 bonds sold to retail customers – see further for more information).
- Ireland. Recent economic indicators point towards resilience in Irish exports, continuing strength in the pipeline of foreign direct investment and progress in reducing the deficit in public finances. These developments have been reflected in continuing positive assessments by the EU/IMF. While residential mortgage arrears continue to deteriorate, the pace of deterioration has slowed markedly compared to 2011, which is also positively impacting non-performing loan trends. There are tentative early signs of house prices stabilising, but local confidence remains fragile. Commercial collateral values continue to suffer as all Irish banks deleverage in an illiquid market. As a consequence, a loan loss provision of 331 million euros (pre-tax) was recorded in 1H2012. KBC estimates that full-year impairment charges at KBC Ireland will end up between 500 and 600 million euros.

#### Business highlights for 1H2012:

- Further steps forward in implementing the divestment programme. In Poland, KBC Bank signed an investment agreement with Banco Santander to combine their Polish subsidiaries, Kredyt Bank and Bank Zachodni WBK. KBC Private Equity sold its participation in Dynaco, KBC Asset Management concluded the sale of its 49% stake in KBC Goldstate (China) to Value Partners Ltd, and KBC Lease sold KBC Autolease Polska to Business Lease Group. At the end of July, KBC closed the previously announced deal with Banco Santander for the sale of Żagiel (consumer finance business in Poland), after receiving the necessary regulatory approvals. Moreover, KBC decided to record impairment charges for the remaining divestment files (see above).
- Further reduction in the volatility of results, due in part to reducing the exposure to CDOs and ABS by roughly 1.7 billion euros and scaling back the exposure to bonds issued by Southern European governments by 1.4 billion euros in 1H2012.
- Focus firmly remains on catering for KBC Bank's customer base in its core markets in Belgium and Central and Eastern Europe.

#### Financial highlights for 1H2012 (compared to 1H2011):

- Good commercial results, surpassed by impairment charges recorded on the remaining divestments, leading to a negative reported result under IFRS.
- Year-on-year decrease in net interest income, due in part to divestments, a lower reinvestment yield and higher senior debt costs.
- Good growth of loan and deposit volumes in the Belgium and Central and Eastern Europe business units.
- Net fee and commission income slightly down year-on-year.
- Underlying cost/income ratio of 58% year-to-date.
- Credit cost ratio at a low 0.59% year-to-date, almost exclusively accounted for by Ireland. Excluding Ireland, the ratio stands at 0.18%.
- Strong liquidity position, with an excellent loan-to-deposit ratio of 83%.
- Solvency: continued strong capital base: *pro forma* tier-1 ratio – including the effect of divestments for which an agreement has been signed to date (Kredyt Bank) – at approximately 12.9% (Basel II).

## Analysis of the result

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A summary of the consolidated income statement of KBC Bank, based on the International Financial Reporting Standards (IFRS), is given below, as well as selected balance sheet data. A full overview of the IFRS consolidated income statement and balance sheet is provided in the 'Consolidated Financial Statements' section of the report. Condensed statements of comprehensive income, changes in shareholders' equity, and cash flow, as well as several notes to the accounts, are also available in the same section.

In order to provide a good insight into the underlying business trends, KBC Bank also publishes 'underlying' results. The differences with the IFRS figures relate to the exclusion of exceptional or non-operating items and a different accounting treatment of certain hedging results and capital-market income. In view of their nature and materiality, it is important to adjust the results for these factors to understand the profit trend fully.

A full explanation of the differences between IFRS and underlying figures, as well as a reconciliation table, is provided in the 'Consolidated financial statements' section of the report, under 'Notes on segment reporting'.

| Consolidated income statement, KBC Bank (in millions of EUR)                | IFRS         | IFRS         | Underlying   | Underlying   |
|---|--------------|--------------|--------------|--------------|
|   | 1H2011       | 1H2012       | 1H2011       | 1H2012       |
| Net interest income   | 2 301        | 2 012        | 2 189        | 1 922        |
| Interest income   | 5 776        | 4 867        | *            | *            |
| Interest expense  | -3 475       | -2 855       | *            | *            |
| Dividend income   | 21           | 3            | 8            | 3            |
| Net result from financial instruments at fair value through profit and loss | 288          | -128         | 352          | 431          |
| Net realised result from available-for-sale assets                          | 27           | -11          | 24           | -15          |
| Net fee and commission income   | 792          | 782          | 801          | 786          |
| Fee and commission income   | 1 077        | 999          | *            | *            |
| Fee and commission expense  | -286         | -217         | *            | *            |
| Other net income  | 129          | 52           | 69           | 15           |
| <b>Total income</b>   | <b>3 557</b> | <b>2 710</b> | <b>3 442</b> | <b>3 141</b> |
| Operating expenses  | -1 933       | -1 855       | -1 887       | -1 823       |
| Impairment  | -354         | -1 583       | -348         | -473         |
| on loans and receivables  | -259         | -456         | -259         | -456         |
| on available-for-sale assets  | -66          | 0            | -66          | 0            |
| on goodwill   | -6           | -376         | 0            | 0            |
| on other  | -22          | -751         | -22          | -17          |
| Share in results of associated companies                                    | 5            | 10           | 5            | -16          |
| Result before tax   | 1 275        | -718         | 1 212        | 829          |
| Income tax expense  | -289         | -94          | -277         | -214         |
| Net post-tax result from discontinued operations                            | 0            | 0            | 0            | 0            |
| Result after tax  | 986          | -812         | 935          | 615          |
| attributable to minority interests  | 75           | 53           | 75           | 53           |
| <b>attributable to equity holders of the parent</b>                         | <b>911</b>   | <b>-865</b>  | <b>861</b>   | <b>562</b>   |
| Belgium   | 286          | 302          | 270          | 259          |
| Central and Eastern Europe**  | 266          | 294          | 251          | 295          |
| Merchant Banking  | 270          | -47          | 238          | -22          |
| Group Centre**  | 89           | -1 414       | 102          | 30           |

\* Not available, as the analysis of these underlying items is performed on a net basis within the group.

\*\* The adjustments to KBC's strategic plan in mid-2011 have led to a change in the scope of certain business units; this change was also implemented retroactively for 1H2011 (for more information, see the 'Consolidated financial statements' section, under 'Notes on segment reporting').

| Highlights, consolidated balance sheet and ratios, KBC Bank (in millions of EUR, or %) | 31-12-2011 | 30-06-2012 |
|--|------------|------------|
| Total assets   | 241 076    | 243 749    |
| Loans and advances to customers*   | 140 078    | 133 740    |
| Securities (equity and debt instruments)*  | 46 740     | 45 509     |
| Deposits from customers and debt securities*   | 171 605    | 168 444    |
| Risk weighted assets   | 106 256    | 100 530    |
| Total equity   | 12 093     | 11 506     |
| of which parent shareholders' equity   | 11 117     | 10 585     |
| Ratios (based on underlying results, year-to-date)                                     |            |            |
| Cost/income ratio  | 58%        | 58%        |
| Credit cost ratio  | 0.83%      | 0.59%      |
| Solvency   |            |            |
| Tier-1 ratio   | 11.6%      | 11.9%      |
| Core tier-1 ratio  | 9.6%       | 9.8%       |

\* Note: in accordance with IFRS 5, the assets and liabilities of a number of divestments were moved to 'Non-current assets held for sale and assets associated with disposal groups' and 'Liabilities associated with disposal groups', which distorts the comparison between periods (comparable figures are provided in Note 14).

The IFRS net result for 1H2012 amounted to -865 million euros, compared to +911 million euros in 1H2011. The main non-operating and exceptional items in this result had a combined impact of -1 427 million euros in 1H2012. An overview of all non-operating and exceptional items in 1H2011 and 1H2012 can be found in the 'Consolidated financial statements' section of this report, under 'Notes on segment reporting'.

Excluding non-operating and exceptional items, the 'underlying' net result for 1H2012 amounted to +562 million euros, compared to +861 million euros in 1H2011.

- Net interest income amounted to 2 012 million euros in 1H2012. On an underlying basis and excluding Centea (sold in mid-2011), this figure was down 8% on its 1H2011 level (higher senior debt costs, sale of high-yield GIIPS government bonds, smaller credit portfolio at K&H Bank, due to the FX relief programme, among other things), which led to a net interest margin of 1.87% in 1H2012. On a comparable basis (excluding Centea and all companies under IFRS 5), the total loan portfolio increased by 3% year-on-year. The retail credit portfolio of the Belgium Business Unit increased by 6% year-on-year. In the Central & Eastern Europe (CEE) Business Unit, it went up by 4%, including significant increases in the Czech Republic and Slovakia and a decrease in Hungary (owing to the FX relief programme). In the Merchant Banking Business Unit, the credit portfolio increased 1% year-on-year. Again on a comparable basis, total customer deposits fell 7% year-on-year. Customer deposits went up by 6% in the Belgium Business Unit and by 3% in CEE (flat in Hungary, increases in the other countries), while there was a 26% decline in the Merchant Banking Business Unit (still largely as a result of the significant decline in short-term deposits in the last quarter of 2011).
- Net fee and commission income amounted to 782 million in 1H2012, slightly down (-3%) on 1H2011 (on an underlying basis and excluding Centea in the comparison). Assets under management amounted to 150 billion euros at the end of June 2012. That is approximately 4% lower than a year ago, due to net outflows.
- The net result from financial instruments at fair value through profit and loss (trading and fair value income) came to -128 million euros in 1H2012, compared to 288 million euros in 1H2011. This item is traditionally impacted by a number of exceptional and non-operating items (in 1H2012, the main one was the negative adjustment of 0.3 billion euros in the fair value of own debt instruments, after tax). On an underlying basis (i.e. excluding all exceptional and non-operating items, and after shifting all trading-related income to this income statement line item), trading and fair value income amounted to 431 million euros in 1H2012, up from 352 million euros a year earlier, which partly reflects the good level of dealing room income in the period under review (especially in the first quarter).
- The remaining income items were as follows: dividend income from the share portfolio came to 3 million euros, the net realised result from available-for-sale assets amounted to -11 million euros, down by 38 million on the year-earlier figure, essentially due to losses on the sale of (Greek and Spanish, *inter alia*) government bonds in the period under review. Other net income came to 52 million euros and comprised, among other things, an additional -56 million euros for settling the 5-5-5 investment product (see Note 8 in the 'Consolidated Financial Statements' section), -51 million on the sale of certain ABS (Atomium assets) and +41 million in relation to the fraud case at KBC Lease UK in 2010.
- Operating expenses amounted to 1 855 million euros in 1H2012, 1% less than in the comparable period of 2011 (on an underlying basis and excluding Centea in the comparison). The underlying cost/income ratio, a measure of cost efficiency, came to 58% in 1H2012, in line with the level recorded for full-year 2011.
- Impairment on loans and receivables (credit provisions) came to 456 million euros, significantly up on the 259 million euros registered in 1H2011. That was mainly due to significantly higher credit provisions related to Ireland (94 million euros in 1H2011; 331 million euros in 1H2012). The credit cost ratio in 1H2012 amounted to 0.59%, an improvement on the figure of 0.83% for full-year 2011. The 1H2012 credit cost ratio breaks down as follows: a very favourable 0.04% in the Belgium Business Unit, 0.42% in CEE and 1.38% in the Merchant Banking Business Unit (just 0.14%, excluding Ireland).
- Other impairment charges totalled 1 127 million euros in 1H2012 and included a 1.1-billion-euro impairment on the remaining divestment files (mainly relating to Absolut Bank, NLB, Antwerpse Diamantbank and KBC Bank Deutschland). The year-earlier figure was 94 million and included, *inter alia*, impairment on Greek sovereign bonds.
- Income tax expense came to 94 million euros in 1H2012.
- At the end of 1H2012, total equity amounted to 11.5 billion euros, a decrease of 0.6 billion euros on its level at the beginning of the year. That was mainly due to the inclusion of the half-year result (-0.9 billion euros), the payment of a dividend to KBC Group (-0.1 billion euros) and the change in the available-for-sale revaluation reserve (+ 0.5 billion euros). The tier-1 capital ratio – a measure of financial strength – came to a solid 11.9% at the end of June 2012 including the effect of divestments for which an agreement has been signed to date (in this case, Kredyt Bank), the *pro forma* tier-1 ratio amounted to approximately 12.9%.



