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KBC Bank

Half-Year Report - 1H2013

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.

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: [total regulatory capital] / [total weighted risks].

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

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,* government bonds are not included in this formula.

Liquidity Coverage Ratio (LCR): [stock of high quality liquid assets] / [total net cash outflow over the next 30 calendar days].

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

Net stable funding ratio (NSFR): [available amount of stable funding] / [required amount of stable funding].

Non-performing loan ratio: [amount outstanding of non-performing loans (loans for which principal repayments or interest payments are more than 90 days in arrears or overdrawn)] / [total outstanding loan portfolio]

Return on equity: [result after tax, attributable to equity holders of the parent] / [average parent shareholders' equity, excluding the revaluation reserve for available-for-sale assets]

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 means, 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 current year.'

Contents

This report contains information that is subject to transparency regulations for listed companies. 30 August 2013, 8 a.m. CEST.

Report for the first six months of 2013

KBC Bank

Summary

KBC Bank ended the first six months of 2013 (1H2013) with a consolidated IFRS net profit of 824 million euros, as opposed to a net loss of -865 million euros in the first six months of 2012 (1H2012).

In order to give a better insight into the ongoing business performance, KBC Bank also provides *'adjusted'* figures that exclude the impact of the legacy business (remaining divestments and CDOs) and the impact of the valuation of own credit risk. These items are discussed elsewhere in this report.
After excluding the impact of these items, adjusted net profit came to 700 million euros in 1H2013, compared with 578 million euros in 1H2012.

Key consolidated figures, KBC Bank (in millions of EUR)				
			1H2012	1H2013
Net result, IFRS			-865	824
Adjusted net result			578	700
	by business unit:	Belgium	497	574
		Czech Republic	312	271
		International Markets	-215	-110
		Group Centre	-17	-34
			31-12-2012	30-06-2013
Total assets			224 840	221 985
Parent shareholders' equity			11 184	12 212
Tier-1 ratio (in %, Basel II)			13.8%	15.9%

A summary table containing the IFRS results and adjusted results can be found elsewhere in this report.
A new breakdown by business unit entered into force in 2013 (more information on this breakdown can be found under 'Notes on segment reporting' in the 'Consolidated financial statements' section of the report). The 2012 reference figures have been restated in order to reflect this new breakdown.

Financial highlights for 1H2013 compared to 1H2012

- High level of profit thanks to continued strong commercial franchise and positive CDO valuation.
- Return on equity of 12%*.
- Net interest income down 6%* on a comparable basis.
- Total loan portfolio more or less unchanged, deposits up 4% on a comparable basis.
- Strong level of net fee and commission income, up 17%* on a comparable basis.
- Excellent cost/income ratio of 50%* year-to-date.
- Credit cost ratio of 0.75% year-to-date. Ireland's ratio reduced further to 2.35%.
- Consistently strong liquidity position, with LCR at 125% and NSFR at 107%.
- Strong capital base, with a tier-1 ratio of 15.9% and a core tier-1 ratio of 13.3% (Basel II)
- Significant reduction of CDO risk to a net exposure of 6.3 billion euros at KBC Group level.
- Divestment programme: Absolut Bank (Russia) and the remaining stakes in Bank Zachodni WBK (Poland) and in NLB (Slovenia) sold in 1H2013.

** Based on adjusted results.*

Analysis of the result

A full overview of the IFRS consolidated income statement and balance sheet is provided in the 'Consolidated financial statements' section of this interim 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 addition to these figures, KBC Bank also provides figures aimed at giving more insight into the ongoing business performance. Hence, in the overview below (the adjusted results' columns), the impact of legacy activities (remaining divestments, CDOs) and of the valuation of own credit risk is excluded from P/L and summarised in three lines at the bottom of the presentation (in the segment reporting presentation, these items are all included in the Group Centre).
Moreover, in the adjusted result overview, a different accounting treatment for capital-market income was applied to the Belgium Business Unit (all trading results shifted to 'Net results from financial instruments at fair value').
A full explanation of the differences between the IFRS and adjusted figures is provided under 'Notes on segment reporting' in the 'Consolidated financial statements' section of this interim report.

Consolidated income statement, KBC Bank (in millions of EUR)	IFRS	IFRS	Adjusted result	Adjusted result
	1H2012	1H2013	1H2012	1H2013
Net interest income	2 012	1 746	1 931	1 684
Interest income	4 867	3 975	*	*
Interest expense	-2 855	-2 229	*	*
Dividend income	3	8	4	7
Net result from financial instruments at fair value through profit and loss	-128	602	400	458
Net realised result from available-for-sale assets	-11	157	-12	110
Net fee and commission income	782	874	790	870
Fee and commission income	999	1 205	*	*
Fee and commission expense	-217	-331	*	*
Other net income	52	5	52	95
Total income	2 710	3 393	3 164	3 223
Operating expenses	-1 855	-1 645	-1 823	-1 626
Impairment	-1 583	-565	-473	-527
on loans and receivables	-456	-548	-456	-510
on available-for-sale assets	0	-2	0	-2
on goodwill	-376	0	0	0
on other	-751	-15	-17	-15
Share in results of associated companies	10	0	-16	0
Result before tax	-718	1 183	852	1 072
Income tax expense	-94	-297	-221	-309
Net post-tax result from discontinued operations	0	0	0	0
Result after tax	-812	886	630	762
attributable to minority interests	53	62	53	62
attributable to equity holders of the parent	**-865**	**824**	**578**	**700**
By business unit**:				
Belgium	497	574	497	574
Czech Republic	312	271	312	271
International Markets	-215	-110	-215	-110
Group Centre	-1 459	90	-17	-34
Legacy business and own credit risk (after tax)	(included in above P/L scheme)	(included in above P/L scheme)	(excluded in above P/L scheme, but mentioned separately below)	(excluded in above P/L scheme, but mentioned separately below)
Legacy – gains/losses on CDOs	-	-	-59	260
Legacy – divestments	-	-	-1 083	-90
MTM of own credit risk	-	-	-300	-46
Net result				
attributable to equity holders of the parent	-865	824	-865	824

* Not available, as the analysis of these items is performed on a net basis within the group.
** A new breakdown by business unit entered into force in 2013 (more information on this breakdown can be found under 'Notes on segment reporting' in the 'Consolidated financial statements' section of the report). The 2012 reference figures have been restated in order to reflect this new breakdown.

KBC Bank ended the first six months of 2013 (1H2013) with a net profit of 824 million euros, as opposed to a net loss of -865 million euros in the first six months of 2012 (1H2012).

Impact of the legacy business and own credit risk on the result:

In order to give a better insight into the ongoing business performance, KBC Bank also provides adjusted figures that exclude the impact of the legacy business, i.e. the valuation of the remaining CDOs in portfolio (including fees for the related guarantee agreement with the Belgian State) and the impact of divestments and of the valuation of own credit risk. For 1H2013, these items had the following impact:

- CDOs: During the first six months of 2013, corporate and ABS credit spreads tightened further. When account is taken of the impact of the fee for the CDO guarantee scheme with the Belgian Federal Government, the costs and benefits of reducing the CDO exposure and the improved CVA on MBIA, there was a positive post-tax impact of some 260 million euros (compared with -59 million euros in 1H2012).
- Remaining divestments: During the first six months of 2013, the successful placement of KBC's 16.2% participation in Bank Zachodni WBK through a secondary offering resulted in an additional capital gain, the closure of the deal to sell NLB led to a capital loss, the closure of the deal to sell Absolut Bank (Russia) to a group of Russian companies that manage the assets of Blagosostoyanie had a negative impact on the results, and an impairment was recorded on a subordinated loan to NLB. The total post-tax impact of all these items on the net result for 1H2013 was -90 million euros. In the 1H2012 reference period, the post-tax impact was -1.1 billion euros, and was mainly attributable to impairment related to the remaining divestment files at that time (Absolut Bank, Antwerp Diamond Bank, KBC Bank Deutschland, NLB).
- Impact of own credit risk valuation: The improvement in the credit spread on KBC debt between the end of 2012 and the end of June 2013 resulted in a marked-to-market adjustment of -46 million euros, post tax (no impact on regulatory capital), compared with -300 million euros in 1H2012.

After excluding the impact of the above-mentioned items, adjusted net profit came to 700 million euros in 1H2013, compared with 578 million euros in 1H2012. The main components of the adjusted net profit are discussed below.

Please note that the comparison between 1H2013 and 1H2012 was affected in part by the deconsolidation of Kredyt Bank, Żagiel, Absolut Bank and certain other sales. Where relevant, these items will be disregarded in the analysis below to enable a meaningful comparison to be made.

