www.kbc.com/kbcbank

KBC Bank

Half-Year Report 1H 2009

To the reader

Company name

Everywhere where mention is made of KBC, the group or KBC Bank in this report, the consolidated bank entity is meant, i.e. KBC Bank NV, including all its subsidiaries and sub-subsidiaries. Where KBC Bank NV is used, this refers solely to the non-consolidated entity. KBC Group or the KBC group refers to the parent company of KBC Bank.

KBC Bank- KBC Group

The KBC group was created on 2 March 2005 through the merger of the KBC Bank and Insurance Holding Company and its parent company, Almanij. The schematic shows the group's legal structure, which has one single entity – KBC Group NV – in control of three underlying companies, viz. KBC Bank, KBC Insurance and KBL European Private Bankers (KBL EPB). KBC Group shares are traded on NYSE Euronext Brussels and the Luxembourg Stock Exchange. All KBC Bank shares are owned (directly and indirectly) by KBC Group. A number of KBC Bank's debt instruments are listed.

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.

Disclosures in compliance with European transparency legislation

Statement of the responsible persons

“I, Luc Philips, Chief Financial and Risk Officer of KBC Bank, certify that, to the best of my knowledge, the abbreviated financial statements included in the half-year report and based on the relevant accounting standards fairly present in all material respects the financial condition and results of KBC Bank NV, including its consolidated subsidiaries."

Statement of risk

As a bank and asset manager, KBC Bank is exposed to a number of typical risks such as – but certainly not exclusively - credit default risk, movements in interest rates, capital market risk, currency risk, liquidity risk, operational risk, exposure to emerging markets, changes in regulations, customer litigations as well the economy in general.
‘It is part of the business risk that both the economic recession and the ongoing restructuring plans may have a negative impact on asset values or generate additional charges beyond anticipated levels.’

Key risk management data are provided in the annual reports, quarterly reports and dedicated risk reports, all available at www.kbc.com

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Regulated information, 31 August 2009 – 8 a.m. KBC Bank is a listed company. This release contains information subject to the transparency requirements imposed on listed companies.

Summary

KBC Bank closed the first half of 2009 with a net loss (IFRS) of 2.8 billion euros, compared with a net profit of 741 million euros in the year-earlier period.

The net result for the first half of 2009 was very negatively affected by reserves being set aside for running off certain investment banking activities at KBC Financial Products and by value adjustments being made to structured investments (CDOs and the related counterparty exposure to MBIA, a monoline insurer). Excluding these and other exceptional items, 'underlying' net profit came to 505 million euros in the first half of 2009 (969 million euros in the year-earlier period).

Key figures, KBC Bank (in millions of EUR)

Key figures, income statement (IFRS)	1H 2008	1H 2009
Total income	3 352	387
Operating expenses	-2 060	-2 308
Impairment	-232	-1 058
Profit after tax, attributable to the equity holders of the parent	741	-2 815
Underlying profit after tax, attributable to the equity holders of the parent*	*969*	*505*
Cost/income ratio (based on underlying results)	*58%*	*55%*
Credit cost ratio	*0.19%*	*1.03%*
Key figures, balance sheet (IFRS)	**31-12-2008**	**30-06-2009**
Loans and advances to customers	156 163	157 645
Securities	71 880	71 998
Deposits from customers and debt certificates	190 153	188 026
Parent shareholders' equity	10 728	11 452
Tier-1 ratio	*9.6%*	*10.7%*
Non-performing ratio	*1.7%*	*2.8%*

For a definition of the ratios, see the 'Other information' section.
* Excluding exceptional items (see 'Notes on segment reporting' in the 'Consolidated financial statements' section).

Highlights – 1H 2009:

- Robust net interest income, thanks to volume growth and margin recovery.
- Net fee and commission income decrease, due to the more difficult investment climate compared to 1H 2008; however, improvement in 2Q 2009.
- Favourable trend in underlying expenses (underlying cost/income ratio fell to 55%).
- Impairment charges on loans up 0.7 billion euros on their level for 1H 2008; credit cost ratio increased to 1.03%.
- Significant impact of exceptional items (on balance, -3.3 billion euros after tax), including valuation losses related to CDOs, the fee for the guarantee provided by the Belgian State related to the remaining CDO risks, and the reserves set aside for running off certain investment banking activities at KBC Financial Products.
- Solid solvency levels; tier-1 capital ratio came to 10.7% (including the impact of government measures to strengthen the capital base).

Analysis of 1H 2009 results

Consolidated income statement, KBC Bank (in millions of EUR) - IFRS	1H 2008	1H 2009
Net interest income	1 998	2 358
Dividend income	67	37
Net (un)realised gains from financial instruments at fair value	175	-2 995
Net realised gains from available-for-sale assets	-1	10
Net fee and commission income	923	736
Other net income	191	241
Total income	3 352	387
Operating expenses	-2 060	-2 308
Impairment	-232	-1 058
on loans and receivables	-164	-885
on available-for-sale assets	-60	-80
Share in results of associated companies	23	5
Profit before tax	1 084	-2 975
Income tax expense	-224	224
Profit after tax	860	-2 751
attributable to minority interests	119	64
attributable to equity holders of the parent	**741**	**-2 815**
Underlying profit after tax, attributable to the equity holders of the parent*	**969**	**505**

* Excluding exceptional items (see 'Notes on segment reporting' in the 'Consolidated financial statements' section).

Financial highlights – 1H 2009:

- Net profit after tax attributable to the equity holders of the parent came to a negative 2 815 million euros, compared to a positive 741 million euros in the first half of 2008. The figure for the first half of 2009 includes -3.3 billion euros in exceptional items, such as valuation losses on CDO investments, the fee paid for the guarantee provided by the Belgian State to cover CDO-related risks, the reserve set aside for running off certain investment banking activities at KBC Financial Products, and revaluation gains arising from own debt instruments. Excluding all exceptional items, (underlying) net profit amounted to 505 million euros in the first half of 2009 (969 million euros in the year-earlier period). An overview of the exceptional items and a full underlying income statement (i.e. excluding exceptional items) is provided under 'Notes on segment reporting' in the 'Consolidated financial statements' section.

- In the first half of 2009, there was no material impact on the income statement arising from changes in the scope of consolidation (primarily the acquisition of Istrobanka in Slovakia) or from changes to the accounting policies. The local currencies in Central and Eastern Europe depreciated by roughly 10% on average over the past year (i.e. period averages), which had an adverse impact on the results of the Central & Eastern Europe and Russia Business Unit.

- Net interest income amounted to 2 358 million euros, up 18% on the year-earlier figure (or 8% on an underlying basis). Volume growth was still solid in the second half of 2008, while margins recovered significantly in the first half of 2009. At 30 June 2009, the customer loan book (excluding reverse repos) was more or less the same as a year earlier (up 9% in Belgium and 12% in Central & Eastern Europe, but down 7% in Merchant Banking). Deposits declined 11% year-on-year, but this was accounted for entirely by the merchant banking business (due to a number of factors, including deposit outflows following the winding down of certain international lending activities). On the other hand, there was a significant increase in deposits in Belgium (+8%) and Central and Eastern Europe (+10%). The net interest margin was 1.75% in the first half of 2009, roughly the same level a year earlier, but 15 basis points higher than in the second half of 2008.

- Net (un)realised gains from financial instruments at fair value came to a negative 2 995 million euros. Although a strong performance was turned in in terms of money and capital-market activities (mainly by the Brussels dealing room), this heading is very negatively impacted by the negative value adjustments to structured credit, the fee paid for the guarantee provided by the Belgian State to cover CDOs (see below), and the marking down of discontinued derivative positions, among other factors. On an underlying basis, i.e. excluding these and other exceptional items, 'Net (un)realised gains from financial instruments at fair value' came to a positive 516 million euros (compared to 564 million euros a year earlier).

- Net fee and commission income came to 736 million euros, around 20% less than a year earlier, owing primarily to the lower volume of assets under management because of the deteriorating investment climate.