- Highlights of the *underlying* performance per business unit:
  - The Belgium Business Unit generated an underlying result of 259 million euros in 1H2012, compared to 270 million euros in 1H2011. 1H2012 included stable net interest income and net fee and commission income, realised losses on the sale of (Greek and certain other) government bonds, the impact of the 5-5-5 product, a stable level of costs and continued low loan impairment.
  - The Central and Eastern Europe Business Unit (the Czech Republic, Slovakia, Hungary, Bulgaria) generated an underlying result of 295 million euros in 1H2012, compared to 251 million in 1H2011. 1H2012 was characterised by a slight decrease in total income, which was more than offset by significantly lower impairment charges. The net result for the business unit in 1H2012 breaks down as follows: 308 million euros for the Czech Republic, 32 million euros for Slovakia, -2 million euros for Hungary, 5 million euros for Bulgaria and -48 million euros included in other results (the funding cost of goodwill, etc.)
  - The Merchant Banking Business Unit generated an underlying result of -22 million euros in 1H2012, compared to 238 million euros in 1H2011. The period under review was characterised by lower total income (decrease in net interest income, the impact of the 5-5-5 product, among other factors) and significantly higher loan impairment (Ireland). Excluding KBC Bank Ireland, the underlying result of the business unit would have been 216 million euros.
  - It should be noted that the planned divestments of KBC Bank are included in the Group Centre (and not in the respective business units) in order to clearly indicate the financial performance of the entities that will remain in the group, and the financial performance of the planned divestments. In 1H2012, the Group Centre made an underlying net profit of 30 million euros, compared to 102 million euros in 1H2011 (due to the deconsolidation of Centea and the lower contribution to the result made by a number of other companies).

## Other information

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### Main events in 1H2012

- **Strategy:** KBC Bank's core strategy remains centred around bancassurance (in co-operation with KBC Insurance) in Belgium and a selection of countries in CEE (the Czech Republic, Slovakia, Hungary and Bulgaria). In line with its strategic plan, the group has made considerable progress in the sale or run-down of a number of (non-core) activities (see below).
- **Strategic refocusing plan:** in 1H2012, KBC successfully continued to implement its strategic refocusing plan:
  - On 17 January 2012, KBC Asset Management reached an agreement with both Kredyt Trade Sp z.o.o. (a fully owned subsidiary of Kredyt Bank) and Warta to buy those companies' stakes in the Polish asset management company, KBC TFI. As a result of the two transactions, KBC Asset Management NV became the sole shareholder of KBC TFI.
  - On 23 January 2012, KBC Private Equity and the other shareholders of Dynaco Group NV reached an agreement with Assa Abloy AB regarding the acquisition of Dynaco. The deal has since been completed and generated a capital gain of 21 million euros.
  - On 28 February 2012, KBC Bank and Banco Santander announced that they had entered into an investment agreement to combine their Polish banking subsidiaries, Bank Zachodni WBK S.A. and Kredyt Bank S.A. Upon the deconsolidation of Kredyt Bank as a result of the proposed merger, and after the committed reduction of KBC's participation to below 10% shortly after the registration of the merger, approximately 0.7 billion euros of capital will be released at group level (based on market valuations at the time the deal was announced). Moreover, based on these valuations, the deal will positively affect KBC's income statement by approximately 0.1 billion euros, which will be recognised when the deal is completed. On 11 May 2012, the Management Boards of Kredyt Bank and Bank Zachodni WBK signed the Merger Plan and motion to Financial Supervisory Commission for its approval of the banks' merger. Exchange parity was established at 6.96 Bank Zachodni WBK shares for each 100 Kredyt Bank shares. The merger is subject to approval of the Financial Supervisory Commission. The merger plan was approved by the shareholders of both companies on 30 July 2012.
  - On 8 March 2012, Value Partners Ltd., a Hong Kong-based and listed asset management firm, reached an agreement with KBC Asset Management NV to acquire its 49% stake in KBC Goldstate. The deal was approved by Chinese Regulator CSRC and was closed on March 26. Given the size and nature of the activities involved, the deal had no material impact on KBC Bank's earnings and capital.
  - On 14 May 2012, Business Lease Group, a leading expert in full operational service leasing and mobility services in the Netherlands and Central Europe (Poland, the Czech Republic, Slovakia and Hungary) acquired KBC Autolease Polska Sp. z o.o., a wholly-owned subsidiary of KBC Lease Belgium NV. Given the size and nature of the activities involved, the sale had no material impact on KBC's earnings and capital.
  - On 29 June 2012, after very careful and thorough consideration and in consultation with all relevant parties, KBC decided not to participate in the capital increase proposed by NLB and the Republic of Slovenia.

- On 31 July 2012, after having received all the necessary regulatory approvals, KBC Bank finalised the sale of all the shares of Żagiel, its consumer finance business in Poland, to Santander Consumer Finance S.A., the Polish consumer finance subsidiary of Santander Group, for a total purchase price of 10 million Polish zloty.
- A number of companies are still scheduled for divestment. The divestment processes for KBC Bank Deutschland, Antwerpse Diamantbank and Absolut Bank are in progress. On the basis of the progress made in the respective divestment processes, a thorough assessment was made of the value of the businesses of Absolut Bank (Russia), NLB (Slovenia), KBC Bank Deutschland (Germany) and Antwerpse Diamantbank (Belgium). Given KBC's determination to continue with the divestments, it has decided to reclassify three of these businesses under IFRS 5 and record impairment charges for the divestment files. The impact of these charges on total earnings is 1.1 billion euros, after tax. Given that impairment is largely related to goodwill, the impact on regulatory capital is substantially lower at 0.6 billion euros. This negative capital impact will be reversed entirely at the time these divestments are closed, mainly through the release of RWAs.
- **State support to KBC Group:** On 2 January 2012, KBC Group – KBC Bank's parent company – repaid 500 million euros in state aid (plus a 15% penalty) to the Belgian Federal Government. KBC Group's main objective in this respect is and remains to implement the strategic plan approved by the European Commission within the agreed timeframe and to repay the Belgian authorities in a timely manner. KBC Group is working towards repaying a substantial part of the federal government state aid before the end of this year.
- **Greece:** As a result of the exchange offer of Greek bonds (PSI debt restructuring), KBC Bank recorded an additional and final negative result of 25 million euros (pre-tax) on its Greek government bond portfolio. KBC Bank also recorded a charge of 56 million euros (pre-tax) above the provision already booked in 2011 on the repurchase on a voluntary basis of the bonds (KBC IFIMA 5/5/5 and KBC Group 5/5/5) sold to retail customers, provided a credit event occurred. These structured bonds were launched in the spring of 2008, had a term to maturity of five years, a gross coupon of 5% and were linked until their maturity to the creditworthiness of five countries (Belgium, France, Spain, Italy and Greece). All holders of these bonds had been informed in March 2011 of this intention. The ISDA Determination Committee decided that a relevant CDS Credit Event occurred on 9 March 2012. As a consequence, KBC repurchased the bonds of all bond holders on the basis of the invested capital less any coupons paid by the issuer. The difference between the auction price of 19 March 2012 and the invested capital, less any coupons paid by the issuer, has been provisioned for in this and previous periods.
- **Ireland:** Recent economic indicators point towards resilience in Irish exports, continuing strength in the pipeline of foreign direct investment and progress in reducing the deficit in public finances. These developments have been reflected in continuing positive assessments by the EU/IMF. While residential mortgage arrears continue to deteriorate, the pace of deterioration has slowed markedly compared to 2011, which is also positively impacting non-performing loan trends. There are tentative early signs of house prices stabilising, but local confidence remains fragile. Commercial collateral values continue to suffer as all Irish banks deleverage in an illiquid market. As a consequence, a loan loss provision of 331 million euros (pre-tax) was recorded in 1H2012. KBC estimates that full-year impairment charges at KBC Ireland will end up between 500 and 600 million euros.
- **Reduced risk exposure:** in 1H2012, KBC Bank lowered its nominal CDO and ABS exposure by some 1.7 billion euros. The exposure to bonds issued by Southern European countries and Ireland was also further reduced, decreasing from 3 billion euros at the start of the year to 1.6 billion euros at the end of June 2012.

## Statement of risk

- Mainly active in banking and asset management, KBC Bank is exposed to a number of typical risks such as – but not exclusively – credit default risk, movements in interest rates, capital markets risk, currency risk, liquidity risk, operational risk, exposure to emerging markets, changes in regulations, customer litigation, as well as the economy in general. It is part of the business risk that the macroeconomic environment and the ongoing restructuring plans may have a negative impact on asset values or could generate additional charges beyond anticipated levels.
- Risk management data are provided in KBC Bank's annual and half-yearly reports, which are available at [www.kbc.com](http://www.kbc.com).
- Downside risks to economic growth in 2012 and 2013 have increased further in the past few months. They are primarily related to the ongoing EMU crisis and the uncertainty about fiscal policy in the US after the November election (the so-called 'fiscal cliff'). Most importantly, a credible and sustainable solution for the EMU sovereign debt problem remains necessary to restore general confidence and to stabilise the financial sector.

## Financial calendar

The financial calendar of KBC Group and KBC Bank, which included information on when the results will be published and the dates of analyst and investor meetings, is available at [www.kbc.com](http://www.kbc.com).

# Consolidated financial statements

according to IFRS, KBC Bank – 1H2012

Reviewed by the statutory auditor

## Consolidated income statement

| In millions of EUR   | Note | 1H 2011      | 1H 2012      |
|--|------|--------------|--------------|
| Net interest income  | 3    | 2 301        | 2 012        |
| Interest income  |      | 5 776        | 4 867        |
| Interest expense   |      | - 3 475      | - 2 855      |
| Dividend income  |      | 21           | 3            |
| Net result from financial instruments at fair value through profit or loss |      | 288          | - 128        |
| Net realised result from available-for-sale assets                         | 6    | 27           | - 11         |
| Net fee and commission income  | 7    | 792          | 782          |
| Fee and commission income  |      | 1 077        | 999          |
| Fee and commission expense   |      | - 286        | - 217        |
| Other net income   | 8    | 129          | 52           |
| <b>TOTAL INCOME</b>  |      | <b>3 557</b> | <b>2 710</b> |
| Operating expenses   | 9    | - 1 933      | - 1 855      |
| Staff expenses   |      | - 907        | - 887        |
| General administrative expenses  |      | - 938        | - 886        |
| Depreciation and amortisation of fixed assets                              |      | - 87         | - 81         |
| Impairment   | 11   | - 354        | - 1 583      |
| on loans and receivables   |      | - 259        | - 456        |
| on available-for-sale assets   |      | - 66         | 0            |
| on goodwill  |      | - 6          | - 376        |
| on other   |      | - 22         | - 751        |
| Share in results of associated companies                                   |      | 5            | 10           |
| <b>RESULT BEFORE TAX</b>   |      | <b>1 275</b> | <b>- 718</b> |
| Income tax expense   |      | - 289        | - 94         |
| Net post-tax result from discontinued operations                           | 44   | 0            | 0            |
| <b>RESULT AFTER TAX</b>  |      | <b>986</b>   | <b>- 812</b> |
| Attributable to minority interest  |      | 75           | 53           |
| <i>of which relating to discontinued operations</i>                        |      | 0            | 0            |
| <b>Attributable to equity holders of the parent</b>                        |      | <b>911</b>   | <b>- 865</b> |
| <i>of which relating to discontinued operations</i>                        |      | 0            | 0            |

## Condensed consolidated statement of comprehensive income

| In millions of EUR                                      | 1H 2011      | 1H 2012      |
|---|--------------|--------------|
| <b>RESULT AFTER TAX</b>                                 | <b>986</b>   | <b>- 812</b> |
| attributable to minority interest                       | 75           | 53           |
| attributable to equity holders of the parent            | 911          | - 865        |
| <b>OTHER COMPREHENSIVE INCOME</b>                       |              |              |
| Net change in revaluation reserve (AFS assets) - Equity | 9            | 30           |
| Net change in revaluation reserve (AFS assets) - Bonds  | 64           | 484          |
| Net change in revaluation reserve (AFS assets) - Other  | 0            | 0            |
| Net change in hedging reserve (cash flow hedge)         | 144          | - 125        |
| Net change in translation differences                   | 7            | 80           |
| Other movements   | 1            | - 2          |
| <b>TOTAL COMPREHENSIVE INCOME</b>                       | <b>1 211</b> | <b>- 344</b> |
| attributable to minority interest                       | 77           | 63           |
| attributable to equity holders of the parent            | 1 133        | - 408        |

