PROSPECTUS FOR ADMISSION TO TRADING ON EURONEXT BRUSSELS

LOAN INVEST NV/SA, COMPARTMENT HOME LOAN INVEST 2019

(*institutionele VBS naar Belgisch recht / SIC institutionelle de droit belge*)

EUR 3,200,000,000 floating rate Mortgage-Backed Notes due February 2050,
issue price 100 per cent.

Application has been made for an admission to trading of the EUR 3,200,000,000 floating rate Mortgage-Backed Notes due 15 February 2050 (the **"Notes"**), to be issued by Loan Invest NV/SA, *institutionele VBS naar Belgisch recht / SIC institutionelle de droit belge* (the "**Issuer"**) acting through its Compartment Home Loan Invest 2019, on Euronext Brussels NV (**"Euronext Brussels"**). The Notes will be issued on 15 February 2019 or such later date as may be agreed between the Issuer, the Seller and the Manager.

The Notes are only offered, directly or indirectly, to holders ("Eligible Holders") that satisfy the following criteria:

(a) **they qualify as qualifying investors (*in aanmerking komende beleggers / investisseurs éligibles*) within the meaning of Article 5, §3/1 of the Belgian Act of 3 August 2012 on institutions for collective investment that satisfy the criteria of Directive 2009/65/EC and on institutions for investment in receivables (*Wet betreffende de instellingen voor collectieve belegging die voldoen aan de criteria van Richtlijn 2009/65/EG en de instellingen voor belegging in schuldvorderingen / Loi relative aux organismes de placement collectif qui répondent aux conditions de la Directive 2009/65/CE et aux organismes de placement en créances*), as amended from time to time (the "UCITS Act") ("Qualifying Investors"), acting for their own account. A list of Qualifying Investors is attached as Annex I to this Prospectus (Qualifying Investors under the UCITS Act);**

(b) **they do not constitute investors that, in accordance with the annex, section (I), second indent, of the Royal Decree of 19 December 2017 concerning further rules for implementation of the directive on markets in financial instruments ("MIFID II"), have registered to be treated as non-professional investors; and**

(c) **they are holders of an exempt securities account ("X-Account") with the Securities Settlement System or (directly or indirectly) with a participant in such system and will use that X-account for the holding of the Notes.**

The Notes may only be acquired, by direct subscription, by transfer or otherwise and may only be held by Eligible Holders. Each payment of interest on Notes of which the Issuer becomes aware that they are held by a holder that does not qualify as an Eligible Holder will be suspended. Upon issuance of the Notes, the denomination of the Notes is EUR 250,000.

The Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "**Securities Act**"), or any state securities laws, and may not be offered, sold or delivered within the United States or to, or for the benefit of, United States persons as defined in Regulation S under the Securities Act, except in certain transactions exempt from or not subject to the registration requirements of the Securities Act (see *Purchase and Sale* below). The Issuer has not been and will not be registered as an investment company under the U.S. Investment Company Act of 1940, as amended.

THE NOTES OFFERED AND SOLD BY THE ISSUER MAY NOT BE PURCHASED BY, OR FOR THE ACCOUNT OR BENEFIT OF, ANY "U.S. PERSON" AS DEFINED IN THE U.S. RISK RETENTION RULES ("**RISK RETENTION U.S. PERSONS**"). PROSPECTIVE INVESTORS SHOULD NOTE THAT THE DEFINITION OF "U.S. PERSON" IN THE U.S. RISK RETENTION RULES IS DIFFERENT FROM THE DEFINITION OF "U.S. PERSON" IN REGULATION S OF THE SECURITIES ACT. EACH PURCHASER OF THE NOTES OR A BENEFICIAL INTEREST THEREIN ACQUIRED IN THE INITIAL DISTRIBUTION OF THE NOTES, BY ITS ACQUISITION OF THE NOTES OR A BENEFICIAL INTEREST THEREIN, WILL BE DEEMED TO HAVE MADE CERTAIN REPRESENTATIONS AND AGREEMENTS, INCLUDING THAT IT (1) IS NOT A RISK RETENTION U.S. PERSON, (2) IS ACQUIRING SUCH NOTE OR A BENEFICIAL INTEREST THEREIN FOR ITS OWN ACCOUNT AND NOT WITH A VIEW TO DISTRIBUTE SUCH NOTE, AND (3) IS NOT ACQUIRING SUCH NOTE OR A BENEFICIAL INTEREST THEREIN AS PART OF A SCHEME TO EVADE THE REQUIREMENTS OF THE U.S. RISK RETENTION RULES (INCLUDING ACQUIRING SUCH NOTE THROUGH A NON-RISK RETENTION U.S. PERSON, RATHER THAN A RISK RETENTION U.S. PERSON, AS PART OF A SCHEME TO EVADE THE 10 PER CENT. RISK RETENTION U.S. PERSON LIMITATION IN THE EXEMPTION PROVIDED FOR IN SECTION 20 OF THE U.S. RISK RETENTION RULES). PLEASE REFER TO THE RISK FACTOR ENTITLED "*U.S. RISK RETENTION REQUIREMENTS*" FOR MORE DETAILS.

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the Prospectus Directive). Consequently no key information document required by Regulation (EU) No 1286/2014 ("**the PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

The Notes will carry a floating rate of interest, payable monthly in arrear, which will be the Euro Interbank Offered Rate (**"EURIBOR"**) for one (1) month deposits in euro plus, up to but excluding the first Optional Redemption Date, a margin per annum, which will be 0.65 per cent. If on the first Optional Redemption Date the Notes will not be redeemed in full, in accordance with the terms and conditions of the Notes (the **"Conditions"**), the margin applicable to the Notes will be reset. The interest on the Notes from the first Optional Redemption Dates will be equal to EURIBOR for one (1) month deposits in euro plus a margin per annum which will be 0.65 per cent., payable monthly in arrear. The interest rate applicable to the Notes will never be less than zero.

The Notes are scheduled to mature on the Monthly Payment Date falling in February 2050 (the **"Final Maturity Date"**). On the first Monthly Payment Date falling in March 2019 and on each Monthly Payment Date thereafter, the Notes will be subject to mandatory partial redemption in accordance with the Conditions through the application of the Notes Redemption Available Amount to the extent available.

On the Monthly Payment Date falling in February 2024 and on each Monthly Payment Date thereafter (each an **"Optional Redemption Date"**) the Issuer will have the option to redeem all (but not some only) of the Notes then outstanding at their Principal Amount Outstanding subject to and in accordance with the Conditions.

It is a condition precedent to issuance that the Notes, on issue, be assigned at least an 'Aaa(sf)' rating by Moody's Investors Services Limited (**"Moody's"**) and at least 'AAAsf' by Fitch Ratings ("**Fitch**") (Moodys and Fitch both jointly referred to as the **"Rating Agencies**" and each as a "**Rating Agency**"). As of the date of this Prospectus, each of the Rating Agencies is established in the European Union and is registered in accordance with Regulation (EU) No 1060/2009 (the "**CRA Regulation**"), published on the European Securities and Markets Authority's (ESMA) website (http://www.esma.europa.eu)[1]. **A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. For a discussion of some of the risks associated with an investment in the Notes, see *Risk factors* herein.**

The Notes will (directly and indirectly) be secured by a first ranking right of pledge in favour of the Noteholders and the other Secured Parties, including Deloitte Bedrijfsrevisoren/Réviseurs d'Entreprises C.V.B.A. (the "**Security Agent**") on behalf of the Noteholders and the other Secured Parties over (i) the Mortgage Receivables, (ii) the Issuer's claims under or in connection with the Transaction Documents, and (iii) the balances standing to the credit of the Transaction Accounts. Recourse in respect of the Notes is limited to the Mortgage Receivables, any claims of the Issuer under the Transaction Documents and the balances standing to the credit of the Transaction Accounts and there will be no other assets of the Issuer, such as any assets that would relate to other compartments of the Issuer, and any rights in connection therewith, available for any further payments.

The Notes will be issued in the form of dematerialised notes under the Belgian Company Code (*Wetboek van Vennootschappen/ Code des Sociétés*) (the "**Company Code**") and cannot be physically delivered. The Notes will be delivered in the form of an inscription on a securities account. The clearing of the Notes will take place through the X/N securities and cash clearing system operated by the National Bank of Belgium ("the **NBB**") or any of its successors (the "**Securities Settlement System** "). Access to the Securities Settlement System is available through participants which include certain banks, stock brokers and Euroclear and Clearstream, Luxembourg.

The Notes will be solely the obligations of Compartment Home Loan Invest 2019 of the Issuer and have been allocated to Compartment Home Loan Invest 2019 of the Issuer. The Notes will not be obligations or responsibilities of, and will not be guaranteed by, any other entity or person. In particular, the Notes will be no obligations or responsibilities of, and will not be guaranteed by, any of the parties to the Transaction Documents, other than the Issuer acting through its Compartment Home Loan Invest 2019. Furthermore, none of such persons or entities or any other person in whatever capacity (i) has assumed or will accept any liability whatsoever to Noteholders in respect of any failure by the Issuer to pay any amounts due under the Notes, or (ii) is or will be under any obligation whatsoever to provide additional funds to the Issuer (except for the limited circumstances described in this Prospectus).

The Seller has undertaken to retain a material net economic interest of not less than 5% in the securitisation transaction contemplated in this Prospectus (the "**Transaction**") in accordance with Article 6 of Regulation (EU) No 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012 (the "**Securitisation Regulation**"). As at the Closing Date, such interest will in accordance with Article 6(3)(d) of the Securitisation Regulation be comprised of an interest in the first loss tranche, and, if necessary, other tranches having the same or a more severe risk profile than those sold to the investors. Any change in the manner in which this interest is held shall be notified to investors. The Seller has provided a corresponding undertaking with respect to the interest to be retained by it during the period wherein the Notes are outstanding to the Issuer and the Security Agent in the Mortgage Receivables Purchase Agreement. After the Closing Date, the Issuer will prepare monthly investor reports wherein relevant information with regard to the retention of the material net economic interest by the Seller as confirmed to the Issuer for each Monthly Investor Report will be publicly disclosed in compliance with the requirements of Article 7(e)(iii) of the Securitisation Regulation. Such information can be obtained from the website https://www.kbc.com/en/no-crawl/home-loan-invest-disclaimer[2]. For the avoidance of doubt, none of the Issuer, the Seller, the Arranger or the Manager makes any representation as to the accuracy or suitability of any financial model which may be used by a prospective investor in connection with its investment decision. Each prospective investor is required to independently assess and determine the sufficiency of the information described above for the purposes of complying with Article 5(1)(c) of the Securitisation Regulation and none of the Issuer, the Seller (in its capacity as the Seller and the Servicer), the Administrator, the Arranger nor the Manager makes any representation that the information described above or in the Prospectus is sufficient in all circumstances for such purposes. In addition, each prospective noteholder should ensure that it complies with the implementing provisions in respect of Article 6 of the Securitisation Regulation in its relevant jurisdiction. Investors who are uncertain as to the requirements which apply to them in respect of their relevant jurisdiction should seek guidance from their regulator.

This prospectus ("**Prospectus**") has been approved by the Financial Services and Markets Authority (*Autoriteit voor Financiële Diensten en Markten/Autorité des services et marchés financiers*) ("**FSMA**") on 8 February 2019 pursuant to Article 23 of the Belgian Act of 16 June 2006 concerning the public offer of investment securities and the admission of investment securities to trading on a regulated market (the "**Prospectus Law**"). This approval cannot be considered as a judgment as to the opportunity or the quality of the Transaction, nor on the situation of the Issuer.

Given the complexity of the terms and conditions of the Notes, an investment in the Notes is suitable only for experienced and financially sophisticated investors who understand and are in a position to evaluate the merits and risks inherent thereto and who have sufficient resources to be able to bear any losses which may result from such investment.

For the page reference of the definitions of capitalised terms used herein see *Index of Defined Terms*.

[1] This document is not incorporated by reference in this Prospectus.
[2] This document is not incorporated by reference in this Prospectus.

For a discussion of certain risks that should be considered in connection with any investment in the Notes, see *Risk Factors* herein.

Arranger
KBC Bank NV

Manager
KBC Bank NV

The date of this Prospectus is
8 February 2019

IMPORTANT INFORMATION

Neither the delivery of this Prospectus at any time nor any sale made in connection with the offering of the Notes shall imply that the information contained herein is correct at any time subsequent to the date of this Prospectus or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date of this Prospectus. Neither the Issuer nor any party have an obligation to update this Prospectus, except when required in accordance with applicable law.

No one is authorised by the Seller, the Issuer, the Arranger or the Manager to give any information or to make any representation concerning the issue, offering and sale of the Notes other than those contained in this Prospectus in accordance with applicable laws and regulations and, if given or made, such information or representation must not be relied upon as having been authorised by the Seller, the Issuer, the Arranger or the Manager.

This Prospectus is to be read and construed in conjunction with the articles of association of the Issuer which are incorporated herein by reference (see *Documents Incorporated by Reference* below).

The Manager will subscribe or will procure the subscription of the Notes on the Closing Date on the terms set out in the Subscription Agreement. See *Purchase and Sale* below. The minimum investment required per investor acting for its own account is EUR 250,000.

The Manager shall be entitled to cancel its obligations to subscribe the Notes in certain circumstances by notice to the Issuer, the Seller and the Security Agent at any time on or before the Closing Date. As a consequence of such cancellation, the issue of the Notes and all acceptances and sales shall be cancelled automatically and the Issuer and the Manager shall be released and discharged from their obligations and liabilities in connection with the issue and the sale of the Notes.

Neither this Prospectus nor any part thereof constitutes an offer or an invitation to sell or a solicitation of an offer to buy Notes in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. This Prospectus is published exclusively for the purpose of the admission to trading of the Notes on Euronext Brussels. This Prospectus has been approved by FSMA on 8 February 2019 pursuant to Article 23 of the Prospectus Law. This approval cannot be considered as a judgment as to the opportunity or the quality of the Transaction, nor on the situation of the Issuer.

The distribution of this Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. A fuller description of the restrictions on offers, sales and deliveries of the Notes and on the distribution of this Prospectus is set out in the section entitled *Purchase and Sale* below. Persons into whose possession this Prospectus (or any part thereof) comes are required to inform themselves about, and to observe, any such restrictions.

Neither this Prospectus nor any other information supplied in connection with the offering of the Notes constitutes an offer or invitation by or on behalf of the Issuer, the Arranger or the Manager to subscribe for or to purchase any Notes and neither this Prospectus nor any part hereof may be used for or in connection with an offer or solicitation by any person in any jurisdiction in which such offer or solicitation is not authorised or to any person who is not an Eligible Holder or to whom it is unlawful to make such offer or solicitation.

The information contained in this Prospectus was obtained from the Issuer and other sources, but no assurance can be given by the Arranger or the Manager as to the accuracy or completeness of such information. Subject to the responsibility statements below, none of the Seller, the Administrator, the Security Agent, the Arranger or the Manager makes any representation, express or implied, or accepts responsibility, with respect to the accuracy or completeness of any of the information in this Prospectus.

Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. In making an investment decision, investors must rely on their own examination of the terms of this offering and the Notes and the risks and rewards involved. The content of this Prospectus should not be construed as providing legal, business, accounting or tax advice. Each prospective investor should consult its own legal, business, accounting and tax advisors prior to making a decision to invest in the Notes.

The Notes will be solely the obligations of Compartment Home Loan Invest 2019 of the Issuer and will not be obligations or responsibilities of, and will not be guaranteed by, any other entity or person. In particular, the Notes will not be obligations or responsibilities of, and will not be guaranteed by, any of the parties to the Transaction Documents, other than the Issuer acting through its Compartment Home Loan Invest 2019. Furthermore, none of such persons or entities or any other person in whatever capacity acting (i) has assumed or will accept any liability whatsoever to Noteholders in respect of any failure by the Issuer to pay any amounts due under the Notes, or (ii) is or will be under any obligation whatsoever to provide additional funds to the Issuer (except for the limited circumstances described in this Prospectus).

The Notes may only be acquired, by direct subscription, by transfer or otherwise and may only be held by holders ("**Eligible Holders**") that satisfy the following criteria:

(a) they qualify as qualifying investors (*in aanmerking komende beleggers / investisseurs éligibles*) within the meaning of Article 5, §3/1 of the Belgian Act of 3 August 2012 on institutions for collective investment that satisfy the criteria of directive 2009/65/EC and on institutions for investment in receivables (*Wet betreffende de instellingen voor collectieve belegging die voldoen aan de criteria van Richtlijn 2009/65/EG en de instellingen voor belegging in schuldvorderingen / Loi relative aux organismes de placement collectif qui répondent aux conditions de la Directive 2009/65/CE et aux organismes de placement en créances*), as amended from time to time (the "**UCITS Act**") ("**Qualifying Investors**"). A list of Qualifying Investors is attached as Annex I ("**Qualifying Investors under the UCITS Act**")**,** acting for their own account**;**

(b) they do not constitute investors that, in accordance with the annex, section (I), second indent, of the Royal Decree of 19 December 2017 concerning further rules for implementation of the directive on markets in financial instruments ("**MIFID II**"), have registered to be treated as non-professional investors; and

(c) they are holders of an exempt securities account ("**X-Account**") with the Securities Settlement System or (directly or indirectly) with a participant in such system and will use that X-account for the holding of the Notes.

Any acquisition of a Note by or transfer of a Note to a person who is not an Eligible Holder shall be void and not binding on the Issuer and the Security Agent. If a Noteholder ceases to be an Eligible Holder, it is obliged to report this to the Issuer and such Noteholder will promptly transfer the Notes it holds to a person that qualifies as an Eligible Holder.

Each payment of interest on Notes of which the Issuer becomes aware that they are held by a holder that does not qualify as an Eligible Holder.

Notes may not be acquired by a Belgian or foreign transferee who is not subject to income tax or who is, as far as interest income is concerned, subject to a tax regime that is deemed by the Belgian tax authorities to be significantly more advantageous than the Belgian tax regime applicable to interest income (within the meaning of Articles 54 and 198, §1 11° of the BITC 1992).

Furthermore, no Notes may be acquired by a Belgian or foreign transferee that qualifies as an "affiliated company" (within the meaning of Article 11 of the Belgian Company Code) of the Issuer, save where such

transferee also qualifies as a "*financial institution*" referred to in Article 56, §2, 2° of the Belgian Income Tax Code 1992.

Finally, Notes may not be acquired by a foreign transferee being a resident of or having an establishment in, or acting, for the purposes of the Notes, through a bank account held on a tax haven jurisdiction as referred to in Article 307, §1/2 of the Belgian Income Tax Code of 1992 or any successor provision.

The Notes have not been approved or disapproved by the United States Securities and Exchange Commission, any state securities commission or any other regulatory authority in the United States, nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this Prospectus. Any representation to the contrary is unlawful.

The Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "**Securities Act**"), or any state securities laws, and may not be offered, sold or delivered within the United States or to, or for the benefit of, United States persons as defined in Regulation S under the Securities Act, except in certain transactions exempt from or not subject to the registration requirements of the Securities Act (see *Purchase and Sale* below). The Issuer has not been and will not be registered as an investment company under the U.S. Investment Company Act of 1940, as amended.

Prohibition of sales to EEA retail investors – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "**Prospectus Directive**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

In connection with the issue of the Notes, KBC Bank NV in its capacity as stabilising manager (as the "**Stabilising Manager**"), or persons acting on behalf of the Stabilising Manager, may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or person(s) acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of thirty (30) calendar days after the issue date of the Notes and sixty (60) calendar days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or person(s) acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

Capitalised terms used in this Prospectus, unless otherwise indicated, have the meaning as set out in this Prospectus. An index of defined terms, including those which are not defined in the Conditions, starts on page 271.

All references in this Prospectus to "**EUR**", "**€**", "**Euro**" and **"euro"** refer to the single currency which was introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community (as amended by the Treaty on European Union and as amended by the Treaty of Amsterdam).

Where relevant, a reference to the Issuer must be construed as a reference to Compartment Home Loan Invest 2019 of the Issuer. All obligations of the Issuer to the Noteholders and the other Secured Parties have

been allocated to Compartment Home Loan Invest 2019 of the Issuer and the Noteholders and the other Secured Parties only have recourse to the Pledged Assets of Compartment Home Loan Invest 2019.

RESPONSIBILITY STATEMENTS

The Issuer is responsible for the information contained in this Prospectus. The responsibility of the Issuer is based on Article 61 of the Prospectus Law. To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. Any information from third-parties contained and specified as such in this Prospectus has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by that third party, does not omit anything which would render the reproduced information inaccurate or misleading. The Issuer accepts responsibility accordingly. The registered office of the Issuer is located at Koningsstraat 97, 1000 Brussels.

KBC Bank NV is responsible for the paragraph relating to Article 6 of the Securitisation Regulation on p. 2 of this Prospectus and for the information contained in the following sections of this Prospectus: *The Belgian Residential Mortgage Market, KBC Bank NV, Description of the Mortgage Loans, Summary of the Provisional Portfolio, Mortgage Loan Underwriting and Mortgage Services, Related Party Transactions – Corporate Services Provider*, *Related Party Transactions –the Domiciliary Agent – the Listing Agent – the Reference Agent*, *Related Party Transactions – the Account Bank*, and *Related Party Transactions – the Swap Counterparty* only. To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained and specified as such in these paragraphs is in accordance with the facts and does not omit anything likely to affect the import of such information. Any information from third-parties contained and specified as such in these paragraphs has been accurately reproduced and, as far as KBC Bank NV is aware and is able to ascertain from information published by that third party, does not omit anything which would render the reproduced information inaccurate or misleading. KBC Bank NV accepts responsibility accordingly. The registered office of KBC Bank NV is located at Havenlaan 2, 1080 Brussels.

The Security Agent is responsible for the information contained in the section *The Security Agent* and in the section *Related Party Transactions – The Security Agent* only. To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained and specified as such in this paragraph is in accordance with the facts and does not omit anything likely to affect the import of such information. The Security Agent accepts responsibility accordingly. The registered office of the Security Agent is located at Aéroport National Bruxelles 1 (box J), 1930 Zaventem.

The Administrator is responsible for the information contained in the section *Related Party Transactions – The Administrator* only. To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained and specified as such in this paragraph is in accordance with the facts and does not omit anything likely to affect the import of such information. The Administrator accepts responsibility accordingly. The registered office of the Administrator is located at Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands.

Neither the Arranger nor the Manager has independently verified the information contained herein. Accordingly, the Arranger and the Manager make no representation, warranty or undertaking, express or implied, or accept any responsibility or liability, with respect to the accuracy and completeness of any of the information in this Prospectus or part thereof or any other information provided by the Issuer in connection with the Notes. The Arranger, the Manager and the Seller expressly do not undertake to review the financial conditions or affairs of the Issuer during the life of the Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial conditions and affairs of the Issuer and should review, among other things, the most recent financial statements of the Issuer for the purposes of making its own appraisal of the creditworthiness of the Issuer and when deciding whether or not to purchase, hold or sell any Notes during the life of the Notes.

This Prospectus is a prospectus within the meaning of the Regulation (EC) 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information

contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements.

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RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risk associated with the Notes are also described below. The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision. The description of the risk factors below should not be read as a legal advice. If you are in any doubt about the content of this Prospectus or the regulatory framework, you should consult an appropriate professional adviser.

1. RISK FACTORS – THE ISSUER AND THE NOTES

1.1 Regulatory Framework

Belgian law provides for a specific legal framework designed to facilitate securitisation transactions. These rules are set out in the UCITS Act and its implementing decrees. This legislation provides for a dedicated category of investment undertakings, which are designed for making investments in receivables. These vehicles can be set up as an investment company (*vennootschap voor belegging in schuldvorderingen* (or "**VBS**") / *société d'investissement en créances* (or "**SIC**")), i.e. as a commercial company under Belgian law in the form of a limited liability company (*naamloze vennootschap / société anonyme*) or in the form of a limited liability partnership (*commanditaire vennootschap op aandelen / société en commandite par actions*). The operations of a VBS/SIC are mainly governed by the UCITS Act and its implementing decrees, its bylaws (*statuten / statuts*) and, except to the extent provided in the UCITS Act, the Belgian Company Code.

To date, the legislation provides for a single type of VBS/SIC: the so-called "institutional VBS/SIC". In order to qualify as an "institutional VBS/SIC" ("**Institutional VBS/SIC**"), the VBS/SIC must, *inter alia*, attract its funding exclusively from Qualifying Investors under the UCITS Act.

1.2 Status of the Issuer as an Institutional VBS/SIC and tax regime

The Issuer has been established so as to have and maintain the status of an Institutional VBS/SIC. Under the UCITS Act, the regulatory status of an Institutional VBS/SIC i*nter alia* depends on the securities it issues being acquired and held at all times by Qualifying Investors under the UCITS Act only.

Compartment HLI 2019 has been registered with the Federal Public Service Finance on the list of Institutional VBS/SIC and their compartments by decision of the Federal Public Service Finance of 10 December 2018.

In order to facilitate securitisation transactions, a VBS/SIC benefits from certain special rules for the assignment of receivables and from a special tax regime (see the section *Issuer – 13. Tax Position of the Issuer* below). The status as Institutional VBS/SIC is in particular a requirement for the absence of corporate tax on the revenues of the Issuer and for an exemption of VAT on certain expenses of the Issuer and facilitates the assignment of the Loans to or by the Issuer. The loss of such Institutional VBS/SIC status would impact adversely on the Issuer's ability to satisfy its payment obligations to the Noteholders.

1.3 Measures to safeguard the Issuer's status as an Institutional VBS/SIC

Article 271/6, §2 of the UCITS Act provides expressly that a listing on a regulated market accessible to the public (such as Euronext Brussels) and/or the acquisition of securities (including shares) of an institutional VBS/SIC by investors that are not Qualifying Investors under the UCITS Act, through third parties and outside the control of the VBS/SIC, would not adversely affect the status of an investment vehicle as an Institutional VBS/SIC, provided that:

(a) the VBS/SIC has taken "*adequate measures*" to guarantee that the investors of the VB/SIC are Qualifying Investors under the UCITS Act acting for their own account; and

(b) the VBS/SIC does not contribute to, nor promote, the holding of its securities by investors that are not Qualifying Investors under the UCITS Act acting for their own account.

The "adequate measures" the Issuer has undertaken and will undertake for such purposes are described below.

The Royal Decree of 15 September 2006 relating to some measures on institutional companies for collective investment in receivables (*Arrêté royal portant certaines mesures d'exécution relatives aux organismes de placement collectif en créances institutionnels / Koninklijk besluit houdende bepaalde uitvoeringsmaatregelen voor de institutionele instellingen voor collectieve belegging in schuldvorderingen*) (the "**2006 Royal Decree VBS/SIC***"*) sets out the circumstances and conditions in which a VBS/SIC will be deemed to have taken such "adequate measures".

In order to procure that the securities issued by the Issuer are held only by Qualifying Investors under the UCITS Act acting for their own account, the Issuer has taken the following measures:

(a) in respect of the shares of the Issuer:

  (i) the shares of the Issuer will be registered shares; and

  (ii) the by-laws of the Issuer contain transfer restrictions stating that its shares can only be transferred to Qualifying Investors under the UCITS Act acting for their own account, with the sole exception, if the case arises, of shares which in accordance with Article 271/6, §2 of the UCITS Act, would be held by the Seller as credit enhancement; and

  (iii) the by-laws of the Issuer provide that the Issuer will refuse the registration (in its share register) of the prospective purchase of shares, if it becomes aware that the prospective purchaser is not a Qualifying Investor under the UCITS Act acting for its own account (with the sole exception, if the case arises, of shares which in accordance with Article 271/6, §2 of the UCITS Act, would be held by the Seller as credit enhancement); and

  (iv) the by-laws of the Issuer provide that it will suspend the payment of dividends in relation to its shares if it becomes aware that such shares are held by a person who is not a Qualifying Investor under the UCITS Act acting for its own account (with the sole exception, if the case arises, of shares which in accordance with Article 271/6, §2 of the UCITS Act, would be held by the Seller as credit enhancement); and

(b) in respect of the Notes:

  (i) the Notes will have the selling and holding restrictions described in section entitled *Purchase and Sale*; and

(ii) the Managers will undertake pursuant to the Subscription Agreement in respect of primary sales of the Notes, to sell the Notes solely to Qualifying Investors under the UCITS Act acting on their own account; and

(iii) the Notes are issued in dematerialised form and will be included in the Securities Settlement System; and

(iv) the nominal value of each individual Note is EUR 250,000 upon issuance; and

(v) in the event that the Issuer becomes aware that Notes are held by investors other than Qualifying Investors under the UCITS Act acting for their own account in breach of the above requirement, the Issuer will suspend interest payments relating to these Notes until such Notes will have been transferred to and are held by Qualifying Investors under the UCITS Act acting for their own account; and

(vi) the Conditions of the Notes, the by-laws of the Issuer, the Prospectus and any other document issued by the Issuer in relation to the issue and initial placing of the Notes will state that the Notes can only be acquired, held by and transferred to Qualifying Investors under the UCITS Act acting for their own account; and

(vii) all notices, notifications or other documents issued by the Issuer (or a person acting on its account) and relating to transactions with the Notes or the trading of the Notes on Euronext Brussels will state that the Notes can only be acquired, held by and transferred to Qualifying Investors under the UCITS Act acting for their own account; and

(viii) the Conditions provide that the Notes may only be held by persons that are holders of an X-Account with the Securities Settlement System or (directly or indirectly) with a participant in such system and such persons will use that X-account for the holding of the Notes.

By implementing these measures, the Issuer has complied with the conditions set out in the 2006 Royal Decree VBS/SIC. Without prejudice to the obligation of the Issuer not to contribute or to promote the holding of the Notes by investors other than Qualifying Investors under the UCITS Act, the measures guarantee to the Issuer, provided that it complies with these measures, that its status as Institutional VBS/SIC will not be challenged as a result of the admission to trading of the Notes on Euronext Brussels or if it would appear that Notes are held by investors other than Qualifying Investors under the UCITS Act. The Issuer has undertaken in the Transaction Documents to comply at all times with the requirements set out in the 2006 Royal Decree VBS in order to qualify and remain qualified as an Institutional VBS/SIC.

1.4 Mortgage Credit License

As from 1 November 2015, the status of credit providers of mortgage credit, including the requirements to be satisfied in order to be licensed and perform activities as a credit provider of mortgage credit, is governed by Book VII of the Belgian code of economic law (*Wetboek Economisch Recht / Code de Droit Économique*) dated 28 February 2013 (as amended from time to time, the "**Code of Economic Law**") replacing the regime of the mortgage institution governed by the Belgian Mortgage Credit Act of 4 August 1992, as amended (the "**Mortgage Credit Act**"). In accordance with Article 159 §1 of Book VII of the Code of Economic Law no one may exercise the activity of a provider of mortgage credit on the Belgian territory without having been licensed or registered by the FSMA. This rule also applies to a transferee of mortgage credit claims. To the extent the transferee is a "mobilisation vehicle" (a "**Mobilisation Vehicle**") as defined in article 2 of the Belgian Act of 3 August 2012 regarding various measures to facilitate the mobilisation of claims in the financial sector (*wet betreffende diverse maatregelen ter vergemakkelijking van de*

mobilisering van schuldvorderingen in de financiële sector / loi relative à des mesures diverses pour faciliter la mobilisation de créances dans le secteur financier) (as amended from time to time, the "**Mobilisation Act**"), the transferee would, in accordance with Article 159 §3 of Book VII of the Code of Economic Law, however not be subject to the regulatory capital requirements imposed by Article 162 of Book VII of the Code of Economic Law on providers of mortgage credit. In addition thereto, certain other exemptions from the rules otherwise imposed on providers of mortgage credit may be implemented by royal decree. Such additional exemptions have been laid down in the Royal Decree of 13 May 2017 containing exemptions from the licensing and conduct of business conditions for assignees of mortgage receivables and for credit providers which no longer issue credits but only service and settle existing credits:

(a) by way of derogation to Article VII.161 of the Code of Economic Law, the transferee can be set up in the form of an investment fund;

(b) by way of derogation to Article VII.165, §1, second indent of the Code of Economic Law, the transferee is not required to have an organisation allowing supervision of the compliance by tied agents, their employees and subagents with applicable requirements under Book VII of the Code of Economic Law and any implementing measures;

(c) by way of derogation to Article VII.165, §1, fourth indent of the Code of Economic Law, the transferee is not required to register in a suitable way the types of immovable property that are accepted as security and the acceptation policy relating to mortgage credit requests; and

(d) by way of derogation to Article VII.166, §4 of the Code of Economic Law, the transferee must not accede to an out-of-court settlement of consumer disputes, provided that the transferor has acceded thereto and the consumer has not been notified of the transfer and the transfer is not acknowledged by the consumer.

Loan Invest NV has obtained a license as a mortgage credit provider under Book VII, Title 4, Chapter 4 of the Code of Economic Law effective as of 18 July 2017. Loan Invest NV has notified the FSMA on 29 November 2018 of the creation of Compartment HLI 2019 in accordance with Article VII.160, §4, second limb of the Code of Economic Law.

1.5 Liability under the Notes

The Notes will be solely the obligations of the Issuer and will not be obligations or responsibilities of, and will not be guaranteed by, any other entity or person. In particular, the Notes will not be obligations or responsibilities of, and will not be guaranteed by, any of the parties to the Transaction Documents, other than the Issuer acting through its Compartment Home Loan Invest 2019. Furthermore, none of such persons or entities or any other person in whatever capacity acting:

(a) has assumed or will accept any liability whatsoever to Noteholders in respect of any failure by the Issuer to pay any amounts due under the Notes, or

(b) is or will be under any obligation whatsoever to provide additional funds to the Issuer (except in the limited circumstances described herein).

1.6 Compartments – Limited Recourse Nature of the Notes

The Issuer has been established to issue notes from time to time, including the Notes. The Notes are issued by the Issuer, acting through its Compartment Home Loan Invest 2019. This is the seventh Compartment that has been created by the Issuer.

Article 271/11, §4 of the UCITS Act, expressly provides that:

(a) the rights of the shareholders and the creditors, which have arisen in respect of a particular compartment or in relation to the creation, operation or liquidation of such compartment, only have recourse to the assets of such compartment. Similarly, the creditors in relation to liabilities allocated or relating to other compartments of the same VBS/SIC only have recourse against the assets of the compartment to which their rights or claims have been allocated or relate;

(b) in case of the dissolution and liquidation (*ontbinding en vereffening / dissolution et liquidation*) of a compartment the rules on the dissolution and liquidation of companies must be applied *mutatis mutandis*. Each compartment must be liquidated separately and such liquidation does not entail the liquidation of any other compartment. Only the liquidation of the last compartment will entail the liquidation of the VBS/SIC; and

(c) the Belgian law rules on judicial reorganisation (*gerechtelijke reorganisatie* / *réorganisation judiciaire*), as applicable, and bankruptcy (*faillissement / faillite*)) are to be applied separately for each compartment and a judicial reorganisation, as applicable, or bankruptcy of a compartment does not as a matter of law entail the judicial reorganisation, as applicable, or the bankruptcy to the other compartments or of the VBS/SIC.

All obligations of the Issuer to the Noteholders and the other Secured Parties have been allocated to Compartment Home Loan Invest 2019 of the Issuer and the Noteholders and the other Secured Parties only have recourse to the Pledged Assets of Compartment Home Loan Invest 2019.

Article 271/11, § 2 of the UCITS Act provides that the articles of association of the VBS/SIC determine the allocation of costs to the VBS/SIC and each compartment.

However, when no clear allocation of liabilities (including costs and expenses) to compartments of the Issuer has been made in a particular contract entered into by the VBS/SIC, it is unclear under Belgian law whether in such case the relevant creditor would have recourse to all compartments of the Issuer. A similar uncertainty exists in relation to creditors whose claims are not based on a contractual relationship (e.g. social security authorities or creditors with claims in tort) and cannot be clearly allocated to a particular compartment. The parliamentary works to the predecessor of the UCITS Act (whose provisions have been incorporated in the UCITS Act) and legal writers suggest that, in the absence of clear allocation, the relevant creditor may claim against all compartments and the investors of these compartments would only have a liability claim against the directors of the VBS/SIC. Consequently and from that perspective, the liabilities of one compartment of the Issuer may affect the liabilities of its other compartments.

In this respect, the Articles of Association of the Issuer provide that the costs and expenses which cannot be allocated to a compartment, will be allocated to all compartments *pro rata* the outstanding balance of the receivables of each compartment.

All obligations of the Issuer to the Noteholders and the other Secured Parties are limited in recourse and the Noteholders and the other Secured Parties will have a right of recourse only in respect of the Pledged Assets (belonging to Compartment Home Loan Invest 2019) and will not have any claim, by operation of law or otherwise, against, or recourse to any of the Issuer's other assets or its issued and paid up capital.

Furthermore, all sums payable to each Secured Party in respect of the Issuer's obligations to such Secured Party shall be limited to the lesser of:

(a) the aggregate amount of all sums due and payable to such Secured Party; and

(b) the aggregate amounts received, realised or otherwise recovered by the Security Agent in respect of the Mortgage Receivables and any other Pledged Assets, subject to the payment

of amounts ranking in priority to payment of amounts due in respect of the Notes. See further *Credit Structure*.

If there are insufficient funds available to the Issuer to pay in full all principal, interest and other amounts in respect of the Notes at their maturity date in accordance with the Conditions, the Noteholders will have no further claim against the Issuer in respect of any such unpaid amount and such unpaid amount shall be discharged in full. No recourse may be made for any amount due in respect of any Notes or any other obligations of the Issuer against any officer, member, director, employee, shareholder, security holder or incorporator of the Issuer or their respective successors or assigns.

1.7 Risks inherent to the Notes

(a) Credit Risk

There is a risk of non-payment of principal and/or interest on the Notes due to non-payment of principal and/or interest on the Mortgage Receivables. The ability of the Issuer to meet its obligations in full to pay principal of and interest on the Notes will be dependent on the receipt by it of funds under the Mortgage Receivables, the proceeds of the sale of any Mortgage Receivables, the receipt by it of payments under the Swap Agreement and the receipt by it of interest in respect of the balances standing to the credit of the Transaction Accounts. See further *Credit Structure*. In addition, the Issuer will have available to it the balances standing to the credit of the Reserve Account for certain of its interest obligations.

The credit risk is mitigated by the subordinated ranking of the Subordinated Loan. The proceeds of the Subordinated Loan will be used to (i) pay part of the Initial Purchase Price and (ii) credit the Reserve Account up to the Reserve Account Required Amount.

The credit risk is further mitigated by the excess in the Interest Amount generated by the Mortgage Receivables (the "**Excess Margin**"). This Excess Margin is used to pay interest on the Subordinated Loan but can be used in priority to make good any shortfall in the Principal Deficiency Ledger (See *Interest Priority of Payments*).

If, upon default by the Borrowers and after exercise by the Servicer of all available remedies in respect of the applicable Mortgage Receivables, the Issuer does not receive the full amount due from such Borrowers, Noteholders may receive by way of principal repayment on the Notes an amount less than the Principal Amount Outstanding of their Notes and the Issuer may be unable to pay in full interest due on the Notes.

The risk regarding the payments on the Mortgage Receivables is influenced by, among other things, market interest rates, general economic conditions, the financial standing of Borrowers and other similar factors. Other factors such as loss of earnings, illness, divorce and other similar factors could ultimately have an adverse impact on the ability of Borrowers to repay their Mortgage Receivables.

(b) Prepayment Risk

The maturity of the Notes will depend on, among other things, the amount and timing of payment of principal (including full and partial prepayments, the sale of the Mortgage Receivables by the Issuer in the case of an Optional Redemption, Net Proceeds upon enforcement of a Mortgage Receivable and repurchase by the Seller of Mortgage Receivables, including as a result of the exercise by the Seller of its Regulatory Call Option) under the Mortgage Receivables. The average maturity of the Notes may be affected by a higher or lower than anticipated rate of prepayments on the Mortgage Receivables.

The rate of prepayment of Mortgage Receivables is influenced by a wide variety of economic, social and other factors, including prevailing market interest rates, changes in tax law (including, but not limited to, amendments to mortgage interest tax deductibility), local and regional economic conditions and changes in Borrower's behaviour (including, but not limited to, home owner mobility). No guarantee can be given as to the level of prepayment that the Mortgage Receivables may experience, and variation in the rate of prepayments of principal on the Mortgage Receivables may affect the Notes. The estimated average life of the Notes must be viewed with considerable caution and Noteholders should make their own assessment thereof.

In accordance with Article 147/11 of Book VII of the Code of Economic Law, a Borrower may at any time prepay the entire outstanding amount of its Mortgage Loan. In addition, partial prepayments are allowed at any time unless the loan documentation contains restrictions in this respect. Such restrictions in the loan documentation may however not exclude:

(a) a partial prepayment once a year; and

(b) a prepayment at any time in an amount of 10% or more of principal.

In the case of a Mortgage Loan which is subject to Book VII, Title 4, Chapter 2 of the Code of Economic Law, a prepayment penalty in an amount of up to three (3) months interest on the prepaid amount may be charged. No prepayment penalty is due in the event of death of the Borrower to the extent that the prepayment occurs with funds paid pursuant to a debt insurance policy relating to the Mortgage Loan.

(c) Liquidity Risk

There is a risk of temporary liquidity problems if interest on the Mortgage Receivables is not received on time or is not received at all. This risk is mitigated by (i) the requirement to credit to the Reserve Account an amount equal to the Reserve Account Required Amount, (ii) the Excess Margin and (ii) the revenues of the Mortgage Receivables that have been purchased with the (partial) proceeds of the Subordinated Loan.

(d) Maturity Risk

There is a risk that the Issuer will not have received sufficient principal to fully redeem the Notes at their Final Maturity Date. The ability of the Issuer to redeem all the Notes in full and to pay all amounts due to the Noteholders (including after the occurrence of an Event of Default), may depend upon whether the value of the Mortgage Receivables is sufficient to redeem the Notes. In addition, no assurance can be given that the Issuer will exercise its option to redeem the Notes on the first or any subsequent Optional Redemption Date or that there will be a purchaser for the Mortgage Receivables.

(e) Risk that the Issuer will not exercise its right to redeem the Notes on an Optional Redemption

Due to the increase of the margin payable in respect of the floating rate of interest on the Notes from the first Optional Redemption Date, the Issuer might have an economic incentive to exercise its right to redeem the Notes on the first Optional Redemption Date or on any subsequent Optional Redemption Date. However, no guarantee can be given that the Issuer will exercise such right. The exercise of such right will, among other things, depend on the ability of the Issuer to have sufficient funds available to redeem the Notes, for example, through the sale of the Mortgage Receivables still outstanding at that time.

(f) Risk of early redemption as a result of the Clean-Up Call Option, the Regulatory Call Option, the Optional Redemption in case of Change of Law, and the Optional Redemption in case of a Ratings Downgrade Event or for tax reasons

Should the Seller exercise its Clean-up Call Option or Regulatory Call Option on any Monthly Payment Date, the Issuer will redeem the Notes by applying the proceeds of the sale of the Mortgage Receivables towards redemption of the Notes in accordance with the Conditions on such Monthly Payment Date, whether falling before or after the first Optional Redemption Date. The Issuer will have the option to redeem the Notes in case of Change of Law, a Ratings Downgrade Event or for tax reasons on any Monthly Payment Date in accordance with the Conditions. If the Issuer exercises any of such options, the Notes may be redeemed prior to the first Optional Redemption Date and will be redeemed prior to the Final Maturity Date, as applicable. The Issuer will give notice to the Noteholders in accordance with the Conditions.

(g) Interest Rate Risk

The amount of revenue receipts that the Issuer receives will fluctuate according to the interest rates applicable to the Mortgage Loans and the Transaction Accounts. The Issuer will be subject to floating rate interest obligations under the Notes (floored at zero) while the Mortgage Loans are subject to either a variable rate of interest or a fixed rate of interest.

To hedge the Issuer's exposure against the possible variance between, on the one hand, the revenue it receives from (a) the Mortgage Loans subject to a variable rate of interest or a fixed rate of interest and (b) the interest on the Transaction Accounts and, on the other hand, the interest it pays under the Notes, the Issuer will on or about the Closing Date enter into the Swap Agreement with the Swap Counterparty.

There can be no assurance that the Swap Agreement will adequately address the interest rate risk the Issuer is exposed to in case the Swap Counterparty fails to perform its obligations under the Swap Agreement and because of the reasons set out below.

See further risk factor "*Changes or uncertainty in respect of EURIBOR or other interest rate benchmarks may affect the value or payment of interest under the Notes*".

Termination and the failure to make payments under the Swap Agreement

A failure by the Swap Counterparty to make timely payments of amounts due under the Swap Agreement will constitute a default thereunder. The Swap Counterparty is obliged to make payments under the Swap Agreement only to the extent that the Issuer makes payments under it.

