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KBC GROUP NV

**Statutory auditor's report to the general
shareholders' meeting on the annual accounts
for the year ended 31 December 2018**

19 March 2019



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STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF THE COMPANY KBC GROUP NV ON THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2018

We present to you our statutory auditor's report in the context of our statutory audit of the annual accounts of KBC Group NV (the "Company"). This report includes our report on the annual accounts, as well as the other legal and regulatory requirements. This forms part of an integrated whole and is indivisible.

We have been appointed as statutory auditor by the general meeting of 4 May 2016, following the proposal formulated by the board of directors and following the recommendation by the audit committee and the proposal formulated by the workers' council. Our mandate will expire on the date of the general meeting which will deliberate on the annual accounts for the year ended 31 December 2018. We have performed the statutory audit of the annual accounts of KBC Group NV for 3 consecutive years.

Report on the annual accounts

Unqualified opinion

We have performed the statutory audit of the Company's annual accounts, which comprise the balance sheet as at 31 December 2018, and the profit and loss account for the year then ended, and the notes to the annual accounts, characterised by a balance sheet total of EUR 23.348 million and a profit and loss account showing a profit for the year of EUR 1.576 million.

In our opinion, the annual accounts give a true and fair view of the Company's net equity and financial position as at 31 December 2018, and of its results for the year then ended, in accordance with the financial-reporting framework applicable in Belgium.

Basis for unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Belgium. Furthermore, we have applied the International Standards on Auditing (ISAs) as approved by the IAASB for the years ending as from 31 December 2018, which are not yet approved at the national level. Our responsibilities under those standards are further described in the "*Statutory auditor's responsibilities for the audit of the annual accounts*" section of our report. We have fulfilled our ethical responsibilities in accordance with the ethical requirements that are relevant to our audit of the annual accounts in Belgium, including the requirements related to independence.

We have obtained from the board of directors and Company officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key audit matters

This section of the report is intended to describe the matters communicated with the audit committee that we have determined, in our professional judgment, were of most significance in the audit of the annual accounts. We have determined that there are no matters to report.

Responsibilities of the board of directors for the preparation of the annual accounts

The board of directors is responsible for the preparation of annual accounts that give a true and fair view in accordance with the financial-reporting framework applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the board of directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Statutory auditor's responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

In performing our audit, we comply with the legal, regulatory and normative framework applicable to the audit of the annual accounts in Belgium.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report, of the documents required to be deposited by virtue of the legal and regulatory requirements as well as for the compliance with the legal and regulatory requirements regarding bookkeeping, with the Companies' Code and with the Company's articles of association.

Statutory auditor's responsibilities

In the context of our mandate and in accordance with the Belgian standard (Revised in 2018) which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, the directors' report, certain documents required to be deposited by virtue of legal and regulatory requirements, as well as compliance with the articles of association and certain requirements of the Companies' Code and to report on these matters.

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Aspects related to the directors' report

In our opinion, after having performed specific procedures in relation to the directors' report, this report is consistent with the annual accounts for the year under audit, and it is prepared in accordance with the articles 95 and 96 of the Companies' Code.

In the context of our audit of the annual accounts, we are also responsible for considering, in particular based on the knowledge acquired resulting from the audit, whether the directors' report is materially misstated or contains information which is inadequately disclosed or otherwise misleading. In light of the procedures we have performed, there are no material misstatements we have to report to you.

Regarding non-financial information, as mentioned in the directors' report, the information is provided at the level of the highest Belgian consolidating entity, KBC Group NV in the directors' report on the consolidated accounts.

Statement related to the social balance sheet

The social balance sheet, to be deposited in accordance with article 100, § 1, 6°/2 of the Companies' Code, includes, both in terms of form and content, the information required by virtue of the Companies' Code and does not present any material inconsistencies with the information we have at our disposition in our engagement.

Statement related to independence

- Our registered audit firm and our network did not provide services which are incompatible with the statutory audit of the annual accounts and our registered audit firm remained independent of the Company in the course of our mandate.
- The fees for additional services which are compatible with the statutory audit of the annual accounts referred to in article 134 of the Companies' Code are correctly disclosed and itemized in the notes to the annual accounts.

Other statements

- Without prejudice to formal aspects of minor importance, the accounting records were maintained in accordance with the legal and regulatory requirements applicable in Belgium.
- The appropriation of results proposed to the general meeting complies with the legal provisions and the provisions of the articles of association.
- There are no transactions undertaken or decisions taken in breach of the Company's articles of association or the Companies' Code that we have to report to you.
- This report is consistent with the additional report to the audit committee referred to in article 11 of the Regulation (EU) N° 537/2014.

