

KBC GROUP NV BASE PROSPECTUS SUPPLEMENT (N°1) DATED 29 August 2017



KBC Group NV

(incorporated with limited liability in Belgium)

EUR 10,000,000,000

Euro Medium Term Note Programme

This supplement dated 29 August 2017 (the “**Supplement N°1**”) constitutes a supplement for the purposes of Article 34 of the Belgian Law of 16 June 2006 on public offerings of investment instruments and the admission of investment instruments to trading on a regulated market, as amended from time to time (the “**Belgian Prospectus Law**”). The Supplement N°1 is supplemental to, forms part of, and must be read in conjunction with the base prospectus dated 11 July 2017 (the “**Base Prospectus**”), prepared in connection with the EUR 10,000,000,000 Euro Medium Term Note Programme (the “**Programme**”) established by KBC Group NV, incorporated as a limited liability company under the laws of Belgium, with registered office at Havenlaan 2, 1080 Brussels and registered with the Crossroads Bank of Enterprises VAT BE0403.227.515 (Brussels) (the “**Issuer**”). Terms defined in the Base Prospectus or in any document incorporated by reference in the Base Prospectus shall, unless the context otherwise requires, have the same meaning when used in this Supplement N°1.

This Supplement N°1 has been approved by the FSMA, as competent authority under the Belgian Prospectus Law. This approval does not imply any appraisal of the appropriateness or the merits of any issue under the Programme, nor of the situation of the Issuer.

The Issuer accepts responsibility for the information contained in this Supplement N°1. The Issuer confirms that, to the best of its knowledge (having taken all reasonable care to ensure that such is the case) the information contained in this Supplement N°1 is in accordance with the facts and does not omit anything likely to affect the import of such information.

I. New information

Introduction

On 10 August 2017, the Issuer published its extended quarterly report for the second quarter and the first half of 2017 in the document “*KBC Group Quarterly Report 2Q 2017*” accompanied by a press release entitled “*KBC Group: exceptionally strong result of 855 million euros in the second quarter*”.

In order to ensure that the information contained in the Base Prospectus is up-to-date as required by the Belgian Prospectus Law, the aforementioned documents will be incorporated by reference in the Base Prospectus. A copy of these documents, incorporated by reference in the Base Prospectus, can be obtained from the registered office of the Issuer, the website of the Issuer (www.kbc.com/investors) and from the website of Euronext Brussels (www.euronext.com).

If documents which are incorporated by reference themselves incorporate any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of this Supplement N°1 for the purposes of the Belgian Prospectus Law, except where such information or other documents are specifically incorporated by reference or attached to this Supplement N°1.

Due to this new information the Base Prospectus is amended as described below.

1. Documents incorporated by reference

- (i) The section “Documents incorporated by reference” on page 42 of the Base Prospectus will be supplemented by adding the following limb to the list of documents which are incorporated and form part of the Base Prospectus:

“(c) the unaudited financial statements of the Issuer for the six months ended 30 June 2017, set out in the Quarterly Report 2Q 2017 of the Issuer.”

The current second limb (a) in the section “Documents incorporated by reference” on page 42 of the Base Prospectus will be renumbered to “(b)”.

The current limb (b) in the section “Documents incorporated by reference” on page 42 of the Base Prospectus will be renumbered to “(d)” and a bullet will be added with the following reference:

“10 August 2016: *“KBC Group: exceptionally strong result of 855 million euros in the second quarter”.*”

- (ii) The section “Documents incorporated by reference” on page 42 of the Base Prospectus will be supplemented by adding the following sub-section below the sub-section “Audited consolidated annual financial statements of the Issuer for the financial years ended 31 December 2015 and 31 December 2016*”:

“The table below sets out the relevant page references for the unaudited financial statements for the half year ended 30 June 2017 of the Issuer, as set out in the Quarterly Report 2Q 2017 of the Issuer.