## Consolidated balance sheet

| ASSETS (in millions of EUR)   | Note | 31-12-2011     | 30-06-2012     |
|---|------|----------------|----------------|
| Cash and cash balances with central banks                                       |      | 6 123          | 6 142          |
| Financial assets  | 14   | 225 814        | 213 005        |
| Held for trading  |      | 27 730         | 24 141         |
| Designated at fair value through profit or loss                                 |      | 8 076          | 9 402          |
| Available for sale  |      | 24 295         | 17 855         |
| Loans and receivables   |      | 153 981        | 142 056        |
| Held to maturity  |      | 10 958         | 18 649         |
| Hedging derivatives   |      | 776            | 902            |
| Fair value adjustments of hedged items in portfolio hedge of interest rate risk |      | 197            | 195            |
| Tax assets  |      | 2 406          | 2 173          |
| Current tax assets  |      | 122            | 166            |
| Deferred tax assets   |      | 2 284          | 2 007          |
| Non-current assets held for sale and assets associated with disposal groups     | 44   | 3              | 16 972         |
| Investments in associated companies   |      | 475            | 157            |
| Investment property   |      | 552            | 455            |
| Property and equipment  |      | 2 357          | 2 222          |
| Goodwill and other intangible assets  |      | 1 544          | 1 069          |
| Other assets  |      | 1 605          | 1 359          |
| <b>TOTAL ASSETS</b>   |      | <b>241 076</b> | <b>243 749</b> |

| LIABILITIES AND EQUITY (in millions of EUR)                                     | Note | 31-12-2011     | 30-06-2012     |
|---|------|----------------|----------------|
| Financial liabilities   | 14   | 225 016        | 216 543        |
| Held for trading  |      | 27 332         | 23 563         |
| Designated at fair value through profit or loss                                 |      | 22 895         | 17 709         |
| Measured at amortised cost  |      | 172 860        | 173 123        |
| Hedging derivatives   |      | 1 929          | 2 148          |
| Fair value adjustments of hedged items in portfolio hedge of interest rate risk |      | 4              | 16             |
| Tax liabilities   |      | 446            | 240            |
| Current tax liabilities   |      | 233            | 123            |
| Deferred tax liabilities  |      | 214            | 117            |
| Liabilities associated with disposal groups                                     | 44   | 0              | 11 280         |
| Provisions for risks and charges  |      | 852            | 481            |
| Other liabilities   |      | 2 665          | 3 684          |
| <b>TOTAL LIABILITIES</b>  |      | <b>228 983</b> | <b>232 243</b> |
| Total equity  | 34   | 12 093         | 11 506         |
| Parent shareholders' equity   |      | 11 117         | 10 585         |
| Minority interests  |      | 975            | 921            |
| <b>TOTAL LIABILITIES AND EQUITY</b>   |      | <b>241 076</b> | <b>243 749</b> |

In line with IFRS 5, the assets and liabilities of the largest part of the remaining divestments were moved from various balance sheet line items to 'Non-current assets held for sale and assets associated with disposal groups' and 'Liabilities associated with disposal groups'. Please note that reference figures have not been adjusted (not required by IFRS 5); however, *pro forma* figures for financial assets and financial liabilities at 31 December 2011 are shown in Note 14. More information on divestments and all data required by IFRS 5 can be found in a separate note (Note 44).

## Consolidated statement of changes in equity

| In millions of EUR  | Issued and paid<br>up share capital | Share premium | Revaluation<br>reserve (AFS<br>assets) | Hedging reserve<br>(cashflow hedges) | Reserves     | Translation<br>differences | Parent<br>shareholders'<br>equity | Minority<br>interests | Total equity  |
|---|-------------------------------------|---------------|--|--------------------------------------|--------------|----------------------------|-----------------------------------|-----------------------|---------------|
| <b>30-06-2011</b>   |                                     |               |  |                                      |              |                            |                                   |                       |               |
| Balance at the beginning of the period                                    | 8 948                               | 1 222         | - 387                                  | - 446                                | 4 134        | - 279                      | 13 193                            | 950                   | 14 142        |
| Net result for the period   | 0                                   | 0             | 0                                      | 0                                    | 911          | 0                          | 911                               | 75                    | 986           |
| Other comprehensive income for the period                                 | 0                                   | 0             | 72                                     | 144                                  | 1            | 5                          | 222                               | 3                     | 225           |
| <b>Total comprehensive income</b>   | <b>0</b>                            | <b>0</b>      | <b>72</b>                              | <b>144</b>                           | <b>912</b>   | <b>5</b>                   | <b>1 133</b>                      | <b>77</b>             | <b>1 211</b>  |
| Dividends   | 0                                   | 0             | 0                                      | 0                                    | - 622        | 0                          | - 622                             | 0                     | - 622         |
| Capital increase  | 0                                   | 0             | 0                                      | 0                                    | 0            | 0                          | 0                                 | 0                     | 0             |
| Results on (derivatives on) treasury shares                               | 0                                   | 0             | 0                                      | 0                                    | 0            | 0                          | 0                                 | 0                     | 0             |
| Impact business combinations  | 0                                   | 0             | 0                                      | 0                                    | 0            | 0                          | 0                                 | 0                     | 0             |
| Change in minorities  | 0                                   | 0             | 0                                      | 0                                    | 0            | 0                          | 0                                 | - 101                 | - 101         |
| Change in scope   | 0                                   | 0             | 0                                      | 0                                    | 0            | 0                          | 0                                 | 0                     | 0             |
| <b>Total change</b>   | <b>0</b>                            | <b>0</b>      | <b>72</b>                              | <b>144</b>                           | <b>289</b>   | <b>5</b>                   | <b>511</b>                        | <b>- 24</b>           | <b>487</b>    |
| <b>Balance at the end of the period</b>                                   | <b>8 949</b>                        | <b>1 222</b>  | <b>- 314</b>                           | <b>- 302</b>                         | <b>4 423</b> | <b>- 274</b>               | <b>13 703</b>                     | <b>926</b>            | <b>14 630</b> |
| of which revaluation reserve for shares                                   |                                     |               | 100                                    |                                      |              |                            |                                   |                       |               |
| of which revaluation reserve for bonds                                    |                                     |               | - 414                                  |                                      |              |                            |                                   |                       |               |
| of which revaluation reserve for other assets than bonds and shares       |                                     |               | 0                                      |                                      |              |                            |                                   |                       |               |
| of which relating to non-current assets held for sale and disposal groups |                                     |               | - 12                                   |                                      |              | 0                          | - 12                              |                       | - 12          |
| <b>30-06-2012</b>   |                                     |               |  |                                      |              |                            |                                   |                       |               |
| Balance at the beginning of the period                                    | 8 948                               | 1 222         | - 413                                  | - 612                                | 2 362        | - 390                      | 11 117                            | 975                   | 12 093        |
| Net result for the period   | 0                                   | 0             | 0                                      | 0                                    | - 865        | 0                          | - 865                             | 53                    | - 812         |
| Other comprehensive income for the period                                 | 0                                   | 0             | 511                                    | - 125                                | - 2          | 72                         | 457                               | 11                    | 468           |
| <b>Total comprehensive income</b>   | <b>0</b>                            | <b>0</b>      | <b>511</b>                             | <b>- 125</b>                         | <b>- 866</b> | <b>72</b>                  | <b>- 408</b>                      | <b>63</b>             | <b>- 344</b>  |
| Dividends   | 0                                   | 0             | 0                                      | 0                                    | - 120        | 0                          | - 120                             | 0                     | - 120         |
| Capital increase  | 0                                   | 0             | 0                                      | 0                                    | 0            | 0                          | 0                                 | 0                     | 0             |
| Results on (derivatives on) treasury shares                               | 0                                   | 0             | 0                                      | 0                                    | 0            | 0                          | 0                                 | 0                     | 0             |
| Impact business combinations  | 0                                   | 0             | 0                                      | 0                                    | - 5          | 0                          | - 5                               | 0                     | - 5           |
| Change in minorities  | 0                                   | 0             | 0                                      | 0                                    | 0            | 0                          | 0                                 | - 118                 | - 118         |
| Change in scope   | 0                                   | 0             | 0                                      | 0                                    | 0            | 0                          | 0                                 | 0                     | 0             |
| <b>Total change</b>   | <b>0</b>                            | <b>0</b>      | <b>511</b>                             | <b>- 125</b>                         | <b>- 991</b> | <b>72</b>                  | <b>- 532</b>                      | <b>- 55</b>           | <b>- 587</b>  |
| <b>Balance at the end of the period</b>                                   | <b>8 948</b>                        | <b>1 222</b>  | <b>98</b>                              | <b>- 737</b>                         | <b>1 371</b> | <b>- 318</b>               | <b>10 585</b>                     | <b>921</b>            | <b>11 506</b> |
| of which revaluation reserve for shares                                   |                                     |               | 59                                     |                                      |              |                            |                                   |                       |               |
| of which revaluation reserve for bonds                                    |                                     |               | 39                                     |                                      |              |                            |                                   |                       |               |
| of which revaluation reserve for other assets than bonds and shares       |                                     |               | 0                                      |                                      |              |                            |                                   |                       |               |
| of which relating to non-current assets held for sale and disposal groups |                                     |               | 23                                     |                                      |              | - 10                       | 13                                |                       | 13            |

## Condensed consolidated cash flow statement

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| In millions of EUR  | 1H 2011 | 1H 2012 |
|---|---------|---------|
| Net cash from (used in) operating activities                          | - 1 232 | 2 862   |
| Net cash from (used in) investing activities                          | 30      | - 8 383 |
| Net cash from (used in) financing activities                          | - 655   | - 167   |
| <b>Change in cash and cash equivalents</b>                            |         |         |
| Net increase or decrease in cash and cash equivalents                 | - 1 857 | - 5 688 |
| Cash and cash equivalents at the beginning of the period              | 17 650  | 9 431   |
| Effects of exchange rate changes on opening cash and cash equivalents | - 783   | 165     |
| Cash and cash equivalents at the end of the period                    | 15 010  | 3 908   |



## Notes on statement of compliance and changes in accounting policies

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### Statement of compliance (Note 1a in the annual accounts for 2011)

The consolidated financial statements of KBC Bank have been prepared in accordance with the International Financial Reporting Standards (IAS 34) as adopted for use in the European Union ('endorsed IFRS'). The condensed interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with KBC Bank's annual financial statements as at 31 December 2011.

### Summary of significant accounting policies (Note 1b in the annual accounts for 2011)

A summary of the main accounting policies is provided in the annual report. In 1H2012, no changes in content were made in the accounting policies that had a material impact on the results.

## Notes on segment reporting

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### Segment reporting according to the management structure of the group (Note 2a in the annual accounts for 2011)

KBC Group and its subsidiary KBC Bank are structured and managed according to a number of segments (called 'business units'). This breakdown is based on a combination of geographic criteria (Belgium and Central and Eastern Europe, being the two core geographic areas the group operates in) and activity criteria (retail bancassurance versus merchant banking). The Shared Services & Operations Business Unit, which includes a number of divisions that provide support to and serve as a product factory for the other divisions (ICT, leasing, payments, asset management etc.) is not shown as a separate segment, as all costs and income of this business unit are allocated to the other business units and are hence included in their results.

The segment reporting (see below) is based on this breakdown, but also brings together all companies that are up for divestment under the Group Centre.

Owing to the change in the group's strategic plan in mid-2011, segment reporting was adjusted and the reference figures restated retroactively:

- The (40%) portion of ČSOB's results in the Czech Republic, which relates to the originally planned public offering of a minority stake in that company – and which had previously been recognised under Group Centre – was reallocated to the Central & Eastern Europe Business Unit.
- The results of Kredyt Bank (Poland), which had previously been included in the Central & Eastern Business Unit, have now been moved to Group Centre (to join the other companies earmarked for divestment).
- Due to the retroactive adjustment of these figures, the 'underlying result after tax, attributable to equity holders of the parent' was as follows in 1H2011:
  - Central & Eastern Europe Business Unit: 251 million euros, whereas it was 196 million euros in the previous half-year report;
  - Group Centre: 102 million euros, whereas it was 157 million euros in the previous half-year report;
  - The results for the other business units and for the group as a whole remained unchanged.

For reporting purposes, the business units of KBC Bank hence are:

- Belgium (retail banking, asset management and private banking in Belgium; companies that are earmarked for divestment have been moved to Group Centre).
- Central & Eastern Europe (retail banking, asset management, private banking and merchant banking in the Czech and Slovak Republics, Hungary and Bulgaria; companies in other countries that are earmarked for divestment have been moved to Group Centre).
- Merchant Banking (commercial banking and market activities in Belgium and selected countries in Europe, America and Southeast Asia; companies that are earmarked for divestment have been moved to Group Centre).
- Group Centre (companies that are earmarked for divestment, as well as some costs that cannot be allocated in a reliable way to other segments).

The basic principle of segment reporting is that an individual subsidiary is entirely allocated to one segment. Exceptions are made for costs that cannot be allocated reliably to a certain segment (grouped together in Group Centre) and KBC Bank NV (allocated to the different segments and to the Group Centre by means of different allocation keys).

Funding costs of goodwill regarding participations held by KBC Bank are allocated to the different segments according to the subsidiaries concerned.

Inter-segment transactions are presented at arm's length.