To the extent that the Swap Counterparty is not obliged to make payments, or defaults in its obligations under the Swap Agreement to make payment to the Issuer on any payment date under the Swap Agreement, or the Swap Agreement is terminated, and unless a comparable replacement swap agreement is entered into, the Issuer will be exposed to the possible variance between the fixed interest payable under the Mortgage Receivables and the floating rate interest obligations under the Notes and the Issuer may have insufficient funds to make payments due under the Notes. In addition, if the Swap Agreement terminates, the Issuer may in certain circumstances be required to make a termination payment to the Swap Counterparty. Any such termination payment could be substantial and may affect the funds available to pay amounts due to the Noteholders.

The Swap Agreement will be terminable by one party if, amongst other things, (i) an event of default (as defined therein) occurs in relation to the other party, (ii) it becomes unlawful for either party to perform its obligations under the Swap Agreement, (iii) an Enforcement Notice is served, (iv) in certain circumstances, the Issuer redeems the Notes in full, or (v) certain tax events occur. Events of default in relation to the Issuer in the Swap Agreement will include (i) non-payment under the Swap Agreement and (ii) certain insolvency-related events.

The Swap Agreement can also be terminated by the Issuer in certain circumstances if the Swap Counterparty is downgraded (see *Credit Structure – Downgrade of Swap Counterparty*). If the Swap

Agreement is terminated, no assurance can be given on the ability of the Issuer to enter into a replacement swap, or if one is entered into, as to the credit rating or cost of a replacement Swap Counterparty.

For the avoidance of doubt, the Issuer will not be obliged to pay to the Swap Counterparty under the Swap Agreement any amounts in respect of the Mortgage Receivables (or any Prepayment Penalties) to the extent that it has not received such amounts from the Borrowers, the Sellers or the Servicer, as the case may be.

Novation by the Swap Counterparty

In certain circumstances the Swap Counterparty has the right to novate (in whole or in part), the Swap Agreement to any third party, subject to, amongst other things, the then current ratings of the Notes not being downgraded.

Withholding or deduction of Taxes

The Swap Counterparty will be obliged to make payments under the Swap Agreement without any withholding or deduction of taxes unless required by law, subject to the right to novate (in whole or in part) the obligations under the Swap Agreement to a third party, as described in this section above.

If any withholding or deduction is required by law, the Swap Counterparty will be required to pay such additional amounts as are necessary to ensure that the net amount received by the Issuer under the Swap Agreement will be equal the amount that the Issuer would have received had no such withholding or deduction been required. The Swap Agreement will provide, however, that if due to:

(a) action taken by a relevant taxing authority or brought in a court of competent jurisdiction; or

(b) any change in tax law;

in both cases after the date of the Swap Agreement, the Swap Counterparty will, or there is a substantial likelihood that it will, be required to pay to the Issuer additional amounts for or on account of a tax (a "**Tax Event**"), the Swap Counterparty may (with consent of the Issuer) transfer its rights and obligations under the Swap Agreement to any of its other offices, branches or affiliates to avoid the relevant Tax Event.

(h) Liquidity of the Notes

Prior to this offering, there has been no public secondary market for the Notes and there can be no assurance that the issue price of the Notes will correspond to the price at which the Notes will be traded after the initial offering of the Notes. Furthermore, there can be no assurance that active trading in the Notes will commence or continue after the offering. A lack of trading in the Notes could adversely affect the price of the Notes as well as the Noteholders' ability to sell the Notes.

KBC Bank NV intends to acquire a substantial part of the Notes, which may result in KBC Bank NV holding a participation exceeding 75 per cent of the Principal Amount Outstanding of the Notes. In addition, Affiliated Entities of KBC Bank NV may also subscribe to the Notes. There can however be no assurance that KBC Bank NV or any Affiliated Entity of KBC Bank NV will continue to hold these Notes, without prejudice to the requirements pursuant to Article 6 of the Securitisation Regulation (as referred to above).

(i) Voting rights

There may be potential conflicts of interest between the interests of KBC Bank NV (or any Affiliated Entity) as holder of part of the Notes and the interests of External Investors.

KBC Bank NV will acquire a substantial part of the Notes, which may result in KBC Bank NV holding a participation exceeding 75 per cent of the Principal Amount Outstanding of the Notes. In addition, Affiliated Entities of KBC Bank NV may also subscribe to the Notes. While KBC Bank NV (or any Affiliated Entity) remains the owner of those Notes, it will be entitled to vote in respect of them, except that with respect to the voting of any Basic Terms Modification, specific quorum- and majority requirements, as set out in Condition 4.12, will apply in order to protect the interest of External Investors.

(j) Average Life of the Notes

The estimates are based on preliminary pool data as of 30 November 2018.

The different average life scenarios with respect to the Notes are summarised in the table below:

	Base scenario – no exercise of call (0% CPR)	**Base scenario (0% CPR) – exercise of call**	**scenario + extra 5% CPR – no exercise of call**	**scenario + extra 5% CPR – exercise of call**	**scenario + extra 10% CPR – no exercise of call**	**scenario + extra 10% CPR – exercise of call**
WAL years	7.65	4.09	4.71	3.53	3.50	2.59

WAL means Weighted Average Life.
CPR means Constant Prepayment Rate.

The average life of the Notes is subject to factors largely outside the control of the Issuer and consequently no assurance can be given that the above estimates and assumptions will prove in any way to be correct. The average life must therefore be viewed with considerable caution and Noteholders should make their own assessment thereof.

1.8 Reliance on Third Parties

Counterparties to the Issuer may not perform their obligations under the Transaction Documents or may terminate such Transaction Documents in accordance with their terms, which may result in the Issuer not being able to meet its obligations. It should be noted that there is a risk that (a) KBC Bank NV in its capacity as Swap Counterparty, Domiciliary Agent, Listing Agent and Reference Agent, Seller, Subordinated Loan Provider, Servicer and Corporate Services Provider will not perform its obligations under the relevant Transaction Documents, and (b) the Issuer Directors and/or the Shareholder Director will not perform their obligations under the relevant Management Agreements, and (c) Intertrust Administrative Services B.V. as Administrator will not perform its obligations under the Issuer Services Agreement.

Neither the Issuer nor the Domiciliary Agent will have any responsibility for the proper performance by the Securities Settlement System or the Securities Settlement System Participants of their obligations under their respective rules, operating procedures and calculation methods.

1.9 Force Majeure

Belgian law recognises the doctrine of *overmacht / force majeure*, permitting a party to a contractual obligation to be freed from such obligation upon the occurrence of an event which renders impossible the performance of such contractual obligation. There can be no assurance that any of the parties to the Transaction Documents will not be subject to a *overmacht / force majeure* event leading to them being freed from their obligations under the Transaction Documents to which it is a party. This could undermine the ability of the Issuer to meet its obligations under the Notes.

1.10 Payments on the Mortgage Receivables are subject to credit, liquidity and interest rate risks

Payments on the Mortgage Receivables are subject to credit, liquidity and interest rate risks. This may be due to, among other things, market interest rates, general economic conditions, the financial standing of Borrowers and similar factors. Other factors such as loss of earnings, illness, divorce or other similar factors may lead to an increase in delinquencies and bankruptcy filings or filing for a collective debt arrangement by Borrowers and could ultimately have an adverse impact on the ability of Borrowers to repay their Mortgage Loans. The ultimate effect of this could be to delay or reduce the payments on the Notes or to increase the rate of repayment of the Notes.

1.11 Risks of Losses Associated with Declining Values of Mortgaged Assets – Foreclosure by Third Parties

The security for the Notes created under the Pledge Agreement may be affected by, among other things, a decline in the value of the Mortgaged Assets. No assurance can be given that values of the Mortgaged Assets have remained or will remain at the level at which they were on the date of origination of the related Mortgage Loans. A decline in value may result in losses to the Noteholders if such security is required to be enforced.

In addition, if foreclosure action is taken by a third party creditor against the Borrower prior to the Servicer, the Servicer will not control the foreclosure procedures in relation to the Mortgaged Assets but rather will need to follow the foreclosure actions of the third party having been prior in starting up its proceedings. This will not affect the priority rights in relation to the Mortgaged Assets with respect to the Mortgages created thereon.

1.12 Enforcement of Security Interests

The Pledge Agreement is governed by Belgian law. Under Belgian law, upon enforcement of the security for the Notes, the Security Agent, in its capacity as pledgee and acting on its own behalf and on behalf of the other Secured Parties, will be permitted to collect any monies payable in respect of the Mortgage Receivables, any moneys payable under the Transaction Documents pledged to it and any monies standing to the credit of the Transaction Accounts and to apply such monies in satisfaction of obligations of the Issuer which are secured by the Pledge Agreement.

The Security Agent will also be permitted to apply to the president of the business court (*ondernemingsrechtbank / tribunal de l'entreprise*) for authorisation to sell the Pledged Assets. The Security Agent and the other Secured Parties have a first ranking claim over the proceeds of any such sale. Other than claims under the Mortgage Receivables Purchase Agreement in relation to a material breach of a warranty and a right of action for damages in relation to a breach of the Issuer Services Agreement, the Issuer and the Security Agent will have no recourse to the Seller.

In addition to other methods of enforcement permitted by law, Article 271/12, §2 of the UCITS Act also permits all Noteholders (acting together) to request the president of the business court to attribute to them the Pledged Assets in payment of an amount estimated by an expert. In accordance with the terms of the Pledge Agreement, only the Security Agent shall be permitted to exercise these rights.

Any proceeds from any sale of the Pledged Assets will be applied in accordance with the Priority of Payments upon Enforcement. See further *Credit Structure*.

The ability of the Issuer to redeem all the Notes in full (including after the occurrence of an event of default in relation to the Notes) while any of the Mortgage Receivables are still outstanding, may depend upon whether the Mortgage Receivables can be sold, otherwise realised or refinanced so as to obtain an amount sufficient to redeem the Notes. There is not an active and liquid secondary market for residential mortgage loans in Belgium. Therefore, it may be that neither the Issuer nor the Security Agent will be able to sell or refinance the Mortgage Receivables on appropriate terms should either of them be required to do so.

Enforcement of the Security Interests in relation to the Related Security relating to the Mortgage Receivables will occur through the enforcement of the Security Interests in the Mortgage Receivables.

The enforcement rights of creditors are suspended during insolvency proceedings, including bankruptcy proceedings and judicial reorganisation proceedings, as applicable. With respect to bankruptcy proceedings, Secured Parties will be entitled to enforce their security, but only after the filing of the first report of verification of claims submitted in the bankrupt estate has been completed and the liquidator (*curator/curateur*) and the supervising judge have drawn up a record of all liabilities. This normally implies a suspension of enforcement of about two (2) months, but the liquidator may ask the court to suspend individual enforcement for a maximum period of one year from the date of the bankruptcy judgement. There should, however, pursuant to the Collateral Law, be no suspension of enforcement in relation to the pledge over the balances standing to the credit of the Transaction Accounts.

1.13 Insolvency of the Issuer

The Issuer has been incorporated in Belgium under the laws of Belgium as a commercial company and is subject to Belgian insolvency legislation. There can be no legal assurance that the Issuer or any of its Compartments will not be declared insolvent.

However, limitations on the corporate purpose of the Issuer are included in the Articles of Association, so that its activities are limited to the issue of negotiable financial instruments for the purpose of acquiring receivables. Outside the framework of the activities mentioned above, the Issuer is not allowed to hold any assets, enter into any agreements or carry out any other activities. The Issuer may carry out the commercial and financial transactions and may grant security to secure its own obligations or to secure obligations under the Notes or the other Transaction Documents, to the extent only that they are necessary to realise the corporate purposes as described above. The Issuer is not allowed to have employees.

Pursuant to the Pledge Agreement, none of Secured Parties, including the Security Agent, (or any person acting on their behalf) shall until the date falling one year after the latest maturing Note is paid in full, initiate or join any person in initiating any Bankruptcy Event or the appointment of any Bankruptcy Official in relation to the Issuer or any of its Compartments.

1.14 Limited capitalisation of the Issuer

The Issuer is incorporated under Belgian law as a company with limited liability (*naamloze vennootschap / société anonyme*) with a share capital of EUR 69,500 of which EUR 6,950 is allocated to Compartment Home Loan Invest 2019. In addition, the shareholder is a Dutch company with limited liability (*besloten vennootschap*) which has been capitalised for the purpose of its shareholding in the Issuer. There is no assurance that the shareholder will be in a position to recapitalise the Issuer, if the Issuer's share capital falls below the minimum legal share capital.

The Secured Parties will have no recourse to the Issuer's issued and paid-up capital.

1.15 Preferred Creditors

Belgian law provides that certain preferred rights (*voorrechten / privilèges*) may rank ahead of a mortgage or other security interest. These liens include the lien for legal costs incurred in the interest of all creditors, or the lien for the maintenance or conservation of an asset.

In addition, if a debtor being an undertaking (*onderneming/ entrprise*) is declared bankrupt while or after being subject to a reorganisation with creditors (*gerechtelijke reorganisatie / reorganisation judiciaire*), then any new debts incurred during the reorganisation procedure may be regarded as being debts incurred by the bankrupt estate ranking ahead of debts incurred prior to the reorganisation procedure. These debts may rank ahead of debts secured by a security interest. Similarly, debts incurred by the liquidator of a debtor after such debtor's declaration of bankruptcy may rank ahead of debts secured by a security interest if the incurring of such debts were beneficial to the secured creditors.

In addition, pursuant to the Conditions, the claims of certain creditors will rank senior to the claims of the Noteholders by virtue of the relevant priority of payment referred to therein. See further *Credit Structure*.

1.16 Commingling Risk

The Issuer's liability to make payments in respect of the Notes and to pay its operating and administrative expenses depends on funds being received from the Borrowers by the Seller and such funds subsequently being swept by the Seller or the Servicer on its behalf to the Issuer's Collection Account. The Seller may also collect other funds in the same account on which the payments by the Borrower under the Mortgage Receivables are made, and to this extent there may be a risk of commingling of proprietary funds of the Seller and the Issuer. In case of an insolvency of the Seller, the recourse the Issuer would have against the Seller would be an unsecured claim against the insolvent estate of the Seller for collection money received by the Seller from the Borrower in connection with the Mortgage Receivables at such time.

This commingling risk is mitigated by the fact that the amounts received by the Seller in respect of the Mortgage Receivables will be swept on a daily basis by the Seller or the Servicer on its behalf to the Issuer Collection Account. Furthermore, upon the occurrence of a Risk Mitigation Deposit Trigger Event, an amount corresponding to the Risk Mitigation Deposit Required Amount shall have to be credited to the Deposit Account which can be used for the purpose of indemnifying the Issuer against commingling risk (see further *Mortgage Receivables Purchase Agreement – 8. Risk Mitigation Deposit*).

A commingling risk also exists by reason of the fact that the Seller also acts as Account Bank. This commingling risk is mitigated by the fact that if at any time the Account Bank is assigned a rating of less than the Required Minimum Ratings or its rating is withdrawn, the Issuer will be required within sixty (60) calendar days to transfer the balance of the relevant Transaction Accounts to an alternative bank with the Required Minimum Rating or to obtain a third party, acceptable to the Rating Agency, to guarantee the obligations of the Account Bank. See further *Credit Structure*.

1.17 Ratings of the Notes

The ratings of the Notes addresses the assessment made by the Rating Agencies of the likelihood of full and timely payment of interest and ultimate payment of principal on or before the Final Maturity Date.

The rating expected to be assigned to the Notes by the Rating Agencies is based on the value and cash flow generating ability of the Mortgage Loans and other relevant structural features of the Transaction, including, *inter alia*, the short-term and long-term IDR of the other parties involved in the transaction and reflect only the views of the Rating Agency.

There is no assurance and the Issuer can give no assurance that any such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by any of the Rating Agencies as a result of changes in or unavailability of information or if, in the Rating Agency's judgement, circumstances so warrant. Any rating agency other than the Rating Agencies could seek to rate the Notes and if such unsolicited ratings are lower than the comparable rating assigned to the Notes by the Rating Agencies, such unsolicited ratings could have an adverse effect on the value of the Notes. For the avoidance of doubt, any references to "ratings" or "rating" in this Prospectus are to ratings assigned by the Rating Agencies only. Future events and/or circumstances relating to the Mortgage Receivables and/or the Belgian residential mortgage market, in general could have an adverse effect on the rating of the Notes.

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation if in its judgment, the circumstances (including a reduction in the credit rating of the Account Bank or the Swap Counterparty) in the future so require.

1.18 The Security Agent may agree to modifications without the Noteholders' prior consent

Pursuant to the terms of the Pledge Agreement and in accordance with Condition 14.11(c) (*Meetings of Noteholders, Modifications and Waivers*), the Security Agent may without the consent of the Noteholders and the other Secured Parties authorise or waive, on such terms and conditions (if any) as shall seem expedient to it, any proposed or actual breach of any covenants or provisions contained in or arising pursuant to the Notes or any of the Transaction Documents, but only in so far as in its opinion the interest of the Noteholders will not be materially prejudiced thereby. Any such authorisation or waiver will be binding on the Noteholders and the other Secured Parties.

Furthermore, the Security Agent may without the consent of the Noteholders and the other Secured Parties at any time and from time to time, concur with the Issuer or any other person in making any modification:

The Security Agent may on behalf of the Noteholders and without the consent of the Noteholders or the other Secured Parties at any time and from time to time, concur with the Issuer or any other person in making any modification:

(a) to the Transaction Documents or the Conditions of the Notes, which in the opinion of the Security Agent is of a formal, minor, or technical nature or is to correct a manifest error or to comply with the mandatory provisions of Belgian law; or

(b) to the Transaction Documents or the Conditions of the Notes, which in the opinion of the Security Agent is not materially prejudicial to the interests of the Noteholders and not in breach of the Securitisation Regulation, provided that such modification will have no adverse impact on the then current rating assigned to the Notes (it being understood that the fact that the then current rating of the Notes will not be adversely affected does not address whether such modification is in the best interest of, or prejudicial to, some or all of the Noteholders); or

(c) to any Transaction Document or the Conditions of the Notes, subject to certain conditions being satisfied, which:

(i) enables the Issuer and/or the Swap Counterparty to comply with the EMIR Requirements; or

(ii) enables the Issuer to comply with the CRA3 requirements, the Securitisation Regulation and the CRR Amendment Regulation; or

(iii) follows from the introduction of an Alternative Base Rate,

it being understood that any modification of a Transaction Document must be approved by each party thereto. Any such modification shall be binding on the Noteholders and the other Secured Parties.

The full requirements in relation to any modification, waiver or authorisation without the Noteholders' prior consent, have been set out in Condition 4.11(c)(*variations*).

1.19 No Gross-up for Taxes

As provided in Condition 4.8, if withholding of, or deduction for, or account of any present or future taxes, duties or charges of whatsoever nature are imposed by or on behalf of the Kingdom of Belgium or any other jurisdiction or any political subdivision or any authority therein or thereof having power to tax, the Issuer, the Securities Settlement System Operator or the Domiciliary Agent (as applicable) will make the required withholding or deduction of such taxes, duties or charges for the account of the Noteholders, as the case may be, and shall not be obliged to pay any additional amounts to the Noteholders.

1.20 Risk that fees paid in respect of the management of the Issuer will not be exempt from Belgian VAT

Prior to the Belgian Law of 19 April 2014 on alternative investment funds and their managers (the "**AIFM Law**"), it was clear that Article 44, §3, 11° of the Belgian VAT Code provided for an exemption applicable to management services provide to institutions for investment in receivables ("**IIRs**") such as the Issuer.

In a certain, very strict interpretation of the language used in Article 44, §3, 11° of the Belgian VAT Code, one could potentially conclude that as from the entry into force of the AIFM Law, the VAT exemption provided by said provision no longer applies to IIRs. Nonetheless, the Belgian central tax administration had expressly confirmed in administrative decision ET 127.885 dd. 30 March 2015 that as long as the wording of the references in Article 44, §3, 11° of the Belgian VAT Code is not corrected by a legislative change, all entities that qualified for the aforementioned VAT exemption prior to the entry into force of the Belgian AIFM Law (including IIRs), continued to do so after the date of entry into force of the AIFM Law.

Article 44, §3, 11° of the Belgian VAT Code has meanwhile been amended by the Law of 3 August 2016. This legislative change has, however, not remedied the aforementioned uncertainty as to whether IIRs are still eligible for the VAT exemption provided by that Article. That being said, it appears from the preparatory documents of the Law of 3 August 2016 that the intention of the legislator clearly was for the original scope of the exemption provided by Article 44, §3, 11° of the Belgian VAT Code to be maintained. Also, neither the Law of 3 August 2016 itself nor its preparatory documents contain any clear indications that the legislator would have intended to exclude IIRs from said exemption.

Therefore, the Issuer has been advised that there are very good arguments to support the view that the above-mentioned administrative decision should still be valid (and consequently the aforementioned VAT exemption should still be applicable) but the legal uncertainty as to the VAT treatment of management services to IIRs remains.

1.21 The performance of the Notes may be adversely affected by the recent conditions in the global financial markets (including but not limited to the UK's withdrawal from the EU (Brexit)) and these conditions may not improve in the near future

Global markets and economic conditions have been negatively impacted in recent years by the banking and sovereign debt crisis in the EU and globally. In particular, concerns have been raised with respect to continuing economic, monetary and political conditions in the region comprised of the Member States of the EU that have adopted the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25 March 1957) as amended (the "**Eurozone**").

The market's anticipation of these (potential) impacts could have a material adverse effect on the business, financial condition and liquidity of the Seller, the Swap Counterparty, the Subordinated Loan Provider and the Account Bank. In particular, these developments could disrupt payment systems, money markets, long-term or short-term fixed income markets, foreign exchange markets, commodities markets and equity markets, and adversely affect the cost and availability of funding. Certain impacts, such as increased spreads in money markets and other short term rates, have already been seen as a result of market expectations.

In the event of continued or increasing market disruptions and volatility (including as may be demonstrated by any default or restructuring of indebtedness by one or more Member States or institutions within those Member States and/or any changes to, including member states exiting the European Union or any break up of, the Eurozone), the Seller, the Swap Counterparty, the Subordinated Loan Provider and the Account Bank may experience reductions in business activity, increased funding costs, decreased liquidity, decreased asset values, additional credit impairment losses and lower profitability and revenues, which may affect their ability to perform their respective obligations under the relevant Transaction Documents.

In this respect it is noted that, pursuant to a referendum held in June 2016, the UK has voted to leave the European Union and the UK Government invoked Article 50 of the Lisbon Treaty and officially notified the European Union of its decision to withdraw from the European Union. This commenced the formal two-year process of negotiations regarding the terms of the withdrawal and the framework of the future relationship between the UK and the European Union (the "**Article 50 Withdrawal Agreement**"). As part of those negotiations, a transitional period has been agreed in principle which would extend the application of European Union law, and provide for continuing access to the European Union single market, until the end of 2020.

It remains uncertain whether the Article 50 Withdrawal Agreement will be finalised and ratified by the UK and the European Union ahead of the 29 March 2019 deadline. If it is not ratified, the Treaty on the European Union and the Treaty on the Functioning of the European Union will cease to apply to the UK from that date. Whilst continuing to negotiate the Article 50 Withdrawal Agreement, the UK Government has therefore commenced preparations for a "hard" Brexit or "no-deal" Brexit to minimise the risks for firms and businesses associated with an exit with no transitional agreement. The European authorities have not provided UK firms and businesses with similar assurances in preparation for a "hard" Brexit. The uncertainty surrounding the implementation and effect of Brexit, including the terms and conditions of Brexit, the uncertainty in relation to the legal and regulatory framework that would apply to the UK and its relationship with the remaining members of the EU (including, in relation to trade) during and after Brexit is being effected, has caused and is likely to cause increased economic volatility and adverse market uncertainty.

Due to the ongoing political uncertainty as regards the terms of the UK's withdrawal from the European Union and the structure of the future relationship, it is not possible to determine the precise impact on general economic conditions in Belgium, including the performance of the Belgian housing market. It is also not possible to determine the precise impact that these matters will have on

the business of the Issuer (including the performance of the underlying loans), any other party to the transaction documents and/or any borrower in respect of the underlying loans, or on the regulatory position of any such entity or of the transactions contemplated by the transaction documents under European Union regulation or more generally.

No assurance can be given that any of the matters outlined above would not adversely affect the ability of the Issuer to satisfy its obligations under the Notes and/or the market value and/or liquidity of the Notes in the secondary market.

2. RISK FACTORS – MORTGAGE LOANS

2.1 Transfer of Legal Title to Mortgage Receivables and Pledge

(a) General

Pursuant to the Mortgage Receivables Purchase Agreement, the Seller will agree to transfer to the Issuer the full economic benefit of, and the legal title to, the Mortgage Receivables and all Related Security. The sale of the Mortgage Receivables will be a true sale to the effect that, upon an insolvency or bankruptcy of the Seller, the Mortgage Receivables will not form part of the Seller's insolvent estate or be subject to the claims by the Seller's liquidator or creditors, except as set out below.

The sale will have the following characteristics:

(i) the Issuer will have no recourse to the Seller except in case of a breach of the representations and warranties given in the Mortgage Receivables Purchase Agreement;

(ii) the sale will be for the Outstanding Principal Amount under the Mortgage Receivables; and

(iii) the Seller may be required to repurchase Mortgage Receivables in relation to which there is a breach of warranty at the time of the transfer of the Mortgage Receivable or upon a Non-Permitted Variation or if, upon conversion of a Mortgage Mandate, such Mortgage Mandate is not converted in accordance wit the terms and conditions of the Mortgage Receivables Purchase Agreement.

See further *Mortgage Receivables Purchase Agreement*.

The enforceability of a transfer or pledge of mortgage receivables towards third parties, including the creditors of the Seller, is subject to Article 5 of the Belgian Act of 16 December 1851, as amended on mortgages (the **"Mortgage Act"**) which prescribes a notary deed and an inscription of the transfer or pledge in the local Mortgage Register. Articles 81ter and following of the Mortgage Act however grants several exemptions from Article 5 of the Mortgage Act:

(i) first of all, a transfer or pledge of mortgage receivables by or to an institution that at the time of transfer or pledge qualifies as a Belgian credit institution falling under the Credit Institutions Supervision Act, such as the Seller, is enforceable against third parties (*tegenwerpelijk aan derden / opposable aux tiers*) without inscription;

(ii) furthermore, a transfer or pledge by or to an institution that at the time of transfer or pledge qualifies as a Mobilisation Vehicle benefits from the exemption and is enforceable against third parties (*tegenwerpelijk aan derden / opposable aux tiers*) without marginal notation. An institution that is registered on the list of institutional undertakings for the investment in receivables held by the Belgian Federal Public Service Finance in accordance with the provisions of the UCITS Act, qualifies as a Mobilisation Vehicle as set out in the Mobilisation Act. Loan Invest NV was registered as an Institutional VBS/SIC with the

Belgian Federal Public Service Finance on 8 May 2007. Compartment Home Loan Invest 2019 has been registered with the Belgian Federal Public Service Finance on 10 December 2018. Such registration cannot be considered as a judgment as to the opportunity or the quality of the Transaction, nor on the situation of Loan Invest NV or its Compartment Home Loan Invest 2019 and therefore would be eligible for such transfer.

(b) No notification or acknowledgment of the sale and pledge

Article 1690 of the Belgian Civil Code will apply to the transfer of the Mortgage Receivables. Between the Seller and the Issuer, as well as against third parties (other than the Borrowers), the Mortgage Receivables are transferred on the Closing Date without the need for the Borrowers' involvement.

The sale of the Mortgage Receivables to the Issuer (as well as the pledge of the Mortgage Receivables to the Noteholders and the other Secured Parties) will not be notified to or acknowledged by the Borrowers nor to or by the Insurance Companies or third party providers of additional collateral until the occurrence of a Notification Event.

Until such notice to or acknowledgment by the Borrowers, the Insurance Companies and third party providers of collateral is given:

(i) the liabilities of the Borrowers under the Mortgage Receivables (and the liabilities of the Insurance Companies or, as the case may be, the third party providers of additional collateral) will be validly discharged by payment to the Seller. The Seller, having transferred all rights, title, interest and the benefit in and to the Mortgage Receivables to the Issuer, will however, be the agent of the Issuer (for so long as it remains Servicer under the Issuer Services Agreement) for the purposes of the collection of monies relating to the Mortgage Receivables and will be accountable to the Issuer accordingly.

The failure to give notice or obtain acknowledgment of the transfer also means that the Seller can agree with the Borrowers, the Insurance Companies or the other collateral providers to vary the terms and conditions of the Mortgage Loans, the Related Security or the Insurance Policies or the other collateral and that the Seller in such capacity may waive any rights under the Mortgage Loans and the Related Security. The Seller, as Servicer, will, however, undertake for the benefit of the Issuer that it will not vary, or waive any rights under any of the Mortgage Loans, the Related Security or the Insurance Policies other than in accordance with the relevant Transaction Documents;

(ii) if the Seller were to transfer or pledge the same Mortgage Receivables, Insurance Policies or other collateral to a party other than the Issuer either before or after the Closing Date (or if the Issuer were to transfer or pledge the same to a party other than the Security Agent) the assignee who first notifies or obtains acknowledgment from the Borrowers or, as the case may be, the Insurance Companies or, as the case may be, the other collateral providers and acts in good faith would have the first claim to the relevant Mortgage Receivable, Insurance Policies or the additional collateral. The Seller will, however, represent to the Issuer and the Security Agent that it has not made any such transfer or pledge on or prior to the Closing Date, and it will undertake to the Issuer and the Security Agent that it will not make any such transfer or pledge after the Closing Date, and the Issuer will make a similar undertaking to the Security Agent;

(iii) payments made by Borrowers, Insurance Companies or other collateral providers to creditors of the Seller will validly discharge their respective obligations under the Mortgage Receivables, the Insurance Policies or the additional collateral provided the Borrowers or, as the case may be, the Insurance Companies or, as the case may be, the other collateral providers and such creditors act in good faith. However, the Seller will undertake:

(A) to notify the Issuer of any attachment *(bewarend beslag / saisie conservatoire* or *uitvoerend beslag / saisie exécutoire)* by its creditors of any Mortgage Receivables, Insurance Policies or other collateral which may lead to such payments;

(B) not to give any instructions to the Borrowers, Insurance Companies or other collateral providers to make any such payments; and

(C) to indemnify the Issuer and the Security Agent against any reduction in the obligations to the Issuer of the Borrowers, Insurance Companies or other collateral providers due to payments to creditors of the Seller;

(iv) Borrowers, Insurance Companies or other collateral providers may raise against the Issuer (or the Security Agent) all rights and defences, including rights of set-off, which existed against the Seller prior to notification of the transfer or pledge. Under the Mortgage Receivables Purchase Agreement, the Seller will represent and warrant in relation to each Mortgage Receivable and Related Security, that no such rights and defences have arisen in favour of the Borrower, Insurance Company or other collateral provider up to the Closing Date. If a Borrower, Insurance Company or other collateral provider subsequently fails to pay in full any of the amounts which the Issuer is expecting to receive, claiming that such a right or defence has arisen in its favour against the Issuer, the Seller will indemnify the Issuer and the Security Agent for the amount by which the amounts due under the relevant Mortgage Receivable, Insurance Policy or other collateral are reduced (whether or not the Seller was aware of the circumstances giving rise to the Borrowers, Insurance Company's or other collateral provider's claim at the time it gave the warranty described above).

The Mortgage Receivables Purchase Agreement provides that upon the occurrence of a Notification Event (as set out in the Mortgage Receivables Purchase Agreement), the Seller shall (i) notify the relevant Borrowers and any other relevant parties indicated by the Issuer or the Security Agent, including Insurance Companies or other collateral providers, of the assignment of the Mortgage Receivables and the Related Security to the Issuer and (ii) instruct the relevant Borrowers of the Mortgage Loans and any other relevant parties indicated by the Issuer and/or the Security Agent, including the Insurance Companies or other third party providers of additional collateral to pay any amounts due directly to the Issuer Collection Account or, at its option, the Issuer will be entitled to make such notification or give such instruction itself or on behalf of the Seller, except in certain limited circumstances. See further *Mortgage Receivables Purchase Agreement*. A similar principle is included in the Pledge Agreement with respect to the Security Interests in the Mortgage Receivables.

2.2 Mortgages

The Mortgage Receivables arise from Mortgage Loans that are secured by a mortgage which is used to also secure all other amounts which the Borrower owes or in the future may owe to the Seller, a so-called all sums mortgage(s) (*alle sommen hypotheek / hypothèque pour toutes sommes*) ("**All Sums Mortgage**"), or by several All Sums Mortgages. Part of the Mortgage Receivables relate to facilities which have the form of a revolving facility (*kredietopening / ouverture de crédit*). The mortgage that is granted as security for this type of loans is used to secure all advances (*voorschotten / avances*) made available under such revolving facility.

Pursuant to Articles 81*quater* and 81*quinquies* of the Mortgage Act, a receivable secured by an All Sums Mortgage which is transferred to a VBS/SIC, such as the Issuer, shall rank in priority to any receivable which arises after the date of the transfer and which is also secured by the same All Sums Mortgage. However, whereas the transferred receivable ranks in priority to further receivables, it will have equal ranking with receivables which existed at the time of the transfer and which were secured by the same All Sums Mortgage, unless contractually agreed otherwise.

Pursuant to Article 81*quater* of the Mortgage Act, advances granted under a revolving facility secured by a mortgage can be transferred to a VBS/SIC, such as the Issuer. The advance will benefit from the privileges and mortgages securing the revolving facility. The transferred advance will rank in priority to further advances that are granted after the date of transfer. However, a transferred advance will have equal ranking with other advances which existed at the time of the transfer and which were secured by the same Mortgage, unless contractually agreed otherwise.

The Mortgage Receivables Purchase Agreement subordinates all Seller Loans to the Mortgage Receivables in relation to all sums received out of the enforcement of the Mortgages that secure both such Seller Loans and the Mortgage Receivables, whether such Mortgages where created prior to the sale of the relevant Mortgage Receivables or as a result of the conversion of a Mortgage Mandate pertaining to the relevant Mortgage Receivables following such sale. Pursuant to Article 81*quater*, §2, al. 3 and Article 81*quinquies* al. 2 of the Mortgage Act, such subordination is enforceable against third parties including third party creditors of the Seller. The subordination may however not prejudice the rights of any third parties in respect of a Mortgage acquired prior to the date of transfer of the relevant Mortgage Receivable.

2.3 Mortgage Mandates

Certain Mortgage Receivables are only partly secured by a Mortgage. Where a Mortgage Receivable is only partly secured by a Mortgage, the Borrower of the relevant Mortgage Receivable or a third party collateral provider may have granted a Mortgage Mandate. A Mortgage Mandate does not constitute an actual security interest which creates a priority right of payment out of the proceeds of a sale of the Mortgaged Assets, but would first need to be converted into a mortgage. The Mortgage Mandate is an irrevocable power of attorney granted by a Borrower or a third party collateral provider to certain attorneys enabling them to create a mortgage as security for the Mortgage Loan, or, as the case may be, for other existing or future loans or all other sums owed by the Borrower to the Seller at any stage. A mortgage will only become enforceable against third parties upon registration of the mortgage at the Mortgage Register. The ranking of the mortgage is based on the date of registration. The Mortgage that is recorded first at the Mortgage Register will rank first. Mortgages recorded on the same day will rank pari passu. The registration is dated the day on which the mortgage deed pertaining to the creation of the mortgage and the "registration extracts" (*borderellen / bordereaux*) are registered at the Mortgage Register. When a Mortgage Mandate is transformed into a Mortgage, registration duties and other costs will be payable, which, in the absence of payment by the Borrower, will have to be advanced by the Servicer and recovered from the Borrower. The following limitations, amongst others, exist in relation to the conversion of Mortgage Mandates:

(a) the Borrower or the third party collateral provider that has granted a Mortgage Mandate, may grant a mortgage to a third party that will rank ahead of the Mortgage to be created pursuant to the conversion of the Mortgage Mandate, although this would generally constitute a contractual breach of the Standard Loan Documentation;

(b) if a conservatory or an executory attachment of the real property covered by the Mortgage Mandate has been filed by a third party creditor of the Borrower or, as the case may be, of the third party collateral provider, a Mortgage registered pursuant to the exercise of the Mortgage Mandate after the writ of attachment has been recorded at the Mortgage Register, will not be enforceable against the creditor who filed the attachment;

(c) if the Borrower or the third party collateral provider is a merchant or commercial entity:

  (i) the Mortgage Mandate can no longer be converted following the bankruptcy of the Borrower or, as the case may be, the third party collateral provider and any

Mortgage registered at the Mortgage Register after the bankruptcy judgement is void; and

(ii) a Mortgage registered at the Mortgage Register pursuant to the exercise of a Mortgage Mandate during the pre-bankruptcy investigation period (i.e. after the date of cessation of payments that may be fixed by the court) for a pre-existing loan will not be enforceable against the bankrupt estate. Under certain circumstances, the clawback rules are not limited in time, for example where a Mortgage has been granted pursuant to a Mortgage Mandate and in order to "fraudulently prejudice" creditors; and

(iii) mortgages registered after the day of cessation of payments of debt can be declared void by the bankruptcy court, if the registration was made more than fifteen (15) days after the creation of the mortgage; and

(iv) the effect of a judicial reorganisation (*gerechtelijke reorganisatie* / *réorganisation judiciaire*) of a Borrower or of a third party collateral provider on the Mortgage Mandate is uncertain.

(d) if the Borrower or the third party collateral provider, as the case may be, is a private person and started collective debt settlement proceedings, a Mortgage registered at the Mortgage Register after the Judge has declared the request admissible, is not enforceable against the other creditors of the Borrower or of the third party collateral provider;

(e) besides the possibility that the Borrower or the third party collateral provider may grant a Mortgage to another lender discussed above, the Mortgage to be created pursuant to a Mortgage Mandate may also rank behind certain statutory mortgages (such as e.g. the statutory mortgage of the tax and the social security authorities) to the extent these mortgages are registered before the exercise of the Mortgage Mandate. In this respect, it should be noted that the notary involved in preparing the mortgage deed will need to notify the tax administration, and, as the case may be, the social security administration before finalising the mortgage deed pertaining to the creation of the mortgage.

(f) if the Borrower or the third party collateral provider, as the case may be, is a private person, certain limitations apply to the conversion of the Mortgage Mandate into a Mortgage if the Borrower or third party collateral provider dies before the conversion; certain limitations also apply in case of a dissolution of the Borrower or third party collateral provider that is a legal person.

In accordance with article 81 sexies of the Mortgage Act, any Mortgage Mandate allows by operation of law (and unless explicity provided otherwise in the terms of the Mortgage Mandate) for the mandate to be used to create a Mortgage in favour of the successors (*rechthebbenden / ayants droits*) and assignees (*rechtsopvolger ten bijzondere title/ayant droit à titre particulier*) of the Seller, such as the Issuer. Based on the same article, in case of a transfer of Mortgage Receivables secured by a Mortgage Mandate, the Issuer acquires all rights of the Seller in respect of such Mortgage Mandate and is entitled to exercise all rights under the Mortgage Mandate against the Seller and the attorney(s).

In the same way as the Mortgages, the Mortgage Mandates used by the Seller do not only secure a specific loan or advance, but also the revolving credit facility (if any) and in most cases, all other amounts which the Borrower owes or in the future may owe to the Seller. In respect of any such All Sums Mortgage or Mortgage securing the revolving credit facility created on the basis of a Mortgage Mandate, the Mortgage Act provides for ranking provisions that are similar to those for All Sums Mortgages or Mortgages securing a revolving credit facility: i.e. in respect of the converted Mortgage, (a) the advance transferred to the Issuer ranks in priority to any other advances made

under the relevant facility or other debts arising after the date of the transfer (regardless of whether the conversion of Mortgage Mandate into the Mortgage occurred prior to or after the date of transfer); and (b) unless otherwise agreed, the transferred advance will have equal ranking with other advances and debts which existed at the time of the transfer and which were secured by the same mortgage.

The Mortgage Receivables Purchase Agreement will provide that:

(a) if the Mortgage Receivable to which a Mortgage Mandate relates is secured by a Mortgage for an aggregate secured amount of at least 100 % of the Outstanding Principal Amount of the Mortgage Receivable, plus 10 per cent of such amount in accessories (*toebehoren / accessoires*) plus three years of interest, such Mortgage Mandate may be exercised in order to create a mortgage in favour of the Seller only; and

(b) if the Mortgage Receivable to which a Mortgage Mandate relates is secured by a Mortgage for an aggregate secured amount that is lower than 100 % of the Outstanding Principal Amount of the Mortgage Receivable, plus 10 % of such amount in accessories (*toebehoren / accessoires*) plus three years of interest, such Mortgage Mandate may only be exercised in order to create a Mortgage in accordance with the following principles:

    (i) it will be created for the benefit and in the name of the Seller and the Issuer;

    (ii) it will secure all existing and future debts and obligations which the Borrower owes or may owe to the Seller or to the Issuer;

    (iii) so that all other secured debts will be contractually subordinated to the Mortgage Receivable owing to the Issuer.

If it would appear that a Mortgage Mandate with respect to a Mortgage Receivable has been converted in breach of paragraph (ii) above, the Issuer will have the right (exercisable upon its own initiative or at the direction of the Security Agent) to require the Seller to repurchase such Mortgage Receivable.

The representations and warranties of the Mortgage Receivables Purchase Agreement provide that (i) in respect of a Mortgage Mandate, the Seller and the Borrower or the third party granting the Mortgage Mandate did not agree to limit the power of the attorney to create a Mortgage in favour an assignee of the Seller such as the Issuer; and (ii) each attorney appointed under a Mortgage Mandate and as long as such attorney, if a legal person exists or, if a private person, is alive, has the power under the Mortgage Mandate to create a mortgage in favour of the Issuer and the Seller.

If it would appear in relation to a Mortgage Mandate that no attorney has or had the power to create a mortgage in favour of the Issuer, this will trigger a repurchase obligation by the Seller in relation to this Mortgage Receivable.

2.4 Assignment of salary

The assignment by a Borrower (who is an employee) of his/her salary is governed by special legislation (Articles 27 to 35 of the Belgian Act of 12 April 1965 on the protection of the salary of employees (the "**Salary Protection Act**")).

The Salary Protection Act provides for specific formalities for a valid assignment of salary, but is silent on eventual specific requirements in relation to the assignment of a Loan that is secured by such assignment of salary.

In the absence of reported precedents, it is not absolutely certain to which extent the Seller can validly transfer the benefit of such assignment to the Issuer. Therefore, there is the risk that the Issuer may not have the benefit of such arrangement in case of insolvency of the Seller, which may adversely affect the ability of the Issuer to meet its obligations in full to pay interest and principal in respect of the Notes.

Moreover:

(a) the Borrower may have assigned his salary as security for debts other than the Mortgage Loans; the assignee who first starts actual enforcement of the assignment against the Borrower would have priority over the other assignees; and

(b) there are arguments that a transfer of salary in a notarised deed still requires a bailiff notification to be enforceable against third parties.

2.5 Set-Off and non-performance

(a) **Set-off following the sale of the Mortgage Receivables**

The sale of the Mortgage Receivables to the Issuer and the pledge of the Mortgage Receivables to the Secured Parties, including the Security Agent on behalf of the Noteholders and the other Secured Parties, will not be notified to the Borrowers or to the Insurance Companies nor to third party providers of a Loan Security, except in certain circumstances. Set-off rights may therefore continue to arise in respect of cross-claims between a Borrower (or third party provider of collateral) and the Seller, as soon as such cross-claims exist and are fungible, liquid (*vaststaand / liquid*) and payable (*opeisbaar / exigible*), potentially reducing amounts receivable by the assignee and the beneficiaries of the Pledge. In such case this could limit the amounts received by the Issuer, which could in its turn prevent the Issuer from fulfilling its payment obligations under the Transaction, to the extent the Seller would be declared bankrupt or would no longer be able to indemnify the Issuer.

To mitigate this risk under the Mortgage Receivables Purchase Agreement and the Issuer Services Agreement the Seller will agree to indemnify the Issuer if a Borrower or provider of Loan Security, claims a right to set-off against the Issuer. The rights to payment of such indemnity will be pledged in favour of the Secured Parties.

In addition, the provisions of the Mobilisation Act have further reduced the risk that amounts receivable under the Mortgage Receivables and the Loan Security are reduced on the basis of set-off rights. The Issuer (and the Secured Parties) will no longer be subject to set-off risk: (a) following notification of the assignment of the Mortgage Receivables (and/or the Loan Security) to the assigned debtors (or acknowledgement thereof by the assigned debtors), to the extent the conditions for set-off are only satisfied after such notification (or acknowledgment); and (b) regardless of any notification or acknowledgement of the assignment, following the start of insolvency proceedings or the occurrence of a situation of concurrence of creditors (*samenloop / concours*) in relation to the Seller, to the extent the conditions for set-off are only satisfied following or as a result of such insolvency proceedings or concurrence of creditors.