- Dividend income totalled 37 million euros in the first half of 2009, down from 67 million euros a year earlier (as a result of the generally lower level of company dividends paid out, among other factors). Net realised gains from available-for-sale assets came to 10 million euros in the first half of 2009, up on the negative 1 million euros in the corresponding period of 2008. Other net income amounted to 241 million euros, compared with 191 million euros in the first half of 2008.

- Operating expenses came to 2 308 million euros in the period under review. Disregarding exceptional items, expenses fell 7% year-on-year, thanks to the cost-saving measures taken in each business unit and to certain merchant banking activities being run down. As a result, the (underlying) cost/income ratio for the first half of 2009 came to 55%, an improvement on its year-earlier level of 58%.

- Impairment on loans and receivables (loan loss provisions) amounted to 885 million euros, a significant year-on-year increase of 721 million euros, which left the credit cost ratio at 1.03% for the first half of 2009. This breaks down as follows: 0.14% in the Belgium Business Unit, 1.75% in the Central & Eastern Europe and Russia Business Unit and 1.31% in the Merchant Banking Business Unit (including impairment on US mortgage-backed securities (MBS); excluding MBS, this ratio comes to 0.71% for the Merchant Banking Business Unit). The proportion of non-performing loans in the total loan portfolio – the non-performing ratio – was 2.8% at the end of June 2009, compared to 1.7% at the end of 2008. Impairment recorded on available-for-sale assets (chiefly shares) rose from 60 million euros to 80 million euros. In the first half of 2009, an impairment loss totalling 93 million euros was recognised on the value of goodwill outstanding (relating to subsidiaries, *inter alia* in Bulgaria).

- Given the negative result before tax, a deferred income tax credit of 224 million euros was recognised in the first half of 2009.

- At the end of June 2009, parent shareholders' equity came to 11.5 billion euros, a 0.7-billion-euro increase on the figure for the end of 2008, with the negative result for the first half of 2009 (-2.8 billion euros) being offset by the capital increase of 3.25 billion euros carried out by KBC Group NV (resulting from the capital-strengthening transaction concluded between KBC Group NV and the Flemish Region – see below) and the upward adjustment in the market value of certain assets (0.3 billion euros). At the end of June 2009, the tier-1 capital ratio came to 10.7% (8% of which core tier-1 capital).

Main events in 1H 2009 and future developments

- The operating environment has improved since the start of the year. Leading indicators signal that the economy is bottoming out. Expectations, however, remain that it may recover only very gradually. Therefore, non-performing loan trends are anticipated to continue to be upwards until at least the end of the year. Developments in some Eastern European markets and also Ireland remain areas of attention. Loan losses on the mortgage-backed securities portfolio are also being closely monitored. To adequately deal with the cyclical downturn, underwriting criteria remain tight, especially for lending in non-core markets and higher-risk areas, and a group-wide cost containment project is being implemented.

- In order to secure its solvency level, KBC Group (the parent company of KBC Bank) issued non-voting capital securities in the amount of 3.5 billion euros to the Flemish Regional Government in the first half of 2009. KBC Group also reached an agreement with the Belgian Federal Government regarding a guarantee scheme to cover CDO-linked exposures.
    - The capital-strengthening transaction with the Flemish Regional Government: on 22 January 2009, KBC Group and the Flemish Regional Government concluded an agreement regarding the issue of 3.5 billion euros' worth of non-dilutive securities qualifying as core capital as a means of bolstering KBC's capital base. The Flemish Regional Government subscribed to the entire issue, whose terms and conditions were broadly similar to those applying to the core-capital issue subscribed to by the Belgian Federal Government in December 2008. KBC Group used the 3.5 billion euros to subscribe to a capital increase in the amount of 3.25 billion euros at KBC Bank and 0.25 billion euros at KBC Insurance.
    - Agreement with the Belgian State: in order to limit further valuation losses relating to CDOs and to the counterparty exposure to MBIA (the US monoline insurer that had provided credit protection to KBC), KBC Group

and the Belgian Federal State reached agreement on 14 May 2009 regarding a solution for the relevant assets. The plan for KBC Group involves a notional amount of 20 billion euros, with 5.5 billion euros relating to the notional value of super senior CDO investments and 14.4 billion euros to the notional value of the counterparty exposure to MBIA. Against payment of a fee, KBC Group purchased a State guarantee which covers 90% of the risk of default, after a first-loss tranche in which KBC bears any loss in full. The transaction is structured as follows: (1) KBC Group will bear any loss up to 3.2 billion euros in the first-loss tranche; (2) KBC Group will bear any loss up to 2 billion euros in the second-loss tranche, but the Belgian State will subscribe to new KBC shares at market value for 90% of the loss incurred in this tranche, if KBC requests it to do so. KBC has the option to opt out of this equity guarantee (CBFA approval required) or to find other parties to participate in the capital increase; (3) all further losses (up to 14.8 billion euros) will be compensated for 90% in cash by the State (KBC retains a 10% risk). The net present value of the fee to be paid by KBC Group to the State comes to 1.1 billion euros and was recognised upfront in full in the second quarter of 2009, (0.9 billion euros of which at KBC Bank), plus a commitment fee of 60 million euros per half year. In line with normal procedure, all measures have to be approved by the competent regulatory authorities (provisional approval was obtained from the EU at the end of June 2009).

- Moreover, the group is working on a comprehensive review of its strategy for the future, which will also result in releasing a significant amount of capital while safeguarding core earnings power. Combined with future retained earnings, the release of capital will enable the group to repurchase over time the capital securities issued to the State. The current business strategy review is looking at the various lines of activity within each business unit and assessing their performance under various economic scenarios. KBC had already announced the downsizing of international corporate lending outside its home markets, and the run-off of structured finance activities within KBC Financial Products.
- The review will form the basis of the restructuring plan that KBC has to submit to the European Commission in the context of the capital transactions with the State. The EU gave its provisional approval at the end of June and is expected to give final approval in the second half of the year.
- A new CEO has been appointed and the Executive Committee rejuvenated (with full effect on 1 September 2009). The Executive Committee's priority will be to ensure that the restructuring process has a significant impact.
- Pending regulatory approval of the restructuring plan, KBC has been advised to refrain from exercising its call options on its perpetual subordinated hybrid Tier-1 securities until the end of the year. An embargo on discretionary coupon payments on KBC's hybrid securities was also imposed. For other securities, coupons are mandatory and will be paid.

Financial calendar

Financial communication is organised at KBC group level. Consequently, shown below is the calendar for upcoming earnings releases by KBC Group and KBC Bank. For a more extensive version of the calendar, including analyst and investor meetings, see www.kbc.com/ir/calendar.

Financial calendar

KBC Group Earnings Release, 1H 2009	6 August 2009
KBC Bank Earnings Release, 1H 2009	31 August 2009
KBC Group Earnings Release, 3Q 2009	13 November 2009
KBC Group Earnings Release, 4Q 2009 and FY 2009	11 February 2010

Consolidated financial statements 1H 2009

Consolidated income statement

In millions of EUR	Note	1H 2008	1H 2009
Net interest income	3	1 998	2 358
Interest income	3	7 785	5 879
Interest expense	3	- 5 788	- 3 521
Dividend income	4	67	37
Net (un)realised gains from financial instruments at fair value through profit or loss	5	175	- 2 995
Net realised gains from available-for-sale assets	6	- 1	10
Net fee and commission income	7	923	736
Fee and commission income	7	1 284	1 019
Fee and commission expense	7	- 361	- 283
Other net income	8	191	241
TOTAL INCOME		3 352	387
Operating expenses		- 2 060	- 2 308
staff expenses		- 1 065	- 966
general administrative expenses		- 902	- 930
depreciation and amortisation of fixed assets		- 110	- 117
provisions for risks and charges		17	- 296
Impairment	11	- 232	- 1 058
on loans and receivables	11	- 164	- 885
on available-for-sale assets	11	- 60	- 80
on goodwill	11	0	- 93
on other	11	- 8	- 1
Share in results of associated companies		23	5
PROFIT BEFORE TAX		1 084	- 2 975
Income tax expense		- 224	224
Net post-tax income from discontinued operations		0	0
PROFIT AFTER TAX		860	- 2 751
attributable to minority interest		119	64
attributable to equity holders of the parent		**741**	**- 2 815**

