

**INTERIM FINANCIAL REPORT FOR THE HALF YEAR TO JUNE 30, 2010**

(Unaudited)

of

KBC INTERNATIONALE FINANCIERINGSMAATSCHAPPIJ N.V.

ROTTERDAM

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## INTERIM DIRECTORS' REPORT

### GENERAL

In the half year to June 30<sup>th</sup>, 2010 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 made. The bonds issued by the company are fully guaranteed by KBC Bank NV.

### Financial

The financial indicators for the half year to June 30<sup>th</sup>, 2010 are summarised as follows:

	June 30 <sup>th</sup> , 2010	June 30 <sup>th</sup> , 2009
Net profit after tax	€ 2,756,373	€ 2,205,995
Interest income	€ 209,874,890	€ 327,145,346
Notes issued and on-lent	€ 2,881 million	€ 800 million
Earnings per share (Diluted and undiluted)	€ 260.40	€ 208.40

An interim dividend of € 5,200,000 out of retained earnings and net profit for 2009 which was paid on January 4<sup>th</sup>, 2010 was recommended to, and approved by, the Annual General Meeting of Shareholders on May 3<sup>rd</sup>, 2010.

With effect from July 1<sup>st</sup>, 2010, Mr. T.A.J.T. van Craen was appointed director of the company.

No further important events, material or financial, occurred relating to the company since June 30<sup>th</sup>, 2010.

The Financial Report for the half year to June 30<sup>th</sup>, 2010 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 30<sup>th</sup>, 2010 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.

**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 group.

Rotterdam, August 11<sup>th</sup>, 2010

Management Board:

J.G. Heffernan

T.A.J.T. van Craen

**BALANCE SHEET AS AT JUNE 30, 2010 (UNAUDITED)**

**(before profit appropriation)**

**A s s e t s**

	<b>June 30, 2010</b>		<b>December 31, 2009</b>	
	€	€	€	€
<b>Fixed assets</b>				
Financial fixed assets	(2)	18,850,810,449	18,404,997,458	
Long term bank deposit		4,803,264	4,803,264	
Derivatives		1,239,495,725	1,166,694,895	
		<u>20,095,109,438</u>	<u>19,576,495,617</u>	
<b>Current assets</b>				
Loans falling due within one year	(2)	2,847,760,842	4,262,106,385	
Interest receivable and accrued expenses	(3)	162,340,053	112,752,204	
Cash		2,863,891	6,037,149	
		<u>3,012,964,786</u>	<u>4,380,895,738</u>	
<b>Total assets</b>		<u><u>23,108,074,224</u></u>	<u><u>23,957,391,355</u></u>	

**L i a b i l i t i e s**

**Capital and reserves**

Paid-in and called-up share capital		4,803,264	4,803,264	
Retained earnings	(5)	3,876,988	4,331,194	
Net profit for the half year/year	(5)	2,756,373	4,745,794	
		<u>11,436,625</u>	<u>13,880,252</u>	

**Provisions**

Provision for pension obligations and early retirement costs		320,918	353,339	
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**Long term liabilities**

Bonds Issued	(6)	18,854,951,429	18,411,481,110	
Derivatives		1,239,495,725	1,166,694,895	

**Current liabilities**

Issued bonds falling due within one year	(6)	2,842,783,256	4,254,715,459	
Other current liabilities	(7)	159,086,271	110,266,300	
		<u>3,001,869,527</u>	<u>4,364,981,759</u>	

<b>Total liabilities</b>		<u><u>23,108,074,224</u></u>	<u><u>23,957,391,355</u></u>	
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**PROFIT AND LOSS ACCOUNT FOR THE HALF YEAR ENDED JUNE 30, 2010 (UNAUDITED)**

		<b>June 30, 2010</b>		<b>June 30, 2009</b>	
		€	€	€	€
<b>Interest Income</b>	(8)	<u>209,874,890</u>		<u>327,145,346</u>	
<b>Interest Expense</b>	(8)	<u>(205,987,955)</u>		<u>(323,974,367)</u>	
<b>Gross margin</b>			3,886,935		3,170,979
<b>Change in fair value of derivatives</b>			-		-
<b>Income from participating Interests</b>	(10)		88,988		163,324
<b>Staff and other operating expenses</b>					
General & administrative expenses		(327,027)		(400,249)	
Depreciation of fixed assets		-		(24,165)	
Exchange rate differences		5,710		(4,725)	
<b>Total</b>			(321,317)		(429,139)
<b>Profit before taxation</b>			3,654,606		2,905,164
Corporation tax			(898,233)		(699,169)
<b>Net profit for the half year</b>			<u>2,756,373</u>		<u>2,205,995</u>