(b) **Defence of non-performance**

Under Belgian law a debtor may, in certain circumstances in case of default of its creditor invoke the defence of non-performance, pursuant to which it would be entitled to suspend payment under its obligations until its creditor has duly discharged its obligations due and payable to the debtor. In such case this defence could limit the amounts received by the Issuer, which could in its turn prevent the Issuer from fulfilling its payment obligations under the Transaction, to the extent the Seller would be declared bankrupt or would no longer be able to indemnify the Issuer. The exception of non-performance is subject to various conditions, the most important ones being: (a) the debt in

respect of which payment is suspended must be due and must be conditional upon payment of a debt owed by the other party; (b) the other party must have defaulted on its debt, in a material way; (c) the amount/value involved in the suspension must be in proportion to the amount/value of the default; (d) finally, there must be a close interrelationship between the two debts, typically such close interrelationship is accepted to exist where both debts arise under the same contract or otherwise are so closely interrelated that they are a part of a single transaction. If all such conditions are met, the defence of non-performance may be invoked by a debtor in respect of a Loan.

However, pursuant to the Mobilisation Act, the assigned debtor cannot invoke the defence of non-performance (a) following notification of the assignment of the Mortgage Receivable (and/or the Loan Security) to the assigned debtors (or acknowledgement thereof by the assigned debtor), to the extent the conditions for defence of non-performance are only satisfied after such notification (or acknowledgment); and (b) regardless of any notification or acknowledgement of the assignment, following the start of insolvency proceedings or the occurrence of a situation of concurrence of creditors (*samenloop/concours*) in relation to the Seller, to the extent the conditions for defencse of non-performance are only satisfied following or as a result of such insolvency proceedings or concurrence of creditors.

2.6 Insurance Policies

The Issuer as mortgagee enjoys statutory protection under Article 10 of the Mortgage Law and Article 112 of the Insurance Act of 4 April 2014 on insurances (*Wet betreffende de verzekeringen / Loi relative aux assurances*) (the "**Insurance Act**") pursuant to which any indemnity which third parties (including Insurance Companies) owe for the reason of the destruction of or damage to the mortgaged property will be allocated to the mortgagee-creditors to the extent these indemnities are not used for the reconstruction of the mortgaged property.

Article 112, §2 of the Insurance Act, however, provides that the Insurance Company can pay out the indemnity to the insured in case the holder of an unpublished/undisclosed security over the property does not oppose this by prior notification. As the assignment of the Loan and the Mortgage to the Issuer will not be noted in the margin of the mortgage register, the question arises to what extent the lack of disclosure of the assignment could prejudice the Issuer's rights to the insurance proceeds. Although there are no useful precedents, the assignment should not prejudice the Issuer's position because (i) the Mortgage will remain validly registered notwithstanding the assignment and (ii) the Issuer would be the assignee and successor of the Seller. Whether the Insurance Company needs to pay to the Seller or to the Issuer would not be of any interest to the Insurance Company.

A notification issue also arises in connection with Article 120, §1 of the Insurance Act which provides that the Insurance Company cannot invoke any defences which derive from facts arising after the accident has occurred (for instance a late filing of a claim) against mortgagee-creditors the mortgages of whom are known to the insurance company. Again, for the same reasons set out above, the Insurance Company should not have a valid interest in disputing the rights of the Issuer.

Pursuant to Article 120, §2 of the Insurance Act:

(a) the Insurance Company can invoke the suspension, reduction or termination of the insurance coverage only after having given the Seller one (1) month prior notice; and

(b) if the suspension or termination of the insurance coverage is due to the non-payment of premiums, the Seller has the right to pay the premiums within the one-month notice period and thus avoid the suspension or termination of the insurance coverage.

"**Insurance Company**" means any insurance company granting an Insurance Policy (in respect of a Mortgage Receivable);

"**Insurance Policy/ies**" means any and all hazard insurance(s), fire insurance(s) or debt insurance(s)(*schuldsaldoverzekering/assurance solde restant dû*) (in respect of a Borrower or a Mortgaged Property).

2.7 Enforcement of Loan Security

The sale proceeds of the sale of the Loan Security may not entirely cover the outstanding amount under such Mortgage Receivable. Subject to the availability of credit enhancement, there is a risk that a shortfall will affect the Issuer's ability to make the payments due to the Noteholders. Moreover, if action is taken by a third party creditor against a Borrower prior to KBC Bank NV acting as Servicer following the sale of the Mortgage Receivables to the Issuer, the Seller will not control the foreclosure proceedings but rather will become subject to any prior foreclosure proceedings initiated by a third party creditor prior to the institution of foreclosure proceedings by KBC Bank NV.

In addition, certain Mortgage Receivables may not be 100 per cent. covered by a mortgage, as set out in the Eligibility Criteria.

2.8 Data Protection

The transfer of Mortgage Receivables by the Seller to the Issuer in connection with the Transaction constitutes a processing of personal data under the General Data Protection Regulation 2016/679 (GDPR) and the Belgian Privacy Act of 30 July 2018 which implements the GDPR (collectively the "**Data Protection Regulation**").

The Data Protection Regulation permits the processing of personal data under several permissibility grounds, including (a) the prior consent of the data subject and (b) the necessity to process the personal data for the legitimate interests of the controller (insofar as these interests are not outweighed by the legitimate interests of the data subject). As the transfer of the Mortgage Receivables by the Seller to the Issuer is permitted based on the latter ground, the prior consent of the Borrowers must not be obtained.

Non-compliance with these regulations may expose the Issuer to legal sanctions and penalties which could have a negative impact on its capacity to (re)pay the Notes.

2.9 Disclosure Requirements

On 6 January 2015, Commission Delegated Regulation 2015/3 (Regulation 2015/3) on disclosure requirements for the issuer, originator and sponsor of structured finance instruments was published in the Official Journal of the EU.

Regulation 2015/3 contains regulatory technical standards adopted by the European Commission to implement provisions of the CRA Regulation. Regulation 2015/3 applies from 1 January 2017, with the exception of Article 6(2), which applies from 26 January 2015 and obliges ESMA to publish on its website at the latest on 1 July 2016 the technical instructions in accordance with which the reporting entity shall submit data files containing the information to be reported starting from 1 January 2017. To date ESMA has not published such technical instructions.

In the press release dated 27 April 2016, ESMA concluded that the reporting obligations under the CRA Regulation for SFIs may possibly be replaced by obligations based on new rules to be adopted and to be included in the Securitisation Regulation. Accordingly, pursuant to the obligations set forth in Article 7(2) of the Securitisation Regulation, the originator, sponsor and securitisation special purpose entity (SSPE) of a securitisation shall designate amongst themselves one entity to submit the information set out in points (a), (b), (e), (f) and (g) of the first subparagraph of Article 7(1) of the Securitisation Regulation, which includes the prospectus issued in the context of the offer of notes in

a securitisation transaction, to a regulated securitisation repository. The securitisation repository, which authorisation requirements are set out in chapter 4 of the Securitisation Regulation, will in turn disclose information on securitisation transactions to the public. With the application of these provisions, it is assumed that the disclosure requirements of the CRA Regulation concerning SFI's are also addressed. None of the transitory provisions set out in the Securitisation Regulation provide for retroactive effect of the disclosure requirements as set out in Article 7 of the Securitisation Regulation. Rather, it is provided in the Securitisation Regulation that until the regulatory technical standards to be adopted by the Commission pursuant to Article 7(3) of the Securitisation Regulation apply, originators, sponsors and SSPEs shall, for the purposes of the obligations set out in points (a) and (e) of the first subparagraph of Article 7(1) of the Securitisation Regulation, make the information referred to in Annexes I to VIII of Delegated Regulation (EU) 2015/3 available in accordance with Article 7(2) of the Securitisation Regulation which applies from 1 January 2019 in respect of securitisations the notes of which are issued on or after 1 January 2019.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances while the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended).

Credit ratings included or referred to in this Prospectus have been or, as applicable, may be issued by Fitch and/or Moody's each of which as at the date of this Prospectus is a credit rating agency established in the European Community and registered under the CRA Regulation.

On the Closing Date, there remains uncertainty as to the potential consequences for the Issuer, related third parties and investors that would result from any potential non-compliance by the Issuer with the CRA Regulation.

3. RISK FACTORS – PORTFOLIO INFORMATION

3.1 No Searches and Investigations

None of the Issuer or the Security Agent have made or caused to be made nor will any of them make or cause to be made, any enquiries, investigations or searches to verify the details of the Mortgage Receivables or the Related Security, or to establish the creditworthiness of any Borrower, or any other enquiries, investigations or searches which a prudent purchaser of the Mortgage Receivables would ordinarily make, and each will rely instead on the representations and warranties given by the Seller in the Mortgage Receivables Purchase Agreement. These representations and warranties will be given in relation to the Mortgage Receivables and all rights related thereto.

It should however be noted that an appropriate and independent third party has performed agreed-upon procedures on a statistically sample of Mortgage Receivables randomly selected out of the Provisional Portfolio. The size of the sample has been determined on the basis of a confidence level of 99%. The procedures assessed compliance with the financial eligibility criteria that can be tested before the Closing Date and the review of 23 loan characteristics which include, but are not limited to the current loan balance, ranking, property value, valuation date, maturity date, amortisation type, interest rate type, interest payment frequency, DTI, address or zip code, borrower ID, loan ID, origination date, interest rate, interest arrears amount, loan purpose, employment type, type of first security, mortgage inscription amount, property type and mandate. The third party undertaking the

review only has obligations to the parties to the engagement letters governing the performance of the agreed-upon procedures.

If there is an unremedied material breach of any representation and warranty in relation to any Mortgage Receivable and Related Security relating thereto and, to the extent the breach can be remedied, the Seller has not remedied the breach within thirty (30) calendar days of receipt of notice therefrom from the Issuer, the Issuer will have the right (exercisable upon its own initiative or at the direction of the Security Agent) to require the Seller to repurchase such Mortgage Receivables and the Related Security, for an aggregate amount equal to the then Outstanding Principal Amount of the repurchased Mortgage Receivable plus accrued interest thereon and costs up to (but excluding) the date of completion of the repurchase. The Issuer and the Security Agent will have no other remedy in respect of such breach if the Seller fails to effect such repurchase in accordance with the Mortgage Receivables Purchase Agreement. This may affect the quality of the Mortgage Receivables and the Related Security and accordingly the ability of the Issuer to make payments on the Notes.

3.2 Historical Information

The historical, financial and other information set out under *Summary of the Provisional Portfolio* represents the historical performance of the Mortgage Receivables. There can be no assurance that the future performance of the Mortgage Receivables will be similar to the historical performance of the Mortgage Receivables set out in this Prospectus.

The historical and other information set out under *The Belgian Residential Mortgage Market* is historical information, and therefore the description of the Belgian mortgage market may not constitute a comprehensive and up-to-date description. There can be no assurance of future similar developments of the Belgian mortgage market.

3.3 Limited Provision of Information

Except if required by law, the Issuer will not be under any obligation to disclose to the Noteholders any financial information in relation to the Mortgage Receivables. The Issuer will have no obligation to keep any Noteholder or any other person informed as to matters arising in relation to the Mortgage Receivables, except for the information provided in the monthly investor report (the "**Investor Report**") produced by the Administrator in relation to the Notes, which will be made available to, among others, the Issuer, the Security Agent and the Domiciliary Agent, on or about each Monthly Payment Date.

4. RISK FACTORS – GENERAL

4.1 Factors which might affect an investor's ability to make an informed assessment of the risk associated with Notes

Investors in the Notes must be able to make an informed assessment of the Notes, based upon full knowledge and understanding of the facts and risks. Investors must determine the suitability of that investment in light of their own circumstances. The following factors might affect an investor's ability to appreciate the risk factors outlined below, placing such investor at a greater risk of receiving a lesser return on his investment:

(a) if such an investor does not have sufficient knowledge and experience to make a meaningful evaluation of the Notes and the merits of investing in the Notes in light of the risk factors outlined below;

(b) if such an investor does not have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of his particular financial situation, the significance of these risk factors and the impact the Notes will have on his overall investment portfolio;

(c) if such an investor does not have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the investor's currency;

(d) if such an investor does not understand thoroughly the terms of the Notes and is not familiar with the behaviour of any relevant indices in the financial markets (including the risks associated thereof) as such investor is more vulnerable from any fluctuations in the financial markets generally; and

(e) if such an investor is not able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect his investment and his ability to bear the applicable risks.

4.2 Global Credit Market Conditions

Holders should be aware of the prevailing and widely reported global credit market conditions (which continue at the date hereof), whereby there is a general lack of liquidity in the secondary market for instruments similar to the Notes. The Issuer cannot predict when these circumstances will change and if and when they do whether conditions of general market illiquidity for the Notes and instruments similar to the Notes will return in the future.

4.3 Notes in dematerialised form

The Notes will be issued in the form of dematerialised notes under the Company Code and will be represented exclusively by book entries in the records of the Securities Settlement System.

Access to the Securities Settlement System is available through its Securities Settlement System Participants whose membership extends to securities such as the Notes (the "**Securities Settlement System Participants**"). Securities Settlement System Participants include among others certain banks, stock brokers (*beursvennootschappen / sociétés de bourse*), Clearstream and Euroclear Bank.

Transfers of interests in the Notes will be effected between the Securities Settlement System Participants in accordance with the rules and operating procedures of the Securities Settlement System. Transfers between investors will be effected in accordance with the respective rules and operating procedures of the Securities Settlement System Participants through which they hold their Notes.

The Issuer and the Domiciliary Agent will not have any responsibility for the proper performance by the Securities Settlement System or its Securities Settlement System Participants of their obligations under their respective rules and operating procedures.

Investors will only be able to hold the Notes through an X-account through a Securities Settlement System Participant, including Euroclear or Clearstream. The Investors will therefore need to confirm their status as Eligible Investor (as defined in Article 4 of the *Koninklijk Besluit van 26 mei 1994 over de inhouding en de vergoeding van de roerende voorheffing / Arrêté Royal du 26 mai 1994 sur la retenue et bonification du précompte mobilier* ("**Royal Decree of 26 May 1994 on the deduction and indemnification of withholding tax**") in the account agreement to be entered into with a Securities Settlement System Participant, including Euroclear or Clearstream.

4.4 Change in Law and Tax

The structure of the Transaction and, among other things, the issue of the Notes and the ratings assigned to the Notes are based on law, tax rules, regulations, guidelines, rates and procedures, and administrative practice in effect at the date of this document. No assurance can be given that there will be no change to such law, tax rules, rates, procedures or administrative practice after the date of

this Prospectus which change might have an adverse impact on the Notes and the expected payments of interest and repayment of principal in respect of the Notes.

4.5 Risks relating to the proposed financial transactions tax

On 14 February 2013, the European Commission published a proposal for a Directive for a common Financial Transaction Tax in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**Participating Member States**").On 8 December 2015, Estonia however expressed its intention not to introduce the Financial Transaction Tax.

The proposed Financial Transaction Tax has a very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The Financial Transaction Tax shall, however, not apply to (*inter alia*) primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006, including the activity of underwriting and subsequent allocation of financial instruments in the framework of their issue.

Under the Commission proposal, the Financial Transaction Tax could apply in certain circumstances to persons both within and outside the Participating Member States. Generally, pursuant to the proposed directive, the Financial Transaction Tax will be payable on financial transactions provided at least one party to the financial transaction is established or deemed established in a Participating Member State and there is a financial institution established or deemed established in a Participating Member State which is a party to the financial transaction, or is acting in the name of a party to the transaction.

The rates of the Financial Transaction Tax shall be fixed by each Participating Member State but for transactions involving financial instruments other than derivatives shall amount to at least 0.1% of the taxable amount. The taxable amount for such transactions shall in general be determined by reference to the consideration paid or owed in return for the transfer. The Financial Transaction Tax shall be payable by each financial institution established or deemed established in a Participating Member State if it is either a party to the financial transaction, or acting in the name of a party to the transaction or if the transaction has been carried out on its account. Where the Financial Transaction Tax due has not been paid within the applicable time limits, each party to a financial transaction, including persons other than financial institutions, shall become jointly and severally liable for the payment of the Financial Transaction Tax due.

Investors should therefore note, in particular, that any sale, purchase or exchange of Notes may be subject to the Financial Transaction Tax at a minimum rate of 0.1% provided the abovementioned prerequisites are met. The investor may be liable to pay this charge or reimburse a financial institution for the charge, and/or the charge may affect the value of the Notes.

4.6 Legal investment considerations and implementation of regulatory changes that may restrict certain investments or may affect the liquidity of the Notes

In Europe, the US and elsewhere there is increased political and regulatory scrutiny of the asset-backed securities industry. This has resulted in a raft of measures for increased regulation which are currently at various stages of implementation and which may have an adverse impact on the regulatory capital charge to certain investors in securitisation exposures and/or the incentives for certain investors to hold asset-backed securities, and may thereby, amongst other things, affect the liquidity of such securities. Investors in the Notes are responsible for analysing their own regulatory position and none of the Issuer, the Seller, the Servicer, the Administrator, the Manager or the Arranger makes any representation to any prospective investor or purchaser of the Notes regarding the regulatory capital treatment or other regulatory treatment of their investment in the Notes on the Closing Date or at any time in the future.

Securitisation Regulation

On 20 November 2017, the Council of the European Union approved the final versions of the framework for securitisation and a specific framework for "simple, transparent and standardised" EU Securitisation Regulation (Regulation (EU) 2017/2402 of the European Parliament and of the Council or the "**Securitisation Regulation**") and the associated CRR amending regulation (Regulation (EU) 2017/2401 of the European Parliament and of the Council or the "**CRR Amendment Regulation**"), as previously approved by the European Parliament on 26 October 2017. The Securitisation Regulation and the CRR Amendment Regulation were published in the Official Journal of the European Union on 28 December 2017 and entered into force on the twentieth day thereafter. The Securitisation Regulation and the CRR Amendment Regulation have applied from 1 January 2019 (subject to certain transitional provisions in the CRR Amendment Regulation regarding securitisations the securities of which were issued before 1 January 2019).

The Securitisation Regulation recasted (with some amendments) a number of provisions which applied in respect of securitisations in the EU, including those relating to risk retention, due diligence and disclosure. It also introduced a new framework for simple, transparent and standardised (STS) securitisations. The Securitisation Regulation applies to EU-regulated institutional investors, originators, sponsors and original lenders and securitisation special purpose entities. The Securitisation Regulation only applies to securitisations the securities of which are issued on or after 1 January 2019, subject to certain transitional provisions as set out in Article 43 of the securitisation Regulation.

Prospective investors should be aware that the regulatory technical standards prepared by European Banking Authority and the European Securities and Markets Authority which will provide guidance on certain aspects of the Securitisation Regulation have not been finalised. Accordingly, uncertainty remains when and in what form such final regulatory technical standards will be adopted. No assurance can be given by the Issuer, the Security Agent, the Seller, the Arranger and the Manager to any investors that the securitisation will at any time in the future be designated a "STS" securitisation.

The risk weights attached to securitisation exposures for credit institutions and investment firms will in general increase under the new securitisation framework implemented under the CRR Amendment Regulation. Investors should carefully consider (and, where appropriate, take independent advice) in relation to the capital charges associated with an investment in the Notes. In particular, investors should carefully consider the effects of the change (and likely increase) to the capital charges associated with an investment in the Notes for credit institutions and investment firms.

The matters described above and any other changes to the regulation or regulatory treatment of the Notes for some or all investors may negatively impact the regulatory position of individual investors and, in addition, have a negative impact on the price and liquidity of the Notes in the secondary market.

The Seller has undertaken to retain a material net economic interest of not less than 5% in the Transaction in accordance with Article 6 of the Securitisation Regulation. As at the Closing Date, such interest will in accordance with Article 6(3)(d) of the Securitisation Regulation be comprised of an interest in the first loss tranche, and, if necessary, other tranches having the same or a more severe risk profile than those sold to the investors. Any change in the manner in which this interest is held shall be notified to investors. The Seller has provided a corresponding undertaking with respect to the interest to be retained by it during the period wherein the Notes are outstanding to the Issuer and the Security Agent in the Mortgage Receivables Purchase Agreement. After the Closing Date, the Issuer will prepare monthly Investor Reports wherein relevant information with regard to the retention of the material net economic interest by the Seller as confirmed to the Issuer for each

Investor Report will be publicly disclosed. Such information can be obtained from the website https://www.kbc.com/en/no-crawl/home-loan-invest-disclaimer[3]. For the avoidance of doubt, none of the Issuer, the Seller, the Arranger or the Manager makes any representation as to the accuracy or suitability of any financial model which may be used by a prospective investor in connection with its investment decision. Each prospective investor is required to independently assess and determine the sufficiency of the information described above for the purposes of complying with Article 5(1)(c) of the Securitisation Regulation and none of the Issuer, the Seller (in its capacity as the Seller and the Servicer), the Administrator, the Arranger nor the Manager makes any representation that the information described above or in the Prospectus is sufficient in all circumstances for such purposes.

Relevant investors are required to independently assess and determine the sufficiency of the information described above for the purposes of complying with Article 5 of the Securitisation Regulation and any other relevant requirements and none of the Issuer, the Seller, the Servicer, the Administrator, the Arranger nor any Manager makes any representation that the information described above is sufficient in all circumstances for such purposes.

Prospective investors should therefore make themselves aware of the changes and requirements described above (and any corresponding implementing rules of their regulator), where applicable to them, in addition to any other applicable regulatory requirements with respect to their investment in the Notes. The matters described above and any other changes to the regulation or regulatory treatment of the Notes for some or all investors may negatively impact the regulatory position of individual investors and, in addition, have a negative impact on the price and liquidity of the Notes in the secondary market.

Volcker Rule

In response to the downturn in the credit markets and the global economic crisis, various agencies and regulatory bodies of the United States federal government have taken or are considering taking actions to address the financial crisis. These actions include, but are not limited to, the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**"), which was signed into law on 21 July 2010, and which imposes a regulatory framework over the U.S. financial services industry and the consumer credit markets in general.

Section 610 of the Dodd-Frank Act added a provision, commonly referred to as the "**Volcker Rule**", under which relevant banking entities are prohibited from, among other things, (i) conducting proprietary trading activities in a wide variety of financial instruments and (ii) acquiring or retaining any ownership interest in, or acting as sponsor in respect of, covered funds, except as may be permitted by an applicable exclusion or exception from the Volcker Rule. In addition, in certain circumstances, the Volcker Rule restricts banking entities from entering into certain credit exposure related transactions with covered funds. In general, there is limited interpretive guidance regarding the Volcker Rule.

If the Issuer is deemed to be a covered fund, then in the absence of regulatory relief, the provisions of the Volcker Rule and its related regulatory guidance will prohibit or severely limit the ability of "banking entities" to hold an ownership interest in the Issuer or enter into certain financial transactions with the Issuer.

Each investor is responsible for analysing its own position under the Volcker Rule and any other similar laws and regulations and none of the Issuer, the Seller, the Administrator, the Security Agent, the Arranger or the Manager makes any representation to any prospective investor or purchaser of the Notes regarding the application of the Volcker Rule to the Issuer, the Issuer's status under the Volcker Rule or to such investor's investment in the Notes on any issue date or at any other time.

[3] This document is not incorporated by reference in this Prospectus.

The Volcker Rule and any similar measures introduced in another relevant jurisdiction may restrict the ability of relevant individual prospective purchasers to invest in the Notes and, in addition, may have a negative impact on the price and liquidity of the Notes in the secondary market. Investors should conduct their own analysis to determine whether the Issuer is a "covered fund" for their purposes.

U.S. risk retention requirements

Section 941 of the Dodd-Frank Act amended the Exchange Act to generally require the "securitiser" of a "securitisation transaction" to retain at least 5 per cent. of the "credit risk" of "securitised assets", as such terms are defined for purposes of that act, and generally prohibit a securitiser from directly or indirectly eliminating or reducing its credit exposure by hedging or otherwise transferring the credit risk that the securitiser is required to retain. The U.S. Risk Retention Rules came into effect on 24 December 2015 for residential-mortgage backed securities and 24 December 2016 with respect to all other classes of asset-backed securities. The U.S. Risk Retention Rules provide that the securitiser of an asset backed securitisation is its sponsor. The U.S. Risk Retention Rules also provide for certain exemptions from the risk retention obligation that they generally impose.

The Seller does not intend to retain at least 5 per cent. of the credit risk of the Issuer for the purposes of the U.S. Risk Retention Rules, but rather intends to rely on an exemption provided for in Section 20 of the U.S. Risk Retention Rules regarding non-U.S. transactions. Such non-U.S. transactions must meet certain requirements, including that (1) the transaction is not required to be and is not registered under the Securities Act; (2) no more than 10 per cent. of the dollar value (or equivalent amount in the currency in which the securities are issued) of all classes of securities issued in the securitisation transaction are sold or transferred to U.S. persons (in each case, as defined in the U.S. Risk Retention Rules) or for the account or benefit of U.S. persons (as defined in the U.S. Risk Retention Rules and referred to in this Prospectus as Risk Retention U.S. Persons); (3) neither the sponsor nor the issuer is organised under U.S. law or is a branch located in the United States of a non-U.S. entity; and (4) no more than 25 per cent. of the underlying collateral was acquired from a majority-owned affiliate or branch of the sponsor or issuer organised or located in the United States.

The Seller has advised the Issuer that it has not acquired, and it does not intend to acquire more than 25 per cent. of the assets from an affiliate or branch of the Seller or the Issuer that is organised or located in the United States.

Prospective investors should note that the definition of "U.S. person" in the U.S. Risk Retention Rules is different from the definition of "U.S. person" under Regulation S. The definition of U.S. person in the U.S. Risk Retention Rules is excerpted below. Particular attention should be paid to clauses (b) and (h), which are different than comparable provisions from Regulation S.

Under the U.S. Risk Retention Rules, and subject to limited exceptions, "U.S. person" (and "Risk Retention U.S. Person" as used in this Prospectus) means any of the following:

(a) any natural person resident in the United States;

(b) any partnership, corporation, limited liability company, or other organisation or entity organised or incorporated under the laws of any State or of the United States;[4]

(c) any estate of which any executor or administrator is a U.S. person (as defined under any other clause of this definition);

[4] The comparable provision from Regulation S is "(ii) any partnership or corporation organised or incorporated under the laws of the United States."

(d) any trust of which any trustee is a U.S. person (as defined under any other clause of this definition);

(e) any agency or branch of a foreign entity located in the United States;

(f) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. person (as defined under any other clause of this definition);

(g) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organised, incorporated, or (if an individual) resident in the United States; and

(h) any partnership, corporation, limited liability company, or other organisation or entity if:

(A) organised or incorporated under the laws of any foreign jurisdiction; and

(B) formed by a U.S. person (as defined under any other clause of this definition) principally for the purpose of investing in securities not registered under the Securities Act.[5]

Consequently, the Notes may not be purchased by any person except for persons that are not Risk Retention U.S. Persons. Each holder of a Note or a beneficial interest acquired in the initial distribution of the Notes, by its acquisition of a Note or a beneficial interest in a Note, will be deemed to represent to the Issuer, the Seller and the Managers that it (1) is not a Risk Retention U.S. Person, (2) is acquiring such Note or a beneficial interest therein for its own account and not with a view to distribute such Note and (3) is not acquiring such Note or a beneficial interest therein as part of a scheme to evade the requirements of the U.S. Risk Retention Rules (including acquiring such Note through a non-Risk Retention U.S. Person, rather than a Risk Retention U.S. Person, as part of a scheme to evade the 10 per cent. Risk Retention U.S. Person limitation in the exemption provided for in Section 20 of the U.S. Risk Retention Rules described herein).

The Seller, the Issuer and the Managers are relying on the deemed representations made by purchasers of the Notes and may not be able to determine the proper characterisation of potential investors for such restriction or for determining the availability of the exemption provided for in Section 20 of the U.S. Risk Retention Rules, and neither the Managers nor any person who controls it or any director, officer, employee, agent or affiliate of the Managers accepts any liability or responsibility whatsoever for any such determination or characterisation.

There can be no assurance that the exemption provided for in Section 20 of the U.S. Risk Retention Rules regarding non-U.S. transactions will be available. Failure on the part of the Seller to comply with the U.S. Risk Retention Rules (regardless of the reason for such failure to comply) could give rise to regulatory action against the Seller which may adversely affect the Notes and the ability of the Seller to perform its obligations under the Transaction Documents. Furthermore, a failure by the Seller to comply with the U.S. Risk Retention Rules could negatively affect the value and secondary market liquidity of the Notes.

Basel III & Solvency II

Investors should also note that the Basel Committee on Banking Supervision ("**BCBS**") has approved a series of significant changes to the Basel regulatory capital and liquidity framework

[5] The comparable provision from Regulation S "(vii)(B) formed by a U.S. person principally for the purpose of investing in securities not registered under the Securities Act, unless it is organised or incorporated, and owned, by accredited investors (as defined in 17 CFR 230.501(a)) who are not natural persons, estates or trust

(such changes being referred to by the BCBS as "**Basel III**"), including revisions to the securitisation framework which may result in increased regulatory capital requirements in respect of certain positions. Basel III provides for a substantial strengthening of existing prudential rules, including new requirements intended to reinforce capital standards (with heightened requirements for global systemically important banks) and to establish a leverage ratio "backstop" for financial institutions and certain minimum liquidity standards (referred to as the Liquidity Coverage Ratio and the Net Stable Funding Ratio). BCBS member countries agreed to implement the initial phase of the Basel III reforms from 1 January 2013 and the second phase from 1 January 2022, subject to transitional and phase-in arrangements for certain requirements. As implementation of any changes to the Basel framework (including those made via Basel III) requires national legislation, the final rules and the timetable for its implementation in each jurisdiction, as well as the treatment of asset-backed securities, may be subject to some level of national variation. It should also be noted that changes to regulatory capital requirements have been made for insurance and reinsurance undertakings through participating jurisdiction initiatives, such as the Solvency II framework in Europe.

Implementation of the Basel III and Solvency II framework and any changes as described above may have an impact on the capital requirements in respect of the Notes and/or on incentives to hold the Notes for investors that are subject to requirements that follow the relevant framework and, as a result, may affect the liquidity and/or value of the Notes.

In general, investors should consult their own advisers as to the regulatory capital requirements or regulatory liquidity requirements in respect of the Notes and as to the consequences for and effect on them of any changes to the Basel framework (including the changes described above) and Solvency II, and the relevant implementing measures. No predictions can be made as to the precise effects of such matters on any investor or otherwise.

4.7 The Belgian bank recovery and resolution regime

Directive 2014/59/EU of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (the "**Bank Recovery and Resolution Directive**" or "**BRRD**") provides for the establishment of a new European-wide framework for the recovery and resolution of credit institutions and investment firms. The stated aim of the BRRD is to provide supervisory and resolution authorities, including the resolution college of the National Bank of Belgium within the meaning of Article 21ter of the Law of 22 February 1998 establishing the organic statute of the National Bank of Belgium, or any successor body or authority (the "**National Resolution Authority**" and, together with the national resolution authorities of other participating Member States, the "**NRAs**"), with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses.

BRRD had been transposed into Belgian law in subsequent stages pursuant to:

(a) the Credit Institutions Supervision Act;

(b) the law of 18 December 2015 containing various financial provisions;

(c) the Royal Decree of 26 December 2015 amending the Credit Institutions Supervision Act related to the recovery and resolution of groups;

(d) the Royal Decree of 18 December 2015 amending the Credit Institutions Supervision Act which introduces the bail-in mechanism; and

(e) the law of 27 June 2016 for the implementation of several provisions of the BRRD in relation to the use of government financial stabilisation tools, the objectives of resolution financing arrangements and the establishment and use of resolution financing arrangements.

Under the Belgian bank recovery and resolution regime, the supervisory and resolution authorities (which includes the National Resolution Authority) are able to take a number of measures in respect of any credit institution it supervises if deficiencies in such credit institution's operations are not remedied. Such measures include: the appointment of a special commissioner whose consent is required for all or some of the decisions taken by all the institution's corporate bodies; the imposition of additional requirements in terms of solvency, liquidity, risk concentration and the imposition of other limitations; the complete or partial suspension or prohibition of the institution's activities; the revocation of the institution's licence; and the right to impose the reservation of distributable profits, or the suspension of dividend distributions or interest payments to holders of additional Tier 1 capital instruments.

The Credit Institutions Supervision Act allows the NRA to take resolution actions. Such powers include the power to (i) direct the sale of the relevant financial institution or the whole or part of its business on commercial terms without requiring the consent of the shareholders or complying with procedural requirements that would otherwise apply, (ii) transfer all or part of the business of the relevant financial institution to a "bridge institution" (an entity created for that purpose which is wholly or partially in public control) and (iii) separate assets by transferring impaired or problem assets to a bridge institution or one or more asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down. By way of a Royal Decree of 18 December 2015 and with effect as from 1 January 2016, the Credit Institutions Supervision Act grants a "bail in" power to the NRA. The NRA now have the ability to impose losses on certain financial liabilities of the failing credit institution, either by writing down the principal amount of the liability or converting it into equity. Due to the bail-in mechanism, shareholders and creditors will thus have to contribute to the losses of the failing institution. The Issuer does not fall within the scope of the BRRD and its Belgian implementation and it should therefore not be subject to any resolution actions as stated in this paragraph, including any "bail in" action in relation to the Notes.

It should be noted that (i) certain elements of the Credit Institutions Supervision Act require further detailed measures to be taken by other authorities, in particular the National Bank of Belgium, (ii) certain elements of the Credit Institutions Supervision Act will be influenced by further regulations (including through technical standards) taken or to be taken at European level, and (iii) the application of the Credit Institutions Supervision Act may be influenced by the assumption by the European Central Bank of certain supervisory responsibilities which were previously handled by the National Bank of Belgium and, in general, by the allocation of responsibilities between the European Central Bank and the National Bank of Belgium.

Although the exercise of powers by the National Bank of Belgium under the Credit Institutions Supervision Act could not affect the transfer of legal title to the Loans to the Issuer, there is a risk that such exercise of powers could adversely affect the proper performance by each of the Seller, the Servicer and the Administrator of its payment and other obligations to the Issuer and enforcement thereof against the such parties under the Transaction Documents.

4.8 European Market Infrastructure Regulation

Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories ("**EMIR**") which entered into force on 16 August 2012 establishes certain requirements for OTC derivatives contracts, including a mandatory clearing obligation (the "**Clearing Obligation**"), margin posting (the "**Collateral Obligation**") and other risk-mitigation techniques for OTC derivatives contracts not cleared by a central counterparty, and reporting and record-keeping requirements.

Under EMIR, (i) financial counterparties ("**FCs**") and (ii) non-financial counterparties whose positions, together with the positions of all other non-financial counterparties in its "group" (as

defined in EMIR), in OTC derivatives (excluding hedging positions) exceed a specified clearing threshold ("**NFC+s**"), and together with FCs, the "**In-scope Counterparties**") must clear via an authorized or recognised central counterparty ("**CCP**"") OTC derivatives contracts that are entered into on or after the effective date for the Clearing Obligation for that counterparty pair and class of derivatives (the "**Clearing Start Date**""). Unless an exemption applies, FCs and NFC+s must clear any such OTC derivative contracts entered into between each other and with certain third country equivalent entities (i.e. those that would have been subject to the Clearing Obligation if they were established in the European Union). The process for implementing the Clearing Obligation is under way and a timeframe for compliance has been established for the first class of transactions (being certain interest rate derivative contracts in USD, EUR, GBP and JPY), with the Clearing Start Date for such contracts with NFC+s being 21 December 2018. Timeframes for mandatory clearing of certain other classes of OTC derivatives transactions have also been established. On the basis that the Issuer is currently a non-financial counterparty whose position, together with the positions of all other non-financial counterparties in its "group", in OTC derivatives (after the exclusion of hedging positions) do not exceed any of the specified clearing thresholds (each, an "**NFC-**"), OTC derivatives contracts that are entered into by the Issuer would not in any event be subject to any mandatory clearing or frontloading requirements. If any of the Issuer's counterparty status as an NFC- changes then certain OTC derivatives contracts that are entered into by the Issuer (as applicable) may become subject to the Clearing Obligation.

Under EMIR, OTC derivatives contracts entered into by NFC+ and FC entities (and/or third country equivalent entities) that are not cleared by a CCP may be subject to certain margining requirements, unless certain exemptions apply. The regulatory technical standards relating to the collateralization obligations in respect of OTC derivatives contracts which are not cleared are now in force and the obligation for In-scope Counterparties to margin uncleared OTC derivatives contracts was phased in from the first quarter of 2017 with variation margin obligations applying to all transactions entered into by In-scope Counterparties from 1 March 2017. However, on the basis that the Issuer is a NFC-, OTC derivatives contracts that are entered into by the Issuer would not be subject to any margining requirements. If the Issuer's counterparty status as an NFC- changes then certain OTC derivatives contracts that are entered into by the Issuer may become subject to margining requirements.

Further, OTC derivatives contracts that are not cleared by a CCP are also subject to certain other risk mitigation techniques, including arrangements for timely confirmation of OTC derivatives contracts, portfolio reconciliation, dispute resolution and arrangements for monitoring the value of outstanding OTC derivatives contracts. These requirements are already in effect. In order to comply with certain of these risk mitigation requirements the Issuer includes appropriate provisions in the Swap Agreement. In addition, under EMIR, counterparties must report all their OTC and exchange traded derivatives contracts to an authorized or recognized trade repository or to ESMA.

EMIR may, inter alia, lead to more administrative burdens and higher costs for the Issuer which may in turn reduce the amounts available to make payments with respect to the Notes. Further, if any party fails to comply with the applicable rules under EMIR it may be liable for a fine. If such a fine is imposed on the Issuer, this may also reduce the amounts available to make payments with respect to the Notes.

Notwithstanding the qualification on application described above, the position of any of the swaps under each of the Clearing Obligation and Collateral Obligation is not entirely clear and may be affected by further measures still to be made. In this regard, we note the Securitisation Regulation, which entered into force on 17 January 2018. The Securitisation Regulation will apply from the start of 2019 and includes, amongst other things, amendments to EMIR. The amendments make provision for the development of technical standards specifying reliefs from each of the obligations referred to above for certain OTC derivative contracts entered into by a securitisation special purpose entity in connection with certain securitisations.

Finally, the Security Agent may on behalf of the Noteholders and without the consent of the Noteholders or the other Secured Parties at any time and from time to time, concur with the Issuer or any other person in making any modification to the Transaction Documents and/or the terms and conditions applying to the Notes to comply with EMIR. In each case, such amendments may be made irrespective of whether such modifications are materially prejudicial to the interests of any Noteholder or any other secured creditor and provided such modifications do not relate to a Basic Terms Modification.

4.9 Risk that the Notes will not be eligible as Eurosystem Eligible Collateral

The Notes are intended to be held in a manner which allows Eurosystem eligibility. The Notes will upon issue be deposited with Euroclear or Clearstream, Luxembourg which are ICSDs, but this does not necessarily mean that the Notes will be recognised as Eurosystem Eligible Collateral either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria as amended from time to time. On 15 December 2010, the Governing Council of the ECB decided to establish loan-by-loan information requirements for asset-backed securities in the Eurosystem collateral framework. On 28 November 2012, in the guideline of the ECB of 26 November 2012 amending guideline ECB/2011/14 on monetary policy instruments and procedures of the Eurosystem (ECB/2012/25), the ECB laid down the reporting requirements related to the loan-level data for asset-backed securities. Such reporting requirements have applied since 3 January 2013 in the case of residential-mortgage backed securities ("**RMBS**"). For asset-backed securities to become or to remain eligible for Eurosystem monetary policy operations, the Eurosystem requires comprehensive and standardised loan-level data on the pool of cash flow generating assets underlying an asset-backed security to be submitted by the relevant parties in the asset-backed security, as set out in appendix 8 (loan level data reporting requirements for asset-backed securities) of the guideline of the ECB of 26 November 2012 amending guideline ECB/2011/14 on monetary policy instruments and procedures of the Eurosystem (ECB/2012/25). Non-compliance with provision of loan-level data will lead to suspension of or refusal to grant eligibility to the asset-backed security transaction in question. It has been agreed in the Issuer Services Agreement that the Administrator or, at the instruction of the Administrator, the Servicer shall use its best efforts to make such loan-by-loan information available. Should such loan-by-loan information not comply with the European Central Bank's requirements or not be available at such time, the Notes may not be recognised as Eurosystem Eligible Collateral. Application has been made to Euronext Brussels for the Notes to be admitted to trading on its regulated market on or about the Closing Date. However, there is no assurance that the Notes will be admitted to trading on the regulated market of Euronext Brussel. If the Notes are not admitted to listing, they will not be recognised as Eurosystem Eligible Collateral.

Neither the Issuer, the Arranger or the Manager gives a representation, warranty, confirmation or guarantee to any investor in the Notes that the Notes will, either upon issue, or at any or all times during their life, satisfy all or any requirements for Eurosystem eligibility from time to time and be recognised as Eurosystem Eligible Collateral.

The relevant central bank will ultimately assess and confirm whether the Notes issued pursuant to the Transaction qualify as eligible collateral for liquidity and/or open market operations. In accordance with its policies, the relevant central bank will not confirm the eligibility of such Notes for such purposes prior to the issuance of such Notes pursuant to the Transaction. If any Notes are accepted for such purposes, the relevant central bank may amend or withdraw any such approval in relation to such Notes at any time. None of the Issuer and the Manager nor any Affiliated Entity of the Issuer and the Manager gives any representation or warranty as to whether the relevant central bank will ultimately confirm the eligibility of such Notes for such purpose and none of the Issuer and the Manager nor any Affiliated Entity of the Issuer and the Manager will have any liability or obligation in relation thereto if the Notes are at any time deemed ineligible for such purposes. Any potential investors in the Notes should make their own determinations and seek their own advice

with respect to whether or not such Notes constitute eligible collateral (including Eurosystem Eligible Collateral).

4.10 Securitisation positions qualifying as High Quality Liquid Asset

On 13 July 2018 the European Commission published the final Commission Delegated Regulation amending Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for credit institutions. This amendment integrates the STS criteria for securitisation in the LCR Delegated Regulation. Securitisations can be counted as Level 2B high quality liquid assets ("**HQLA**"),) only if they fulfil the conditions laid down in Article 13 of the LCR Delegated Regulation. In the revised provision of Article 13 LCR Delegated Regulation, a reference is made to the requirement that securitisation positions will only qualify as HQLA if the designation "STS" or "simple, transparent and standardised" or a designation that refers directly or indirectly to those terms is permitted to be used for the securitisation in accordance with the Securitisation Regulation and is also being so used. The Securitisation Regulation sets out a list of criteria which defines STS securitisations.

The criteria laid down in the LCR Delegated Regulation for securitisation positions qualifying as Level 2B assets have been supplemented by a reference to the Securitisation Regulation in the Commission Delegated Regulation as published on 13 July 2018. It is currently uncertain as to whether or not the Notes will qualify as HQLA after 1 January 2019. Prospective investors should therefore make themselves aware of the changes and requirements described above (and any corresponding implementing rules of their regulator), where applicable to them, in addition to any other applicable regulatory requirements with respect to their investment in the Notes. The matters described above and any other changes to the regulation or regulatory treatment of the Notes for some or all investors may severely impact the regulatory position of individual investors and, in addition, have a negative impact on the price and liquidity of the Notes in the secondary market.

4.11 Changes or uncertainty in respect of EURIBOR or other interest rate benchmarks may affect the value or payment of interest under the Notes

Various interest rate benchmarks (including EURIBOR) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective, including the EU Benchmark Regulation (Regulation (EU) 2016/1011) (the "**Benchmarks Regulation**"), whilst others are still to be implemented.

Under the Benchmarks Regulation, which applies from 1 January 2018 in general, new requirements apply with respect to the provision of a wide range of benchmarks (including EURIBOR), the contribution of input data to a benchmark and the use of a benchmark within the European Union. In particular, the Benchmarks Regulation has imposed, among other things, the following conditions (i) a requirement on benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and to comply with extensive requirements in relation to the administration of benchmarks and (ii) restrict certain uses by EU-supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU-based, deemed equivalent or recognised or endorsed).

In March 2017, the European Money Markets Institute (formerly EURIBOR-EBF) (the "**EMMI**") published a position paper referring to certain proposed reforms to EURIBOR, which reforms aim to clarify the EURIBOR specification, to develop a transaction-based methodology for EURIBOR and to align the relevant methodology with the Benchmarks Regulation, the IOSCO Principles for Financial Benchmarks and other regulatory recommendations. The EMMI is currently developing a hybrid methodology for EURIBOR. The calculation of EURIBOR which is supported by transaction

data (where available) but also relies on other techniques or data sources. The EMMI expects to make EURIBOR compliant with the Benchmarks Regulation during the course of 2019.