Unaudited Interim financial report for the half year to 30 June 2016 of the Issuer*

report for 2Q2017 and 1H2017	page 4
consolidated financial statements according to IFRS	page 12
consolidated income statement	page 13
consolidated statement of comprehensive income (condensed)	page 14
consolidated balance sheet	page 15
consolidated statement of changes in equity	page 16
consolidated cash flow statement	page 17
notes on statement of compliance and changes in accounting policies	page 17
notes on segment reporting	page 18
other notes	page 19
report of the accredited auditor to the shareholders of KBC Group NV on the review of the interim condensed consolidated financial statements as of 30 June 2017 and for the six-month period then ended	page 29

* Page references are to the English language PDF version of the relevant incorporated documents.”

2. Selected Financial Information

The section “*Selected Financial Information*” on pages 129 to and including 133, shall be deemed to be deleted in its entirety and replaced with the updated section “*Selected Financial Information*” set out in Annex 1 to this Supplement N°1.

3. General Information

Paragraph (3) on page 154 of the Base Prospectus shall be deleted and replaced by the following paragraph:

“(3) Other than as disclosed in this Base Prospectus, there has been no significant change in the financial or trading position of the Issuer since 30 June 2017 and no material adverse change in the prospects of the Issuer since 31 December 2016.”

II. General

Save as disclosed in this Supplement N°1, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus since 11 July 2017, the date of publication of the Base Prospectus.

To the extent that there is an inconsistency between (a) any statement in this Supplement N°1 and (b) any statement in, or incorporated by reference into, the Base Prospectus, the statements in (a) above will prevail.

Copies of this Supplement N°1 will be available without charge at the specified office of the Issuer and the Agent, on the website of Euronext Brussels (www.euronext.com) and the website of the Issuer (www.kbc.com¹).

29 August 2017



Christine Van Rijseghem
Executive director



Johan Thijs
Executive director

¹ https://www.kbc.com/MISC/D9e01/Homepagina_KBCCOM_Engels/investor_relations/debt_issuance

Annex 1 Selected Financial Information

The following tables set out in summary form certain statements of financial position, income statements, statements of comprehensive income and cash flow information relating to the Issuer. The information has been extracted from the audited consolidated financial statements of the Issuer for the years ended 31 December 2015 and 31 December 2016 and from the unaudited consolidated financial statements according to IFRS included in the extended quarterly report 2Q 2017 of the Issuer.

The consolidated financial statements of the Issuer for the years ended 31 December 2015 and 31 December 2016 have been audited in accordance with ISA.

Consolidated balance sheet

ASSETS (in millions of EUR)	31-12- 2015	31-12- 2016	30-06- 2016	30-06-2017
Cash and cash balances with central banks	7 038	20 686	5 184	32 546
Financial assets	237 346	246 298	251 843	255 465
Held for trading	10 385	9 683	12 086	9 055
Designated at fair value through profit or loss	16 514	14 184	20 967	14 408
Available for sale	35 670	36 708	37 070	35 418
Loans and receivables	141 305	151 615	148 669	164 754
Held to maturity	32 958	33 697	32 547	31 432
Hedging derivatives	514	410	505	399
Reinsurers' share in technical provisions	127	110	127	119
Fair value adjustments of hedged items in portfolio hedge of interest rate risk	105	202	397	-3
Tax assets	2 336	2 312	2 507	2 210
Current tax assets	107	66	82	91
Deferred tax assets	2 228	2 246	2 425	2 119
Non-current assets held for sale and assets associated with disposal groups	15	8	14	24
Investments in associated companies and joint ventures	207	212	194	217
Investment property	438	426	433	442
Property and equipment	2 299	2 451	2 343	2 541
Goodwill and other intangible assets	959	999	970	1 152
Other assets	1 487	1 496	1 668	1 767
TOTAL ASSETS	252 356	275 200	265 681	296 479

