

**KBC GROUP NV BASE PROSPECTUS SUPPLEMENT (N°1)**

dated 18 September 2018

**KBC Group NV***(incorporated with limited liability in Belgium)***EUR 10,000,000,000****Euro Medium Term Note Programme**

This supplement dated 18 September 2018 (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 12 June 2018 (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****a) Long-term ratings of KBC Group NV**

On 30 July 2018 Standard & Poors (“S&P”) upgraded KBC Group’s credit ratings from a stable outlook (BBB+) to a stable outlook (A-).

This rating upgrade reflects S&P’s view that the group will continue strengthening its balance sheet, thanks to its solid financial performance and low-risk profile, clear medium term strategy, and a business model well adapted to evolving regulatory requirements.

Due to the new information, the section “*Network and Ratings of KBC Group*” mentioned on page 99 of the Base Prospectus is amended as described below.

## b) Introduction

On 9 August 2018, the Issuer published its extended quarterly report for the second quarter and the first half of 2018 in the document “*KBC Group Quarterly Report 2Q 2018*” accompanied by a press release entitled “*KBC Group: second quarter result of 692 million euros*”.

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](http://www.kbc.com/investors)) and from the website of Euronext Brussels ([www.euronext.com](http://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.

## c) Documents incorporated by reference

- (i) The section “*Documents incorporated by reference*” on page 49 of the Base Prospectus will be supplemented by adding the following point 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 2018 which have been reviewed by the auditor in accordance with the International Standard on Review Engagements 2410, set out in the Quarterly Report 2Q 2018 of the Issuer.”

- (ii) The section “Documents incorporated by reference” on page 49 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 2016 and 31 December 2017\*”:

“The table below sets out the relevant page references for the unaudited financial statements for the half year ended 30 June 2018 of the Issuer, as set out in the Quarterly Report 2Q 2018 of the Issuer.

### Unaudited Interim financial report for the half year to 30 June 2018 of the Issuer\*

report for 2Q2018	page 3
consolidated financial statements according to IFRS	page 11
consolidated income statement	page 12
consolidated statement of comprehensive income (condensed)	page 14
consolidated balance sheet	page 15
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notes on statement of compliance and changes in accounting policies	page 18

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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 2018 and for the six-month period then ended	page 32

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

**d) Selected Financial Information**

The section “*Selected Financial Information*” on pages 151 to and including 155, 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.

**e) General Information**

Paragraph (3) on page 179 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 2018 and no material adverse change in the prospects of the Issuer since 31 December 2017.”*

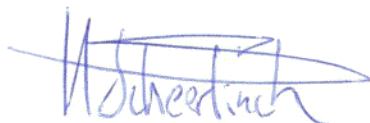
**II. General**

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 12 June 2018, 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](http://www.euronext.com)) and the website of the Issuer ([www.kbc.com](http://www.kbc.com)<sup>1</sup>).

18 September 2018



**Hendrik Scheerlinck**  
Executive Director

Authorized signatory  
on behalf of KBC Group NV



**Christine Van Rijss**  
Executive Director

Authorized signatory  
on behalf of KBC Group NV

<sup>1</sup> [https://www.kbc.com/MISC/D9e01/Homepagina\\_KBCCOM\\_Engels/investor\\_relations/debt\\_issuance](https://www.kbc.com/MISC/D9e01/Homepagina_KBCCOM_Engels/investor_relations/debt_issuance)

**Annex 1**  
**Network and ratings of KBC Group**

The Group's main credit ratings as at the date of this Supplement are published in the table below:

Rating agencies	Long term debt rating (+ outlook/watch)	Short term debt rating (+ outlook/watch)
<b>Fitch</b>		
KBC Bank	A (positive outlook)	F1
KBC Group NV	A (stable outlook)	F1
<b>Moody's</b>		
KBC Bank	A1 (stable outlook)	P-1
KBC Group NV	Baa1 (stable outlook)	P-2
<b>S &amp; P</b>		
KBC Bank	A+ (stable outlook)	A1
KBC Insurance *	A (stable outlook)	-
KBC Group NV	A- (stable outlook)	A2

KBC Bank of Belgium  
KBC Group NV

**Annex 2**  
**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 2016 and 31 December 2017 and from the unaudited consolidated financial statements of the Issuer for the six months ended 30 June 2018 which have been reviewed by the auditor in accordance with the International Standard on Review Engagements 2410 included in the quarterly report 2Q 2018 of the Issuer.*

***The consolidated financial statements of the Issuer for the years ended 31 December 2016 and 31 December 2017 have been audited in accordance with ISA.***

Note: As of 2018, KBC Group started applying IFRS 9. In simplified terms, this means that the classification of financial assets and liabilities, as well as the impairment methodology, have changed significantly. As a result, some of the profit and loss and balance sheet figures are not fully comparable to the 2017 and 2016 reference figures (which are still based on IAS 39, as KBC is making use of transition relief for comparative data). More information on the transition to IFRS 9 is provided in KBC Group's 1Q2018 and 2Q2018 quarterly reports, available on [www.kbc.com](http://www.kbc.com).

