



**KBC IFIMA S.A.**

*(Incorporated with limited liability in Luxembourg)*

**Unconditionally and irrevocably guaranteed by KBC Bank NV**

*(Incorporated with limited liability in Belgium)*

**€10,000,000,000**

**Retail Euro Medium Term Note Programme**

This base prospectus supplement (the “**Supplement N°2**”) constitutes a supplement for the purposes of Article 16 of Directive n° 2003/71/EC (the “**Prospectus Directive**”) and Article 13 of the Luxembourg Law of 10 July 2005 on Prospectuses for Securities (the “**Prospectus Law**”), implementing the Prospectus Directive. The Supplement N°2 is supplemental to, forms part of, and must be read in conjunction with the base prospectus dated 21 June 2016 as supplemented by the supplement dated 15 September 2016 (the “**Supplement N°1**”) (the “**Retail Base Prospectus**”), issued by KBC IFIMA S.A. (the “**Issuer**”), for the purpose of giving information with regard to the issue of Notes under its €10,000,000,000 Retail Euro Medium Term Note Programme during the period of twelve months after the date of the Retail Base Prospectus. Terms defined in the Retail Base Prospectus or in any document incorporated by reference in the Retail Base Prospectus shall, unless the context otherwise requires, have the same meaning when used in this Supplement N°2.

This Supplement N°2 has been approved by the Luxembourg Commission de Surveillance du Secteur Financier (the “**CSSF**”), as competent authority under the Prospectus Directive. This Supplement N°2 will be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and on the [www.kbc.com](http://www.kbc.com)<sup>1</sup> website.

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Supplement N°2 and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Supplement N°2 is, to the best of its knowledge and belief, in accordance with the facts and does not omit anything likely to affect the import of such information.

**I. New Information**

**1) Long-term ratings of KBC Bank NV (the “Guarantor”)**

On 20 March 2017 Fitch France S.A.S. (“Fitch”) upgraded the Guarantor’s long-term credit ratings from A- with a positive outlook to A with a stable outlook. This rating upgrade reflects the continued, gradual improvement in the bank’s Irish legacy loan portfolio, which combined with improved profitability and strengthened capitalisation has made KBC Bank more resilient to unexpected shocks. KBC Bank’s ratings are underpinned by its strong retail and corporate franchise in its two key markets, Belgium and the Czech Republic, limited market risk, strong and diversified earnings generation, solid capitalisation and sound funding and liquidity.

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<sup>1</sup> <https://www.kbc.com/en/kbc-ifima>

As a result of the ratings upgrade described above, the references in the Base Prospectus to the long-term credit ratings of the Guarantor given by Fitch are hereby replaced with “A” in Section B19/B.17 of the Summary of the Base Prospectus on page 10 of the Base Prospectus and in Clause 6 (Ratings of KBC Bank) of the Description of the Guarantor on page 348 of the Base Prospectus.

## 2) Publication of KBC Bank NV Annual Report for 2016

On 31 March 2017 KBC Bank NV published its annual financial results for the financial year ending on 31 December 2016 together with the related statutory auditors’ report in the document titled “*KBC Bank Annual Report 2016*”.

In order to ensure that the information contained in the Retail Base Prospectus is up-to-date as required by the Prospective Directive and the Prospectus Law, the financial reports of the Issuer and the Guarantor will be incorporated by reference in the Retail Base Prospectus. A copy of these documents can be obtained from the [www.kbc.com](http://www.kbc.com)<sup>2</sup> website, from the website of the Luxembourg Stock Exchange at [www.bourse.lu](http://www.bourse.lu) and from the registered office of the Issuer and the Principal Paying Agent.

Due to the new information, the sections *Summary of the Base Prospectus* and *Documents Incorporated by Reference* as well as *Significant or Material Change* of the Retail Base Prospectus are amended as described below.

## 3) Publication of KBC IFIMA S.A. Annual Report for 2016

On 28 April 2017, KBC IFIMA S.A. published its audited non-consolidated annual results for the year ended on 31 December 2016 together with the related statutory auditors’ report in the document titled as “*KBC IFIMA S.A. Annual accounts as at 31 December 2016 and independent auditor’s report*”.

