

INTERIM FINANCIAL REPORT FOR THE HALF YEAR TO JUNE 30, 2011

(Unaudited)

of

KBC INTERNATIONALE FINANCIERINGSMAATSCHAPPIJ N.V.,
ROTTERDAM

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INTERIM DIRECTORS' REPORT

GENERAL

In the half year to June 30th, 2011 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, 2011 are summarised as follows:

	June 30 th , 2011	June 30 th , 2010
Net profit after tax	€ 3,325,911	€ 2,756,373
Interest income	€ 289,431,412	€ 209,874,890
Notes issued and on-lent	€ 3,866 million	€ 2,376 million
Earnings per share (Diluted and undiluted)	€ 314.2	€ 260.40

An interim dividend of € 4,250,000 was paid on January 3rd, 2011 and an additional dividend of € 500,000 was paid on January 21st, 2011. Both dividend payments were ratified by the Annual General Meeting of Shareholders held on June 16th, 2011.

With effect from July 1st, 2011, Mr. T.A.J.T. Van Craen resigned as director and Mrs. H. Wouters was appointed as director of the company.

No further important events, material or financial, occurred relating to the company since June 30th, 2011.

The Financial Report for the half year to June 30th, 2011 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, 2011 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 11th, 2011

Management Board:

J.G. Heffernan

H. Wouters

BALANCE SHEET AS AT JUNE 30, 2011 (UNAUDITED)

(before profit appropriation)

A s s e t s

	June 30, 2011		December 31, 2010	
	€	€	€	€
Fixed assets				
Tangible fixed assets		1,962	-	
Financial fixed assets	(2)	17,797,187,007	17,621,750,441	
Long term bank deposit		4,803,264	4,803,264	
Derivatives		986,960,406	1,090,573,032	
		<u>18,788,952,639</u>	<u>18,717,126,737</u>	
Current assets				
Loans falling due within one year (2)		5,856,237,810	4,812,895,175	
Interest receivable and accrued expenses	(3)	208,720,143	152,965,053	
Cash		4,066,738	5,821,627	
		<u>6,069,024,691</u>	<u>4,971,681,855</u>	
Total assets		<u><u>24,857,977,330</u></u>	<u><u>23,688,808,592</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)	3,864,725	3,876,988	
Net profit for the half year/year		3,325,911	4,737,737	
		<u>11,993,900</u>	<u>13,417,989</u>	

Provisions

Provision for pension obligations and early retirement costs		213,807	281,636	
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Long term liabilities

Bonds Issued	(6)	17,805,951,974	17,629,645,367	
Derivatives		986,960,406	1,090,573,032	

Current liabilities

Issued bonds falling due within one year	(6)	5,847,489,113	4,805,116,191	
Other current liabilities	(7)	205,368,130	149,774,377	
		<u>6,052,857,243</u>	<u>4,954,890,568</u>	

Total liabilities		<u><u>24,857,977,330</u></u>	<u><u>23,688,808,592</u></u>	
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PROFIT AND LOSS ACCOUNT FOR THE HALF YEAR ENDED JUNE 30, 2011 (UNAUDITED)

	June 30, 2011		June 30, 2010	
	€	€	€	€
Interest Income				
Interest on fixed income investments	107,165		103,823	
Other interest income	<u>289,324,247</u>		<u>209,771,067</u>	
Total interest income	289,431,412		209,874,890	
Interest Expense	(8)	<u>(284,855,438)</u>	<u>(205,987,955)</u>	
Gross margin		4,575,974		3,886,935
Change in fair value of derivatives		-		-
Income from participating				
Interests	(9)	91,973		88,988
Staff and other operating expenses				
General & administrative expenses	(244,420)		(327,027)	
Exchange rate differences	(5,463)		5,710	
Total		<u>(249,883)</u>		<u>(321,317)</u>
Profit before taxation		4,418,064		3,654,606
Corporation tax		(1,092,153)		(898,233)
Net profit for the half year		<u>3,325,911</u>		<u>2,756,373</u>

