

KBC GROUP NV BASE PROSPECTUS SUPPLEMENT (N°1)

dated 20 August 2019



KBC Group NV

(incorporated with limited liability in Belgium)

EUR 10,000,000,000

Euro Medium Term Note Programme

This supplement dated 22 August 2019 (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 4 June 2019 (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) Introduction

On 8 August 2019, the Issuer published its extended quarterly report for the second quarter and the first half of 2019 in the document “*KBC Group Quarterly Report 2Q2019*” accompanied by a press release entitled “*KBC Group: Second-quarter result of 745 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) 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.

b) 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:

“(d) the unaudited consolidated financial statements of the Issuer for the six months ended 30 June 2019 which have been reviewed by the auditor in accordance with the International Standard on Review Engagements 2410, set out in the Quarterly Report 2Q2019 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 2017 and 31 December 2018*”:

“The table below sets out the relevant page references for the unaudited financial statements for the half year ended 30 June 2019 of the Issuer, as set out in the Quarterly Report 2Q2019 of the Issuer.

Unaudited Interim financial report for the half year to 30 June 2019 of the Issuer*

report for 2Q2019	page 2
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
consolidated statement of changes in equity	page 16
consolidated cash flow statement	page 18
notes on statement of compliance and changes in accounting policies	page 18
notes on segment reporting	page 20
other notes	page 21
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 31

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

c) Selected Financial Information

The section “*Selected Financial Information*” on pages 150 to and including 154, 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.

d) General Information

Paragraph (3) on page 177 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 2019 and no material adverse change in the prospects of the Issuer since 31 December 2018.”

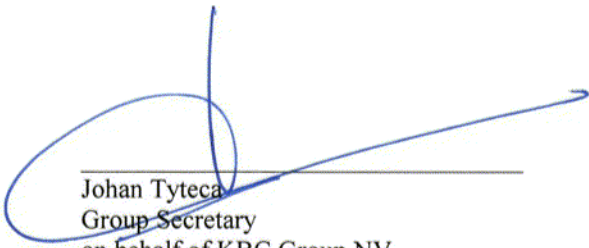
II. General

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 4 June 2019, 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).

20 August 2019



Johan Tyteca
Group Secretary
on behalf of KBC Group NV



Johan Thijs
Executive director
on behalf of KBC Group NV

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

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 2017 and 31 December 2018 and from the unaudited consolidated financial statements of the Issuer for the six months ended 30 June 2018 and 30 June 2019 which have been reviewed by the auditor in accordance with the International Standard on Review Engagements 2410 included in the quarterly report 2Q2019 of the Issuer.

As of 2018, the financial information is prepared in accordance with IFRS 9.

Consolidated balance sheet

ASSETS (in millions of EUR)	31-12- 2017 (IAS 39)	31-12- 2018 (IFRS 9)	30-06- 2018	30-06- 2019
Cash, cash balances with central banks and other demand deposits from credit institutions	29 727	18 691	31 346	8 046
Financial assets	254 753	256 916	262 170	272 041
Held for trading	7 431	-	-	-
Designated at fair value through profit or loss	14 484	-	-	-
Available for sale	34 156	-	-	-
Loans and receivables	167 458	-	-	-
Held to maturity	30 979	-	-	-
Amortised cost	-	216 792	220 105	229 663
Fair value through other comprehensive income	-	18 279	18 451	18 931
Fair value through profit and loss	-	21 663	23 359	23 265
Of which Held for trading	-	6 426	7 580	7 460
Hedging derivatives	245	183	255	182
Reinsurers' share in technical provisions insurance	131	120	131	136
Fair value adjustments of hedged items in portfolio hedge of interest rate risk	-78	64	-18	635
Tax assets	1 625	1 549	1 739	1 595
Current tax assets	82	92	189	143
Deferred tax assets	1 543	1 457	1 550	1 452
Non-current assets held for sale and assets associated with disposal groups	21	14	13	10
Investments in associated companies and joint ventures	240	215	201	58
Property and equipment and investment property	3 207	3 299	3 314	3 742
Goodwill and other intangible assets	1 205	1 330	1 228	1 559
Other assets	1 512	1 610	1 808	1 725
TOTAL ASSETS	292 342	283 808	301 934	289 548