These reforms and other pressures may cause one or more interest rate benchmarks to disappear entirely, to perform differently than in the past (as a result of a change in methodology or otherwise), create disincentives for market participants to continue to administer or participate in certain benchmarks or have other consequences which cannot be predicted.

In the event that the EURIBOR benchmark referenced in the Conditions, the Swap Agreement and the other Transaction Documents ceases to exist then the fall-back EURIBOR Reference Banks position set out in Condition 4.4(e) (*EURIBOR*) may not operate as intended as it would be dependent on the provision of quotations by major banks selected by the Issuer for the rate at which euro deposits are offered. In such case the EURIBOR applicable to the Notes during the relevant Interest Period will be EURIBOR last determined. This mechanism is not suitable for determining the interest rate payable on the Notes on a long-term basis. Accordingly, in the event that EURIBOR is permanently discontinued the Issuer may in certain circumstances modify or amend the EURIBOR rate in respect of the Notes to an Alternative Base Rate without the Noteholders' prior consent as provided in Condition 4.11(c)(v). See further risk factor 1.18 "*The Security Agent may agree to modifications without the Noteholders' prior consent.*"

While an amendment may be made under Condition 4.11(c)(v) to change the EURIBOR rate on the Notes to an Alternative Base Rate under certain circumstances broadly related to EURIBOR disruption or discontinuation and subject to certain conditions, there can be no assurance that any such amendment will be made or, if made, that it will (i) fully or effectively mitigate interest rate risks or result in an equivalent methodology for determining the interest rates on the Notes or (ii) be made prior to any date on which any of the risks described in this risk factor may become relevant.

The party that will determine the rate in accordance with Conditions 4.4(e) and 4.4(f) may be considered an 'administrator' under the Benchmarks Regulation (the "**Rate Determination Agent**"). This is the case if it is considered to be in control over the provision of the Floating Rate of Interest and/or the determined rate of interest on the basis of the Floating Rate of Interest and any adjustments made thereto by the Rate Determination Agent and/or otherwise in determining the applicable rate of interest in the context of a fall-back scenario. This would mean that the Rate Determination Agent has control over the (i) administration of the arrangements for determining such rate, (ii) collection, analysis or processes of input data for the purposes of determining such rate and (iii) determination of such rate through the application of a method of calculation or by an assessment of input data for that purpose. Furthermore, for the Rate Determination Agent to be considered an 'administrator' under the Benchmarks Regulation, the Floating Rate of Interest and/or the determined rate of interest on the basis of the Floating Rate of Interest and any adjustments made thereto by the Rate Determination Agent and/or otherwise in determining the applicable rate of interest in the context of a fall-back scenario may be a benchmark (index) within the meaning of the Benchmarks Regulation. This may be the case if the Floating Rate of Interest and/or the determined rate of interest on the basis of the Floating Rate of Interest and any adjustments made thereto by the Rate Determination Agent and/or otherwise in determining the applicable rate of interest in the context of a fall-back scenario, is published or made available to the public and regularly determined by the application of a method of calculation or by an assessment, and on the basis of certain values or surveys.

The Benchmarks Regulation stipulates that each administrator of a benchmark regulated thereunder or the benchmark itself must be registered, authorized, recognized or endorsed, as applicable, in accordance with the Benchmarks Regulation. There is a risk that administerators (which may include the Rate Determination Agent in the circumstances as described above) of certain benchmarks will fail to obtain such registration, authorization, recognition or endorsement, preventing them from continuing to provide such benchmarks, or may otherwise choose to discontinue or no longer

provide such benchmark. As a result, a fixed rate based on the rate which applied in the previous period when EURIBOR, or any other interest rate benchmark was available, may apply to the Notes until the time that registration, authorised registration or endorsement of the relevant administrator has been completed or a substitute or successor rate for the reference rate is available.

Moreover, any significant change to the setting or existence of EURIBOR or any other relevant interest rate benchmark could affect the ability of the Issuer to meet its obligations under the Notes and could have a material adverse effect on the value or liquidity of, and the amount payable under, the Notes.

Investors should consider these recent developments when making their investment decision with respect to the Notes.

The Issuer believes that the risks described above are certain of the principal risks inherent in the Transaction for the Noteholders but the inability of the Issuer to pay interest or repay principal on the Notes may occur for other reasons and, accordingly, the Issuer does not represent that the above statements of the risks of holding the Notes are comprehensive. While the various structural elements described in the Prospectus are intended to lessen some of these risks for Noteholders there can be no assurance that these measures will be sufficient or effective to ensure payment to the Noteholders or interest and principal on such Notes on a timely basis at all.

TRANSACTION OVERVIEW

The following is an overview of the principal features of the Transaction described in this Prospectus including the issue of the Notes. The information in this section does not purport to be complete. This overview should be read as an introduction to and in conjunction with, and is qualified in its entirety by reference, to the detailed information appearing elsewhere in this Prospectus. Prospective Noteholders are advised to read carefully, and to rely solely on, the detailed information appearing elsewhere in this Prospectus and the Conditions and Transaction Documents referred to therein in making any decision whether or not to invest in any Notes. If a claim relating to the information contained in this Prospectus will be brought before a competent court, the claimant will, subject to the legal requirement of the relevant member state of the European Economic Area, have to bear the costs of translating this Prospectus before the legal proceedings are initiated.

Capitalised terms used but not defined in this section have the meaning given thereto elsewhere in this Prospectus.

Transaction Overview

The following is an overview of the transaction as illustrated by the Transaction Structure Diagram below.

1. On or about 8 February 2019 the Issuer will enter into a mortgage receivables purchase agreement (the "**Mortgage Receivables Purchase Agreement**") with the Seller and the Security Agent. Pursuant to the Mortgage Receivables Purchase Agreement the Seller will sell and assign to the Issuer legal title to the Mortgage Receivables. The Mortgage Receivables consist of any and all rights of the Seller against certain borrowers under loans originated or acquired by the Seller which loans are secured by a (i) a first ranking Mortgage, or (ii) a lower ranking Mortgage provided that the benefit of all higher ranking Mortgages on the same Real Estate has been transferred to the Issuer pursuant to the Mortgage Receivables Purchase Agreement and, as the case may be, (iii) a mandate to create Mortgages over residential properties in Belgium. The initial purchase price for the Mortgage Receivables amounts to 100%of the Outstanding Principal Amount of the Mortgage Receivables on the Cut-Off Date (which will be equal to an amount of approximately, EUR 3,445,000,000). The transfer of legal title to the Mortgage Receivables will take place on 15 February 2019 or on such later date as may be agreed between the Issuer, the Seller and the Manager (the "**Closing Date**"). The Issuer will pay the initial purchase price on the Closing Date.

   To fund the initial purchase price, the Issuer will issue the Notes and enter into the Subordinated Loan Agreement with the Subordinated Loan Provider on the Closing Date.

   The Issuer will credit on the Closing Date EUR 35,000,000 from the proceeds of the Subordinated Loan to the Reserve Account.

   On each Monthly Payment Date, the Issuer will pay the Noteholders interest and principal in accordance with and subject to the Interest Priority of Payments and the Principal Priority of Payments. See *Credit Structure*.

2. The rates of interest on the Mortgage Receivables and on the Transaction Accounts will not necessarily equal the floating rates applicable to the Notes. In order to provide a hedge against certain differences in these rates, the Issuer will enter into an interest rate swap transaction under an ISDA Master Agreement, including a schedule and a credit support annex thereto (the "**Credit Support Annex**") (together, the "**Swap Agreement**") with KBC Bank NV (as the "**Swap Counterparty**") together with a delegated reporting agreement under which the Swap Counterparty will agree to report transaction details on behalf of the Issuer in order to comply with certain of the Issuer's obligatiosn under EMIR.

3. The ability of the Issuer to meet its obligations under the Notes will depend primarily upon the receipt by it of principal and interest from the Borrowers under the Mortgage Receivables and the receipt of funds under the Swap Agreement. The Issuer will secure its obligations under the Notes. The Issuer will enter into a pledge agreement (the "**Pledge Agreement**") with Deloitte Bedrijfsrevisoren / Réviseurs d'Entreprises C.V.B.A. (the "**Security Agent**") pursuant to which the Security Agent is appointed (i) as representative (*vertegenwoordiger / représentant*) of the Noteholders in accordance with Article 271/12, §1, first to seventh indent of the UCITS Act with respect to their rights and obligations under the Notes and the Conditions, and (ii) as irrevocable agent (*mandataris / mandataire*) of the other Secured Parties. Furthermore, the Security Agent has been designated as security agent on behalf of the Secured Parties in accordance with Article 5 of the Collateral Law and Article 3 of the MAS Law. In accordance with the terms of the Pledge Agreement, the obligations of the Issuer to the Secured Parties are secured by a first-ranking pledge over (i) the Mortgage Receivables (ii) the Issuer's claims under the Transaction Documents and (iii) the balances standing to the credit of the Transaction Accounts. Upon the occurrence of an Event of Default under the Notes, the Security Agent may give notice to the Issuer that the amounts outstanding under the Notes are immediately due and payable and may enforce the Pledge Agreement. The Security Agent will apply the amounts recovered upon enforcement of the Pledge Agreement in accordance with the Priority of Payments upon Enforcement towards satisfaction of the amounts owed by the Issuer to the Noteholders and such other transaction parties. See *Credit Structure*.

4. The Issuer will enter into a subordinated loan agreement (the "**Subordinated Loan Agreement**") with KBC Bank NV (as the "**Subordinated Loan Provider**"on or before the Closing Date, pursuant to which the Subordinated Loan Provider will agree to make available to the Issuer a subordinated loan (the "**Subordinated Loan**"), the proceeds of which will be used to (i) pay part of the Initial Purchase Price, and (ii) credit the Reserve Account up to the Reserve Account Required Amount.

5. The Issuer will enter into an expenses subordinated loan agreement (the "**Expenses Subordinated Loan Agreement**") with the Subordinated Loan Provider on or before the Closing Date, pursuant to which the Subordinated Loan Provider will agree to make available to the Issuer an expenses subordinated loan (the "**Expenses Subordinated Loan**"), the proceeds of which will be used to pay certain initial costs and expenses in connection with the issue of the Notes.

6. The Issuer will enter into an Account Bank Agreement (the "**Account Bank Agreement**") with KBC Bank NV (as the "**Account Bank**") and the Security Agent on or before the Closing Date, pursuant to which the Account Bank guarantees a certain interest rate (the "**Account Interest Rate**") determined by reference to Eonia minus 0.125 per cent. (with a floor at zero) on the balance standing from time to time to the credit of certain bank accounts maintained by the Issuer with the Account Bank.

7. The Issuer will enter into a mortgage payment transactions and issuer services agreement (the "**Issuer Services Agreement**") with the Seller (as the "**Servicer**"), the Security Agent, KBC Bank NV (as "**Corporate Services Provider**") and Intertrust Administrative Services B.V. (as "**Administrator**") on or before the Closing Date, pursuant to which (i) the Servicer will agree to provide mortgage payment transactions and the other services as agreed in the Issuer Services Agreement in relation to the Mortgage Receivables, (ii) the Corporate Services Provider will agree to provide certain reporting and corporate services for the Issuer and (iii) the Administrator will agree to provide certain administration, calculation and cash management services for the Issuer.

In addition, the Issuer will enter into *inter alia* the following agreements:

(a) a subscription agreement (the "**Subscription Agreement**") with KBC Bank NV (as "**Arranger**" and as "**Manager**") pursuant to which the Manager agrees to subscribe and pay for or to procure subscription and payment for the Notes;

(b) an agency agreement (the "**Agency Agreement**") with KBC Bank NV (as the "**Domiciliary Agent**", "**Listing Agent**" and "**Reference Agent**") pursuant to which the Domiciliary Agent, the Listing Agent and the Reference Agent will respectively act as domiciliary agent, listing agent and reference agent in relation to the Notes;

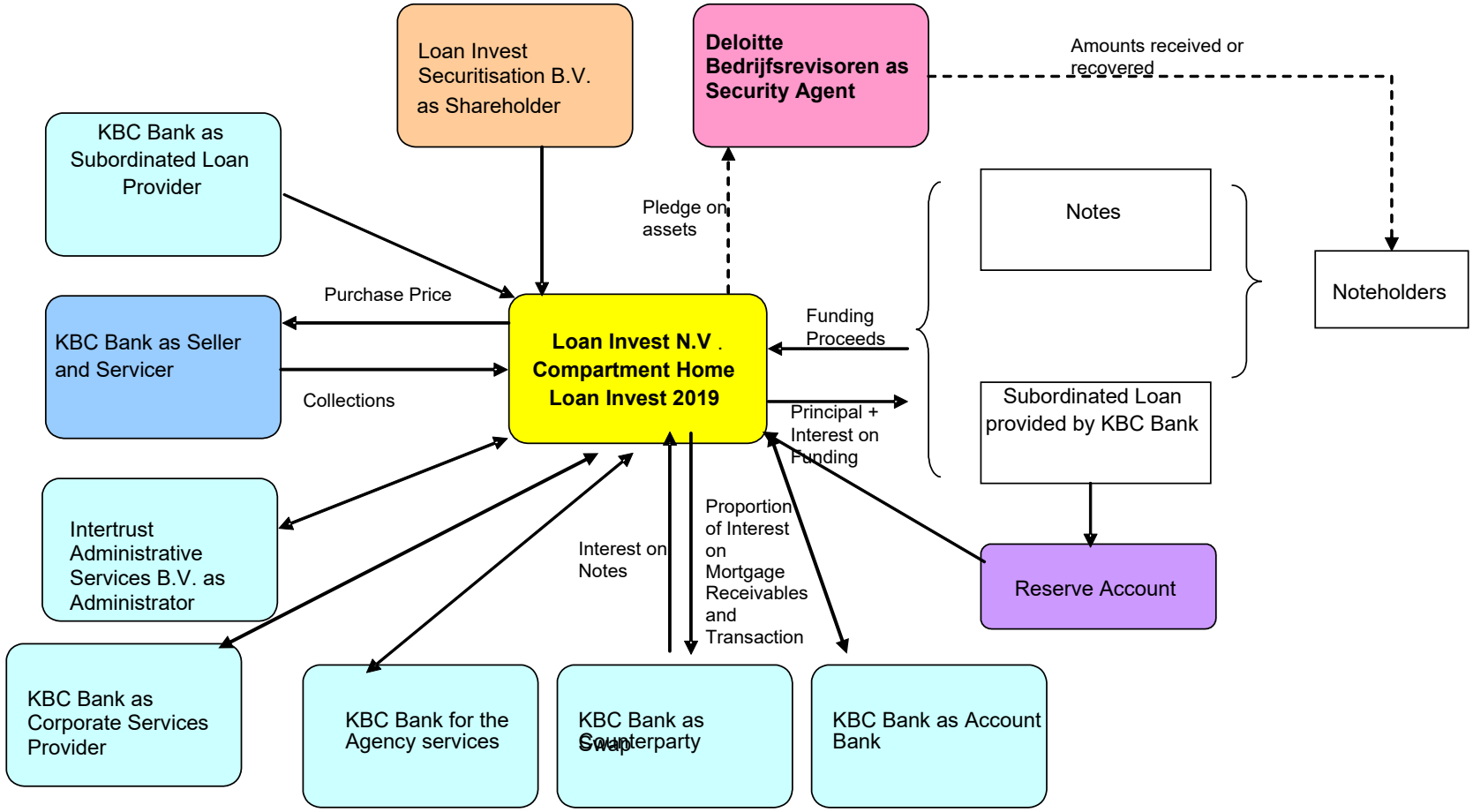
(c) a clearing agreement (the "**Clearing Agreement**") with the National Bank of Belgium (as "**Securities Settlement System Operator**") pursuant to which the Notes will be cleared in accordance with the Securities Settlement System;

(d) a master definitions agreement (the "**Master Definitions Agreement**") with, among others, the Secured Parties, setting out certain definitions, terms and principles that are used for the interpretation and construction of the Transaction Documents;

(e) issuer management agreements (the "**Issuer Management Agreements**") with the Issuer Directors and the Security Agent pursuant to which the Issuer Directors will undertake to act as managing director of the Issuer and to perform certain services in connection therewith.

In addition, shareholder management agreements (the "**Shareholder Management Agreements**") will be entered into between the Stichting Shareholder, the Shareholder, the Shareholder Director and the Security Agent pursuant to which, *inter alia,* the Shareholder Director will undertake to act as director of the Stichting Shareholder and the Shareholder and to perform certain services in connection therewith.

TRANSACTION STRUCTURE DIAGRAM



SUMMARY OF THE NOTES

Certain features of the Notes are summarised below (see further '*Principal Features of the Notes*' below):

Principal Amount	EUR 3,200,000,000
Credit Enhancement	Subordination of the Subordinated Loan
Margin up to but excluding the first Optional Redemption Date falling in February 2024	0.65 per cent. p.a.
Margin from and including the first Optional Redemption Date	0.65 per cent. p.a.
Interest Accrual	Act/360
Monthly Payment Date	Interest and principal will be payable monthly in arrear on the 15th day of each month, or if such day is not a Business Day, the next succeeding Business Day
Reference floating rate	1 month EURIBOR
Final Maturity Date	Monthly Payment Date falling in February 2050
Denomination	EUR 250,000
Form	Dematerialised form
Listing	Euronext Brussels
Rating	At least Aaa(sf) by Moody's and AAA (sf) by Fitch
ISIN Code	BE0002632132
Common Code	194881223

KEY PARTIES AND OVERVIEW PRINCIPAL FEATURES

The following is an overview of the key transaction parties and the principal features of the issue of the Notes, and should be read in conjunction with detailed information presented elsewhere in this Prospectus. Capitalised terms used but not defined herein have the meaning given thereto elsewhere in this Prospectus.

Key Transaction Parties

"Issuer":

Loan Invest NV/SA, *institutionele vennootschap voor belegging in schuldvorderingen naar Belgisch recht / société d'investissement en créances institutionnelle de droit belge*, acting through its Compartment Home Loan Invest 2019. The Issuer was incorporated as a company with limited liability (*naamloze vennootschap / société anonyme*) existing under the laws of the Kingdom of Belgium, and has its registered office at Koningsstraat 97 , 1000 Brussels, registered with the Crossroads Bank for Enterprises under number RPR 0889.054.884, Business Court of Brussels.

The Issuer qualifies as a Belgian institutional company for investment in receivables (*institutionele vennootschap voor belegging in schuldvorderingen naar Belgisch recht / société d'investissement en créances institutionnelle de droit belge*) in accordance with the UCITS Act and has been registered as such with the Federal Public Service Finance (*Federale Overheidsdienst Financiën / Service Public Fédéral Finances*) on 8 May 2007. Compartment Home Loan Invest 2019 of the Issuer has been registered with the Federal Public Service Finance (*Federale Overheidsdienst Financiën / Service Public Fédéral Finances*) on 10 December 2018. Such registration cannot be considered as a judgment as to the opportunity or the quality of the Transaction, nor on the situation of the Issuer or its Compartment Home Loan Invest 2019.

The entire issued share capital of the Issuer is owned by the Shareholder. The Issuer is established to issue notes, such as the Notes, from time to time. Recourse in respect of the Notes will be limited to the Mortgage Receivables and the Issuer's rights under the Transaction Documents.

The Notes are issued by the Issuer, acting through its Compartment Home Loan Invest 2019. The Noteholders and the other Secured Parties only have recourse to the Pledged Assets of Compartment Home Loan Invest 2019 of the Issuer.

The Issuer may not engage in any other activity than securitisation and related transactions.

The Issuer has been licensed by the FSMA as a mortage credit provider under Book VII, Title 4, Chapter 4 of the Code of Economic Law as of 18 July 2017.

See further *The Issuer*.

"Seller":	KBC Bank NV ("**KBC Bank NV**"), a credit institution existing under the laws of the Kingdom of Belgium, with its registered office at Havenlaan 2, 1080 Brussels, registered with the Crossroads Bank for Enterprises under number RPR 0462.920.226, Business Court of Brussels. KBC Bank NV is licensed as a credit institution in accordance with the Act of 25 April 2014 on the supervision of the credit institutions (*Wet op het statuut en het toezicht op kredietinstellingen / Loi relative au statut et au contrôle des établissements de crédit*) (as may be amended from time to time, the "**Credit Institutions Supervision Act**"). Furthermore, KBC Bank NV was licensed by the FSMA as a mortgage credit provider under Book VII, Title 4, Chapter 4 of the Code of Economic Law as of 5 September 2017.
"Servicer":	KBC Bank NV
"Administrator":	Intertrust Administrative Services B.V.
"Security Agent":	Deloitte Bedrijfsrevisoren / Réviseurs d'Entreprises C.V.B.A., a Belgian cooperative company with limited liability (*coöperatieve vennootschap met beperkte aansprakelijkheid / société cooperative à responsabilité limitée*), existing under the laws of the Kingdom of Belgium with its registered office at Aéroport National Bruxelles 1 (box J), 1930 Zaventem, registered with the Crossroads Bank for Enterprises under number RPR 0429.053.863, Business Court of Brussels. The Security Agent has been designated as agent on behalf of the Secured Parties in accordance with Article 5 of the Collateral Law and Article 3 of the MAS Law. The Security Agent is also appointed (i) as representative (*vertegenwoordiger / représentant*) of the Noteholders in accordance with the UCITS Act, and (ii) as irrevocable agent (*mandataris / mandataire*) of the other Secured Parties. See further *The Security Agent*.
"Shareholder":	Loan Invest Securitisation B.V., a Dutch private company with limited liability (*besloten vennootschap),* with its registered office at Prins Bernhardplein 200, 1097 Amsterdam, the Netherlands, registered with the commercial register (*kamer van koophandel en fabrieken voor Amsterdam)* under number 34271179.
"Corporate Services Provider":	KBC Bank NV
"Back-up Servicer Facilitator":	Intertrust Administrative Services B.V.
"Stichting Shareholder":	Stichting Loan Invest, a Dutch foundation (*stichting*) with its registered office at Prins Bernhardplein 200, 1097 Amsterdam, the Netherlands, registered with the commercial register (*kamer van koophandel en fabrieken voorAmsterdam*) under number 34270672.

"Issuer Directors":	Irène Florescu; and Christophe Tans, or any other duly appointed director of the Issuer.
"Shareholder Directors":	Intertrust Management B.V. ("**Intertrust Management B.V.**"), a Dutch private company with limited liability (*besloten vennootschap),* with its registered office at Prins Bernhardplein 200, 1097 Amsterdam, the Netherlands, registered with the commercial register (*kamer van koophandel en fabrieken voor Amsterdam*) under number 33.22.64.15.
"Subordinated Loan Provider":	KBC Bank NV
"Swap Counterparty":	KBC Bank NV
"Account Bank":	KBC Bank NV
"Domiciliary Agent":	KBC Bank NV
"Reference Agent":	KBC Bank NV
"Listing Agent":	KBC Bank NV
"Securities Settlement System Operator":	*De Nationale Bank van België / La Banque Nationale de Belgique*, a public company with limited liability incorporated under the laws of Belgium, with registered office at De Berlaimontlaan 14, 1000 Brussels, registered with the Crossroads Bank for Enterprises under number RPM/RPR 0203.201.340, Business Court of Brussels.
"Auditors":	BCVBA PwC Bedrijfsrevisoren, with its registered office at Woluwedal 18, 1932 Sint-Stevens-Woluwe, registered with the Crossroads Bank for Enterprises under number 0429.501.944, Business Court of Brussels, represented by R. Jeanquart and J. Gregory until the general meeting that has to approve the financial results as of 31 December 2018. A decision on the reappointment or change of the mandate of the Auditors will be published in the annexes to the Belgian State Gazette and on the website of the Issuer at https://www.kbc.com/en/no-crawl/home-loan-invest-disclaimer[6].
Principal features of the Notes	
Notes:	The EUR 3,200,000,000 floating rate Mortgage-Backed Notes due 15 February 2050 (the "**Notes**") will be issued by the Issuer on 15 February 2019 or on such later date as may be agreed between the Issuer, the Seller and the Manager
Eligible Holders of the Notes	The Notes are only offered, directly or indirectly, to holders ("**Eligible Holders**") who satisfy the following criteria: (a) they qualify as a Qualifying Investor under the UCITS Act (*in*

[6] This document is not incorporated by reference in this Prospectus.

aanmerking komende belegger / investisseurs éligible) (as referred to in Article 5, §3/1 of the UCITS Act), acting for its own account;

(b) they do not constitute investors that, in accordance with the annex, section (I), second indent, of the Royal Decree of 19 December 2017 concerning further rules for implementation of MIFID, have registered to be treated as non-professional investors; and

(c) they are holders of an exempt securities account ("**X-account**") with the Securities Settlement System operated by the National Bank of Belgium or with a participant in such system and will use that X-account for the holding of the Notes. Only investors referred to in article 4 of the Royal Decree of 26 May 1994 can hold an X-account ("**Tax Eligible Investors**"). A non-exhaustive list of Tax Eligible Investors is set out below.

In the event that the Issuer establishes that the Notes are held by persons which do not qualify as Eligible Holders, the Issuer will suspend the payment of interest on such Notes.

Pursuant to Article 5, §3 and §3/1 of the UCITS Act, Qualifying Investors under the UCITS Act are the "professional investors" (the "**Professional Investors**") as set out below. A royal decree may restrict or extend this definition. The Professional Investors are the professional clients listed under the annex to the royal decree of 19 December 2017 and the eligible counterparties in the meaning of Article 3, §1 of the royal decree of 19 December 2017, namely:

(a) the Belgian and foreign legal entities that have a license or are regulated in order to be active on the financial markets including:

(i) the credit institutions;

(ii) the investment firms;

(iii) the other financial institutions that have a license or are regulated;

(iv) the insurance companies;

(v) the collective investment undertakings and their management companies;

(vi) the pension funds and their management companies;

(vii) the traders in commodities futures and derivated instruments (*grondstoffen termijnhandelaren / intermediaries en matières premières et instruments dérivés sur celles-ci) ;*

(viii) the local companies ;

(ix) the other institutional investors ;

(b) the other companies than those contemplated in item a above, that satisfy at least two of the following three criteria, on individual basis:

(i) total balance sheet of EUR 20 million;

(ii) net annual turnover of EUR 40 million; and

(iii) equity of EUR 2 million.

(c) national governments, Belgian state, Communities and Regions, national, regional and foreign authorities; public undertakings in charge of the public debt, central banks, international and supranational institutions as the World Bank, the IMF, the European Central Bank, the European Investment Bank, and other similar international institutions;

(d) other institutional investors whom the main activity is the investment in financial instruments, in particular entities in relation to assets securitisation and other financing operations.

The Royal Decree of 26 September 2006 (as amended from time to time) has further modified the definition of "Professional Investors" for the purposes of Article 5, §3/1 of the UCITS Act as follows:

(a) private individuals are not considered as Professional Investors;

(b) professional investors that have elected to be treated as non-professional investors, are for the purposes of Article 5, §3/1 of the UCITS Act considered as Professional Investors.

Tax Eligible Investors include *inter alia*:

(a) Belgian resident companies subject to corporate income tax;

(b) investment funds, recognised in the framework of pension savings, referred to in article 115 of the royal decree implementing the Belgian Income Tax Code 1992 ("**RD/BITC92**");

(c) state regulated institutions ("organismes para-étatiques"/"parastatalen") for social security, or institutions which are assimilated therewith, referred to in article 105, 2º of the RD/BITC92;

(d) corporate investors who are non-residents of Belgium, whether they have a permanent establishment in Belgium or

not;

(e) individual investors who are non-residents of Belgium and who have not allocated the Notes to a professional activity in Belgium.

Tax Eligible Investors do not include, *inter alia,* Belgian resident investors who are individuals or Belgian non-profit organisations, other than those referred to under (b) and (c) above.

The above categories only summarise the detailed definitions contained in Article 4 of the Royal Decree of 26 May 1994, as amended, to which investors should refer to for a precise description of the relevant eligibility rules.

Excluded holders

Notes may not be acquired by a Belgian or a foreign transferee who is not subject to income tax or who is, as far as interest income is concerned, subject to a tax regime that is deemed by the Belgian tax authorities to be significantly more advantageous than the Belgian tax regime applicable to interest income (within the meaning of Articles 54 and 198, §1, 11° of the BITC 1992).

Furthermore, no Notes may be acquired by a Belgian or foreign transferee that qualifies as an "affiliated company" (within the meaning of Article 11 of the Belgian Company Code) of the Issuer, save where such transferee also qualifies as a "financial institution" referred to in Article 56, §2, 2° of the Belgian Income Tax Code 1992.

Finally, Notes may also not be acquired by a foreign transferee being a resident of, or having an establishment in, or acting, for the purposes of the Notes, through a bank account held in a tax haven jurisdiction as referred to in Article 307, §1/2 of the Belgian Income Tax Code 1992 or any successor provision.

Issue Price:

The issue price of the Notes will be 100 per cent.

Form:

The Notes will be issued in the form of dematerialised notes under the Company Code and will be represented exclusively by book entries in the records of the Securities Settlement System and will not be physically delivered. The Notes will be delivered in the form of an inscription on a securities account.

Denomination:

The Notes will be issued in denominations of EUR 250,000 each.

Status and Ranking:

The Notes rank *pari passu* without any preference or priority among Notes. See further *Credit Structure*.

Interest:

Interest on the Notes is payable by reference to successive monthly interest periods (each a "**Floating Rate Interest Period**") and will be payable monthly in arrear in euro. Each Note shall bear interest on its Principal Amount Outstanding on the 15th day of each month (or, if such day is not a Business Day, the next succeeding Business Day) in each year (each such day being a "**Monthly Payment Date**"). Each successive Floating Rate Interest Period will commence on (and

include) a Monthly Payment Date and end on (but exclude) the next succeeding Monthly Payment Date, except for the first Floating Rate Interest Period which will commence on (and include) the Closing Date and end on (but exclude) the Monthly Payment Date falling in March 2019. The interest will be calculated on the basis of the actual days elapsed in a Floating Rate Interest Period divided by a year of 360 days.

A "**Business Day**" means (i) a day other than a Saturday or Sunday on which the NBB-SSS is operating and (ii) a day on which banks are open for business in Brussels, provided that such day is also a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer payment system ("**TARGET2**"**)** or any successor thereto is operating credit or transfer instructions in respect of payments in euro.

Interest on the Notes for each Floating Rate Interest Period from the Closing Date will accrue at a rate equal to the sum of the Euro Interbank Offered Rate ("**EURIBOR**") for one (1) month deposits in euro (determined in accordance with Condition 4.4) plus a margin which up to (but excluding) the first Optional Redemption Date, will be equal to 0.65 per cent. per annum. The interest rate applicable to the Notes will never be less than zero.

Interest Reset: If on the first Optional Redemption Date the Notes have not been redeemed in full, the margin applicable to the Notes will be reset to 0.65 per cent. per annum.

Average Life: The estimated weighted average life of the Notes from the Closing Date up to (but excluding) the first Optional Redemption Date will be 3.53 years.

The weighted average life of the Notes given above should be viewed with caution. See *Risk factors*.

Final Maturity Date: Unless previously redeemed as provided below, the Issuer will redeem the Notes at their respective Principal Amount Outstanding on the Monthly Payment Date falling in February 2050 (the "**Final Maturity Date**").

Optional Redemption of the Notes: On the Monthly Payment Date falling in February 2024 and on each Monthly Payment Date thereafter (each an "**Optional Redemption Date**"), the Issuer will have the option to redeem all (but not some only) of the Notes at their respective Principal Amount Outstanding together with interest accrued but unpaid.

Mandatory Redemption of the Notes: On the first Monthly Payment Date falling in March 2019 and on each Monthly Payment Date thereafter, the Issuer will be obliged to apply the Notes Redemption Available Amount to (partially) redeem the Notes at their respective Principal Amount Outstanding together with interest accrued but unpaid on a *pro rata* basis and *pari passu.*

On the Monthly Payment Date on which the Notes will be redeemed in full, the Notes Redemption Available Amount will be available for

repayment of the Subordinated Loan.

Redemption for tax reasons:

The Notes may be redeemed at the option of the Issuer (which shall be under no obligation to do so) in whole, but not in part, on any Monthly Payment Date, at their Principal Amount Outstanding, together with interest accrued but unpaid up to and including the date of redemption, if any of the following circumstances arise (and provided that the Issuer has sufficient funds available to discharge all amounts of principal and interest due in respect of the Notes):

(a) if on the next Monthly Payment Date the Issuer, the Securities Settlement System Operator, the Domiciliary Agent or any other person would be required to deduct or withhold for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed by the Kingdom of Belgium (or any sub-division or authority thereof or therein) from any payment of principal or interest in respect of Notes held by or on behalf of any Noteholder who would, but for any amendment to, or change in, the tax laws or regulations of the Kingdom of Belgium (or of any sub-division or authority thereof or therein having power to tax) or in the interpretation by a revenue authority or a court of, or in the administration of, such laws or regulations after the Closing Date, have been a Tax Eligible Investor; or

(b) if on the next Monthly Payment Date, the Issuer, the Swap Counterparty or any other person would be required to deduct or withhold for or on account of any present or future taxes, duties assessments or governmental charges of whatever nature imposed by the Kingdom of Belgium (or any sub-division or authority thereof or therein), or any other sovereign authority having the power to tax, from any payment under the Swap Agreement; or

(c) if the total amount payable in respect of interest on any of the Mortgage Receivables ceases to be receivable by the Issuer due to withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature in respect of such payments; or

(d) if, after the Closing Date, the IIR Tax Regulations are changed or applied in a way materially adverse to the Issuer or would no longer apply to the Issuer.

Clean-Up Call Option:

On each Monthly Payment Date, the Seller or any third party appointed by the Seller has the option (but not the obligation) to repurchase and accept re-assignment of all (but not only part of) the Mortgage Receivables if (i) on the Monthly Calculation Date immediately preceding such Monthly Payment Date the aggregate Principal Amount Outstanding of the Notes is less than 10 per cent. of the aggregate Principal Amount Outstanding of the Notes on the Closing Date and (ii) the Issuer has sufficient funds to pay all amounts due in respect of the Notes upon the exercise of such option by the Seller (the "**Clean-Up Call Option**").

	The Issuer has undertaken in the Mortgage Receivables Purchase Agreement to sell and assign the Mortgage Receivables to the Seller or any third party appointed by the Seller in its sole discretion in case of the exercise of the Clean-Up Call Option to the extent it still holds the Mortgage Receivables upon exercise by the Seller of the Clean-Up Call Option. The purchase price will be calculated as described in the *Mortgage Receivables Purchase Agreement*. The proceeds of such sale shall be applied by the Issuer towards redemption of the Notes in accordance with Condition 4.5.
Optional Redemption in case of Change of Law	On each Monthly Payment Date, the Issuer may (but is not obliged to) redeem all of the Notes subject to and in accordance with the Conditions if there is a change in, or any amendment to the laws, regulations, decrees or guidelines of the Kingdom of Belgium, (including in respect of any EU legislation, regulations or guidelines implemented or applicable in the Kingdom of Belgium) or of any authority therein or thereof having legislative or regulatory powers or in the interpretation by a relevant authority or a court of, or in the administration of, such laws, regulations, decrees or guidelines after the Closing Date which would or could affect the Issuer or the Noteholders, as certified by the Security Agent and provided that the Issuer has sufficient funds available to discharge all amounts of principal and interest due in respect of the Notes (an "**Optional Redemption in case of Change of Law**"). See the detailed provisions contained in Condition 4.5.
Optional Redemption in case of a Ratings Downgrade Event	On each Monthly Payment Date, the Issuer may (but is not obliged to) redeem all of the Notes subject to and in accordance with the Conditions upon the occurrence of a Ratings Downgrade Event, provided that the Issuer has sufficient funds available to discharge all amounts of principal and interest due in respect of the Notes (an "**Optional Redemption in case of a Ratings Downgrade Event**"). See the detailed provisions contained in Condition 4.5.
Regulatory Call Option:	On each Monthly Payment Date, the Seller or any third party appointed by the Seller has the option (but not the obligation) to repurchase all (but not only part of) the Mortgage Receivables upon the occurrence of a Regulatory Change (the "**Regulatory Call Option**") provided that the Issuer has sufficient funds to pay all amounts due in respect of the Notes upon the exercise of such option by the Seller. The Issuer has undertaken in the Mortgage Receivables Purchase Agreement to sell and assign the Mortgage Receivables to the Seller, or any third party appointed by the Seller in its sole discretion, in case the Seller exercises the Regulatory Call Option to the extent it still holds the Mortgage Receivables upon exercise by the Seller of the Regulatory Call Option. The purchase price will be calculated as described in the *Mortgage Receivables Purchase Agreement*. If the Seller exercises its Regulatory Call Option, then the Issuer will redeem the Notes by applying the proceeds of the sale of the Mortgage

	Receivables towards redemption of the Notes subject to and in accordance with Condition 4.5. See *Mortgage Receivables Purchase Agreement*.
Withholding Tax:	All payments in respect of the Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature, unless the Issuer, the Securities Settlement System Operator, the Domiciliary Agent or any other person is required by applicable law to make any payment in respect of the Notes subject to any withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature. In that event, the Issuer, the Securities Settlement System Operator, the Domiciliary Agent or such other person (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. Neither the Issuer, the Securities Settlement System Operator, the Domiciliary Agent nor any other person will be obliged to gross up the payments in respect of the Notes or to make any additional payments to any Noteholders in respect of any such withholding or deduction. In particular, but without limitation, no additional amounts shall be payable in respect of any Note, where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to the European Union Directive 2003/48/EC on the taxation of savings that was adopted on 3 June 2003 or any law implementing or complying with, or introduced in order to conform to, such Directive, or pursuant to FATCA.
Method of Payment:	Payments of principal and interest will be made in euro to the Securities Settlement System Operator, for the credit of the respective accounts of the Noteholders. See further *Terms and Conditions of the Notes – Dematerialised Notes*.
Use of proceeds:	The Issuer will use the net proceeds from the issue of the Notes and part of the proceeds of the Subordinated Loan to pay to the Seller the Initial Purchase Price for the Mortgage Receivables, pursuant to the provisions of an agreement dated on or about 8 February 2019 (the "**Mortgage Receivables Purchase Agreement**") and made between the Seller, the Issuer and the Security Agent. See further *Mortgage Receivables Purchase Agreement*. Part of the proceeds of the Subordinated Loan will be used on the Closing Date to credit the Reserve Account up to an amount of EUR 35,000,000. See further *Use of Proceeds*.
Admission to Trading:	Application has been made for the Notes to be admitted to trading on Euronext Brussels.
Ratings:	It is a condition precedent to issuance that the Notes, on issue, be assigned at least Aaa(sf) by Moody's and AAA(sf) by Fitch.

Governing Law:	The Notes will be governed by and construed in accordance with the laws of the Kingdom of Belgium.
Mortgage Receivables:	Under the Mortgage Receivables Purchase Agreement, the Issuer will purchase any and all rights of the Seller against certain borrowers (the "**Borrowers**") under or in connection with certain selected Mortgage Loans (the "**Mortgage Receivables**"). On the Closing Date, the Issuer will accept the transfer by way of assignment of legal title to the Mortgage Receivables. The Issuer will be entitled to the proceeds of the Mortgage Receivables from the Cut-Off Date.
Repurchase of Mortgage Receivables:	Under the Mortgage Receivables Purchase Agreement the Seller has undertaken to repurchase and accept re-assignment of a Mortgage Receivable: (a) in case any of the representations and warranties given by the Seller in respect of such Mortgage Receivable or its related Mortgage Loan are untrue or incorrect; (b) if a Borrower requests a Non-Permitted Variation to a Mortgage Receivable and if the Seller requests that such Non-Permitted Variation be accepted, except if the Issuer and the Security Agent confirm that the Seller does not need to repurchase the relevant Mortgage Receivable; (c) if, upon conversion of a Mortgage Mandate in accordance with the Credit Policies, such Mortgage Mandate is not converted in accordance with the terms and conditions of the Mortgage Receivables Purchase Agreement.
Mortgage Loans:	The Mortgage Receivables to be sold by the Seller pursuant to the Mortgage Receivables Purchase Agreement will result from loans secured by (i) a first ranking Mortgage, or (ii) a lower ranking Mortgage provided that the benefit of all higher ranking Mortgages on the same Real Estate has been transferred to the Issuer pursuant to the Mortgage Receivables Purchase Agreement and, as the case may be, (iii) a mandate to create Mortgages over Real Estate (the "**Mortgaged Assets**") and entered into by the Seller or its legal predecessors and the relevant Borrowers which meet the criteria set forth in the Mortgage Receivables Purchase Agreement and which will be selected prior to or on the Closing Date (the "**Mortgage Loans**"). The Mortgage Loans are granted under the form of a loan facility (*kredietopening / ouverture de crédit*). Under part of the Mortgage Loans the Borrower can re-borrow amounts that have been repaid under the loan facility subject to approval of KBC Bank NV and conclusion of a new loan. Under the remaining part of the Mortgage Loans, the Borrowers cannot re-borrow repaid amounts. The Mortgage Loans (or any loan parts comprising a Mortgage Loan) may consist of any of the following types of redemption: (a) Linear Mortgage Loans; and

(b) Annuity Mortgage Loans.

Linear Mortgage Loans: A portion of the Mortgage Loans (or parts thereof) are in the form of linear mortgage loans (hereinafter "**Linear Mortgage Loans**"). Under a Linear Mortgage Loan, the Borrower pays a decreasing monthly payment, made up of an initially high and subsequently decreasing interest portion and a fixed principal portion, and calculated in such a manner that the Linear Mortgage Loan will be fully redeemed at the maturity of such Linear Mortgage Loan.

Annuity Mortgage Loans: A portion of the Mortgage Loans (or parts thereof) are in the form of annuity mortgage loans (hereinafter "**Annuity Mortgage Loans**"). Under an Annuity Mortgage Loan, the Borrower pays a constant total monthly payment, made up of an initially high and subsequently decreasing interest portion and an initially low and subsequently increasing principal portion, and calculated in such a manner that the Annuity Mortgage Loan will be fully redeemed at the maturity of such Annuity Mortgage Loan.

Sale of Mortgage Receivables on each Optional Redemption Date: The Issuer will have the right to sell and assign all but not some of the Mortgage Receivables on each Optional Redemption Date to a third party, which may also be the Seller, at arm's length conditions provided that the Issuer shall apply the proceeds of such sale to redeem the Notes.

Other Sales of Mortgage Receivables: In addition, pursuant to the Mortgage Receivables Purchase Agreement, the Seller has the obligation or the right to repurchase certain Mortgage Receivables in certain events and the right to exercise the Clean-Up Call Option and the Regulatory Call Option.

The purchase price of each Mortgage Receivable in the event of such a repurchase or reassignment, other than (i) pursuant to a breach of a representation and warranty in relation to such Mortgage Receivable or its related Mortgage Loan, or (ii) upon a Non-Permitted Variation, shall be equal to the then Outstanding Principal Amount, together with accrued interest due but unpaid, if any, up to the relevant date of such repurchase or reassignment and reasonable costs relating thereto (including any costs incurred by the Issuer in effecting and completing such repurchase and re-assignment), except that with respect to Defaulted Receivables, the purchase price shall be the lesser of (a) the sum of the Outstanding Principal Amount, together with accrued interest due but unpaid, if any, and any other amount due under the Mortgage Receivables up to the relevant date of such repurchase or reassignment; and (b) an amount equal to (A) the value of the Mortgaged Assets as provided in an expert valuation report of less than six (6) months old, or (B) if no such expert valuation report is available, the most recent market value of the Mortgaged Assets as reflected in the relevant Contract Records, indexed in accordance with the price index published on www.statbel.fgov.be[7], or if not available, any other index representative of the residential real estate market in

[7] This document is not incorporated by reference in this Prospectus.

