

INTERIM FINANCIAL REPORT FOR THE HALF YEAR TO JUNE 30, 2013

(Unaudited)

of

KBC INTERNATIONALE FINANCIERINGSMAATSCHAPPIJ N.V.,
ROTTERDAM

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INTERIM DIRECTORS' REPORT

General

In the half year to June 30th, 2013 the company continued to issue bonds and on-lend the proceeds to KBC Bank NV in line with the stated purpose of the company. The principal activity of the company continued to be the administration of the bonds issued and the loans granted. The bonds issued by the company are fully guaranteed by KBC Bank NV.

Financial

The financial indicators for the half year to June 30th, 2013 are summarised as follows:

	June 30th, 2013	June 30th, 2012
Net profit after tax	€ 2,529,545	€ 2,900,049
Interest income	€ 269,755,300	€ 307,966,485
Notes issued and on-lent	€ 199 million	€ 2,795 million
Earnings per share (Diluted and undiluted)	€ 238.9	€ 273.9

An interim dividend of € 3,500,000 was paid on January 2nd, 2013.

The dividend payment was ratified by the Annual General Meeting of Shareholders held on May 29th, 2013.

No further important events, material or financial, occurred relating to the company since June 30th, 2013.

The Financial Report for the half year to June 30th, 2013 is unaudited.

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements for the half year to June 30th, 2013 give a true and fair view of the assets, liabilities, financial position and profit of KBC Internationale Financieringsmaatschappij N.V. and the directors' report includes a fair review of the development and performance of the business and the position of KBC Internationale Financieringsmaatschappij N.V. together with a description of the principal opportunities and risks associated with the expected development of KBC Internationale Financieringsmaatschappij N.V.

Risk Management

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

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

Future Developments

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

During the present year, the company expects to re-finance at least part of the bonds maturing. Our current expectations are that in the short term the number and amount of bonds issued will not increase.

Rotterdam, August 13th, 2013

Management Board:

J.G. Heffernan

H.B.J. Wouters

BALANCE SHEET AS AT JUNE 30, 2013 (UNAUDITED)

(before profit appropriation)

A s s e t s

	June 30, 2013		December 31, 2012	
	€	€	€	€
Fixed assets				
Tangible fixed assets		1,985		1,985
Financial fixed assets	(2)	11,881,670,964		16,729,030,612
Long term bank deposit	(2)	4,803,264		4,803,264
Derivatives	(2)	395,109,753		666,701,183
		<u>12,281,585,966</u>		<u>17,400,537,044</u>
Current assets				
Derivatives	(2)	114,380,711		62,115,510
Loans falling due within one year	(2)	5,872,351,147		2,530,393,722
Interest receivable and accrued expenses	(3)	208,567,139		280,665,395
Cash		<u>5,070,363</u>		<u>5,294,533</u>
		<u>6,200,369,360</u>		<u>2,878,469,160</u>
Total assets		<u><u>18,481,955,326</u></u>		<u><u>20,279,006,204</u></u>
L i a b i l i t i e s				
Capital and reserves				
Paid-in and called-up share capital	(4)	4,803,264		4,803,264
Retained earnings	(5)	4,211,262		4,106,733
Net profit for the half year/year		<u>2,529,545</u>		<u>3,604,529</u>
		<u>11,544,071</u>		<u>12,514,526</u>
Long term liabilities				
Bonds Issued	(6)	11,889,017,234		16,733,265,597
Derivatives		<u>395,109,753</u>		<u>666,701,183</u>
Current liabilities				
Derivatives	(2)	114,380,711		62,115,510
Issued bonds falling due within one year	(6)	5,866,130,374		2,527,412,828
Other current liabilities	(7)	<u>205,773,183</u>		<u>276,996,560</u>
		<u>6,186,284,268</u>		<u>2,866,524,898</u>
Total liabilities		<u><u>18,481,955,326</u></u>		<u><u>20,279,006,204</u></u>

PROFIT AND LOSS ACCOUNT FOR THE HALF YEAR ENDED JUNE 30, 2013 (UNAUDITED)

	June 30, 2013		June 30, 2012	
	€	€	€	€
Interest Income				
Interest on fixed income investments	106,580		105,994	
Other interest income (8)	<u>269,648,720</u>		<u>307,860,491</u>	
Total interest income	269,755,300		307,966,485	
Interest Expense (8)	<u>(266,146,034)</u>		<u>(303,979,351)</u>	
Gross margin		3,609,266		3,987,134
Change in fair value of derivatives		-		-
Fair value change-profit	26,674,370		330,013,661	
Fair value change –loss	<u>(26,674,370)</u>		<u>(330,013,661)</u>	
	-		-	
Income from participating Interests		-		101,558
Staff and other operating expenses				
General & administrative expenses	(248,898)		(271,717)	
Exchange rate differences	<u>(975)</u>		<u>2,571</u>	
Total		<u>(249,873)</u>		<u>(269,146)</u>
Profit before taxation		3,359,393		3,819,546
Corporation tax		<u>(829,848)</u>		<u>(919,497)</u>
Net profit for the half year		<u><u>2,529,545</u></u>		<u><u>2,900,049</u></u>

CASH FLOW STATEMENT FOR THE HALF YEAR ENDED JUNE 30, 2013 (UNAUDITED)