Total income (adjusted net result)

- Net interest income stood at 1 684 million euros, down 13% year-on-year. On a comparable basis, it fell by 6% year-on-year. This was due primarily to the lower income generated by asset and liability management (lower reinvestment yields), while commercial margins remained healthy. The net interest margin came to 1.72% in 1H2013, 10 basis points lower than the high level of a year earlier. The loan book (loans and advances to customers, excluding reverse repos) amounted to 126 billion euros, while deposits (deposits from customers and debt certificates, excluding repos) amounted to 160 billion euros at 30 June 2013. Per business unit, loan and deposit volumes changed as follows (percentages calculated after elimination of transactions between KBC Group companies): in the Belgium Business Unit, the loan book contracted by -1% year-on-year (due to the loan book being deliberately reduced at the foreign branches, while the other segments posted growth), whereas the deposit base grew by 6%; the loan book in the Czech Republic increased by 8% year-on-year and deposits by 2%; the loan portfolio in the International Markets Business Unit declined 5% year-on-year (due to Ireland and Hungary), while the deposit base grew by 20% (driven mainly by Ireland, and to a lesser extent by Hungary and Slovakia).
- The net result from financial instruments at fair value amounted to 458 million euros in the first half of 2013, compared to 400 million euros for the first half of the previous year. On a comparable basis, this was an increase of 24%. The net result from financial instruments at fair value is usually defined by dealing-room income, but the past six-month period has been influenced primarily by a positive post-tax result of 134 million euros on the marked-to-market valuations in respect of the derivative instruments used in asset and liability management.
- Net realised gains from available-for-sale assets stood at 110 million euros for 1H2013, compared with -12 million euros for the first half of 2012. Some three-quarters of the gains in 1H2013 were generated by bonds.
- Net fee and commission income amounted to 870 million euros, up 10% year-on-year. On a comparable basis, it was up by as much as 17% year-on-year. The main drivers for this increase were the fees related to the mutual fund business. Assets under management of the group stood at 156 billion euros, up 1% since the end of 2012 primarily because of price effects.
- Other net income came to 95 million euros, compared to 52 million euros in the year-earlier period, which had been impacted in part by provisioning for the 5-5-5 product.

Operating expenses (adjusted net result)

- Operating expenses came to 1 626 million euros in 1H2013, down 11% on their year-earlier level. On a comparable basis, costs were roughly flat (-1%), with several items offsetting each other (some positive one-off items, the financial transaction levy in Hungary, etc.). As a consequence, the year-to-date cost/income ratio came to 50% (an improvement on the 58% recorded for 1H2012), a clear indication that costs remain well under control. However, the ratio was positively impacted by the high level of marked-to-market valuations in respect of the derivative instruments used in asset and liability management and by net realised gains from available-for-sale assets.

Impairment charges (adjusted net result)

- Loan loss impairment stood at 510 million euros in 1H2013, up on the 456 million euros recorded a year earlier. The figure for 1H2013 included loan loss impairment of 187 million euros recorded at KBC Bank Ireland (as opposed to 331 million euros in 1H2012), as well as a relatively high 220 million euros in the Belgium Business Unit. The annualised credit cost ratio stood at 0.75% year-to-date. This breaks down into 0.49% for the Belgian Business Unit (up from 0.28% for FY2012), 0.30% in the Czech Republic Business Unit (comparable to the 0.31% for FY2012) and 1.76% for the International Markets Business Unit (down from 2.26% for FY2012).
- Impairment charges on available-for-sale assets came to 2 million euros and other impairment charges amounted to 15 million euros in the six-months under review, comparable to the reference period (please note however that the significant impairment related to the remaining divestment files that was recorded in 1H2012 was excluded from the adjusted figures – see separate paragraph above).

Income tax (adjusted net result)

- Income tax amounted to 309 million euros for the first six months of 2013, up on the 221 million euros recorded in 1H2012.

Highlights of the performance by business unit

- The Belgium Business Unit (encompassing all activities in Belgium) generated a net result of 574 million euros in 1H2013, compared with 497 million euros in 1H2012. The period under review included somewhat lower net interest income, a higher net result from financial instruments at fair value (benefiting from significant MtM valuations of ALM derivatives), a higher realised result from available-for-sale assets, increased net fee and commission income (thanks largely to the mutual fund business), higher other net income, an excellent cost/income ratio of 45%, and higher loan loss provisions, leading to a credit cost ratio of 0.49% in 1H2013.
- The Czech Republic Business Unit (encompassing all activities in the Czech Republic) generated a net result of 271 million euros in 1H2013, compared with 312 million euros in 1H2012. The period under review included sound levels of net fee and commission income and gains from available for sale assets, but somewhat lower net interest income and trading income. Costs remained under control (cost/income ratio of 46%) and loan loss impairment increased only slightly, leading to a credit cost ratio of 0.30% in 1H2013.
- The International Markets Business Unit (covering activities in Ireland, Hungary, Slovakia and Bulgaria) generated a net result of -110 million euros in 1H2013, compared with -215 million euros in 1H2012. This was almost fully attributable to Ireland, where the net result in 1H2013 came to -146 million euros, compared to -244 million euros a year earlier (difference almost entirely due to lower – though still significant – loan loss impairment). The net result for all the other countries combined in 1H2013 was slightly higher than in the 1H2012 reference period; for 1H2013, it amounted to 2 million euros for Hungary (the first half of the year is traditionally impacted by the booking of the bank tax for the full year), 29 million euros for Slovakia and 5 million euros for Bulgaria. The overall cost/income ratio for the business unit stood at 76% in 1H2013, and the credit cost ratio at 1.76%.
- The Group Centre (certain items that are not allocated to the business units, results of companies to be divested, legacy and own credit risk impact) generated a net IFRS result of 90 million euros in 1H2013, as opposed to -1 459 million euros in 1H2012 (owing to the impairment on the remaining divestment files referred to earlier in this report). Excluding the impact of legacy activities and own credit risk, the adjusted net result of the Group Centre came to -34 million euros in 1H2013, as opposed to -17 million euros in 1H2012.

Equity, solvency and liquidity

- At the end of June 2013, total equity came to 12.9 billion euros (consisting of parent shareholders' equity of 12.2 billion euros and minority interests of 0.7 billion euros), up approximately 1 billion euros on its level at the start of the year due mainly to the inclusion of the result for 1H2013. The tier-1 ratio (under Basel II) stood at a strong 15.9% at 30 June 2013 (core tier-1 ratio of 13.3%), an improvement on the figures at year-end 2012 (13.8% and 11.4%, respectively).
- KBC Bank's liquidity remains excellent, as reflected in the LCR ratio of 125%, as well as in the NSFR ratio of 107% at the end of June 2013.

Selected balance sheet data

Highlights, consolidated balance sheet, KBC Bank (in millions of EUR)	31-12-2012	30-06-2013
Total assets*	224 840	221 985
Loans and advances to customers	128 474	132 281
Securities (equity and debt instruments)	48 230	47 680
Deposits from customers and debt securities	163 107	170 774
Risk weighted assets (Basel II)	88 927	81 358
Total equity*	11 902	12 937
of which parent shareholders' equity*	11 184	12 212

* 31-12-2012 restated based on IAS19 revision as of 1 January 2013.

Selected ratios

Ratios (year-to-date)	1H2012	1H2013
Cost/income ratio (based on adjusted results)	58%	50%
Credit cost ratio	0.59%	0.75%
Ratios (year-to-date)	**31-12-2012**	**30-06-2013**
Non-performing ratio	5.3%	5.5%
Tier-1 ratio (Basel II)	13.8%	15.9%
Core tier-1 ratio (Basel II)	11.4%	13.3%

Other information

Strategy and business highlights

- KBC Bank's strategy is fully embedded in the strategy of KBC Group. KBC Group's core strategy remains focused on bank-insurance in Belgium, the Czech Republic, Slovakia, Hungary and Bulgaria. In line with its strategic plan, the group has almost completed the sale or run-down of a number of (non-core) activities (see below).

- Last steps in the divestment programme:
  - On 11 March 2013, KBC Bank finalised the sale of its remaining 22% stake in NLB to the Republic of Slovenia for a total consideration of 3 million euros.
  - On 22 March 2013, KBC Bank successfully placed its 16.2% participation in Bank Zachodni WBK through a secondary offering. The sale of the 15 125 964 shares offered generated 3.71 billion zlotys (0.9 billion euros) for KBC and further strengthened its already solid solvency position.
  - On 26 April 2013, KBC Securities Poland announced that it would be refocusing its local business lines and decided to concentrate on its securities services offering.
  - KBC Bank signed an agreement at the end of 2012 to sell its Russian banking subsidiary, Absolut Bank, to a group of Russian companies that manage the assets of Blagosostoyanie. This deal was completed on 24 May 2013.
  - As regards two of its remaining divestment files, i.e. Antwerp Diamond Bank (Belgium) and KBC Bank Deutschland (Germany), KBC is maintaining an open and constructive dialogue with the European Commission and discussions continue with a number of interested parties.