	Belgium. (the "**Optional Repurchase Price**"). The purchase price of each Mortgage Receivable in the event of a sale or repurchase (i) pursuant to a breach of a representation and warranty in relation to such Mortgage Receivable or its related Mortgage Loan or (ii) upon a Non-Permitted Variation, shall be equal to the then Outstanding Principal Amount of such Mortgage Receivable plus accrued interest thereon and costs (including any costs incurred by the Issuer for effecting and completing such repurchase and reassignment) up to (but excluding) the date of completion of the repurchase (the "**Repurchase Price**").
Security for the Notes	
Security for the Notes:	The Notes will be secured by a first ranking pledge in favour of the Secured Parties, including the Security Agent on behalf of the Noteholders and the other Secured Parties by the Issuer over (i) the Mortgage Receivables, including the Related Security, (ii) the Issuer's claims under or in connection with the Transaction Documents, and (iii) the balances standing to the credit of the Transaction Accounts. The amounts payable to the Noteholders and the other Secured Parties will be limited to the amounts available for such purpose to the Security Agent which, *inter alia*, will consist of amounts recovered by the Security Agent on the Mortgage Receivables, including the Related Security. Following delivery of an Enforcement Notice, payments to the Secured Parties will be made in accordance with the Priority of Payments upon Enforcement. See further *Risk Factors* and for a more detailed description see *Description of Security*.
Cash flow structure	
Issuer Collection Account:	The Issuer shall maintain with the Account Bank an account (the "**Issuer Collection Account**") to which, *inter alia*, the Seller or the Servicer on its behalf will on each day or, in case such day is not a Business Day, the next succeeding Business Day (each a "**Collection Date**") transfer all amounts received by the Seller in connection with the Mortgage Receivables.
Risk Mitigation Deposit:	In case the Counterparty Risk Assessment of the Seller falls below Baa3(cr) by Moody's (such event being a "**Risk Mitigation Deposit Trigger Event**"), then the Seller shall as soon as reasonably possible following the occurrence of such Risk Mitigation Deposit Trigger Event, credit to a bank account (the "**Deposit Accoun**t") to be held in the name of the Issuer with a third party account bank having the Required Minimum Ratings, the Risk Mitigation Deposit Amount. The funds credited to the Deposit Account may only be applied by the Issuer for the purpose of indemnifying the Issuer against any losses resulting Commingling Risk.
Reserve Account:	The Issuer will pay on the Closing Date EUR 35,000,000 from the

	proceeds of the Subordinated Loan into an account (the "**Reserve Account**" together with the Issuer Collection Account, the "**Transaction Accounts**") held with the Account Bank. The purpose of the Reserve Account will be to enable the Issuer to meet the Issuer's payment obligations under items (i) up to and including (v) in the Interest Priority of Payments in the event that the Notes Interest Available Amount is not sufficient to meet such payment obligations on a Monthly Payment Date. The "**Reserve Account Required Amount**" shall on any Monthly Calculation Date be equal to (i) EUR 35,000,000 or (ii) zero, on the Optional Redemption Date whereon the Notes have been or are to be redeemed in full, subject to the Conditions.
Account Bank Agreement:	The Issuer and the Account Bank will enter into an account bank agreement (the "**Account Bank Agreement**") on the Closing Date, whereunder KBC Bank NV as the Account Bank will agree to pay a guaranteed rate of interest (the "**Account Interest Rate**") determined by reference to Eonia minus 0.125 per cent (with a floor at zero) on the balance standing from time to time to the credit of the Transaction Accounts.
Subordinated Loan Agreement:	On or before the Closing Date, the Issuer will enter into a subordinated loan agreement (the "**Subordinated Loan Agreement**") with the Subordinated Loan Provider for an aggregate amount of EUR 280,000,000. The proceeds of the Subordinated Loan will be used to (i) pay part of the Initial Purchase Price for the Mortgage Receivables, and (ii) fund the Reserve Account up to the Reserve Account Required Amount.
Expenses Subordinated Loan Agreement:	On or before the Closing Date, the Issuer will enter into an expenses subordinated loan agreement (the "**Expenses Subordinated Loan Agreement**") with the Subordinated Loan Provider for an aggregate amount of EUR 1,000,000. The proceeds of the Expenses Subordinated Loan will be used to pay certain start-up costs and expenses incurred by the Issuer in connection with the issue of the Notes.
Swap Agreement:	On or before the Closing Date, the Issuer will enter into a 2002 ISDA Master Agreement (including a schedule, credit support annex and a confirmation documenting the transaction entered into thereunder) governed by English law with the Swap Counterparty and the Security Agent (the "**Swap Agreement**") to hedge the risk between (a) the interest received by the Issuer on the Mortgage Receivables (including Prepayment Penalties) and the interest received by the Issuer on the Transaction Accounts and (b) the floating rates of interest payable by the Issuer on the Notes. See further *Credit Structure* under *Interest Rate Hedging*.
OTHER:	
Issuer Services Agreement:	Under a mortgage payment transaction and an issuer services

agreement to be entered into on or before the Closing Date (the "**Issuer Services Agreement**") between the Issuer, the Servicer, the Corporate Services Provider, the Administrator and the Security Agent, (i) the Servicer will agree to provide mortgage payment transactions and the other services as agreed in the Issuer Services Agreement in relation to the Mortgage Receivables on a day-to-day basis, including, without limitation, (a) the collection of payments of principal, interest and all other amounts in respect of the Mortgage Receivables, and (b) the implementation of arrears procedures including, if applicable, the enforcement of mortgages (see further the section *Mortgage Loan Underwriting and Mortgage Services* below), (ii) the Administrator will agree to provide certain administration, calculation and cash management services for the Issuer on a day-to-day basis, including without limitation, operation of the Transaction Accounts and all calculations to be made in respect of the Notes pursuant to the Conditions and (iii) the Corporate Services Provider will agree to provide certain corporate and reporting services for the Issuer on a day-to-day basis.

Issuer Management Agreements: The Issuer and the Security Agent have entered into management agreements (together the "**Issuer Management Agreements**") with each relevant Issuer Director, whereunder the relevant Issuer Director will undertake to act as managing director of the Issuer and to perform certain services in connection therewith.

Shareholder Management Agreements: The Stichting Shareholder, the Shareholder and the Security Agent have entered into shareholder management agreements (together, the "**Shareholder Management Agreements**", and together with the Issuer Management Agreements, the "**Management Agreements**") with the Shareholder Director, whereunder, *inter alia*, the Shareholder Director will undertake to act as director of the Shareholder and to perform certain services in connection herewith.

DOCUMENTS INCORPORATED BY REFERENCE

The incorporation deed and the articles of association (*statuten/statuts*) of the Issuer (the "**Articles of Association**") which have previously been published shall be incorporated in, and form part of, this Prospectus.

Following the publication of this Prospectus a supplement may be prepared by the Issuer and approved by the FSMA in accordance with Article 32 of the Prospectus Law. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Prospectus or in a document which is incorporated by reference in this Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

Copies of documents incorporated by reference in this Prospectus can be obtained from the registered office of the Issuer and from the specified office of the Domiciliary Agent and will be available at https://www.kbc.com/en/no-crawl/home-loan-invest-disclaimer.

CREDIT STRUCTURE

The structure of the credit arrangements for the proposed issue of the Notes may be summarised as follows:

1. Mortgage Loan Interest Rates

The interest rate of each Mortgage Loan is either a variable rate of interest or a fixed rate of interest. On the Cut-off Date the weighted average interest rate of the Mortgage Loans is expected to be approximately 2.06 per cent. Interest rates vary between individual Mortgage Loans. The range of interest rates is described further in *Description of the Mortgage Loans*.

The actual amount of revenue received by the Issuer under the Mortgage Receivables Purchase Agreement will vary during the life of the Notes as a result of the level of delinquencies, defaults, substitutions, interests, repayments and prepayments in respect of the Mortgage Receivables. Similarly, the actual amounts payable under the Interest Priority of Payments will vary during the life of the transaction as a result of fluctuations in EURIBOR and possible variations in certain other costs and expenses of the Issuer. The eventual effect of such variations could lead to drawings under the Reserve Account and non-payment of certain items under the Interest Priority of Payments.

2. Cash Collection Arrangement

Payments by the Borrowers of interest and scheduled principal under the Mortgage Receivables are due on a monthly basis, interest being payable in arrear. Until the assignment of the Mortgage Receivables has been notified to the Borrowers, all payments made by Borrowers will be paid to the Seller.

On each Business Day the Seller or the Servicer on its behalf shall transfer all amounts of principal, interest, Prepayment Penalties and interest penalties received by the Seller in connection with the Mortgage Receivables to the Issuer Collection Account.

Upon the occurrence of certain Notification Events, the Borrowers will be notified of the assignment of the Mortgage Receivables to the Issuer in accordance with Clause 16 of the Mortgage Receivables Purchase Agreement and will be required to make all payments directly to the Issuer Collection Account, unless in the occurrence of certain Notification Events where an appropriate remedy to the satisfaction of the Issuer and the Security Agent is found and implemented within a period of thirty (30) calendar days and to the extent this event would not have a material adverse effect on the interest of the Noteholders.

3. Transaction Accounts

3.1 Issuer Collection Account

The Issuer will maintain with the Account Bank the Issuer Collection Account to which all amounts received (i) in respect of the Mortgage Receivables and (ii) from the other parties to the Transaction Documents will be paid.

The Administrator will identify all amounts paid into the Issuer Collection Account by crediting such amounts to ledgers established for such purpose. Payments received in respect of the Mortgage Receivables will be identified as principal or revenue receipts and credited to a principal ledger (the "**Principal Ledger**") or a revenue ledger (the "**Revenue Ledger"**), as the case may be. In particular, the amounts forming part of the Notes Interest Available Amount will be credited to the Revenue Ledger. The amounts forming part of the Notes Redemption Available Amount will be credited to the Principal Ledger.

If at any time (i) the short-term IDR of the Account Bank is assigned a rating of less than the Fitch Required Minimum Short Term Rating or any of such rating is withdrawn and the deposit rating (if available) or the long-term IDR of the Account Bank is assigned a rating of less than the Fitch Required Minimum Long Term Rating or such rating is withdrawn, or (ii) the long-term unsecured unsubordinated and unguaranteed debt obligations of the Account Bank are assigned a rating of less than the Moody's Required Minimum Ratings or such rating is withdrawn, the Issuer will be required within sixty (60) calendar days to transfer the balance of the relevant Transaction Accounts to an alternative bank with the Required Minimum Rating or to find a third party, acceptable to the Rating Agencies, to guarantee the obligations of the Account Bank.

If the Transaction Accounts were transferred to an alternative Account Bank in accordance with paragraph (a) above, the Issuer may opt to re-transfer the Transaction Accounts to the original Account Bank provided that the obligations of the original Account Bank are guaranteed by a third party with the Required Minimum Ratings as from the time of such re-transfer.

If a third party has granted a guarantee for the obligations of the original Account Bank in accordance with paragraph (b) above, the Issuer may opt to terminate such guarantee provided that the Transaction Accounts are transferred to an alternative Account Bank with the Required Minimum Ratings by the time of such termination.

If at the time when a transfer of the relevant Transaction Accounts would otherwise have to be made under the Account Bank Agreement, there is no other bank which has the Required Minimum Ratings and which is willing, acting reasonably, to act as account bank under the Transaction Documents and if the Security Agent so agrees, the Transaction Accounts will not need to be transferred until such time as there is a bank which has the Required Minimum Ratings and which is willing, acting reasonably, to act as account bank under the Transaction Documents, whereupon such transfer will be made to the bank meeting such criteria within one (1) month of identification of such bank.

The Issuer may, upon proposal of the Corporate Service Provider, appoint an investment manager proposed by the Corporate Service Provider, which will have the option to invest any balance standing to the credit of the Transaction Accounts in:

(a) euro denominated securities with a maturity not beyond the next succeeding Monthly Payment Date, in each case provided that such securities have been assigned:

  (i) a rating of at least Prime-1 or A2 by Moody's where the Notes are rated Aaa(sf) by Moody's (or, where the Notes would have a lower rating by Moody's, such corresponding lower rating applicable to eligible investments in structured finance transactions as set forth by the relevant Moody's rating criteria at the time the investment is made); and

  (ii) a rating of:

    (A) where the Notes are rated AAA(sf), for securities with a maturity up to 30 days, at least F1 or, only if a long-term rating is available, A by Fitch; or

    (B) where the Notes are rated AA(sf), for securities with a maturity up to 30 days, at least F2 or, only if a long-term rating is available, A- by Fitch; or

    (C) for securities with a maturity exceeding 30 days, up to 365 days, at least F1+ or, only if a long-term rating is available, AA- by Fitch; or

(b) guaranteed investment contracts or similar accounts with a maturity not beyond the next succeeding Monthly Payment Date, provided that:

(i) such investment contracts or accounts are held with a counterparty (A) which has, where the Notes are rated AAA(sf), a short-term IDR of at least F1 or a long-term IDR of at least A, or, where the Notes are rated AA(sf), a short-term IDR of at least F2 or a long-term IDR of at least A-, and (B) whose long-term unsecured unsubordinated and unguaranteed debt obligations are assigned a rating at least equal to the Moody's Required Minimum Ratings, alternative bank with the Required Minimum Rating, and will provide for replacement clauses or similar mitigating clauses in case the counterparty no longer satisfies the rating requirements under (A) or (B); and

(ii) the notional amount of such investment or account is unconditionally guaranteed.

each of (a) and (b) being referred to as the **Permitted Investments** .

Payments may be made from the Issuer Collection Account other than on a Monthly Payment Date only (i) to satisfy amounts due to third parties (other than pursuant to the Transaction Documents) and payable in connection with the Issuer's business and (ii) as provided for in the relevant Transaction Documents.

3.2 Reserve Account

The Issuer will also maintain with the Account Bank the Reserve Account. On the Closing Date, part of the proceeds of the Subordinated Loan will be credited to the Reserve Account up to an amount of EUR 35,000,000.

Amounts credited to the Reserve Account will be available on any Monthly Payment Date to meet items (i) to (v) (inclusive) of the Interest Priority of Payments. Any drawing under the Reserve Account by the Issuer shall only be made on a Monthly Payment Date if and to the extent there is a shortfall in the Notes Interest Available Amount to meet items (i) to (v) (inclusive) in the Interest Priority of Payments in full on that Monthly Payment Date, before drawing on the Reserve Account.

The Reserve Account Required Amount shall on any Monthly Calculation Date be equal to (i) EUR 35,000,000, or (ii) zero, on the Optional Redemption Date whereon the Notes have been or are to be redeemed in full, subject to the Conditions.

To the extent that the balance standing to the credit of the Reserve Account on any Monthly Calculation Date exceeds the Reserve Account Required Amount, such excess shall be drawn from the Reserve Account on the immediately succeeding Monthly Payment Date and shall form part of the Notes Interest Available Amount on that Monthly Payment Date.

After all amounts of interest and principal due in respect of the Notes have been paid and all payments or provisions of the Interest Priority of Payments ranking higher in priority have been made, any amount standing to the credit of the Reserve Account will be applied to repay or partially repay, as the case may be, the Subordinated Loan.

3.3 Deposit Account

The Issuer may be required to establish a Deposit Account in accordance with the terms of the Mortgage Receivables Purchase Agreement for the deposit of the Risk Mitigation Deposit Required Amount (see further *Mortgage Receivables Purchase Agreement – 8. Risk Mitigation Deposit*).

4. Priority of Payments in respect of interest

Prior to the delivery of an Enforcement Notice by the Security Agent or the occurrence of a Redemption Event, the sum of the following amounts referred to under items (a) up to and including (k), calculated as at each Monthly Calculation Date (being the fourth Business Day prior to each Monthly Payment Date) and which have been received or deposited during the Monthly Calculation Period immediately preceding such Monthly Calculation Date or, with respect to the amounts referred to under item (f), on the immediately succeeding Monthly Payment Date, (the sum of items (a) up to and including (k) being hereafter referred to as the **"Notes Interest Available Amount"**):

(a) as interest, including penalty interest, on the Mortgage Receivables;

(b) as interest accrued on the Transaction Accounts;

(c) as Prepayment Penalties under the Mortgage Loans;

(d) as Net Proceeds on any Mortgage Receivables;

(e) as amounts to be drawn from the Reserve Account on the immediately succeeding Monthly Payment Date (excluding, for the avoidance of doubt, any amount remaining in the Reserve Account after all amounts of interest and principal due in respect of the Notes have been paid in full and all payments or provisions of the Interest Priority of Payments ranking higher in priority have been made);

(f) as amounts to be received from the Swap Counterparty under the Swap Agreement on the immediately succeeding Monthly Payment Date, if any, excluding, for the avoidance of doubt, any collateral transferred pursuant to the Swap Agreement;

(g) as amounts received in connection with a repurchase of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement or any other amounts received pursuant to the Mortgage Receivables Purchase Agreement, to the extent such amounts do not relate to principal;

(h) as amounts received in connection with a sale of Mortgage Receivables pursuant to the Pledge Agreement to the extent such amounts do not relate to principal;

(i) as amounts received as post-foreclosure proceeds on the Mortgage Receivables;

(j) any (remaining) amounts standing to the credit of the Issuer Collection Account to the extent they do not relate to principal; and

(k) any amounts (provided that these are used solely as indemnity for losses of scheduled interest on the Mortgage Receivables as a result of Commingling Risk) to be used as Notes Interest Available Amount from the funds credited to the Deposit Account in accordance with the provisions of Mortgage Receivables Purchase Agreement and as described under under paragraph *Risk Mitigation Deposit* in the section *Mortgage Receivables Purchase Agreement* below, which are transferred from the Deposit Account to the Issuer Collection Account,

will pursuant to the terms of the Pledge Agreement be applied by the Issuer on the immediately succeeding Monthly Payment Date as follows (in each case only if and to the extent that payments of a higher order of priority have been made in full), (the "**Interest Priority of Payments**"):

(i) *first*, in or towards satisfaction, *pro rata*, according to the respective amounts thereof, of any amounts, if any, due and payable to the Issuer Directors in connection with the Issuer Management Agreements;

(ii) *second*, in or towards satisfaction of fees and expenses due and payable to the Administrator under the Issuer Services Agreement;

(iii) *third,* in or towards satisfaction of any fees due and payable to the Security Agent under the Pledge Agreement and of any costs, charges, liabilities and expenses incurred by the Security Agent under or in connection with any of the Transaction Documents, including, but not limited to, fees and expenses of any legal advisor, auditor and/or accountant appointed by the Security Agent;

(iv) *fourth*, in or towards satisfaction, *pro rata*, according to the respective amounts thereof, (i) of any amounts due and payable to third parties under obligations incurred in connection with the Issuer's business (other than under the Transaction Documents), including, without limitation, in or towards satisfaction of sums due or provisions for any payment of the Issuer's liability, if any, to tax and sums due to any Rating Agency and fees and expenses of any legal advisor, auditor and/or accountant appointed by the Issuer, (ii) fees and expenses due to the Domiciliary Agent, the Listing Agent and the Reference Agent under the Agency Agreement, (iii) fees and expenses due to the Servicer under the Issuer Services Agreement and (iv) fees and expenses due and payable to the Corporate Services Provider under the Issuer Services Agreement;

(v) *fifth*, in or towards satisfaction, *pro rata*, according to the respective amounts thereof, of (i) all amounts of interest due or interest accrued but unpaid in respect of the Notes and (ii) amounts, if any, due but unpaid under the Swap Agreement, (except for any termination payment due or payable as a result of the occurrence of an Event of Default (as defined therein) where the Swap Counterparty is the Defaulting Party or an Additional Termination Event (as defined therein) relating to the credit rating of the Swap Counterparty (as such terms are defined in the Swap Agreement) (a "**Swap Counterparty Default Payment**") payable under (xi) below but excluding, for the avoidance of doubt, the repayment to the Swap Counterparty of Excess Swap Collateral;

(vi) *sixth,* in or towards making good any shortfall reflected in the Notes Principal Deficiency Ledger until the debit balance, if any, on the Notes Principal Deficiency Ledger is reduced to zero;

(vii) *seventh*, in or towards satisfaction of any sums required to replenish the Reserve Account up to the amount of the Reserve Account Required Amount;

(viii) *eighth*, in or towards making good any shortfall reflected in the Subordinated Loan Principal Deficiency Ledger until the debit balance, if any, on the Subordinated Loan Principal Deficiency Ledger is reduced to zero;

(ix) *ninth*, in or towards satisfaction of any sums required to replenish the Deposit Account up to to the amount of the Risk Mitigation Deposit Required Amount, to the extent the Seller has not credited such sums to the Deposit Account before the relevant Monthly Calculation Date;

(x) *tenth*, in or towards satisfaction of interest due or interest accrued but unpaid on the Subordinated Loan in accordance with the terms of the Subordinated Loan Agreement;

(xi) *eleventh,* in or towards satisfaction of the Swap Counterparty Default Payment payable to the Swap Counterparty under the terms of the Swap Agreement;

(xii) *twelfth,* in or towards satisfaction of interest due or interest accrued but unpaid in respect of the Expenses Subordinated Loan in accordance with the terms of the Expenses Subordinated Loan Agreement;

(xiii) *thirteenth,* in or towards satisfaction of principal due and payable but unpaid in respect of the Expenses Subordinated Loan in accordance with the terms of the Expenses Subordinated Loan Agreement;

(xiv) *fourteenth*, in or towards transfer to the Share Capital Account on the Monthly Payment Date falling in July of amounts payable to the Issuer under the Mortgage Receivables Purchase Agreement; and

(xv) *fifteenth,* in or towards satisfaction of any payments due in connection with the Deferred Purchase Price to the Seller.

5. Priority of Payments in respect of principal

Prior to the delivery of an Enforcement Notice by the Security Agent or the occurrence of a Redemption Event, the sum of the following amounts referred to under items (a) up to and including (h), calculated as at any Monthly Calculation Date, as being received or deposited during the immediately preceding Monthly Calculation Period (the sum of items (a) up to and including (h) hereinafter referred to as the "**Notes Redemption Available Amount**"):

(a) by means of repayment and prepayment in full of principal under the Mortgage Receivables from any person, but, for the avoidance of doubt, excluding Prepayment Penalties;

(b) as amounts received in connection with a repurchase of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement and any other amounts received pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts relate to principal;

(c) as amounts received in connection with a sale of Mortgage Receivables pursuant to the Pledge Agreement to the extent such amounts relate to principal;

(d) as amounts to be credited to the Principal Deficiency Ledger under items (vi) and (viii) of the Interest Priority of Payments on the immediately succeeding Monthly Payment Date;

(e) as partial prepayment in respect of Mortgage Receivables;

(f) any amounts (provided that these are used solely as indemnity for losses of scheduled principal on the Mortgage Receivables as a result of Commingling Risk) to be used as Notes Redemption Available Amount from the funds credited to the Deposit Account in accordance with the provisions of the Mortgage Receivables Purchase Agreement and as described under *Risk Mitigation Deposit* in the section *Mortgage Receivables Purchase Agreement* below, which are transferred from the Deposit Account to the Issuer Collection Account;

(g) any part of the Notes Redemption Available Amount calculated on the immediately preceding Monthly Calculation Date which has not been applied towards redemption of the Notes on the preceding Monthly Payment Date; and

(h) any amount remaining in the Reserve Account after all amounts of interest and principal due in respect of the Notes have been paid in full and all payments or provisions of the Interest Priority of Payments ranking higher in priority have been made,

will, pursuant to the Pledge Agreement, be applied by the Issuer on the Monthly Payment Date immediately succeeding such Monthly Calculation Date as follows (and in each case only if and to the extent that payments or provisions of a higher priority have been made in full) (the **"Principal Priority of Payments"**):

(i) *first,* in or towards satisfaction of principal amounts due under the Notes until fully redeemed;

(ii) *second,* in or towards satisfaction of principal amounts due under the Subordinated Loan until fully repaid.

6. Priority of Payments upon Enforcement

Following delivery of an Enforcement Notice or on the occurrence of a Redemption Event, any amounts payable by the Security Agent or, in the case of a Redemption Event, the Issuer under the Pledge Agreement will be applied in the following order of priority (and in each case only if and to the extent payments of a higher priority have been made in full) (the "**Priority of Payments upon Enforcement**"):

(i) *first*, in or towards satisfaction, *pro rata*, according to the respective amounts thereof, of any amounts, if any, due and payable to the Issuer Directors in connection with the Issuer Management Agreements;

(ii) *second*, in or towards satisfaction of fees and expenses due and payable to the Administrator under the Issuer Services Agreement;

(iii) *third,* in or towards satisfaction of any fees due and payable to the Security Agent under the Pledge Agreement and of any cost, charge, liability and expenses incurred by the Security Agent under or in connection with any of the Transaction Documents, which will include, *inter alia*, the fees and expenses of any legal advisor, auditor and/or accountant appointed by the Security Agent;

(iv) *fourth,* in or towards satisfaction*, pro rata*, according to the respective amounts thereof, of (i) the fees and expenses of the Domiciliary Agent, the Listing Agent and the Reference Agent incurred under the provisions of the Agency Agreement, (ii) the fees and expenses of the Servicer under the Issuer Services Agreement and (iii) the fees and expenses due and payable to the Corporate Services Provider under the Issuer Services Agreement;

(v) *fifth,* in or towards satisfaction of amounts, if any, due but unpaid to the Swap Counterparty under the Swap Agreement including any amount to be paid by the Issuer upon early termination of the Swap Agreement as determined in accordance with its terms but excluding any Swap Counterparty Default Payment payable under subparagraph (x) below, excluding, for the avoidance of doubt, the repayment to the Swap Counterparty of Excess Swap Collateral;

(vi) *sixth,* in or towards satisfaction of all amounts of interest due or interest accrued but unpaid in respect of the Notes;

(vii) *seventh*, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Notes;

(viii) *eighth*, in or towards satisfaction of all amounts of interest due or interest accrued but unpaid in respect of the Subordinated Loan;

(ix) *ninth*, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Subordinated Loan;

(x) *tenth,* in or towards satisfaction of the Swap Counterparty Default Payment payable to the Swap Counterparty under the terms of the Swap Agreement;

(xi) *eleventh*, in or towards satisfaction of all amounts of interest due, interest accrued and principal due but unpaid in respect of the Expenses Subordinated Loan; and

(xii) *twelfth,* in or towards satisfaction of any payments due in connection with the Deferred Purchase Price to the Seller.

No amount of cash shall be trapped in the Transaction Accounts beyond what is necessary to ensure the operational functioning of the Issuer or the orderly repayment of Noteholders in accordance with the Priority of Payments upon Enforcement.

7. Subordinated Loan

On the Closing Date the Seller will make available to the Issuer the Subordinated Loan. The Subordinated Loan will be in an amount of EUR 280,000,000 and will up to an amount of EUR 245,000,000 be used by the Issuer to pay to the Seller part of the Initial Purchase Price for the Mortgage Receivables, pursuant to the Mortgage Receivables Purchase Agreement.

Part of the proceeds of the Subordinated Loan up to an amount of EUR 35,000,000 will be used by the Issuer to credit the Reserve Account. The remaining part of the proceeds of the Subordinated Loan will be credited to the Issuer Collection Account.

If the Notes Interest Available Amount is not sufficient to pay all the interest due under the Subordinated Loan on a Monthly Payment Date, the unpaid part of the interest due under the Subordinated Loan will be deferred to the next succeeding Monthly Payment Date.

8. Expenses Subordinated Loan

On the Closing Date the Seller will make available to the Issuer the Expenses Subordinated Loan. The Expenses Subordinated Loan will be in an amount of EUR 1,000,000 and will be used by the Issuer to pay certain initial costs and expenses in connection with the issue of the Notes.

9. Principal Deficiency Ledger

A "**Principal Deficiency Ledger**" comprising two sub-ledgers (the Notes Principal Deficiency Ledger and the Subordinated Loan Principal Deficiency Ledger) will be established by or on behalf of the Issuer in order to record a Principal Deficiency. On each Monthly Calculation Date, the Monthly Principal Deficiency will be debited to the Subordinated Loan Principal Deficiency Ledger (such debit items, together with the debit balance, if any, on the Subordinated Loan Principal Deficiency Ledger on the immediately preceding Monthly Payment Date being credited at item (viii) of the Interest Priority of Payment, to the extent that any part of the Notes Interest Available Amount is available for such purpose) so long as the debit balance on such ledger is less than EUR 280,000,000 (the "**Subordinated Loan Principal Deficiency Limit**") and thereafter such amount will be debited to the Notes Principal Deficiency Ledger (such debit items, together with the debit balance, if any, on the Notes Principal Deficiency Ledger on the immediately preceding Monthly Payment Date being credited at item (vi) of the Interest Priority of Payments, to the extent that any

part of the Notes Interest Available Amount is available for such purpose) so long as the debit balance on such ledger is less than Principal Amount Outstanding of the Notes (the "**Notes Principal Deficiency Limit**").

"**Principal Deficiency**" means, on any Monthly Calculation Date, the sum of:

(a) the Monthly Principal Deficiency calculated on such Monthly Calculation Date; and

(b) the debit balance, if any, on the Principal Deficiency Ledger on the immediately preceding Monthly Payment Date.

"**Monthly Principal Deficiency**" means, on any Monthly Calculation Date, the aggregate Outstanding Principal Amount of the Mortgage Receivables that have become Defaulted Receivables during the immediately preceding Monthly Calculation Period.

10. Interest Rate Hedging

The Eligibility Criteria require that all Mortgage Loans bear a rate of interest which is fixed for an agreed interest period which can either be equal to or shorter than the term of the Mortgage Loan. If the interest period is shorter than the term of the Mortgage Loan, the rate of interest is subject to a reset at the end of the interest period. The interest rate on the Transaction Accounts is a floating rate. The interest rate payable by the Issuer with respect to the Notes is calculated as a margin over EURIBOR (whereby the interest rate applicable to the Notes will never be lower than zero). The Issuer will hedge its interest rate exposure by entering into the Swap Agreement with the Swap Counterparty.

Under the Swap Agreement, the Issuer will agree to pay on each Monthly Payment Date:

(I) the sum of:

(a) the aggregate amount of interest actually received by the Issuer and credited to the Issuer's Collection Account in respect of the Mortgage Receivables, during the immediately preceding Monthly Calculation Period; and

(b) the interest accrued on the Transaction Accounts during the immediately preceding Monthly Calculation Period; and

(c) the amounts received by the Issuer in respect of Prepayment Penalties under the Mortgage Loans and credited to the Issuer's Collection Account during the immediately preceding Monthly Calculation Period; and

(d) the amounts received by the Issuer during the immediately preceding Monthly Calculation Period in connection with a repurchase of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement or any other amounts received pursuant to the Mortgage Receivables Purchase Agreement during the immediately preceding Monthly Calculation Period, to the extent such amounts do not relate to principal provided that any such amounts were credited to the Issuer's Collection Account; and

(e) the amounts received by the Issuer during the immediately preceding Monthly Calculation Period in connection with a sale of Mortgage Receivables pursuant to the Pledge Agreement to the extent such amounts do not relate to principal provided that any such amounts were credited to the Issuer's Collection Account; ***less***

(f) the operating expenses set out in items (i) up to and including (iv) of the Interest Priority of Payments payable during the relevant Monthly Calculation Period.

multiplied by

(II)

(a) the Principal Outstanding Amount of the Notes on the immediately preceding Monthly Payment Date; ***divided by***

(b) the sum of (i) the Principal Outstanding Amount of the Notes on immediately preceding Monthly Payment Date and (ii) an amount equal to the outstanding amount of the Subordinated Loan on the immediately preceding Monthly Payment Date minus the balance on the Subordinated Loan Principal Deficiency Ledger on the immediately preceding Monthly Payment Date.

In order to facilitate payments by the Issuer of interest amounts due on the Notes, the Swap Counterparty will agree to make a monthly payment to the Issuer on each Monthly Payment Date calculated by applying a floating rate of interest equal to that due on the Notes (meaning the Floating Rate of Interest as set out in Condition 4.4(d) and a margin of 0.65 per cent. per annum up to (but excluding) the First Optional Redemption Date falling in February 2024 or a margin of 0.65 per cent. annum after the First Optional Redemption Date falling in February 2024) to a notional amount which will be calculated on a monthly basis and will be equal to the Principal Outstanding Amount of the Notes on the immediately preceding Monthly Payment Date minus the balance of the Notes Principal Deficiency Ledgers on the immediately preceding Monthly Payment Date .

10.2 Downgrade of Swap Counterparty

Moody's rating triggers

Pursuant to the Swap Agreement, if, at any time neither the Swap Counterparty nor the guarantor of the Swap Counterparty (if any) (either such party a "**Relevant Entity**") has the Qualifying Collateral Trigger Rating and at least thirty (30) Local Business Days (as defined in the Swap Agreement) have elapsed since the last time a Relevant Entity had the Qualifying Collateral Trigger Rating, then the Swap Counterparty will post collateral to the Issuer in accordance with the terms of the Swap Agreement. Furthermore, if no Relevant Entity has the Qualifying Tranfer Trigger Rating at any time, the Swap Counterparty will, at its own cost, use commercially reasonable efforts to procure a guarantee from a guarantor with at least the Qualifying Tranfer Trigger Rating or to transfer the Swap Agreement to an entity with sufficient ratings.

For the purposes of the above:

Qualifying Collateral Trigger Rating means a counterparty risk assessment from Moody's of A3(cr) or above or a long term senior unsecured credit rating from Moody's of A3 or above; and

Qualifying Transfer Trigger Rating means a counterparty risk assessment from Moody's of Baa2(cr) or above or a long term senior unsecured credit rating from Moody's of Baa2 or above.

Fitch rating triggers

(a) Pursuant to the Swap Agreement, if, at any time, an Initial Fitch Rating Event occurs, the Swap Counterparty will at its own cost within thirty (30) calendar days (or fourteen (14) calender days in the case of option (i) or pending compliance with the action under (ii), (iii) or (iv) of such occurrence) either:

(i) post collateral to the Issuer in the Swap Collateral Account in accordance with the terms of the Swap Agreement; or

(ii) transfer all of its rights and obligations under the Swap Agreement to a replacement third party with a rating at least as high as the Fitch Required Ratings;

(iii) procure that a third party that has the Fitch Required Ratings, unconditionally guarantees the obligations of the Swap Counterparty under the Swap Agreement; or

(iv) take such other action as will result in the ratings of the Notes then outstanding being restored to or maintained at the level they were at immediately prior to occurrence of the Initial Fitch Rating Event.

(b) Pursuant to the Swap Agreement, if, at any time, a Subsequent Fitch Rating Event occurs, the Swap Counterparty will, at its own cost, within thirty (30) days of such occurrence (provided that in the case of (i) and pending compliance with the actions under (ii), the Swap Counterparty will within fourteen (14) calendar days of such occurrence):

(i) post collateral to the Issuer in the Swap Collateral Account in accordance with the terms of the Swap Agreement; and

(ii) use commercially reasonable efforts to:

(A) transfer all of its rights and obligations under the Swap Agreement to a replacement third party with a rating at least as high as the Fitch Required Ratings; or

(B) procure that a third party that has the Fitch Required Ratings, unconditionally guarantees the obligations of the Swap Counterparty under the Swap Agreement; or; or

(C) take such other action as will result in the ratings of the Notes then outstanding being restored to or maintained at the level they were at immediately prior to occurrence of the Subsequent Fitch Rating Event,

in each case in accordance with and subject to the provisions of the Swap Agreement.

For the avoidance of doubt, if the Swap Counterparty has taken one of the measures (other than the transfer of its rights and obligations to a third party) set out in sub-clauses (a) and (b) above, it may at any time and in the alternative take one of the other actions listed the relevant sub-clause. In the event that the Swap Counterparty has posted collateral pursuant to the Swap Agreement in accordance with sub-clauses (a) or (b) above and later takes one of the alternative actions listed in such sub-clauses above, any collateral so posted by the Swap Counterparty to the Issuer will be returned to the Swap Counterparty pursuant to the terms of the Swap Agreement. This will not however affect the obligations of the Swap Counterparty to post collateral in accordance with the Swap Agreement with respect to the rating issued to the Swap Counterparty at such time by Moody's.

For the purposes of items (a) and (b) above:

"**Initial Fitch Rating Event**" means that no Relevant Entity has the Fitch Required Ratings;

"**Fitch Required Ratings**" means that the derivative counterparty rating (or "**DCR**", if available) or long-term IDR of an entity is rated at least "A" by Fitch or the short-term IDR of an entity is rated at least "F1" by Fitch;

"**Subsequent Fitch Rating Event**" means that no Relevant Entity has the Fitch Subsequent Required Ratings;

"**Fitch Subsequent Required Ratings**" means that the DCR (if available) or long-term IDR of an entity is rated at least "BBB-" by Fitch or the short-term IDR of an entity is rated at least "F3" by Fitch;

10.3 Swap Collateral Account

If any collateral in the form of cash is provided by the Swap Counterparty to the Issuer, the Administrator will, upon request from the Issuer, use reasonable efforts to assist the Issuer to open a separate account with a bank (other than the Account Bank or the Swap Counterparty) with the Required Minimum Ratings in which such cash provided by the Swap Counterparty will be credited. If any collateral in the form of securities is provided, the Administrator will, upon request from the Issuer, use reasonable efforts to assist the Issuer to open a custody account with a bank (other than the Account Bank or the Swap Counterparty) with the Required Minimum Ratings in which such securities provided by the Swap Counterparty will be credited. No payments or deliveries may be made in respect of such accounts (any such account, a "**Swap Collateral Account**") other than to return Excess Swap Collateral to the Swap Counterparty (outside of the Interest Priority of Payments) and to satisfy all or part of any termination amount payable by the Swap Counterparty to the Issuer on termination of the swap transaction, as more particularly described in the Swap Agreement.

"Excess Swap Collateral" means an amount equal to the value of any collateral transferred to the Issuer by the Swap Counterparty under the Swap Agreement that is in excess of the Swap Counterparty's liability to the Issuer thereunder (i) as at the termination date of the transaction entered into under such Swap Agreement or (ii) as at any other date of valuation in accordance with the terms of the Swap Agreement.

11. Sale of Mortgage Receivables

Under the terms of the Pledge Agreement, the Issuer will have the right to sell and assign all but not some of the Mortgage Receivables on each Optional Redemption Date to a third party, which may also be the Seller, at arm's length conditions, provided that the Issuer shall apply the proceeds of such sale, to the extent relating to principal, to redeem the Notes in accordance with Condition 4.5 (e).

In addition, pursuant to the Mortgage Receivables Purchase Agreement, the Issuer has the obligation to sell and assign to the Seller and the Seller has the obligation or the right to repurchase certain Mortgage Receivables in certain events and the right to exercise the Clean-Up Call Option or the Regulatory Call Option provided that, in the case of the Regulatory Call Option and the Clean-Up Call Option, the Issuer has sufficient funds to pay all amounts due in respect of the Notes upon the exercise of such option by the Seller.

The purchase price of the Mortgage Receivables in the event of a repurchase or reassignment other than (i) pursuant to a breach of representation and warranty in relation to such Mortgage Receivable or its related Mortgage Loan or (ii) upon a Non-Permitted Variation shall be equal to the Optional Repurchase Price.

The purchase price of each Mortgage Receivable in the event of a repurchase or reassignment (i) pursuant to a breach of representation and warranty in relation to such Mortgage Receivable or its related Mortgage Loan and (ii) upon the occurrence of a Non-Permitted Variation, shall be equal to the Repurchase Price.

OVERVIEW OF BELGIAN MORTGAGE MARKET

1. Economic environment

The Belgian economy suffered relatively less than most other EMU (Economic and Monetary Union) countries during the financial crisis: for 2009, its real GDP growth was -2.3%, as against -4.5% for the total euro area. Belgium succeeded well in its return to growth in 2010. The EMU crisis resulted in a new economic slowdown. However, unlike the euro area as a total, Belgium did not face a new recession with GDP growth remaining slightly positive in 2012-2013.

The recovery that started in spring 2013 continued in 2017 and 2018 with a yearly growth at 1.7% and an estimated 1.5%, respectively. During the full period 2014-2018, yearly growth in Belgium was less than in the total euro Area. However, looked at from a longer perspective, Belgium did not perform that bad. Cumulative growth over the full cycle, starting at the beginning of 2008, was at 10% in Belgium, as against only 7% in the euro area. Amongst the neighbouring countries, Germany did better (+12.6%), France underperformed (+8.7%), while in the Netherlands cumulative growth was at roughly 10% as well. For 2019 and 2020, KBC Bank's forecast of Belgian real GDP growth is that it will slow down to 1.2% and 1.1%, respectively, in line with an expected easing of growth in the euro area.

Belgium has seen a pickup in reform momentum since 2011, which clearly started paying off. In particular, cost competitiveness has been improving as a result of wage moderation, and pension and labour market reforms have materially affected the future trend for ageing population costs. Policies also contributed to strong job creation. As a result, Belgian unemployment went down substantially, albeit at a slower pace than in the total euro area, as working age population grew remarkably strong. A positive inflation gap between Belgium and the euro area appeared from 2015 onwards. The inflation differential mainly reflected rising prices in services and electricity, partly influenced by government administrative measures. During the past few years, the Belgian 10-year interest rate stayed below 1%, with the spread between Belgian ten-year government bonds and their German counterparts fluctuating between 25-55 basis points. (Data sources: *NBB.Stat, Eurostat, European Commission*)

2. Belgian mortgage lending market dominated by banks

The Belgian banking landscape is a consolidated environment controlled by a handful of major banking groups. The four biggest players, KBC Bank, Belfius, BNP Paribas Fortis and ING, control nearly 65% of the mortgage lending market, where other credit and financial institutions (smaller banks, insurance companies, savings banks) and mortgage shops cover the remainder. Mid 2018, KBC Bank holds a solid market share of 19% of total outstanding mortgage loans. Since the financial crisis of 2008, financial institutions have become more aware of the profitability of the product itself (home loans): margins have grown substantially since 2011 until mid-2017. Due to growing competition margins have since been declining, and are now stabilizing.

In April 2017, Directive 2014/17 EU (the "**Mortgage Loans Directive**") has been implemented in Belgium. Biggest change is the introduction of a 'JKP' (yearly cost percentage, transl. *jaarlijks kostenpercentage*) and the 'ESIS' (European Standardised Information Sheet' for customers. The ESIS gives the customers the opportunity to compare offers of home loans more easily.

3. Housing market features and outlook

An estimated 73% of the Belgians own their houses. This is more than in the euro area as a whole (66%), but the EMU figure is depressed by the low rate of owner occupation in the two largest

member states, Germany and France (Data source: *Eurostat, housing statistics, population by tenure status data from 2017*).

In the past decade, the Belgian housing market has been characterised by a steady growth underpinned by an increasing number of households (itself driven by strong population growth and a declining average number of persons per household) and declining mortgage interest rates, which reached a historical low in 2018. Property prices in Belgium have gone up sharply over the past two decades. In 2009 prices were only briefly hit by the financial crisis, contrary to several other euro area countries like Spain, Ireland and the Netherlands. Following another surge in 2010-2011, the rate of price increases slowed down in 2012-2014.

In recent years, prices seem to rise more sharply again, suggesting that the soft landing has come to an end. According to Eurostat's harmonized house price index, Belgian prices rose by 3.7% in 2017. In the first half of 2018, the year-on-year change in house prices was at 3.0%. The recent pick-up in Belgian house prices follows the broad-based recovery in Europe's housing markets. It can be linked to the prevailing low interest-rate environment and to the recovery of the business cycle that started in early 2013. Strong population growth and the dilution of households are an additional factor in Belgium. (Data source: *FOD Economie, Eurostat*)

The recent price acceleration adds to the risk of an overvaluation of the market. Various valuation estimates are not conclusive, however, as to whether and by how much Belgian property is overvalued. The most extreme overvaluation has been generated by traditional price-to-income and price-to-rent ratios. However, these ratios have major shortcomings. More reliable and comprehensive approaches (interest-adjusted affordability and an econometric-model approach) do not suggest a major overvaluation (i.e. below 10%), as past price trends were broadly in line with demographics, income development and borrowing costs. (Data sources: *FOD Economie; ECB; own calculation of valuation measures*).

Although it is difficult to make an international comparison of price levels, the data available suggests that house prices in Belgium are not unusually higher than elsewhere in Europe. Moreover, Eurostat housing quality data also points out that the physical quality and comfort of Belgian housing are above average in comparison with other European countries. Taken the foregoing into account, Belgian house price are not too expensive in a European context. (Data source: *different national statistical offices*).

The sharp house price increase coincided with a strong increase in mortgage lending. This growth was driven by tax incentives and falling interest rates, which resulted in more and more real estate transactions being funded by loans. Up until 2005, rising property prices were also responsible for pushing up the average amount being borrowed. Since then, the amount of own money used in average funding has increased. The fiscal amnesty (so-called "EBA" or "*eenmalige bevrijdende aangifte*") played a role in this and so has the financial crisis, which stimulated the conversion of financial assets into real estate (especially new buildings), since households still consider property to be a safe investment. The increase in the amount of own funds being used is also being fuelled by the large volume of financial assets held by households in Belgium. As these funds are being put into the property market, prices are being pushed up making it more and more difficult for people to afford real estate that has to be funded out of income and debt.

Gross indebtedness of Belgian households has risen to 62% of GDP in 2017. This is still below the euro area average (66% of GDP), but in contrast to the euro area the debt ratio has risen quite strongly in Belgium in recent years. Despite the strong rise in indebtedness, the financial position of Belgian households as a total remains very robust overall, as is evident from the ratio of financial assets to debts which is one of the highest in Europe. Furthermore, loan quality is good and there are no signs of it deteriorating in a problematic way. The percentage of mortgage loans with delayed payments remained at a low level of only 1.3% in 2018. (Data source: *NBB.Stat*)

Based on KBC Bank's forecasts of factors determining developments on the housing market (i.e. household income, interest rate and demographics), it is expected that Belgian house prices will continue to increase in the coming years, although at a slower pace (i.e. between 2.0-2.5% per year). The fundamentals generally remain good, but an expected slowdown of Belgian GDP growth and a limited increase in interest rates will hold back the pace of price increases. A price crash is rather unlikely, given that the market is currently not excessively overvalued.

