

KBC Bank

Half-Year Report 1H 2008



Note: KBC Bank and 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 Kredietbank SA Luxembourgeoise (or KBL European Private Bankers, i.e. KBL EPB).



KBC Group shares are traded on 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 exchange-listed.

In the KBC group, financial communication is handled at group level. In keeping with transparency requirements, KBC publishes a number of reports, including annual and interim reports for KBC Group NV, as well as annual and half-year reports for KBC Bank (the present document).

Disclosures in compliance with European transparency legislation

The following statements are made in compliance with the new European transparency legislation transposed into Belgian law by Royal Decree of 14 November 2007, in effect as of 2008.

Management certification of financial statements and half-year report

"I, Herman Agneessens, Executive Director of KBC Bank NV, 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. Based on my knowledge, the half-year report includes all information that is required to be included in such document and does not omit to state all necessary material facts."

Statement of risk

As a banking group, KBC Bank is exposed to a number of typical risks such as credit default risk, the risk of adverse movements in interest rates, market risk, currency risk, liquidity risk, operational risk, as well as risk in respect of emerging markets, changes in regulations such as IFRS and Basel II, and the economy in general.

Based on current knowledge, we believe that the most noteworthy risks facing KBC in the coming quarters are significantly weaker performances than anticipated of the economy in general, and equity capital markets in particular. Key risk management information is provided in this report and in the annual report, both available on www.kbc.com.

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Earnings statement

KBC Bank, 1H 2008

Regulated information, 13 August 2008 – 7 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 2008 with a net profit (IFRS) of 741 million euros. This is 46% less than net profit for the strong first half of 2007, when KBC Bank also benefited from exceptional income in the amount of 207 million euros generated by the sale of Intesa Sanpaolo (Italy) shares (excluding this item, the decline in profit came to 37%).

Key figures, KBC Bank (in millions of EUR)

Key figures, income statement (IFRS)	1H 2007	1H 2008	Change
Total income	3 990	3 352	-16%
Operating expenses	-2 024	-2 060	+2%
Impairment	-82	-232	-
Profit after tax, attributable to the equity holders of the parent	1 374	741	-46%
<i>Return on equity</i>	26%	12%	
<i>Cost/income ratio</i>	51%	61%	-
<i>Loan loss ratio</i>	0.12%	0.19%	-
Key figures, balance sheet (IFRS)	31-12-2007	30-06-2008	change
Loans and advances to customers	146 710	163 295	+11%
Securities	80 438	82 594	+3%
Deposits from customers and debt certificates	182 567	209 536	+15%
Parent shareholders' equity	12 342	11 883	-4%
<i>Tier-1 ratio (Basel II)</i>	8.5%	9.3%	
<i>Non-performing ratio</i>	1.5%	1.4%	

For a definition of the ratios, see the 'Other information' section.

Highlights - 1H 2008:

- Sustained strong lending and deposit-gathering trends.
- Normalisation of capital market income in the second quarter following a weak first quarter.
- Customer loan risk on the rise from a very low level: loan loss ratio of 19 basis points.
- Impact of structured credit revaluations: -194 million euros on net profit after tax (incl. provision increase for monolines) and -117 million euros directly on parent shareholders' equity.
- Impact from markdown of other investment portfolios (mainly shares): -60 million euros.
- Robust solvency ratios: the Tier-1 ratio rose to 9.3% (Basel II).

Earnings – 1H 2008

Consolidated income statement, KBC Bank (in millions of EUR) - IFRS	1H 2007	1H 2008
Net interest income	1 614	1 998
Dividend income	71	67
Net (un)realised gains from financial instruments at fair value	1 014	175
Net realised gains from available-for-sale assets	142	-1
Net fee and commission income	955	923
Other net income	195	191
Total income	3 990	3 352
Operating expenses	-2 024	-2 060
Impairment	-82	-232
on loans and receivables	-81	-164
on available-for-sale assets	0	-60
Share in results of associated companies	40	23
Profit before tax	1 924	1 084
Income tax expense	-417	-224
Profit after tax	1 507	860
attributable to minority interests	133	119
attributable to equity holders of the parent	1 374	741

Main developments - 1H 2008:

- Net profit after tax attributable to the equity holders of the parent came to 741 million euros. This is 633 million euros down on the year-earlier figure, despite higher net interest income and a sound cost trend. Besides a number of exceptional items (mainly the 207-million-euro gain realised on the sale of Intesa Sanpaolo shares in the first half of 2007), the decline can be put down chiefly to the sharp drop in trading profits and the increase in impairment (both on loans and on available-for-sale assets). Compared with the first half of 2007, changes in the scope of consolidation (mainly the inclusion of recently acquired banks in Russia and Bulgaria) had no material impact on net profit. The impact on net profit of changes in the value of non-euro currencies was negligible.
- Net interest income amounted to 1 998 million euros, up 24% on the year-earlier figure, thanks mainly to solid volume growth achieved across nearly all of the group's home markets, especially in Central and Eastern Europe. Credit volume, for instance, was up 10% year-on-year in the Belgian retail business and 23% in the Central and Eastern European businesses (on an organic basis, i.e. excluding the positive impact of new acquisitions and currency appreciation in the region). During the same period, deposits went up by 24% (Belgium retail business) and by 8% (Central and Eastern Europe; on an organic basis) respectively. The net interest margin narrowed in Belgium, but widened in Central and Eastern Europe.
- Net (un)realised gains from financial instruments at fair value (trading income and fair value changes) came to 175 million euros, significantly less than in the first half of 2007 (1 014 million euros). Trading income was negatively impacted by the adverse capital market climate (especially in the first quarter of the year). This line item was also adversely affected in the first half of 2008 by a 365-million-euro valuation markdown (before tax) on *asset-backed securities* and *collateralised debt obligations* (impact on net profit after tax: -194 million euros). This markdown is due to wider credit spreads, rating downgrades of CDO notes held in the banking book and increased counterparty risk in respect of monoline insurers.
- In the first half of 2008, a net 1-million-euro loss was realised on the sale of available-for-sale assets, whereas a net 142-million-euro gain had been realised in the first half of 2007 (mainly thanks to the sale of Intesa San Paolo shares).
- Net fee and commission income came to 923 million euros, around 3% less than a year earlier, due mainly to the decline in customer investment activity on account of the high volatility and poor performance of the equity markets (year-on-year, for instance, equity markets fell by around 25%).
- Both dividend income (67 million euros) and other net income (191 million euros) were down slightly year-on-year.
- Operating expenses came to 2 060 million euros. Despite the adverse effect of new acquisitions, currency appreciation and the expansion of the branch networks in Central and Eastern Europe, the year-on-year increase came to less than 2%, partly because of the drop in the income-related expenses (lower provisions for bonuses, etc.),

primarily in the group's merchant banking entities. The cost/income ratio went from 51% in the first half of 2007 to 61% in the first half of 2008, mainly on account of the drop in income.