**CASH FLOW STATEMENT FOR THE HALF YEAR ENDED JUNE 30, 2010 (UNAUDITED)**

	<b>June 30, 2010 €</b>	<b>June 30, 2009 €</b>
Net profit	2,756,373	2,205,995
Depreciation	-	24,165
Change in other assets and liabilities	(871,242)	335,103
Taxes received	103,364	112,009
Provision for pension obligations and the costs of early retirement	<u>(32,421)</u>	<u>21,715</u>
<b>Net cash flow from operational activities</b>	<b>1,956,074</b>	<b>2,698,987</b>
Financial fixed assets- increase	(2,881,563,915)	(800,234,830)
Financial fixed assets- decrease	3,850,096,467	2,194,051,215
<b>Net cash flow from investment activities</b>	<b>968,532,552</b>	<b>1,393,816,385</b>
Bonds issued	2,881,559,444	800,071,506
Bonds repaid	(3,850,021,328)	(2,193,863,404)
Dividend paid	(5,200,000)	(5,250,000)
<b>Net cash flow from financing activities</b>	<b>(973,661,884)</b>	<b>(1,399,041,898)</b>
<b>Net cash flow</b>	<b><u>(3,173,258)</u></b>	<b><u>(2,526,526)</u></b>
Cash balance as at January 1	6,037,149	6,868,351
Cash balance as at June 30	<u>2,863,891</u>	<u>4,341,825</u>
<b>Net cash flow</b>	<b><u>(3,173,258)</u></b>	<b><u>(2,526,526)</u></b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR TO JUNE 30, 2010****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 2009 have also been applied in the financial statements for the half year to June 30<sup>th</sup>, 2010.

**2 Financial fixed assets**

The breakdown of the financial fixed assets is as follows:

	<b>June 30 2010</b>	December 31 2009
	€	€
KBC International Finance N.V., Curaçao	2,050,436	1,961,448
Loans to group companies	21,696,520,855	22,665,142,395
of which falling due within one year	(2,847,760,842)	(4,262,106,385)
	<u>18,850,810,449</u>	<u>18,404,997,458</u>

The company has a 100% investment in KBC International Finance N.V., Curaçao.

**Activity in loans to group companies**

	<b>June 30 2010</b>	June 30 2009
	€	€
Loans issued in the half year to June 30	2,881,563,915	800,234,830
Loan repayments in the half year to June 30,	3,850,096,467	2,194,051,215

**Long term bank deposit**

<b>June 30 2010</b>	December 31 2009
€	€
4,803,264	4,803,264

The long term bank deposit is placed with KBC Bank NV and has a tenor of 10 years.

	<b>June 30 2010 €</b>	<b>December 31 2009 €</b>
<b>Derivatives</b>	1,239,495,725	1,166,694,895

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

### 3 Interest receivable and accrued expenses

	<b>June 30 2010 €</b>	<b>December 31 2009 €</b>
Interest receivable	162,340,053	112,692,142
Tax receivable	-	60,062
	<u>162,340,053</u>	<u>112,752,204</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

	<b>€</b>
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 2010 (half year to June 30, 2009: no movements).

**5 Retained earnings**

The movement in Retained Earnings is as follows:

	<b>June 30 2010</b>	June 30 2009
	€	€
Balance as at January 1	9,076,988	9,503,099
Net profit for the half year	2,756,373	2,205,995
Dividend paid during the half year	(5,200,000)	(5,250,000)
Balance as at June 30	<u>6,633,361</u>	<u>6,459,094</u>

**6 Activity in Bonds**

	<b>June 30 2010</b>	June 30 2009
	€	€
Bonds issued in the half year to June 30	2,881,559,444	800,071,506
Bonds repaid in the half year to June 30,	3,850,021,328	2,193,863,404

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

**7 Other current liabilities**

	<b>June 30 2010</b>	December 31 2009
	€	€
Interest payable	158,965,149	110,201,659
Accounts payable	50,137	36,958
Tax payable	70,985	27,683
	<u>159,086,271</u>	<u>110,266,300</u>

## **NOTES TO THE PROFIT AND LOSS ACCOUNT**

### **8 Interest income and expense**

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

### **9 Income from participating interests**

This represents the net profit after tax of KBC International Finance N.V. for the half year.

### **10 Risk management**

The structure and organisation of the company are such that interest, exchange, market and operational risks to the company are strictly limited, notes issued being on-lent within the group for the same currency, amount and tenor. 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 authorities.

## **NOTES TO THE CASH FLOW STATEMENT**

### **11 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 11th, 2010**

**Board of Directors:**

J.G. Heffernan

T.A.J.T. van Craen