4. Mortgage market features

Belgian borrowers have some distinct characteristics (Source: *Statistics UPC/BVK for period 2000-2018*):

- as of June 2018, borrowers predominantly prefer to take out a fixed rate period. 66% of the number of new loans is fixed permanently and an additional 9% is fixed for the first ten years of the loan;
- a quarter of the new loans is originated with a short term variable rate (variable in a time period of one to five years)
- average mortgage loan for the purchase of a home in the first half year of 2018 was approximately Euro 157.200. The average mortgage loan for the purchase of a house and renovation was approximately Euro 181.644; and
- the vast majority of mortgage loans are taken out for the purchase of an existing property, as opposed to loans for new construction, which made up 16% of new loans in the first half year of 2018.

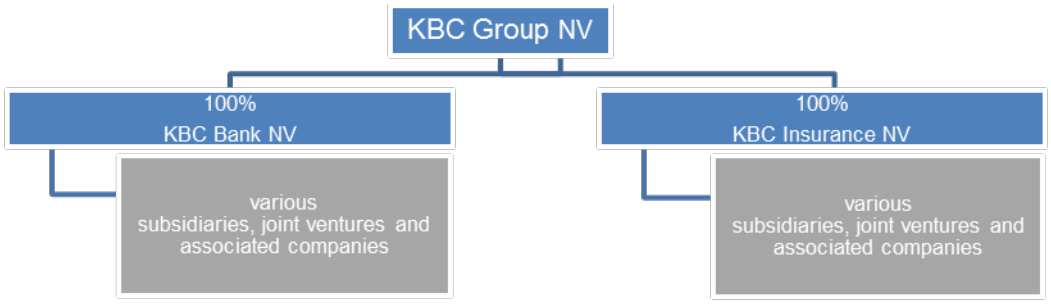
KBC BANK NV

1. CREATION

KBC Bank NV ("**KBC Bank**"), a wholly-owned subsidiary of KBC Group NV, was established in Belgium in 1998 as a bank (with enterprise number 0462.920.226) for an unlimited duration and operates under the laws of Belgium. KBC Bank's LEI code is 6B2PBRV1FCJDMR45RZ53. KBC Bank's registered office is at Havenlaan 2, B-1080 Brussels, Belgium and KBC Bank's telephone number is (+32) (0) 2 429 11 11. As KBC Bank is a wholly-owned subsidiary of KBC Group NV, KBC Bank is indirectly controlled by the shareholders of KBC Group NV (in this Prospectus, KBC Group NV together with its subsidiaries is referred to as the "**KBC Group**").

In short, KBC Bank was initially formed through the merger of the banking operations of the Almanij-Kredietbank group and CERA Bank group ("**CERA**"). The merger combined the operations of four Belgian banks: Kredietbank, CERA, Bank van Roeselare and CERA Investment Bank. KBC Bank is registered as a credit institution with the National Bank of Belgium (the "**NBB**").

A simplified schematic of KBC Group's legal structure is provided below. KBC Bank and KBC Insurance NV each have a number of subsidiaries. A list of the subsidiaries of KBC Bank and KBC Insurance NV is available on the website at www.kbc.com.[8] KBC Bank together with all subsidiaries in the scope of consolidation is referred to as the "**Group**".



As at the date of this Base Prospectus, the share capital of KBC Bank was EUR 8,948 million and consisted of 915,228,482 ordinary shares, one of which is held by its sister company KBC Insurance NV and the remainder are held by KBC Group NV. The share capital is fully paid up. The shares of KBC Bank's parent company, KBC Group NV, are listed on Euronext Brussels. An overview of the shareholding of KBC Group NV is available on the website at www.kbc.com[9]. The core shareholders of KBC Group NV are KBC Ancora, CERA, MRBB and the other core shareholders.

KBC Bank, as full subsidiary of KBC Group NV, also has, besides its banking activities, a holding function for a wide range of group companies, mainly banking and other financial entities in Central and Eastern Europe and in other selected countries, such as Ireland. In its capacity of holding company, KBC Bank is affected by the cash flows from dividends received from these group companies. KBC Bank also functions as funding provider for a number of these group companies.

The major other subsidiary of KBC Group NV is KBC Insurance NV. KBC Bank co-operates closely with KBC Insurance NV, amongst others, in relation to distribution of insurance products.

[8] This document is not incorporated by reference in this Prospectus.
[9] This document is not incorporated by reference in this Prospectus.

2. THE STRATEGIC PLAN OF KBC GROUP

KBC Bank's strategy is fully embedded in the strategy of its parent company, KBC Group NV. A summary is given below of the strategy of KBC Group, where KBC Bank is essentially responsible for the banking business and KBC Insurance NV for the insurance business.

On 17 June 2014, KBC Group organised an Investor Day in Brussels and on 21 June 2017 KBC Group organised an Investor Visit in Dublin. On both occasions KBC Group presented, among other things, an update of its strategy and targets. The presentations and press releases from both events are available on the website at www.kbc.com[10]. The main messages are the following:

- KBC Group wants to build on its strengths and be among Europe's best-performing, retail focused financial institutions. It intends to achieve this aim by further strengthening its bank insurance business model for retail, small and medium-sized enterprises ("**SME**") and mid-cap clients in its core markets in a highly cost-efficient way. The model has reached different stages of implementation in the different core countries. In Belgium, the bank and the insurance company already act as a single operational unit, achieving both commercial and non-commercial synergies. In its other Central European core countries (the Czech Republic, the Slovak Republic, Hungary and Bulgaria), KBC Group is targeting at least integrated distribution, so that commercial synergies can be realised as soon as possible. In Ireland, insurance products are offered through partnerships.

- Having both banking and insurance activities integrated within one group creates added value for both clients and KBC Group. Going forward, KBC Group will put further emphasis on the seamless fulfilment of client needs through its bank-insurance offering in the core countries, with the aim of creating sustainable, long-term client relationships and to diversify its income streams.

- KBC Group will focus on sustainable and profitable growth within a solid risk, capital and liquidity framework. Profitability should take priority over growth or increasing market shares. Risk management is already fully embedded in KBC Group's strategy and decision-making process and KBC Group wishes to secure the independence of the embedded risk framework through closer monitoring by the Group Chief Risk Officer ("**CRO**") and by reporting to the Board of Directors of each business entity.

- In recent years, KBC Group has invested heavily in its various distribution channels, i.e. its bank branches and insurance agencies, client contact/service centres, websites and mobile apps. KBC Group wants to create added value for its clients by accurately meeting their needs in terms of financial products. Therefore, everything at KBC Group needs to be based on the client's needs and not on the banking or insurance products and services. That is why the different channels are accorded equal status at KBC Group and need to seamlessly complement and reinforce each other. Because KBC Group is strongly embedded in its local markets, and clients' needs are defined by their local environment, each core country will make the necessary changes and investments in its own way and at its own pace.

- The seamless integration of the distribution channels creates a dynamic and client-driven distribution model. The client is at the centre of what KBC Group does. Everything starts from their needs. This is supported by a performance and client-driven corporate culture that will be implemented throughout the group, with the focus on building long-term client bank insurance relationships.

- KBC Group has no plans to expand beyond its current geographical footprint. In its core markets (Belgium, Ireland, the Czech Republic, Hungary, the Slovak Republic and Bulgaria), it will strengthen its bank-insurance presence through organic growth or through acquisitions, if attractive

[10] This document is not incorporated by reference in this Prospectus.

opportunities arise (and based on clear and strict financial criteria). As announced in February 2017, KBC Group has named Ireland as one of its core markets, alongside Belgium, Bulgaria, the Czech Republic, Hungary and the Slovak Republic (see further).

- During the Investor Visit in Dublin on 21 June 2017, KBC Group elaborated on the updated KBC Group strategy, the updated capital deployment plan and financial guidance 2020, and KBC Bank Ireland's Digital First Customer Centric strategy. KBC Group's strategy after 2017 continues to build on the existing fundamentals (see above). KBC Group will focus on strengthening in a highly cost-efficient way the integrated bank-insurance business model for retail, SME, private banking and mid-cap clients in its core markets (Belgium, Czech Republic, Slovak Republic, Hungary, Bulgaria, Ireland), sustainable and profitable growth within the framework of solid risk, capital and liquidity management and creating superior client satisfaction via a seamless, multi-channel, client-centric distribution approach. As the Group finds itself in an ever changing environment and is faced with changing client behaviour and expectations, changing technology and digitalisation, a challenging macroeconomic environment, increasing competition, etc., the group will fundamentally change the way it implements this strategy. A diversified income basis becomes more and more important. Therefore it aims to increase income generation through fee business and insurance business (in addition to interest income). Client-centricity will be further fine-tuned into 'think client, and design for a digital world'. Clients will continue to choose the channel of their choice: physical branch or agency, smartphone, website, contact centre or apps. The human interface will still play a crucial role but will be augmented by digital capabilities. Clients will drive the pace of action and change. Technological development will be the driver and enabler. KBC Group intends to invest a further 1.5 billion euros group-wide in digital transformation between 2017 and year-end 2020.

- KBC Group has put its updated strategy into its capital deployment plan and has updated guidance on certain financial parameters and indicators (see table below).

Financial guidance KBC Group		By
Compound Annual Growth Rate (**CAGR**) total income ('16-'20) (excl. MTM valuation of ALM derivatives)	≥ 2.25%	2020
Cost/income ratio banking (excl./ incl. banking tax)	≤ 47% / ≤ 54%	2020
Combined ratio	≤ 94%	2020
Dividend payout ratio (incl. coupon paid on AT1)	≥ 50%	-
Regulatory requirements KBC Group*		**By**
Common equity tier-1 ratio (excl. / incl. P2G)	≥ 10.6% / ≥ 11.6%	2019
MREL ratio**	≥ 25.9%	2019
NSFR	≥ 100%	-
LCR	≥ 100%	-

A definition of the above-mentioned ratios can be found in the glossaries of the Annual Reports of KBC Group and KBC Bank, available on the website at www.kbc.com[11].

- Common equity tier-1 ratio: fully loaded, Danish compromise, P2G = additional pillar 2 guidance. MREL stands for 'minimum requirement for own funds and eligible liabilities'; NSFR stands for 'net stable funding ratio'; LCR stands for 'liquidity coverage ratio'.

- Moreover, KBC Group aims to be one of the better capitalised financial institutions in Europe. Therefore as a starting position, it assesses each year the common equity tier 1 ("**CET1**") ratios of a peer group of European banks active in the retail, SME, and corporate client segments and positions itself on the fully loaded median CET1 ratio of the peer group. KBC Group summarises this capital policy in its 'Own Capital Target', which at the date of this Prospectus amounts to 14% CET1. On

[11] This document is not incorporated by reference in this Prospectus.

top of this, KBC Group wants to keep a flexible additional buffer of up to 2% CET1 for potential add-on mergers and acquisitions in its core markets. This buffer comes on top of the 'Own Capital Target' of KBC Group, and all together forms the Reference Capital Position, which currently amounts to 16%. KBC Group reconfirmed its pay-out ratio policy (i.e. dividend + coupon paid on the outstanding Additional Tier 1 instruments) of at least 50% of consolidated profit, including an annual interim dividend of 1 euro per share paid in November of each accounting year as an advance on the total dividend. On top of the pay-out ratio of 50% of consolidated profit, each year, the Board of Directors will take a decision, at its discretion, on the distribution of the capital above the Reference Capital Position.

- The resolution plan for KBC Group is based on a Single Point of Entry ("**SPE**") approach at the level of KBC Group NV. The SPE approach at KBC Group level reflects KBC Group's business model which relies heavily on integration, both commercially (e.g. banking and insurance) and organisationally (e.g. risk, finance, treasury, etc.). Bail-in is the preferred resolution tool, which implies a recapitalisation and stabilisation of the group by writing down certain unsecured liabilities and issuing new shares to former creditors as compensation. Bail-inable debt instruments positioned for loss absorption purposes are issued by KBC Group NV (i.e. top level). KBC Group NV down-streams the proceeds of these instruments to KBC Bank in the form of subordinated instruments. This means that losses will be transferred to the top level of the group and that, if resolution occurs, the group will be resolved as a whole. This approach keeps the KBC Group intact in resolution and safeguards the bank-insurance model in going concern. It is crucial that there are adequate liabilities eligible for bail-in. This is measured by the minimum requirement for own funds and eligible liabilities ("**MREL**"). As at 30 September 2018, the MREL ratio based on instruments issued by KBC Group NV stood at 25.1% of risk weighted assets ('point of entry' view). Based on the broader SRB definition, which also includes eligible instruments of KBC Bank, the MREL ratio amounted to 26.4% (the 'consolidated view'). The SRB requires KBC Group to achieve a ratio of 25.9% by 1 May 2019 using eligible instruments of both KBC Group NV and KBC Bank.

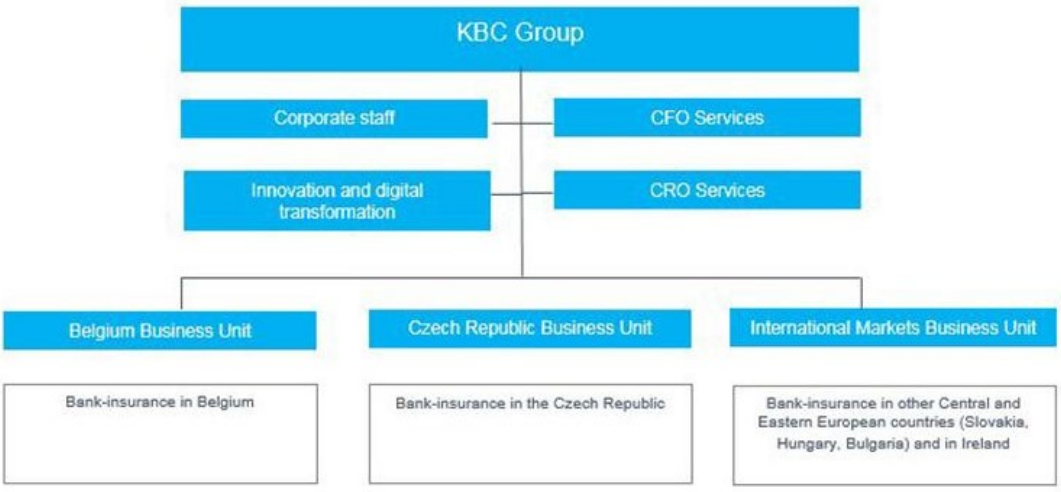
- Ireland has become one of KBC Group's core markets, alongside Belgium, Czech Republic, Bulgaria, the Slovak Republic and Hungary. As a consequence, KBC Bank Ireland plc will strive to achieve at least a market share of 10% in retail and micro SME segments and will plan to develop bank-insurance similar to other core markets of the group. KBC Group will pursue a fully-fledged sustainable growth strategy based on the implementation of a 'Digital First' customer-centric strategy. KBC Bank Ireland plc will accelerate its efforts and investments in expertise and resources to evolve fully into a digital-first customer-centric bank, while continuing to carefully and efficiently manage its legacy portfolio. KBC Ireland will facilitate 'always-on 24/7 accessibility' in terms of distribution and service. It will further continue to attract retail and micro SME customers. The banking product offering will include day-to-day banking services, as well as access to credit and savings and investments. Recognising ever changing consumer trends, it will also cater for the new emerging digital savvy consumer in the future. Insurance products (life and non-life) are offered through partnerships and collaboration. KBC Bank Ireland plc will continue to cultivate its current relationships with insurance product providers. To digitalise and innovate faster, KBC Bank Ireland plc will intensify its collaboration with other Group entities and leverage proven innovations and learnings from other core markets of the Group. KBC Bank Ireland plc also has a unique business model with its integrated distribution model (with online and mobile supported by a contact centre and physical hubs), which can be an example for other Group core countries. Through its integrated distribution business model, KBC Bank Ireland plc will be given the support to innovate. Moreover, the Group's new core banking system with an open architecture will allow KBC Bank Ireland plc to tap into opportunities offered by the fintech community and provide services from and to other market players, thus broadening the value proposition to its own customers and playing a frontrunner role for the KBC Group.

- Sustainability is embedded in the strategy of KBC Group. This primarily means the ability to live up to the expectations of all stakeholders and to meet obligations, not just today but also in the future. KBC Group's sustainability strategy has three cornerstones:
    - enhancing the positive impact on society;
    - limiting the negative impact KBC Group might have; and
    - encouraging responsible behaviour on the part of all employees.
- KBC Group's summarises its strategy as follows: KBC Group's strategy rests on a number of principles:
    - it places its clients at the centre of everything it does;
    - it looks to offer its clients a unique bank-insurance experience;
    - it focuses on KBC Group's long-term development and aims to achieve sustainable and profitable growth;
    - it meets its responsibility to society and local economies; and
    - it implements its strategy within a strict risk, capital and liquidity management framework.

3. MANAGEMENT STRUCTURE

KBC Group's strategic choices are fully reflected in the group structure, which consists of a number of business units and support services and which are presented in simplified form as follows:

Structure as at the date of this Prospectus:



The management structure of both KBC Group and KBC Bank essentially comprises:

(a) the three business units, which focus on local business and are expected to contribute to sustainable profit and growth:

    (i) Belgium Business Unit;

(ii) Czech Republic Business Unit; and

(iii) International Markets Business Unit: this encompasses the other core countries in Central and Eastern Europe (the Slovak Republic, Hungary and Bulgaria) and Ireland;

(b) the pillars 'CRO Services' and 'CFO Services' (which act as an internal regulator, and whose main role is to support the business units), 'Corporate Staff' (which is a competence centre for strategic know-how and best practices in corporate organisation and communication) and 'Innovation and digital transformation'.

Each business unit is headed by a business unit specific Chief Executive Officer (BU CEO), and these BU CEOs, together with the CEO, the Chief Risk Officer (CRO), the Chief Innovation Officer (CIO) and the Chief Financial Officer (CFO) constitute the executive committee.

4. SHORT PRESENTATION OF KBC BANK

Shareholders (30 June 2018)	**Number of shares**
KBC Group NV	915,228,481
KBC Insurance NV	1
Total	915,228,482

The shareholding structure of KBC Group NV (parent company of KBC Bank) is available on the website at www.kbc.com[12].

Network

Network (as at 31 December 2017)

Bank branches in Belgium: 659

Bank branches in Central and Eastern Europe (Czech Republic, Slovak Republic, Hungary and Bulgaria): 835

Bank branches in the rest of the world (including rep. offices): 27*

**branches of KBC Bank and KBC Bank Ireland.*

5. SELECTED FINANCIAL INFORMATION OF KBC BANK

5.1 Income Statement

The table below sets out highlights of the information extracted from KBC Bank's consolidated income statement for each of the two years ended 31 December 2016 and 31 December 2017, and each of the two first six months periods of 2017 and 2018.

Note: As of 2018, KBC Bank has started applying IFRS 9. In simplified terms, this means that the classification of financial assets and liabilities, as well as the impairment methodology, have changed significantly. As a result, some of the profit and loss and balance sheet figures are not fully comparable to the 2017 and 2016 reference figures (which are still based on IAS 39, as KBC Bank is making use of transition

[12] This document is not incorporated by reference in this Prospectus.

relief for comparative data). More information on the transition to IFRS 9 is provided in KBC Bank's half-year report 1H2018 (p. 15-32), available on www.kbc.com[13].

Highlights of the consolidated income statement KBC Bank (in millions of EUR)	Full year 2016	Full year 2017	First half 2017	First half 2018
Net interest income	3,635	3,546	1,762	1,989
Dividend income	27	20	15	18
Net result from financial instruments at fair value through profit or loss	551	860	443	86
Net realised result from available-for-sale assets	134	114	50	-
Net realised result from debt instruments at fair value through other comprehensive income	-	-	-	8
Net fee and commission income	1,753	2,023	1,017	1,050
Other net income	140	25	82	83
TOTAL INCOME	**6,240**	**6,588**	**3,368**	**3,233**
Operating expenses	-3,399	-3,568	-1,893	-2,001
Impairment	-145	44	67	57
Share in results of associated companies and joint-ventures	23	8	6	8
RESULT BEFORE TAX	**2,719**	**3,073**	**1,549**	**1,297**
Income tax expense	-525	-891	-273	-262
RESULT AFTER TAX	**2,195**	**2,182**	**1,276**	**1,035**
Attributable to minority interest	169	179	89	88
Attributable to equity holders of the parent	**2,026**	**2,003**	**1,187**	**947**

5.2 Balance Sheet

The table below sets out highlights of the information extracted from KBC Bank's consolidated balance sheet statement as at 31 December 2016 and 31 December 2017 and 30 June 2018.

Note: As of 2018, KBC Bank has started applying IFRS 9. In simplified terms, this means that the classification of financial assets and liabilities, as well as the impairment methodology, have changed significantly. As a result, some of the profit and loss and balance sheet figures are not fully comparable to the 2017 and 2016 reference figures (which are still based on IAS 39, as KBC Bank is making use of transition relief for comparative data). More information on the transition to IFRS 9 is provided in KBC Bank's half-year report 1H2018 (p. 15-32), available on www.kbc.com[14].

Highlights of the consolidated balance sheet, KBC Bank (in millions of EUR)	31-12-2016	31-12-2017	30-06-2018
Total assets	239,333	256,322	266,379
Loans and advances to customers (excluding reverse repos*)	131,528	139,090	143,277
Securities (equity and debt instruments)	52,180	47,995	45,390
Deposits from customers and debt securities (excluding repos**)	178,388	194,257	193,862
Risk weighted assets (Basel III, fully loaded)	78,482	83,117	83,624
Total equity	14,158	15,656	15,724

[13] This document is not incorporated by reference in this Prospectus.
[14] This document is not incorporated by reference in this Prospectus.

of which parent shareholders' equity	12,568	14,083	13,115

** and ** The term 'reverse repos' or a reverse repurchase agreement refers to the purchase of securities with the agreement to sell them at a specific future date. For the party selling the security (and agreeing to repurchase it in the future) it is a repurchase agreement or repo. For the other party on the transaction (buying the security and agreeing to sell in the future) it is a reverse repurchase agreement or reverse repo.*

6. RATINGS OF KBC BANK

Long-term credit ratings (as at 26 November 2018)	
Fitch	A+
Moody's	A1
Standard and Poor's	A+

Ratings can change. Various ratings exist. Investors should look at www.kbc.com[15] for the most recent ratings and for the underlying full analysis of each rating agency to understand the meaning of each rating.

Each such credit rating agency is established in the European Union and is registered under the CRA Regulation and listed on the "**List of Registered and Certified CRAs**" as published by ESMA in accordance with Article 18(3) of the CRA Regulation.[16]

7. MAIN COMPANIES WHICH ARE SUBSIDIARIES OF KBC BANK OR IN WHICH IT HAS SIGNIFICANT HOLDINGS AS OF 30 JUNE 2018

Company	Registered office	Ownership percentage of KBC Bank	Activity (simplified)
CBC Banque SA	Brussels – BE	100.00	Credit institution
ČSOB a.s. (Czech Republic)	Prague – CZ	100.00	Credit institution
ČSOB a.s. (Slovak Republic)	Bratislava – SK	100.00	Credit institution
KBC Asset Management NV	Brussels – BE	51.86	Asset management
KBC Autolease NV	Leuven – BE	100.00	Leasing
KBC Bank Ireland Plc.	Dublin – IE	100.00	Credit institution
KBC Commercial Finance NV	Brussels – BE	100.00	Factoring
KBC Credit Investments NV	Brussels – BE	100.00	Investment firm
KBC IFIMA SA	Luxemburg – LU	100.00	Funding
KBC Securities NV	Brussels – BE	100.00	Stock exchange broker/corporate finance
K&H Bank Rt.	Budapest – HU	100.00	Credit institution
Loan Invest NV	Brussels – BE	100.00	Securitisation
United Bulgarian Bank	Sofia – BG	99.91	Credit institution

A full list of companies belonging to the Group at year end 2017 is provided in its 2017 annual report.

8. GENERAL DESCRIPTION OF ACTIVITIES OF KBC BANK

The Group is a multi-channel bank that caters primarily to private persons, small and medium-sized enterprises (SMEs) and midcaps.

[15] This document is not incorporated by reference in this Prospectus.

[16] A list of credit rating agencies registered under the CRA Regulation is published on the website of ESMA (https://www.esma.europa.eu/supervision/credit-rating-agencies/risk). This document is not incorporated by reference in this Prospectus.

Its geographic focus is on Europe. In its "home" (or "*core*") markets Belgium, Czech Republic, Slovak Republic, Hungary, Bulgaria and Ireland, the Group has important and (in some cases) even leading positions.[17] The Group is also present in other countries where the primary focus is on supporting the corporate clients of the home markets.

The Group's core business is retail and private bank-insurance (including asset management), although it is also active in providing services to corporations and market activities. Across most of its home markets, the Group is active in a large number of products and activities, ranging from the plain vanilla deposit, credit, asset management and insurance businesses (via its sister company, KBC Insurance NV) to specialised activities such as, but not exclusively, payments services, dealing room activities (money and debt market activities), brokerage and corporate finance, foreign trade finance, international cash management, leasing, etc.

9. PRINCIPAL MARKETS AND ACTIVITIES

9.1 Activities in Belgium

Market position of the bank network in Belgium, end of 2017	
Market share (own KBC Bank estimates)	Banking products* 20% Investment funds 33%
Bank branches	659

** Average of the share in credits and the share in deposits.*

The Group has a network of 659 bank branches in Belgium: KBC Bank branches in Flanders, CBC Banque branches in Wallonia and KBC Brussels branches in the Brussels area. The branches focus on providing clients with a broad area of credit (including mortgage loans), deposit, investment fund and other asset management products, insurance products (in cooperation with KBC Bank's sister company, KBC Insurance NV) and other specialised financial banking products and services. The Group's bricks-and-mortar networks in Belgium are supplemented by electronic channels, such as ATMs, telephones and the Internet (including a mobile banking app). KBC Bank, CBC Banque and KBC Brussels serve, based on their own estimates, approximately 3.2 million clients.

KBC Group considers itself to be an integrated bank-insurer. Certain shared and support services are organised at KBC Group level, serving the entire KBC Group, and not just the bank or insurance businesses separately. It is the KBC Group's aim to continue to actively encourage the cross-selling of bank and insurance products. The success of KBC Group's integrated bank-insurance model is in part due to the cooperation that exists between the bank branches and the insurance agents of KBC Insurance NV and CBC Assurance, whereby the branches sell standard insurance products to retail customers and refer their customers to the insurance agents for non-standard products. Claims-handling is the responsibility of the insurance agents, the call centre and the head office departments at KBC Insurance NV.

At the end of 2017, the Group had (see table above), based on its own estimates, a 20% share of traditional banking activities in Belgium (the average of the share of the lending market and the deposit market). Over the past few years, KBC Bank has built up a strong position in investment funds too, with an estimated market share of approximately 33%.

The Group believes in the power of a physical presence through a branch and agency network that is close to its clients. At the same time, however, it expects the importance of online and mobile bank-insurance to

[17] Source: KBC Bank.

grow further and it is constantly developing new applications in these areas. That includes the various mobile banking apps for smartphones and tablets, which are being continuously improved and expanded.

In the Group's financial reporting, the Belgian activities are combined into a single Belgium Business Unit. The results of the Belgium Business Unit essentially comprise the activities of KBC Bank, and its Belgian subsidiaries, the most important of which are CBC Banque, KBC Asset Management, KBC Lease Group (Belgium) and KBC Securities.

The Group's aim in Belgium is:

- to focus on an omnichannel approach and invest in the seamless integration of the different distribution channels (bank branches, insurance agencies of KBC Insurance, regional advisory centres, websites and mobile apps). KBC Group is also investing specifically in the further digital development of its banking and insurance services. Where necessary, KBC Group will collaborate with partners through 'eco-systems' which enable it to offer its clients comprehensive solutions;

- to exploit the potential in Brussels more efficiently via the separate new brand, KBC Brussels, which reflects the capital's specific cosmopolitan character and is designed to better meet the needs of the people living there;

- to expand bank-insurance services at CBC Banque in specific market segments and to expand its presence and accessibility in Wallonia;

- to work on the ongoing optimisation of the bank-insurance model in Belgium;

- to continue the pursuit of becoming the reference bank for SME's and mid-cap enterprises based on thorough knowledge of the client and a personal approach; and

- that its commitment to Belgian society is reflected in initiatives in areas including environmental protection, financial literacy, entrepreneurship and demographic ageing, as well as in KBC Group's active participation in the mobility debate.

9.2 Activities in Central and Eastern Europe

Market position of the bank network in the home countries of Central and Eastern Europe, at the end of 2017		**Czech Republic**	**Slovak Republic**	**Hungary**	**Bulgaria**
Market share (own KBC Bank estimates)	Banking products*	20%	11%	11%	10%
	Investment funds	22%	7%	13%	13%
Bank branches	Total	270**	122	207	236

** Average of the share in credits and the share in deposits*
*** ČSOB Bank branches + Postal Savings Bank financial centres + Era branches.*

In the Central and Eastern European region, the Group focuses on four home countries, being the Czech Republic, the Slovak Republic, Hungary and Bulgaria. The main Group Central and Eastern European entities in those home markets are United Bulgarian Bank (recently merged with another KBC subsidiary, CIBANK) in Bulgaria, ČSOB in the Slovak Republic, ČSOB in the Czech Republic and K&H Bank in Hungary.

In its four home countries, the Group caters to over five million customers. This customer base, along with KBC Group's insurance customers in the region (via KBC Insurance NV subsidiaries), make KBC Group one of the larger financial groups in the Central and Eastern European region. The Group companies focus on providing clients with a broad area of credit (including mortgage loans), deposit, investment fund and

other asset management products, insurance products (in co-operation with KBC Insurance NV's subsidiaries in each country) and other specialised financial banking products and services. As is the case in Belgium, the Group's bricks-and-mortar networks in Central and Eastern Europe are supplemented by electronic channels, such as ATMs, telephone and the Internet.

KBC Group's bank-insurance concept has over the past few years been exported to its Central and Eastern European entities. In order to be able to do so, KBC Group has built up a second home market in Central and Eastern Europe in insurance (via KBC Insurance NV). KBC Group has an insurance business in every Central and Eastern European home country: in the Czech Republic, KBC Group's insurer is ČSOB Pojist'ovňa, in the Slovak Republic it is ČSOB Poist'ovňa, in Hungary it is K&H Insurance and in Bulgaria it is DZI Insurance. Contrary to the situation of KBC Bank in Belgium, KBC Group's insurance companies in Central and Eastern Europe operate not only via tied agents (and bank branches) but also via other distribution channels, such as insurance brokers and multi-agents.

The Group's estimated market share (the average of the share of the lending market and the deposit market, see table above) amounted to 20% in the Czech Republic, 11% in the Slovak Republic, 11% in Hungary, and 10% in Bulgaria (rounded figures). The Group also has a strong position in the investment fund market in Central and Eastern Europe (estimated at 22% in the Czech Republic, 7% in the Slovak Republic, 13% in Hungary and 13% in Bulgaria).

In the Group's financial reporting, the Czech activities are separated in a single Czech Republic Business Unit, whereas the activities in the other Central and Eastern European countries, together with Ireland (see further), are combined into the International Markets business unit. The Czech Republic Business Unit hence comprises all the Group's activities in the Czech Republic, consisting primarily of the activities of the ČSOB group (under the ČSOB, Era, Postal Savings Bank, Hypotečni banka, Patria and ČMSS brands) and ČSOB Asset Management. The International Markets Business Unit comprises the activities conducted by entities in the other (non-Czech) Central and Eastern European core countries, namely ČSOB in the Slovak Republic, K&H Bank in Hungary and UBB (including CIBANK) in Bulgaria, plus KBC Bank Ireland's Irish operations.

The focus of the Group in the future is the following:

- in relation to the Czech Republic Business Unit:
    - to move from largely channel-centric solutions to solutions that are client-centric and are based on an integrated model that brings together clients, third parties and the Group's bank-insurer;
    - to offer new products and services to add value for clients and to further enhance client satisfaction, taking use of digital opportunities and taking account of new trends, shifting client behaviour and new regulations;
    - to continue to concentrate on simplifying products, IT capabilities, organisation, the bank distribution network, the head office and branding in order to achieve even greater cost efficiency;
    - to expand the bank-insurance activities through steps like introducing a progressive and flexible pricing model, developing combined banking and insurance products, and strengthening the insurance sales teams;
    - to keep expanding in traditionally strong fields, such as lending to businesses and providing home loans. The Group also wants to advance in areas – for example in relation to SME and consumer loans – where it has yet to tap its full potential; and

- its social commitment is expressed in the focus on environmental awareness, financial literacy, entrepreneurship and demographic ageing;

- in relation to the International Markets Business Unit (excluding Ireland):
  - to move from a branch-oriented distribution model to an omnichannel model;
  - to target income growth in Hungary through vigorous client acquisition in all banking segments and through more intensive cross-selling, in order to raise market share and profitability, and to simplify products and processes;
  - to maintain robust growth in strategic products in the Slovak Republic (e.g., home loans, consumer finance, SME funding and leasing), partly through cross-selling to ČSOB group clients. As is the case in Hungary, simplifying products and processes is another key focus;
  - to focus in Bulgaria on substantially increasing the share of the lending market in all segments, while applying a strict risk framework. The acquisition of United Bulgarian Bank fits this strategy perfectly; and
  - to implement a socially responsible approach in all relevant countries, with a particular focus on environmental awareness, financial literacy, entrepreneurship and health.

On 30 December 2016, KBC Group NV announced that it and the National Bank of Greece S.A. ("**NBG**"), the Greek parent company of United Bulgarian Bank ("**UBB**"), reached an agreement for KBC Group NV to acquire ownership of 99.9% of the shares in the share capital of UBB, the fourth largest bank in Bulgaria in terms of assets. KBC Group NV also acquired all shares in Interlease, the third largest provider of leasing services in Bulgaria. The total consideration amounted to EUR 610 million. This acquisition was completed mid-June 2017.

With these acquisitions, KBC Group aims to become the reference in bank-insurance in Bulgaria – a country with strong macroeconomic fundamentals and attractive opportunities for the further development of financial services. This also results in KBC Bank now being active in leasing, asset management and factoring in Bulgaria, enabling the Group to offer its clients a full range of financial services there.

In December 2017, KBC Asset Management sold 100% of the shares in its wholly-owned subsidiary KBC TFI in Poland to the PKO Bank Polski group, the largest bank in Poland. This deal is fully in line with the strategy of KBC Group, which focuses on retail clients, SMEs and midcaps in its core markets of Belgium, the Czech Republic, the Slovak Republic, Hungary, Bulgaria and Ireland. The deal had a negligible impact on KBC Group's results. KBC TFI was established in 2002, targeting private and professional clients with a broad range of investment products through a diverse distribution network of primarily leading Polish banks, but also insurers, brokers and financial intermediaries. KBC TFI manages local funds and private mandates, but also distributes foreign funds denominated in PLN.

9.3 Activities in the rest of the world

A number of companies belonging to the Group are also active in, or have outlets in, countries outside the home markets, among which KBC Bank, which has a network of foreign branches and KBC Bank Ireland. See also the list of main companies (under Section 7 "Main companies which are subsidiaries of the Group or in which it has significant holdings as of 30 June 2018") or the full list in the 2017 annual report of KBC Bank.

The loan portfolio of KBC Bank Ireland plc stood at approximately EUR 12 billion as at the end of September 2018, approximately 91% of which relates to mortgage loans. At the end of September 2018, approximately 35% (EUR 4.3 billion) of the total Irish loan portfolio was impaired (of which

EUR 2.3 billion more than 90 days past due). For the impaired loans, approximately EUR 1.9 billion impairments have been booked. The Group estimates its share of the Irish retail market in 2017 at 8%. It caters for around 0.3 million clients there. KBC Bank Ireland has sixteen branches (hubs) in Ireland, next to its digital channels. A full profit and loss scheme for Ireland is available in KBC Bank's segment reporting[18].

Note: on 8 August 2018, KBC Bank Ireland reached an agreement with Goldman Sachs to sell part (approximately 1.9 billion euros) of its legacy portfolio, comprising of non-performing corporate loans, non-performing Irish buy-to-let mortgage loans, and performing & non-performing UK buy-to-let mortgage loans (with buy-to-let mortgage loans being mortgage loan arrangements in which an investor borrows money to purchase property in order to let it out to tenants). As a result of the transaction, KBC Bank Ireland's impaired loans ratio reduces by roughly 11 percentage points to around 25% pro forma at end 2Q2018. The transaction is expected to result in a net profit impact of +14 million euros (based on 1Q2018 numbers and including all costs related to the transaction), a release of risk-weighted assets of approximately 0.4 billion euros at KBC Bank, leading to an improvement of the KBC Bank's common equity ratio of 8 basis points. The transaction is expected to close in the 4th quarter of 2018.

As regards the Group's strategy in Ireland, please refer to section 2 "The strategic plan of KBC Group".

The foreign branches of KBC Bank are located mainly in Western Europe, Southeast Asia and the U.S. and focus on serving customers that already do business with KBC Bank's Belgian or Central and Eastern European network. In the past years, many of the other (niche) activities of these branches have been built down, stopped or sold, and the pure international credit portfolio has been scaled down.

In the Group's financial reporting, KBC Bank Ireland is included in the International Markets Business Unit, while the foreign branches of KBC Bank are part of the Belgium Business Unit. The three business units (Belgium, Czech Republic and International Markets) are supplemented by the group centre (the "**Group Centre**"). The Group Centre includes the operational costs of the holding activities of the group, certain capital and liquidity management related costs, costs related to the holding of participations and the results of the remaining companies or activities earmarked for divestment or in run-down. It also includes results related to the legacy businesses (CDOs, divestment results; both immaterial since 2015) and the valuation of own credit risk.

10. COMPETITION

All of KBC Bank's operations face competition in the sectors they serve.

Depending on the activity, competitor companies include other commercial banks, saving banks, loan institutions, consumer finance companies, investment banks, brokerage firms, specialised finance companies, asset managers, private bankers, investment companies, fintech companies, etc.

In both Belgium and Central and Eastern Europe, the Group has an extensive network of branches and the Group believes most of its companies have strong name brand recognition in their respective markets.

In Belgium, the Group is perceived as belonging to the top three (3) financial institutions. For certain products or activities, the Group estimates it has a leading position (e.g. in the area of investment funds). The main competitors in Belgium are BNP Paribas Fortis, Belfius and ING, although for certain products, services or markets, other financial institutions may also be important competitors.

In its Central and Eastern European home markets, the Group is one of the important financial groups, occupying significant positions in banking. In this respect, the Group competes, in each of these countries,

[18] Segment reporting based on the management structure in the Financial Statements of the annual and semi-annual reports, available on www.kbc.com. This document is not incorporated by reference in this Prospectus.

against local financial institutions, as well as subsidiaries of other large foreign financial groups (such as Erste Bank, Unicredit and others).

In the rest of the world, the Group's presence mainly consists of KBC Bank Ireland plc, which is active in Ireland, and a limited number of branches and subsidiaries. In the latter case, the Group faces competition both from local companies and international financial groups.

KBC Bank Ireland plc is a challenger bank. Given that it has only launched its retail strategy in 2014, it has a small single digit market share of the outstanding stock in all products except mortgage loans, in which it has a market share of approximately 10%. Its main competitors are the large domestic banks such as Allied Irish Banks plc and Bank of Ireland plc.

11. STAFF

As at the end of 2017, the Group had, on average and on a consolidated basis, about 29,000 employees (in full time or equivalent-numbers), the majority of whom were located in Belgium (largely in KBC Bank) and Central and Eastern Europe. These figures take account of all acquisitions and divestments. More specifically, they include the acquisition of UBB and Interlease in Bulgaria (as these companies were only acquired mid 2017, only their figures of the last six months of 2017 have been included in the Group's average figures mentioned above (1,156 full time or equivalent). In addition to consultations, at works council meetings and at meetings with union representatives and with other consultative bodies, the Group also works closely in other areas with employee associations. There are various collective labour agreements in force.

12. RISK MANAGEMENT

Mainly active in banking, insurance and asset management, KBC Group is exposed to a number of typical risks such as – but certainly not exclusively – credit risk, market risks, movements in interest rates and exchange rates, currency risk, liquidity risk, insurance underwriting risk, operational risk, exposure to emerging markets, changes in regulations and customer litigation as well as the economy in general.

Risk management in KBC Group is effected group-wide. As a consequence, the risk management for KBC Bank is embedded in KBC Group risk management and cannot be seen separately from it. A description of the risk management is available in the 2017 Risk Report, which is available on the website at www.kbc.com[19].

12.1 Risk governance

Below follows a description of credit risk, market risk (relating to trading and non-trading activities), liquidity risk and operational risk. A selection of figures on credit risk, asset and liability management ("**ALM**") and market risk in trading activities are provided under "*Credit Risk*" and "*Asset and Liability Management (market risks in non-trading activities)*".

- Credit risk is the potential negative deviation from the expected value of a financial instrument arising from the non-payment or non-performance by a contracting party (for instance, a borrower), due to that party's insolvency, inability or lack of willingness to pay or perform, or to events or measures taken by the political or monetary authorities of a particular country (country risk). Credit risk thus encompasses default risk and country risk, but also includes migration risk which is the risk for adverse changes in credit ratings.

[19] www.kbc.com/en/risk-reports. This document is not incorporated by reference in this Prospectus.

- Market risk in trading activities is defined as the potential negative deviation from the expected value of a financial instrument (or portfolio of such instruments) due to changes in the level or in the volatility of market prices, e.g. interest rates, exchange rates, equity or commodity prices. The interest rate, foreign exchange and equity risks of the non-trading positions in the banking book are all included in ALM exposure.

- Market risk in non-trading activities (also known as Asset and Liability Management) is the process of managing the Group's structural exposure to market risks. These risks include interest rate risk, equity risk, real estate risk, foreign exchange risk and inflation risk.

- Liquidity risk is the risk that an organisation will be unable to meet its payment obligations as they come due, without incurring unacceptable losses. The principal objective of the Group's liquidity management is to be able to fund such needs and to enable the core business activities of the Group to continue to generate revenue, even under adverse circumstances.

- Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, human error or from sudden external events, whether man-made or natural. Operational risks exclude business, strategic and reputational risks.

KBC Group's risk governance framework defines the responsibilities and tasks required to manage value creation and the associated risks. In recent years, KBC Group's risk management framework underwent significant changes with regard to governance and structure. The goal of these changes was to further improve KBC Group's ability to deal decisively with major economic events in the future by creating an adjusted and comprehensive integrated model that aligns all dimensions of risk, capital and value management.

12.2 Credit risk

The main source of credit risk is the loan & investment portfolio of the Group. A snapshot of this portfolio is shown in the table below.

Loan & investment portfolio

As far as the banking activities are concerned, the main source of credit risk is the loan portfolio. It includes all payment credit, guarantee credit, standby credit and credit derivatives, granted by KBC Group to private persons, companies, governments and banks. Bonds held in the investment portfolio are included if they are corporate- or bank-issued, hence government bonds and trading book exposure are not included.

Since 1Q2018 a switch has been made in the reported 'outstanding' figures from drawn principal to the new IFRS 9 definition of gross carrying amount ("**GCA**"), i.e. including reserved and accrued interests. The additional inclusion of reserved interests led, among others, to an increase in the reported amount of impaired loans. Furthermore, the transaction scope of the credit portfolio was extended and now additionally includes the following 4 elements: (1) bank exposure (money market placements, documentary credit, accounts), (2) debtor risk KBC Commercial Finance, (3) unauthorized overdrafts, and (4) reverse repo (excl. central bank exposure).