- Impairment amounted to 232 million euros, compared with 82 million euros a year earlier. Loan loss impairment doubled to 164 million euros, pushing the loan loss ratio up to 19 basis points (6 basis points for Belgian retail credit, 43 basis points in Central and Eastern Europe and 16 basis points for lending to businesses). Loan quality remained under control, as illustrated by the non-performing ratio of 1.4% (compared with 1.5% at year-end 2007). Besides impairment recorded on loan losses, 60 million euros in impairment was also posted in the first half of 2008 on available-for-sale assets (mainly shares), compared with zero impairment during the first half of 2007.
- The share in results of associated companies (23 million euros) related mainly to the minority shareholding in Slovenian Nova Ljubljanska banka. Income tax expense for the first six months of 2008 came to 224 million euros; net profit attributable to minority interests to 119 million euros.
- At the end of June 2008, parent shareholders' equity came to 11.9 billion euros, an 0.5-billion-euro (4%) decline on the figure for year-end 2007, as the positive impact of including net profit for the period was offset by the negative impact of dividends paid out (to KBC Group) and the decrease in the revaluation reserve for available-for-sale assets. Solvency remained particularly strong, with a tier-1 ratio of 8.7% (based on Basel I) or 9.3% (Basel II).

Strategy highlights - 1H 2008

Main acquisitions and divestments - 1H 2008:

- Consolidation of Economic and Investment Bank: in December 2007, KBC finalised the acquisition of Bulgarian Economic and Investment Bank (EIB). This bank's results are consolidated from the first quarter of 2008. Initially, KBC will focus on optimising EIB's branch network, introducing bancassurance in conjunction with DZI Insurance (the Bulgarian insurance subsidiary of KBC Insurance) and optimising and setting up certain lines of business such as asset management, private banking, leasing and cash management services. At the end of June 2008, KBC Bank owned 77% of EIB.
- Acquisition of Istrobanka: In Slovakia, KBC was able to strengthen its position on the retail market considerably by acquiring full ownership of Istrobanka. In terms of assets, Istrobanka is the tenth largest bank in Slovakia. KBC is already present in Slovakia through its subsidiary ČSOB. The combination will result in the fourth largest banking business in Slovakia, with a market share of some 10%. From the second half of 2008, Istrobanka will be included in group results.
- Greenfield consumer credit business started up in Romania: in April, KBC announced that the group would be starting up a consumer credit business in Romania by setting up a greenfield venture. KBC Consumer Finance will offer instalment loans (POS loans) in Romania in close collaboration with retailers who will receive support to help them grow their business. It will also offer cash loans and credit cards directly to Romanian consumers through its own network of sales outlets, agents, brokers, call centres and the Internet.
- Sales process set up to sell the participation in Nova Ljubljanska banka (NLB): during the first half of 2008, KBC launched a structured process to sell its stake in NLB in Slovenia. On reassessing its investment in NLB in 2006, KBC decided to position itself as a purely financial investor in the Slovene bank. In the first half of 2008, KBC set the terms and conditions for a comprehensive structured process that will govern any future sale of its minority stake in NLB to a third party and the divestment of its 50% stake in NLB Vita. Under IFRS 5, NLB will be treated as an available-for-sale asset as of the second quarter of 2008.

Other developments in 1H 2008:

- Business plan for Central and Eastern Europe updated: this region is expected to nearly double its 2007 profit contribution by 2010 (at KBC group level, therefore including KBC Insurance's activities in this region). As a result, KBC is investing in providing support for strong organic growth by expanding sales networks, transferring product know-how to new markets and optimising its cross-selling approach. KBC is also working to unlock more synergies across markets by, for instance, harmonising group-wide business processes and IT applications.
- Sustained cost control: in view of the adverse operating environment, a cost budget review was carried out in the second quarter.

Future developments

André Bergen: "While overall economic activity is slowing, the quality of our overall franchise remains strong, with our Central and Eastern European operations driving growth. KBC has the clear ambition to double its net earnings in the region in the foreseeable future. Furthermore, we have recently enhanced our cost discipline throughout the group to cope adequately with increased cost inflation. We are also happy to see that our balance sheet is robust. Asset quality has proven to be quite solid across asset classes, while our solvency position is amongst the most secure in the financial sector."

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 2008	7 August 2008
KBC Bank Earnings Release, 1H 2008	13 August 2008
KBC Group Earnings Release, 3Q 2008	6 November 2008
KBC Group Earnings Release, 4Q 2008 and FY 2008	12 February 2009

Consolidated financial statements

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Consolidated financial statements

KBC Bank, 1H 2008

Consolidated income statement

In millions of EUR	Note	1H 2007	1H 2008
Net interest income	3	1 614	1 998
Interest income	3	6 714	7 785
Interest expense	3	- 5 100	- 5 788
Dividend income	4	71	67
Net (un)realised gains from financial instruments at fair value through profit or loss	5	1 014	175
Net realised gains from available-for-sale assets	6	142	- 1
Net fee and commission income	7	955	923
Fee and commission income	7	1 327	1 284
Fee and commission expense	7	- 373	- 361
Other net income	8	195	191
TOTAL INCOME		3 990	3 352
Operating expenses	9	- 2 024	- 2 060
staff expenses	9,10	- 1 096	- 1 065
general administrative expenses	9	- 807	- 902
depreciation and amortisation of fixed assets	9	- 103	- 110
provisions for risks and charges	9	- 18	17
Impairment	11	- 82	- 232
on loans and receivables	11	- 81	- 164
on available-for-sale assets	11	0	- 60
on goodwill	11	0	0
on other	11	- 1	- 8
Share in results of associated companies	12	40	23
PROFIT BEFORE TAX		1 924	1 084
Income tax expense	13	- 417	- 224
Net post-tax income from discontinued operations		0	0
PROFIT AFTER TAX		1 507	860
attributable to minority interest		133	119
attributable to equity holders of the parent		1 374	741

