

KBC GROUP NV BASE PROSPECTUS SUPPLEMENT (N°2) DATED 14 May 2018



KBC Group NV

(incorporated with limited liability in Belgium)

EUR 10,000,000,000

Euro Medium Term Note Programme

This supplement dated 14 May 2018 (the “**Supplement N°2**”) 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°2 is supplemental to, forms part of, and must be read in conjunction with the base prospectus dated 11 July 2017 as supplemented by the Supplement N°1 dated 29 August 2017 (the “**Supplement N°1**” and together, 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°2.

This Supplement N°2 has been approved by the Financial Services and Markets Authority (the “**FSMA**”) on 14 May 2018, 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°2. 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°2 is in accordance with the facts and does not omit anything likely to affect the import of such information.

I. New information

1. Introduction

On 29 March 2018, the Issuer published its annual financial results for the financial year ended 31 December 2017 together with the related statutory auditors’ report in the document titled as “*Annual report Group 2017*”¹.

In order to ensure that the information contained in the Base Prospectus is up-to-date as required by the Prospectus Directive and the Belgian Prospectus Law, the aforementioned documents will be incorporated by reference in the Base Prospectus.

¹ https://www.kbc.com/en/system/files/doc/investor-relations/Results/JVS_2017/JVS_2017_GRP_en.pdf

A copy of these documents, incorporated by reference in the Base Prospectus, can be obtained from the website of the Issuer (www.kbc.com)² and from the website of Euronext Brussels (www.euronext.com).

2. Documents incorporated by reference

- (i) Due to this new information, limb (a) of the first paragraph of the section “*Documents incorporated by reference*” on page 42 of the Base Prospectus shall be deleted and replaced by the following:

“(a) *the audited consolidated annual financial statements of the Issuer for the financial years ended 31 December 2016 and 31 December 2017, together, in each case, with the related auditors’ report;*”

- (ii) The fourth paragraph of the section “*Documents incorporated by reference*” on page 42 and 43 of the Base Prospectus shall be deleted and replaced by the following:

“*The table below sets out the relevant page references for the audited consolidated statements for the financial years ended 31 December 2016 and 31 December 2017, respectively, as set out in the Issuer’s Annual Report. Information contained in the documents incorporated by reference other than information listed in the table below is for information purposes only, and does not form part of this Base Prospectus.*

*Audited consolidated annual financial statements of the Issuer for the financial years ended 31 December 2016 and 31 December 2017**

	<i>Issuer’s Annual Report for the financial year ended 31 December 2016</i>	<i>Issuer’s Annual Report for the financial year ended 31 December 2017</i>
<i>Audited consolidated annual financial statements of the Issuer</i>		
report of the Board of Directors	page 6-147	page 6-156
balance sheet	page 150	page 162
income statement	page 148	page 160
cash flow statement	page 152-153	page 164-165
notes to the financial statements	page 154-209	page 166-224
statements of changes in equity	page 151	page 163
<i>Auditor’s report</i>	page 210-211	page 225-231
<i>Additional information</i>		
ratios used	Annex	Annex

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

3. Selected Financial Information

² See links above

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°2.

4. General Information

Paragraph (3) of the section *General Information* 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:*

- (a) *no significant change in the financial or trading position of the Issuer since 31 December 2017 and*
- (b) *no material adverse change in the prospects of the Issuer since 31 December 2017.”*

Paragraph (8) of the section *General Information* on pages 154 and 155 of the Base Prospectus shall be deleted and replaced by the following paragraph:

“(8) *For so long as Notes may be issued pursuant to this Prospectus, the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the registered office of the Issuer:*

- (i) *the constitutional documents of the Issuer;*
- (ii) *the Agency Agreement;*

the audited consolidated financial statements of the Issuer for each of the financial years ended 31 December 2016 and 31 December 2017, in each case together with the auditors' reports in connection therewith;

each Final Terms (save that Final Terms relating to a Note which is neither admitted to trading on a regulated market within the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Agent as to its holding of Notes and identity); and

- (iii) *a copy of the Base Prospectus together with any further or supplement prospectuses relating to the Programme.*

This Base Prospectus, the Final Terms for Notes that are listed and admitted to trading on Euronext Brussels' regulated market and each document incorporated by reference will be published on the website of Euronext Brussels (www.euronext.com).”

II. General

Save as disclosed in this Supplement N°2, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus since 29 August 2017, the date of publication of the Supplement N°1.

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 Base Prospectus and/or the Supplement N°1, the statements in (a) above will prevail.

Copies of this Supplement N°2 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.com³).

14 May 2018



Authorized signatory
on behalf of KBC Group NV

Hendrik Scheerlinck
Executive Director



Authorized signatory
on behalf of KBC Group NV

Christine Van Rijseghem
Executive Director

³ 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 2016 and 31 December 2017.