	June 30, 2013 €	June 30, 2012 €
Net profit	2,529,545	2,900,049
Adjustments for:		
Provision for (pre)retirement costs	-	1,590
Amortization on loans and bonds	(113,920)	(97,369)
Income from participating interest	-	(101,558)
	2,415,625	2,702,712
Change in other assets and liabilities	711,734	628,667
Taxes received/ (paid)	163,145	281,563
(Pre)retirement costs paid	-	(41,710)
Net cash flow from operational activities	3,290,504	3,571,232
Financial fixed assets- increase	(199,444,808)	(2,795,150,930)
Financial fixed assets- decrease	1,632,547,877	4,507,668,594
Net cash flow from investment activities	1,433,103,069	1,712,517,664
Bonds issued	199,444,808	2,795,150,930
Bonds repaid	(1,632,562,551)	(4,507,678,987)
Dividend paid	(3,500,000)	(4,000,000)
Net cash flow from financing activities	(1,436,617,743)	(1,716,528,057)
Net cash flow	<u>(224,170)</u>	<u>(439,161)</u>
Cash balance as at January 1	5,294,533	4,462,402
Cash balance as at June 30	5,070,363	4,023,241
Net cash flow	<u>(224,170)</u>	<u>(439,161)</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR TO JUNE 30, 2013**1 Accounting principles**

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

The same accounting principles as were applied in the Financial Report 2012 have also been applied in the financial statements for the half year to June 30th, 2013.

2 Financial fixed assets

The breakdown of the financial fixed assets is as follows:

	June 30 2013	December 31 2012
	€	€
Loans to group companies	17,754,022,111	19,259,424,334
of which falling due within one year	(5,872,351,147)	(2,530,393,722)
	<u>11,881,670,964</u>	<u>16,729,030,612</u>

Activity in loans to group companies

	June 30 2013	June 30 2012
	€	€
Loans issued in the half year to June 30	199,444,808	2,795,150,930
Loan repayments in the half year to June 30,	1,632,547,877	4,507,668,594

Long term bank deposit

June 30 2013	December 31 2012
€	€
4,803,264	4,803,264

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

Derivatives

	June 30 2013	December 31 2012
	€	€
Derivative Assets		
Falling due within 1 year	114,380,711	62,115,510
Balance at June 30/ December 31, over 1 year	<u>395,109,753</u>	<u>666,701,183</u>
Total Derivative assets	<u>509,490,464</u>	<u>728,816,693</u>
Derivative Liabilities		
Falling due within 1 year	114,380,711	62,115,510
Balance at June 30/ December 31, over 1 year	<u>395,109,753</u>	<u>666,701,183</u>
Total Derivative Liabilities	<u>509,490,464</u>	<u>728,816,693</u>

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

	June 30 2013	December 31 2012
Total notional amount of the derivative assets (which equals the derivative liabilities)	7,093,832,333	7,447,929,844

3 Interest receivable and accrued expenses

	June 30 2013	December 31 2012
	€	€
Interest receivable	208,542,406	280,630,351
Prepaid expenses	24,733	28,216
Tax receivable	-	6,828
	<u>208,567,139</u>	<u>280,665,395</u>

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

4 Paid-in and called-up share capital

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

The paid-in and called-up share capital is fully held by KBC Bank NV, Belgium.

There have been no movements in paid-in and called-up share capital during the half year to June, 30, 2013 (half year to June 30, 2012 - no movements).

5 Retained earnings

The movement in Retained Earnings is as follows:

	June 30 2013	December 31 2012
	€	€
Balance as at January 1	4,106,733	3,864,725
Net profit appropriation	3,604,529	4,242,008
Dividends paid during the half year/year	(3,500,000)	(4,000,000)
Balance as at June 30/ December 31	<u>4,211,262</u>	<u>4,106,733</u>

6 Bonds Issued

The breakdown of the bonds issued is as follows:

	June 30 2013	December 31 2012
	€	€
Total Bonds Issued	17,755,147,608	19,260,678,425
of which falling due within one year	(5,866,130,374)	(2,527,412,828)
	<u>11,889,017,234</u>	<u>16,733,265,597</u>

Activity in Bonds Issued

	June 30 2013	June 30 2012
	€	€
Bonds issued in the half year to June 30	199,444,808	2,795,150,930
Bonds repaid in the half year to June 30,	1,632,562,551	4,507,678,987

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

7 Other current liabilities

	June 30 2013	December 31 2012
	€	€
Interest payable	205,394,265	276,947,859
Accounts payable and accrued expenses	222,600	35,322
Tax payable	156,318	13,379
	<u>205,773,183</u>	<u>276,996,560</u>

NOTES TO THE PROFIT AND LOSS ACCOUNT

8 Interest income and expense

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

9 Risk management

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

This policy, which applies to all bond issues, ensures that the company has no exposures in relation to open or unmatched positions in interest rate risk, market risk, currency risk, liquidity risk, cash flow risk or interest re-pricing risk and consequently runs no risks in respect to these categories. A negligible currency exchange risk pertains to the interest margins on loans in foreign currencies. Such risks are governed by limits which are closely monitored.

This policy is the basis of the company's asset and liability management. Credit risks are present in relation to the loans on-lent to KBC Bank NV.

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

NOTES TO THE CASH FLOW STATEMENT

10 Cash flow statement

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

The cash balances of the company are free of encumbrance.

Rotterdam, August 13th, 2013

Board of Directors:

J.G. Heffernan

H.B.J. Wouters