Consolidated balance sheet

ASSETS (in millions of EUR)	Note	31-12-2007	30-06-2008
Cash and cash balances with central banks		2 906	3 746
Financial assets	14-21	299 613	318 039
Held for trading	14-21	73 394	83 604
Designated at fair value through profit or loss	14-21	36 284	29 557
Available for sale	14-21	26 933	29 991
Loans and receivables	14-21	152 778	164 912
Held to maturity	14-21	9 525	9 133
Hedging derivatives	14-21	698	842
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		- 223	- 335
Tax assets	23	659	1 025
Current tax assets	23	102	160
Deferred tax assets	23	556	865
Non-current assets held for sale and disposal groups		41	627
Investments in associated companies	24	646	80
Investment property	25	448	485
Property and equipment	25	1 760	2 426
Goodwill and other intangible assets	26	2 008	2 207
Other assets	22	1 618	1 405
TOTAL ASSETS		309 476	329 705
LIABILITIES AND EQUITY (in millions of EUR)		31-12-2007	30-06-2008
Financial liabilities	14-21	289 175	310 429
Held for trading	14-21	41 853	36 949
Designated at fair value through profit or loss	14-21	37 503	44 657
Measured at amortised cost	21-21	209 382	228 452
Hedging derivatives	14-21	438	371
Fair value adjustments of hedged items in portfolio hedge of interest rate risk	5	0	0
Tax liabilities	23	467	443
Current tax liabilities	23	388	320
Deferred tax liabilities	23	79	123
Non-current liabilities held for sale and liabilities associated with disposal groups		0	0
Provisions for risks and charges	27	401	461
Other liabilities	28	5 519	4 890
TOTAL LIABILITIES		295 562	316 223
Total equity	30	13 914	13 482
Parent shareholders' equity	30	12 342	11 883
Minority interests	30	1 572	1 599
TOTAL LIABILITIES AND EQUITY		309 476	329 705

KBC's minority stake in Nova Ljubljanska banka (NLB) is treated under IFRS 5 as an available-for-sale asset from 30 June 2008, given the ongoing process for the sale of this minority interest to a third party and the planned disinvestment from NLB Vita.

Condensed consolidated statement of changes in equity

In millions of EUR	Issued and paid up share capital	Share premium	Other equity (Mandatorily convertible bonds)	Treasury shares	Revaluation reserve (AFS assets)	Hedging reserve (cashflow hedges)	Reserves	Translation differences	Parent shareholders' equity	Minority interests	Total equity
30-06-2007											
Balance at the beginning of the period	3 763	490	188	0	555	46	5 491	71	10 603	1 565	12 168
Recognised directly in equity	0	2	- 2	0	- 383	54	- 2	- 28	- 360	0	- 360
Net profit for the period	0	0	0	0	0	0	1 374	0	1 374	133	1 507
Total income and expense for the period	0	0	0	0	- 383	54	1 372	- 28	1 014	133	1 147
Dividends	0	0	0	0	0	0	- 661	0	- 661	0	- 661
Capital increase	0	0	- 1	0	0	0	0	0	0	0	0
(Results / Derivatives on) treasury shares	0	0	0	0	0	0	0	0	0	0	0
Change in minority interests	0	0	0	0	0	0	0	0	0	- 156	- 156
Total change	0	0	- 1	0	- 383	54	711	- 28	354	- 23	331
Balance at the end of the period	3 763	490	187	0	172	100	6 202	42	10 957	1 542	12 499
of which revaluation reserve for shares					272						
of which revaluation reserve for bonds					- 100						
of which revaluation reserve for other assets than bonds and shares					0						
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
Recognised directly in equity	0	0	0	0	- 518	107	0	94	- 318	0	- 318
Net profit for the period	0	0	0	0	0	0	741	0	741	119	860
Total income and expense for the period	0	0	0	0	- 518	107	740	94	423	119	542
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 / Derivatives on) treasury shares	0	0	0	0	0	0	0	0	0	0	0
Change in minority interests	0	0	0	0	0	0	0	0	0	- 92	- 92
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	11 883	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						

Condensed consolidated cashflow statement

In millions of EUR	1H 2007	1H 2008
Net cash from (used in) operating activities	- 1 195	2 348
Net cash from (used in) investing activities	- 651	869
Net cash from (used in) financing activities	- 724	2 177
Net increase or decrease in cash and cash equivalents	- 2 570	5 394
Cash and cash equivalents at the beginning of the period	16 706	14 459
Effects of exchange rate changes on opening cash and cash equivalents	- 51	44
Cash and cash equivalents at the end of the period	14 084	19 898

Notes on the accounting policies

Provided below are selected notes to the consolidated financial statements. The numbers and titles of notes that are contained only 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.

Note 1a: Statement of compliance

The interim consolidated financial statements of 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 present one year of comparative information

KBC Bank will apply IFRS 8 from 1 January 2009.

At the start of the 2008 financial year, KBC Bank changed the presentation of its balance sheet to make it correspond more closely with the Belgian prudential reporting presentation for banks. Whereas in previous years, 'accrued interest income' and 'accrued interest expense' were disclosed separately in the balance sheet, they are as of 2008 included in the corresponding line items of the financial assets and financial liabilities. Total 'accrued interest income' and 'accrued interest expense' is still disclosed in Note 14, Financial assets and liabilities, breakdown by portfolio and product. The reference figures at 31 December 2007 have been restated accordingly.

Note 1b: Summary of significant accounting policies

A summary of the main accounting policies is provided in the 2007 annual report of KBC Bank. In the first half of 2008, no changes were made to the content of the accounting policies that had a material impact on the results.

Notes on segment reporting

Note 2: Reporting according to the legal structure and by geographic segment

Under IFRS, the primary segment reporting format used by KBC Bank is based on the bank's legal structure.

