

KBC GROUP NV BASE PROSPECTUS SUPPLEMENT (N°1) DATED 30 August 2016



KBC Group NV

(incorporated with limited liability in Belgium)

EUR 5,000,000,000

Euro Medium Term Note Programme

This supplement dated 30 August 2016 (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 13 July 2016 (the “**Base Prospectus**”), prepared in connection with the EUR 5,000,000,000 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

Introduction

On 11 August 2016, the Issuer published its extended quarterly report for the second quarter and the first half of 2016 in the document “*KBC Group Extended Quarterly Report 2Q 2016*” accompanied by a press release entitled “*Strong first-half profit of 1.1 billion euros. Interim dividend of 1 euro to be paid in November*”.

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 document, incorporated by reference in the Base Prospectus, can be obtained from the website of the Issuer (www.kbc.com¹) and from the website of Euronext Brussels (www.euronext.com).

A copy of the extended quarterly report has been filed with the FSMA.

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

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

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.

1. Documents incorporated by reference

- (i) The section “Documents incorporated by reference” on page 6 of the Base Prospectus will be supplemented by adding the following limb 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 2016, set out in the Extended Quarterly Report 2Q 2016 of the Issuer.”

The limb (c) in the section “Documents incorporated by reference” on page 6 of the Base Prospectus will be renumbered to “(d)” and a bullet will be added with the following reference:

“11 August 2016: *“Strong first-half profit of 1.1 billion euros. Interim dividend of 1 euro to be paid in November”.*”

- (ii) The section “Documents incorporated by reference” on page 6 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 2014 and 31 December 2015*”:

“The table below sets out the relevant page references for the unaudited financial statements for the half year ended 30 June 2016 of the Issuer, as set out in the Extended Quarterly Report 2Q 2016 of the Issuer.

Unaudited Interim financial report for the half year to 30 June 2016 of the Issuer*

report for 2Q2016 and 1H2016	page 4
consolidated financial statements according to IFRS	page 23
consolidated income statement	page 23
consolidated statement of comprehensive income (condensed)	page 24
consolidated balance sheet	page 25
consolidated statement of changes in equity	page 26
consolidated cash flow statement	page 27
notes on statement of compliance and changes in accounting policies	page 27
notes on segment reporting	page 28
other notes	page 29
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 2016 and for the six-month period then ended	page 38

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

2. Selected Financial Information

The section “*Selected Financial Information*” on pages 122 to and including 126, shall be deemed to be deleted in its entirety and replaced with the updated section “*Selected Financial Information*” set out in Annex I to this Supplement N°1.

3. General Information

Paragraph (3) on page 148 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 2016 and no material adverse change in the prospects of the Issuer since 31 December 2015.”

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 13 July 2016, 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.com²).

30 August 2016



Authorized signatory
on behalf of KBC Group NV

Christine Van Rijseghem
Executive Director



Authorized signatory
on behalf of KBC Group NV

Johan Thijs
Executive Director

² 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 2014 and 31 December 2015 and from the unaudited consolidated financial statements according to IFRS included in the extended quarterly report 2Q 2016 of the Issuer.

The consolidated financial statements of the Issuer for the years ended 31 December 2014 and 31 December 2015 have been audited in accordance with ISA.

Consolidated balance sheet

ASSETS (in millions of EUR)	31-12-2014	31-12-2015	30-06-2016
Cash and cash balances with central banks	5 771	7 038	5 184
Financial assets	231 421	237 346	251 843
Held for trading	12 182	10 385	12 086
Designated at fair value through profit or loss	18 163	16 514	20 967
Available for sale	32 390	35 670	37 070
Loans and receivables	135 784	141 305	148 669
Held to maturity	31 799	32 958	32 547
Hedging derivatives	1 104	514	505
Reinsurers' share in technical provisions	194	127	127
Fair value adjustments of hedged items in portfolio hedge of interest rate risk	168	105	397
Tax assets	1 814	2 336	2 507
Current tax assets	88	107	82
Deferred tax assets	1 726	2 228	2 425
Non-current assets held for sale and assets associated with disposal groups	18	15	14
Investments in associated companies and joint ventures	204	207	194
Investment property	568	438	433
Property and equipment	2 278	2 299	2 343
Goodwill and other intangible assets	1 258	959	970
Other assets	1 480	1 487	1 668
TOTAL ASSETS	245 174	252 356	265 681