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- As indicated in the board of directors' report regarding the annual accounts at year-end 31 December 2018, KBC Group NV's board of directors decided on 21 June 2018 to introduce indemnification for current and future members of the supervisory body or the executive body of any legal entity in the KBC group, with the exception of KBC Group NV, KBC Bank NV and KBC Insurance NV, and for all other persons who, now or in the future, at the request and on behalf of an entity in the KBC group, exercise a function as a member of a supervisory or executive body in a legal entity outside the KBC group. In addition, the board of directors of KBC Group decided on 21 June 2018 to introduce indemnification for the benefit of all current and future members of the boards of directors and executive committees of KBC Bank NV and KBC Insurance NV. Both decisions required the application of article 523 of the Companies' Code, the relevant directors stated they had a personal interest and have abstained from the related discussions and decisions. The board of directors recognised the difficulty in assessing the possible financial impact of such indemnifications, which will consist of future payments that the Company would need to make within the framework of the indemnification agreement.
- An interim dividend has been distributed during the year in relation to which we have issued the attached report in accordance with legal requirements.

Sint-Stevens-Woluwe, 19 March 2019

The statutory auditor
PwC Bedrijfsrevisoren cvba
represented by

Roland Jeanquart
Accredited auditor

Tom Meuleman
Accredited auditor

Appendix: Statutory auditor's report on 2 August 2018 to the board of directors of KBC Group NV on the statement of assets and liabilities in connection with the distribution of an interim dividend



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KBC GROUP NV

**Statutory auditor's report to the board of
directors of KBC Group NV on the statement of
assets and liabilities in connection with the
distribution of an interim dividend**

2 August 2018



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For the attention of the board of directors of KBC Group NV

STATUTORY AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF KBC GROUP NV ON THE STATEMENT OF ASSETS AND LIABILITIES IN CONNECTION WITH THE DISTRIBUTION OF AN INTERIM DIVIDEND

Introduction

We have performed a review of the accompanying statement of assets and liabilities (hereafter the "Statement") of KBC Group NV as of 30 June 2018, based on which the board of directors of KBC Group NV (the "Company") proposes to distribute an interim dividend of EUR 415.897.567 (i.e. EUR 1 per share), as allowed by article 38 of the articles of association. Aforementioned envisaged total amount of the interim dividend takes already into account the envisaged decision by the board of directors on 8 August 2018 to destroy 2.700.000 own shares, as allowed by article 11 of the articles of association, prior to the decision to distribute an interim dividend.

The board of directors is responsible for the preparation and fair presentation of this Statement as of 30 June 2018, in accordance with the financial reporting framework applicable in Belgium and the Companies' Code. Our responsibility is to express a conclusion on this Statement based on our review, in accordance with ISRE 2410 and by virtue of article 618 of the Companies' Code.

Scope of Review

We conducted our review of the Statement as of 30 June 2018 in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). A review of the Statement consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The scope of a review is substantially less than that of an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that would cause us to believe that the Statement does not fairly present, in all material respects, the Company's net equity and financial position as of 30 June 2018, in accordance with the financial reporting framework applicable in Belgium and the Companies' Code.

Finally, according to the Statement, the proposed distribution would not lead to a decrease in the Company's net assets, as required by article 617 of the Companies' Code, to an amount lower than the sum of the Company's paid-up capital and those reserves that the Companies' Code or the Company's articles of association do not allow to be distributed.



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This report is prepared solely to address the requirements as set by virtue of article 618 of the Companies' Code, and may not be used for any other purpose.

Sint-Stevens-Woluwe, 2 August 2018

The statutory auditor
PwC Bedrijfsrevisoren bcvba/Reviseurs d'Entreprises scrl
represented by

Roland Jeanquart
Bedrijfsrevisor/Réviseur d'Entreprises

Tom Meuleman
Bedrijfsrevisor/Réviseur d'Entreprises

Appendix: Statement of assets and liabilities as of 30 June 2018

KBC Groep NV
Staat van de activa en passiva 30-06-2018

KBC Groep NV

(vennootschappelijk)