KBC Bank distinguishes between the following primary segments:

- Banking: KBC Bank and its subsidiaries (except the ones mentioned below);
- Asset Management: KBC Asset Management and its subsidiaries;
- Leasing activities: KBC Lease and its subsidiaries;
- Equities activities: KBC Financial Products, KBC Securities and KBC Private Equity;
- Other: mainly smaller subsidiaries that do not belong to the above segments;
- Intersegment eliminations: intersegment transactions are transactions conducted between the different primary segments at arm's length. As a number of items are reported on a net basis (e.g., Net interest income), the balance of the intragroup transactions for these items is limited. Intersegment transfers are measured on the basis actually used to price the transfers.

The IFRS secondary segment reporting format is based on geographic areas, and reflects KBC's focus on its two home markets – Belgium 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.

In millions of EUR	Banking activities	Asset Management	Leasing activities	Equity activities	Other	Intersegment eliminations	KBC Bank Consolidated
INCOME STATEMENT 1H 2007							
Net interest income	1 609	12	56	- 160	92	5	1 614
Dividend income	28	3	0	39	0	0	71
Net (un)realised gains from financial instruments at fair value through profit or loss	376	4	0	634	0	0	1 014
Net realised gains from available-for-sale assets	138	1	0	0	3	0	142
Net fee and commission income	641	223	- 5	85	18	- 8	955
Other net income	155	3	14	8	37	- 22	195
TOTAL INCOME	2 947	246	66	606	150	- 24	3 990
Operating expenses	- 1 570	- 45	- 38	- 348	- 48	24	- 2 024
Impairment	- 75	0	- 5	0	- 2	0	- 82
on loans and receivables	- 74	0	- 5	0	- 2	0	- 81
on available-for-sale assets	0	0	0	0	0	0	0
on goodwill	0	0	0	0	0	0	0
on other	- 2	0	0	1	0	0	- 1
Share in results of associated companies	37	0	0	2	0	0	40
PROFIT BEFORE TAX	1 339	202	23	260	100	0	1 924
Income tax expense	- 294	- 45	- 8	- 64	- 7	0	- 417
Net post-tax income from discontinued operations	0	0	0	0	0	0	0
PROFIT AFTER TAX	1 045	156	15	197	93	0	1 507
attributable to minority interests	16	75	0	- 2	43	0	133
attributable to equity holders of the parent	1 029	81	15	198	50	0	1 374
INCOME STATEMENT 1H 2008							
Net interest income	2 082	6	26	- 198	86	- 3	1 998
Dividend income	31	5	0	31	0	0	67
Net (un)realised gains from financial instruments at fair value through profit or loss	- 49	- 1	- 2	227	0	0	175
Net realised gains from available-for-sale assets	- 1	1	0	0	- 1	0	- 1
Net fee and commission income	595	214	4	67	40	2	923
Other net income	132	5	36	36	22	- 39	191
TOTAL INCOME	2 789	229	65	163	147	- 41	3 352
Operating expenses	- 1 753	- 52	- 39	- 212	- 44	41	- 2 060
Impairment	- 199	0	- 19	- 13	- 2	0	- 232
on loans and receivables	- 144	0	- 19	- 1	- 1	0	- 164
on available-for-sale assets	- 54	0	0	- 6	0	0	- 60
on goodwill	0	0	0	0	0	0	0
on other	- 1	0	0	- 6	0	0	- 8
Share in results of associated companies	24	0	0	0	0	0	23
PROFIT BEFORE TAX	860	177	7	- 61	100	0	1 084
Income tax expense	- 176	- 44	- 3	6	- 6	0	- 224
Net post-tax income from discontinued operations	0	0	0	0	0	0	0
PROFIT AFTER TAX	684	133	4	- 56	94	0	860
attributable to minority interests	13	64	0	0	42	0	119
attributable to equity holders of the parent	671	69	4	- 56	52	0	741
BALANCE SHEET 31-12-2007							
TOTAL ASSETS	252 004	727	4 542	44 065	8 139		309 476
TOTAL LIABILITIES	238 375	72	171	31 571	25 373		295 562
BALANCE SHEET 30-06-2008							
TOTAL ASSETS	271 665	828	4 882	43 441	8 888		329 705
TOTAL LIABILITIES	254 694	118	254	33 713	27 444		316 223

In millions of EUR	Belgium	Central and Eastern Europe and Russia	Rest of the world	KBC Bank Consolidated
1H 2007				
Gross income	2 057	995	938	3 990
31-12-2007				
Total assets (period-end)	169 734	48 952	90 790	309 476
Total liabilities (period-end)	165 311	44 650	85 601	295 562
1H 2008				
Gross income	1 595	1 296	461	3 352
30-06-2008				
Total assets (period-end)	197 602	60 845	71 258	329 705
Total liabilities (period-end)	179 942	55 679	80 602	316 223

Notes to the income statement

Note 3: Net interest income

In millions of EUR	1H 2007	1H 2008
Total	1 614	1 998
Interest income	6 714	7 785
Available-for-sale assets	599	597
Loans and receivables	3 609	4 584
Held-to-maturity investments	177	194
Other assets not at fair value	47	91
<i>Subtotal, interest income from financial assets not measured at fair value through profit or loss</i>	<i>4 433</i>	<i>5 467</i>
Financial assets held for trading	773	959
Hedging derivatives	330	418
Other financial assets at fair value through profit or loss	1 178	941
Interest expense	- 5 100	- 5 788
Financial liabilities measured at amortised cost	- 3 526	- 4 126
Other	- 6	- 2
Investment contracts at amortised cost	0	0
<i>Subtotal, interest expense for financial assets not measured at fair value through profit or loss</i>	<i>- 3 532</i>	<i>- 4 128</i>
Financial liabilities held for trading	- 214	- 196
Hedging derivatives	- 310	- 358
Other financial liabilities at fair value through profit or loss	- 1 044	- 1 105

Note 4: Dividend income

In millions of EUR	1H 2007	1H 2008
Total	71	67
Breakdown by type	71	67
Held-for-trading shares	42	36
Shares initially recognised at fair value through profit or loss	0	0
Available-for-sale shares	29	32

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

Note available in annual report only.