Condensed statement of comprehensive income

In millions of EUR	1H 2008	1H 2009
PROFIT AFTER TAX	860	- 2 751
attributable to minority interest	119	64
attributable to equity holders of the parent	741	- 2 815
OTHER COMPREHENSIVE INCOME		
Net change in revaluation reserve (AFS assets) - Equity	- 112	39
Net change in revaluation reserve (AFS assets) - Bonds	- 413	243
Net change in revaluation reserve (AFS assets) - Other	0	- 1
Net change in hedging reserve (cash flow hedge)	102	- 7
Net change in translation differences	107	9
Total	- 315	283
TOTAL COMPREHENSIVE INCOME	544	- 2 468
attributable to minority interest	121	58
attributable to equity holders of the parent	423	- 2 526

Consolidated balance sheet

ASSETS (in millions of EUR)	Note	31-12-2008	30-06-2009
Cash and cash balances with central banks		3 410	7 998
Financial assets	14,20	305 657	283 849
Held for trading	14	73 639	51 345
Designated at fair value through profit or loss	14	21 759	21 846
Available for sale	14	26 376	32 152
Loans and receivables	14	175 252	170 433
Held to maturity	14	8 356	7 931
Hedging derivatives	14	275	142
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		169	255
Tax assets		1 791	1 947
Current tax assets		224	299
Deferred tax assets		1 566	1 649
Non-current assets held for sale and disposal groups		625	12
Investments in associated companies		44	644
Investment property		467	467
Property and equipment		2 482	2 477
Goodwill and other intangible assets		2 248	2 112
Other assets		1 659	3 807
TOTAL ASSETS		318 550	303 570

LIABILITIES AND EQUITY (in millions of EUR)		31-12-2008	30-06-2009
Financial liabilities	14	301 072	285 225
Held for trading	14	44 709	36 374
Designated at fair value through profit or loss	14	36 942	26 742
Measured at amortised cost	14	218 544	221 344
Hedging derivatives	14	877	764
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		0	0
Tax liabilities		360	361
Current tax liabilities		306	308
Deferred tax liabilies		54	53
Non-current liabilities held for sale and liabilities associated with disposal groups		0	0
Provisions for risks and charges		528	845
Other liabilities		4 252	4 196
TOTAL LIABILITIES		306 212	290 626
Total equity		12 338	12 944
Parent shareholders' equity	30	10 728	11 452
Minority interests		1 610	1 492
TOTAL LIABILITIES AND EQUITY		318 550	303 570

Condensed consolidated statement of changes in equity

In millions of EUR	Issued and paid up share capital	Share premium	Mandatorily convertible bonds	Treasury shares	Revaluation reserve (AFS assets)	Hedging reserve (cashflow hedges)	Reserves	Translation differences	Parent shareholders' equity	Minority interests	Total equity
30-06-2008											
Balance at the beginning of the period	4 030	1 723	186	0	- 46	73	6 365	11	12 342	1 572	13 914
Net profit for the period	0	0	0	0	0	0	0	0	741	119	860
Recognised directly in equity	0	0	0	0	-518	107	741	94	- 318	2	- 315
Total income and expense for the period	**0**	**0**	**0**	**0**	**- 518**	**107**	**740**	**94**	**423**	**121**	**544**
Dividends	0	0	0	0	0	0	- 882	0	- 882	0	- 882
Capital increase	0	0	0	0	0	0	0	0	0	0	0
Results on (derivatives on) treasury shares	0	0	0	0	0	0	0	0	0	0	0
Change in minorities	0	0	0	0	0	0	0	0	0	- 94	- 94
Total change	**0**	**0**	**0**	**0**	**- 518**	**107**	**- 142**	**94**	**- 459**	**27**	**- 432**
Balance at the end of the period	**4 030**	**1 723**	**186**	**0**	**- 565**	**180**	**6 223**	**105**	**11 884**	**1 599**	**13 482**
of which revaluation reserve for shares					63						
of which revaluation reserve for bonds					- 627						
of which revaluation reserve for other assets than bonds and shares					- 1						
30-06-2009											
Balance at the beginning of the period	5 698	2 490	0	0	- 857	- 352	3 957	- 209	10 728	1 610	12 338
Net profit for the period	0	0	0	0	0	0	- 2 815	0	- 2 815	64	- 2 751
Other comprehensive income for the period	0	0	0	0	275	-3	0	17	289	- 6	283
Total comprehensive income	**0**	**0**	**0**	**0**	**275**	**- 3**	**- 2 815**	**17**	**- 2 526**	**58**	**- 2 468**
Dividends	0	0	0	0	0	0	0	0	0	0	0
Capital increase	3 250	0	0	0	0	0	0	0	3 250	0	3 250
Results on (derivatives on) treasury shares	0	0	0	0	0	0	0	0	0	0	0
Change in minorities	0	0	0	0	0	0	0	0	0	- 176	- 176
Total change	**3 250**	**0**	**0**	**0**	**275**	**- 3**	**- 2 815**	**17**	**724**	**- 118**	**606**
Balance at the end of the period	**8 948**	**2 491**	**0**	**0**	**- 582**	**- 355**	**1 142**	**- 192**	**11 452**	**1 492**	**12 944**
of which revaluation reserve for shares					42						
of which revaluation reserve for bonds					- 623						
of which revaluation reserve for other assets than bonds and shares					- 1						

Condensed consolidated cash flow statement

In millions of EUR	1H 2008	1H 2009
Net cash from (used in) operating activities	2 348	- 857
Net cash from (used in) investing activities	869	733
Net cash from (used in) financing activities	2 177	- 288
Net increase or decrease in cash and cash equivalents	5 394	- 412
Cash and cash equivalents at the beginning of the period	14 459	8 740
Effects of exchange rate changes on opening cash and cash equivalents	44	- 41
Cash and cash equivalents at the end of the period	19 898	8 286

Notes on the accounting policies

Provided below is a selection of notes to the accounts. The numbers and titles of the notes that only appear in the annual report, but not in the half-year report of KBC Bank are only shown below to preserve the link with the annual report of KBC Bank.

Note 1a: Statement of compliance

The consolidated financial statements of the KBC Bank have been prepared in accordance with the International Financial Reporting Standards (in particular IAS 34), as adopted for use in the European Union ('endorsed IFRS').
The consolidated financial statements of KBC present one year of comparative information.

The following IFRS standards became effective as of 1 January 2009 and have impacted the KBC interim reporting:

- IFRS 8 (Operating Segments). This standard replaces IAS 14 (Segment Reporting) and impacts the segment reporting in Note 2. In the past, the primary segments identified by KBC were based on the nature of the activities and comprised Banking activities, Asset Management, Leasing activities, Equities activities and Other.
  These primary segments are now replaced by the business units as applied by management: Belgium Business Unit, CEER Business Unit, Merchant Banking Business Unit and Group Centre.
- Amendments to IAS 1: the revised version of IAS 1 changes a number of requirements regarding the presentation of financial statements and requires additional disclosure. The non-owner changes to equity have been removed from the statement of changes in equity and have been included in a separate statement of comprehensive income, which is included after the income statement.

Note 1b: Summary of significant accounting policies

A summary of the main accounting policies is provided in the annual report. In 6M 2009, no changes in content were made in the accounting policies that had a material impact on the results.