LIABILITIES AND EQUITY (in millions of EUR)	31-12- 2015	31-12- 2016	30-06- 2016	30-06-2017
Financial liabilities	213 333	234 300	225 616	255 641
Held for trading	8 334	8 559	8 941	8 091
Designated at fair value through profit or loss	24 426	16 553	21 850	14 966
Measured at amortised cost	178 383	207 485	192 704	231 148
Hedging derivatives	2 191	1 704	2 120	1 508
Technical provisions, before reinsurance	19 532	19 657	19 724	18 905
Fair value adjustments of hedged items in portfolio hedge of interest rate risk	171	204	312	79
Tax liabilities	658	681	733	659

Current tax liabilities	109	188	125	205
Deferred tax liabilities	549	493	608	455
Liabilities associated with disposal groups	0	0	0	0
Provisions for risks and charges	310	238	237	257
Other liabilities	2 541	2 763	2 824	2 873
TOTAL LIABILITIES	236 545	257 843	249 447	278 414
Total equity	15 811	17 357	16 234	18 065
Parent shareholders' equity	14 411	15 957	14 834	16 665
Non-voting core-capital securities	0	0	0	0
Additional Tier-1 instruments included in equity	1 400	1 400	1 400	1 400
Minority interests	0	0	0	0
TOTAL LIABILITIES AND EQUITY	252 356	275 200	265 681	296 479

Consolidated income statement

In millions of EUR	2015	2016	1H 2016	1H 2017
Net interest income	4 311	4 258	2 137	2 025
Interest income	7 150	6 642	3 375	3 142
Interest expense	-2 839	-2 384	- 1 238	-1 090
Non-life insurance before reinsurance	611	628	286	366
Earned premiums Non-life	1 319	1 410	690	729
Technical charges Non-life	-708	-782	- 404	-363
Life insurance before reinsurance	-201	-152	- 73	-52
Earned premiums Life	1 301	1 577	827	579
Technical charges Life	-1 502	-1 728	- 901	-631
Ceded reinsurance result	-29	-38	- 21	-13
Dividend income	75	77	46	44
Net result from financial instruments at fair value through profit or loss	214	540	247	439
Net realised result from available-for-sale assets	190	189	155	97
Net fee and commission income	1 678	1 450	706	869
Fee and commission income	2 348	2 101	1 024	1 368
Fee and commission expense	-670	-651	- 318	-499
Net other income	297	258	98	124
TOTAL INCOME	7 148	7 211	3 581	3 926
Operating expenses	-3 890	-3 948	- 2 090	-2 139
Staff expenses	-2 245	-2 252	- 1 111	-1 141
General administrative expenses	-1 392	-1 449	- 859	-869
Depreciation and amortisation of fixed assets	-253	-246	- 120	-129
Impairment	-747	-201	- 99	64
on loans and receivables	-323	-126	- 54	72
on available-for-sale assets	-45	-55	- 43	-3
on goodwill	-344	0	0	0
on other	-34	-20	- 2	-5
Share in results of associated companies and joint ventures	24	27	13	8
RESULT BEFORE TAX	2 535	3 090	1 405	1 858

Income tax expense	104	-662	-292	-373
Net post-tax result from discontinued operations	0	0	0	0
RESULT AFTER TAX	2 639	2 428	1 113	1 485
Attributable to minority interest	0	0	0	0
<i>of which relating to discontinued operations</i>	0	0	0	0
Attributable to equity holders of the parent	2 639	2 427	1 113	1 485
<i>of which relating to discontinued operations</i>	0	0	0	0
Earnings per share (in EUR)				
Basic	3,80	5,68	2,60	3,49
Diluted	3,80	5,68	2,60	3,49