In order to ensure that the information contained in the Retail Base Prospectus is up-to-date as required by the Prospectus Directive and the Prospectus Law, the aforementioned document will be incorporated by reference in the Retail Base Prospectus. A copy of this document, incorporated by reference in the Retail Base Prospectus, can be obtained from the [www.kbc.com](http://www.kbc.com)<sup>3</sup> website, from the website of the Luxembourg Stock Exchange at [www.bourse.lu](http://www.bourse.lu) and from the registered office of the Issuer and the Principal Paying Agent.

Due to this new information, the sections *Summary of the Base Prospectus* and *Documents Incorporated by Reference* as well as *Significant or Material Change* in the Retail Base Prospectus are amended as described below.

## 4) Summary of the Retail Base Prospectus

(i) Item B.10 on page 3 of the Retail Base Prospectus will be replaced as follows:

<b>B.10</b>	Audit report qualifications	Not applicable; there are no qualifications in the audit reports on the Issuer’s audited financial statements for the years ended 31 December 2015 and 31 December 2016.
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(ii) Item B.12 on page 3 and following of the Retail Base Prospectus will be replaced as follows:

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<sup>2</sup> “*KBC Bank, Annual Report for 2016*” is available at [https://www.kbc.com/en/system/files/doc/investor-relations/Results/JVS\\_2016/JVS\\_2016\\_BNK\\_en.pdf](https://www.kbc.com/en/system/files/doc/investor-relations/Results/JVS_2016/JVS_2016_BNK_en.pdf)

<sup>3</sup> KBC IFIMA S.A.’s “*KBC IFIMA S.A. Annual accounts as at 31 December 2016 and independent auditor’s report*” is available at [https://www.kbc.com/en/system/files/doc/other/2016\\_FY\\_ifima.pdf](https://www.kbc.com/en/system/files/doc/other/2016_FY_ifima.pdf)

<b>B12</b>	Selected historical key financial information / Material adverse change / Significant change in the financial or trading position:	<i>Selected historical key information:</i>		
		<b><i>Income Statement</i></b>		
			<b>2015 (EUR)</b>	<b>2016 (EUR)</b>
		Summary of profit and loss account		
		Gross margin and other income	N/A	N/A
		Total Expenses	N/A	N/A
		Other external charges	578 351	367 470
		Staff costs	151 636	188 408
		Profit before taxation	N/A	N/A
		Corporation tax	N/A	N/A
		Income tax (includes all taxes applicable)	990 577	479 819
		Net profit for the year	N/A	N/A
		Profit for the financial year	2 296 717	1 107 928
	<b>2015 (EUR)</b>	<b>2016 (EUR)</b>		
<b><i>Statement of Financial Position</i></b>				
Summary of balance sheet				
Total Assets	6630556146	4118851117		
Total bonds outstanding	N/A	N/A		
Of which maturing within one year	N/A	N/A		
Non subordinated debts – non convertible loans	6 607 854 248	4 088 813 841		

Of which maturing within one year	2 536 174 843	1 803 537 635
Shareholders' equity	N/A	N/A
Capital and reserves	11 302 721	20 650 114
Gross interest margin	N/A	N/A
Profit after tax	N/A	N/A
Solvency ratio	N/A	N/A
Dividends paid out of previous year's profits	- 1 700 000	- 2 181 881

***Cash flow statement***

	<b>2015 (EUR)</b>	<b>2016 (EUR)</b>
Net profit	2296717	1107928
Ajdustment for:		
Depreciation	N/A	N/A
Interests income/charges	(3765946)	(1954808)
Net amortisation on loans and bonds	(243450)	(241678)
Other provision	(215209)	965
Other – adjustment	(231519)	N/A
	(2159407)	(1087593)
Change in other assets and liabilities accruals	N/A	N/A
Change in other assets and liabilities	24288	(110492)
Taxes (paid)/received	(535)	678025