The figures for segment reporting have been prepared in accordance with the general KBC accounting policies (see Note 1) and thus comply with the International Financial Reporting Standards as adopted for use in the European Union (endorsed IFRS). Some adjustments to these accounting policies have been made to better reflect the underlying performance (the resulting figures are called 'underlying results'):

- In order to arrive at underlying group profit, factors that are not related to the normal course of business are eliminated. These factors also include exceptional losses and gains, such as those incurred on structured credit investments and on trading positions that were unwound due to the discontinuation of activities of KBC Financial Products. In view of their exceptional nature and materiality, it is important to separate out these factors to understand the profit trend fully. The realised gain or loss on and impairment related to divestments are also considered as an exceptional item.
- Fair value changes (due to marking-to-market, or MtM) of a large part of KBC's ALM derivatives (which are treated as 'trading instruments') are recognised under 'Net result from financial instruments at fair value', while most of the related assets are not fair valued (i.e. not marked-to-market). In order to limit the volatility of this MtM, a (government) bond portfolio has been classified as financial assets at fair value through profit or loss (fair value option). The remaining

volatility of the fair value changes in these ALM derivatives versus the fair value changes in the bond portfolio at fair value through profit or loss is excluded in the underlying results.

- In the IFRS accounts, income related to trading activities is split into different components. While trading gains are recognised under 'Net result from financial instruments at fair value', the funding costs and commission paid in order to realise these gains are recognised under 'Net interest income' and 'Net fee and commission income', respectively. Moreover, part of 'Dividend income', 'Net realised result on available-for-sale assets' and 'Other net income' is also related to trading income. In the underlying figures, all trading income components within the investment banking division are recognised under 'Net result from financial instruments at fair value', without any impact on net profit.
- In the IFRS accounts, the effect of changes in own credit risk has been taken into account to determine the fair value of liabilities at fair value through profit or loss. This resulted in value adjustments that had an impact on reported net profit under IFRS. Since this is a non-operating item, the impact is excluded from the 'underlying figures'.

A table reconciling the net result under IFRS and the underlying net result is provided below.

| Reconciliation between underlying result and result according to IFRS,<br>KBC Bank (in millions of EUR) | Main heading* | 1H2011 | 1H2012   |
|---|---------------|--------|----------|
| Result after tax, attributable to equity holders of the parent, UNDERLYING                              |               | 861    | 562      |
| + MTM of derivatives for ALM hedging  | FIFV, TX      | 22     | 15       |
| + gains/losses on CDOs  | FIFV, TX      | 52     | 8        |
| + MTM of CDO guarantee and commitment fee   | FIFV, TX      | -26    | -48      |
| + impairment on goodwill  | IMP           | -6     | -1       |
| + loss on legacy structured derivative business (KBC FP)  | FIFV, TX      | 57     | -19      |
| + change in fair value of own debt instruments (due to own credit risk)                                 | FIFV, TX      | -41    | -300 a   |
| + results on divestments  | IMP           | -8     | -1 083 b |
| + other   | -             | 0      | 0        |
| Result after tax, attributable to equity holders of the parent: IFRS                                    |               | 911    | -865     |

\* Main heading in the income statement:

FIFV: Net result from financial instruments at fair value through profit and loss

IMP: Impairment

TX: Income tax expense

a. The negative impact on the 1H2012 result can be explained by the narrowing of the senior and subordinated credit spreads of KBC, leading to a higher MtM of debt certificates included under 'Financial liabilities designated at fair value through profit or loss'.

b. 'Results on divestments' in 1H2012 included mainly impairment charges to the tune of 1.1 billion euros (after tax) on those companies still to be divested. These are primarily impairment on 'goodwill' and 'other', for a number of companies, including Absolut Bank, Antwerpse Diamantbank, KBC Bank Deutschland and NLB. For more information, see Note 11 on impairments and Note 44 on IFRS 5.

| In millions of EUR   | Belgium<br>Business<br>unit | CEE<br>Business<br>unit | Merchant<br>Banking<br>Business<br>unit | Group<br>Centre<br>excluding<br>interseg-<br>ment<br>eliminations | Inter-<br>segment<br>eliminations | Total<br>KBC Bank |
|--|-----------------------------|-------------------------|---|---|-----------------------------------|-------------------|
| <b>UNDERLYING INCOME STATEMENT - 1H 2011</b>                               |                             |                         |   |   |                                   |                   |
| Net interest income  | 753                         | 742                     | 347                                     | 349   | - 2                               | 2 189             |
| Dividend income  | 2                           | 1                       | 4                                       | 1   | 0                                 | 8                 |
| Net result from financial instruments at fair value through profit or loss | 19                          | 43                      | 300                                     | - 10  | 0                                 | 352               |
| Net realised result from available-for-sale assets                         | 3                           | 8                       | 14                                      | - 1   | 0                                 | 24                |
| Net fee and commission income  | 440                         | 202                     | 104                                     | 57  | - 1                               | 801               |
| Other net income   | 13                          | 16                      | 35                                      | 10  | - 4                               | 69                |
| <b>TOTAL INCOME</b>  | <b>1 229</b>                | <b>1 012</b>            | <b>804</b>                              | <b>405</b>  | <b>- 8</b>                        | <b>3 442</b>      |
| Operating expenses   | - 714                       | - 597                   | - 291                                   | - 292   | 8                                 | - 1 887           |
| Impairment   | - 39                        | - 147                   | - 169                                   | 7   | 0                                 | - 348             |
| on loans and receivables   | - 27                        | - 92                    | - 152                                   | 12  | 0                                 | - 259             |
| on available-for-sale assets   | - 12                        | - 52                    | - 1                                     | - 1   | 0                                 | - 66              |
| on goodwill  | 0                           | 0                       | 0                                       | 0   | 0                                 | 0                 |
| on other   | 0                           | - 2                     | - 16                                    | - 4   | 0                                 | - 22              |
| Share in results of associated companies                                   | 0                           | 4                       | 0                                       | 0   | 0                                 | 5                 |
| <b>RESULT BEFORE TAX</b>   | <b>476</b>                  | <b>272</b>              | <b>343</b>                              | <b>120</b>  | <b>0</b>                          | <b>1 212</b>      |
| Income tax expense   | - 151                       | - 20                    | - 99                                    | - 7   | 0                                 | - 277             |
| Net post-tax result from discontinued operations                           | 0                           | 0                       | 0                                       | 0   | 0                                 | 0                 |
| <b>RESULT AFTER TAX</b>  | <b>325</b>                  | <b>252</b>              | <b>245</b>                              | <b>113</b>  | <b>0</b>                          | <b>935</b>        |
| attributable to minority interests   | 55                          | 1                       | 7                                       | 12  | 0                                 | 75                |
| attributable to equity holders of the parent                               | <b>270</b>                  | <b>251</b>              | <b>238</b>                              | <b>102</b>  | <b>0</b>                          | <b>861</b>        |
| <b>UNDERLYING INCOME STATEMENT - 1H 2012</b>                               |                             |                         |   |   |                                   |                   |
| Net interest income  | 757                         | 678                     | 273                                     | 212   | 2                                 | 1 922             |
| Dividend income  | 1                           | 0                       | 1                                       | 0   | 0                                 | 3                 |
| Net result from financial instruments at fair value through profit or loss | 19                          | 97                      | 284                                     | 30  | 0                                 | 431               |
| Net realised result from available-for-sale assets                         | - 22                        | - 4                     | 8                                       | 4   | 0                                 | - 15              |
| Net fee and commission income  | 438                         | 192                     | 102                                     | 59  | - 5                               | 786               |
| Other net income   | - 19                        | 24                      | 6                                       | 8   | - 3                               | 15                |
| <b>TOTAL INCOME</b>  | <b>1 174</b>                | <b>988</b>              | <b>673</b>                              | <b>313</b>  | <b>- 7</b>                        | <b>3 141</b>      |
| Operating expenses   | - 716                       | - 582                   | - 293                                   | - 239   | 7                                 | - 1 823           |
| Impairment   | - 13                        | - 65                    | - 371                                   | - 24  | 0                                 | - 473             |
| on loans and receivables   | - 13                        | - 64                    | - 355                                   | - 24  | 0                                 | - 456             |
| on available-for-sale assets   | 0                           | 0                       | 0                                       | 0   | 0                                 | 0                 |
| on goodwill  | 0                           | 0                       | 0                                       | 0   | 0                                 | 0                 |
| on other   | 0                           | - 1                     | - 16                                    | 0   | 0                                 | - 17              |
| Share in results of associated companies                                   | 0                           | 3                       | 0                                       | - 19  | 0                                 | - 16              |
| <b>RESULT BEFORE TAX</b>   | <b>445</b>                  | <b>344</b>              | <b>10</b>                               | <b>30</b>   | <b>0</b>                          | <b>829</b>        |
| Income tax expense   | - 144                       | - 48                    | - 25                                    | 4   | 0                                 | - 214             |
| Net post-tax result from discontinued operations                           | 0                           | 0                       | 0                                       | 0   | 0                                 | 0                 |
| <b>RESULT AFTER TAX</b>  | <b>301</b>                  | <b>295</b>              | <b>- 16</b>                             | <b>35</b>   | <b>0</b>                          | <b>615</b>        |
| attributable to minority interests   | 41                          | 0                       | 6                                       | 5   | 0                                 | 53                |
| attributable to equity holders of the parent                               | <b>259</b>                  | <b>295</b>              | <b>- 22</b>                             | <b>30</b>   | <b>0</b>                          | <b>562</b>        |

In the table below, an overview of certain balance sheet items is provided by segment.

| In millions of EUR                          | Belgium<br>Business<br>unit | CEE<br>Business<br>unit | Merchant<br>Banking<br>Business<br>unit | Group<br>Centre | Total<br>KBC Bank |
|---|-----------------------------|-------------------------|---|-----------------|-------------------|
| <b>Balance sheet information 31-12-2011</b> |                             |                         |   |                 |                   |
| Total loans to customers                    | 55 431                      | 25 648                  | 45 669                                  | 13 330          | 140 078           |
| Of which mortgage loans                     | 29 359                      | 10 533                  | 12 288                                  | 5 116           | 57 296            |
| Of which reverse repos                      | 0                           | 16                      | 3 250                                   | 0               | 3 266             |
| Customer deposits                           | 76 665                      | 38 434                  | 47 833                                  | 8 674           | 171 605           |
| Of which repos                              | 0                           | 3 209                   | 14 035                                  | 0               | 17 243            |
| <b>Balance sheet information 30-06-2012</b> |                             |                         |   |                 |                   |
| Total loans to customers                    | 56 705                      | 26 461                  | 48 755                                  | 1 819           | 133 740           |
| Of which mortgage loans                     | 30 075                      | 10 791                  | 11 933                                  | 29              | 52 829            |
| Of which reverse repos                      | 0                           | 297                     | 5 958                                   | 0               | 6 255             |
| Customer deposits                           | 75 408                      | 39 071                  | 53 584                                  | 381             | 168 444           |
| Of which repos                              | 0                           | 3 717                   | 9 640                                   | 0               | 13 357            |

### Segment reporting according to geographic segment (Note 2b in the annual accounts for 2011)

The geographic information is based on geographic areas, and reflects KBC's focus on Belgium (country of domicile) and Central and Eastern Europe (including Russia), and its selective presence in other countries ('rest of the world', i.e. mainly the US, Southeast Asia and Western Europe excluding Belgium).