On 20 July 2009, KBC Group and the Flemish regional government closed the deal of 22 January 2009 that enables KBC Group to issue non-voting core capital securities by an amount of EUR 3.5 billion euros. KBC Group NV has used the proceeds of this issue to increase the capital of KBC Bank by 3.25 billion euros (and of KBC Insurance by 0.25 billion euros). This capital increase was recorded in the financial statements for the first half of the year in accordance with IAS 1. Had KBC Bank not recorded this capital increase, then this would have resulted in the non-inclusion of EUR 3.25 billion-worth in respect of issued and paid up share capital in the parent shareholders' equity, the non-inclusion of EUR 1.25 billion-worth of other assets and the non-elimination of EUR 2 billion-worth of financial liabilities at amortised cost.

Notes on segment reporting

Note 2: Reporting according to the management structure of the group and by geographic segment

KBC Bank is structured and managed according to three different segments:
- Belgium (retail bancassurance, asset management, private banking)
- Central & Eastern Europe and Russia (retail bancassurance, asset management, private banking, corporate banking)
- Merchant Banking (commercial banking in Belgium and selected countries in Europe, America and Southeast Asia (mainly midcap SMEs), investment banking activities).

The basic principle of the segment reporting is that an individual subsidiary is allocated fully to one segment. Exceptions are made for:
- Costs that can not be allocated reliably to a certain segment. These costs are grouped together in a separate Group Centre (that also includes the subsidiary Fin-Force and a number of specifically allocated costs).
- KBC Bank NV, which is allocated to the different segments and to the Group Centre by means of different allocation keys.

Funding costs of goodwill regarding participations recorded in KBC Bank are allocated to the different segments in function of the subsidiaries concerned.

The transactions conducted between the different segments occur at arm's length.

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

- In order to arrive at the figure for underlying group profit, exceptional factors that do not regularly occur during the normal course of business are eliminated from the profit figure. These factors also include exceptional losses due to the financial crisis, such as those incurred on structured credit investments, on exposures to troubled banks (Lehman Brothers, Washington Mutual, Icelandic banks), on equity 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 (impact on net profit: see table below).

- In the IFRS accounts, a large part of KBC's derivatives used for Asset and Liability Management (ALM) are treated as 'trading instruments'. These include those derivatives that do not qualify for fair value hedge accounting for a portfolio hedge of interest rate risk. Consequently, interest results on such hedges are recognised as 'net (un)realised gains from financial instruments at fair value', while the interest paid on the underlying assets is recognised as 'net interest income'. In the underlying accounts, the interest on these derivatives is also recognised in the 'net interest income' heading (where interest results on the underlying assets are already presented), without any impact on net profit.

  Moreover, the fair value changes (due to marking-to-market) of these ALM derivatives are recognised under 'net (un)realised gains from financial instruments at fair value', while most of the underlying assets are not fair-valued (i.e. not marked-to-market). Hence, the 'underlying figures' exclude the fair value changes in these ALM derivatives (impact on net profit: see table below).

- In the (investment banking's) IFRS accounts, income related to trading activities is split across different components. While trading gains are recognised under 'net (un)realised gains from financial instruments at fair value', the funding costs and commissions paid in order to realise these trading gains are recognised respectively under 'net interest income' and 'net fee and commission income'. Moreover, part of the 'dividend income', 'net realised gains on available for-sale assets' and 'other net income' are also related to trading income. In the underlying figures, all trading income components within the investment banking division are recognised under 'net (un)realised gains from financial instruments at fair value', without any impact on net profit.

- Lastly, the effect of changes in own credit spreads was taken into account to determine the fair value of liabilities at fair value through profit or loss. This resulted in value changes that had a positive impact on reported net profit. Since this is a non-operating item, the impact is excluded from the 'underlying figures' (impact on net profit: see table below).

Underlying profit analysis (in millions of EUR) - IFRS	1H2008	1H2009
Profit after tax, attributable to equity holders of the parent - IFRS	741	-2 815
Minus		
- Amounts before taxes and minority items		
MTM of derivatives for hedging purposes	12	44
MTM of own debt issued		334
Losses on CDOs/monolines	-261	-2 274
Government guarantee fee		-923
Value losses on AFS shares	-21	-72
Impairment of exposure to US and Icelandic banks		16
Loss due to unwinding of derivative trading positions		-760
Impairment on goodwill		-77
Exceptional tax adjustments		107
Other	-39	-47
- Taxes and minority interests on the items above	82	333
Underlying profit after tax, attributable to equity holders of the parent	969	505

Business unit information

In millions of EUR	Belgium Business unit	CEER Business unit	Merchant Banking Business unit	Group Centre	Inter-segment eliminations	Total KBC Bank
INCOME STATEMENT - underlying results 1H08						
Net interest income	717	794	473	0	- 3	1 982
Dividend income	6	2	4	19	0	31
Net (un)realised gains from financial instruments at fair value through profit or loss	30	144	390	0	0	564
Net realised gains from available-for-sale assets	1	- 3	- 1	0	0	- 3
Net fee and commission income	497	261	176	18	2	954
Other net income	39	64	62	6	- 17	155
TOTAL INCOME	1 291	1 261	1 104	44	- 18	3 682
Operating expenses	- 764	- 727	- 609	- 57	18	- 2 139
Impairment	- 18	- 81	- 73	0	0	- 172
on loans and receivables	- 18	- 81	- 66	0	0	- 164
on available-for-sale assets	0	0	0	0	0	0
on goodwill	0	0	0	0	0	0
on other	0	0	- 7	0	0	- 8
Share in results of associated companies	0	24	0	0	0	23
PROFIT BEFORE TAX	509	476	423	- 13	0	1 394
Income tax expense	- 169	- 73	- 79	15	0	- 306
Net post-tax income from discontinued operations	0	0	0	0	0	0
PROFIT AFTER TAX	339	403	343	2	0	1 088
attributable to minority interests	64	13	41	0	0	119
attributable to equity holders of the parent	275	391	302	2	0	969
INCOME STATEMENT - underlying results 1H09						
Net interest income	785	856	495	8	1	2 145
Dividend income	4	7	2	1	0	14
Net (un)realised gains from financial instruments at fair value through profit or loss	26	37	453	0	0	516
Net realised gains from available-for-sale assets	4	7	1	0	0	12
Net fee and commission income	395	224	138	12	- 4	766
Other net income	38	46	79	48	- 24	189
TOTAL INCOME	1 251	1 178	1 169	69	- 26	3 642
Operating expenses	- 749	- 675	- 474	- 114	26	- 1 986
Impairment	- 39	- 356	- 480	0	0	- 875
on loans and receivables	- 39	- 355	- 479	0	0	- 873
on available-for-sale assets	0	0	- 1	0	0	- 1
on goodwill	0	0	0	0	0	0
on other	0	0	0	0	0	- 1
Share in results of associated companies	0	5	0	0	0	5
PROFIT BEFORE TAX	463	152	214	- 45	0	785
Income tax expense	- 132	- 23	- 71	11	0	- 215
Net post-tax income from discontinued operations	0	0	0	0	0	0
PROFIT AFTER TAX	331	129	143	- 34	0	570
attributable to minority interests	22	0	42	0	0	64
attributable to equity holders of the parent	309	129	101	- 34	0	505

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

In millions of EUR	Belgium Business unit	CEER Business unit	Merchant Banking Business unit	KBC Bank
Balance sheet information 31-12-2008				
Total loans to customers	55 889	38 234	62 040	156 163
Of which mortgage loans	28 359	11 837	14 958	55 154
Of which reverse repos	0	1 662	2 424	4 087
Customer deposits	80 293	40 881	68 978	190 153
Of which repos	0	1 665	6 190	7 855
Balance sheet information 30-06-2009				
Total loans to customers	56 891	38 020	62 734	157 645
Of which mortgage loans	29 416	12 397	14 997	56 810
Of which reverse repos	0	3 728	2 499	6 227
Customer deposits	82 574	46 324	59 128	188 026
Of which repos	0	5 386	7 174	12 560

Geographic information

The geographical information is based on geographic areas, and reflects KBC's focus on its two home markets – Belgium (land 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 is based on the location where the services are rendered. Since at least 95% of the customers are local customers, the location of the branch or subsidiary determines the geographic breakdown of both the balance sheet and income statement. 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.