**Consolidated balance sheet**

ASSETS (in millions of EUR)	31-12- 2016	31-12- 2017	30-06- 2017	30-06- 2018
Cash, cash balances with central banks and other demand deposits from credit institutions	20 686	29 727	32 546	31 346
Financial assets	246 298	254 753	255 465	262 170
Held for trading	9 683	7 431	9 055	-
Designated at fair value through profit or loss	14 184	14 484	14 408	-
Available for sale	36 708	34 156	35 418	-
Loans and receivables	151 615	167 458	164 754	-
Held to maturity	33 697	30 979	31 432	-
Amortised cost	-	-	-	220 105
Fair value through other comprehensive income	-	-	-	18 451
Fair value through profit and loss	-	-	-	23 359
Of which Held for trading	-	-	-	7 580
Hedging derivatives	410	245	399	255
Reinsurers' share in technical provisions	110	131	119	131
Fair value adjustments of hedged items in portfolio hedge of interest rate risk	202	-78	-3	-18
Tax assets	2 312	1 625	2 210	1 739
Current tax assets	66	82	91	189
Deferred tax assets	2 246	1 543	2 119	1 550
Non-current assets held for sale and assets associated with disposal groups	8	21	24	13
Investments in associated companies and joint ventures	212	240	217	201
Property and equipment and investment property	2 877	3 207	2 983	3 314
Goodwill and other intangible assets	999	1 205	1 152	1 228
Other assets	1 496	1 512	1 767	1 808

TOTAL ASSETS	275 200	292 342	296 479	301 934
<b>LIABILITIES AND EQUITY (in millions of EUR)</b>	<b>31-12-2016</b>	<b>31-12-2017</b>	<b>30-06-2017</b>	<b>30-06-2018</b>
Financial liabilities	234 300	251 260	255 641	260 962
Amortised cost	207 485	227 944	231 148	238 772
Fair value through profit or loss	25 112	22 032	22 985	21 028
Of which Held for trading	8 559	6 998	8 019	6 057
Hedging derivatives	1 704	1 284	1 508	1 161
Technical provisions, before reinsurance	19 657	18 641	18 905	18 595
Fair value adjustments of hedged items in portfolio hedge of interest rate risk	204	-86	79	-127
Tax liabilities	681	582	659	409
Current tax liabilities	188	148	205	94
Deferred tax liabilities	493	434	455	315
Liabilities associated with disposal groups	0	0	0	0
Provisions for risks and charges	238	399	257	312
Other liabilities	2 763	2 743	2 873	2 767
<b>TOTAL LIABILITIES</b>	<b>257 843</b>	<b>273 540</b>	<b>278 414</b>	<b>282 918</b>
Total equity	17 357	18 803	18 065	19 016
Parent shareholders' equity	15 957	17 403	16 665	16 616
Additional Tier-1 instruments included in equity	1 400	1 400	1 400	2 400
Minority interests	0	0	0	0
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>275 200</b>	<b>292 342</b>	<b>296 479</b>	<b>301 934</b>

### Consolidated income statement

<b>In millions of EUR</b>	<b>2016</b>	<b>2017</b>	<b>1H 2017</b>	<b>1H 2018</b>
Net interest income	4 258	4 121	2 052	2 242
Interest income	6 642	6 337	3 142	3 394
Interest expense	-2 384	-2 216	-1 090	-1 153
Non-life insurance before reinsurance	628	706	366	364
Earned premiums Non-life	1 410	1 491	729	770
Technical charges Non-life	-782	-785	-363	-406
Life insurance before reinsurance	-152	-58	-52	-5
Earned premiums Life	1 577	1 271	579	651
Technical charges Life	-1 728	-1 330	-631	-656
Ceded reinsurance result	-38	-8	-13	-23
Dividend income	77	63	44	55
Net result from financial instruments at fair value through profit or loss	540	856	439	150
Of which Result on equity instruments (overlay)	-	-	-	52
Net realised result from available-for-sale assets	189	199	97	-
Net realised result from debt instruments at fair value through other comprehensive income	-	-	-	9
Net fee and commission income	1 450	1 707	869	889
Fee and commission income	2 101	2 615	1 368	1 247
Fee and commission expense	-651	-908	-499	-359