The geographic segmentation differs significantly from the business unit breakdown, due to, *inter alia*, a different allocation methodology and the fact that the geographic segment 'Belgium' includes not only the Belgium Business Unit, but also the Belgian part of the Merchant Banking Business Unit.

| In millions of EUR                                | Belgium | Central and<br>Eastern<br>Europe and<br>Russia | Rest of the<br>world | Total<br>KBC Bank |
|---|---------|--|----------------------|-------------------|
| <b>1H 2011</b>                                    |         |  |                      |                   |
| Total income from external customers (underlying) | 1 602   | 1 373  | 467                  | 3 442             |
| <b>31-12-2011</b>                                 |         |  |                      |                   |
| Total assets (period-end)                         | 156 129 | 56 888   | 28 058               | 241 076           |
| Total liabilities (period-end)                    | 148 804 | 51 853   | 28 326               | 228 983           |
| <b>1H 2012</b>                                    |         |  |                      |                   |
| Total income from external customers (underlying) | 1 424   | 1 305  | 412                  | 3 141             |
| <b>30-06-2012</b>                                 |         |  |                      |                   |
| Total assets (period-end)                         | 159 153 | 59 095   | 25 500               | 243 749           |
| Total liabilities (period-end)                    | 153 108 | 53 504   | 25 631               | 232 243           |

## Other notes

### Net interest income (Note 3 in the annual accounts for 2011)

| In millions of EUR  | 1H 2011        | 1H 2012        |
|---|----------------|----------------|
| <b>Total</b>  | <b>2 301</b>   | <b>2 012</b>   |
| <b>Interest income</b>  | <b>5 776</b>   | <b>4 867</b>   |
| Available-for-sale assets   | 572            | 381            |
| Loans and receivables   | 3 287          | 3 108          |
| Held-to-maturity investments  | 243            | 328            |
| Other assets not at fair value  | 15             | 15             |
| <i>Subtotal, interest income from financial assets not measured at fair value through profit or loss</i>      | <i>4 117</i>   | <i>3 831</i>   |
| Financial assets held for trading   | 1 152          | 646            |
| Hedging derivatives   | 238            | 294            |
| Other financial assets at fair value through profit or loss   | 269            | 97             |
| <b>Interest expense</b>   | <b>- 3 475</b> | <b>- 2 855</b> |
| Financial liabilities measured at amortised cost  | - 1 638        | - 1 590        |
| Other   | - 1            | - 1            |
| <i>Subtotal, interest expense for financial liabilities not measured at fair value through profit or loss</i> | <i>- 1 639</i> | <i>- 1 591</i> |
| Financial liabilities held for trading  | - 1 270        | - 763          |
| Hedging derivatives   | - 401          | - 383          |
| Other financial liabilities at fair value through profit or loss  | - 165          | - 118          |

### Net realised result from available-for-sale assets (Note 6 in the annual accounts for 2011)

| In millions of EUR            | 1H 2011   | 1H 2012     |
|-------------------------------|-----------|-------------|
| <b>Total</b>                  | <b>27</b> | <b>- 11</b> |
| <b>Breakdown by portfolio</b> |           |             |
| Fixed-income securities       | 7         | - 16        |
| Shares                        | 20        | 6           |

The net realised loss from available-for-sale assets in 1H2012 included -29 million euros stemming from the finalisation of the events regarding Greece in the first quarter. Moreover, further reductions in holdings of Spanish and Italian government bonds led to net realised losses from available for sale assets of -11 million euros and -8 million euros, respectively. These were partly compensated by gains on the sale of other securities. More information is provided in Note 41.

## Net fee and commission income (Note 7 in the annual accounts for 2011)

| In millions of EUR                | 1H 2011 | 1H 2012 |
|-----------------------------------|---------|---------|
| Total                             | 792     | 782     |
| Fee and commission income         | 1 077   | 999     |
| Securities and asset management   | 479     | 416     |
| Commitment credit                 | 143     | 146     |
| Payments                          | 273     | 276     |
| Other                             | 183     | 162     |
| Fee and commission expense        | - 286   | - 217   |
| Commission paid to intermediaries | - 67    | - 50    |
| Other                             | - 219   | - 168   |

## Other net income (Note 8 in the annual accounts for 2011)

|  | 1H 2011 | 1H 2012 |
|--|---------|---------|
| Total  | 129     | 52      |
| Of which net realised result following                       |         |         |
| The sale of loans and receivables                            | - 14    | - 52    |
| The sale of held-to-maturity investments                     | 0       | - 3     |
| The sale of financial liabilities measured at amortised cost | 0       | 0       |
| <i>Other: of which:</i>                                      | 143     | 107     |
| KBC Lease UK   | 2       | 41      |
| Income concerning leasing at the KBC Lease-group             | 44      | 40      |
| Income from consolidated private equity participations       | 28      | 9       |
| 5/5/5 loans  | 0       | - 56    |
| Realised gains or losses on divestments                      | 15      | 21      |

In 1H2012:

- the net realised result following the sale of loans and receivables included -51 million euros related to assets formerly assigned to Atomium, leading to a reduction in risk weighted assets of roughly 2 billion euros.
- there were further recuperations to the tune of 41 million euros related to the fraud case at KBC Lease UK.
- KBC recorded a negative income-statement impact of 56 million (pre-tax) as a result of KBC's voluntary compensation with respect to the structured 5/5/5 bonds (KBC IFIMA 5/5/5 and KBC Group 5/5/5) sold to retail customers. These structured bonds were launched in the spring of 2008, have a term to maturity of five years, a gross coupon of 5% (three of which had been paid) and were linked until their maturity to the creditworthiness of five countries (Belgium, France, Spain, Italy and Greece). All retail holders of these bonds had been informed in March 2011 of KBC's intention to offer a voluntary compensation in case of a credit event. The ISDA Determination Committee decided that a relevant CDS Credit Event occurred on 9 March 2012. As a result, the bonds were settled according to the principles laid down in the bond prospectuses. In addition to the settlement value, KBC has paid all retail bond holders a compensation on the basis of the invested capital less the coupons that were already paid by the issuer. Provisions for this voluntary compensation have been recorded in the third and fourth quarter of 2011 (i.e. for an amount of 334 million euros pre-tax). The final compensation amount could only be calculated after the auction held by ISDA on 19 March 2012 which determined the settlement value for the bonds. The additional negative income-statement impact in 1H2012 relates to the difference between the provisioned amount at year-end 2011 and the total compensation to retail customers.
- the closing of the divestment of Dynaco (KBC Private Equity participation) resulted in a gain of 21 million euros.

## Operating expenses (Note 9 in the annual accounts for 2011)

The operating expenses for the first half of 2011 and 2012 included the expenses related to the special tax imposed on financial institutions in Hungary (58 million euros in 2011 fully booked in the first quarter of 2011, 54 million euros in 2012 fully booked in the first quarter of 2012; deductible expense).

The first half of 2012 included the new Belgian banking tax, which is composed of mainly the following two elements which were recognised in the results on a *pro rata* basis: the contribution to the deposit guarantee scheme (73 million euros in 1H2012) and the financial stability contribution (19 million euros in 1H2012). The second quarter of 2012 included a recuperation of 51 million euros from the Belgian deposit guarantee fund following the finalisation of governmental agreement regarding the recuperation of the non-recurring contribution of the deposit guarantee scheme.

## Impairment –income statement (Note 11 in the annual accounts for 2011)

| In millions of EUR                                  | 1H 2011 | 1H 2012 |
|---|---------|---------|
| Total   | - 354   | - 1 583 |
| Impairment on loans and receivables                 | - 259   | - 456   |
| Breakdown by type                                   |         |         |
| Specific impairments for on-balance-sheet lending   | - 301   | - 478   |
| Provisions for off-balance-sheet credit commitments | 7       | - 6     |
| Portfolio-based impairments                         | 34      | 28      |
| Impairment on available-for-sale assets             | - 66    | 0       |
| Breakdown by type                                   |         |         |
| Shares  | - 1     | 0       |
| Other   | - 65    | 0       |
| Impairment on goodwill                              | - 6     | - 376   |
| Impairment on other                                 | - 22    | - 751   |
| Intangible assets, other than goodwill              | 0       | 0       |
| Property and equipment and investment property      | - 12    | - 15    |
| Held-to-maturity assets                             | - 9     | 0       |
| Associated companies (goodwill)                     | 0       | - 334   |
| Other   | - 2     | - 402   |

In 1H2012:

- the impairment on loans and receivables included -331 million euros for KBC Bank Ireland.
- the impairment on goodwill primarily included the impairment recorded on companies included in the scope of IFRS 5 at 30 June 2012 (see Note 44 below).
- the impairment on associated companies is calculated as the difference between the carrying amount of the shares in NLB (using the equity method) and the estimated recoverable amount. The recoverable amount is based on the fair value used in the most recent capital increase. Previously, the recoverable value was based on a value-in-use calculation, but considering the lack of reliable business plans available to KBC and taking into account the uncertainty of KBC's future stake in NLB (given that NLB has issued a substantial convertible loan to the Republic of Slovenia), a value-in-use calculation is no longer considered appropriate.
- the impairment on other (Other) primarily included – as was the case for impairment on goodwill - impairment charges recorded on companies included in the scope of IFRS 5 at 30 June 2012 (see Note 44 below).



## Financial assets and liabilities: breakdown by portfolio and product (Note 14 in the annual accounts for 2011)

Whereas in previous years, 'accrued interest income' and 'accrued interest expense' were disclosed separately in Note 14, they have – as of 30 June 2012 – been included in the corresponding products in the breakdown of financial assets and financial liabilities. The reference figures have not been restated retroactively.

| In millions of EUR  | Held for trading | Designated at fair value | Available for sale | Loans and receivables | Held to maturity | Hedging derivatives | Measured at amortised cost | Total   | Total excluding IFRS5 companies* |
|---|------------------|--------------------------|--------------------|-----------------------|------------------|---------------------|----------------------------|---------|----------------------------------|
| <b>FINANCIAL ASSETS, 31-12-2011</b>   |                  |                          |                    |                       |                  |                     |                            |         |                                  |
| Loans and advances to credit institutions and investment firms <sup>a</sup> | 4 600            | 305                      | 0                  | 14 394                | -                | -                   | -                          | 19 299  | 18 841                           |
| Loans and advances to customers <sup>b</sup>                                | 203              | 3 716                    | 0                  | 136 159               | -                | -                   | -                          | 140 078 | 128 337                          |
| <i>Excluding reverse repos</i>  |                  |                          |                    |                       |                  |                     |                            | 136 812 | 125 071                          |
| Discount and acceptance credit  | 0                | 0                        | 0                  | 137                   | -                | -                   | -                          | 137     | 136                              |
| Consumer credit   | 0                | 0                        | 0                  | 3 909                 | -                | -                   | -                          | 3 909   | 3 268                            |
| Mortgage loans  | 0                | 178                      | 0                  | 57 118                | -                | -                   | -                          | 57 296  | 52 207                           |
| Term loans  | 203              | 3 368                    | 0                  | 61 867                | -                | -                   | -                          | 65 438  | 61 281                           |
| Finance leasing   | 0                | 11                       | 0                  | 4 647                 | -                | -                   | -                          | 4 658   | 4 173                            |
| Current account advances  | 0                | 0                        | 0                  | 4 981                 | -                | -                   | -                          | 4 981   | 3 709                            |
| Securitised loans   | 0                | 0                        | 0                  | 0                     | -                | -                   | -                          | 0       | 0                                |
| Other   | 0                | 159                      | 0                  | 3 500                 | -                | -                   | -                          | 3 660   | 3 563                            |
| Equity instruments  | 1 027            | 26                       | 479                | -                     | -                | -                   | -                          | 1 532   | 1 522                            |
| Debt instruments issued by  | 4 300            | 3 948                    | 23 387             | 2 881                 | 10 693           | -                   | -                          | 45 208  | 42 496                           |
| Public bodies   | 3 101            | 3 594                    | 20 600             | 224                   | 10 512           | -                   | -                          | 38 031  | 35 686                           |
| Credit institutions and investment firms                                    | 648              | 196                      | 1 857              | 203                   | 154              | -                   | -                          | 3 059   | 2 722                            |
| Corporates  | 551              | 157                      | 930                | 2 454                 | 27               | -                   | -                          | 4 119   | 4 087                            |
| Derivatives   | 17 530           | -                        | -                  | -                     | -                | 618                 | -                          | 18 148  | 17 869                           |
| Total carrying value excluding accrued interest income                      | 27 660           | 7 995                    | 23 865             | 153 434               | 10 693           | 618                 | 0                          | 224 266 | 209 065                          |
| Accrued interest income   | 70               | 81                       | 429                | 546                   | 265              | 158                 | 0                          | 1 548   | 1 438                            |
| Total carrying value including accrued interest income                      | 27 730           | 8 076                    | 24 295             | 153 981               | 10 958           | 776                 | 0                          | 225 814 | 210 503                          |
| <sup>a</sup> Of which reverse repos   |                  |                          |                    |                       |                  |                     |                            | 5 982   | 5 982                            |
| <sup>b</sup> Of which reverse repos   |                  |                          |                    |                       |                  |                     |                            | 3 266   | 3 266                            |
| <b>FINANCIAL ASSETS, 30-06-2012</b>   |                  |                          |                    |                       |                  |                     |                            |         |                                  |
| Loans and advances to credit institutions and investment firms <sup>a</sup> | 3 928            | 800                      | 0                  | 12 690                | -                | -                   | -                          | 17 418  |                                  |
| Loans and advances to customers <sup>b</sup>                                | 316              | 6 396                    | 0                  | 127 029               | -                | -                   | -                          | 133 740 |                                  |
| <i>Excluding reverse repos</i>  |                  |                          |                    |                       |                  |                     |                            | 127 485 |                                  |
| Discount and acceptance credit  | 0                | 0                        | 0                  | 133                   | -                | -                   | -                          | 133     |                                  |
| Consumer credit   | 0                | 0                        | 0                  | 3 448                 | -                | -                   | -                          | 3 448   |                                  |
| Mortgage loans  | 0                | 156                      | 0                  | 52 673                | -                | -                   | -                          | 52 829  |                                  |
| Term loans  | 316              | 6 022                    | 0                  | 57 685                | -                | -                   | -                          | 64 022  |                                  |
| Finance leasing   | 0                | 10                       | 0                  | 4 122                 | -                | -                   | -                          | 4 133   |                                  |
| Current account advances  | 0                | 0                        | 0                  | 4 850                 | -                | -                   | -                          | 4 850   |                                  |
| Securitised loans   | 0                | 0                        | 0                  | 0                     | -                | -                   | -                          | 0       |                                  |
| Other   | 0                | 207                      | 0                  | 4 117                 | -                | -                   | -                          | 4 324   |                                  |
| Equity instruments  | 579              | 18                       | 503                | -                     | -                | -                   | -                          | 1 100   |                                  |
| Debt instruments issued by  | 3 883            | 2 188                    | 17 352             | 2 338                 | 18 649           | -                   | -                          | 44 409  |                                  |
| Public bodies   | 3 169            | 1 826                    | 14 829             | 200                   | 18 526           | -                   | -                          | 38 550  |                                  |
| Credit institutions and investment firms                                    | 299              | 196                      | 1 655              | 3                     | 103              | -                   | -                          | 2 255   |                                  |
| Corporates  | 414              | 167                      | 868                | 2 135                 | 20               | -                   | -                          | 3 604   |                                  |
| Derivatives   | 15 435           | -                        | -                  | -                     | -                | 902                 | -                          | 16 338  |                                  |
| Total carrying value excluding accrued interest income                      | 24 141           | 9 402                    | 17 855             | 142 056               | 18 649           | 902                 | 0                          | 213 005 |                                  |
| Accrued interest income   | 0                | 0                        | 0                  | 0                     | 0                | 0                   | 0                          | 0       |                                  |
| Total carrying value including accrued interest income                      | 24 141           | 9 402                    | 17 855             | 142 056               | 18 649           | 902                 | 0                          | 213 005 |                                  |
| <sup>a</sup> Of which reverse repos   |                  |                          |                    |                       |                  |                     |                            | 5 062   |                                  |
| <sup>b</sup> Of which reverse repos   |                  |                          |                    |                       |                  |                     |                            | 6 255   |                                  |