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

In millions of EUR	1H 2007	1H 2008
Total	142	- 1
Breakdown by portfolio		
Fixed-income assets	- 132	0
Shares	274	- 2

Note 7: Net fee and commission income

In millions of EUR	1H 2007	1H 2008
Total	955	923
Fee and commission income	1 327	1 284
Securities and asset management	854	687
Commitment credit	89	103
Payments	199	244
Other	186	250
Fee and commission expense	- 373	- 361
Commission paid to intermediaries	- 40	- 36
Other	- 332	- 325

Note 8: Other net income

Note 9: Operating expenses

Note 10: Personnel

Notes available in annual report only.

Note 11: Impairment (income statement)

In millions of EUR	1H 2007	1H 2008
Total	- 82	- 232
Impairment on loans and receivables	- 81	- 164
Specific impairments for on-balance-sheet lending	- 59	- 137
Specific impairments for off-balance-sheet credit commitments	- 13	- 9
Portfolio-based impairments	- 9	- 19
Impairment on available-for-sale assets	0	- 60
Shares	0	- 59
Other	0	- 1
Impairment on goodwill	0	0
Impairment on other	- 1	- 8
Intangible assets, other than goodwill	0	0
Property and equipment	0	- 1
Held-to-maturity assets	1	0
Associated companies (goodwill)	0	0
Other	- 2	- 7

Note 12: Share in results of associated companies

Note 13: Income tax expense

Notes available in annual report only.

Notes to the balance sheet

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

FINANCIAL ASSETS (in millions of EUR)	Held for trading	Designated at fair value through profit or loss	Available for sale	Loans and receivables	Held to maturity	Hedging derivatives	Measured at amortised cost	Total
31-12-2007								
Loans and advances to credit institutions and investment firms ¹	16 098	16 014	0	15 417	-	-	-	47 529
Loans and advances to customers ²	2 067	8 756	0	135 887	-	-	-	146 710
Discount and acceptance credit	0	0	0	717	-	-	-	717
Consumer credit	0	0	0	3 885	-	-	-	3 885
Mortgage loans	0	3 254	0	43 513	-	-	-	46 767
Term loans	2 067	5 322	0	65 796	-	-	-	73 185
Finance leasing	0	0	0	6 883	-	-	-	6 883
Current account advances	0	0	0	7 162	-	-	-	7 162
Securitised loans	0	0	0	264	-	-	-	264
Other	0	181	0	7 667	-	-	-	7 848
Equity instruments	16 992	15	939	-	-	-	-	17 947
Investment contracts (insurance)	-	0	-	-	-	-	-	0
Debt instruments issued by	16 391	11 199	25 604	-	9 296	-	-	62 491
Public bodies	5 218	8 581	13 889	-	8 737	-	-	36 425
Credit institutions and investment firms	4 059	741	3 575	-	279	-	-	8 654
Corporates	7 114	1 878	8 140	-	280	-	-	17 412
Derivatives	21 503	-	-	-	-	524	-	22 026
Total carrying value excluding accrued interest income	73 051	35 985	26 543	151 304	9 296	524	0	296 702
Accrued interest income	344	299	390	1 475	229	175	0	2 910
Total carrying value including accrued interest income	73 394	36 284	26 933	152 778	9 525	698	0	299 613
¹ Of which reverse repos								29 919
² Of which reverse repos								7 298
30-06-2008								
Loans and advances to credit institutions and investment firms ¹	17 018	8 701	2	19 066	-	-	-	44 786
Loans and advances to customers ²	9 408	8 380	174	145 333	-	-	-	163 295
Discount and acceptance credit	0	0	0	209	-	-	-	209
Consumer credit	0	0	0	4 675	-	-	-	4 675
Mortgage loans	0	3 272	0	48 534	-	-	-	51 807
Term loans	9 408	4 951	174	69 234	-	-	-	83 767
Finance leasing	0	0	0	6 805	-	-	-	6 805
Current account advances	0	0	0	8 396	-	-	-	8 396
Securitised loans	0	0	0	0	-	-	-	0
Other	0	156	0	7 480	-	-	-	7 636
Equity instruments	13 681	11	840	-	-	-	-	14 532
Investment contracts (insurance)	-	0	-	-	-	-	-	0
Debt instruments issued by	18 454	12 112	28 567	-	8 929	-	-	68 062
Public bodies	8 036	9 561	17 440	-	8 428	-	-	43 465
Credit institutions and investment firms	4 250	590	3 667	-	250	-	-	8 756
Corporates	6 168	1 962	7 460	-	251	-	-	15 841
Derivatives	24 691	-	-	-	-	721	-	25 412
Total carrying value excluding accrued interest income	83 252	29 204	29 583	164 398	8 929	721	0	316 087
Accrued interest income	352	353	409	514	204	121	0	1 952
Total carrying value including accrued interest income	83 604	29 557	29 991	164 912	9 133	842	0	318 039
¹ Of which reverse repos								23 196
² Of which reverse repos								13 086

As of 1 January 2008, full service car leases qualify as operational leases instead of finance leases. As a result, 529 million euros has been reclassified and transferred from loans and advances to customers (finance leasing) to property and equipment.