LIABILITIES AND EQUITY (in millions of EUR)	31-12-2017 (IAS 39)	31-12-2018 (IFRS 9)	30-06-2018	30-06-2019
Financial liabilities	251 260	242 626	260 962	248 106
Amortised cost	227 944	220 671	238 772	224 559
Fair value through profit or loss	22 032	20 844	21 028	22 349
Of which Held for trading	6 998	5 834	6 057	6 571
Of which designated at fair value through profit or loss	15 34	-		
Hedging derivatives	1 284	1 111	1 161	1 198
Technical provisions, before reinsurance	18 641	18 324	18 595	18 652
Fair value adjustments of hedged items in portfolio hedge of interest rate risk	-86	-79	-127	-30
Tax liabilities	582	380	409	429
Current tax liabilities	148	133	94	51
Deferred tax liabilities	434	247	315	377
Liabilities associated with disposal groups	0	0	0	0
Provisions for risks and charges	399	235	312	203
Other liabilities	2 743	2 689	2 767	2 889
TOTAL LIABILITIES	273 540	264 175	282 918	270 249
Total equity	18 803	19 633	19 016	19 299
Parent shareholders' equity	17 403	17 233	16 616	17 799
Additional Tier-1 instruments included in equity	1 400	2 400	2 400	1 500
Minority interests	0	0	0	0
TOTAL LIABILITIES AND EQUITY	292 342	283 808	301 934	289 548

Consolidated income statement

In millions of EUR	2017 (IAS 39)	2018 (IFRS 9)	1H 2018	1H 2019
Net interest income	4 121	4 543	2 242	2 261
Interest income	6 337	6 996	3 394	3 629
Interest expense	-2 216	-2 453	-1 153	-1 367
Non-life insurance before reinsurance	706	760	364	335
Earned premiums Non-life	1 491	1 582	770	840
Technical charges Non-life	-785	-822	-406	-505
Life insurance before reinsurance	-58	-18	-5	-2
Earned premiums Life	1 271	1 359	651	668
Technical charges Life	-1 330	-1 377	-656	-669
Ceded reinsurance result	-8	-41	-23	-5
Dividend income	63	82	55	51
Net result from financial instruments at fair value through profit or loss	856	231	150	97
Of which Result on equity instruments (overlay approach)	-	51	52	48
Net realised result from available-for-sale assets	199	-	-	-
Net realised result from debt instruments at fair value through other comprehensive income	-	9	9	2
Net fee and commission income	1 707	1 719	889	845

Fee and commission income	2 615	2 456	1 247	1 203
Fee and commission expense	-908	-737	-359	-358
Net other income	114	226	94	192
TOTAL INCOME	7 700	7 512	3 775	3 775
Operating expenses	-4 074	-4 234	-2 257	-2 283
Staff expenses	-2 303	-2 343	-1 170	-1 170
General administrative expenses	-1 505	-1 612	-951	-944
Depreciation and amortisation of fixed assets	-266	-280	-137	-169
Impairment	30	17	58	-109
on loans and receivables	87	-	-	-
on financial assets at amortised cost and at fair value through other comprehensive income	-	62	84	-103
on available-for-sale assets	-12	-	-	-
on goodwill	0	0	0	0
on other	-45	-45	-26	-6
Share in results of associated companies and joint ventures	11	16	10	8
RESULT BEFORE TAX	3 667	3 310	1 585	1 392
Income tax expense	-1 093	-740	-337	-217
Net post-tax result from discontinued operations	0	0	0	0
RESULT AFTER TAX	2 575	2 570	1 248	1 175
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	2 575	2 570	1 248	1 175
<i>of which relating to discontinued operations</i>	0	0	0	0
Earnings per share (in EUR)				
Basic	6.03	5.98	2,91	2.75
Diluted	6.03	5.98	2,91	2.74

Consolidated cash flow statement

In millions of EUR	2017		1H 2018	1H 2019
	(IAS 39)	2018 (IFRS 9)		
Operating activities				
Result before tax	3 667	3 310		
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	340	414		
Profit/Loss on the disposal of investments	-16	19		
Change in impairment on loans and advances	-87	-59		
Change in gross technical provisions - insurance	-149	-30		
Change in the reinsurers' share in the technical provisions	-18	10		
Change in other provisions	121	-58		
Other unrealised gains or losses	-621	158		
Income from associated companies and joint ventures	-11	-16		