	31 December 2014	31 December 2015	31 December 2016	31 December 2017	30 June 2018
Total loan portfolio (in billions of euro)					
Portfolio outstanding + undrawn	166	174	181	191	207
Portfolio outstanding	139	143	148	154	167
Loan portfolio breakdown by business unit (as a % of the portfolio					

of credit outstanding)					
Belgium	64%	65%	65%	63%	65%
Czech Republic	14%	14%	15%	16%	15%
International Markets	18%	18%	17%	18%	17%
Group Centre (IFRS 5 scope)	4%	3%	3%	3%	2%
Total	100%	100%	100%	100%	100%
Loan portfolio breakdown by counterparty sector (as a % of the portfolio of credit outstanding)					
Non-financial services	11%	11%	12%	12%	11%
Retail and wholesale trade	8%	8%	8%	8%	7%
Real estate (risk)	7%	7%	7%	7%	7%
Construction	4%	4%	4%	4%	4%
Impaired loans (in millions of euro or %)					
Amount outstanding	13,692	12,305	10,583	9,186	9,175
Stage 3 loan impairments	5,709	5,517	4,874	4,039	4,403
Credit cost ratio, per business unit					
Belgium	0.23%	0.19%	0.12%	0.09%	0.08%
Czech Republic	0.18%	0.18%	0.11%	0.02%	-0.03%
International Markets	1.06%	0.32%	-0.16%	-0.74%	-0.71%
Group Centre	1.17%	0.54%	0.67%	0.40%	-0.93%
Total	0.42%	0.23%	0.09%	-0.06%	-0.10%
Impaired loans that are more than 90 days past due (PD 11 + 12; in millions of euro or %)					
Impaired loans that are more than 90 days past due	7,676	6,936	5,711	5,242	5,348
Stage 3 loan impairments	4,384	4,183	3,603	3,361	3,621
Ratio of impaired loans that are more than 90 days past due, per business unit					
Belgium	2.2%	2.2%	1.7%	1.4%	1.2%
Czech Republic	2.9%	2.5%	1.9%	1.6%	1.5%
International Markets	19.0%	16.0%	13.4%	11.3%	11.5%
Group Centre	6.3%	6.1%	5.8%	7.3%	8.9%
Total	5.5%	4.8%	3.9%	3.4%	3.2%
Cover ratio (Stage 3 loan loss impairment)/(impaired loans)					
Total	42%	45%	46%	44%	48%
Total, excluding mortgage loans	51%	53%	54%	54%	57%

The normal loan portfolio is split into internal rating classes ranging from 1 (lowest risk) to 9 (highest risk) reflecting the probability of default ("**PD**"). An internal rating ranging from PD 10 to PD 12 is assigned to a defaulted obligor. PD class 12 is assigned when either one of the obligor's credit facilities is terminated by the bank, or when a court order is passed instructing repossession of the collateral. PD class 11 is assigned to obligors that are more than 90 days past due (in arrears or overdrawn), but that do not meet PD 12 criteria. PD class 10 is assigned to obligors for which there is reason to believe that they are unlikely to pay (on time), but that do not meet the criteria for classification as PD class 11 or PD class 12. 'Defaulted' status is fully aligned with 'non-performing' status and 'impaired' status. Obligors in PD classes 10, 11 and 12 are therefore referred to as 'defaulted' and 'impaired'. Likewise, 'performing' status is fully aligned with 'non-defaulted' and 'non-impaired' status.

Loans to large corporations are reviewed at least once a year, with the internal rating being updated as a minimum. If the ratings are not updated in time, a capital add-on is imposed. Loans to SME's and to private individuals are reviewed periodically. During this review, any new information that is available (such as arrears, financial data or a significant change in the risk class) will be taken into account. This monthly exercise can trigger a more in-depth review or may result in action being taken towards the client.

For credit linked to defaulted borrowers in PD classes 10 to 12, the impairment losses are recorded based on an estimate of the net present value of the recoverable amount. This is done on a case-by-case basis and on a statistical basis for smaller credit facilities. In addition, for non-defaulted credit in PD class 1 to 9 impairment losses are recorded on a portfolio basis, using a formula based on the IRB advanced models used internally, or an alternative method if a suitable IRB advanced model is not yet available. The "credit cost ratio" is defined as net changes in specific and portfolio-based impairment for credit risks divided by the average outstanding loan portfolio. "IRB" refers to the Internal Rating-Based Approach. Under the Basel II guidelines, (certain) banks are allowed to make their own assessment of counterparties and exposures to calculate their capital requirements for credit risk. The IRB refers to such internal risk parameters for the purpose of calculating regulatory capital.

As of 2018, impairment losses are recorded according to the IFRS9 requirements (calculated on a lifetime expected credit loss ("**ECL**") basis for defaulted borrowers and on a twelve-month or lifetime ECL basis for non-defaulted borrowers depending on whether there has been a credit risk deterioration and a corresponding shift from 'stage 1' to 'stage 2'.

Under IFRS9, files are allocated in three stages: 'stage 1' allocates performing files, 'stage 2' allocates underperforming files and 'stage 3' allocates non-performing files (PD 10-12, as mentioned above). At origination, all files are allocated to 'stage 1'. If a file experiences a negative change in credit risk, compared to its origination, it will shift from 'stage 1' to 'stage 2', or to 'stage 3' in case the file would go into default.

Structured credit exposure KBC Group (CDOs and other ABS)

As at 31 December 2017, at EUR 1.0 billion, the total net portfolio (i.e., excluding de-risked positions) of structured credit products (consisting primarily of European residential mortgage-backed securities (RMBS)) decreased by EUR 0.4 billion on its level at year-end 2016, due to redemptions. No new investments have been made in 2017.

12.3 Asset and Liability Management (market risks in non-trading activities)

The main technique KBC Group uses to measure interest rate risks is the 10 basis point value (**BPV**). The 10 BPV measures the extent to which the value of the portfolio would change if interest rates were to go up by ten basis points across the entire curve (negative figures indicate a decrease in the value of the portfolio). KBC Group also uses other techniques such as the gap analysis, scenario analysis and stress testing (both from a regulatory capital perspective and from a net income perspective). More details are available in the 2017 annual report of KBC Bank.

BPV (10 basis points) of the ALM-book of the Group (in millions of euro) (unaudited figures, except for those 'As at 31 December')

Average of 1Q 2015	-63
Average of 2Q 2015	-46
Average of 3Q 2015	-33
Average of 4Q 2015	-30
As at 31 December 2015	-30
Average of 1Q 2016	-24
Average of 2Q 2016	-35
Average of 3Q 2016	-50
Average of 4Q 2016	-83
As at 31 December 2016	-83
Average of 1Q 2017	-79

Average of 2Q 2017	-74
Average of 3Q 2017	-73
Average of 4Q 2017	-76
As at 31 December 2017	-76

12.4 Market risk management

The Group is exposed to market risk via the trading books of its dealing rooms in Belgium, the Czech Republic, the Slovak Republic and Hungary, as well as via a minor presence in the UK and Asia. Limited trading activities are also carried out at the recently acquired United Bulgarian Bank (UBB) in Bulgaria (regulatory capital charges for market risk amounted to EUR 6 million at the end of 2017). The dealing rooms, with the dealing room in Belgium accounting for the largest part of the limits and risks, focus on trading in interest rate instruments, while activity on the foreign exchange markets has traditionally been limited. All dealing rooms focus on providing customer service in money and capital market products and on funding the bank activities.

As regards the legacy CDO business, the remaining small positions were completely closed out in April 2017, which resulted in the definitive and complete closure of this business line. The reverse mortgages and insurances derivatives legacy business lines have been transferred from KBC Investments Limited to KBC Bank, as only a small quantity of contracts remain (accounting for approximately 1% of the total regulatory capital charges for market risk set out in the table at the end of this section). The fund derivatives legacy business line has been almost completely wound down, which means that KBC Investments Limited will be dissolved in the near future.

The table below shows the Historical Value-at-Risk (HVaR; 99% confidence interval, ten-day holding period, historical simulation) for the linear and non-linear exposure of all the dealing rooms of KBC Group.

More details are available in the 2017 annual report of KBC Bank.

Market risk HVaR[1] (Ten-day holding period, in millions of euro)

	KBC Bank
Average, 1Q 2015	14
Average, 2Q 2015	15
Average, 3Q 2015	15
Average, 4Q 2015	16
End of period	*18*
Maximum in year	*21*
Minimum in year	*12*
Average, 1Q 2016	16
Average, 2Q, 2016	15
Average, 3Q 2016	15
Average, 4Q 2016	14
End of period	*20*
Maximum in year	*20*
Minimum in year	*11*

Average, 1Q 2017	19
Average, 2Q 2017	26
Average, 3Q 2017	27
Average, 4Q 2017	22
End of period	*18*
Maximum in year	*31*
Minimum in year	*15*
Average, 1Q 2018	18
Average, 2Q 2018	16

Regulatory capital charges for market risk

As shown in the table below, in 2017 approximately 90% of the regulatory capital requirements were calculated using Approved Internal Models ("**AIM**"). In previous years, this used to be the sum of the regulatory capital requirements calculated using the AIMs of KBC Bank, KBC Investments Limited – both models were authorised by the Belgian regulator – and ČSOB in the Czech Republic, whose model was authorised by the Czech Republic regulator. In June 2017, the ECB approved the integration of the European equity derivatives trading activities (the only trading activity in KBC Investments Limited's AIM) into KBC Bank's AIM, thus resulting in two AIMs instead of three (cutting costs and reducing complexity). The two AIMs are also used for the calculation of Stressed VaR ("**SVaR**"), which is one of the CRD III Regulatory Capital charges that entered into effect at year-end 2011. The calculation of an SVaR measure is based on the normal VaR calculations and follows the same methodological assumptions, but is constructed as if the relevant market factors were experiencing a period of stress. The period of stress is calibrated at least once a year by determining which 250-day period between 2006 and the (then) present day produces the severest losses for the relevant positions.

The resulting capital requirements for trading risk at year-end 2016 and 2017 are shown in the table below. It shows the regulatory capital requirements by risk type, as assessed by the internal model. The regulatory capital requirements for the trading risk of local KBC entities (where, for reasons of materiality, approval was not sought from the regulator to use an internal model for capital calculations), as well as the business lines not included in the VaR calculations, are measured according to the Standardised approach and likewise shown by risk type.

Trading Regulatory Capital Requirements by risk type for KBC Group (in millions of euro)

		Interest rate risk	Equity risk	FX risk	Commodity risk	Resecuritisation	Total
31-12-2016							
Market risks assessed by internal model	HVaR	57	2	7	-	-	156
	SVaR	74	2	14	-		
Market risks assessed by the Standardised Approach		18	4	13	0	1	37
Total		150	8	34	0	1	193
31-12-2017							
Market risks assessed by internal model	HVaR	77	3	5	-	-	235
	SVaR	129	7	14	-		

Market risks assessed by the Standardised Approach	18	6	9	0	0	33
Total	225	16	28	0	0	269

13. BANKING SUPERVISION AND REGULATION

13.1 Introduction

KBC Bank, a credit institution governed by the laws of Belgium, is subject to detailed and comprehensive regulation in Belgium, and is supervised by the European Central Bank ("**ECB**"), acting as the supervisory authority for prudential supervision of significant financial institutions. The ECB exercises its prudential supervisory powers by means of application of EU rules and national (Belgian) legislation. The supervisory powers conferred to the ECB include, amongst others, the granting and withdrawal of authorisations to and from credit institutions, the assessment of acquisitions and disposals of qualifying holdings in credit institutions, ensuring compliance with the rules on equity, liquidity, statutory ratios and the carrying out of supervisory reviews (including stress tests) for credit institutions.

Pursuant to Regulation (EU) n° 468/2014 of 16 April 2014 establishing a framework for cooperation within the Single Supervisory Mechanism between the ECB and national competent authorities, a joint supervisory team has been established for the prudential supervision of KBC Bank (and KBC Group NV). This team is composed of staff members from the ECB and from the national supervisory authority (*in casu* the NBB) and working under the coordination of an ECB staff member.

The Financial Services and Markets Authority ("**FSMA**"), an autonomous public agency, is in charge of the supervision of conduct of business rules for financial institutions and financial market supervision.

EU directives have had and will continue to have a significant impact on the regulation of the banking business in the EU, as such directives are implemented through legislation adopted in each Member State, including Belgium. The general objective of these EU directives is to promote the realisation of a unified internal market for banking services and to improve standards of prudential supervision and market efficiency through harmonisation of core regulatory standards and mutual recognition among EU Member States of regulatory supervision and, in particular, licensing.

13.2 Supervision and regulation in Belgium

The banking regime in Belgium is governed by the Law of 25 April 2014 on the legal status and supervision of credit institutions and stockbroking firms (the "**Credit Institutions Supervision Act**"). The Credit Institutions Supervision Act replaces the Law on the legal status and supervision of credit institutions of 22 March 1993 and implements various EU directives, including, without limitation, Directive 2013/36/EU of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms ("**CRD**") and, where applicable, Regulation (EU) n° 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms ("**CRR**", and together with CRD, "**CRD IV**") and Directive 2014/59 of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms ("**BRRD**"). CRD IV applies in Belgium since 1 January 2014, subject to certain requirements being phased in over a number of years, as set out therein. BRRD has formally been transposed into Belgian Law by amending the Credit Institutions Supervision Act with effect from 16 July 2016.

The Credit Institutions Supervision Act sets forth the conditions under which credit institutions may operate in Belgium and defines the regulatory and supervisory powers of the ECB and the NBB. The main objective of the Credit Institutions Supervision Act is to protect public savings and the stability of the Belgian banking system in general.

13.3 Supervision of credit institutions

All Belgian credit institutions must obtain a license from the ECB before they may commence operations. In order to obtain a license and maintain it, each credit institution must fulfil numerous conditions, including certain minimum paid-up capital requirements. In addition, any shareholder holding 10% or more (directly or indirectly, alone, together with affiliated persons or in concert with third parties) of the capital or the voting rights of the institution must be of "fit and proper" character to ensure proper and prudent management of the credit institution. The ECB therefore requires the disclosure of the identity and participation of any shareholder with a 10% or greater capital or voting interest. If the ECB considers that the participation of a shareholder in a credit institution jeopardises its sound and prudent management, it may suspend the voting rights attached to this participation and, if necessary, request that the shareholder transfers to a third party its participation in the credit institution. Prior notification to and non-opposition by the ECB is required each time a person intends to acquire shares in a credit institution, resulting either in the direct or indirect ownership of a qualified holding of the capital or voting rights (i.e., 10% or more), or in an increase of such qualified holding thereby attaining or surpassing 20%, 30% or 50%, or when the credit institution would become his subsidiary. Furthermore, a shareholder who wishes to directly or indirectly sell his participation or a part thereof, which would result in his shareholding dropping below any of the above-mentioned thresholds, must notify the ECB thereof. The Belgian credit institution itself is obliged to notify the ECB of any such transfer when it becomes aware thereof. Moreover, every shareholder acquiring, decreasing or increasing its holding (directly or indirectly, alone, together with affiliated persons or in concert with third parties) to 5% or more of voting rights or capital without reaching the qualifying holding threshold of 10%, must notify the ECB thereof within 10 working days.

The Credit Institutions Supervision Act requires credit institutions to provide detailed periodic financial information to the ECB and, under certain circumstances, the FSMA. The ECB also supervises the enforcement of laws and regulations with respect to the accounting principles applicable to credit institutions. The ECB sets the minimum capital adequacy ratios applicable to credit institutions. The ECB may also set other ratios, for example, with respect to the liquidity and gearing of credit institutions. It also sets the standards regarding solvency, liquidity, risk concentration and other limitations applicable to credit institutions and the publication of this information. The NBB may in addition impose capital requirements for capital buffers (including countercyclical buffer rates and any other measures aimed at addressing systemic or macro-prudential risks). In order to exercise its prudential supervision, the ECB may require that all information with respect to the organisation, the functioning, the position and the transactions of a credit institution be provided to it. Further, the ECB supervises, among other things, the management structure, the administrative organisation, the accounting and the internal control mechanisms of a credit institution. In addition, the ECB may conduct on-site inspections (with or without the assistance of NBB staff). The comprehensive supervision of credit institutions is also exercised through statutory auditors who cooperate with the supervisor in its prudential supervision. A credit institution selects its statutory auditor from the list of auditors or audit firms accredited by the NBB. Within the context of the European System of Central Banks, the NBB issues certain recommendations regarding monetary controls.

The Credit Institutions Supervision Act has introduced a prohibition in principle on proprietary trading as from 1 January 2015. However, certain proprietary trading activities are excluded from this prohibition. Permitted proprietary trading activities (including certified market-making, hedging, treasury management, and long-term investments) are capped, and these types of activities must comply with strict requirements on reporting, internal governance and risk management.

The Credit Institutions Supervision Act establishes a range of instruments to tackle potential crises of credit institutions at three stages:

Preparation and prevention

Credit institutions have to draw up recovery plans, setting out the measures they would take to restore their financial position in the event of a significant deterioration to their financial position. These recovery plans

must be updated at least annually or after a change to the legal or organisational structure of the institution, its business or its financial situation, which could have a material effect on, or necessitates a change to, the recovery plans. In its review of the recovery plan, the ECB pays particular attention to the appropriateness of the capital and financing structure of the institution in relation to the degree of complexity of its organisational structure and its risk profile.

The Single Resolution Board will have to prepare a resolution plan for each significant Belgian credit institution, laying out the actions it may take if it were to meet the conditions for resolution (as set out under "*Resolution*" below). The Resolution College of the NBB has the same powers with regard to the non-significant Belgian credit institutions. If the Single Resolution Board or the Resolution College identifies material impediments to resolvability during the course of this planning process, it can require a credit institution to take appropriate measures, including changes to corporate and legal structures.

Early intervention

The ECB/NBB dispose of a set of powers to intervene if a credit institution faces financial distress (e.g. when a credit institution is not operating in accordance with the provisions of the Credit Institutions Supervision Act or CRD IV), but before its financial situation deteriorates irreparably. These powers include the ability to dismiss the management and appoint a special commissioner, to convene a meeting of shareholders to adopt urgent reforms, to suspend or prohibit all or part of the credit institution's activities (including a partial or complete suspension of the execution of current contracts), to order the disposal of all or part of the credit institution's shareholdings, and finally, to revoke the license of the credit institution.

Resolution

In relation to credit institutions falling within the scope of the Single Supervisory Mechanism, such as KBC Bank (and KBC Group NV), the Single Resolution Board is the resolution decision-making authority since 1 January 2016. Pursuant to Regulation (EU) No 806/2014 of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund, the Single Resolution Board replaced national resolution authorities (such as the Resolution College of the NBB) for resolution decisions with regard to significant credit institutions.

The resolution authority can decide to take resolution measures if it considers that all of the following circumstances are present: (i) the determination has been made by the resolution authority, after consulting the competent authority, that a credit institution is failing or is likely to fail, (ii) there is no reasonable prospect that any alternative private sector measures or supervisory action can be taken to prevent the failure of the institution, and (iii) resolving the credit institution is necessary from a public interest perspective. The resolution tools are: (i) the sale of (a part of) the assets/liabilities or the shares of the credit institution without the consent of shareholders, (ii) the transfer of business to a temporary structure ("bridge bank"), (iii) the separation of clean and toxic assets and the transfer of toxic assets to an asset management vehicle and (iv) bail-in. Each decision will be subject to prior judicial control.

The fourth resolution tool, i.e. the bail-in tool, entered into force on 1 January 2016. It was implemented into Belgian law through the Royal Decree of 18 December 2015 implementing the Credit Institutions Supervision Act. Bail-in is a mechanism to write down the eligible liabilities (subordinated debt, senior debt and eligible deposits) or to convert debt into equity, as a means of restoring the institution's capital position. The bail-in tool also applies to existing debt instruments. The resolution authority is also empowered (and in certain circumstances required) to write down or convert capital instruments (such as Common Equity Tier 1-, Additional Tier 1- and Tier 2-instruments), before or together with the use of any resolution tools, if it determines that a credit institution becomes non-viable, that the conditions for the exercise of the resolution powers are fulfilled and/or that a credit institution has asked for public support.

The applicability of the resolution tools and measures to credit institutions that are part of a cross-border group are regulated by the Royal Decree of 26 December 2015 amending the Credit Institutions Supervision Act, which entered into force on 1 January 2016.

13.4 Bank governance

The Credit Institutions Supervision Act also puts a lot of emphasis on the solid and efficient organisation of credit institutions and introduces to that effect a dual governance structure at management level, specialised advisory committees within the Board of Directors (Audit Committee, Risk Committee, Remuneration Committee and Nomination Committee), independent control functions, and strict remuneration policies (including limits on the amount of variable remuneration, the form and timing for vesting and payment of variable remuneration, as well as claw-back mechanics.

The Credit Institutions Supervision Act makes a fundamental distinction between the management of banking activities, which is within the competence of the Executive Committee, and the supervision of management and the definition of the credit institution's general and risk policy, which is entrusted to the Board of Directors. According to the Credit Institutions Supervision Act, KBC Bank has an Executive Committee of which each member is also a member of the Board of Directors.

Pursuant to the Credit Institutions Supervision Act, the members of the Executive Committee and the Board of Directors need to permanently have the required professional reliability and appropriate experience. The same goes for the responsible persons of the independent control functions. The fit and proper standards have been further elaborated by the NBB in a Circular of 18 September 2018 and the Manual on assessment of fitness and propriety.

The NBB Governance Manual for the Banking Sector (the "**Governance Manual**") contains recommendations to assure the suitability of shareholders, management and independent control functions and the appropriate organisation of the business.

As required by the Credit Institutions Supervision Act and the Governance Manual, KBC Group has drafted a Group Internal Governance Memorandum (the "**Governance Memorandum**"), which sets out the corporate governance policy applying to KBC Group and its subsidiaries and of which the governance memorandum of KBC Bank forms part. The corporate governance policy of a credit institution must meet the principles set out in the law and the Governance Manual. The most recent version of the Governance Memorandum was approved on 19 April 2018 by the Board of Directors of KBC Group NV, KBC Bank and KBC Insurance NV and has been sent to the NBB.

KBC Bank also has a Corporate Governance Charter which is published on www.kbc.com[20].

13.5 Solvency supervision

Capital requirements and capital adequacy ratios are provided for in the CRR, transposing the Basel III regulation into European law. CRR requires that credit institutions must comply with several minimum solvency ratios. These ratios are defined as Common Equity Tier 1, Tier 1 or Total Capital divided by risk weighted assets. Risk weighted assets are the sum of all assets and off-balance sheet items weighted according to the degree of credit risk inherent in them. The solvency ratios also takes into account market risk with respect to the bank's trading book (including interest rate and foreign currency exposure) and operational risk in the calculation of the weighted risk. On top of the capital requirements defined by the solvency ratios, the regulation imposes a capital conservation buffer and, in certain cases a systemic risk buffer and/or a countercyclical buffer.

[20] This document is not incorporated by reference in this Prospectus.

Solvency is also limited by the leverage ratio, which compares Tier 1 capital to non-risk weighted assets.

The payment of dividends by Belgian credit institutions is not limited by Belgian banking regulations, except indirectly through capital adequacy and solvency requirements when capital ratios fall below certain thresholds. The pay-out is further limited by the general provisions of Belgian company law.

The minimum solvency ratios required under CRD IV/CRR are 4.5% for the common equity tier-1 ("**CET1**") ratio, 6.0% for the tier-1 capital ratio and 8.0% for the total capital ratio (i.e., the pillar 1 minimum ratios). As a result of its supervisory review and evaluation process ("**SREP**"), the competent supervisory authority (in KBC Group's case, the ECB) can require KBC Group to maintain higher minimum ratios (i.e., the pillar 2 requirements which in 2016 have been split by the ECB in a pillar 2 requirement and a pillar 2 guidance) because, for instance, not all risks are properly reflected in the regulatory pillar 1 calculations. On top of this, a number of additional buffers have to be put in place, including a capital conservation buffer of 2.5% (to be phased in between 2016 and 2019), a buffer for systemically important banks ("**O-SII buffer**", to be determined by the national competent authority) and a countercyclical buffer in times of credit growth (between 0% and 2.5%, likewise to be determined by the national competent authority). These buffers need to be met using CET1 capital, the strongest form of capital.

In the context of its supervisory authority, the ECB requires KBC Group to maintain (i) a pillar 2 requirement (P2R) of 1.75% CET1 and (ii) a pillar 2 guidance (P2G) of 1.0% CET1.

The capital requirement for KBC Group is not only determined by the ECB but also by decisions of the various local competent authorities in KBC Group's core markets. The Czech and Slovak competent authorities require a countercyclical buffer requirement of 1.25% on relevant credit exposures in their jurisdiction, which corresponds with an additional CET1 requirement at Group level of 0.35%. The NBB requires an additional capital buffer for other systemically important banks of 1.5% in 2018.

The capital conservation buffer currently stands at 1.875% for 2018, and will increase to 2.50% in 2019. These buffers come on top of the minimum CET1 requirement of 4.5% under pillar 1. Altogether, this brings the fully loaded CET1 requirement (under the Danish compromise[21]) to 10.60% with an additional 1% pillar 2 guidance.

Furthermore, since part of the requirements are gradually built up by 2019, the relevant requirement (under the Danish compromise) for 2018 on a phased in basis is at a lower level, i.e., 9.875% CET1.

The following table provides an overview of the phased in CET1 requirement for 2018 and the fully loaded CET1 requirement:

KBC Group	2018	Fully loaded
Pillar 1 minimum requirement (P1 min)	4.50%	4.50%
Pillar 2 requirement (P2R)	1.75%	1.75%
Conservation buffer	1.875%	2.50%
O-SII buffer	1.50%	1.50%
Countercyclical buffer	0.25%	0.35%
Overal capital requirement (OCR) = MDA threshold*	9.875%	10.60%

**Maximum Distributable Amount under CRD IV*

[21] The Danish compromise deals with the treatment of insurance holdings within conglomerates for the purpose of calculating the CRR capital ratios.

KBC Group clearly exceeds these targets: on 30 June 2018, the fully loaded CET1 ratio for KBC Group came to 15.8%, (16.3% at 31 December 2017) which represented a capital buffer of EUR 14,175 million relative to the minimum requirement of 10.60%. The leverage ratio (Basel III, fully loaded) stood at 6% (6.1% at 31 December 2017) relative to the minimum requirement of 3%.

13.6 Large exposure supervision

European regulations ensure the solvency of credit institutions by imposing limits on the concentration of risk in order to limit the impact of failure on the part of a large debtor. For this purpose, credit institutions must limit the amount of risk exposure to any single counterparty to 25% of the total capital. European regulations also require that the credit institutions establish procedures to contain concentrations on economic activity sectors and geographic areas.

13.7 Money laundering

Belgium has implemented Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing by the law of 18 September 2017 on the prevention of money laundering, terrorist financing and on the limitation of the use of cash (the "**AML Act**"). This legislation contains a preventive system imposing a number of obligations in relation to money laundering and the financing of terrorism. These obligations are related, among other things, to the identification of the client, special attention for unusual transactions, internal reporting, processing and compliance mechanisms with the appointment of a compliance officer, and employee training requirements. A risk-based approach assumes that the risks of money laundering and terrorism financing may take various forms. Accordingly, businesses/individuals subject to the AML Act do have to proceed to a global assessment of the risks they are facing and formulate efficient and adequate measures. The definition of politically exposed people is being broadened. It will encompass not only national persons who are or who have been entrusted with prominent public functions residing abroad, but also those residing in the country. Member States also have to set up a central register which identifies the ultimate beneficial owner of companies and other legal entities. Payments/donations in cash are capped at EUR 3,000. Member States must also provide for enhanced customer due diligence measures for the obliged entities to apply when dealing with natural persons or legal entities established in high-risk third countries.

When, after investigation, a credit or financial institution suspects money laundering to be the purpose of a transaction, it must promptly notify an independent administrative authority, the Financial Intelligence Unit. This Unit is designated to receive reports on suspicious transactions, to investigate them and, if necessary, to report to the criminal prosecutors to initiate proceedings. The NBB has issued guidelines for credit and financial institutions and supervises their compliance with the legislation. Belgian criminal law specifically addresses criminal offences of money-laundering (Article 505, subsection 1, 2°-4° of the Criminal Code) and sanctions them with a jail term of a minimum of fifteen days and a maximum of five years and/or a fine of a minimum of EUR 26 and a maximum of EUR 100,000 (to be multiplied by 8) or, for legal entities, a fine of a minimum of EUR 500 and a maximum of EUR 200,000 (to be increased with the additional penalty or, in other words, to be multiplied by 8).

13.8 Consolidated supervision – supplementary supervision

KBC Bank is subject to consolidated supervision by the ECB on the basis of the consolidated financial situation of KBC Group NV, which covers, among other things, solvency as described above, pursuant to Articles 165 and following of the Credit Institutions Supervision Act. As a subsidiary of a Belgian mixed financial holding company (KBC Group NV) and part of a financial conglomerate, KBC Bank is also subject to the supplementary supervision by the ECB, according to Directive 2011/89/EU of 16 November 2011 amending Directives 98/78/EC, 2002/87/EC, 2006/48/EC and 2009/138/EC as regards the supplementary supervision of financial entities in a financial conglomerate (implemented in Articles 185 and following of

the Credit Institutions Supervision Act). The supplementary supervision relates to, among other things, solvency, risk concentration and intra-group transactions and to enhanced reporting obligations.

The consolidated supervision and the supplementary supervision will be aligned as much as possible, as described in Article 170 of the Credit Institutions Supervision Act.

14. EXPERTISE IN ORIGINATING MORTGAGE LOANS

KBC Bank has significantly more than five years of experience in the origination, underwriting and servicing of mortgage loans similar to the Mortgage Loans included in the Provisional Portfolio.

15. RECENT EVENTS

Information about recent events in relation to KBC Bank can be found in the following subsections: *2. The strategic plan of KBC Group* (pages 89 to 92), *3. Management structure* (pages 92 to 93), *4. Short presentation of KBC Bank* (page 93), *8. General description of activities of KBC Bank* (pages 95 to 96), *9. Principal markets and activities* (pages 96 to 100), *12. Risk management* (pages 101 to 107), *13. Banking supervision and regulation* (pages 107 to 113) and *21. Litigation* (pages 119 to 125).

Detailed information is set out in KBC Group's and KBC Bank's press releases and financial reports, all of which are available on www.kbc.com. For the avoidance of doubt, the information available on the KBC website, www.kbc.com, shall not be incorporated by reference in, or form part of, this Prospectus, unless otherwise specified in the section *Documents Incorporated By Reference* below.

16. TREND INFORMATION

The main sources for this section are the European Banking Authority, the European Central Bank and the European Commission.

16.1 Banking sector

After ongoing recapitalisation in the aftermath of the Eurocrisis, banks in the Eurozone continued to strengthen their balance sheet, closely monitored by the European Central Bank. 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 rather well and continue to be good. The Czech and Slovakian banking systems are also characterised by good asset quality, while in Hungary and Bulgaria high non-performing loans are decreasing.

Loan growth in the Eurozone is strengthening. 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. Amid 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.

16.2 General economic environment and risks

The global economy continues to perform solidly. In the United States, annual real gross domestic product ("**GDP**") growth in 2017 accelerated to 2.3% after its dip in 2016 (1.5%). Growth in the United States was

driven primarily by strong private consumption, which was underpinned by improving labour market conditions. Additionally, business spending picked up markedly. Growth figures for the first three quarters in 2018 continued this favourable trend with ongoing fiscal stimulus providing an extra boost to private a government spending. Corporate sentiment indicators – although down from their recent highs – also continue to signal optimism. Furthermore, the tax reform which the Republicans approved in the United States at the end of 2017 together with more government spending is expected to deliver some additional, albeit modest, boost to growth in 2018-2019. Therefore, average annual GDP growth in the United States is expected to slightly accelerate and reach its peak in 2018. The growth pace will then likely decline in the following years, reflecting the late-cyclical state of the United States economy, the tighter policy of the Federal Reserve System ("**Fed**") and tightness of the United States labour market. For now, activity and inflation trends will support the Federal Reserve to continue with their gradual monetary policy path as planned. Also for the Eurozone economy, 2017 was a very strong year with an average annual growth rate of 2.5%, which was far more than expected. Private demand played an important role in the growth uptick, but net trade also made a substantial growth contribution. Moreover, business investment, although not fully recovered from the crisis, was an essential growth contributor during the year. In the first half of 2018, euro area GDP growth was somewhat lacklustre compared to the strong 2017 figures, with domestic demand the main driver. Economic sentiment in the Eurozone declined in the first half of 2018. However, it remains at elevated levels, after having reached a seventeen-year high in December 2017. Nevertheless, optimism remains for the Eurozone economy and above-potential growth in the coming years is still expected.. The main risks for the euro area economy will be the adverse effects of the ongoing trade conflicts and negative consequences from Brexit.

Headline inflation is picking up in the euro area. This is mainly driven by oil price movements. Core inflation, excluding prices of energy, food, tobacco and alcohol, remains subdued in the region of 1%. Nevertheless, wage growth measures in several euro area economies have been rising recently, suggesting more inflation support from that corner in the coming months. Nevertheless, we still expect inflation to approach but not reach the ECB's medium-term target of below but close to 2%. This persistent shortfall from its inflation target explains the rather dovish stance of the ECB and its very gradual monetary policy normalisation plans with a first rate hike at the earliest after the summer of 2019. The combination of a dovish central bank, disappointing economic data, sticky core inflation, flight to quality capital flows, scarcity of German benchmark bonds and a continued presence of excess liquidity in the euro area will delay and slow down the normalisation of the term premium on euro area bond markets.

Momentum remains supportive for the US dollar in the short-term as the interest rate differentials with the Eurozone have again reached multi-year highs. However, in the medium to longer term, most factors are pointing to an appreciation of the euro against the US dollar. Expectations of a first ECB rate hike and the consequences of late-cyclical fiscal stimulus (twin deficits) in the United States will lead to a strengthening of the Euro.

17. MANAGEMENT OF KBC BANK

The Board of Directors of KBC Bank has the powers to perform everything that is necessary or useful to achieve the corporate purpose of KBC Bank, with the exception of those powers of which, pursuant to the law and its Articles of Association, solely another body is empowered to perform.

The corporate purpose of KBC Bank is set out in Article 2 of its Articles of Association. It includes the execution of all banking operations in the widest sense, as well as the exercise of all other activities which banks are or shall be permitted to pursue and all acts that contribute directly or indirectly thereto.

To the extent these laws and regulations apply to KBC Bank, KBC Bank complies with the laws and regulations of Belgium regarding corporate governance.

Pursuant to Article 24 of the Credit Institutions Supervision Act and Article 524bis of the Belgian Companies Code, the Board of Directors of KBC Bank has conferred powers on the Executive Committee to

perform the acts referred to in Article 522 of the Belgian Companies Code and Article 18 of the Articles of Association of KBC Bank. However, this transfer of powers relates neither to the definition of general policy, nor to the powers which are reserved to the Board of Directors by law. The Board of Directors is responsible for the supervision of the Executive Committee. KBC Bank is not aware of any potential conflicts of interest between the duties to KBC Bank of the Members of the Board of Directors of KBC Bank detailed below and their private interests or other duties.

As at the date of this Prospectus, the members of the Board of Directors of KBC Bank are the following:

Name and business address	**Position**	**Expiry date of current term of office**	**External offices**
LEYSEN Thomas KBC Bank NV Havenlaan 2 1080 Brussel	Chairman	2019	Chairman of the Board of Directors of Corelio NV Non-executive Director of Booischot NV Chairman of the Board of Directors of KBC Verzekeringen NV Chairman of the Board of Directors of KBC Group NV Chairman of the Board of Directors of Mediahuis NV
HOLLOWS John CSOB Ceskoslovenska obchodni banka Radlicka 333/150 Praha 5 150 57 Czech Republic	Executive Director	2021	Executive Director of KBC Verzekeringen NV Member of the Executive Committee of KBC Groep NV CEO (non-director) of Ceskoslovenska Obchodni Banka a.s. (CR)
POPELIER Luc KBC Bank NV Havenlaan 2 1080 Brussel	Executive Director	2021	Executive Director of KBC Verzekeringen NV Member of the Executive Committee of KBC Groep NV Chairman of the Board of Directors of K&H Bank Zrt. Chairman of the Supervisory Board of K&H Biztosito Zrt. Chairman of the Board of Directors of Start it Fund NV Chairman of the Board of Directors of KBC Asset Management NV Member of the Management Board of KBC Bank NV, Dublin Branch Chairman of the Board of Directors of KBC Bank Ireland plc Chairman of the Board of Directors of KBC Securities NV Chairman of the Supervisory Board of Ceskoslovenska Obchodna Bank a.s. (SR) Chairman of the Supervisory Board of United Bulgarian Bank AD Member of the Management Board of CSOB Poistovna a.s. Chairman of the Supervisory Board of DZI General Insurance JSC Chairman of the Supervisory Board of DZI Life Insurance JSC

THIJS Johan KBC Bank NV Havenlaan 2 1080 Brussel	Executive Director/CEO	2021	Executive Director/CEO of KBC Verzekeringen NV Chairman of the Board of Directors of Febelfin Executive Director/CEO of KBC Group NV Non-executive Director of VOKA Non-executive Director of European Banking Federation Non-executive Director of Museum Nicolaas Rockox Non-executive Director of Gent Festival van Vlaanderen
VAN RIJSSEGHEM Christine KBC Bank NV Havenlaan 2 1080 Brussel	Executive Director	2022	Executive Director KBC Group NV Executive Director KBC Verzekeringen NV Non-executive Director of K&H Bank Zrt Non-executive Director of KBC Bank Ireland plc Member of the Supervisory Board of Ceskoslovenska Obchodni Banka a.s. (CR) Member of the Management Board of KBC Bank NV, Dublin Branch Member of the Supervisory Board of United Bulgarian Bank AD
ARISS Nabil 16 Chiddingstone street London SW6 3TG United Kingdom	Non-executive Director	2022	Executive Director AF Law
DEPICKERE Franky Cera-KBC Ancora Muntstraat 1 3000 Leuven	Non-executive Director	2019	Executive Director of Cera CVBA Executive Director of Cera Beheersmaatschappij NV Non-executive Director of BRS Microfinance Coop CVBA Non-executive Director of CBC Banque SA Non-executive Director of KBC Group NV Non-executive Director of KBC Verzekeringen NV Executive Director of Almancora Beheersmaatschappij NV Non-executive Director of International Raiffeisen Union e.V. Non-executive Director of Euro Pool System International BV Member of the Supervisory Board of Ceskoslovenska Obchodni Banka a.s. (CR) Executive Director of KBC Ancora Comm.VA
CALLEWAERT Katelijn Cera Beheersmaatschappij Muntstraat 1 3000 Leuven	Non-executive Director	2021	Executive Director of Cera Beheersmaatschappij NV Member of the Executive Committee of Cera CVBA Non-executive Director of KBC Group NV Non-executive Director of KBC Verzekeringen NV Executive Director of Almancora Beheersmaatschappij NV
DE BECKER Sonja	Non-executive	2020	Non-executive Director of Acerta CVBA

MRBB CVBA Diestsevest 40 3000 Leuven	Director		Non-executive Director of M.R.B.B. CVBA – Maatschappij voor Roerend Bezit van de Boerenbond Non-executive Director of Directors of SBB Accountants en Belastingconsulenten BV CVBA Non-executive Director of Agri Investment Fund CVBA Non-executive Director of KBC Group NV Non-executive Director of KBC Verzekeringen NV Executive Director of SBB Bedrijfsdiensten CVBA Non-executive Director of BB-Patrim CVBA Chairman of the Board of Directors of Boerenbond
WITTEMANS Marc MRBB cvba Diestsevest 40 3000 Leuven	Non-executive Director	2022	Non-executive Director of KBC Group NV Chairman of the Board of Directors of Arda Immo NV Non-executive Director of Acerta CVBA Non-executive Director of Acerta Consult CVBA Non-executive Director of SBB Accountants en Belastingconsulenten BV CVBA Executive Director/CEO of M.R.B.B. CVBA - Maatschappij voor Roerend Bezit van de Boerenbond Non-executive Director of Agri Investment Fund CVBA Chairman of the Board of Directors of Aktiefinvest CVBA Non-executive Director of KBC Verzekeringen NV Non-executive Director Acerta Public NV Non-executive Director of Shéhérazade Développement CVBA Non-executive Director of AVEVE NV – Aan- en verkoopvennootschap van de Belgische Boerenbond Non-executive Director of AVEVE NV – Aan- en verkoopvennootschap van de Belgische Boerenbond Member of the Supervisory Board of Ceskoslovenska Obchodni Banka a.s. (CR)
FALQUE Daniel KBC Bank NV Havenlaan 2 1080 Brussels	Executive Director	2020	Non-executive Director of CBC Banque SA Executive Director of KBC Verzekeringen NV Member of the Executive Committee of KBC Group NV Non-executive Director of BVB Non-executive Director of Union Wallonne des Entreprises ASBL
MAGNUSSON Bo KBC Bank NV Havenlaan 2 1080 Brussels	Non-executive Director	2020	Chairman of the Board of Directors of Carnegie Holding AB Chairman of the Board of Directors of Carnegie Investment Bank AB Chairman of the Board of Directors of SBAB AB Chairman of the Board of Directors of Sveriges Sakerstallda obligationer AB Non-executive Director of Bmag AB Chairman of the Board of Directors of Rikshem AB

			Chairman of the Board of Directors of Rikshem Intressenter AB
NONNEMAN Walter Universiteit Antwerpen Prinsstraat 13 2000 Antwerpen	Non-executive Director	2021	Non-executive Director of Cera Beheersmaatschappij NV Non-executive Director of KBC Group NV Non-executive Director of KBC Verzekeringen NV Non-executive Director of Fluxys NV
VANHOVE Matthieu Cera Muntstraat 1 3000 Leuven	Non-executive Director	2021	Non-executive Director of BRS Microfinance Coop CVBA Non-executive Director of KBC Group NV Non-executive Director of KBC Verzekeringen NV Non-executive Director Cera Beheersmaatschappij NV
LUTS Erik KBC Bank NV Havenlaan 2 1080 Brussels	Executive Director	2021	Executive Director of Ambassadors Club Slovenia in Belgium ASBL Non-executive Director of De Bremberg VZW Non-executive Director of Thanksys NV Non-executive Director of Joyn International NV Non-executive Director of KBC Start it Fund NV Non-executive Director of Storesquare NV Executive Director of KBC Verzekeringen NV Member of the Executive Committee of KBC Group NV Non-executive Director of Isabel NV Non-executive Director of Belgian Mobile Wallet ID NV Non-executive Director of Bancontact Company NV
SCHEERLINCK Hendrik KBC Bank NV Havenlaan 2 1080 Brussels	Executive Director	2021	Executive Director of KBC Group NV Executive Director of KBC Verzekeringen NV Non-executive Director of KBC Credit Investments NV

18. MEMBERS OF THE AUDIT COMMITTEE

The Audit Committee has been set up by the Board of Directors and has – with some limited legal exceptions – an advisory role. The Audit Committee, among other things, supervises the integrity and effectiveness of the internal control measures and the risk management in place, paying special attention to correct financial reporting.

The powers and composition of the Audit Committee, as well as its way of functioning, are extensively dealt with in the Corporate Governance Charter of KBC Bank which is published on www.kbc.com.

The members of the Audit Committee of KBC Bank are:

- Marc Wittemans (chairman);

- Nabil Ariss (independent director); and
- Bo Magnusson (independent director).

19. MEMBERS OF THE RISK AND COMPLIANCE COMMITTEE

The Risk and Compliance Committee has been set up by the Board of Directors and has an advisory role. The Risk and Compliance Committee, among other things, provides advice to the Board of Directors about the current and future risk tolerance and risk strategy.

The powers and composition of the Risk and Compliance Committee, as well as its way of functioning, are extensively dealt with in the Corporate Governance Charter of KBC Bank, which is available on www.kbc.com[22].

The members of the Risk and Compliance Committee of KBC Bank are:

- Franky Depickere (chairman);
- Nabil Ariss (independent director); and
- Bo Magnusson (independent director).

20. STATUTORY AUDITORS

On 27 April 2016, PricewaterhouseCoopers Bedrijfsrevisoren BCVBA (*erkend revisor/réviseur agréé*), represented by R. Jeanquart and J. Gregory, with offices at Woluwedal 18, B-1932 Sint-Stevens-Woluwe, Belgium and registered with the Crossroads Bank for Enterprises under number 0429.501.944 ("**PwC**"), has been appointed as auditor of KBC Bank for the financial years 2016-2018. The financial statements of KBC Bank have been audited in accordance with International Standards on Auditing by PwC for the financial years ended 31 December 2016 and 31 December 2017 and resulted in an unqualified audit opinion.

PwC is a member of the *Instituut van de Bedrijfsrevisoren/Institut des Réviseurs d'Entreprises*.

The report of the auditor of KBC Bank on (i) the audited consolidated annual financial statements of KBC Bank and its consolidated subsidiaries for the financial years ended 31 December 2016 and 31 December 2017 and (ii) the unaudited consolidated interim financial statements of KBC Bank and its consolidated subsidiaries for the first six months ended 30 June 2018 are incorporated by reference in this Prospectus, with the consent of the auditor.

21. LITIGATION

This section sets out material litigation to which KBC Bank or any of its companies (or certain individuals in their capacity as current or former employees or officers of KBC Bank or any of its companies) are party. It describes all claims, quantified or not, that could lead to the impairment of the company's reputation or to a sanction by an external regulator or governmental authority, or that could present a risk of criminal prosecution for the company, the members of the board or the management.

[22] This document is not incorporated by reference in this Prospectus.

Although the outcome of these matters is uncertain and some of the claims concern relatively substantial amounts in damages, the management does not believe that the liabilities arising from these claims will adversely affect KBC Bank's consolidated financial position or results, given the provisions that, where necessary, have been set aside for these disputes.