FINANCIAL LIABILITIES (in millions of EUR)	Designated at fair value						Measured at amortised cost	Total
	Held for trading	through profit or loss	Available for sale	Loans and receivables	Held to maturity	Hedging derivatives		
31-12-2007								
Deposits from credit institutions and investment firms ³	8 210	15 156	-	-	-	-	46 373	69 738
Deposits from customers and debt certificates ⁴	2 452	21 927	-	-	-	-	158 188	182 567
Deposits from customers	0	14 139	-	-	-	-	114 698	128 837
Demand deposits	0	1 415	-	-	-	-	36 343	37 758
Time deposits	0	12 723	-	-	-	-	46 913	59 636
Savings deposits	0	0	-	-	-	-	27 079	27 079
Special deposits	0	0	-	-	-	-	3 444	3 444
Other deposits	0	0	-	-	-	-	919	919
Debt certificates	2 452	7 788	-	-	-	-	43 490	53 730
Certificates of deposit	0	2 245	-	-	-	-	15 697	17 942
Customer savings certificates	0	0	-	-	-	-	2 950	2 950
Convertible bonds	0	0	-	-	-	-	0	0
Non-convertible bonds	2 452	4 497	-	-	-	-	19 037	25 986
Convertible subordinated liabilities	0	0	-	-	-	-	0	0
Non-convertible subordinated liabilities	0	1 046	-	-	-	-	5 806	6 852
Liabilities under investment contracts	-	0	-	-	-	-	-	0
Derivatives	25 828	-	-	-	-	118	-	25 946
Short positions	4 809	-	-	-	-	-	-	4 809
in equity instruments	3 723	-	-	-	-	-	-	3 723
in debt instruments	1 085	-	-	-	-	-	-	1 085
Other	243	0	-	-	-	-	3 867	4 110
Total carrying value excluding accrued interest expense	41 542	37 082	-	-	-	118	208 427	287 170
Accrued interest expense	311	420	-	-	-	320	954	2 006
Total carrying value including accrued interest expense	41 853	37 503	-	-	-	438	209 382	289 175
³ Of which repos								21 006
⁴ Of which repos								8 489
30-06-2008								
Deposits from credit institutions and investment firms ³	1 604	12 339	-	-	-	-	43 446	57 388
Deposits from customers and debt certificates ⁴	2 049	32 062	-	-	-	-	175 426	209 536
Deposits from customers	0	19 730	-	-	-	-	128 480	148 210
Demand deposits	0	1 399	-	-	-	-	47 623	49 021
Time deposits	0	18 331	-	-	-	-	50 420	68 751
Savings deposits	0	0	-	-	-	-	25 263	25 263
Special deposits	0	0	-	-	-	-	3 846	3 846
Other deposits	0	0	-	-	-	-	1 328	1 328
Debt certificates	2 049	12 332	-	-	-	-	46 946	61 326
Certificates of deposit	0	5 598	-	-	-	-	16 093	21 691
Customer savings certificates	0	0	-	-	-	-	3 135	3 135
Convertible bonds	0	0	-	-	-	-	0	0
Non-convertible bonds	2 049	5 786	-	-	-	-	19 795	27 630
Convertible subordinated liabilities	0	0	-	-	-	-	0	0
Non-convertible subordinated liabilities	0	948	-	-	-	-	7 922	8 870
Liabilities under investment contracts	-	0	-	-	-	-	-	0
Derivatives	27 735	-	-	-	-	85	-	27 820
Short positions	5 367	-	-	-	-	-	-	5 367
in equity instruments	4 339	-	-	-	-	-	-	4 339
in debt instruments	1 028	-	-	-	-	-	-	1 028
Other	0	0	-	-	-	-	8 160	8 160
Total carrying value excluding accrued interest expense	36 755	44 401	-	-	-	85	227 031	308 271
Accrued interest expense	194	256	-	-	-	286	1 421	2 158
Total carrying value including accrued interest expense	36 949	44 657	-	-	-	371	228 452	310 429
³ Of which repos								12 180
⁴ Of which repos								13 579

[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	31-12-2007	30-06-2008
Total	2 128	2 217
Breakdown by type		
Specific impairment, on-balance-sheet lending	1 859	1 875
Specific impairment, off-balance-sheet credit commitments	84	91
Portfolio-based impairment	185	251
Breakdown by counterparty		
Impairment for loans and advances to banks	6	1
Impairment for loans and advances to customers	2 015	2 094
Specific and portfolio based impairment, off-balance-sheet credit commitments	108	122

[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](#)

[Note 27: Provisions for risks and charges](#)

[Note 28: Other liabilities](#)

[Note 29: Retirement benefit obligations](#)

Notes available in annual report only.

[Note 30: Parent shareholders' equity](#)

in number of shares	31-12-2007	30-06-2008
Total number of shares issued and fully paid up	417 232 809	417 232 809
Breakdown by type		
Ordinary shares	412 331 794	412 331 794
Other equity instruments	4 901 015	4 901 015
<i>of which ordinary shares that entitle the holder to a dividend payment</i>	412 331 794	412 331 794
<i>of which treasury shares</i>	0	0
Other information		
Par value per share (in euros)	9,77	9,77
Number of shares issued but not fully paid up	0	0

All KBC Bank ordinary shares are owned by KBC Group NV (412 331 793 shares) and its subsidiary KBC Insurance (1 share).

Note 31: Commitments and contingent liabilities
Note 32: Leasing

Notes available in annual report only.

Note 33: Related-party transactions

TRANSACTIONS WITH RELATED PARTIES, EXCLUDING DIRECTORS	31-12-2007					30-06-2008					
	Parent Company	Subsidiaries	Associates	Other related parties	Total	Parent Company	Subsidiaries	Associates	Joint Ventures	Other related parties	Total
Assets	88	815	733	2 186	3 822	49	939	707	23	1 632	3 351
Loans and advances	77	40	678	1 176	1 971	21	0	682	0	744	1 447
Current accounts	0	0	0	122	122	1	0	0	0	56	58
Term loans	77	40	678	1 054	1 850	20	0	681	0	688	1 389
Finance leases	0	0	0	0	0	0	0	0	0	0	0
Consumer credit	0	0	0	0	0	0	0	0	0	0	0
Mortgage loans	0	0	0	0	0	0	0	0	0	0	0
Equity instruments	9	114	6	145	274	0	177	8	23	0	209
Trading securities	7	0	6	133	145	0	0	0	0	0	0
Investment securities	3	114	0	12	129	0	177	8	23	0	209
Other Receivables	2	661	48	865	1 576	28	762	18	0	888	1 695
Liabilities	178	548	7	5 284	6 017	359	541	109	0	5 756	6 765
Deposits	146	532	7	4 663	5 347	36	525	108	0	4 899	5 568
deposits	146	531	4	4 516	5 197	36	525	105	0	4 778	5 443
other borrowings	0	0	3	147	150	0	0	3	0	121	124
Other financial liabilities	0	2	0	347	349	250	2	0	0	498	750
Debt certificates	0	2	0	347	349	250	2	0	0	496	747
Subordinated liabilities	0	0	0	0	1	0	0	0	0	3	3
Share based payments	0	0	0	0	0	0	0	0	0	0	0
Granted	0	0	0	0	0	0	0	0	0	0	0
Exercised	0	0	0	0	0	0	0	0	0	0	0
Other liabilities	32	14	0	274	321	73	14	1	0	359	447
Income statement	- 275	- 36	32	- 236	- 515	- 10	- 19	17	0	- 336	- 348
Net interest income	- 40	- 30	31	- 130	- 170	- 11	- 16	16	0	- 102	- 113
Gross earned premiums	0	0	0	0	0	0	0	0	0	0	0
Dividend income	17	4	2	0	23	15	2	1	0	0	18
Net fee and commission income	2	- 8	0	147	141	1	- 4	0	0	83	79
Other income	17	0	0	18	36	0	0	0	0	20	20
Other Expenses	- 271	- 3	0	- 272	- 546	- 14	- 1	0	0	- 337	- 353

Note 34: Auditor's fee

Note available in annual report only.

