

## BASE PROSPECTUS SUPPLEMENT N°1 dated 11 May 2018



**KBC IFIMA S.A.**

*(Incorporated with limited liability in the Grand Duchy of Luxembourg)*

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

*(Incorporated with limited liability in Belgium)*

**€1,000,000,000**

**Warrant Programme**

This base prospectus supplement (the “**Supplement N°1**”) 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°1 is supplemental to, forms part of, and must be read in conjunction with the base prospectus dated 21 November 2017 (the “**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 €1,000,000,000 Warrant Programme during the period of twelve months after the date of the Base Prospectus. 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 Luxembourg Commission de Surveillance du Secteur Financier (the “**CSSF**”), as competent authority under the Prospectus Directive. This Supplement N°1 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°1 and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Supplement N°1 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 7 December 2017 Fitch France S.A.S. (“Fitch”) upgraded the Guarantor’s long-term credit ratings from a stable outlook to a positive outlook. This rating upgrade reflects Fitch's expectation that the bank's Long-Term IDR might be rated one notch above the bank's VR following the build-up of a significant and sustainable junior debt buffer at the bank that provides additional protection for the bank's senior unsecured creditors. KBC Bank has proposed a single point of entry approach at the level of KBC Group and most debt issued out of the holding company is streamed down to the bank in a subordinated form that ranks junior to senior creditors to meet the upcoming minimum requirement for eligible liabilities and own funds.

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

Due to the new information, the section *Ratings of KBC Bank* mentioned on page 141 of the Base Prospectus is amended as described below.

## 2) Publication of KBC Bank NV Annual Report for 2017

On 29 March 2018 KBC Bank NV published its annual financial results for the financial year ending on 31 December 2017 together with the related statutory auditors' report in the document titled "*KBC Bank Annual Report 2017*".

In order to ensure that the information contained in the 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 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* on pages 8-9 and *Documents Incorporated by Reference* on page 64 of the Base Prospectus are amended as described below.

## 3) Publication of KBC IFIMA S.A. Annual Report for 2017

On 17 April 2018, KBC IFIMA S.A. published its audited non-consolidated annual results for the year ended on 31 December 2017 together with the related statutory auditors' report in the document titled as "*KBC IFIMA S.A. Annual accounts as at 31 December 2017 and independent auditor's report*".

In order to ensure that the information contained in the 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 Base Prospectus. A copy of this document, incorporated by reference in the 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 the new information, the sections *Summary of the Base Prospectus* on pages 6-8 and *Documents Incorporated by Reference* on page 64 of the Base Prospectus are amended as described below.

## 4) Summary of the Base Prospectus

(i) Item B.10 on page 6 of the 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 2016 and 31 December 2017.
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(ii) Item B.12 on page 6 and following of the Base Prospectus will be replaced as follows:

<b>B.12</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>2016 (EUR)</b>	<b>2017 (EUR)</b>

<sup>2</sup> "*KBC Bank, Annual Report for 2017*" is available at [https://www.kbc.com/en/system/files/doc/investor-relations/Results/JVS\\_2017/JVS\\_2017\\_BNK\\_en.pdf](https://www.kbc.com/en/system/files/doc/investor-relations/Results/JVS_2017/JVS_2017_BNK_en.pdf)

<sup>3</sup> KBC IFIMA S.A.'s "*KBC IFIMA S.A. Annual accounts as at 31 December 2017 and independent auditor's report*" is available at [https://www.kbc.com/en/system/files/doc/other/2017\\_FY\\_Ilima.pdf](https://www.kbc.com/en/system/files/doc/other/2017_FY_Ilima.pdf)