\* Absolut Bank, Antwerpse Diamantbank, KBC Bank Deutschland, Kredyt Bank.

In 1H2012, a total of 2.6 billion euros in government securities was reclassified from 'available-for-sale' to 'held-to-maturity'.

| In millions of EUR  | Held for trading | Designated at fair value | Available for sale | Loans and receivables | Held to maturity | Hedging derivatives | Measured at amortised cost | Total   | Total excluding IFRS5 companies* |
|---|------------------|--------------------------|--------------------|-----------------------|------------------|---------------------|----------------------------|---------|----------------------------------|
|   |                  |                          |                    |                       |                  |                     |                            |         |                                  |
| <b>FINANCIAL LIABILITIES, 31-12-2011</b>                            |                  |                          |                    |                       |                  |                     |                            |         |                                  |
| Deposits from credit institutions and investment firms <sup>a</sup> | 853              | 3 831                    | -                  | -                     | -                | -                   | 21 277                     | 25 961  | 24 870                           |
| Deposits from customers and debt certificates <sup>b</sup>          | 4 289            | 18 967                   | -                  | -                     | -                | -                   | 148 349                    | 171 605 | 163 163                          |
| <i>Excluding repos</i>  |                  |                          |                    |                       |                  |                     |                            | 154 362 | 145 919                          |
| Deposits from customers   | 3 774            | 14 680                   | -                  | -                     | -                | -                   | 122 015                    | 140 469 | 132 100                          |
| Demand deposits   | 0                | 0                        | -                  | -                     | -                | -                   | 38 184                     | 38 184  | 33 663                           |
| Time deposits   | 3 774            | 14 680                   | -                  | -                     | -                | -                   | 45 895                     | 64 348  | 60 738                           |
| Savings deposits  | 0                | 0                        | -                  | -                     | -                | -                   | 32 633                     | 32 633  | 32 633                           |
| Special deposits  | 0                | 0                        | -                  | -                     | -                | -                   | 3 887                      | 3 887   | 3 886                            |
| Other deposits  | 0                | 0                        | -                  | -                     | -                | -                   | 1 417                      | 1 417   | 1 180                            |
| Debt certificates   | 514              | 4 288                    | -                  | -                     | -                | -                   | 26 334                     | 31 136  | 31 062                           |
| Certificates of deposit   | 0                | 20                       | -                  | -                     | -                | -                   | 5 398                      | 5 417   | 5 417                            |
| Customer savings certificates                                       | 0                | 0                        | -                  | -                     | -                | -                   | 710                        | 710     | 710                              |
| Convertible bonds   | 0                | 0                        | -                  | -                     | -                | -                   | 0                          | 0       | 0                                |
| Non-convertible bonds   | 514              | 4 167                    | -                  | -                     | -                | -                   | 12 014                     | 16 695  | 16 636                           |
| Convertible subordinated liabilities                                | 0                | 0                        | -                  | -                     | -                | -                   | 0                          | 0       | 0                                |
| Non-convertible subordinated liabilities                            | 0                | 101                      | -                  | -                     | -                | -                   | 8 212                      | 8 313   | 8 298                            |
| Derivatives   | 21 666           | 0                        | -                  | -                     | -                | 1 602               | -                          | 23 267  | 23 025                           |
| Short positions   | 497              | 0                        | -                  | -                     | -                | -                   | -                          | 497     | 497                              |
| in equity instruments   | 4                | 0                        | -                  | -                     | -                | -                   | -                          | 4       | 4                                |
| in debt instruments   | 493              | 0                        | -                  | -                     | -                | -                   | -                          | 493     | 493                              |
| Other   | 0                | 0                        | -                  | -                     | -                | -                   | 2 421                      | 2 421   | 2 421                            |
| Total carrying value excluding accrued interest expense             | 27 304           | 22 799                   | -                  | -                     | -                | 1 602               | 172 047                    | 223 751 | 213 975                          |
| Accrued interest expense  | 27               | 96                       | -                  | -                     | -                | 328                 | 813                        | 1 264   | 1 235                            |
| Total carrying value including accrued interest expense             | 27 332           | 22 895                   | -                  | -                     | -                | 1 929               | 172 860                    | 225 016 | 215 211                          |
| <sup>a</sup> Of which repos   |                  |                          |                    |                       |                  |                     |                            | 6 574   | 6 563                            |
| <sup>b</sup> Of which repos   |                  |                          |                    |                       |                  |                     |                            | 17 243  | 17 243                           |
| <b>FINANCIAL LIABILITIES, 30-06-2012</b>                            |                  |                          |                    |                       |                  |                     |                            |         |                                  |
| Deposits from credit institutions and investment firms <sup>a</sup> | 740              | 2 697                    | -                  | -                     | -                | -                   | 21 179                     | 24 615  |                                  |
| Deposits from customers and debt certificates <sup>b</sup>          | 4 247            | 15 012                   | -                  | -                     | -                | -                   | 149 184                    | 168 444 |                                  |
| <i>Excluding repos</i>  |                  |                          |                    |                       |                  |                     |                            | 155 087 |                                  |
| Deposits from customers   | 3 758            | 10 265                   | -                  | -                     | -                | -                   | 122 406                    | 136 428 |                                  |
| Demand deposits   | 0                | 0                        | -                  | -                     | -                | -                   | 37 497                     | 37 497  |                                  |
| Time deposits   | 3 758            | 10 265                   | -                  | -                     | -                | -                   | 45 915                     | 59 937  |                                  |
| Savings deposits  | 0                | 0                        | -                  | -                     | -                | -                   | 33 932                     | 33 932  |                                  |
| Special deposits  | 0                | 0                        | -                  | -                     | -                | -                   | 3 852                      | 3 852   |                                  |
| Other deposits  | 0                | 0                        | -                  | -                     | -                | -                   | 1 211                      | 1 211   |                                  |
| Debt certificates   | 489              | 4 748                    | -                  | -                     | -                | -                   | 26 779                     | 32 016  |                                  |
| Certificates of deposit   | 0                | 7                        | -                  | -                     | -                | -                   | 6 359                      | 6 366   |                                  |
| Customer savings certificates                                       | 0                | 0                        | -                  | -                     | -                | -                   | 598                        | 598     |                                  |
| Convertible bonds   | 0                | 0                        | -                  | -                     | -                | -                   | 0                          | 0       |                                  |
| Non-convertible bonds   | 489              | 4 517                    | -                  | -                     | -                | -                   | 12 229                     | 17 236  |                                  |
| Convertible subordinated liabilities                                | 0                | 0                        | -                  | -                     | -                | -                   | 0                          | 0       |                                  |
| Non-convertible subordinated liabilities                            | 0                | 223                      | -                  | -                     | -                | -                   | 7 593                      | 7 816   |                                  |
| Derivatives   | 18 273           | 0                        | -                  | -                     | -                | 2 148               | -                          | 20 420  |                                  |
| Short positions   | 303              | 0                        | -                  | -                     | -                | -                   | -                          | 303     |                                  |
| in equity instruments   | 9                | 0                        | -                  | -                     | -                | -                   | -                          | 9       |                                  |
| in debt instruments   | 295              | 0                        | -                  | -                     | -                | -                   | -                          | 295     |                                  |
| Other   | 0                | 0                        | -                  | -                     | -                | -                   | 2 760                      | 2 760   |                                  |
| Total carrying value excluding accrued interest expense             | 23 563           | 17 709                   | -                  | -                     | -                | 2 148               | 173 123                    | 216 543 |                                  |
| Accrued interest expense  | 0                | 0                        | -                  | -                     | -                | 0                   | 0                          | 0       |                                  |
| Total carrying value including accrued interest expense             | 23 563           | 17 709                   | -                  | -                     | -                | 2 148               | 173 123                    | 216 543 |                                  |
| <sup>a</sup> Of which repos   |                  |                          |                    |                       |                  |                     |                            | 6 986   |                                  |
| <sup>b</sup> Of which repos   |                  |                          |                    |                       |                  |                     |                            | 13 357  |                                  |

\* Absolut Bank, Antwerpse Diamantbank, KBC Bank Deutschland, Kredyt Bank.

## Provisions for risks and charges (Note 31 in the annual accounts for 2011)

See Note 8 (Other net income) for more details on provisioning for 5/5/5 bonds.

## Parent shareholders' equity (Note 34 in the annual accounts for 2011)

| in number of shares   | 31-12-2011  | 30-06-2012  |
|---|-------------|-------------|
| Ordinary shares   | 915 228 482 | 915 228 482 |
| <i>of which ordinary shares that entitle the holder to a dividend payment</i> | 915 228 482 | 915 228 482 |
| <i>of which treasury shares</i>   | 0           | 0           |
| Other information   |             |             |
| Par value per ordinary share (in euros)                                       | 9,78        | 9,78        |
| Number of shares issued but not fully paid up                                 | 0           | 0           |

The shares of Bank NV are held by KBC Group (915 228 481 shares) and its subsidiary KBC Insurance (1 share).

## Related-party transactions (Note 37 in the annual accounts for 2011)

Transactions with related parties, excluding key management personnel (in millions of EUR)