Note 35: List of significant subsidiaries and associated companies

Company	Registered office	Ownership percentage at KBC Group level	Activity
Fully consolidated subsidiaries			
Absolut Bank	Moscow - RU	95,00	Credit institution
Antwerpse Diamantbank NV	Antwerp - BE	100,00	Credit institution
CBC Banque SA	Brussels - BE	100,00	Credit institution
CENTEA NV	Antwerp - BE	99,56	Credit institution
CSOB a.s. (Czech Republic)	Prague - CZ	100,00	Credit institution
CSOB a.s. (Slovak Republic)	Bratislava - SK	100,00	Credit institution
Economic and Investment Bank AD	Sofia - BG	77,08	Credit institution
Fin-Force NV	Brussels - BE	90,00	Processing financial transactions
IIB Bank Plc	Dublin - IE	100,00	Credit institution
KBC Asset Management NV	Brussels - BE	100,00	Asset Management
KBC Bank NV	Brussels - BE	100,00	Credit institution
KBC Bank Deutschland AG	Bremen - DE	100,00	Credit institution
KBC Bank Funding LLC & Trust (group)	New York - US	100,00	Issuance of trust preferred securities
KBC Bank Nederland NV	Rotterdam - NL	100,00	Credit institution
KBC Clearing NV	Amsterdam - NL	100,00	Clearing
KBC Commercial Finance NV (ex-International Factors NV)	Brussels - BE	100,00	Factoring
KBC Credit Investments NV	Brussels - BE	100,00	Investments in credit-linked securities
KBC Finance Ireland	Dublin - IE	100,00	Lending
KBC Financial Products (group)	Various locations	100,00	Equities and derivatives trading
KBC Internationale Financieringsmaatschappij NV	Rotterdam - NL	100,00	Issuance of bonds
KBC Lease (group)	Various locations	100,00	Leasing
KBC Peel Hunt Ltd.	London - GB	99,99	Stock exchange broker / corporate finance
KBC Private Equity NV	Brussels - BE	100,00	Private equity
KBC Real Estate NV	Zaventem - BE	100,00	Real estate
KBC Securities NV	Brussels - BE	100,00	Stock exchange broker / corporate finance
K&H Bank Rt.	Budapest - HU	100,00	Credit institution
Kredyt Bank SA	Warsaw - PL	80,00	Credit institution
Associated companies			
Nova Ljubljanska banka d.d. (group)	Ljubljana - SI	34,00	Credit institution

Note 36: Main changes in the scope of consolidation

Company	Consolidation method	Ownership percentage at KBC Group level		Comments	
		1H 2007	1H 2008		
For income statement comparison					
ADDITIONS					
Banking	Absolut Bank	Full	-	95,00%	Recognised in income statement from 3Q 2007
Banking	Economic and Investment Bank AD	Full	-	77,08%	Recognised in income statement from 1Q 2008
Banking	CSOB a.s. (Slovak Republic)	Full	-	100,00%	Demerger with CSOB (Czech Republic) as of 1Q08
For balance sheet comparison					
ADDITIONS					
Banking	CSOB a.s. (Slovak Republic)	Full	-	100,00%	Demerger with CSOB (Czech Republic) as of 1Q08

Note 37: Post-balance-sheet events

Significant (non-adjusting) events between the balance sheet date (30 June 2008) and the publication of this report (13 August 2008):

- On 1 July 2008, BAWAG P.S.K. and KBC closed the acquisition of Istrobanka after receiving the necessary approval of the Central Bank of Slovakia and the Anti-Trust Commission for KBC to acquire full ownership (100%) of Istrobanka and Istro Asset Management. The acquisition of Istrobanka, the tenth largest bank in terms of assets in Slovakia, was announced on 20 March 2008. Istrobanka will be consolidated as of 3Q 2008.
- On 5 July 2008, KBC increased the base interest rate on savings deposits of individuals in Belgium to 4% for savings of up to 40 000 euros.

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 2008 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 2008 and the related interim condensed consolidated income statement, 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 Réviseurs d'Entreprises/Instituut der Bedrijfsrevisoren") in accordance with the recommendation of the "Institut des Réviseurs 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 Réviseurs 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

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

Brussels, 13 august 2008

Ernst & Young Bedrijfsrevisoren BCVBA
Statutory auditor
represented by

Jean-Pierre Romont
Partner

Ref.: 09JPR0015

Other information

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Other information

KBC Bank, 1H 2008

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]
Loan loss 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].
Return on equity	[profit after tax, attributable to equity holders of the parent] / [average parent shareholders' equity, excluding the revaluation reserve for available-for-sale assets].
Tier-1 ratio	[consolidated Tier-1 capital, KBC Bank] / [total weighted risk volume, KBC Bank].