ACTIVA	Code	30/06/2018
Oprichtingskosten	20	0,00
VASTE ACTIVA	21/28	22 972 300 314,02
Immateriële vaste activa	21	242 068 559,07
Materiële vaste activa	22/27	83 896 859,54
Terreinen en gebouwen	22	26 541 109,45
Installaties, machines en uitrusting	23	44 496 776,25
Meubilair en rollend materieel	24	11 170 212,09
Leasing en soortgelijke rechten	25	0,00
Overige materiële vaste activa	26	697 816,61
Activa in aanbouw en vooruitbetalingen	27	990 945,14
Financiële vaste activa	28	22 646 334 895,41
Verbonden ondernemingen	280/1	<u>22 645 196 701,87</u>
Deelnemingen	280	14 043 698 630,11
Vorderingen	281	8 601 498 071,76
Ondernemingen waarmee een	282/3	<u>914 657,54</u>
Deelnemingen	282	914 657,54
Vorderingen	283	0,00
Andere financiële vaste activa	284/8	<u>223 536,00</u>
Aandelen	284	223 536,00
Vorderingen en borgtochten in contanten	285/8	0,00
VLOTTENDE ACTIVA	29/58	554 620 205,86
Vorderingen op meer dan één jaar	29	322 731,61
Handelsvorderingen	290	0,00
Overige vorderingen	291	322 731,61
Voorraden en bestellingen in uitvoering	3	466 872,01
Voorraden	30/36	466 872,01
Handelsgoederen	34	466 872,01
Bestellingen in uitvoering	37	0,00
Vorderingen op ten hoogste één jaar	40/41	29 581 550,68
Handelsvorderingen	40	16 258 660,96
Overige vorderingen	41	13 322 889,72
Geldbeleggingen	50/53	157 150 514,47
Eigen aandelen	50	157 150 514,47
Overige beleggingen	51/53	0,00
Liquide middelen	54/58	259 907 963,16
Overlopende rekeningen	490/1	107 190 573,93
TOTAAL VAN DE ACTIVA	20/58	23 526 920 519,88

KBC Groep NV

(vennootschappelijk)

PASSIVA	Code	30/06/2018
EIGEN VERMOGEN	10/15	14 667 799 084,40
Kapitaal	10	1 456 074 585,67
Geplaatst Kapitaal	100	1 456 074 585,67
Niet-opgevraagd kapitaal	101	0,00
Uitgiftepremies	11	5 448 168 873,97
Herwaarderingsmeerwaarden	12	283,00
Reserves	13	1 466 553 165,95
Wettelijke reserve	130	145 607 458,57
Onbeschikbare reserves	131	<u>158 489 139,47</u>
Voor eigen aandelen	1310	157 150 514,44
Andere	1311	1 338 625,03
Belastingvrije reserves	132	190 307 562,20
Beschikbare reserves	133	972 149 005,71
Overgedragen winst (verlies)	14	5 097 555 995,22
Resultaat van het boekjaar		1 199 446 180,59
VOORZIENINGEN EN UITGESTELDE BELASTINGEN	16	51 969 355,86
Voorzieningen voor risico's en kosten	160/5	51 969 355,86
Pensioenen en soortgelijke verplichtingen	160	14 209 633,19
Overige risico's en kosten	164/5	37 759 722,67
Uitgestelde belastingen	168	0,00
SCHULDEN	17/49	8 807 152 079,62
Schulden op meer dan één jaar	17	8 600 041 507,92
Financiële schulden	170/4	<u>8 600 038 257,92</u>
Achtergestelde leningen	170	4 580 754 727,29
Niet-achtergestelde obligatieleningen	171	4 019 283 530,63
Kredietinstellingen	173	0,00
Handelsschulden	175	<u>0,00</u>
Ontvangen vooruitbetalingen op bestellingen	176	0,00
Overige schulden	178/9	3 250,00
Schulden op ten hoogste één jaar	42/48	111 877 212,13
Schulden op meer dan één jaar, die binnen het jaar vervallen	42	0,00
Financiële schulden	43	<u>254 932,75</u>
Kredietinstellingen	430/8	254 932,75
Overige leningen	439	0,00
Handelsschulden	44	<u>26 967 495,94</u>
Leveranciers	440/4	26 967 495,94
Te betalen wissels	441	0,00
Ontvangen vooruitbetalingen op bestellingen	46	0,00
Schulden mbt belastingen, bezoldigingen en sociale lasten	45	<u>60 074 575,24</u>
Belastingen	450/3	6 285 972,89
Bezoldigingen en sociale lasten	454/9	53 788 602,35
Overige schulden	47/48	24 580 208,20
Overlopende rekeningen	492/3	95 233 359,57
TOTAAL VAN DE PASSIVA	10/49	23 526 920 519,88