Cashflows from operating profit before tax and before changes in operating assets and liabilities	3 227	3 748		
Changes in operating assets (excl. cash & cash equivalents)	694	-5 141		
Loans and receivables	-4 854	-		
Available for sale	2 927	-		
Financial assets held for trading	2 751	-		
Financial assets initially recognised at fair value through profit and loss	-299	-		
Financial assets at amortised cost (excluding debt securities)	-	-7 363		
Financial assets at fair value through other comprehensive income	-	911		
Financial assets at fair value through profit or loss	-	1 350		
Of which financial assets held for trading	-	720		
Hedging derivatives	165	63		
Operating assets associated with disposal groups & other assets	4	-101		
Changes in operating liabilities (excl. cash & cash equivalents)	9 464	-6 015		
Deposits at amortised cost	13 342	-3 586		
Financial liabilities at fair value through profit or loss	-2 888	-1 871		
Financial liabilities held for trading	-1 345	-1 132		
Hedging derivatives	-200	-127		
Technical provisions, before reinsurance	-867	-288		
Operating liabilities associated with disposal groups & other liabilities	78	-143		
Income taxes paid	-523	-554		
Net cash from (used in) operating activities	12 863	-7 962	2 885	-4 877
Investing activities				
Purchase of held-to-maturity securities	-2 096	-		
Purchase of debt securities at amortised cost	-	-2 609		
Proceeds from the repayment of held-to-maturity securities at maturity	4 685	-		
Proceeds from the repayment of debt securities at amortised cost	-	5 438		
Acquisition of a subsidiary or a business unit, net of cash acquired (increase in participation interests included)	185	-19		
Proceeds from the disposal of a subsidiary or business unit, net of cash disposed (decrease in participation interests included)	7	0		
Purchase of shares in associated companies and joint ventures	0	-10		
Proceeds from the disposal of shares in associated companies and joint ventures	0	2		
Dividends received from associated companies and joint ventures	26	23		
Purchase of investment property	-37	-74		
Proceeds from the sale of investment property	19	29		
Purchase of intangible fixed assets (excl. goodwill)	-206	-260		
Proceeds from the sale of intangible fixed assets (excl. goodwill)	6	8		

Purchase of property and equipment	-793	-668		
Proceeds from the sale of property and equipment	152	237		
Net cash from (used in) investing activities	1 947	2 098	2 314	848
Financing activities				
Purchase or sale of treasury shares	-5	-179		
Issue or repayment of promissory notes and other debt securities	-657	1 389		
Proceeds from or repayment of subordinated liabilities	120	-928		
Principal payments under finance lease obligations	0	0		
Proceeds from the issuance of share capital	15	16		
Proceeds from or repayment of non-voting core-capital securities	0	0		
Issue of additional tier-1 instruments	0	995		
Proceeds from the issuance or repayment of preference shares	0	0		
Dividends paid	-1 171	-1 253		
Coupon on additional tier-1 instruments	-52	-70		
Net cash from (used in) financing activities	-1 750	-30	578	-685
Change in cash and cash equivalents				
Net increase or decrease in cash and cash equivalents	13 060	-5 894	5 778	-4 716
Cash and cash equivalents at the beginning of the period	26 747	40 413	40 413	34 354
Effects of exchange rate changes on opening cash and cash equivalents	606	-165	-400	222
Cash and cash equivalents at the end of the period	40 413	34 354	45 791	29 860
Additional information				
Interest paid	-2 216	-2 453		
Interest received	6 337	6 996		
Dividends received (including equity method)	89	105		
Components of cash and cash equivalents				
Cash and cash balances with central banks	29 727	18 691		
Term loans to banks at not more than three months (excluding reverse repos)	643	674		
Reverse repos of up to three month with credit institutions and investment firms	19 475	20 955		
Deposits from banks repayable on demand	-9 431	-5 966		
Cash and cash equivalents included in disposal groups	0	0		
Total	40 413	34 354		
Of which not available	0	0		