Consolidated cash flow statement

In millions of EUR	2015	2016	1H 2016	1H 2017
Operating activities				
Result before tax	2 535	3 090		
Adjustments for:	1 394	459		
Result before tax related to discontinued operations	0	0		
Depreciation, impairment and amortisation of property and equipment, intangible assets, investment property and securities	698	341		
Profit/Loss on the disposal of investments	-24	-11		
Change in impairment on loans and advances	323	126		
Change in gross technical provisions - insurance	429	391		
Change in the reinsurers' share in the technical provisions	69	17		
Change in other provisions	-224	-7		
Other non realised gains or losses	147	-371		
Income from associated companies and joint ventures	-24	-27		
Cashflows from operating profit before tax and before changes in operating assets and liabilities	3 927	3 548		
Changes in operating assets (excl. cash & cash equivalents)	-2 897	-3 676		
Loans and receivables	-3 866	-4 226		
Available for sale	-3 324	-909		
Held for trading	1 656	707		
Designated at fair value through P&L	2 066	657		
Hedging derivatives	590	104		
Operating assets associated with disposal groups & other assets	-20	-9		
Changes in operating liabilities (excl. cash & cash equivalents)	10 032	18 611		
Deposits at amortised cost	9 464	15 044		
Debt certificates at amortised cost	255	11 728		
Financial liabilities held for trading	172	175		
Financial liabilities designated at fair value through P&L	1 226	-7 355		

Liability-derivatives hedge accounting	-998	-867		
Operating liabilities associated with disposal groups & other liabilities	-88	-114		
Income taxes paid	-457	-470		
Net cash from (used in) operating activities	10 604	18 014	4 583	13 451
Investing activities				
Purchase of held-to-maturity securities	-3 202	-2 365		
Proceeds from the repayment of held-to-maturity securities at maturity	2 029	1 683		
Acquisition of a subsidiary or a business unit, net of cash acquired (increase in participation interests included)	200	0		
Proceeds from the disposal of a subsidiary or business unit, net of cash disposed (decrease in participation interests included)	0	0		
Purchase of shares in associated companies and joint ventures	0	0		
Proceeds from the disposal of shares in associated companies and joint ventures	0	0		
Dividends received from associated companies and joint ventures	23	26		
Purchase of investment property	-5	-35		
Proceeds from the sale of investment property	15	32		
Purchase of intangible fixed assets (excl. goodwill)	-158	-158		
Proceeds from the sale of intangible fixed assets (excl. goodwill)	39	9		
Purchase of property and equipment	-558	-713		
Proceeds from the sale of property and equipment	233	269		
Net cash from (used in) investing activities	-1 385	-1 252	345	2 490
Financing activities				
Purchase or sale of treasury shares	0	0		
Issue or repayment of promissory notes and other debt securities	-537	-140		
Proceeds from or repayment of subordinated liabilities	-277	-428		
Principal payments under finance lease obligations	0	0		
Proceeds from the issuance of share capital	17	16		
Proceeds from or repayment of non-voting core-capital securities	-3 000	0		
Proceeds from the issuance or repayment of preference shares	0	0		
Dividends paid	-1 058	-470		
Net cash from (used in) financing activities	-4 855	-1 022	294	-337
Change in cash and cash equivalents				
Net increase or decrease in cash and cash equivalents	4 364	15 741	5 222	15 604
Cash and cash equivalents at the beginning of the period	6 518	10 987	10 987	26 747
Effects of exchange rate changes on opening cash and cash equivalents	104	19	-32	330
Cash and cash equivalents at the end of the period	10 987	26 747	16 177	42 681
Additional information				

Interest paid	-2 839	-2 384
Interest received	7 150	6 642
Dividends received (including equity method)	98	103
Components of cash and cash equivalents		
Cash and cash balances with central banks	7 038	20 148
Loans and advances to banks repayable on demand and term loans to banks < 3 months	6 541	11 622
Deposits from banks repayable on demand and redeemable at notice	-2 593	-5 023
Cash and cash equivalents included in disposal groups	0	0
Total	10 987	26 747
Of which not available	0	0