- Other business developments:
  - At the beginning of October 2012, KBC announced its updated strategy for the group for 2013 and beyond. With effect on 1 January 2013, it restructured its organisation to better reflect this updated strategy.
  - In the first quarter of 2013, KBC repaid a total of 8.3 billion euros to the European Central Bank in relation to its three-year Long Term Refinancing Operation.
  - On 18 January 2013, KBC Bank successfully placed 1 billion US dollars' worth of tier-2 contingent capital notes. The issue met with strong demand and was more than eight times oversubscribed.
  - On 3 July 2013, KBC succeeded in reaching an agreement on 0.3 billion euros' worth of loans it had granted to KBC Ancora and transferring them to another international financial institution. The transfer will boost KBC's capital position under the Basel III framework by a further 0.3 billion euros.
  - On 3 July 2013, KBC Group – KBC Bank's parent company – repaid 1.17 billion euros of state aid plus the penalty of 0.58 billion euros (i.e. 1.75 billion euros in total) to the Flemish Regional Government, six months in advance of the deadline agreed with the European Commission, reducing the outstanding state aid position to 2.3 billion euros.

- Developments on the Corporate Social Responsibility front:
  - In April 2013, KBC Group published its ninth CSR Report and its second Report to Society. To mark the latter publication, KBC invited several Belgian stakeholders, including NGOs, politicians and academics, to a stakeholder meeting.
  - In January 2013, KBC in Belgium became the first financial institution in Belgium to gain EMAS certification for its support services. EMAS is the European Commission's voluntary eco-management and audit scheme to help companies continually improve their environmental performance.
  - For the second year running, KBC Bank Ireland was again recognised as having the best reputation of any bank in Ireland according to the annual RepTrak study.
  - For the tenth time, K&H in Hungary organised a new tender round from 27 March until 31 May 2013 for its MediMagic programme. The institutions involved could apply for a share of the competition fund for paediatric and rescue equipment.
  - In March 2013, ČSOB in the Czech Republic launched an internal campaign supporting the employment of people with a physical handicap. The aim was to follow up its long-term co-operation with and support for non-profit organisations that work with people with different disabilities.
  - For the sixth time, ČSOB in Slovakia was the proud general partner of the Bratislava Marathon and made a donation to a number of children's hospitals via the ČSOB Foundation.
  - In June 2013, the first meeting of KBC's CSR Board took place. Composed of external CSR experts and academics, this board assists, inspires and challenges KBC on different CSR-related campaigns and initiatives.

- In June 2013, ČSOB Slovakia's employees participated for the fourth time in the 'Our City' event, the biggest event of its kind for corporate volunteering in Slovakia and Central Europe. ČSOB Slovakia also published its Corporate Responsibility Report for 2012 for the second year in a row.
- In June 2013, Ethibel confirmed KBC's membership of the Ethibel Excellence Investment Register, indicating that the company performs better than average in its sector in terms of CSR.
- In the second quarter, ČSOB was named the Best Bank in the Czech Republic by EMEA Finance for the third time in four years.
- In July 2013, CIBANK in Bulgaria received the Grapevine Awards 2013 for its engagement programme 'ACTIVE'. This internal programme aims at increasing employee engagement as part of a new corporate culture initiative and won the Grapevine Award in the category 'Best employee engagement program or campaign'.
- In July 2013, KBC was included in the Euronext Vigeo Benelux 20 Index, composed of the 20 most advanced companies in the Benelux region in terms of their performance with regard to the environment, social issues and corporate governance.

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 and KBC Group's annual and half-yearly reports, which are available at www.kbc.com.
- Five trends continued to affect the global economy during the second quarter of 2013. Firstly, the recovery in the US continued, despite the so-called fiscal drag, with net job creation hitting about 200 000 per month. This prompted the Fed to consider starting to phase out its asset purchase programme later in 2013. Secondly, the European economy finally moved out of recession in the second quarter. Thirdly, the combination of fiscal reform and strong monetary expansion in Japan ('Abenomics') is boosting producer and consumer confidence and supporting economic growth. Fourthly, China's efforts to rebalance its economic growth away from exports and towards domestic demand, together with the need to preserve the health of its financial system, are leading to a markedly lower growth rate than in the past. Finally, the weak growth of credit and monetary aggregates in developed economies imply that the disinflationary trend will continue for the time being, helped by stable or even falling commodity prices.

  The main risks for the global economy are a stronger-than-expected rise in global bond yields following the end of the US Fed's asset purchase programme, economic and/or financial instability in the Chinese economy leading to a significant economic slowdown and the re-emergence of an acute EMU crisis as a consequence of possible political stalemates. A ruling by the German Constitutional Court in 3Q2013 that places significant restrictions on the ECB's OMT programme could also lead to new waves of uncertainty and widening bond yield spreads within the EMU.

Financial calendar

The financial calendar of KBC Group and KBC Bank, which includes information on when the results will be published and the dates of analyst and investor meetings, is available at www.kbc.com.

Consolidated financial statements

according to IFRS, KBC Bank – 1H2013

Reviewed by the statutory auditor

Consolidated income statement

In millions of EUR	Note	1H 2012	1H 2013
Net interest income	3	2 012	1 746
Interest income		4 867	3 975
Interest expense		- 2 855	- 2 229
Dividend income		3	8
Net result from financial instruments at fair value through profit or loss	5	- 128	602
Net realised result from available-for-sale assets	6	- 11	157
Net fee and commission income	7	782	874
Fee and commission income		999	1 205
Fee and commission expense		- 217	- 331
Other net income	8	52	5
TOTAL INCOME		2 710	3 393
Operating expenses	9	- 1 855	- 1 645
Staff expenses		- 887	- 754
General administrative expenses		- 886	- 824
Depreciation and amortisation of fixed assets		- 81	- 67
Impairment	11	- 1 583	- 565
on loans and receivables		- 456	- 548
on available-for-sale assets		0	- 2
on goodwill		- 376	0
on other		- 751	- 15
Share in results of associated companies		10	0
RESULT BEFORE TAX		- 718	1 183
Income tax expense		- 94	- 297
Net post-tax result from discontinued operations	41	0	0
RESULT AFTER TAX		- 812	886
Attributable to minority interest		53	62
of which relating to discontinued operations		*0*	*0*
Attributable to equity holders of the parent		**- 865**	**824**
of which relating to discontinued operations		*0*	*0*

Condensed consolidated statement of comprehensive income

In millions of EUR	1H 2012	1H 2013
RESULT AFTER TAX	- 812	886
attributable to minority interest	53	62
attributable to equity holders of the parent	- 865	824
OTHER COMPREHENSIVE INCOME		
Net change in revaluation reserve (AFS assets) - Equity	30	- 6
Net change in revaluation reserve (AFS assets) - Bonds	484	- 119
Net change in revaluation reserve (AFS assets) - Other	0	0
Net change in hedging reserve (cash flow hedge)	- 125	261
Net change in Defined Benefit Plans	- 65	- 7
Net change in translation differences	80	- 29
Other movements	- 2	1
TOTAL COMPREHENSIVE INCOME	- 409	988
attributable to minority interest	63	62
attributable to equity holders of the parent	- 472	926

Consolidated balance sheet

ASSETS (in millions of EUR)	Note	31-12-2012	30-06-2013
Cash and cash balances with central banks		4 425	4 742
Financial assets	14-22	206 543	206 080
Held for trading		21 493	17 811
Designated at fair value through profit or loss		4 444	9 682
Available for sale		16 728	15 369
Loans and receivables		139 460	137 681
Held to maturity		23 343	24 798
Hedging derivatives		1 075	740
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		204	125
Tax assets		2 104	1 848
Current tax assets		141	145
Deferred tax assets		1 963	1 703
Non-current assets held for sale and assets associated with disposal groups	41	6 883	4 079
Investments in associated companies		8	7
Investment property		412	395
Property and equipment		2 286	2 258
Goodwill and other intangible assets		1 045	1 035
Other assets		930	1 414
TOTAL ASSETS		224 840	221 985

LIABILITIES AND EQUITY (in millions of EUR)	Note	31-12-2012	30-06-2013
Financial liabilities	14-22	205 770	203 535
Held for trading		19 380	14 771
Designated at fair value through profit or loss		9 666	15 815
Measured at amortised cost		174 294	171 136
Hedging derivatives		2 430	1 812
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		69	- 5
Tax liabilities		276	186
Current tax liabilities		167	94
Deferred tax liabilies		110	92
Liabilities associated with disposal groups	41	3 565	2 197
Provisions for risks and charges		482	508
Other liabilities		2 776	2 627
TOTAL LIABILITIES		212 938	209 048
Total equity	34	11 902	12 937
Parent shareholders' equity	34	11 184	12 212
Minority interests		718	726
TOTAL LIABILITIES AND EQUITY		224 840	221 985

In line with IFRS 5, the assets and liabilities of the largest part of the remaining divestments have been moved from various balance sheet lines towards the lines ‘Non-current assets held for sale and assets associated with disposal groups’ and ‘Liabilities associated with disposal groups’. More information on divestments can be found in note 41.

For more information on retroactive adjustments with regard to IAS 19 see note 1b.