LIABILITIES AND EQUITY (in millions of EUR)	31-12-2014	31-12-2015	30-06-2016
Financial liabilities	205 644	213 333	225 616
Held for trading	8 449	8 334	8 941
Designated at fair value through profit or loss	23 908	24 426	21 850
Measured at amortised cost	169 796	178 383	192 704
Hedging derivatives	3 491	2 191	2 120
Technical provisions, before reinsurance	18 934	19 532	19 724
Fair value adjustments of hedged items in portfolio hedge of interest rate risk	189	171	312
Tax liabilities	697	658	733
Current tax liabilities	98	109	125

Deferred tax liabilities	599	549	608
Liabilities associated with disposal groups	0	0	0
Provisions for risks and charges	560	310	237
Other liabilities	2 629	2 541	2 824
TOTAL LIABILITIES	228 652	236 545	249 447
Total equity	16 521	15 811	16 234
Parent shareholders' equity	13 125	14 411	14 834
Non-voting core-capital securities	2 000	0	0
Additional Tier-1 instruments included in equity	1 400	1 400	1 400
Minority interests	- 3	0	0
TOTAL LIABILITIES AND EQUITY	245 174	252 356	265 681

Consolidated Income Statement

In millions of EUR	2014	2015	1H 2015	1H 2016
Net interest income	4 308	4 311	2 183	2 137
Interest income	7 893	7 150	3 654	3 375
Interest expense	- 3 586	- 2 839	- 1 471	- 1 238
Non-life insurance before reinsurance	512	611	322	286
Earned premiums Non-life	1 266	1 319	646	690
Technical charges Non-life	- 754	- 708	- 324	- 404
Life insurance before reinsurance	- 216	- 201	- 99	- 73
Earned premiums Life	1 247	1 301	567	827
Technical charges Life	- 1 463	- 1 502	- 666	- 901
Ceded reinsurance result	16	- 29	- 18	- 21
Dividend income	56	75	51	46
Net result from financial instruments at fair value through profit or loss	227	214	236	247
Net realised result from available-for-sale assets	150	190	116	155
Net fee and commission income	1 573	1 678	924	706
Fee and commission income	2 245	2 348	1 267	1 024
Fee and commission expense	- 672	- 670	- 343	- 318
Net other income	94	297	154	98
TOTAL INCOME	6 720	7 148	3 868	3 581
Operating expenses	- 3 818	- 3 890	- 2 066	- 2 090
Staff expenses	- 2 248	- 2 245	- 1 131	- 1 111
General administrative expenses	- 1 303	- 1 392	- 811	- 859
Depreciation and amortisation of fixed assets	- 266	- 253	- 125	- 120
Impairment	- 506	- 747	- 226	- 99
on loans and receivables	- 587	- 323	- 211	- 54
on available-for-sale assets	- 29	- 45	- 9	- 43
on goodwill	0	0	0	0
on other	109	- 34	- 6	- 2
Share in results of associated companies and joint ventures	25	24	14	13
RESULT BEFORE TAX	2 420	2 535	1 589	1 405
Income tax expense	- 657	104	- 413	- 292

Net post-tax result from discontinued operations	0	0	0	0
RESULT AFTER TAX	1 763	2 639	1 176	1 113
Attributable to minority interest	0	0	0	0
<i>of which relating to discontinued operations</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Attributable to equity holders of the parent	1 762	2 639	1 176	1 113
<i>of which relating to discontinued operations</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Earnings per share (in EUR)				
Basic	3.32	3.80	2.75	2.60
Diluted	3.32	3.80	2.75	2.60

Consolidated cash flow statement

Note: for interim periods (1H 2015, 1H 2016), only a condensed cash flow table is available (consisting of the main totals and sub-totals)