		Summary of profit and loss account		
		Gross margin and other income	N/A	N/A
		Total Expenses	N/A	N/A
		Other external charges	367 470	158 103
		Staff costs	188 408	224 247
		Profit before taxation	N/A	N/A
		Corporation tax	N/A	N/A
		Income tax (includes all taxes applicable)	479 819	426 849
		Net profit for the year	N/A	N/A
		Profit for the financial year	1 107 928	1 355 223
		<b><i>Statement of Financial Position</i></b>		
			<b>2016 (EUR)</b>	<b>2017 (EUR)</b>
		Summary of balance sheet		
		Total Assets	4 118 851 117	2 355 017 439
		Total bonds outstanding	N/A	N/A
		Of which maturing within one year	N/A	N/A
		Non subordinated debts – non convertible loans	4 088 813 841	2 335 419 177
		Of which maturing within one year	1 803 537 635	1 054 714 001

	Shareholders' equity	N/A	N/A
	Capital and reserves	20 650 114	12 619 949
	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	- 2 181 881	- 536 282
	<b><i>Cash flow statement</i></b>		
		<b>2016 (EUR)</b>	<b>2017 (EUR)</b>
	Net profit	1 107 928	1 355 223
	Ajdustment for:		
	Depreciation	N/A	N/A
	Interests income/charges	(1 954 808)	(2 105 688)
	Net amortisation on loans and bonds	(241 678)	(122 089)
	Other provision	965	(3 936)
	Other – adjustment	N/A	N/A
		(1 087 593)	(876 490)
	Change in other assets and liabilities accruals	N/A	N/A
	Change in other assets and liabilities	(110 492)	(6 017)
	Taxes (paid)/received	678 025	(948 320)
	Tax provision	515 884	(1 183 383)

		<b>Net cash flow from operational activities</b>	<b>10 399 158</b>	<b>(11 862 157)</b>
		Distribution on liquidation of subsidiaries	N/A	N/A
		Financial fixed assets – issued	(91 200 650)	(101 963 015)
		Financial fixed assets – repaid	2 558 509 585	1 830 022 665
		Interests received	177 378 562	107 082 935
		<b>Net cash flow from investment activities</b>	<b>2 644 687 497</b>	<b>1 835 142 585</b>
		Bonds issued	80 796 465	100 427 504
		Bonds repaid	(2 558 356 950)	(1 819 585 435)
		Dividend paid	(2 181 881)	(536 282)
		Interest paid	(174 876 082)	(105 497 868)
		<b>Net cash flow from financing activities</b>	<b>(2 654 618 448)</b>	<b>(1 825 192 080)</b>
		<b>Net cash flow</b>	<b>468 208</b>	<b>(1 911 650)</b>
		Cash balance as at 1 January	6 471 842	6 940 049
		Cash balance as at 31 December	6 940 050	5 028 400
		<b>Net cash flow</b>	<b>468 208</b>	<b>(1 911 650)</b>
		<i>Material adverse change:</i>		
		There has been no material adverse change in the prospects of the Issuer or KBC Bank Group since 31 December 2017.		

		<p><i>Significant change in financial or trading position:</i></p> <p>Not applicable; there has been no significant change in the financial or trading position of the Issuer or KBC Bank Group since 31 December 2017.</p>
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(iii) Item B.13 on page 9 and following of the Base Prospectus will be replaced as follows:

<b>B.13</b>	Events impacting the Issuer's solvency	Not applicable; there have not been any recent events relevant to the evaluation of the Issuer's solvency since 31 December 2017.
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(iv) Item B.19/B.4b on page 9 and following of the Base Prospectus will be replaced as follows:

<b>B.19/ B.4b</b>	Trend information	<p>The main sources for this section are the European Banking Authority, the European Central Bank (the "ECB") and the European Commission.</p> <p><b>Banking sector</b></p> <p>After ongoing recapitalisation in the aftermath of the Euro crisis, banks in the Eurozone continued to strengthen their balance sheet, closely monitored by the European Single Supervisor. At the same time, they adjusted their business models to the evolving regulatory and challenging operating environment. While overall progress is significant, the results remain uneven across institutions and countries, with Italian and Portuguese banks still facing the toughest challenges. On the other hand, the asset quality of banks in core countries such as Belgium withstood the recent crises years remarkably well and continue to be very good. The Czech and Slovakian banking systems are also characterised by good asset quality, while in Hungary and Bulgaria high non-performing loans are coming down.</p> <p>Loan growth in the Euro area, particularly corporate loan growth, is strengthening, but remains low compared to pre-crisis levels. Looking forward, enhanced economic governance and the banking union, which still needs to be completed, significantly strengthened the Eurozone architecture and offer a more stable banking sector environment than in the pre-crisis years. Amids a benign macroeconomic environment – despite significant emerging risks – profitability continues to improve, but significant challenges remain to enhance cost efficiency in a competitive environment and to withstand ongoing pressure on revenue growth. At the same time new technologies trigger new challenges to business models. Banks with a large customer and diversified income base are likely best suited to cope with these challenges.</p> <p><b>General economic environment and risks</b></p> <p>Global sentiment indicators have continued their downward trajectory lately. Both the services and manufacturing sectors - the latter of which is strongly related to global trade developments - saw notable drops in sentiment after posting very strong figures at the beginning of 2018. Although these leading confidence indicators are still at solid levels and currently indicate economic expansion, the synchronised drop suggests that the period of global growth acceleration is moving towards a late-cyclical phase. This comes during a period of heightened nervousness and volatility due to rising protectionist pressures and the trade dispute between China and the US.</p> <p>Business surveys in the euro area dropped markedly in recent months, with economic expectations becoming notably less favourable (although remaining at high levels), and thus hinting at an end to the period of growth acceleration. Firms active in the tradable goods sector expressed concerns about the proposed import tariffs in the US-China conflict while some activity indicators suggest that euro area economic growth is about to shift into</p>
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		<p>a lower gear. Similar to the US, favourable labour market developments together with high consumer confidence will continue to support domestic demand as a growth driver.</p> <p>Recently tensions on the international trade stage have built significantly. In the run-up to November's mid-term elections, the Trump administration has hardened its trade stance, especially against China, in the context of the persistently increasing bilateral trade deficit. This bilateral trade dispute could potentially have a substantially negative impact on the global economy. Initially, American and Chinese growth prospects could be negatively affected. But eventually, the global economic outlook is likely to be hit due to international spillovers. If the trade conflict escalates to other regions, notably the EU, the potential economic damage might even be larger. At this moment, however, we consider this a downside risk to our scenario, and not our main projection.</p> <p>In the meantime, inflation in the euro area remains very moderate. For example, in March 2018, core inflation, which measures underlying price pressures by excluding energy and food prices, remained flat at a subdued 1.0%. Inflation expectations dropped again, which contributed to the fall in long-term government bond yields. Mixed macro-economic results together with the lack of a convincing and sustainable upward trend of inflation towards the ECB's target of below, but close to, 2% over the medium term supports the ECB strategy of being patient and persistent regarding the end of their monetary stimulus. Therefore, we expect the ECB to continue its Asset Purchase Programme (APP) at least until September 2018 with a period of tapering thereafter. The first step towards a policy rate normalisation will only be taken well after the end of the APP, i.e. at the earliest in the second half 2019.</p> <p>As widely anticipated, the Federal Reserve raised its policy rate by 25 basis points at Powell's inaugural meeting as Fed chairman in March 2018. Based on the current growth and inflation dynamics together with some extra fiscal stimulus, we still expect the Fed to raise its policy rate twice in the remainder of 2018 and twice in 2019 as well.</p>
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- (v) Item B.19/B.10 on page 8 and following of the Base Prospectus will be replaced as follows:

<b>B.19/ B.10</b>	Audit report qualifications	Not applicable; there are no qualifications in the audit reports on the Guarantor's audited financial statements for the years ended 31 December 2016 and 31 December 2017.
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- (vi) Item B.19/B.12 on page 8 and following of the Base Prospectus will be replaced as follows:

<b>B.19/ B.12</b>	Selected historical key financial information / Material adverse change / Significant change in the financial or trading position:	<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 2016 and 31 December 2017:</p> <p><b><i>Income Statement</i></b></p> <table> <thead> <tr> <th>Summary of consolidated profit and loss account data (in millions of EUR, IFRS)</th> <th><b>FY 2016</b></th> <th><b>FY 2017</b></th> </tr> </thead> <tbody> <tr> <td>Total income</td> <td>6 240</td> <td>6 588</td> </tr> <tr> <td>Operating expenses</td> <td>-3 399</td> <td>- 3 568</td> </tr> </tbody> </table>	Summary of consolidated profit and loss account data (in millions of EUR, IFRS)	<b>FY 2016</b>	<b>FY 2017</b>	Total income	6 240	6 588	Operating expenses	-3 399	- 3 568
Summary of consolidated profit and loss account data (in millions of EUR, IFRS)	<b>FY 2016</b>	<b>FY 2017</b>									
Total income	6 240	6 588									
Operating expenses	-3 399	- 3 568									

		Impairment	-145	44
		Result after tax, group share	2 026	2 003
		<b>Statement of Financial Position</b>		
		Summary of consolidated balance sheet data (in millions of EUR, IFRS)	<b>31 December 2016</b>	<b>31 December 2017</b>
		Total assets	239 333	256 322
		Parent shareholders' equity	12 568	14 083
		<i>Material adverse change:</i>		
		There has been no material adverse change in the prospects of the Guarantor or KBC Bank Group since 31 December 2017.		
		<i>Significant change in the financial or trading position:</i>		
		Not applicable, there has been no significant change in the financial or trading position of the Guarantor or KBC Bank Group since 31 December 2017.		

(vii) Item B.19/B.13 on page 12 of the Base Prospectus will be replaced as follows:

<b>B.19/ B.13</b>	Events impacting the Guarantor's solvency	On 31 December 2017, total equity came to 15.7 billion euros. This figure included 14.1 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 1.5 billion euros in 2017, with the most important components in this respect being the inclusion of the annual profit (+2 billion euros, excluding minority interests), the payment of a dividend to KBC Group (-0.5 billion euros) and the remeasurement of defined benefit plans (+0.1 billion euros). Solvency position remained strong as a result, with a common equity ratio of 14.5% (fully loaded).
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## 5) Documents incorporated by reference

(i) The section *Documents incorporated by reference* on page 64 of the Base Prospectus will be supplemented by adding the following limbs to the list of documents which are incorporated in and form part of the Base Prospectus:

- “ (c) *the audited non-consolidated annual financial statements of the Issuer for the financial year ended 31 December 2017 with the related statutory auditor's report; and*
- (d) *the audited consolidated annual financial statements of the Guarantor for the financial year ended 31 December 2017 together with the related statutory auditor's report”.*

(ii) The sub-section *Specific items contained in “Documents Incorporated by Reference”* on page 65 of the Base Prospectus shall be supplemented as follows:

(a) *Audited non-consolidated annual financial statements of the Issuer for the financial year ended 31 December 2017 (Luxembourg GAAP)\**

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(b) *Audited consolidated annual financial statements of the Guarantor and its consolidated subsidiaries for the financial year ended 31 December 2017 (IFRS)\**

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\* 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 188 of the 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 2017; and*

*(b) no material adverse change in the prospects of the Issuer, the Guarantor or the KBC Bank Group since 31 December 2017.”*

## II. General

Save as disclosed in this Supplement N°1, there has been no significant new factor, material mistake or inaccuracy since 21 November 2017, the date of the publication of the Base Prospectus.

Copies of this Supplement N°1 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°1 and (b) any statement in, or incorporated by reference into, the Base Prospectus, the statements in (a) above will prevail.

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

In accordance with Article 13 paragraph 2 of the Prospectus Law, investors who already agreed to purchase or subscribe for Notes under the €1,000,000,000 Warrant Programme before this Supplement N°1 was published, have the right to withdraw their acceptances within two working days after the publication of this Supplement N°1, namely up to and including 16 May 2018.

11 May 2018