Tax provision	969111	515 884
<b>Net cash flow from operational activities</b>	<b>(1166543)</b>	<b>10399158</b>
Distribution on liquidation of subsidiaries	N/A	N/A
Financial fixed assets – issued	(112631764)	(91200650)
Financial fixed assets – repaid	3710206174	2558509585
Interests received	302451735	177378 562
<b>Net cash flow from investment activities</b>	<b>3900026145</b>	<b>2644687497</b>
Bonds issued	112631764	80796465
Bonds repaid	(3710135676)	(2558356950)
Dividend paid	(1700000)	(2181881)
Interest paid	(297790483)	(174876082)
<b>Net cash flow from financing activities</b>	<b>(3896994395)</b>	<b>(2654618448)</b>
<b>Net cash flow</b>	<b>1865207</b>	<b>468208</b>
Cash balance as at 1 January	4606635	6471842
Cash balance as at 31 December	6471842	6940050
<b>Net cash flow</b>	<b>1865207</b>	<b>468208</b>

*Material adverse change:*

There has been no material adverse change in the prospects of the Issuer or KBC Bank Group since 31 December 2016.

*Significant change in financial or trading position:*

Not applicable; there has been no significant change in the financial or trading position of the Issuer or KBC Bank Group since 31 December 2016.

(iii) Item B19/B.12 on page 8 and following of the Retail Base Prospectus will be replaced as follows:

<p><b>B19/ B.12</b></p>	<p>Selected historical key financial information / Material adverse change / Significant change in the financial or trading position:</p>	<p><i>Selected historical key financial information:</i></p> <p>The tables below set out a summary of key financial information extracted from the Guarantor's audited comprehensive income statements for each of the two years ended, and statements of financial position as at, 31 December 2015 and 31 December 2016:</p> <p><b><i>Income Statement</i></b></p> <table border="0"> <tr> <td>Summary of consolidated profit and loss account data (in millions of EUR, IFRS)</td> <td style="text-align: right;"><b>FY 2015</b></td> <td style="text-align: right;"><b>FY 2016</b></td> </tr> <tr> <td>Total income</td> <td style="text-align: right;">6 145</td> <td style="text-align: right;">6 240</td> </tr> <tr> <td>Operating expenses</td> <td style="text-align: right;">-3 388</td> <td style="text-align: right;">-3 399</td> </tr> <tr> <td>Impairment</td> <td style="text-align: right;">-650</td> <td style="text-align: right;">-145</td> </tr> <tr> <td>Result after tax, group share</td> <td style="text-align: right;">2 239</td> <td style="text-align: right;">2 026</td> </tr> </table> <p><b><i>Statement of Financial Position</i></b></p> <table border="0"> <tr> <td>Summary of consolidated balance sheet data (in millions of EUR, IFRS)</td> <td style="text-align: right;"><b>31 December 2015</b></td> <td style="text-align: right;"><b>31 December 2016</b></td> </tr> <tr> <td>Total assets</td> <td style="text-align: right;">217 626</td> <td style="text-align: right;">239 333</td> </tr> <tr> <td>Parent shareholders' equity</td> <td style="text-align: right;">11 888</td> <td style="text-align: right;">12 568</td> </tr> </table> <p><i>Material adverse change:</i></p> <p>There has been no material adverse change in the prospects of the Guarantor or KBC Bank Group since 31 December 2016.</p> <p><i>Significant change in the financial or trading position:</i></p> <p>Not applicable, there has been no significant change in the financial or trading position of the Guarantor or KBC Bank Group since 31 December 2016.</p>	Summary of consolidated profit and loss account data (in millions of EUR, IFRS)	<b>FY 2015</b>	<b>FY 2016</b>	Total income	6 145	6 240	Operating expenses	-3 388	-3 399	Impairment	-650	-145	Result after tax, group share	2 239	2 026	Summary of consolidated balance sheet data (in millions of EUR, IFRS)	<b>31 December 2015</b>	<b>31 December 2016</b>	Total assets	217 626	239 333	Parent shareholders' equity	11 888	12 568
Summary of consolidated profit and loss account data (in millions of EUR, IFRS)	<b>FY 2015</b>	<b>FY 2016</b>																								
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Total assets	217 626	239 333																								
Parent shareholders' equity	11 888	12 568																								

(iv) Item B19/ B.13 on page 9 of the Retail Base Prospectus will be replaced as follows:

<p><b>B.13</b></p>	<p>Recent material events particular to the Issuer's solvency</p>	<p>On 31 December 2016, KBC Bank's consolidated total equity came to 14.2 billion euros. This figure included 12.6 billion euros in parent shareholders' equity, 1.4 billion euros in additional tier-1 instruments and 0.2 billion euros in minority interests. Total equity rose by 0.7 billion euros in 2016, with the most important components in this respect being the inclusion of the annual profit (+2.2 billion euros, including minority interests), the payment of an interim dividend to KBC Group (-0.8 billion euros), changes in the available-for-sale reserve and cashflow hedge reserve (-0.3 billion euros in total), changes in defined benefit plans (-0.3 billion euros) and several smaller items. The common equity</p>
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		ratio amounted to 14.3% (fully loaded).
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## 5) Documents incorporated by reference

(i) The section *Documents incorporated by reference* on page 97 of the Retail Base Prospectus will be supplemented by adding the following limbs to the list of documents which are incorporated in and form part of the Retail Base Prospectus:

- “ (f) *the audited consolidated annual financial statements of the Guarantor for the financial year ended 31 December 2016 together with the related statutory auditor’s report.; and*
- (g) *the audited non-consolidated annual financial statements of the Issuer for the financial year ended 31 December 2016 with the related statutory auditor’s report.”;*

(ii) The sub-section *Specific items contained in “Documents Incorporated by Reference”* on page 98 of the Retail Base Prospectus shall be supplemented as follows:

(a) “Annual Report of the Issuer for the Financial Year ended 31 December 2016  
*Audited non-consolidated annual financial statements of the Issuer for the financial year ended 31 December 2016 (Luxembourg GAAP)\**

Management report of the board of directors	3
Balance sheet	8
Profit and loss account	10
Cash flow statement	36
Notes to the financial statements	11
<i>Auditor’s report</i>	6”

(b) “Annual Report of the Guarantor for the Financial Year ended 31 December 2016  
*Audited consolidated annual financial statements of the Guarantor and its consolidated subsidiaries for the financial year ended 31 December 2016\**

Report of the board of directors	6-61
balance sheet	73
income statement	71
statement of comprehensive income	72
cash flow statement	76
notes to the financial statements	78-140
statement of changes in equity	74
<i>Auditor’s report</i>	140-143
<i>Additional information</i>	
Ratios used	Annex”

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

*The information incorporated by reference that is not included in the cross-reference list and is not explicitly excluded to be incorporated by reference is considered as additional information and is not required by the relevant schedules of the Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements.*

## 6) Significant or Material Change

The sub-section Significant or Material Change on page 396 of the Retail Base Prospectus shall be deleted and replaced by the following paragraph:

*“There has been:*

*(a) no significant change in the financial or trading position of the Issuer, the Guarantor or the KBC Bank Group since 31 December 2016; and*

*(b) no material adverse change in the prospects of the Issuer, the Guarantor or the KBC Bank Group since 31 December 2016.”*

## **II. General**

Save as disclosed in this Supplement N°2, there has been no significant new factor, material mistake or inaccuracy since 15 September 2016, the date of the publication of the Supplement N°1.

Copies of this Supplement N°2 will be available (i) without charge at the specified office of the Issuer and the Principal Paying Agent, (ii) on the website of the Luxembourg Stock Exchange at [www.bourse.lu](http://www.bourse.lu) and (iii) on the [www.kbc.com](http://www.kbc.com)<sup>4</sup> website.

To the extent that there is an inconsistency between (a) any statement in this Supplement N°2 and (b) any statement in, or incorporated by reference into, the Retail Base Prospectus, the statements in (a) above will prevail.

In accordance with Article 13 paragraph 2 of the Prospectus Law, investors who already agreed to purchase or subscribe for Notes under the €10,000,000,000 Retail Euro Medium Term Note Programme before this Supplement N°2 was published, have the right to withdraw their acceptances within two working days after the publication of this Supplement N°2, namely up to and including 19 May 2017.

17 May 2017

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<sup>4</sup> <https://www.kbc.com/en/kbc-ifima>