Consolidated statement of changes in equity

In millions of EUR	Issued and paid up share capital	Share premium	Revaluation reserve (AFS assets)	Hedging reserve (cashflow hedges)	Remeasurement of defined benefit obligations	Reserves	Translation differences	Parent shareholders' equity	Minority interests	Total equity
30-06-2012										
Balance at the beginning of the period	8 948	1 222	- 413	- 612	0	2 362	- 390	11 117	975	12 093
First time application IAS19 Revised	0	0	0	0	65	0	0	65	0	65
Adjusted balance at the beginning of the period	8 948	1 222	- 413	- 612	65	2 362	- 390	11 182	975	12 158
Net result for the period	0	0	0	0	0	- 865	0	- 865	53	- 812
Other comprehensive income for the period	0	0	511	- 125	- 65	- 2	72	392	11	403
Total comprehensive income	**0**	**0**	**511**	**- 125**	**- 65**	**- 866**	**72**	**- 472**	**63**	**- 409**
Dividends	0	0	0	0	0	- 120	0	- 120	0	- 120
Reclassifications within equity	0	0	0	0	0	0	0	0	0	0
Impact business combinations	0	0	0	0	0	- 5	0	- 5	0	- 5
Change in minorities	0	0	0	0	0	0	0	0	- 118	- 118
Change in scope	0	0	0	0	0	0		0	0	0
Total change	**0**	**0**	**511**	**- 125**	**- 65**	**- 991**	**72**	**- 597**	**- 55**	**- 652**
Balance at the end of the period	**8 948**	**1 222**	**98**	**- 737**	**0**	**1 371**	**- 318**	**10 585**	**921**	**11 506**
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
30-06-2013										
Balance at the beginning of the period	8 948	1 223	335	- 863	0	1 930	- 318	11 255	718	11 973
First time application IAS19 Revised	0	0	0	0	- 63	- 8	0	- 71	0	- 71
Adjusted balance at the beginning of the period	8 948	1 223	335	- 863	- 63	1 921	- 318	11 184	718	11 902
Net result for the period	0	0	0	0	0	824	0	824	62	886
Other comprehensive income for the period	0	0	- 124	261	- 7	1	- 29	102	- 1	102
Total comprehensive income	**0**	**0**	**- 124**	**261**	**- 7**	**825**	**- 29**	**926**	**62**	**988**
Dividends	0	0	0	0	0	0	0	0	0	0
Reclassifications within equity	0	- 327	0	0	0	327	0	0	0	0
Impact business combinations	0	0	0	0	0	0	0	0	0	0
Change in minorities	0	0	0	0	0	0	0	0	- 54	- 54
Change in scope	0	0	0	0	**0**	0	102	102	0	102
Total change	**0**	**- 327**	**- 124**	**261**	**- 7**	**1 152**	**73**	**1 028**	**8**	**1 035**
Balance at the end of the period	**8 948**	**895**	**211**	**- 602**	**- 70**	**3 074**	**- 245**	**12 212**	**726**	**12 937**
of which revaluation reserve for shares			38							
of which revaluation reserve for bonds			173							
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			4	1			- 3	2		2

For more information on retroactive adjustments with regard to IAS 19 see note 1b.

Condensed consolidated cash flow statement

In millions of EUR	1H 2012	1H 2013
Net cash from (used in) operating activities	2 862	7 798
Net cash from (used in) investing activities	- 8 383	- 1 321
Net cash from (used in) financing activities	- 167	- 65
Change in cash and cash equivalents		
Net increase or decrease in cash and cash equivalents	- 5 688	6 412
Cash and cash equivalents at the beginning of the period	9 431	1 130
Effects of exchange rate changes on opening cash and cash equivalents	165	- 134
Cash and cash equivalents at the end of the period	3 908	7 409

As mentioned in note 40, KBC sold its stake in the merged entity Bank Zachodni WBK. This had a positive impact of approximately 0.8 billion euros on cash flows of operating activities in 1H 2013.

Notes on statement of compliance and changes in accounting policies

Statement of compliance (Note 1a in the annual accounts for 2012)

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 2012.

Summary of significant accounting policies (Note 1b in the annual accounts for 2012)

A summary of the main accounting policies is provided in the annual report.

In 1H2013, following changes in content were made in the accounting policies that had a material impact on the results:
Amendment to IAS 19 (Employee Benefits): the main change concerns the elimination of the corridor, which – under the previous standard – permitted actuarial gains and losses to be spread over several years. From the first of January 2013 on, such gains and losses are recognised in other comprehensive income (with no recycling in profit or loss). The required disclosures have been changed and expanded. On 1 January 2013, the one-off negative impact on IFRS equity amounted to -71 million euros (net of deferred taxes). Compliant with IFRS, 2012 figures have been restated.

Notes on segment reporting

Segment reporting according to the management structure of the group (note 2a in the annual accounts 2012)

A new management structure was introduced at the start of 2013, reflecting KBC Group's (and KBC Bank's) updated strategy. More information on this is available in the press release ('KBC 2013 and beyond') and presentation of 8 October 2012, and the 2012 annual report, available on www.kbc.com.

Based on this new management structure, KBC also reworked its financial segment reporting presentation and therefore also retroactively adjusted its 1H2012 segmented figures. For a description of the changes compared to the previous management structure on a KBC Group level, reference is made to the press release of 25 April 2013 which is available on www.kbc.com.

As a result, KBC is henceforth structured and managed according to a number of segments (called 'business units'). For reporting purposes, the business units are:

- the Belgium Business Unit (all activities in Belgium)
- the Czech Republic Business Unit (all activities in the Czech Republic)
- the International Markets Business Unit (activities in Ireland, Hungary, Slovakia, Bulgaria)
- the Group Centre (certain items that are not allocated to the business units, results of companies to be divested, and the legacy and own credit risk impact (see below)).

The management structure of the group also includes an International Product Factories Business Unit. The results of the activities of this business unit are included in the results of the other business units based on geography. Consequently, this business unit is not presented separately when the results are reported by segment.

Inter-segment transactions are presented 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).

In the previous reporting framework, the IFRS profit and loss account was supplemented by a so-called 'underlying' profit and loss account (excluding non-operational and exceptional items), which was the basis of the segment reporting. This is not the case anymore. However, in addition to the figures according to IFRS, KBC still provides figures aimed at giving more insight into the ongoing business performance. The resulting figures are called *'adjusted net result'* and are the current basis for the segment reporting.
This means that, over and above the IFRS profit and loss account, a reworked profit and loss account is provided, in which a limited number of 'non-operational items' is excluded from the P/L and summarised into three lines at the bottom of the reporting presentation. Segment reporting is based on this reworked presentation. One of the main changes compared to the previous reporting framework is that the fair value of certain ALM hedging instruments is now included in the business units' results, which previously was not the case.
The 'non-operational items' are:

- legacy CDO activities (mainly valuation changes of CDOs and fees for the CDO guarantee agreement);
- legacy divestment activities (impairment and gains/losses in relation to divestments);
- the impact of changes in fair value of own debt instruments due to own credit risk (OCR).

In the segment reporting presentation, these items are all assigned to the Group Centre.

In the IFRS accounts, income related to trading activities is split across different components. While trading gains are recognised under 'net result 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 result on available-for-sale assets' and 'other net income' are also related to trading income. In the net adjusted result, all trading income components within investment banking are recognised under 'net result from financial instruments at fair value', without any impact on net profit. Whereas this was performed for every business unit in the former reporting presentation, it is now limited to KBC Bank Belgium (Belgium Business Unit), due to materiality.