|   | 31-12-2011                         |              |                      |                |               |                |       |        | 30-06-2012                         |              |                      |                |               |                |       |        |
|---|------------------------------------|--------------|----------------------|----------------|---------------|----------------|-------|--------|------------------------------------|--------------|----------------------|----------------|---------------|----------------|-------|--------|
|   | Parent entities with joint control | Subsidiaries | Associated companies | Joint Ventures | Belgian State | Flemish region | Other | Total  | Parent entities with joint control | Subsidiaries | Associated companies | Joint Ventures | Belgian State | Flemish region | Other | Total  |
| <b>Assets</b>                                 | 254                                | 160          | 200                  | 119            | 18 679        | 1 016          | 4 118 | 24 546 | 65                                 | 293          | 230                  | 152            | 21 196        | 592            | 2 378 | 24 906 |
| Loans and advances                            | 0                                  | 58           | 144                  | 85             | 762           | 0              | 3 352 | 4 401  | 0                                  | 95           | 137                  | 118            | 0             | 0              | 1 792 | 2 141  |
| Current accounts                              | 0                                  | 2            | 1                    | 0              | 0             | 0              | 527   | 530    | 0                                  | 2            | 6                    | 0              | 0             | 0              | 647   | 655    |
| Term loans                                    | 0                                  | 56           | 143                  | 85             | 762           | 0              | 2 824 | 3 870  | 0                                  | 93           | 131                  | 118            | 0             | 0              | 1 145 | 1 486  |
| Finance leases                                | 0                                  | 0            | 0                    | 0              | 0             | 0              | 0     | 0      | 0                                  | 0            | 0                    | 0              | 0             | 0              | 0     | 0      |
| Consumer credit                               | 0                                  | 0            | 0                    | 0              | 0             | 0              | 0     | 0      | 0                                  | 0            | 0                    | 0              | 0             | 0              | 0     | 0      |
| Mortgage loans                                | 0                                  | 0            | 0                    | 0              | 0             | 0              | 1     | 1      | 0                                  | 0            | 0                    | 0              | 0             | 0              | 0     | 0      |
| Equity instruments                            | 43                                 | 82           | 34                   | 25             | 0             | 0              | 0     | 184    | 64                                 | 82           | 34                   | 25             | 0             | 0              | 0     | 205    |
| Trading securities                            | 0                                  | 0            | 0                    | 0              | 0             | 0              | 0     | 0      | 0                                  | 0            | 0                    | 0              | 0             | 0              | 0     | 0      |
| Investment securities                         | 43                                 | 82           | 34                   | 25             | 0             | 0              | 0     | 184    | 64                                 | 82           | 34                   | 25             | 0             | 0              | 0     | 205    |
| Other receivables                             | 211                                | 19           | 22                   | 9              | 17 917        | 1 016          | 766   | 19 961 | 1                                  | 116          | 58                   | 9              | 21 196        | 592            | 586   | 22 560 |
| <b>Liabilities</b>                            | 1 992                              | 718          | 145                  | 30             | 70            | 0              | 6 009 | 8 965  | 562                                | 682          | 158                  | 48             | 446           | 0              | 4 774 | 6 671  |
| Deposits                                      | 1 723                              | 710          | 132                  | 30             | 0             | 0              | 4 524 | 7 120  | 296                                | 680          | 148                  | 48             | 375           | 0              | 3 436 | 4 983  |
| Deposits                                      | 1 716                              | 709          | 131                  | 30             | 0             | 0              | 4 518 | 7 105  | 290                                | 680          | 147                  | 48             | 375           | 0              | 3 436 | 4 977  |
| Other   | 7                                  | 1            | 1                    | 0              | 0             | 0              | 6     | 15     | 6                                  | 0            | 1                    | 0              | 0             | 0              | 0     | 6      |
| Other financial liabilities                   | 250                                | 5            | 0                    | 0              | 0             | 0              | 1 160 | 1 415  | 250                                | 1            | 0                    | 0              | 0             | 0              | 1 084 | 1 335  |
| Debt certificates                             | 0                                  | 0            | 0                    | 0              | 0             | 0              | 1 160 | 1 160  | 0                                  | 0            | 0                    | 0              | 0             | 0              | 1 084 | 1 084  |
| Subordinated liabilities                      | 250                                | 5            | 0                    | 0              | 0             | 0              | 0     | 256    | 250                                | 1            | 0                    | 0              | 0             | 0              | 0     | 251    |
| Share based payments, granted                 | 0                                  | 0            | 0                    | 0              | 0             | 0              | 0     | 0      | 0                                  | 0            | 0                    | 0              | 0             | 0              | 0     | 0      |
| Share based payments, exercised               | 0                                  | 0            | 0                    | 0              | 0             | 0              | 0     | 0      | 0                                  | 0            | 0                    | 0              | 0             | 0              | 0     | 0      |
| Other liabilities (including accrued expense) | 20                                 | 3            | 12                   | 0              | 70            | 0              | 325   | 430    | 17                                 | 1            | 11                   | 0              | 71            | 0              | 254   | 353    |
| <b>Income statement</b>                       | - 2                                | 19           | 1                    | 4              | 680           | 28             | - 743 | - 13   | - 12                               | 13           | - 1                  | 1              | 314           | 11             | - 345 | - 19   |
| Net interest income                           | - 6                                | 17           | - 1                  | 2              | 680           | 28             | - 81  | 638    | - 6                                | 9            | - 1                  | 1              | 314           | 11             | - 32  | 297    |
| Dividend income                               | 3                                  | 2            | 4                    | 1              | 0             | 0              | 0     | 10     | 0                                  | 4            | 1                    | 0              | 0             | 0              | 0     | 5      |
| Net fee and commission income                 | 0                                  | 0            | - 1                  | 0              | 0             | 0              | 155   | 154    | 0                                  | 0            | - 1                  | 0              | 0             | 0              | 96    | 95     |
| Other income                                  | 3                                  | 2            | 0                    | 0              | 0             | 0              | 7     | 12     | 0                                  | 0            | 0                    | 0              | 0             | 0              | 2     | 2      |
| Other expenses                                | - 1                                | - 2          | - 1                  | 0              | 0             | 0              | - 824 | - 828  | - 7                                | 0            | 0                    | 0              | 0             | 0              | - 411 | - 418  |
| <b>Guarantees</b>                             |                                    |              |                      |                |               |                |       |        |                                    |              |                      |                |               |                |       |        |
| Guarantees issued by the group                |                                    |              |                      |                |               |                |       | 0      |                                    |              |                      |                |               |                |       | 0      |
| Guarantees received by the group              |                                    |              |                      |                |               |                |       | 0      |                                    |              |                      |                |               |                |       | 0      |

In 2009, KBC entered into a guarantee agreement with the Belgian State to cover most of its potential downside risk exposure to CDOs. Included in the 1H2012 results is the related expense for KBC Bank of 73 million euros (pre-tax), which has been recognised in 'Net result from financial instruments at fair value through profit or loss'.

## Main changes in the scope of consolidation (Note 40 in the annual accounts for 2011)

| Company  | Consolidation method | Ownership percentage at KBC Bank level |         | Comments                                    |
|--|----------------------|--|---------|---|
|  |                      | 1H 2011                                | 1H 2012 |   |
| <b>For income statement comparison</b>               |                      |  |         |   |
| Additions  |                      |  |         |   |
| None   |                      |  |         |   |
| Exclusions   |                      |  |         |   |
| Centea   | Full                 | 100,00%                                | -----   | Sold in 3Q 2011                             |
| KBC Clearing NV                                      | Full                 | 100,00%                                | -----   | Deconsolidated in 2Q12 due to immateriality |
| Name Changes   |                      |  |         |   |
| None   |                      |  |         |   |
| Changes in ownership percentage and internal mergers |                      |  |         |   |
| None   |                      |  |         |   |
| <b>For balance sheet comparison</b>                  |                      |  |         |   |
| 31-12-2011      30-06-2012                           |                      |  |         |   |
| Additions  |                      |  |         |   |
| None   |                      |  |         |   |
| Exclusions   |                      |  |         |   |
| KBC Clearing NV                                      | Full                 | 100,00%                                | -----   | Deconsolidated in 2Q12 due to immateriality |
| Name Changes   |                      |  |         |   |
| None   |                      |  |         |   |
| Changes in ownership percentage and internal mergers |                      |  |         |   |
| None   |                      |  |         |   |

It should be noted that, compared to 1H2011, the main change in the scope of consolidation was the deconsolidation of Centea (which made a profit contribution of some 16 million euros in 1H2011).

## Risk management (Note 41 in the annual accounts for 2011)

An update of KBC Bank's exposure to sovereign bonds issued by selected European countries is provided below.

| Government bonds issued by a selection of European countries (in millions of EUR) – 30-06-2012, carrying value |                          |                        |  |                  |              |                             |                  |                  |                     |
|--|--------------------------|------------------------|--|------------------|--------------|-----------------------------|------------------|------------------|---------------------|
| By portfolio   |                          |                        |  |                  |              |                             | By maturity      |                  |                     |
|  | Available for sale (AFS) | Held to maturity (HTM) | Designated at fair value through profit and loss | Held for trading | Total        | Comparison with end of 2011 | Maturing in 2012 | Maturing in 2013 | Maturing after 2013 |
| Greece   | 30                       | 0                      | 1  | 0                | 31           | 126                         | 1                | 0                | 29                  |
| Portugal   | 0                        | 55                     | 4  | 0                | 59           | 66                          | 0                | 0                | 59                  |
| Spain  | 196                      | 0                      | 0  | 1                | 197          | 1 177                       | 5                | 1                | 191                 |
| Italy  | 687                      | 266                    | 0  | 23               | 975          | 1 280                       | 14               | 34               | 927                 |
| Ireland  | 113                      | 231                    | 0  | 0                | 344          | 325                         | 0                | 0                | 344                 |
| <b>Total</b>   | <b>1 025</b>             | <b>552</b>             | <b>5</b>   | <b>25</b>        | <b>1 606</b> | <b>2 974</b>                | <b>21</b>        | <b>35</b>        | <b>1 550</b>        |

During the first quarter of 2012, KBC took part in the exchange operation regarding Greek government bonds. The new Greek government bonds received as part of the exchange for the 'old' Greek government bonds (31.5% of the nominal value of the 'old' government bonds) were valued (prices between 21% and 29%) at the moment of exchange, leading to a limited remaining carrying value of 31 million euro and a realised loss on AFS and HTM (above the impairments booked in 2011) of about 30 million euros. The new Greek government bonds are classified in level 1 (while the former Greek bonds were classified in level 2).

During the second quarter of 2012, KBC Bank further reduced its GIIPS portfolio:

- Spanish sovereign bond exposure: a large portion of the AFS bonds (approximately 0.5 billion euros) was sold, leading to a realised loss of approximately 11 million euros, before tax. Moreover, about 0.4 billion euros of Spanish sovereign bonds matured in the period under review.

- Italian sovereign bonds: KBC's total exposure to Italian sovereign bonds was reduced by a total carrying amount of approximately 0.4 billion euros. These sales resulted in a realised loss of 8 million euros.

At 30 June 2012, the carrying amounts for AFS government bonds contained a negative revaluation. This effect is included in the revaluation reserve for AFS financial assets and totals -80 million euros, before tax (Italy: -2 million euros, Spain: -54 million euros, Ireland: -10 million euros, Greece: -14 million euros).

### Post-balance sheet events (Note 42 in the annual accounts for 2011)

Significant events between the balance sheet date (30 June 2012) and the publication of this report (31 August 2012):

- After very careful and thorough consideration, and in consultation with all the relevant parties, KBC decided on 29 June not to participate in the short-term capital solution proposed by NLB and the Republic of Slovenia. This resulted in a dilution of KBC's stake in NLB, which had been 25% (plus one share) at the time, to 22% after the capital increase took place on 2 July 2012. Every decision taken by KBC also has to be in line with the strategic plan that KBC agreed with the European Commission. In this strategic plan, KBC repeated that its non-strategic stake in NLB was earmarked for divestment.

### Non-current assets held for sale and discontinued operations – IFRS 5 (Note 44; not included in the annual accounts for 2011)

#### Situation as at 30 June 2012

On the date under review, the following planned divestments met the criteria of IFRS 5:

- disposal group without being part of a discontinued operation: Kredyt Bank, Absolut Bank, KBC Bank Deutschland, Antwerpse Diamantbank. Their results continue to be included in the income statement.
- disposal group which is part of a discontinued operation: none.

The assets and liabilities of these divestments are shown separately on the balance sheet ('Non-current assets held for sale and assets associated with disposal groups' on the asset side and 'Liabilities associated with disposal groups' on the liability side): see table below for more details.

In comparison with the 2011 annual report, Kredyt Bank was added as a disposal group in view of the signed (but not yet finalised) agreement with Banco Santander (see below). Absolut Bank, Antwerpse Diamantbank and KBC Bank Deutschland were also added, based on:

- ongoing advanced discussions in the relevant divestment files, whereby considerable progress has been made (including additional insights into prices).
- the due date recorded in the EC restructuring plan getting closer for these divestment files.
- the intention of KBC's management to implement the divestment plan as soon as possible in order to be able to further focus on KBC's core strategy as an integrated bancassurer (in co-operation with KBC Insurance) in its five home markets.

### Summary of facts and circumstances regarding divestments which have been signed, but not yet finalised on 30 June 2012

#### Kredyt Bank

Activity: Banking

Segment: Group Centre

Other information: On 28 February 2012, KBC reached an agreement with Santander for the merger of its subsidiary Kredyt Bank with Bank Zachodni WBK. Following the proposed merger, Santander will hold approximately 76.5% of the merged bank and KBC around 16.4%. The rest will be held by other minority shareholders. Banco Santander S.A. has committed to help KBC to lower its stake in the merged bank to below 10% immediately after the merger. Furthermore, KBC's intention is to divest its remaining stake, with a view to maximising value. Based on the market valuations at the time of reaching the agreement, the transaction will have a positive effect on KBC's income statement of approximately +0.1 billion euros at the time of closing the transaction. Closing of the transaction is subject to the customary regulatory approvals and is expected to be completed in the second half of 2012. Mid-May a signed merger plan was filed for the approval by the Financial Supervisory Commission. Upon the deconsolidation of Kredyt Bank as a result of the proposed merger, and after a committed reduction of KBC's participation below 10% shortly after the registration of the merger and

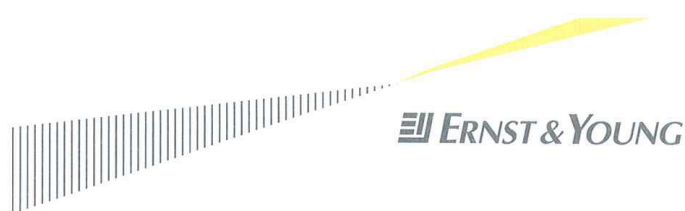
at the market valuations at the time of reaching the agreement approximately 0.7 billion euros of capital will be released, predominantly based on a reduction of Risk Weighted Assets – corresponding with a pro forma tier-1 impact at KBC Group consolidated level (calculated at year-end 2011) of approximately +0.8%. Assuming a full exit and based on current market valuations, the pro forma tier-1 impact at KBC Group consolidated level (calculated at year-end 2011) is estimated at approximately +0.9%.