Net other income	258	114	124	94
<b>TOTAL INCOME</b>	<b>7 211</b>	<b>7 700</b>	<b>3 926</b>	<b>3 775</b>
Operating expenses	-3 948	-4 074	-2 139	-2 257
Staff expenses	-2 252	-2 303	-1 141	-1 170
General administrative expenses	-1 449	-1 505	-869	-951
Depreciation and amortisation of fixed assets	-246	-266	-129	-137
Impairment	-201	30	64	58
on loans and receivables	-126	87	72	-
on financial assets at amortised cost and at fair value through other comprehensive income	-	-	-	84
on available-for-sale assets	-55	-12	-3	-
on goodwill	0	0	0	0
on other	-20	-45	-5	-26
Share in results of associated companies and joint ventures	27	11	8	10
<b>RESULT BEFORE TAX</b>	<b>3 090</b>	<b>3 667</b>	<b>1 858</b>	<b>1 585</b>
Income tax expense	-662	-1 093	-373	-337
Net post-tax result from discontinued operations	0	0	0	0
<b>RESULT AFTER TAX</b>	<b>2 428</b>	<b>2 575</b>	<b>1 485</b>	<b>1 248</b>
Attributable to minority interest	0	0	0	0
<i>of which relating to discontinued operations</i>	0	0	0	0
<b>Attributable to equity holders of the parent</b>	<b>2 427</b>	<b>2 575</b>	<b>1 485</b>	<b>1 248</b>
<i>of which relating to discontinued operations</i>	0	0	0	0
Earnings per share (in EUR)				
Basic	5,68	6,03	3,49	2,91
Diluted	5,68	6,03	3,49	2,91

### Consolidated cash flow statement

In millions of EUR	2016	2017	1H 2017	1H 2018
Operating activities				
Result before tax	3 090	3 667		
Adjustments for:				
Result before tax related to discontinued operations	0	0		
Depreciation, impairment and amortisation of property and equipment, intangible assets, investment property and securities	341	340		
Profit/Loss on the disposal of investments	-11	-16		
Change in impairment on loans and advances	126	-87		
Change in gross technical provisions - insurance	391	-149		
Change in the reinsurers' share in the technical provisions	17	-18		
Change in other provisions	-7	121		
Other unrealised gains or losses	-104	-621		
Income from associated companies and joint ventures	-27	-11		
Cashflows from operating profit before tax and before changes in operating assets and liabilities	3 815	3 227		

Changes in operating assets (excl. cash & cash equivalents)	-3 676	694		
Held for trading	707	2 751		
Designated at fair value through P&L	657	-299		
Available for sale	-909	2 927		
Loans and receivables	-4 226	-4 854		
Hedging derivatives	104	165		
Operating assets associated with disposal groups & other assets	-9	4		
Changes in operating liabilities (excl. cash & cash equivalents)	18 345	9 464		
Deposits at amortised cost	15 044	7 468		
Debt represented by securities measured at amortised cost	11 728	5 874		
Financial liabilities held for trading	175	-1 345		
Financial liabilities designated at fair value through P&L	-7 355	-1 543		
Hedging derivatives	-867	-200		
Technical provisions, before reinsurance	-267	-867		
Operating liabilities associated with disposal groups & other liabilities	-114	78		
Income taxes paid	-470	-523		
Net cash from (used in) operating activities	18 014	12 863	13 451	2 885
<b>Investing activities</b>				
Purchase of held-to-maturity securities	-2 365	-2 096		
Proceeds from the repayment of held-to-maturity securities at maturity	1 683	4 685		
Acquisition of a subsidiary or a business unit, net of cash acquired (increase in participation interests included)	0	185		
Proceeds from the disposal of a subsidiary or business unit, net of cash disposed (decrease in participation interests included)	0	7		
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	26	26		
Purchase of investment property	-35	-37		
Proceeds from the sale of investment property	32	19		
Purchase of intangible fixed assets (excl. goodwill)	-158	-206		
Proceeds from the sale of intangible fixed assets (excl. goodwill)	9	6		
Purchase of property and equipment	-713	-793		
Proceeds from the sale of property and equipment	269	152		
Net cash from (used in) investing activities	-1 252	1 947	2 490	2 314
<b>Financing activities</b>				
Purchase or sale of treasury shares	0	-5		
Issue or repayment of promissory notes and other debt securities	-140	-657		
Proceeds from or repayment of subordinated liabilities	-428	120		



Principal payments under finance lease obligations	0	0		
Proceeds from the issuance of share capital	16	15		
Proceeds from or repayment of non-voting core-capital securities	0	0		
Proceeds from the issuance or repayment of preference shares	0	0		
Dividends paid	-470	-1 223		
Net cash from (used in) financing activities	-1 022	-1 750	-337	578
<b>Change in cash and cash equivalents</b>				
Net increase or decrease in cash and cash equivalents	15 741	13 060	15 604	5 777
Cash and cash equivalents at the beginning of the period	10 987	26 747	26 747	40 413
Effects of exchange rate changes on opening cash and cash equivalents	19	606	330	-400
Cash and cash equivalents at the end of the period	26 747	40 413	42 681	45 791
<b>Additional information</b>				
Interest paid	-2 384	-2 216		
Interest received	6 642	6 337		
Dividends received (including equity method)	103	89		
<b>Components of cash and cash equivalents</b>				
Cash and cash balances with central banks	20 148	29 727		
Loans and advances to banks repayable on demand and term loans to banks < 3 months	11 622	20 118		
Deposits from banks repayable on demand	-5 023	-9 431		
Cash and cash equivalents included in disposal groups	0	0		
Total	26 747	40 413		
Of which not available	0	0		