In millions of EUR	Business unit Belgium	Business unit Czech Republic	Business unit International Markets	*of which: Hungary*	*of which: Slovakia*	*of which: Bulgaria*	*of which: Ireland*	Group Centre excl inter-segment eliminations	Inter-segment eliminations	KBC Bank
1H2012										
Net interest income	1 010	502	310	129	81	14	86	107	2	1 931
Dividend income	2	0	0	0	0	0	0	1	0	4
Net result from financial instruments at fair value through profit or loss	273	58	42	27	11	1	3	27	0	400
Net realised result from available-for-sale assets	- 12	- 4	0	0	0	0	0	4	0	- 12
Net fee and commission income	524	120	85	49	22	9	1	66	- 5	790
Other net income	- 4	18	4	- 1	4	1	0	37	- 3	52
TOTAL INCOME	1 795	694	441	204	119	25	89	241	- 7	3 164
Operating expenses	- 938	- 304	- 309	- 172	- 79	- 18	- 37	- 279	7	- 1 823
Impairment	- 57	- 26	- 371	- 31	- 6	- 3	- 331	- 19	0	- 473
on loans and receivables	- 42	- 25	- 371	- 31	- 5	- 3	- 331	- 19	0	- 456
on available-for-sale assets	0	0	0	0	0	0	0	0	0	0
on goodwill	0	0	0	0	0	0	0	0	0	0
on other	- 16	- 1	0	0	0	0	0	0	0	- 17
Share in results of associated companies	0	3	1	1	0	0	0	- 19	0	- 16
RESULT BEFORE TAX	800	367	- 238	1	34	4	- 279	- 77	0	852
Income tax expense	- 263	- 54	23	- 4	- 7	0	35	73	0	- 221
Net post-tax result from discontinued operations	0	0	0	0	0	0	0	0	0	0
RESULT AFTER TAX	537	313	- 215	- 3	27	4	- 244	- 4	0	630
Attributable to minority interests	40	0	0	0	0	0	0	13	0	53
ADJUSTED NET RESULT	497	312	- 215	- 3	27	4	- 244	- 17	0	578
Legacy CDOs	0	0	0	0	0	0	0	- 59	0	- 59
Own credit risk	0	0	0	0	0	0	0	- 300	0	- 300
Divestments	0	0	0	0	0	0	0	- 1 083	0	- 1 083
NET RESULT	497	312	- 215	- 3	27	4	- 244	- 1 459	0	- 865
1H 2013										
Net interest income	974	474	302	127	91	15	68	- 67	2	1 684
Dividend income	6	0	0	0	0	0	0	0	0	7
Net result from financial instruments at fair value through profit or loss	329	44	37	29	10	1	- 3	48	0	458
Net realised result from available-for-sale assets	87	12	11	6	3	2	1	0	0	110
Net fee and commission income	639	122	101	68	25	8	- 3	13	- 4	870
Other net income	73	6	23	14	8	1	0	- 5	- 2	95
TOTAL INCOME	2 107	658	474	244	137	27	63	- 11	- 5	3 223
Operating expenses	- 950	- 305	- 358	- 217	- 80	- 17	- 42	- 18	5	- 1 626
Impairment	- 234	- 31	- 232	- 21	- 18	- 6	- 187	- 29	0	- 527
on loans and receivables	- 220	- 31	- 231	- 20	- 18	- 6	- 187	- 27	0	- 510
on available-for-sale assets	0	0	0	0	0	0	0	- 2	0	- 2
on goodwill	0	0	0	0	0	0	0	0	0	0
on other	- 14	0	- 1	- 1	0	0	0	0	0	- 15
Share in results of associated companies	0	0	0	0	0	0	0	0	0	0
RESULT BEFORE TAX	923	322	- 116	7	39	5	- 167	- 58	0	1 072
Income tax expense	- 294	- 52	6	- 5	- 10	0	21	31	0	- 309
Net post-tax result from discontinued operations	0	0	0	0	0	0	0	0	0	0
RESULT AFTER TAX	629	271	- 110	2	29	5	- 146	- 27	0	762
Attributable to minority interests	56	0	0	0	0	0	0	7	0	62
ADJUSTED NET RESULT	574	271	- 110	2	29	5	- 146	- 34	0	700
Legacy CDOs	0	0	0	0	0	0	0	260	0	260
Own credit risk	0	0	0	0	0	0	0	- 46	0	- 46
Divestments	0	0	0	0	0	0	0	- 90	0	- 90
NET RESULT	574	271	- 110	2	29	5	- 146	90	0	824

Legacy CDO's: In the first half of 2013, the market price for corporate credit improved, as reflected in tightened credit default swap spreads, generating a value mark-up of KBC's CDO exposure (also includes the impact of the government guarantee and the related fee, cost and benefit of de-risking and the coverage of the CDO-linked counterparty risk against MBIA, the US monoline insurer which in the course of the second quarter of 2013 was adjusted from 80% to 60%).

Own credit risk: The negative impact on the results of the first half of 2013 can be explained by a decrease of the senior and subordinated credit spreads of KBC, leading to a higher MtM of debt certificates included in the financial liabilities designated at fair value through profit or loss.

Divestments: In the first half of 2013, the negative result was mainly driven by negative results related to the closing of the sale of Absolut Bank in the second quarter of 2013, partly compensated by positive results related to the sale of the stake in Bank Zachodni WBK in the first quarter of 2013.

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

In millions of EUR	Business unit Belgium	Business unit Czech Republic	Business unit Interna-tional Markets	*of which: Hungary*	*of which: Slovakia*	*of which: Bulgaria*	*of which: Ireland*	Group Centre	KBC Bank
31-12-2012									
Deposits from customers & debt certificates excl. Repos	98 572	26 397	13 530	5 766	4 439	639	2 687	18 430	156 929
Loans & advances to customers excluding reverse repos	83 314	18 581	23 103	4 057	4 129	557	14 360	1 495	126 492
Term loans excl. Reverse repos	42 030	7 590	6 217	1 719	1 615	175	2 708	1 468	57 305
Mortgage loans	30 794	7 919	15 069	1 701	1 519	255	11 594	27	53 810
Current accounts advances	2 778	15	653	291	349	0	12	0	3 446
Finance leases	3 224	373	512	104	363	0	46	0	4 110
Consumer credit	1 282	1 561	520	152	241	127	0	0	3 364
Other L&A	3 205	1 122	131	90	41	0	0	0	4 458
30-06-2013									
Deposits from customers & debt certificates excl. Repos	104 255	25 242	14 402	5 975	4 566	574	3 287	16 305	160 203
Loans & advances to customers excluding reverse repos	83 200	18 562	22 560	4 019	4 187	546	13 808	1 323	125 645
Term loans excl. Reverse repos	41 524	7 534	6 030	1 750	1 554	172	2 554	1 269	56 357
Mortgage loans	30 843	7 928	14 730	1 618	1 629	246	11 236	27	53 527
Current accounts advances	2 723	17	656	318	338	0	0	1	3 396
Finance leases	3 247	350	490	100	372	0	18	0	4 087
Consumer credit	1 400	1 527	510	129	254	127	0	0	3 437
Other L&A	3 464	1 206	145	104	40	0	0	26	4 840

Other notes

Net interest income (Note 3 in the annual accounts for 2012)

In millions of EUR	1H 2012	1H 2013
Total	2 012	1 746
Interest income	4 867	3 975
Available-for-sale assets	381	233
Loans and receivables	3 108	2 565
Held-to-maturity investments	328	418
Other assets not at fair value	15	6
Subtotal, interest income from financial assets not measured at fair value through profit or loss	*3 831*	*3 221*
Financial assets held for trading	646	486
Hedging derivatives	294	215
Other financial assets at fair value through profit or loss	97	53
Interest expense	-2 855	-2 229
Financial liabilities measured at amortised cost	-1 590	-1 248
Other	- 1	- 1
Subtotal, interest expense for financial liabilities not measured at fair value through profit or loss	*-1 591*	*-1 249*
Financial liabilities held for trading	- 763	- 570
Hedging derivatives	- 383	- 334
Other financial liabilities at fair value through profit or loss	- 118	- 77

Net realised result from financial instruments at fair value through profit or loss (note 5 in the annual accounts 2012)

In the first half of 2013, the result from financial instruments at fair value through profit or loss was influenced by:

- Gains and losses on CDO's, where a positive net result mainly stems from an improved market price for corporate credit, as reflected in tightened credit default swap spreads, generating a value mark-up of KBC's CDO exposure, and a positive evolution of the related fee and the coverage of the CDO-linked counterparty risk against MBIA, the US monoline insurer which in the course of the second quarter of 2013 was adjusted from 80% to 60%, but also includes amongst other things the impact of the government guarantee, and the cost and benefit of de-risking.

- MtM ALM Derivatives, where fair value changes (due to mark-to-market accounting) of a large proportion of ALM hedging instruments (that are treated as trading instruments) appear under 'Net result from financial instruments at fair value', whereas most of the related assets are not recognised at fair value. The net realised result from these financial instruments at fair value through profit or loss amounted to 204 million euros.

Net realised result from available-for-sale assets (Note 6 in the annual accounts for 2012)

In millions of EUR	1H 2012	1H 2013
Total	- 11	157
Breakdown by portfolio		
Fixed-income securities	- 16	78
Shares	6	80

The net realised result from available-for-sale shares in 1H2013 includes +50 million euros (+43 million euros after tax) stemming from an extra gain on the sale of the stake in Bank Zachodni WBK.
The net realised result from available-for-sale fixed-income securities is for the largest part related to Belgian government bonds.

Net fee and commission income (Note 7 in the annual accounts for 2012)

In millions of EUR	1H 2012	1H 2013
Total	782	874
Fee and commission income	999	1 205
Securities and asset management	416	555
Commitment credit	146	127
Payments	276	259
Other	162	264
Fee and commission expense	- 217	- 331
Commission paid to intermediaries	- 50	- 51
Other	- 168	- 281

Other net income (Note 8 in the annual accounts for 2012)

In millions of EUR	1H 2012	1H 2013
Total	52	5
Of which net realised result following		
The sale of loans and receivables	- 52	- 11
The sale of held-to-maturity investments	- 3	0
The repurchase of financial liabilities measured at amortised cost	0	- 1
Other: of which:	107	17
KBC Lease UK	41	0
Income concerning leasing at the KBC Lease-group	40	44
Income from consolidated private equity participations	9	0
5/5/5 loans	- 56	0
Realised gains or losses on divestments	21	- 94

In 1H2013, there was an impact in realised gains or losses on divestments to the tune of -104 million euros post tax stemming from the closing of the sale of Absolut Bank.