More detailed geographic segmentation figures for balance sheet items are provided in the various Notes to the balance sheet. The breakdown here is made based on the geographic location of the counterparty.

In millions of EUR	Belgium	Central and Eastern Europe and Russia	Rest of the world	Total KBC Bank
1H 2008				
Total income from external customers	1 486	1 343	835	3 665
31-12-2008				
Total assets (period-end)	190 716	55 315	72 519	318 550
Total liabilities (period-end)	174 224	50 610	81 378	306 212
1H 2009				
Total income from external customers	1 715	1 271	656	3 642
30-06-2009				
Total assets (period-end)	193 244	59 302	51 024	303 570
Total liabilities (period-end)	173 477	54 485	62 664	290 626

Notes on the income statement

Note 3: Net interest income

In millions of EUR	1H 2008	1H 2009
Total	1 998	2 358
Interest income	7 785	5 879
Available-for-sale assets	597	629
Loans and receivables	4 584	3 946
Held-to-maturity investments	194	165
Other assets not at fair value	91	25
Subtotal, interest income from financial assets not measured at fair value through profit or loss	5 467	4 764
Financial assets held for trading	959	347
Hedging derivatives	418	341
Other financial assets at fair value through profit or loss	941	427
Interest expense	- 5 788	- 3 521
Financial liabilities measured at amortised cost	- 4 126	- 2 581
Other	- 2	- 7
Subtotal, interest expense for financial assets not measured at fair value through profit or loss	- 4 128	- 2 588
Financial liabilities held for trading	- 196	- 52
Hedging derivatives	- 358	- 470
Other financial liabilities at fair value through profit or loss	- 1 105	- 411

Note 4: Dividend income

In millions of EUR	1H 2008	1H 2009
Total	67	37
Breakdown by type		
Held-for-trading shares	36	23
Shares initially recognised at fair value through profit or loss	0	0
Available-for-sale shares	32	15

Note 5: Net (un) realised gains from financial instruments at fair value through profit or loss.

This note is available in annual report only. More information is provided in the ‘Analysis of the consolidated results 1H 2009’ section (not audited by the external auditor).

On 30 June 2009, the European Commission temporarily approved the guarantee KBC Group bught from the Belgian federal government on May 14.2009 - this guarantee was partially allocated to KBC Bank - and the capital strengthening performed by KBC Group by issuing core capital securities to the Flemish Regional government in January, 2009.
The European Commission has opened a procedure during which it will further assess the valuation of the CDO-portfolio for which KBC Group bought a guarantee from the Belgian State and the remuneration paid by KBC Group for this guarantee. The financial impact of this deal, which has been included in the second quarter results, largely affects net (unrealised) gains from financial instruments at fair value.

Over the first half of 2009, the negative impact of value adjustments on CDO risks amounted, on balance, to -2 billion euros, -2.8 billion euros of which in the first quarter of 2009. In the second quarter 2009, the market price for corporate credit, reflected in credit default swap spreads, improved markedly, generating a value mark-up of KBC’s CDO exposure. The positive earnings impact from CDO revaluation amounted to 0.9 billion euros (also including the positive impact from the acquired government guarantee and the negative impact from the increase of the coverage of the CDO-linked counterparty risk against the US monoline insurer MBIA from 60% to 70%).

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

In millions of EUR	1H 2008	1H 2009
Total	- 1	10
Breakdown by portfolio		
Fixed-income securities	0	9
Shares	- 2	1

Note 7: Net fee and commission income

In millions of EUR	1H 2008	1H 2009
Total	923	736
Fee and commission income	1 284	1 019
Securities and asset management	687	480
Commitment credit	103	129
Payments	244	244
Other	250	166
Fee and commission expense	- 361	- 283
Commission paid to intermediaries	- 36	- 36
Other	- 325	- 246

Note 8: Other net income

In millions of EUR	1H 2008	1H 2009
Total	191	241
Net realised gain on loans and receivables	8	6
Net realised gain on held-to-maturity investments	0	- 1
Net realised gain on financial liabilities measured at amortised cost	0	1
Other	183	234
of which: income concerning leasing at the KBC Lease-group	26	25
of which: income from consolidated private equity participations	33	40

Note 9: Operating expenses
Note 10: Personnel

Notes available in annual report only.

Note 11: Impairment (income statement)

In millions of EUR	1H 2008	1H 2009
Total	- 232	- 1 058
Impairment on loans and receivables	- 164	- 885
Breakdown by type		
Specific impairments for on-balance-sheet lending	- 137	- 695
Specific impairments for off-balance-sheet credit commitments	- 9	- 12
Portfolio-based impairments	- 19	- 178
Impairment on available-for-sale assets	- 60	- 80
Breakdown by type		
Shares	- 59	- 79
Other	- 1	- 1
Impairment on goodwill	0	- 93
Impairment on other	- 8	- 1
Intangible assets, other than goodwill	0	0
Property and equipment	- 1	1
Held-to-maturity assets	0	0
Associated companies (goodwill)	0	0
Other	- 7	- 2

Note 12: Share in results of associated companies
Note 13: Income tax expense

Notes available in annual report only.

Note 14: Financial assets and liabilities, breakdown by portfolio and product

FINANCIAL ASSETS (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
31-12-2008								
Loans and advances to credit institutions and investment firms [a]	8 288	4 544	0	23 763	-	-	-	36 595
Loans and advances to customers [b]	4 596	4 509	0	147 057	-	-	-	156 163
Discount and acceptance credit	0	0	0	153	-	-	-	153
Consumer credit	0	0	0	4 618	-	-	-	4 618
Mortgage loans	0	3 215	0	51 938	-	-	-	55 154
Term loans	4 596	1 160	0	72 303	-	-	-	78 059
Finance leasing	0	0	0	6 728	-	-	-	6 728
Current account advances	0	0	0	5 994	-	-	-	5 994
Securitised loans	0	0	0	0	-	-	-	0
Other	0	134	0	5 323	-	-	-	5 457
Equity instruments	5 494	10	1 014	-	-	-	-	6 518
Debt instruments issued by	16 194	12 325	24 889	3 805	8 149	-	-	65 362
Public bodies	8 918	10 732	19 738	20	7 656	-	-	47 063
Credit institutions and investment firms	3 793	224	3 214	21	271	-	-	7 522
Corporates	3 484	1 369	1 938	3 765	221	-	-	10 776
Derivatives	38 670	-	-	-	-	236	-	38 906
Total carrying value excluding accrued intrest income	73 242	21 388	25 903	174 625	8 149	236	0	303 544
Accrued interest income	397	370	472	627	208	39	0	2 113
Total carrying value including accrued interest income	73 639	21 759	26 376	175 252	8 356	275	0	305 657

[a] Of which reverse repos *11 171*

[b] Of which reverse repos *4 087*

FINANCIAL ASSETS (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
30-06-2009								
Loans and advances to credit institutions and investment firms [a]	2 713	3 133	0	18 655	-	-	-	24 500
Loans and advances to customers [b]	3 928	5 917	0	147 800	-	-	-	157 645
Discount and acceptance credit	0	0	0	170	-	-	-	170
Consumer credit	0	0	0	5 105	-	-	-	5 105
Mortgage loans	0	2 690	0	54 120	-	-	-	56 810
Term loans	3 928	3 117	0	69 181	-	-	-	76 227
Finance leasing	0	0	0	6 186	-	-	-	6 186
Current account advances	0	0	0	5 903	-	-	-	5 903
Securitised loans	0	0	0	0	-	-	-	0
Other	0	110	0	7 134	-	-	-	7 244
Equity instruments	3 832	9	857	-	-	-	-	4 698
Debt instruments issued by	12 857	12 497	30 824	3 354	7 768	-	-	67 300
Public bodies	7 643	11 368	25 950	3	7 442	-	-	52 406
Credit institutions and investment firms	3 027	249	3 005	9	178	-	-	6 469
Corporates	2 187	880	1 869	3 342	147	-	-	8 426
Derivatives	27 810	-	-	-	-	114	-	27 924
Total carrying value excluding accrued interest income	51 140	21 557	31 680	169 809	7 768	114	0	282 068
Accrued interest income	205	290	471	623	164	28	0	1 782
Total carrying value including accrued interest income	51 345	21 846	32 152	170 433	7 931	142	0	283 849

[a] Of which reverse repos *5 168*

[b] Of which reverse repos *6 227*

In October 2008, the IASB issued amendments to IAS 39 (Financial instruments: recognition and measurement) and IFRS 7 (Financial instruments: disclosure) under ‘Reclassification of financial assets’. These amendments were endorsed by the European Union on 15 October 2008.