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.

Consolidated balance sheet

ASSETS (in millions of EUR)	31-12- 2016	31-12- 2017
Cash and cash balances with central banks	20 686	29 727
Financial assets	246 298	254 753
Held for trading	9 683	7 431
Designated at fair value through profit or loss	14 184	14 484
Available for sale	36 708	34 156
Loans and receivables	151 615	167 458
Held to maturity	33 697	30 979
Hedging derivatives	410	245
Reinsurers' share in technical provisions	110	131
Fair value adjustments of hedged items in portfolio hedge of interest rate risk	202	-78
Tax assets	2 312	1 625
Current tax assets	66	82
Deferred tax assets	2 246	1 543
Non-current assets held for sale and assets associated with disposal groups	8	21
Investments in associated companies and joint ventures	212	240
Investment property	426	485
Property and equipment	2 451	2 721
Goodwill and other intangible assets	999	1 205
Other assets	1 496	1 512
TOTAL ASSETS	275 200	292 342

LIABILITIES AND EQUITY (in millions of EUR)	31-12- 2016	31-12- 2017
Financial liabilities	234 300	251 260
Held for trading	8 559	6 998
Designated at fair value through profit or loss	16 553	15 034
Measured at amortised cost	207 485	227 944
Hedging derivatives	1 704	1 284
Technical provisions, before reinsurance	19 657	18 641
Fair value adjustments of hedged items in portfolio hedge of interest rate risk	204	-86
Tax liabilities	681	582
Current tax liabilities	188	148

Deferred tax liabilities	493	434
Liabilities associated with disposal groups	0	0
Provisions for risks and charges	238	399
Other liabilities	2 763	2 743
TOTAL LIABILITIES	257 843	273 540
Total equity	17 357	18 803
Parent shareholders' equity	15 957	17 403
Non-voting core-capital securities	0	0
Additional Tier-1 instruments included in equity	1 400	1 400
Minority interests	0	0
TOTAL LIABILITIES AND EQUITY	275 200	292 342

Consolidated income statement

In millions of EUR	2016	2017
Net interest income	4 258	4 121
Interest income	6 642	6 337
Interest expense	-2 384	-2 216
Non-life insurance before reinsurance	628	706
Earned premiums Non-life	1 410	1 491
Technical charges Non-life	-782	-785
Life insurance before reinsurance	-152	-58
Earned premiums Life	1 577	1 271
Technical charges Life	-1 728	-1 330
Ceded reinsurance result	-38	-8
Dividend income	77	63
Net result from financial instruments at fair value through profit or loss	540	856
Net realised result from available-for-sale assets	189	199
Net fee and commission income	1 450	1 707
Fee and commission income	2 101	2 615
Fee and commission expense	-651	-908
Net other income	258	114
TOTAL INCOME	7 211	7 700
Operating expenses	-3 948	-4 074
Staff expenses	-2 252	-2 303
General administrative expenses	-1 449	-1 505
Depreciation and amortisation of fixed assets	-246	-266
Impairment	-201	30
on loans and receivables	-126	87
on available-for-sale assets	-55	-12
on goodwill	0	0
on other	-20	-45
Share in results of associated companies and joint ventures	27	11
RESULT BEFORE TAX	3 090	3 667
Income tax expense	-662	-1 093

Net post-tax result from discontinued operations	0	0
RESULT AFTER TAX	2 428	2 575
Attributable to minority interest	0	0
<i>of which relating to discontinued operations</i>	<i>0</i>	<i>0</i>
Attributable to equity holders of the parent	2 427	2 575
<i>of which relating to discontinued operations</i>	<i>0</i>	<i>0</i>
Earnings per share (in EUR)		
Ordinary	5.68	6.03
Diluted	5.68	6.03

Consolidated cash flow statement

In millions of EUR	2016	2017
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 technical provisions (before reinsurance)	391	-149
Change in the reinsurers' share in the technical provisions	17	-18
Change in other provisions	-7	121
Other non realised 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
Loans and receivables	-4 226	-4 854
Available for sale	-909	2 927
Held for trading	707	2 751
Designated at fair value through P&L	657	-299
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
Debts 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

Liability-derivatives hedge accounting	-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
Investing activities		
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
Financing activities		
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
Change in cash and cash equivalents		
Net increase or decrease in cash and cash equivalents	15 741	13 060
Cash and cash equivalents at the beginning of the period	10 987	26 747
Effects of exchange rate changes on opening cash and cash equivalents	19	606
Cash and cash equivalents at the end of the period	26 747	40 413

Additional information

Interest paid	-2 384	-2 216
Interest received	6 642	6 337
Dividends received (including equity method)	103	89
Components of cash and cash equivalents		
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 and redeemable at notice	-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