Operating expenses (Note 9 in the annual accounts for 2012)

The operating expenses for the second quarter of 2013 include the expenses related to a special one-off additional Financial Transaction Levy-related charge imposed on financial institutions in Hungary (27 million euros cost pre-tax and 22 million euros post-tax, deductible charges). This additional charge is determined as 208% of the Financial Transaction Levy paid by K&H in the period January 2013 up to and including April 2013.

Impairment –income statement (Note 11 in the annual accounts for 2012)

In millions of EUR	1H 2012	1H 2013
Total	- 1 583	- 565
Impairment on loans and receivables	- 456	- 548
Breakdown by type		
Specific impairments for on-balance-sheet lending	- 478	- 497
Provisions for off-balance-sheet credit commitments	- 6	- 8
Portfolio-based impairments	28	- 44
Breakdown by business unit		
Business unit Belgium	- 42	- 220
Business unit Czech Republic	- 25	- 31
Business unit International Markets	- 371	- 231
of which: Hungary	- 31	- 20
of which: Slovakia	- 5	- 18
of which: Bulgaria	- 3	- 6
of which: Ireland	- 331	- 187
Business unit Group Centre	- 19	- 65
Impairment on available-for-sale assets	0	- 2
Breakdown by type		
Shares	0	- 2
Other	0	0
Impairment on goodwill	- 376	0
Impairment on other	- 751	- 15
Intangible assets, other than goodwill	0	0
Property and equipment and investment property	- 15	- 14
Held-to-maturity assets	0	0
Associated companies	- 334	0
Other	- 402	0

In 1H2013 an impairment to the tune of -30 million euros pre-tax (-20 million euros post-tax) for a subordinated loan to Nova Ljubljanska banka was noted at Group Centre.

Financial assets and liabilities: breakdown by portfolio and product (Note 14 in the annual accounts for 2012

(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
FINANCIAL ASSETS, 31-12-2012								
Loans and advances to credit institutions and investment firms [a]	3 802	915	0	11 622	-	-	-	16 339
Loans and advances to customers [b]	600	2 197	0	125 677	-	-	-	128 474
Excluding reverse repos								*126 492*
Discount and acceptance credit	0	0	0	131	-	-	-	131
Consumer credit	0	0	0	3 364	-	-	-	3 364
Mortgage loans	0	184	0	53 626	-	-	-	53 810
Term loans	600	2 013	0	56 674	-	-	-	59 286
Finance leasing	0	0	0	4 110	-	-	-	4 110
Current account advances	0	0	0	3 446	-	-	-	3 446
Securitised loans	0	0	0	0	-	-	-	0
Other	0	0	0	4 327	-	-	-	4 327
Equity instruments	451	50	1 243	-	-	-	-	1 745
Debt instruments issued by	4 213	1 282	15 485	2 162	23 343	-	-	46 485
Public bodies	3 390	811	13 144	190	23 224	-	-	40 758
Credit institutions and investment firms	361	199	1 533	153	104	-	-	2 350
Corporates	461	272	808	1 819	16	-	-	3 376
Derivatives	12 427	-	-	-	-	1 075	-	13 502
Total carrying value including accrued interest income	21 493	4 444	16 728	139 460	23 343	1 075	0	206 543
[a] *Of which reverse repos*								*5 160*
[b] *Of which reverse repos*								*1 981*
FINANCIAL ASSETS, 30-06-2013								
Loans and advances to credit institutions and investment firms [a]	3 169	1 882	0	10 976	-	-	-	16 027
Loans and advances to customers [b]	664	6 765	0	124 852	-	-	-	132 281
Excluding reverse repos	650	256	0	124 740	-	-	-	*125 645*
Discount and acceptance credit	0	0	0	622	-	-	-	622
Consumer credit	0	0	0	3 437	-	-	-	3 437
Mortgage loans	0	52	0	53 475	-	-	-	53 527
Term loans	658	6 678	0	55 657	-	-	-	62 994
Finance leasing	0	0	0	4 087	-	-	-	4 087
Current account advances	0	0	0	3 396	-	-	-	3 396
Securitised loans	0	0	0	0	-	-	-	0
Other	6	35	0	4 176	-	-	-	4 217
Equity instruments	453	6	356	-	-	-	-	816
Debt instruments issued by	4 172	1 028	15 013	1 853	24 798	-	-	46 865
Public bodies	3 370	502	12 433	87	24 695	-	-	41 088
Credit institutions and investment firms	354	211	1 534	149	87	-	-	2 335
Corporates	448	315	1 046	1 617	15	-	-	3 442
Derivatives	9 352	-	-	-	-	740	-	10 092
Total carrying value including accrued interest income	17 811	9 682	15 369	137 681	24 798	740	0	206 080
[a] *Of which reverse repos*								*6 874*
[b] *Of which reverse repos*								*6 636*

In 1H2013, an amount of 0.5 billion euros of debt instruments was reclassified from available-for-sale to held-to-maturity.

(In millions of EUR)	Held for trading	Designa-ted at fair value	Available for sale	Loans and receivables	Held to maturity	Hedging derivatives	Measured at amortised cost	Total
FINANCIAL LIABILITIES, 31-12-2012								
Deposits from credit institutions and investment firms [a]	375	884	-	-	-	-	21 661	22 920
Deposits from customers and debt certificates [b]	4 162	8 782	-	-	-	-	150 163	163 107
Excluding repos								*156 929*
Deposits from customers	3 777	3 420	-	-	-	-	123 865	131 062
Demand deposits	0	0	-	-	-	-	38 380	38 380
Time deposits	3 777	3 336	-	-	-	-	45 391	52 504
Savings deposits	0	0	-	-	-	-	34 904	34 904
Special deposits	0	0	-	-	-	-	3 941	3 941
Other deposits	0	84	-	-	-	-	1 250	1 334
Debt certificates	385	5 362	-	-	-	-	26 298	32 045
Certificates of deposit	0	27	-	-	-	-	6 442	6 469
Customer savings certificates	0	0	-	-	-	-	524	524
Convertible bonds	0	0	-	-	-	-	0	0
Non-convertible bonds	385	4 705	-	-	-	-	13 100	18 189
Convertible subordinated liabilities	0	0	-	-	-	-	0	0
Non-convertible subordinated liabilities	0	630	-	-	-	-	6 232	6 862
Derivatives	14 351	0	-	-	-	2 430	-	16 781
Short positions	491	0	-	-	-	-	-	491
in equity instruments	17	0	-	-	-	-	-	17
in debt instruments	475	0	-	-	-	-	-	475
Other	0	0	-	-	-	-	2 470	2 470
Total carrying value including accrued interest expense	19 380	9 666	-	-	-	2 430	174 294	205 770
[a] *Of which repos*								*1 589*
[b] *Of which repos*								*6 178*
FINANCIAL LIABILITIES, 30-06-2013								
Deposits from credit institutions and investment firms [a]	576	2 648	-	-	-	-	14 519	17 743
Deposits from customers and debt certificates [b]	3 718	13 167	-	-	-	-	153 889	170 774
Excluding repos	391	5 946	-	-	-	-	153 867	*160 203*
Deposits from customers	3 368	8 290	-	-	-	-	127 473	139 131
Demand deposits	0	92	-	-	-	-	40 915	41 007
Time deposits	3 368	8 198	-	-	-	-	44 725	56 291
Savings deposits	0	0	-	-	-	-	35 795	35 795
Special deposits	0	0	-	-	-	-	4 631	4 631
Other deposits	0	0	-	-	-	-	1 407	1 407
Debt certificates	350	4 877	-	-	-	-	26 416	31 643
Certificates of deposit	0	6	-	-	-	-	5 985	5 991
Customer savings certificates	0	0	-	-	-	-	498	498
Convertible bonds	0	0	-	-	-	-	0	0
Non-convertible bonds	350	4 232	-	-	-	-	13 428	18 010
Convertible subordinated liabilities	0	0	-	-	-	-	0	0
Non-convertible subordinated liabilities	0	639	-	-	-	-	6 506	7 145
Derivatives	10 026	0	-	-	-	1 812	-	11 839
Short positions	452	0	-	-	-	-	-	452
in equity instruments	28	0	-	-	-	-	-	28
in debt instruments	424	0	-	-	-	-	-	424
Other	0	0	-	-	-	-	2 728	2 728
Total carrying value including accrued interest expense	14 771	15 815	-	-	-	1 812	171 136	203 535
[a] *Of which repos*								*3 534*
[b] *Of which repos*								*10 570*

The decrease in deposits from credit institutions and investment firms includes the repayment of the LTRO to the tune of 8.3 billion euros. The non-convertible subordinated liabilities include the issuance of a contingent capital note to the tune of 1 billion USD in January 2013.