In millions of EUR	2014	2015	1H 2015	1H 2016
Operating activities				
Result before tax	2 420	2 535		
Adjustments for:	1 775	1 392		
Result before tax related to discontinued operations	0	0		
Depreciation, impairment and amortisation of property and equipment, intangible assets, investment property and securities	213	698		
Profit/Loss on the disposal of investments	- 25	- 24		
Change in impairment on loans and advances	587	323		
Change in gross technical provisions - insurance	143	429		
Change in the reinsurers' share in the technical provisions	- 48	69		
Change in other provisions	- 37	- 224		
Other non realised gains or losses	967	147		
Income from associated companies and joint ventures	- 25	- 24		
Cashflows from operating profit before tax and before changes in operating assets and liabilities	4 195	3 927		
Changes in operating assets (excl. cash & cash equivalents)	- 11 151	- 2 897		
Loans and receivables	- 5 037	- 3 866		
Available for sale	- 4 561	- 3 324		
Held for trading	- 248	1 656		
Designated at fair value through P&L	- 686	2 066		
Hedging derivatives	- 325	590		
Operating assets associated with disposal groups & other assets	- 294	- 20		
Changes in operating liabilities (excl. cash & cash equivalents)	11 913	10 032		
Deposits at amortised cost	12 076	9 464		
Debt certificates at amortised cost	3 218	255		
Financial liabilities held for trading	- 4 682	172		
Financial liabilities designated at fair value through P&L	1 112	1 226		
Liability-derivatives hedge accounting	522	- 998		

Operating liabilities associated with disposal groups & other liabilities	- 333	-88		
Income taxes paid	- 407	- 457		
Net cash from (used in) operating activities	4 550	10 604	11 055	4 583
Investing activities				
Purchase of held-to-maturity securities	- 1 929	- 3 202		
Proceeds from the repayment of held-to-maturity securities at maturity	1 012	2 029		
Acquisition of a subsidiary or a business unit, net of cash acquired (increase in participation interests included)	0	200		
Proceeds from the disposal of a subsidiary or business unit, net of cash disposed (decrease in participation interests included)	559	0		
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	- 30	23		
Purchase of investment property	- 19	- 5		
Proceeds from the sale of investment property	53	15		
Purchase of intangible fixed assets (excl. goodwill)	- 153	- 158		
Proceeds from the sale of intangible fixed assets (excl. goodwill)	28	39		
Purchase of property and equipment	- 441	- 558		
Proceeds from the sale of property and equipment	304	233		
Net cash from (used in) investing activities	- 615	- 1 385	- 1 128	345
Financing activities				
Purchase or sale of treasury shares	0	0		
Issue or repayment of promissory notes and other debt securities	- 4 148	- 537		
Proceeds from or repayment of subordinated liabilities	- 2 396	- 277		
Principal payments under finance lease obligations	0	0		
Proceeds from the issuance of share capital	19	17		
Proceeds from or repayment of non-voting core-capital securities	- 500	- 3 000		
Proceeds from the issuance or repayment of preference shares	1 042	0		
Dividends paid	- 39	- 1 058		
Net cash from (used in) financing activities	- 6 023	- 4 855	- 411	294
Change in cash and cash equivalents				
Net increase or decrease in cash and cash equivalents	- 2 088	4 364	9 517	5 222
Cash and cash equivalents at the beginning of the period	8 691	6 518	6 518	10 987
Effects of exchange rate changes on opening cash and cash equivalents	- 84	104	75	- 32
Cash and cash equivalents at the end of the period	6 518	10 987	16 110	16 177
Additional information				
Interest paid	- 3 586	- 2 839		
Interest received	7 893	7 150		
Dividends received (including equity method)	56	98		
Components of cash and cash equivalents				
Cash and cash balances with central banks	5 771	7 038		

Loans and advances to banks repayable on demand and term loans to banks < 3 months	4 287	6 541
Deposits from banks repayable on demand and redeemable at notice	- 3 539	- 2 593
Cash and cash equivalents included in disposal groups	0	0
Total	6 518	10 987
Of which not available	0	0