### Impact on balance sheet and other comprehensive income

#### NON-CURRENT ASSETS HELD FOR SALE AND ASSETS ASSOCIATED WITH DISPOSAL GROUPS AND LIABILITIES ASSOCIATED WITH DISPOSAL GROUPS

|   |            | <i>of which:</i><br><i>Discon-</i><br><i>tinued</i> |               | <i>of which:</i><br><i>Discon-</i><br><i>tinued</i> |
|---|------------|---|---------------|---|
|   | 31-12-2011 | <i>operations</i>                                   | 30-06-2012    | <i>operations</i>                                   |
| <b>Balance sheet</b>  |            |   |               |   |
| <b>Assets</b>   |            |   |               |   |
| Cash and cash balances with central banks                                       | 0          | 0   | 415           | 0   |
| Financial assets  | 0          | 0   | 16 042        | 0   |
| Fair value adjustments of hedged items in portfolio hedge of interest rate risk | 0          | 0   | 0             | 0   |
| Tax assets  | 0          | 0   | 136           | 0   |
| Investments in associated companies   | 0          | 0   | 0             | 0   |
| Investment property and property and equipment                                  | 3          | 0   | 205           | 0   |
| Goodwill and other intangible assets  | 0          | 0   | 98            | 0   |
| Other assets  | 0          | 0   | 76            | 0   |
| <b>Total assets</b>   | <b>3</b>   | <b>0</b>  | <b>16 972</b> | <b>0</b>  |
| <b>Liabilities</b>  |            |   |               |   |
| Financial liabilities   | 0          | 0   | 11 102        | 0   |
| Tax liabilities   | 0          | 0   | 25            | 0   |
| Provisions for risks and charges  | 0          | 0   | 36            | 0   |
| Other liabilities   | 0          | 0   | 116           | 0   |
| <b>Total liabilities</b>  | <b>0</b>   | <b>0</b>  | <b>11 280</b> | <b>0</b>  |
| <b>Other comprehensive income</b>   |            |   |               |   |
| Available-for-sale reserve  | 0          | 0   | 14            | 0   |
| Deferred tax on available-for-sale reserve                                      | 0          | 0   | - 3           | 0   |
| Cash flow hedge reserve   | 0          | 0   | 1             | 0   |
| Translation differences   | 0          | 0   | 26            | 0   |
| <b>Total other comprehensive income</b>   | <b>0</b>   | <b>0</b>  | <b>38</b>     | <b>0</b>  |

## Report of the statutory auditor



Ernst & Young  
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### **Report of the statutory auditor to the shareholders of KBC Bank nv on the review of the interim condensed consolidated financial statements as of 30 June 2012 and for the six months then ended**

#### Introduction

We have reviewed the accompanying interim consolidated balance sheet of KBC Bank nv (the "Company") as at 30 June 2012 and the related interim consolidated income statement, the condensed consolidated statement of comprehensive income, the consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six-month period then ended, and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard *IAS 34 Interim Financial Reporting* ("IAS 34") as adopted for use in the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

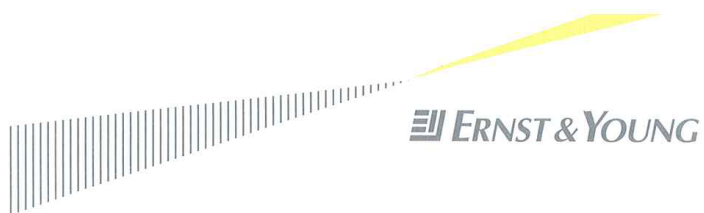
#### Scope of Review

We conducted our review ("revue limitée/bepoerkt nazicht" as defined by the "Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren") in accordance with the recommendation of the "Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren" applicable to review engagements. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the auditing standards of the "Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren" and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

A handwritten signature in blue ink, appearing to be 'A. J.', located at the end of the 'Scope of Review' section.

Société civile ayant emprunté la forme d'une société coopérative  
à responsabilité limitée  
Burgerlijke vennootschap die de rechtsvorm van een coöperatieve  
vennootschap met beperkte aansprakelijkheid heeft aangenomen  
RPM Bruxelles - RPR Brussel - T.V.A. - B.T.W. BE 0446.334.711  
Banque - Fortis - Bank 210-0905900-69





**Report of the statutory auditor to the shareholders of KBC Bank nv on the review of the interim condensed consolidated financial statements as of 30 June 2012 and for the six months then ended**

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 as adopted for use in the European Union.

Brussels, 31 August 2012

Ernst & Young Bedrijfsrevisoren bcvba  
Statutory auditor  
Represented by

A blue ink signature of Pierre Vanderbeek, consisting of a large, stylized 'P' and 'V'.

Pierre Vanderbeek  
Partner

13PVDB0008

A blue ink signature of Christel Weymeersch, written in a cursive style.

Christel Weymeersch  
Partner

# Value and risk management

KBC Bank, 1H2012

In-depth information on risk management and solvency at year-end 2011 is given in KBC Bank's annual report for 2011. Some of this information has been updated and presented below. Methodological background information is also provided in the annual report.

## Overview of the loan portfolio

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

| Consolidated loan portfolio overview KBC Bank  | 31-12-2011 | 31-12-2011<br>pro forma <sup>1</sup> | 30-06-2012 <sup>1</sup> |
|--|------------|--------------------------------------|-------------------------|
| <b>Total loan portfolio (in billions of EUR)</b>   |            |                                      |                         |
| Amount granted   | 186        | 169                                  | 168                     |
| Amount outstanding <sup>2</sup>  | 156        | 142                                  | 142                     |
| <b>Total loan portfolio, by business unit (as a % of the portfolio of credit granted)</b>        |            |                                      |                         |
| Belgium  | 34%        | 37%                                  | 38%                     |
| CEE  | 19%        | 21%                                  | 22%                     |
| Merchant Banking   | 37%        | 40%                                  | 39%                     |
| Group Centre (including planned divestments)   | 10%        | 1%                                   | 1%                      |
| Total  | 100%       | 100%                                 | 100%                    |
| <b>Impaired loans (in millions of EUR or %)</b>  |            |                                      |                         |
| Amount outstanding   | 11 205     | 9 992                                | 10 378                  |
| Specific loan impairments  | 4 850      | 4 152                                | 4 344                   |
| Portfolio-based loan impairments (i.e. based on PD 1 to 9)                                       | 341        | 317                                  | 293                     |
| <b>Credit cost ratio, per business unit</b>  |            |                                      |                         |
| Belgium  | 0.10%      | 0.10%                                | 0.04%                   |
| CEE  | 1.59%      | 1.59%                                | 0.42%                   |
| Czech Republic   | 0.37%      | 0.37%                                | 0.24%                   |
| Slovakia   | 0.25%      | 0.25%                                | 0.25%                   |
| Hungary  | 4.38%      | 4.38%                                | 1.08%                   |
| Bulgaria   | 14.73%     | 14.73%                               | 0.86%                   |
| Merchant Banking   | 1.36%      | 1.36%                                | 1.38%                   |
| Group Centre (including planned divestments)   | 0.36%      | 0.36%                                | 0.33%                   |
| Total  | 0.83%      | 0.83%                                | 0.59%                   |
| <b>Non-performing (NP) loans (in millions of EUR or %)</b>                                       |            |                                      |                         |
| Amount outstanding   | 7 553      | 6 754                                | 7 509                   |
| Specific loan impairments for NP loans   | 3 864      | 3 263                                | 3 475                   |
| <b>Non-performing ratio, per business unit</b>   |            |                                      |                         |
| Belgium  | 1.5%       | 1.5%                                 | 1.5%                    |
| CEE  | 5.6%       | 5.6%                                 | 5.6%                    |
| Merchant Banking   | 7.8%       | 7.8%                                 | 9.5%                    |
| Group Centre (including planned divestments)   | 5.5%       | 2.2%                                 | 2.5%                    |
| Total  | 4.9%       | 4.8%                                 | 5.3%                    |
| <b>Cover ratio</b>   |            |                                      |                         |
| Specific loan impairments for NP loans / Outstanding NP loans                                    | 51%        | 48%                                  | 46%                     |
| Specific and portfolio-based loan impairments for performing and NP loans / outstanding NP loans | 69%        | 66%                                  | 62%                     |

1. Figures excluding all entities that fall under the scope of IFRS 5 on 30 June 2012. The credit cost ratio still includes IFRS 5 entities.  
2. Includes all on-balance sheet commitments and off-balance sheet guarantees.

Detailed information on KBC Group's exposure to structured credit (CDO & ABS) is provided in KBC Group's Extended Quarterly Report for 2Q2012, which is available at [www.kbc.com](http://www.kbc.com).

# Solvency

| In millions of EUR  | 31-12-2011<br>Basel II | 30-06-2012<br>Basel II |
|---|------------------------|------------------------|
| <b>Regulatory capital</b>   |                        |                        |
| <b>Total regulatory capital, KBC Bank (after profit appropriation)</b>  | <b>16 364</b>          | <b>15 313</b>          |
| <b>Tier 1-capital</b>   | <b>12 346</b>          | <b>11 929</b>          |
| Parent shareholders' equity   | 11 117                 | 10 585                 |
| Intangible fixed assets (-)   | - 95                   | - 99                   |
| Goodwill on consolidation (-)   | - 1 449                | - 1 067                |
| Innovative hybrid tier-1 instruments                                    | 420                    | 426                    |
| Non-innovative hybrid tier-1 instruments                                | 1 690                  | 1 691                  |
| Direct & indirect funding of investments in own shares                  | 0                      | - 250                  |
| Minority interests  | 606                    | 547                    |
| Equity guarantee (Belgian State)  | 443                    | 329                    |
| Mandatorily convertible bonds (-)                                       | 0                      | 0                      |
| Revaluation reserve available-for-sale assets (-)                       | 413                    | - 98                   |
| Hedging reserve, cashflow hedges (-)                                    | 612                    | 737                    |
| Valuation diff. in fin. liabilities at fair value - own credit risk (-) | - 550                  | - 251                  |
| Minority interest in AFS reserve & hedging reserve, cashflow hedges (-) | - 5                    | - 2                    |
| Dividend payout (-)   | - 120                  | 0                      |
| IRB provision shortfall (50%) (-)                                       | 0                      | 0                      |
| Limitation of deferred tax assets                                       | - 466                  | - 480                  |
| Items to be deducted <sup>1</sup> (-)                                   | - 271                  | - 138                  |
| <b>Tier 2- &amp; 3-capital</b>  | <b>4 019</b>           | <b>3 384</b>           |
| Mandatorily convertible bonds   | 0                      | 0                      |
| Perpetuals (incl. hybrid tier-1 not used in tier-1)                     | 250                    | 250                    |
| Revaluation reserve, available-for-sale shares (at 90%)                 | 27                     | 53                     |
| Minority interest in revaluation reserve AFS shares (at 90%)            | 1                      | 1                      |
| IRB provision excess (+)  | 403                    | 378                    |
| Subordinated liabilities  | 3 565                  | 2 795                  |
| Tier-3 capital  | 45                     | 44                     |
| IRB provision shortfall (50%) (-)                                       | 0                      | 0                      |
| Items to be deducted <sup>1</sup> (-)                                   | - 271                  | - 138                  |
| <b>Weighted risks</b>   |                        |                        |
| Total weighted risk volume  | 106 256                | 100 530                |
| Credit risk   | 85 786                 | 81 296                 |
| Market risk   | 9 727                  | 8 490                  |
| Operational risk  | 10 744                 | 10 744                 |
| <b>Solvency ratios</b>  |                        |                        |
| Tier-1 ratio  | 11,62%                 | 11,87%                 |
| Core tier-1 ratio   | 9,63%                  | 9,76%                  |
| CAD ratio   | 15,40%                 | 15,23%                 |

<sup>1</sup> Items to be deducted are split 50/50 over tier-1 and tier-2 capital. Items to be deducted include mainly participations in and subordinated claims on financial institutions in which KBC Bank has between a 10% to 50% share (predominantly NLB), as well as KBC Group shares held by KBC Bank.

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