Credit ratings

KBC Bank credit ratings, end of July 2008	Long-term rating	Outlook	Short-term rating
Fitch	AA-	Stable	F1+
Moody's	Aa2	Negative	P-1
Standard & Poor's	AA-	Stable	A1+

Solvency

In millions of EUR	31-12-2007 Basel I	31-12-2007 Basel II	30-06-2008 Basel I	30-06-2008 Basel II
Regulatory capital				
Regulatory capital, KBC Bank (after profit appropriation)	15 543	15 723	17 149	17 707
Tier-1 capital				
Parent shareholders' equity	12 342	12 342	11 883	11 883
Intangible fixed assets	- 197	- 197	- 206	- 206
Goodwill on consolidation	- 1 811	- 1 811	- 2 001	- 2 001
Innovative hybrid tier-1 instruments	1 694	1 694	1 614	1 614
Non-innovative hybrid tier-1 instruments	0	0	1 746	1 746
Minority interests	584	584	638	638
Elimination				
Mandatorily convertible bonds	- 186	- 186	- 186	- 186
Revaluation reserve available-for-sale assets (AFS)	46	46	565	565
Hedging reserve (cashflow hedges)	- 73	- 73	- 180	- 180
Minority interest in AFS reserve & hedging reserve, cashflow hedges	2	2	13	13
Dividend payout	- 876	- 876	- 444	- 444
Items to be deducted	-	- 583	-	- 534
Tier-2 & 3 capital				
Mandatorily convertible bonds	186	186	186	186
Perpetuals (incl. hybrid tier-1 not used in tier-1)	581	581	775	775
Revaluation reserve, available-for-sale shares (at 90%)	154	154	57	57
Minority interest in revaluation reserve AFS shares (at 90%)	2	2	- 2	- 2
IRB provision excess	0	139	0	0
Subordinated liabilities	4 285	4 285	4 273	4 273
Tier-3 capital	18	18	43	43
Items to be deducted	- 1 208	- 583	- 1 626	- 534
Weighted risks				
Total weighted risk volume	147 444	128 536	155 231	138 490
Credit risk	136 677	107 461	142 849	112 227
Market risk	10 767	12 329	12 382	13 873
Operational risk	-	8 747	-	12 391
Solvency ratios				
Tier-1 ratio	7.8%	8.5%	8.7%	9.3%
CAD ratio	10.5%	12.2%	11.0%	12.8%

In order to strengthen its solvency ratios and with a view to making optimal use of hybrid instruments allowed by the Belgian supervisory authority, KBC Bank issued so-called non-innovative hybrid tier-1 capital instruments for an amount of 2 billion euros in the second quarter of 2008. In Belgium, innovative and non-innovative hybrid capital instruments, combined, can account for maximum 25% of Tier-1 capital (the innovative component is subject to additional restrictions).

Risk Management

Extensive risk management information for 31-12-2007 is provided in KBC Bank's 2007 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's banking entities. 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. The loan portfolio therefore differs significantly from 'Loans and advances to customers' in the 'Consolidated annual accounts' section, Note 14 (this item, for instance, does not include loans and advances to banks, guarantee credit and credit derivatives, the undrawn portion of credit or corporate and bank bonds in the investment portfolio, but does include repurchase transactions with non-banks).

KBC Bank loan portfolio	31-12-2007	30-06-2008
Total loan portfolio (in billions of EUR)		
Amount granted	204.3	213.9
Amount outstanding	159.9	172.4
Loan portfolio by business unit (as a % of the portfolio of credit granted)		
Belgium (retail)	29%	28%
Central & Eastern Europe and Russia	22%	24%
Merchant Banking	50%	48%
Total	100%	100%
Loan portfolio, by counterparty sector (selected sectors as a % of the portfolio of credit granted)		
Real estate	7%	7%
Electricity	2%	2%
Aviation	0.4%	0.4%
Automobile industry	3%	2%
Impaired loans (in millions of EUR or %)		
Amount outstanding	3 310	3 305
Specific loan impairment	1 943	1 969
Portfolio-based impairment	185	251
Loan-loss ratio (negative figures indicate a positive impact on results)		
Belgium (retail)	0.13%	0.06%
Central & Eastern Europe and Russia	0.26%	0.43%
Merchant Banking	0.02%	0.16%
Total	0.11%	0.19%
Non-performing (NP) loans (in millions of EUR or %)		
Amount outstanding	2 329	2 367
Specific impairment for non-performing loans	1 456	1 592
Non-performing ratio		
Belgium (retail)	1.6%	1.5%
Central & Eastern Europe and Russia	2.1%	1.9%
Merchant Banking	1.0%	1.0%
Total	1.5%	1.4%
Cover ratio		
Specific impairment for non-performing loans/outstanding non-performing loans	63%	67%
Specific & portfolio-based loan impairment for performing and non-performing loans/ outstanding non-performing loans	91%	94%

On 30 June 2008, the total leveraged finance portfolio (LBO/MBO transactions, see footnote to table for a definition) amounted to 3.0 billion euros; the average transaction size is 17 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*	31-12-2007	30-06-2008
Total granted amount of leveraged finance deals (in billions of EUR)	2.7	3.0
Granted leveraged finance portfolio, by sector		
Services	18%	17%
Distribution	15%	18%
Chemicals	11%	11%
Telecom	8%	9%
Machinery	7%	8%
Other	41%	37%
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	12%	11%
More than 10 million, but no more than 25 million euros	65%	61%
More than 25 million, but no more than 50 million euros	19%	18%
More than 50 million, but no more than 100 million euros	0%	7%
More than 100 million euros	4%	4%
Total	100%	100%

* Leveraged finance deals must meet the following criteria:

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

Information on securitisation operations (ABS/CDO, supprime, monolines, etc.)

Detailed information on KBC Group's securitisations (including CDO and subprime exposure data) and exposure to monoline insurers is available in the 'Securitisation Report, 30 June 2008', which is available on 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, KBC Asset Management, CBC Banque, Centea, KBC Lease, KBC Bank Deutschland, IIB Bank, KBC Bank Nederland, Antwerp Diamond Bank, ČSOB (Czech Republic), CSOB (Slovakia), K&H Bank, Kredyt Bank, Absolut Bank and KBC Credit Investments.

BPV of ALM book, KBC Bank (in millions of EUR)	
Average, 1Q 2007	70
Average, 2Q 2007	54
Average, 3Q 2007	41
Average, 4Q 2007	41
Average, 1Q 2008	54
Average, 2Q 2008	70
30-06-2008	74
Maximum, 1H 2008	74
Minimum, 1H 2008	43

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 the specialised equities subsidiary, KBC Financial Products.

Market risk: VAR (1-day holding period; in millions of EUR)	KBC Bank	KBC Financial Products
Average, 1Q 2007	4	10
Average, 2Q 2007	4	10
Average, 3Q 2007	4	13
Average, 4Q 2007	5	15
Average, 1Q 2008	5	15
Average, 2Q 2008	7	11
30-06-2008	8	11
Maximum, 1H 2008	9	30
Minimum, 1H 2008	3	9

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