Financial assets and liabilities measured at fair value – fair value hierarchy (note 20 in the annual accounts 2012)

In millions of EUR				31-12-2012				30-06-2013
Fair value hierarchy	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Held for trading	2 289	15 162	4 042	21 493	2 857	12 104	2 851	17 811
Designated at fair value	836	3 262	347	4 444	549	8 785	348	9 682
Available for sale	12 987	2 186	1 556	16 728	12 073	2 649	647	15 369
Hedging derivatives	0	1 075	0	1 075	0	740	0	740
Total, incl.accrued interest	16 112	21 684	5 944	43 740	15 479	24 278	3 845	43 602
Financial liabilities measured at fair value								
Held for trading	499	13 791	5 090	19 380	443	11 224	3 105	14 771
Designated at fair value	0	8 300	1 366	9 666	0	14 519	1 296	15 815
Hedging derivatives	0	2 430	0	2 430	0	1 812	0	1 812
Total, incl.accrued interest	499	24 520	6 456	31 475	443	27 555	4 401	32 399

For more details on how KBC defines and determines fair value and the fair value hierarchy and level 3 valuations, reference is made to notes 19 up to and including 22 of the annual accounts 2012.

Financial assets and liabilities measured at fair value – transfers between level 1 and 2 (note 21 in the annual accounts 2012)

In 1H2013, only a limited amount in debt instruments was transferred between level 1 and level 2.

Financial assets and liabilities measured at fair value – focus on level 3 (note 22 in the annual accounts 2012)

Movements table of assets and liabilities valued in level 3 of the fair value hierarchy – situation at **30-06-2013**, in millions of EUR

LEVEL 3 FINANCIAL ASSETS

	Held for trading				Designated at fair value			Available for sale		Hedging derivatives
	Loans and advances	Equity instru-ments	Debt instru-ments	Deriva-tives	Loans and advances	Equity instru-ments	Debt instru-ments	Equity instru-ments	Debt instru-ments	
Opening balance	0	197	523	3 322	27	50	269	1 020	535	0
Total gains/losses	0	15	10	- 272	1	- 10	89	48	10	0
in profit and loss*	0	15	10	- 272	1	- 10	89	49	1	0
in other comprehensive income	0	0	0	0	0	0	0	0	10	0
Acquisitions	0	0	102	158	0	0	20	11	20	0
Sales	0	0	- 77	0	0	- 6	0	- 844	- 17	0
Settlements	0	2	0	- 628	- 1	0	0	0	- 1	0
Transfers into level 3	0	0	1	209	0	0	0	0	4	0
Transfers out of level 3	0	0	- 120	0	0	0	0	0	- 136	0
Tranfers from/to non-current assets held for sale	0	0	0	0	0	- 28	0	0	0	0
Translation differences	0	2	- 2	7	0	0	1	0	- 5	0
Changes in scope	0	- 19	0	0	0	0	0	0	0	0
Other	0	0	- 1	- 579	0	- 1	- 65	0	0	0
Closing balance	0	197	436	2 218	27	6	315	235	411	0
Total gains/losses for the period included in profit and loss for assets held at the end of the period	0	15	16	- 282	0	- 10	88	0	0	0

* Recognised primarily in ‘Net result from financial instruments at fair value through profit or loss’, ’Net realised result from available-for-sale assets’ and ‘Impairment on available-for-sale assets’.

Movements table of assets and liabilities valued in level 3 of the fair value hierarchy – situation at **30-06-2013**, in millions of EUR

LEVEL 3 FINANCIAL LIABILITIES

	Held for trading					Designated at fair value			Hedging derivatives
	Deposits from credit institu-tions	Deposits from customers and debt certificates	Deriva-tives	Short positions	Other	Deposits from credit institutions	Deposits from custo-mers and debt certifi-cates	Other	
Opening balance	0	181	4 787	0	0	0	1 366	0	0
Total gains/losses	0	25	- 953	0	0	0	- 9	0	0
in profit and loss*	0	25	- 953	0	0	0	- 9	0	0
in other comprehensive income	0	0	0	0	0	0	0	0	0
Issues	0	0	87	0	0	0	196	0	0
Repurchases	0	0	0	0	0	0	- 258	0	0
Settlements	0	- 56	- 501	0	0	0	0	0	0
Transfers into level 3	0	0	43	0	0	0	0	0	0
Transfers out of level 3	0	0	0	0	0	0	0	0	0
Tranfers from/to financial liabilities regarding disposal groups	0	0	0	0	0	0	0	0	0
Translation differences	0	1	13	0	0	0	1	0	0
Changes in scope	0	0	0	0	0	0	0	0	0
Other	0	0	- 523	0	0	0	0	0	0
Closing balance	0	152	2 953	0	0	0	1 296	0	0
Total gains/losses for the period included in profit and loss for liabilities held at the end of the period	0	25	- 853	0	0	0	- 9	0	0

* Recognised primarily in ‘Net result from financial instruments at fair value through profit or loss’, ’Net realised result from available-for-sale assets’ and ‘Impairment on available-for-sale assets’.

Parent shareholders’ equity (Note 34 in the annual accounts for 2012)

in number of shares	31-12-2012	30-06-2013
Ordinary shares	*915 228 482*	915 228 482
of which ordinary shares that entitle the holder to a dividend payment	*915 228 482*	*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

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

For information: Non-voting core-capital securities issues by KBC Group NV (KBC Bank’s parent company): since the end of 2008, KBC Group NV has issued 7 billion euros in perpetual, non-transferable, non-voting core-capital securities that have equal ranking (pari passu) with ordinary shares upon liquidation. These have been subscribed by the Belgian State and Flemish Region (each in the amount of 3.5 billion euros). The other features of the transactions are dealt with under ‘Capital transactions and guarantee agreements between KBC Group and the government in 2008 and 2009’ in the ‘Additional information’ section of the annual report 2012. In 2012, KBC Group repaid all of the securities held by the Belgian State to the tune of 3.5 billion euros, plus a 15% penalty. Early July 2013, KBC Group repaid 1.17 billion euros worth of securities, plus a 50% penalty, held by the Flemish Regional Government (see note 43 ‘post-balance sheet events’).

Related-party transactions (Note 37 in the annual accounts for 2012)

Transactions with related parties, excluding key management personnel (in millions of EUR)	31-12-2012								30-06-2013						
	Parent enitities with joint control	Subsi-diaries	Associa-ted com-panies	Joint Ventures	Belgian State	Flemish region	Other	Total	Parent enitities with joint control	Subsi-diaries	Associa-ted com-panies	Joint Ventures	Flemish region	Other	Total
Assets	4	219	176	120	24 272	464	1 971	27 225	3	219	100	120	451	2 808	3 701
Loans and advances	0	98	132	83	0	0	1 527	1 841	0	98	56	83	0	2 101	2 339
Current accounts	0	1	1	0	0	0	595	597	0	1	0	0	0	481	482
Term loans	0	97	131	83	0	0	932	1 244	0	97	56	83	0	1 620	1 857
Finance leases	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
Mortgage loans	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Equity instruments	0	69	25	23	0	0	0	117	0	69	25	23	0	0	117
Trading securities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Investment securities	0	69	25	23	0	0	0	117	0	69	25	23	0	0	117
Other receivables	4	52	19	14	24 272	464	443	25 267	3	52	19	14	451	707	1 246
Liabilities	1 057	636	134	35	95	0	3 241	5 198	2 044	636	133	35	0	3 221	6 069
Deposits	790	635	126	35	0	0	2 125	3 712	1 781	635	125	35	0	2 152	4 729
Deposits	784	635	126	35	0	0	2 125	3 706	1 776	635	125	35	0	2 152	4 723
Other	6	0	1	0	0	0	0	6	6	0	1	0	0	0	6
Other financial liabilities	250	0	0	0	0	0	923	1 173	250	0	0	0	0	917	1 167
Debt certificates	0	0	0	0	0	0	923	923	0	0	0	0	0	917	917
Subordinated liabilities	250	0	0	0	0	0	0	250	250	0	0	0	0	0	250
Share based payments, granted	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
Other liabilities (including accrued expense)	18	0	8	0	95	0	192	313	13	0	8	0	0	152	173
Income statement	- 15	2	- 2	6	659	19	- 705	- 36	0	1	- 2	4	5	- 398	- 390
Net interest income	- 10	1	- 1	2	659	19	- 67	604	- 2	0	- 1	1	5	- 16	- 12
Dividend income	0	1	3	4	0	0	0	7	0	0	0	3	0	0	3
Net fee and commission income	1	1	- 2	0	0	0	170	169	3	0	- 1	0	0	73	75
Other income	0	0	0	0	0	0	2	2	0	0	0	0	0	0	0
Other expenses	- 7	0	- 1	0	0	0	- 811	- 819	0	0	- 1	0	0	- 455	- 457
Guarantees															
Guarantees issued by the group								0							0
Guarantees received by the group								0							0

Note: asset and liability figures in the columns 'subsidiaries' and 'joint-ventures' are only updated at year-end.

In 2012, KBC Group (KBC Bank's parent company) repaid all of the securities held by the Belgian State to the tune of 3.5 billion euros including a 15% penalty (525 million euros in total). For that reason, the Belgian State is no longer regarded as a related party in 2013.