The amendments to IAS 39 in October 2008 permit an entity to reclassify certain financial assets in particular circumstances. Certain non-derivative financial assets measured *at fair value through profit or loss* (other than those classified under the fair value option) may in certain cases be reclassified to: ‘held-to-maturity assets’, ‘loans and receivables’ or ‘available-for-sale assets’. Certain assets classified as ‘available for sale’ may be transferred to ‘loans and receivables’, likewise in particular cases. The amendments to IFRS 7 impose additional disclosure requirements if the reclassification option is used.

Following the implementation of these amendments, KBC Bank reclassified on 31 December 2008 a number of assets out of the ‘available for sale’ category to the ‘loans and receivables’ category because they had become less liquid. On the date of reclassification, the assets in question met the definition of loans and receivables, and the group has the intention and ability to hold these assets for the foreseeable future or until maturity. Both the carrying value and the fair value of the reclassified assets came to 3.6 billion euro on 31 December 2008.

	Carrying value at 30-06-2009, in millions of euro	Fair value at 30-06-2009, in millions of euro
Financial assets reclassified out of ‘available for sale’ to ‘loans and receivables’ on 31-12-2008	3 338	3 262

In millions of EUR, amount before taxes		In case of non-reclassification (AFS)	After reclassification (L&R)	Impact
Financial assets reclassified out of ‘available for sale’ to ‘loans and receivables’ on 31-12-2008	Outstanding revaluation reserve AFS	-1 235	-1 153	81
	Impact on the income statement	-254	-234	20

The reclassification resulted in a positive effect on equity to the tune of 81 million euro and a positive effect on the income statement amounting to 20 million euro. Besides specific impairments, 156 million euro was also set aside for portfolio-based impairments (IBNR) on loans and receivables.

FINANCIAL LIABILITIES (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
31-12-2008								
Deposits from credit institutions and investment firms [a]	461	18 973	-	-	-	-	42 491	61 926
Deposits from customers and debt certificates [b]	1 354	17 681	-	-	-	-	171 119	190 153
Deposits from customers	0	10 786	-	-	-	-	130 111	140 898
Demand deposits	0	847	-	-	-	-	39 526	40 373
Time deposits	0	9 927	-	-	-	-	57 038	66 966
Savings deposits	0	0	-	-	-	-	28 951	28 951
Special deposits	0	0	-	-	-	-	3 546	3 546
Other deposits	0	12	-	-	-	-	1 050	1 062
Debt certificates	1 354	6 894	-	-	-	-	41 007	49 255
Certificates of deposit	0	1 632	-	-	-	-	13 656	15 287
Customer savings certificates	0	0	-	-	-	-	3 072	3 072
Convertible bonds	0	0	-	-	-	-	0	0
Non-convertible bonds	1 354	4 426	-	-	-	-	15 983	21 763
Convertible subordinated liabilities	0	0	-	-	-	-	0	0
Non-convertible subordinated liabilities	0	836	-	-	-	-	8 297	9 133
Derivatives	39 577	-	-	-	-	653	-	40 230
Short positions	2 907	-	-	-	-	-	-	2 907
in equity instruments	356	-	-	-	-	-	-	356
in debt instruments	2 551	-	-	-	-	-	-	2 551
Other	244	0	-	-	-	-	3 760	4 004
Total carrying value excluding accrued interest expense	44 543	36 654	-	-	-	653	217 371	299 220
Accrued interest expense	167	288	-	-	-	224	1 174	1 852
Total carrying value including accrued interest expense	44 709	36 942	-	-	-	877	218 544	301 072
[a] *Of which repos*								*18 260*
[b] *Of which repos*								*7 855*
30-06-2009								
Deposits from credit institutions and investment firms [a]	533	6 265	-	-	-	-	47 300	54 097
Deposits from customers and debt certificates [b]	1 193	20 321	-	-	-	-	166 512	188 026
Deposits from customers	0	14 358	-	-	-	-	132 256	146 614
Demand deposits	0	106	-	-	-	-	47 743	47 848
Time deposits	0	14 245	-	-	-	-	45 489	59 733
Savings deposits	0	0	-	-	-	-	34 326	34 326
Special deposits	0	0	-	-	-	-	3 603	3 603
Other deposits	0	8	-	-	-	-	1 095	1 103
Debt certificates	1 193	5 963	-	-	-	-	34 256	41 412
Certificates of deposit	0	1 541	-	-	-	-	8 590	10 131
Customer savings certificates	0	0	-	-	-	-	2 784	2 784
Convertible bonds	0	0	-	-	-	-	0	0
Non-convertible bonds	1 193	3 811	-	-	-	-	14 761	19 765
Convertible subordinated liabilities	0	0	-	-	-	-	0	0
Non-convertible subordinated liabilities	0	611	-	-	-	-	8 122	8 733
Derivatives	32 761	-	-	-	-	648	-	33 409
Short positions	1 576	-	-	-	-	-	-	1 576
in equity instruments	419	-	-	-	-	-	-	419
in debt instruments	1 157	-	-	-	-	-	-	1 157
Other	250	0	-	-	-	-	6 232	6 482
Total carrying value excluding accrued interest expense	36 312	26 585	-	-	-	648	220 044	283 590
Accrued interest expense	62	157	-	-	-	116	1 301	1 635
Total carrying value including accrued interest expense	36 374	26 742	-	-	-	764	221 344	285 225
[a] *Of which repos*								9 802
[b] *Of which repos*								12 560

Note 15: Financial assets and liabilities, breakdown by portfolio and geographic location
Note 16: Financial assets, breakdown by portfolio and quality
Note 17: Financial assets and liabilities, breakdown by portfolio and remaining term to maturity
Note 18: Impairment on financial assets that are available for sale
Note 19: Impairment on financial assets held to maturity

Notes available in annual report only.

Note 20: Impairment on loans and receivables (balance sheet)

In millions of EUR	31-12-2008	30-06-2009
Total	2 567	3 259
Breakdown by type		
Specific impairment, on-balance-sheet lending	2 216	2 758
Specific impairment, off-balance-sheet credit commitments	89	93
Portfolio-based impairment	262	408
Breakdown by counterparty		
Impairment for loans and advances to banks	127	89
Impairment for loans and advances to customers	2 331	3 058
Specific and portfolio based impairment, off-balance-sheet credit commitments	109	111

Note 21: Derivative financial instruments
Note 22: Other assets
Note 23: Tax assets and tax liabilities
Note 24: Investments in associated companies
Note 25: Property and equipment and investment property
Note 26: Goodwill and other intangible assets

Notes available in annual report only.

Note 27: Provisions for risks and charges

An after tax impact of -0.2 billion euros was recorded in 1H 2009 related to CDOs sold to customers.

Note 28: Other liabilities
Note 29: Retirement benefit obligations

Notes available in annual report only.

Note 30: Parent shareholders' equity

in number of shares	31-12-2008	30-06-2009
Breakdown by type		
Ordinary shares	582 917 643	915 228 482
Mandatory convertible bonds	0	0
of which ordinary shares that entitle the holder to a dividend payment	*582 917 643*	*915 228 482*
of which treasury shares	*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

All KBC Bank ordinary shares are owned by KBC Group NV (915 228 482 shares) and its subsidiary KBC Insurance (1 share).
On 22 January 2009, KBC Group and the Flemish Regional Government concluded an agreement regarding a core-capital injection involving non-dilutive, non-voting securities for an amount of 3.5 billion euros. The terms were largely the same as those applying to the core-capital transaction carried out with the Belgian State in December 2008. KBC Group used the 3.5 billion euros to subscribe to a capital increase totalling 3.25 billion euros at KBC Bank (332 310 839 more shares issued – see table), and for 0.25 billion euros at KBC Insurance.
The parent shareholders' equity comprises this capital increase of 3.25 billion euros carried out by KBC Group.