CASH FLOW STATEMENT FOR THE HALF YEAR ENDED JUNE 30, 2011 (UNAUDITED)

	June 30, 2011 €	June 30, 2010 €
Net profit	3,325,911	2,756,373
Adjustments for:		
Provision for (pre)retirement costs	31,602	1,908
Amortization on loans and bonds	(69,042)	(354,035)
Translation differences	61,346	438,552
Income from participating interest	<u>(91,973)</u>	<u>(88,988)</u>
	3,257,844	2,753,810
Investment in tangible fixed assets	(1,962)	-
Change in other assets and liabilities	(553,493)	(871,242)
Taxes received/ (paid)	392,153	103,364
(Pre)retirement costs paid	<u>(99,431)</u>	<u>(34,329)</u>
Net cash flow from operational activities	2,995,111	1,951,603
Financial fixed assets- increase	(3,865,753,990)	(2,376,552,938)
Financial fixed assets- decrease	<u>2,491,297,127</u>	<u>3,850,096,467</u>
Net cash flow from investment activities	(1,374,456,863)	1,473,543,529
Bonds issued	3,865,753,990	2,376,552,938
Bonds repaid	(2,491,297,127)	(3,850,021,328)
Dividend paid	<u>(4,750,000)</u>	<u>(5,200,000)</u>
Net cash flow from financing activities	1,369,706,863	(1,478,668,390)
Net cash flow	<u>(1,754,889)</u>	<u>(3,173,258)</u>
Cash balance as at January 1	5,821,627	6,037,149
Cash balance as at June 30	<u>4,066,738</u>	<u>2,863,891</u>
Net cash flow	<u>(1,754,889)</u>	<u>(3,173,258)</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR TO JUNE 30, 2011**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 2010 have also been applied in the financial statements for the half year to June 30th, 2011.

2 Financial fixed assets

The breakdown of the financial fixed assets is as follows:

	June 30 2011	December 31 2010
	€	€
KBC International Finance N.V., Curaçao	1,151,017	1,059,044
Loans to group companies	23,652,273,800	22,433,586,572
of which falling due within one year	(5,856,237,810)	(4,812,895,175)
	<u>17,797,187,007</u>	<u>17,621,750,441</u>

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

Activity in loans to group companies

	June 30 2011	June 30 2010
	€	€
Loans issued in the half year to June 30	3,865,753,990	2,376,552,938
Loan repayments in the half year to June 30,	2,491,297,127	3,850,096,467

Long term bank deposit

June 30 2011	December 31 2010
€	€
4,803,264	4,803,264

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

	June 30 2011 €	December 31 2010 €
Derivatives	986,960,406	1,090,573,032

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

	June 30 2011 €	December 31 2010 €
Interest receivable	208,688,108	152,864,134
Prepaid expenses	32,035	100,919
	<u>208,720,143</u>	<u>152,965,053</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 2011 (half year to June 30, 2010: no movements).

5 Retained earnings

The movement in Retained Earnings is as follows:

	June 30 2011	December 31 2010
	€	€
Balance as at January 1	3,876,988	4,331,194
Net profit appropriation	4,737,737	4,745,794
Dividends paid during the half year/year	(4,750,000)	(5,200,000)
Balance as at June 30/December 31	<u>3,864,725</u>	<u>3,876,988</u>

6 Activity in Bonds

	June 30 2011	June 30 2010
	€	€
Bonds issued in the half year to June 30	3,865,753,990	2,376,552,938
Bonds repaid in the half year to June 30,	2,491,297,127	3,850,021,328

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

7 Other current liabilities

	June 30 2011	December 31 2010
	€	€
Interest payable	204,914,648	149,703,343
Accounts payable and accrued expenses	60,794	70,499
Tax payable	392,688	535
	<u>205,368,130</u>	<u>149,774,377</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 tax 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, 2011

Board of Directors:

J.G. Heffernan

H. Wouters