Main changes in the scope of consolidation (Note 40 in the annual accounts for 2012)

	Consolidation method	Ownership percentage at group level		Comments
For income statement comparison		1H2012	1H2013	
Additions				
None				
Exclusions				
Kredyt Bank SA	Full	80,00%	------	Deconsolidated on 31 December 2012 following merger with Bank Zachodni WBK
KBC Private Equity NV	Full	100,00%	------	Deconsolidated in 1Q13 due to immateriality
Nova Ljubljanska banka d.d. (group)	Equity	25,00%	------	Sold in 1Q 2013
Absolut Bank	Full	99,00%	------	Sold in 2Q 2013
Name changes				
None				
Changes in ownership percentage and internal mergers				
KBC Real Estate NV	Full	100,00%	------	Merged with KBC Bank on 1 July 2012
For balance sheet comparison		31-12-2012	30-06-2013	
Additions				
None				
Exclusions				
KBC Private Equity NV	Full	100,00%	------	Deconsolidated in 1Q13 due to immateriality
Nova Ljubljanska banka d.d. (group)	Equity	22,04%	------	Sold in 1Q 2013
Absolut Bank	Full	99,00%	------	Sold in 2Q 2013
Name changes				
None				
Changes in ownership percentage and internal mergers				
None				

Compared to 1H2012, the main change in the scope of consolidation was the deconsolidation of Kredytbank, which accounted for a profit contribution of some 24 million euros in 1H2012.

Non-current assets held for sale and discontinued operations – IFRS 5 (Note 41 in the annual accounts for 2012)

On 30 June 2013, following planned divestments fulfill the criteria of IFRS 5:

- as disposal groups without being part of a discontinued operation: Antwerp Diamond Bank and KBC Bank Deutschland; the results of these companies are still included in the income statement's lines.
- as disposal groups which are 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.

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

	31-12-2012	*of which: Discontinued operations*	30-06-2013	*of which: Discontinued operations*
Assets				
Cash and cash balances with central banks	434	0	50	0
Financial assets	6 212	0	3 936	0
Fair value adjustments of hedged items in portfolio hedge of interest rate risk	0	0	0	0
Tax assets	82	0	63	0
Investments in associated companies	3	0	0	0
Investment property and property and equipment	106	0	20	0
Goodwill and other intangible assets	13	0	1	0
Other assets	33	0	10	0
Total assets	6 883	0	4 079	0
Liabilities				
Financial liabilities	3 486	0	2 148	0
Tax liabilities	12	0	14	0
Provisions for risks and charges	8	0	8	0
Other liabilities	58	0	27	0
Total liabilities	3 565	0	2 197	0
Other comprehensive income				
Available-for-sale reserve	22	0	6	0
Deferred tax on available-for-sale reserve	- 5	0	- 2	0
Cash flow hedge reserve	7	0	1	0
Translation differences	5	0	- 3	0
Total other comprehensive income	29	0	2	0

Post balance sheet events (Note 43 in the annual accounts for 2012)

Significant event between the balance sheet date (30 June 2013) and the publication of this report (30 August 2013):

- On 3 July 2013, KBC reached an agreement on the transfer of 0.3 billion euros' worth of loans to KBC Ancora to another international financial institution. In doing so, KBC has met the condition shortly before set by the National Bank. In the third quarter of 2013 the P/L will be impacted by approximately -43 million euros post tax emanating from a discount and transaction costs. The transfer will boost KBC's capital position under Basel III-regulation by a further 0.3 billion euros under Basel III regulation.
- On 3 July 2013, KBC Group (KBC Bank's parent company) repaid 1.17 billion euros of state aid plus the penalty of 0.58 billion euros – in total, 1.75 billion euros – to the Flemish Regional Government, still six months in advance of the deadline agreed with the European Commission.

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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 2013 and for the six-month period then ended

Introduction

We have reviewed the accompanying interim consolidated balance sheet of KBC Bank nv (the "Company") as at 30 June 2013 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 which show a consolidated balance sheet total of € 221.985 million and a consolidated profit (share of the group) for the six-month period of € 824 million. 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") in accordance with the International Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" 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 International Standards on Auditing (ISA) 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.

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Report dated 30 August 2013 on the interim condensed consolidated financial statements of KBC Bank nv as of 30 June 2013 and for the six-month period then ended

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects, the financial position of the entity as at 30 June 2013, and of its financial performance and its cash flows for the six-month period then ended in accordance with IAS 34, as adopted for use in the European Union.

Brussels, 30 August 2013

Ernst & Young Réviseurs d'Entreprises sccrl
Statutory auditor
represented by

Pierre Vanderbeek
Partner

Christel Weymeersch
Partner

14PVDB0018

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Other information

KBC Bank, 1H2013

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.
Detailed information on KBC Group's exposure to structured credit (CDO & ABS) is provided in KBC Group's Extended Quarterly Report for 2Q2013, which is available at www.kbc.com.
Following entities have been recognised as 'disposal groups' under IFRS 5 and have been excluded from the figures (unless otherwise mentioned): Absolut Bank (sold in 1H2013), Antwerp Diamond Bank and KBC Bank Deutschland.

Credit risk: loan portfolio overview	31-12-2012	30-06-2013
Total loan portfolio (in billions of EUR)		
Amount granted	167	166
Amount outstanding*	141	140
Total loan portfolio, by business unit (as a % of the portfolio of credit granted)		
Belgium	65%	66%
Czech Republic	15%	15%
International Markets	17%	17%
Group Centre	3%	2%
Total	100%	100%
Impaired loans (in millions of EUR or %)		
Amount outstanding	10 757	11 161
Specific loan impairments	4 614	4 753
Portfolio-based loan impairments	244	288
Credit cost ratio (annualised), per business unit		
Belgium	0.28%	0.49%
Czech Republic	0.31%	0.30%
International Markets	2.26%	1.76%
Slovakia	0.25%	0.80%
Hungary	0.78%	0.79%
Bulgaria	0.94%	1.62%
Ireland	3.34%	2.35%
Group Centre	1.06%	2.32%
Total	0.69%	0.76%
Total, including IFRS-5 entities	0.70%	0.75%
Non-performing (NP) loans (in millions of EUR or %)		
Amount outstanding	7 397	7 747
Specific loan impairments for NP loans	3 626	3 703
Non-performing ratio, per business unit		
Belgium	2.3%	2.3%
Czech Republic	3.2%	3.3%
International Markets	17.6%	18.5%
Group Centre	1.3%	5.0%
Total	5.3%	5.5%
Cover ratio		
Specific loan impairments for NP loans / Outstanding NP loans	49%	48%
Idem, excluding mortgage loans	63%	61%
Specific and portfolio-based loan impairments for performing and NP loans / outstanding NP loans	66%	65%
Idem, excluding mortgage loans	91%	89%

* Outstanding amount includes all on-balance sheet commitments and off-balance sheet guarantees.

Solvency

In millions of EUR	31-12-2012 Basel II	30-06-2013 Basel II
Regulatory capital		
Total regulatory capital, KBC Bank (after profit appropriation)	14 390	16 152
Tier-1 capital	12 235	12 914
Core Tier-1 capital	*10 124*	*10 810*
Parent shareholders' equity	11 255	12 212
Intangible fixed assets (-)	- 89	- 78
Goodwill on consolidation (-)	- 969	- 959
Innovative hybrid tier-1 instruments	419	411
Non-innovative hybrid tier-1 instruments	1 692	1 693
Direct & indirect funding of investments in own shares	- 250	- 250
Minority interests	351	364
Equity guarantee (Belgian State)	240	47
Revaluation reserve available-for-sale assets (-)	- 335	- 211
Hedging reserve, cashflow hedges (-)	863	602
Valuation diff. in fin. liabilities at fair value - own credit risk (-)	- 22	28
Minority interest in AFS reserve & hedging reserve, cashflow hedges (-)	- 1	0
Dividend payout (-)	0	- 824
IRB provision shortfall (50%) (-)	0	0
Limitation of deferred tax assets	- 342	- 121
Items to be deducted (-)	- 577	0
Tier 2- & 3-capital	2 154	3 238
Perpetuals (incl. hybrid tier-1 not used in tier-1)	250	250
Revaluation reserve, available-for-sale shares (at 90%)	39	34
Minority interest in revaluation reserve AFS shares (at 90%)	0	- 1
IRB provision excess (+)	130	285
Subordinated liabilities	2 268	2 634
Tier-3 capital	44	36
IRB provision shortfall (50%) (-)	0	0
Items to be deducted (-)	- 577	0
Weighted risks		
Total weighted risk volume	88 927	81 358
Credit risk	69 149	62 123
Market risk	8 733	8 189
Operational risk	11 045	11 045
Solvency ratios		
Tier-1 ratio	13,76%	15,87%
Core tier-1 ratio	11,38%	13,29%
CAD ratio	16,18%	19,85%