Note 31: Commitments and contingent liabilities
Note 32: Leasing

Notes available in annual report only.

Note 33: Related-party transactions

	31-12-2008						30-06-2009					
In millions of EUR	Parent	Subsidiaries	Associates	Other related parties	Belgian Government	Total	Parent	Subsidiaries	Associates	Other related parties	Belgian Government	Total
TRANSACTIONS WITH RELATED PARTIES, EXCLUDING DIRECTORS												
Assets	58	215	565	1 506	19 249	21 594	33	215	353	609	22 188	23 398
Loans and advances	1	109	554	878	304	1 845	3	109	347	290	430	1 178
Current accounts	0	0	13	84	0	97	2	0	13	61	0	77
Term loans	1	109	540	795	304	1 748	1	109	334	228	430	1 101
Finance leases	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
Mortgage loans	0	0	0	0	0	0	0	0	0	0	0	0
Equity instruments	0	63	5	20	109	197	0	63	5	20	112	199
Trading securities	0	0	5	0	0	5	0	0	5	0	4	8
Investment securities	0	63	0	20	109	192	0	63	0	20	108	191
Other Receivables	58	43	6	608	18 836	19 552	30	43	2	300	21 647	22 021
Liabilities	318	198	142	10 051	1 467	12 176	429	194	141	8 159	857	9 779
Deposits	31	197	137	9 198	138	9 702	162	193	135	7 482	113	8 084
deposits	10	196	13	9 165	138	9 523	162	192	11	7 464	113	7 941
other borrowings	21	1	124	33	0	179	0	1	124	18	0	143
Other financial liabilities	250	1	1	249	0	501	250	1	1	267	0	518
Debt certificates	0	1	1	249	0	250	0	1	1	267	0	268
Subordinated liabilities	250	0	0	0	0	250	250	0	0	0	0	250
Share based payments	0	0	0	0	0	0	0	0	0	0	0	0
Granted	0	0	0	0	0	0	0	0	0	0	0	0
Exercised	0	0	0	0	0	0	0	0	0	0	0	0
Other liabilities	37	0	4	604	1 328	1 974	17	0	6	410	744	1 177
Income statement	- 31	26	28	- 713	562	- 129	- 22	19	9	- 404	341	- 57
Net interest income	- 20	21	27	- 272	562	319	- 4	18	4	- 133	341	226
Gross earned premiums	0	0	0	0	0	0	0	0	0	0	0	0
Dividend income	15	2	2	9	0	28	0	0	2	4	0	6
Net fee and commission income	1	4	- 1	176	0	179	0	0	- 2	72	0	70
Other income	0	20	1	51	0	72	0	1	5	67	0	73
General administrative expenses	- 27	- 20	- 1	- 678	0	- 727	- 18	- 1	- 1	- 414	0	- 433
Guarantees												
Guarantees issued by the group	0	0	0	0	0	0	0	0	0	0	0	0
Guarantees received by the group	0	0	0	0	0	0	0	0	0	0	0	0

KBC bought a guarantee from the Belgian government covering potential downside risk on the value of its collateralised debt obligations (CDO's). The portion of the related fee allocated to KBC Bank (0.9 billion euros) has been recorded in its 1H09-results (included in Net (un)realised gains from financial instruments at fair value).

Note 34: Auditor's fee
Note 35: List of significant subsidiaries and associated companies

Note available in annual report only.

Note 36: Main changes in the scope of consolidation

	Consolidation method	Ownership percentage at KBC Bank level		Comments
For results comparison		1H 2008	1H 2009	
ADDITIONS				
Istrobanka a.s.	Full	-	100.00%	Recognised in income statement from 3Q 2008
EXCLUSIONS				
KBC Bank Nederland NV	Full	100.00%	-	2Q09 : merger with KBC Bank
CHANGES IN OWNERSHIP PERCENTAGE				
Nova Ljubjanska banka d.d.	Equity method	34.00%	30.57%	
For balance sheet comparison		31-12-2008	30-06-2009	
ADDITIONS				
CIBANK AD	Full	77.09%	81.69%	increase participation with 4.60%
EXCLUSIONS				
KBC Bank Nederland NV	Full	100.00%	-	2Q09 : merger with KBC Bank

Note 37: Post-balance-sheet events

Main events between the balance sheet date (30 June 2009) and the publication of (the original Dutch version of) this report (31 August 2009):

- On 3 August 2009, KBC Group strengthened KBC Bank's capital base by subscribing to the share capital of KBC Bank, for 3.25 billion euros. This capital increase has been included in the figures for the first half of 2009. For more information, see note 1b.

Note 38: General information (IAS 1)

Note available in annual report only.

Auditor’s report

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 2009 and for the six months then ended

Introduction

We have reviewed the accompanying interim condensed consolidated balance sheet of KBC Bank nv (the “Company”) as at 30 June 2009 and the related interim condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and 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/beperkt nazicht” as defined by the “Institut des Reviseurs d’Entreprises/Instituut der Bedrijfsrevisoren”) in accordance with the recommendation of the “Institut des Reviseurs d’Entreprises/Instituut der 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 Reviseurs d’Entreprises/Instituut der 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.

Conclusion

As mentioned in note 37 and 1b, the capital increase as per 3 August 2009 subscribed by KBC Group, is already recorded in the accompanying interim condensed consolidated financial statements, on the one hand as an increase of the ‘Parents Shareholders’ equity’ and ‘other assets’ for an amount of EUR 3,25 billion and EUR 1,25 billion respectively, and on the other hand as a deduction from “Financial liabilities measured at amortised cost” for EUR 2,0 billion. As the capital increase was only formally established on 3 August 2009, the Parent Shareholders’ equity and the other assets are overstated, and the financial liabilities are understated with the above-mentioned amounts as per 30 June 2009.

Based on our review, except for the impact on the interim condensed consolidated financial statements of the issue mentioned in the previous paragraph, 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.

Without modifying the conclusion in the preceding paragraph, we draw attention to note 5 of the interim condensed consolidated financial statements mentioning the temporary approval by the European Commission of the issue by KBC Group of core capital securities to the Flemish Regional Government and the protection bought by KBC Group from the Belgian Federal Government which was partially allocated to the bank. We wish to draw the attention to the fact that the terms based on which the transaction is recorded in the interim condensed consolidated financial statements of KBC Bank are still subject to the final approval of the European Commission.

Brussels, 31 August 2009

Ernst & Young Bedrijfsrevisoren bcvba
Statutory auditor

represented by

Jean-Pierre Romont
Partner

Pierre Vanderbeek
Partner

Ref: 10JPR0006

Other information

Glossary of ratios used

CAD ratio	[consolidated regulatory capital, KBC Bank] / [total weighted risk volume, KBC Bank].
Cover ratio	[individual impairment on non-performing loans] / [outstanding non-performing loans]. For a definition of 'non-performing', see 'Non-performing ratio'. The ratio may also include individual impairment on performing loans and portfolio-based impairment.
Cost/income ratio	[operating expenses] / [total income]
Credit cost ratio	[net changes in individual and portfolio-based impairment for credit risks] / [average outstanding loan portfolio].
Non-performing ratio	[amount outstanding of non-performing loans (loans for which principal repayments or interest payments are more than ninety days in arrears or overdrawn)] / [total outstanding loan portfolio].
Tier-1 ratio	[consolidated Tier-1 capital, KBC Bank] / [total weighted risk volume, KBC Bank].

Credit ratings

KBC Bank credit ratings, end of July 2009	Long-term rating	Outlook	Short-term rating
Fitch	A	Stable	F1
Moody's	Aa3	Negative	P1
Standard & Poor's	A	Stable	A1

Solvency

In millions of EUR		31-12-2008 Basel II	30-06-2009 Basel II
Regulatory capital			
Regulatory capital, KBC Bank (after profit appropriation)		17 941	18 189
Tier-1 capital		12 998	14 132
Parent shareholders' equity		10 728	11 452
Intangible fixed assets		- 121	- 114
Goodwill on consolidation		- 2 127	- 1 998
Innovative hybrid tier-1 instruments		1 555	1 613
Non-innovative hybrid tier-1 instruments		1 793	1 943
Minority interests		599	487
Elimination	Equity guarantee (Belgian State)	0	745
	Mandatorily convertible bonds	0	0
	Revaluation reserve available-for-sale assets (AFS)	857	582
	Hedging reserve (cashflow hedges)	352	355
	Valuation diff. in fin. liabilities at fair value - own credit risk	- 245	- 465
	Minority interest in AFS reserve & hedging reserve, cashflow hedges	1	- 1
Dividend payout		0	0
Items to be deducted		- 394	- 466
Tier-2 and Tier-3 capital		4 943	4 057
Mandatorily convertible bonds		0	0
Perpetuals (incl. hybrid tier-1 not used in tier-1)		740	250
Revaluation reserve, available-for-sale shares (at 90%)		10	38
Minority interest in revaluation reserve AFS shares (at 90%)		- 7	0
IRB provision excess		209	0
Subordinated liabilities		4 243	4 094
Tier-3 capital		144	142
Items to be deducted		- 394	- 466
Weighted risks			
Total weighted risk volume		135 557	131 621
Credit risk		103 788	103 937
Market risk		19 816	15 726
Operational risk		11 953	11 958
Solvency ratios			
Tier-1 ratio		9.6%	10.7%
Core Tier-1 ratio		7.1%	8.0%
CAD ratio		13.2%	13.8%

The table shows the tier-1 and CAD ratios calculated under Basel II. Primarily the Basel II IRB Foundation approach is being used (for about three-quarters of the risk-weighted volume), while the risk-weighted volume of the other entities is calculated according to the standardised method.

In 1H 2009, the capital of KBC Group was bolstered by the sale of 3.5-billion-euros’ worth of capital instruments to the Flemish Region. KBC Group used these funds to subscribe to capital increases at KBC Bank (for 3.25 billion euros – included in the above table) and at KBC Insurance (for 0.25 billion euros).

Extensive risk management information for 31-12-2008 is provided in KBC Bank's 2008 Annual Report. A summary update of this information is provided below. For more information on the methodology used, please refer to the annual report.

Credit risk data

The main source of credit risk is the bank's loan portfolio. The table below provides an overview of this portfolio. It includes all (committed and uncommitted) working capital credit lines, investment credit, guarantee credit, credit derivatives (protection sold) and non-government securities in the investment books of the group. It excludes government bonds, trading book securities, interprofessional transactions (deposits with financial institutions, currency transactions, etc.), short-term commercial transactions (e.g., documentary credit) and intragroup transactions.

KBC Bank loan portfolio	31-12-2008	30-06-2009
Total loan portfolio (in billions of EUR)		
Amount granted	213	206
Amount outstanding	174	170
Loan portfolio by business unit (as a % of the portfolio of credit granted)		
Belgium (retail)	29%	31%
Central & Eastern Europe and Russia	24%	23%
Merchant Banking	47%	46%
Total	100%	100%
Loan portfolio, by counterparty sector (selected sectors as a % of the portfolio of credit granted)		
Real estate	7%	7%
Electricity	2%	3%
Aviation	0.4%	0.4%
Automobile industry	2%	2%
Impaired loans (in millions of EUR or %)		
Amount outstanding	4 821	7 218
Specific loan impairment	2 559	3 115
Portfolio-based impairment	262	408
Loan-loss ratio		
Belgium (retail)	0.09%	0.14%
Central & Eastern Europe and Russia	0.81%	1.75%
Merchant Banking	0.90%	1.31%
Total	0.62%	1.03%
Non-performing (NP) loans (in millions of EUR or %)		
Amount outstanding	3 044	4 706
Specific impairment for non-performing loans	1 781	2 265
Non-performing ratio		
Belgium (retail)	1.7%	1.8%
Central & Eastern Europe and Russia	2.1%	3.1%
Merchant Banking	1.6%	3.3%
Total	1.7%	2.8%
Cover ratio		
Specific impairment for non-performing loans/outstanding non-performing loans	59%	48%
Specific & portfolio-based loan impairment for performing and non-performing loans/ outstanding non-performing loans	93%	75%

On 30 June 2009, the total leveraged finance portfolio (LBO/MBO transactions, see footnote to table for a definition) amounted to 2.6 billion euros; the average transaction size is 16 million euros. KBC's maximum leveraged finance exposure is limited to 3% of the merchant banking credit portfolio and to 500 million euros for the CEER loan portfolio.

Additional information on leveraged finance*	31-12-2008	30-06-2009
Total granted amount of leveraged finance deals (in billions of EUR)	2.8	2.6
Granted leveraged finance portfolio, by sector		
Services	19%	19%
Distribution	13%	15%
Chemical industry	13%	12%
Telecom	8%	8%
Machinery	8%	6%
Other	40%	40%
Total	100%	100%
Granted leveraged finance portfolio, by transaction size (total amount in size interval/total leveraged finance portfolio)		
Up to and including 10 million euros	8%	13%
More than 10 million, but no more than 25 million euros	66%	65%
More than 25 million, but no more than 50 million euros	18%	17%
More than 50 million, but no more than 100 million euros	9%	5%
More than 100 million euros	0%	0%
Total	100%	100%

* Leveraged finance deals must meet the following criteria:

1. Involvement of a a private equity fund and/or management buyout.
2. Consolidated total net debt/EBITDA >= 4.5 or consolidated net senior debt/EBITDA >= 2.5.

Information on structured credit and monoline insurers

Detailed information on KBC Group's structured credit and exposure to monoline insurers is provided in the 'Extended Quarterly Report for 2Q 2009 – KBC Group' (p. 59-62), which is available at www.kbc.com.

Asset/Liability management data

The Basis Point Value (BPV) in the table shows the change in the value of the portfolio if interest rates were to fall by ten basis points across the entire curve (positive figures indicate an increase in the value of the portfolio). The figures relate to KBC Bank, CBC Banque, Centea, KBC Lease, KBC Bank Deutschland, KBC Bank Ireland, Antwerp Diamond Bank, ČSOB (Czech Republic), CSOB (Slovakia), K&H Bank, Kredyt Bank, Absolut Bank, CIBANK and KBC Credit Investments.

BPV of ALM book, KBC Bank (in millions of EUR)	
Average, 1Q 2008	54
Average, 2Q 2008	70
Average, 3Q 2008	72
Average, 4Q 2008	72
Average, 1Q 2009	84
Average, 2Q 2009	90
30-06-2009	93
Maximum, 1H 2009	93
Minimum, 1H 2009	79

Market risk data

The table shows the Value-at-Risk (99% confidence interval, 1-day holding period) for the bank's dealing rooms (KBC Bank in the table) and for KBC Financial Products.

Market risk: VAR (1-day holding period; in millions of EUR)	KBC Bank[1,3]	KBC Financial Products[2]
Average, 1Q 2008	5	15
Average, 2Q 2008	7	11
Average, 3Q 2008	6	15
Average, 4Q 2008	12	24
Average, 1Q 2009	9	14
Average, 2Q 2009	8	15
30-06-2009	6	13
Maximum, 1H 2009	12	18
Minimum, 1H 2009	5	12

1 Excluding 'specific interest rate risk', measured using other techniques.
2 Excluding fund derivatives and insurance derivatives businesses.
3 Figures for 1Q 2008 and 2Q 2008 include KBL EPB.