(a) In March 2000, the Belgian State, Finance Department, summoned Rebeo (currently Almafin Real Estate Services) and Trustimmo, two former subsidiaries of former Almafin, now KBC Real Estate, a Belgian subsidiary of KBC Bank, before the civil court in Brussels, together with four former directors of Broeckdal Vastgoedmaatschappij (a real estate company), for not paying approximately EUR 16.7 million in taxes due by Broeckdal Vastgoedmaatschappij. In November 1995, this company had been converted into a cash company and sold to Mubavi België (currently BeZetVe), a subsidiary of Mubavi Nederland (a Dutch real estate investment group). According to the Belgian State, Finance Department, Mubavi België did not make real investments and failed to file proper tax returns. A criminal investigation has been conducted. However Broeckdal Vastgoedmaatschappij contested the tax claims and in December 2002 commenced a lawsuit before the civil court in Antwerp against the Belgian State, Finance Department.

The civil lawsuit pending in Brussels has been suspended pending a final judgement in the tax lawsuit in Antwerp. An adjusted provision of EUR 28.5 million (at 30 September 2018) has been reserved to cover the potential impact of liability with respect to these actions.

In July 2003, Broeckdal Vastgoedmaatschappij, Mubavi België and Mubavi Nederland summoned KBC Bank, KB Consult, Rebeo and Trustimmo before the commercial court in Brussels in order to indemnify them against all damages the former would suffer if the tax claims were approved by the court in Antwerp. In March 2005, Mubavi Nederland was declared bankrupt by the court of 's-Hertogenbosch in the Netherlands.

In November 2005, KBC Bank, KB Consult, Rebeo and Trustimmo and the four former directors of Broeckdal Vastgoedmaatschappij summoned the auditor of Broeckdal Vastgoedmaatschappij, Deloitte & Touche, before the civil court in Brussels in order to indemnify them for any amount they should be ordered to pay as a result of the aforementioned claims. In November 2008 Mubavi België (currently BeZetVe) was also declared bankrupt by the commercial court in Antwerp.

On 2 November 2010 Broeckdal Vastgoedmaatschappij was declared dissolved by the commercial court in Antwerp and the liquidation of the company was closed by judgment of 13 September 2011 by the same court.

On 9 May 2014 the civil court in Antwerp decided that Broeckdal Vastgoedmaatschappij NV, which was no longer represented as it was dissolved and liquidated, implicitely renounced its claim in refuting the taxation.

On 22 February 2017, the Belgian State reactivated the civil lawsuit which was pending in Brussels between itself, Rebeo, Trustimmo and the four former members of the board and which had been suspended pending a final judgment in the tax lawsuit in Antwerp.

On 8 October 2018 the court dismissed all claims made by the Belgian State.

(b) In 2009, KBC Bank and subsidiaries such as K&H Bank and ČSOB SK received numerous complaints about CDO notes issued by KBC Financial Products that were sold to private banking and corporate clients and which have now been downgraded. Such clients have been asking for their notes to be bought back at their original value.

In 2010, KBC Bank decided to examine all CDO related files with respect to private banking and retail clients on a case-by-case basis and to settle the disputes as much as possible out of court.

In Belgium settlements were reached with clients in KBC Bank Private Banking and Retail Banking. As a result of complaints, some Corporate Banking files were also examined. Subsequently negotiations started in the files where a decision to propose a settlement was taken and in a limited number of files settlements were reached. Only a few lawsuits are on-going. In nine cases the courts rendered judgments in favour of KBC Bank. At this stage one case is pending in first instance, two cases are still pending in degree of appeal. In June 2018 the highest court (Cassation) refuted the appeal of a corporate.

In Hungary a marketing brochure was used which could be misinterpreted as a guarantee on a secondary market and contained a possibly misleading comparison with state bonds. In more than 94% of the files, a settlement has been reached. A limited number of clients started a lawsuit. Most of the lawsuits were terminated by a settlement out of court; a few remaining court cases were lost and settled. All court proceedings are finished.

On 10 December 2009, the Hungarian Competition Authority ("**HCA**") passed a resolution whereby K&H was ordered to pay a fine of HUF 40,000,000 (approximately EUR 150,000) based on the violation of the Hungarian Act on the prohibition of unfair and restrictive market practices in relation to K&H's trade in CDO bonds. The appeal filed by K&H against the HCA resolution was rejected by the Budapest Metropolitan Court. K&H Bank submitted a revision claim before the Supreme Court which approved in May 2012 the second level decision.

In ČSOB SK a similar approach as in Belgium was followed and in all cases of CDO investments with Private Banking and Retail clients, settlements were reached. No lawsuit in respect of CDO investments is pending.

(c) Lazare Kaplan International Inc. is a U.S. based diamond company ("**LKI**"). Lazare Kaplan Belgium NV is LKI's Belgian affiliate ("**LKB**"). LKI and LKB together are hereinafter referred to as LK. The merger between KBC Bank and Antwerpse Diamantbank NV ("**ADB**") on 1 July 2015 entails that KBC Bank is now a party to the proceedings below, both in its own name and in its capacity as legal successor to ADB.

However, for the sake of clarity, further reference is made to ADB on the one hand and KBC Bank on the other hand as they existed at the time of the facts described.

Fact summary

Since 2008, LKB has been involved in a serious dispute with its former business partners, DD Manufacturing NV and KT Collection BVBA ("**Daleyot**"), Antwerp based diamond companies belonging to Mr. Erez Daleyot. This dispute relates to a joint venture LK and Daleyot set up in Dubai (called "**Gulfdiam**").

LKB and Daleyot became entangled in a complex litigation in Belgium, each claiming that the other party is their debtor. Daleyot initiated proceedings before the Commercial Court of Antwerp for payment of commercial invoices for an amount of (initially) approximately USD 9 million. LKB launched separate proceedings for payment of commercial invoices for (initially) an amount of approximately USD 38 million.

At the end of 2009, ADB terminated LK's credit facilities. After LK failed to repay the amount outstanding of USD 45 million, ADB started proceedings before the Commercial Court of Antwerp, section Antwerp, for the recovery of said amount. In a bid to prevent having to pay back the amount owed, LK in turn initiated several legal proceedings against ADB and/or KBC Bank in Belgium and the USA. These proceedings, which are summarised below, relate to, *inter alia*, the dispute between ADB and LKI with regard to the termination of the credit facility and the recovery of all the monies

LKI owes under the terminated credit facility as well as allegations that LK was deprived out of circa USD 140 million by DD Manufacturing and other Daleyot entities in cooperation with ADB.

Overview Legal Proceedings

(i) Belgian proceedings (overview per court entity)

Commercial Court of Antwerp, section Antwerp

Proceedings were initiated by ADB against LKI in order to recover the monies owed to it under the terminated credit facility (approximately USD 45 million in principal). LKB voluntarily intervened in this proceeding and claimed an amount of USD 350 million from ADB. LKI launched a counterclaim of USD 500 million against ADB (from which it claims any amount awarded to LKB must be deducted).

On 23 January 2014, LK appealed a decision of the Commercial Court of 23 October 2013 in which a briefing round was scheduled. On 15 July 2016 LKI issued a summons against Ernst & Young to intervene in these appeal proceedings before the Antwerp Court of Appeals and to indemnify LKI in case LKI would be ordered to pay the amounts claimed by KBC Bank. On 24 October 2016, the Court of Appeals declared the appeal of LKI and LKB inadmissible given the fact that the decision of the Commercial Court regarding the briefing round was not susceptible to appeal in the first place. Furthermore, the Court granted KBC Bank's counterclaim for damages for reckless and vexatious appeal and ordered LKI and LKB jointly to pay an amount of EUR 5,000 in damages to KBC Bank.

LK filed an appeal with the Court of Cassation against this judgment of the Antwerp Court of Appeals. On 14 September 2017, the Court of Cassation dismissed the appeal. Moreover, the Court decided that LK's appeal was reckless and vexatious and ordered LK to pay EUR 10,000 in damages.

As a result of the judgment of 24 October 2016 of the Antwerp Court of Appeals, the case was again brought before the Commercial Court of Antwerp, section Antwerp. KBC Bank then took procedural measures to reactivate the case.

By decision of 2 January 2017, the Commercial Court postponed its decision to set a briefing schedule and a hearing date to 30 March 2017. However, LK appealed this decision with the Antwerp Court of Appeals. This appeal was scheduled for an introductory hearing before the Antwerp Court of Appeals on 18 September 2017. A briefing round and a hearing for 16 November 2017 were scheduled. However, the case before the Court of Appeals was suspended given the proceedings started by LK before the Court of Cassation to have the case withdrawn from the Court of Appeals.

On 30 March 2017, the Commercial Court set a briefing schedule and a hearing date on 12 December 2017. LK also appealed this decision. This appeal was scheduled for an introductory hearing before the Antwerp Court of Appeals on 2 October 2017. On 26 October 2017, the Court of Appeals set a briefing round and a hearing for 16 November 2017. However, the case before the Court of Appeals also was suspended given the proceedings started by LK before the Court of Cassation to have the case withdrawn from the Court of Appeals.

On 16 November 2017, 7 December 2017, 11 December 2017 and 21 February 2018 LK filed twenty-two separate petitions with the Court of Cassation to have the case withdrawn from both the Commercial Court of Antwerp and the Antwerp Court of Appeals in this case and all satellite cases. After having considered that twenty petitions were not manifestly

inadmissible, the Court of Cassation scheduled hearings on the merits for these twenty cases on 22 February 2018. During this hearing the Public Prosecutor ('Advocaat-Generaal') asked the Court of Cassation to reject all petitions and to condemn LK for reckless and vexatious appeal.

By judgments of 29 March 2018, the Court of Cassation rejected the twenty admissible requests. KBC Bank was granted compensation of EUR 10,000 per petition for reckless and vexatious appeal. LK was also condemned to a fine of EUR 2,500 per petition to the Belgian State for using judicial proceedings only for manifestly delaying and unlawful purposes. The two remaining cases were heard by the Court of Cassation on 19 April 2018. By judgments of the same day the Court of Cassation decided those two petitions were clearly inadmissible and LK was dismissed.

After the cassation proceedings, the case was brought again before the Antwerp Court of Appeals. The case was heard on 16 November 2018. By judgment of 13 December 2018, the Antwerp Court of Appeals declared all appeals initiated by LK inadmissible.

In addition, the Court decided that the appeals were reckless and vexatious and ordered LK to pay damages of EUR 100,000 to KBC Bank. Finally, LK was ordered to pay a fine of EUR 2,500 as well as the legal costs of KBC Bank (EUR 1,440).

The case will be brought again before the Company Court of Antwerp, section Antwerp (formerly the Commercial Court of Antwerp, section Antwerp).

Commercial Court of Antwerp, section Antwerp

LK launched proceedings against ADB and certain Daleyot entities. This claim is aimed at having certain transactions of the Daleyot entities declared null and void or at least not opposable against LK.

LK also filed a damage claim against ADB for a provisional amount of USD 60 million based on the alleged third party complicity of ADB. This case is still pending. The court postponed the case sine die.

Commercial Court of Antwerp, section Antwerp

On 10 December 2014, LKB filed a proceeding against ADB and KBC Bank claiming an amount of approximately 77 million USD, based on the allegedly wrongful grant and maintenance of credit facilities by ADB and KBC Bank to the Daleyot entities. In its last court brief LKB claimed an additional amount of approximately 5 million USD.

By decision of 7 February 2017 the Commercial Court dismissed LK's claims. Moreover, the court decided that the proceedings initiated by LK were reckless and vexatious and ordered LK to pay EUR 250,000 in damages, as well as the maximum indemnity for legal expenses allowed, being EUR 72,000.

LKB appealed against the decision of 7 February 2017. This appeal is still pending before the Antwerp Court of Appeals. Parties are exchanging briefs and the court set hearing for 10 January 2019.

LKI – which was not a party to the first instance proceedings – commenced third-party opposition proceedings against the same decision with the Commercial Court of Antwerp, section Antwerp. These proceedings are still pending. Parties are exchanging briefs and a court hearing is set for 9 April 2019.

Commercial Court of Antwerp, section Antwerp

LKB initiated proceedings against KBC Bank claiming that the bank acted as de facto director of the bankrupted Daleyot entities. LKB filed a damage claim against KBC Bank for a provisional amount of USD 90 million. Moreover, LKB contests KBC Bank's claim and preferential position in the bankruptcy proceedings of DD Manufacturing and KT Collections (which are Daleyot entities). The liquidators of both bankrupted companies were also involved in these proceedings, so that the decisions to be taken by the Commercial Court could be declared binding on them. By decision of 14 February 2018, the Commercial Court dismissed LKB's claim and ordered LKB to pay an indemnity for legal expenses, being EUR 18,000. This decision cannot be appealed and is therefore final.

Court of First Instance of Antwerp, section Antwerp

Proceedings launched by LK against KBC Bank, ADB and Erez Daleyot, his wife and certain Daleyot entities. This claim was aimed at having the security interests granted in favour of either KBC Bank or ADB declared null and void or at least not opposable against LK. LK also filed claims against ADB for a provisional amount of USD 120 million and against both ADB and KBC Bank for a provisional amount of USD 60 million based on the alleged third-party complicity of ADB. By decision of 18 January 2018, the Court dismissed LK's claim. Moreover, the Court decided that the proceedings initiated by LK were reckless and vexatious and ordered LK to pay a compensation of EUR 30,000, as well as the maximum indemnity for legal expenses allowed, being EUR 33,000. This decision is final since LK did not file a timely notice of appeal.

Criminal complaint

At the end of March 2017, KBC Bank was informed by the Investigating Magistrate at the Dutch speaking Court of First Instance of Brussels that a criminal complaint was brought against KBC Bank. This complaint was already filed on 13 October 2016.

At the end of May 2018, KBC Bank at its request received a copy of the criminal complaint and was granted permission by the investigating magistrate to have access to the criminal file. The criminal complaint is based on: embezzlement, theft and money-laundering.

Although this investigation started on initiative of LK, it follows its own course and will be submitted at the end of it to the chambers section of the criminal court for a judgment (either dismissal of charges or referral to the criminal court).

(ii) US proceedings

A complaint of USD 500 million was initiated by LKI against both ADB and KBC Bank in 2011, alleging violations of the RICO Act (which provides for trebling of any damage award) and numerous other claims under state law. This complaint is, in fact, a non-cumulative duplicate of the one LKI brought before the Commercial Court of Antwerp, section Antwerp. The United States District Court for the Southern District of New York granted ADB's and KBC Bank's motions to dismiss in 2012 on the basis of the doctrine of "*forum non conveniens*", holding that the case should be heard in Belgium. In 2013, the United States Court of Appeals for the Second Circuit reversed and remanded the case back to the District Court for further proceedings. The Court of Appeals ordered the District Court to first resolve which of two contested forum selection clauses applied to LKI's claims prior to ruling on forum non conveniens or any other grounds on which ADB and KBC Bank moved to dismiss.

Following the remand, and in accordance with the Court of Appeals's order, the District Court ruled that the parties were to engage in limited discovery related to the contested forum selection clauses. This included both document discovery and limited depositions. This limited discovery was completed by April 2016. The District Court stayed LKI's discovery related to the merits of the complaint, which is still in effect.

On 14 and 15 February 2017, an evidentiary hearing took place to determine which of the two disputed forum selection clauses applied. After the hearing, the parties submitted proposed findings of fact for the District Court to rule on. In addition, shortly after the hearing, LKI moved to strike the testimony of one of KBC Bank's witnesses and filed a motion for sanctions against KBC Bank alleging nondisclosure of an agreement related to the relationship between KBC Bank and ADB (KBC Bank disclosed the agreement years ago, and the District Court considered the agreement in making its findings of fact).

On 30 June 2017, the District Court issued its Findings of Facts and denied LKI's motion to strike the testimony of KBC Bank's witness. The District Court's Findings of Fact rejected all of the facts that supported LKI's arguments and agreed with KBC Bank's description of those facts.

On 14 July 2017, LKI filed a motion for reconsideration in connection with the District Court's Findings of Fact. The District Court denied this motion on 16 August 2017.

The District Court allowed LKI to file a motion for leave to amend its complaint on 8 September 2017. By order dated 25 September 2017, the District Court granted LKI's motion for leave to file an amended complaint which was filed on 26 September 2017. The District Court set a briefing schedule with regard to the motion to dismiss and the motion for sanctions. At the end of December 2017, all briefs were exchanged and parties are awaiting a judgement. On 28 March 2018, LKI's 'motion for sanctions' was dismissed.

By Opinion and Order of 29 August 2018, the District Court granted KBC Bank / ADB's motion to dismiss, ruling that the case must be heard in Belgium. This ruling is based on an analysis of the forum selection clauses and a forum non conveniens analysis. LKI has now until 28 September 2018 to file a notice of appeal in the United States Court of Appeals for the Second Circuit.

DESCRIPTION OF THE MORTGAGE LOANS

The Mortgage Receivables to be sold and assigned to the Issuer on the Closing Date are any and all rights (whether actual or contingent) of the Seller against any Borrower under or in connection with any Mortgage Loan selected by agreement between the Seller and the Issuer. See further *Mortgage Receivables Purchase Agreement* below.

The Mortgage Receivables have been selected according to the criteria list set forth in the Mortgage Receivables Purchase Agreement and will be selected in accordance with such agreement, on or before the Closing Date (see *Mortgage Receivables Purchase Agreement* below).

For a description of the representations and warranties given by the Seller, see further *Mortgage Receivables Purchase Agreement*.

1. Mortgage Loans

1.1 Governing law

The Mortgage Loans are governed by the Mortgage Credit Act or, as from 1 April 2015, Book VII, Title 4, Chapter 2 of the Code of Economic Law.

1.2 Interest Rates

The interest rate on each Mortgage Loan has been fixed for an interest period as of the date of the origination of the relevant Mortgage Loan.

The interest period can be equal to the term of the Mortgage Loan, in which case the interest rate is called a fixed interest rate.

If the interest period is not equal to the term of the Mortgage Loan, the interest rate will change at the end of the relevant interest period. The interest period can vary from one to twenty years. In this case, the interest rate is called a variable interest rate. The change to the interest rate is based on the change in an underlying reference index. Changes to the interest rate are subject to a maximum increase and decrease agreed upon origination of the relevant Mortgage Loan. The maximum increase of the interest rate may not exceed the maximum decrease.

Upon origination of the relevant Mortgage Loan, the Seller may grant certain discounts on the initial (fixed or variable) interest rate. Such discounts may be granted depending on, among other things, customer loyalty. The discounts are often granted if the Borrower satisfies and continues to satisfy the conditions for the discount. If the Borrower would no longer satisfy the conditions for the discount, the Seller may revoke such discount.

1.3 Types of Loans

The Mortgage Loans may have the form of a term loan or a revolving loan, under which the Borrower may, subject to certain conditions being satisfied and the agreement of the Seller, re-borrow repaid amounts.

The Mortgage Loans can be categorised according to their repayment schedules:

(a) Linear Mortgage Loans; and

(b) Annuity Mortgage Loans.

The types of Mortgage Loans set forth under (a) and (b) above are fully amortising, which means that the repayment schedules are designed so that the amount of the outstanding balance of the Mortgage Loans is zero after the last scheduled periodical payment has been made.

A Mortgage Loan with *linear* repayment is a Mortgage Loan under which the Borrower repays a fixed amount of principal per period, so that the debt gradually decreases. Due to the decreasing outstanding balance, the interest payment decreases proportionally. As a result, the gross mortgage costs (interest plus repayment of principal) decreases over time.

With an Annuity Mortgage Loan, the periodical gross payments under the Mortgage Loans remain the same, whereby the interest payments decrease and the repayments of principal increase.

1.4 Loan Security

The Mortgage Loans are secured by:

(a) a first ranking Mortgage, or

(b) a lower ranking Mortgage provided that the benefit of all higher ranking Mortgages on the same Real Estate has been transferred to the Issuer pursuant to the Mortgage Receivables Purchase Agreement;

(c) and, as the case may be a mandate to create Mortgages.

(i) Mortgage

A Mortgage creates a priority right to payment out of the Mortgaged Assets, subject to mandatory statutory priorities (including beneficiaries of prior ranking mortgages).

The Mortgage Receivables relate to Mortgage Loans that are secured by a Mortgage which is used to also secure all other amounts which the Borrower owes or in the future may owe to the Seller, a so-called all sums mortgage (*alle sommen hypotheek / hypothèque pour toute somme*) ("**All Sums Mortgage**"**E "**All Sums Mortgage**" }**). Part of the Mortgage Receivables relate to facilities which have the form of a revolving facility (*kredietopening / ouverture de crédit*). The Mortgage that is granted as security for this type of loans is used to secure all advances (*voorschotten / avances*) made available under such revolving facility.

Pursuant to Article 81quater of the Mortgage Act, advances granted under a revolving facility secured by a mortgage can be transferred to a VBS/SIC, such as the Issuer. Furthermore, pursuant to Articles 81quater and 81quinquies of the Mortgage Act, an advance or loan secured by an All Sums Mortgage which is transferred to a VBS/SIC, such as the Issuer, shall rank in priority to any debt which arises after the date of the transfer and which is also secured by the same All Sums Mortgage. However, whereas the transferred loan ranks in priority to further loans, it will have equal ranking with loans or debts which existed at the time of the transfer and which were secured by the same All Sums Mortgage, unless contractually agreed otherwise.

The Mortgage may be granted by either the Borrower or a third party collateral provider.

For steps taken to prevent any equal ranking with existing loans or advances that are not transferred to the Issuer, see *Mortgage Receivables Purchase Agreement*.

(ii) Mortgage Mandate

A Mortgage Mandate is often used in addition to a Mortgage to limit registration duties payable by the Borrower.

A Mortgage Mandate does not create an actual security interest and does not therefore create an actual priority right of payment out of the proceeds of a sale of the Mortgaged Assets. The Mortgage Mandate is an irrevocable mandate granted by a Borrower or a third party collateral provider to certain attorneys to create a mortgage as security for the Mortgage Loan and all other amounts which the Borrower owes or in the future may owe to the Seller. Only after creation of the Mortgage, the beneficiary of the Mortgage will have a priority right to payment out of the proceeds of a sale of the Mortgaged Assets. See further *Risk Factors – Mortgage Loans – Mortgage Mandates*.

(d) The Mortgage Loans may, as the case may be, be further secured by:

(i) Debt Insurance Policies and Hazard Insurance Policies;

(ii) an assignment of salary by the Borrower; and/or

(iii) any pledge, set-off or unicity of account rights of the Seller pursuant to its applicable general banking terms and conditions.

PORTFOLIO INFORMATION

1. The portfolio as of the Cut-Off Date

The key characteristics of the portfolio of Mortgage Loans selected as of the Cut-Off Date (the "**Provisional Portfolio**") are set out under the section entitled *Summary of the Provisional Portfolio* below.

The Provisional Portfolio includes the Mortgage Loans which will be randomly selected for the final pool that will be sold on the Closing Date.

The final pool that will be sold on the Closing Date could however be smaller than the Provisional Portfolio.

The Provisional Portfolio has been selected at random from KBC's total mortgage loan portfolio in accordance with the criteria set forth in the Mortgage Receivables Purchase Agreement.

The actual portfolio of Mortgage Loans sold on the Closing Date will be selected from the Provisional Portfolio in accordance with the criteria set forth in the Mortgage Receivables Purchase Agreement, and may differ from the Provisional Portfolio as a result of repayment, prepayment, and further advances and will be sold and assigned to the Issuer without undue delay. For a description of the representations and warranties given by the Seller reference is made to the section *Mortgage Loan Underwriting and Mortgage Services*.

2. Homogeneity

The Provisional Portfolio satisfies the homogeneity conditions of Article 1(a), (b), (c) and (d) of the EBA Final Draft Regulatory Technical Standards on the homogeneity of the underlying exposures in securitisation under Articles 20(14) and 24(21) of Regulation (EU) No 2017/2402 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation dated 31 July 2018 (the "**Draft RTS Homogeneity**") as all Mortgage Loans:

(i) have been underwritten according to similar approaches to the assessment of credit risk associated with the Mortgage Loans and without prejudice to Article 9(1) of the Securitisation Regulation and the Mortgage Loans and the Related Security are created in the form of the Standard Loan Documentation;

(ii) are serviced according to similar servicing procedures with respect to monitoring, collection and administration of Mortgage Receivables from the Mortgage Loans;

(iii) fall within the same asset category of residential loans secured with one or several mortgages on residential immovable property; and

(iv) in accordance with at least one of the homogeneity factor set forth in the Draft RTS Homogeneity.

3. External procedures review

The Seller has engaged an appropriate and independent external advisor to undertake an agreed-upon procedures review on the Mortgage Loans comprising the Provisional Portfolio.

The agreed-upon procedure assessed compliance with the financial eligibility criteria that can be tested before the Closing Date and the review of 23 loan characteristics which include, but are not limited to the current loan balance, ranking, property value, valuation date, maturity date, amortisation type, interest rate type, interest payment frequency, DTI, address or zip code, borrower ID, loan ID, origination date, interest

rate, interest arrears amount, loan purpose, employment type, type of first security, mortgage inscription amount, property type and mandate.

For the review of the Mortgage Loans a confidence level of 99.00% was applied.

SUMMARY OF THE PROVISIONAL PORTFOLIO

4. Summary of Provisional Portfolio as of 30 November 2018

The summary set out below relates to a Provisional Portfolio as of 30 November 2018. The final portfolio of Mortgage Loans will be substantially the same, but subject to minor shifts in the percentages.

4.1 Summary Statistics

Table 1

Current Balance of Mortgage Loans	3,577,605,612.44
Number of Mortgage Loans	40,939
Average Current Loan Balance	87,388.69
Number of Borrowers	31,331
Average Current Loan Balance per Borrower	114,187.41
Weighted Average Current Interest Rate	2.06
Weighted Average Seasoning (months)	37.83
Weighted Average Current Loan to Value	66%

4.2 Date of Origination

The distribution of Mortgage Loans (both by current balance and number of Mortgage Loans) across the date of origination of their current balance is set out in Table 2.

Table '02' – Origination dates

Origination date	Outstanding balance	% Outstanding balance	Number of loans	% Number of loans
1995	88,398.42	0.00	9	0.02
1996	262,267.89	0.01	27	0.07
1997	228,808.75	0.01	13	0.03
1998	531,168.24	0.01	35	0.09
1999	3,185,946.67	0.09	327	0.80
2000	2,341,662.95	0.07	185	0.45
2001	3,096,367.93	0.09	184	0.45
2002	8,435,484.65	0.24	358	0.87
2003	28,949,491.86	0.81	1,036	2.53
2004	29,225,748.84	0.82	1,146	2.80
2005	61,815,309.58	1.73	2,555	6.24
2006	35,571,359.22	0.99	1,025	2.50

2007	13,371,512.58	0.37	359	0.88
2008	8,932,890.68	0.25	183	0.45
2009	93,795,702.18	2.62	1,558	3.81
2010	88,690,829.11	2.48	1,389	3.39
2011	24,901,002.62	0.70	494	1.21
2012	15,767,998.15	0.44	305	0.75
2013	25,309,696.45	0.71	395	0.96
2014	256,977,057.49	7.18	3,372	8.24
2015	454,278,234.70	12.70	4,985	12.18
2016	1,119,119,226.85	31.28	11,161	27.26
2017	753,251,139.67	21.05	5,624	13.74
2018	549,478,306.96	15.36	4,214	10.29
Total	3,577,605,612.44	100.00	40,939	100.00

4.3 Final Maturity Date

The distribution of Mortgage Loans (both by current balance and number of Mortgage Loans) across Final Maturity Date is set out in Table 3.

Table '03' – Final maturity date

Final maturity date	Outstanding balance	% Outstanding balance	Number of loans	% Number of loans
2018 - 2022	75,872,463.79	2.12	5,952	14.54
2023 - 2027	437,208,727.11	12.22	9,474	23.14
2028 - 2032	740,028,032.26	20.69	9,026	22.05
> 2032	2,324,496,389.28	64.97	16,487	40.27
Total	3,577,605,612.44	100.00	40,939	100.00

4.4 Initial Maturity

The distribution of Mortgage Loans (both by current balance and number of Mortgage Loans) across their Initial Maturity is set out in Table 4.

Table '04' – Initial maturity in months

Initial maturity in months	Outstanding balance	% Outstanding balance	Number of loans	% Number of loans
0 - 71	20,158,828.83	0.56	1,184	2.89
72-107	62,421,424.68	1.74	1,721	4.20
108-143	334,081,543.48	9.34	6,224	15.20
144-179	248,990,452.01	6.96	3,952	9.65
180-215	559,287,827.42	15.63	7,655	18.70
216-251	1,112,564,406.74	31.10	10,970	26.80
252-287	182,695,343.10	5.11	1,758	4.29
288-323	972,322,127.75	27.18	6,502	15.88
324-360	76,982,754.71	2.15	887	2.17
> 360	8,100,903.72	0.23	86	0.21
Total	3,577,605,612.44	100.00	40,939	100.00

4.5 Seasoning

The distribution of Mortgage Loans (both by current balance and number of Mortgage Loans) across their seasoning is set out in Table 5.

Table '05' – Seasoning in months

Seasoning in months	Outstanding balance	% Outstanding balance	Number of loans	% Number of loans
0 - 12	729,833,166.84	20.40	5,570	13.61
13 - 24	713,924,496.21	19.96	5,466	13.35
25 - 36	1,042,890,088.50	29.15	10,564	25.80
37 - 48	520,139,692.27	14.54	5,982	14.61
49 - 60	130,220,105.89	3.64	1,828	4.47
61 - 72	25,189,732.76	0.70	396	0.97
73 - 84	15,182,543.19	0.42	334	0.82
85 - 96	29,276,945.31	0.82	553	1.35
97 -108	99,988,774.53	2.79	1,521	3.72
109 -	270,960,066.94	7.57	8,725	21.31
Total	3,577,605,612.44	100.00	40,939	100.00

4.6 Interest Rate

The distribution of the Mortgage Loans (both by current balance and number of Mortgage Loans) across their Interest Rate is set out in Table 6.

Table '06' – Interest rate

Interest rate	Outstanding balance	% Outstanding balance	Number of loans	% Number of loans
Interest rate <= 2,5	2,809,173,534.16	78.52	29,040	70.93
2.5 < Interest Rate <= 3.0	521,881,483.61	14.59	5,713	13.95
3.0 < Interest Rate <= 3.5	121,638,732.44	3.40	1,694	4.14
3.5 < Interest Rate <= 4.0	60,131,361.57	1.68	1,634	3.99
4.0 < Interest Rate <= 4.5	38,972,151.20	1.09	1,644	4.02
4.5 < Interest Rate <= 5.0	20,070,274.19	0.56	902	2.20
5.0 < Interest Rate <= 5.5	3,859,879.19	0.11	182	0.44
5.5 < Interest Rate <= 6.0	1,305,168.32	0.04	72	0.18
6.0 < Interest Rate <= 6.5	371,977.09	0.01	37	0.09
6.5 < Interest Rate <= 7.0	199,222.76	0.01	20	0.05
Interest Rate > 7.0	1,827.91	0.00	1	0.00
Total	3,577,605,612.44	100.00	40,939	100.00

4.7 Interest Rate Type

The distribution of Mortgage Loans (both by current balance and number of Mortgage Loans) across types of Interest rate reset is set out in Table 7.

Table '07' – Interest rate review code

Interest rate review code	Outstanding balance	% Outstanding balance	Number of loans	% Number of loans
No review	2,842,002,514.64	79.44	29,406	71.83
1 y / 1 y	304,459,759.48	8.51	5,136	12.55
3 y / 3 y	191,443,377.32	5.35	2,477	6.05
5 y / 5 y	204,951,090.18	5.73	3,002	7.33
10 y / 5 y	32,473,496.13	0.91	897	2.19
15 y / 5 y	214,434.94	0.01	4	0.01
20 y / 5 y	2,060,939.75	0.06	17	0.04
Total	3,577,605,612.44	100.00	40,939	100.00

4.8 Repayment Type

The distribution of Mortgage Loans (both by current balance and number of Mortgage Loans) across their repayment type is set out in Table 8.

Table '08' – Principal payment type

Principal payment type	Outstanding balance	% Outstanding balance	Number of loans	% Number of loans
Linear	61,040,187.94	1.71	1,618	3.95
Annuity	3,516,565,424.50	98.29	39,321	96.05
Total	3,577,605,612.44	100.00	40,939	100.00

4.9 Principal Payment Frequency

The distribution of Mortgage Loans (both by current balance and number of Mortgage Loans) across the principal payment frequency is set out in Table 9.

Table '09' – Principal payment frequence

Principal payment frequency	Outstanding balance	% Outstanding balance	Number of loans	% Number of loans
Monthly	3,577,605,612.44	100.00	40,939	100.00
Total	3,577,605,612.44	100.00	40,939	100.00

4.10 Loan Purpose

The distribution of Mortgage Loans (both by current balance and number of Mortgage Loans) across the purpose of the loan is set out in Table 10.

Table '10' – Loan purpose

Loan purpose	Outstanding balance	% Outstanding balance	Number of loans	% Number of loans
Purchase	2,053,618,791.88	57.40	18,372	44.88
Remortgage	1,317,366,467.62	36.82	19,464	47.54
Construction	206,620,352.94	5.78	3,103	7.58
Total	3,577,605,612.44	100.00	40,939	100.00

4.11 Employment Type

The distribution of Mortgage Loans (both by current balance and number of Mortgage Loans) across the employment status is set out in Table 11.

Table '11' – Employment type

Employment type	Outstanding balance	% Outstanding balance	Number of loans	% Number of loans
Employed	3,173,968,083.47	88.72	36,807	89.91
Unemployed	38,964,107.35	1.09	559	1.37
Self employed	364,673,421.62	10.19	3,573	8.73
Total	3,577,605,612.44	100.00	40,939	100.00

4.12 Provinces

The distribution of Mortgage Loans (both by current balance and number of Mortgage Loans) across the Belgian provinces set out in Table 12.

Table '12' - Provinces

Province	Outstanding balance	% Outstanding balance	Number of loans	% Number of loans
Brussels Hoofdstedelijk gewest	333,037,354.16	9.31	2,590	6.33
Waals Brabant	50,031,508.98	1.40	393	0.96
Vlaams Brabant	602,757,910.96	16.85	6,404	15.64
Antwerpen	987,914,909.73	27.61	10,733	26.22

Limburg	423,171,616.91	11.83	5,912	14.44
Luik	61,386,236.14	1.72	748	1.83
Namen	6,030,531.15	0.17	77	0.19
Henegouwen	21,731,460.86	0.61	284	0.69
Luxemburg	7,453,160.08	0.21	90	0.22
West-Vlaanderen	490,975,435.95	13.72	6,422	15.69
Oost-Vlaanderen	593,115,487.52	16.58	7,286	17.80
Total	3,577,605,612.44	100.00	40,939	100.00

4.13 Loan-to-value

The distribution of Mortgage Loans (both by current balance and number of Mortgage Loans) across the LTV set out in Table 13.

Table '13' – Current loan to value

Current loan to value	Outstanding balance	% Outstanding balance	Number of loans	% Number of loans
Current Loan To Value <= 10%	34,176,320.86	0.96	3,006	7.34
10% < CLTV <= 20%	111,593,062.02	3.12	3,936	9.61
20% < CLTV <= 30%	194,607,034.00	5.44	4,332	10.58
30% < CLTV <= 40%	253,165,534.82	7.08	4,172	10.19
40% < CLTV <= 50%	334,658,851.18	9.35	4,227	10.33
50% < CLTV <= 60%	387,325,862.66	10.83	4,139	10.11
60% < CLTV <= 70%	426,747,059.89	11.93	4,022	9.82
70% < CLTV <= 80%	519,651,075.94	14.53	4,147	10.13
80% < CLTV <= 90%	678,146,941.86	18.96	4,770	11.65
90% < CLTV <= 100%	637,533,869.21	17.82	4,188	10.23
Total	3,577,605,612.44	100.00	40,939	100.00

MORTGAGE LOAN UNDERWRITING AND MORTGAGE SERVICES

1. Underwriting and Approval Process

(a) Application process

Home loan applications are processed through one of the following channels of KBC Bank NV ("**KBC Bank**"**)**:

(i) Through a local branch: This is the case for more than 95% of the applications. When the home loan application is processed through a local branch, the loan application must be registered by the home loan expert in the electronic registration system "KPD" (*Kredieten Particuliere Doeleinden*, transl. "Retail purpose loans").

(ii) Through the home banking application "Touch": These digital loan applications are also registered in the KPD. They are handled by the home loan expert in one of the "Live branches" (central branches which sell KBC products only by chat or video chat).

In both cases, the applicant must provide, with documentary evidence where necessary, information on the project, personal data (income, family situation, etc) as well as information on assets and liabilities. Since May 2015 this information is digitally stored. A financing scheme and the terms of the mortgage are agreed between the borrower and the bank. The borrower certifies the accuracy of the information by signing the application form. Credit applications are completed at the level of the local branch.

The local branches take a decision in more than 80 % of the applications. The other applications are decided at the KBC Bank head office.

(b) Debt-service-to-income ratio ("DSTI")

KBC Bank uses a double guideline when assessing the repayment capacity of a borrower:

(i) Minimum household budget (= income after deduction of all loan payments):

In case of 1 borrower, the minimum household budget must be at least 800 euro per month and in case of 2 or more borrowers, at least 1100 euro per month. This amount is increased by a fixed amount of 350 euro per month in case of children (i.e. regardless of how many children).

(ii) DSTI

Since May 2018, KBC Bank also takes into account the DSTI ratio, which is calculated as the total monthly debt obligations of the borrowers divided by the total monthly net income.

The monthly net income is defined as the income remaining after the deductions for social security and income taxes. The total monthly debt obligations are defined as all financial obligations of a borrower at the time the credit application is submitted to the KBC Bank.

In case of a high DSTI, the application is refused or the decision is taken at head office.

(c) Loan-to-value ratio ("LTV")

According to internal guidelines of KBC Bank, the LTV should not exceed 90%. In case of a loan with monthly payment of interest and a single repayment of principal at maturity, the LTV should not exceed 70% .

For some target groups (e.g. private banking customers, young customers with high potential), exceptions to the aforementioned limits can be granted.

(d) Property valuation

KBC Bank requires no official appraisal.

Exceptionally, an external appraisal can be requested.

(e) Credit History

Before taking a decision, the KPD-registration system automatically checks the borrower in the internal Risk and Damage database (*Risico- en Schade Bestand* or *RSB*) and the external Retail Loan database (*Centrale voor Kredieten aan Particulieren* or *CKP*). This database contains negative and positive external information. The information from the CKP database is compared with the information the borrower has provided to KBC Bank.

When negative information is available in CKP, the loan will automatically be declined. If a loan is declined on the basis of this negative information, the applicant can file a new application with the Head Office directly, and can, exceptionally, still be granted a loan, if there is a proof that the financial problems are solved.

(f) Income Check

The borrower's income is normally verified from an original pay stub or bank statement. The income must be registered in the KPD-system. A proof of the income (pay stub or bank statement) has to be kept in the (electronic) credit application file (at the head office). The head office checks whether it has received these documents in the file.

For existing customers we calculate, if possible, an average monthly income based on the transactions on their KBC-account (exception: self-employed borrowers). If the income declared by the borrowers in the loan application equals the calculated average income, no pay stub is needed.

(g) Approval Process

The collected information that is registered in the KPD system is used for a first risk assessment. On the basis of the risk assessment and the analysis of the guarantees, the KPD application automatically delivers a "decision advice". Delegation authority restrictions are based on this advice. The decision advice provides the loan manager with an indication as to whether a loan can be given or not. In some cases a home loan expert with more decision delegation has to take the decision. In other cases (less than 20 %) the decision must be taken at the head office of KBC Bank.

There are two categories of home loan expers: home loan experts for employees and home loan experts for self-employed borrowers and business managers.

Since 2012, KBC Bank introduced some adjustments in the acceptance policy. In August 2012 and June 2016, the required share of down payment has been increased. In June 2017, LTV and DSTI were introduced in the price and acceptance policy (instead of % down payment). Loan applications

with a high DSTI are automatically rejected. Limited exceptions are tolerated but need to be decided on at the head office.

(h) Legal

The assessment of a borrower's creditworthiness is conducted in accordance with the lending criteria and aims to meet the requirements set out in paragraphs 1 to 4, point (a) of paragraph 5, and paragraph 6 of Article 18 of Directive 2014/17/EU of the European Parliament and of the Council of 4 February 2014 on credit agreements for consumers relating to residential immovable property and amending Directives 2008/48/EC and 2013/36/EU and Regulation (EU) No 1093/2010 (the "**Mortgage Loans Directive**"), as implemented in Belgian law.

2. Property Valuation

KBC Bank requires an in-house appraisal for every property to be financed. The respective branch manager uses a desk-top approach for the valuation.

For the purchase of an existing home or building plot, the sale price of that property (as registered in the notary deed) is used as a proxy for the market value of the home at time of purchase.

For new properties, the plans and the cost estimate by the architect will be reviewed by KBC Bank. The property is valuated as follows:

100 % of the value of the building plot (valuation as described above)

+90 % of the budget (inclusive of VAT/excl. architectural costs)

For renovating an existing property, the plans and the cost estimate by the architect will be reviewed by KBC Bank. The property is valuated as follows:

100 % of the value of the existing property (valuation as described above)

+75 % of the budget (incl. of VAT/excl. architectural costs)

Since end October 2013, a fysical proof for the value (e.g. a sales agreement, cost estimation of the architect) is an obligatory document in the (electronic) loan file.

3. Disbursement of Funds

For the purchase of a home, full disbursement (by bank cheque or by transfer) will be made following the execution of the notarial deed.

If the loan is used for the building or renovation of a home, funds can only be drawn by presenting bills showing the purpose of the loan granted. The funds are transferred to the borrower's account and the borrower has to pay the supplier or furnisher. The funds must be drawn within 24 months after date of the notarial deed. The borrower only pays interest on the portion of the loan which has been drawn. From the beginning of the 6th month after the notarial deed has been executed, the borrower must pay a commitment fee on the amount of the loan which has not been drawn yet.

4. Collection of Payments

Payments of interest and principal are made by direct debit from a KBC Bank bank or saving account on a monthly basis.

5. Sales Channels

Mortgage loans are originated entirely through the branch network and our digital application (for customers) . No agents or brokers are used.

6. Characteristics

6.1 Credit facility agreement ("*kredietopening/ouverture de crédit*")

KBC Bank enters into a "credit facility agreement" with the borrower, under which the borrower has the right to draw down one or more advances up to the agreed maximum amount of the facility. Each "advance" is a loan with its own characteristics. The mortgage secures all the advances made pursuant the credit facility.

There are two kinds of "credit facility agreements" in KBC Bank's portfolio:

(a) from 1 September 1998 to 5 December 2004: a credit facility agreement under which the borrower has the right to draw down from time to time one or more advances up to the agreed maximum amount of the facility. Each "advance" is a loan with its own characteristics. The mortgage secures all the advances made pursuant the credit facility. The borrower can ask for one or more advances, up to the agreed maximum amount of the facility (the bank has to agree on every advance). The term of the credit facility agreement was unlimited.

(b) As from 6 December 2004: a credit facility agreement under which the borrower has the right to draw down one or more advances within a limited period after granting the credit facility agreement. Afterwards no more advances can be drawn down. The term of the credit facility agreement is limited to the term of the advance with the longest duration.

6.2 Characteristics of the Advances

Characteristics	***Possibilities***
Repayment schemes	• equal instalments ("annuity" method) • equal principal repayments ("linear" method) (only in portfolio – no new loans since February 2017) • monthly interest-only instalments (not frequent) (not included in securitisation transaction) • progressive payments (only in portfolio – no new loans since February 2015)
Formulas of "variability"	• annually (1-1-1) • every 3 years (3-3-3) • every 5 years (5-5-5) • every 5 years after an initial period of 10 years (10-5-5) (only in portfolio- no new loans since February 2015) • every 5 years after an initial period of 20 years (20-5-5) (only in portfolio- no new loans since February 2015) • fixed rates (from 10 to 25 years)
Caps and Floors	• cap and floor for variable rate loans :. +5 % / -5% p.a. (only in portfolio)

	+2% / - unlimited downward +0% / - unlimited downward (only in portfolio) +3% / -3%
Formula of revision	For advances under the mortgage law from 1998, $MR_1 = MR_0 + (I_1 - I_o)$ where: I_0 = monthly based reference index for the penultimate calendar month prior to the offer date as published in the *Belgisch Staatsblad / Moniteur belge* (the **"Belgian Official Gazette"**); I_1 = monthly based reference index for the penultimate calendar month prior to the interest-rate review as published in the Belgian Official Gazette ; MR_1 = new monthly interest rate; MR_0 = monthly interest rate originally agreed for the first period For advances under the mortgage law from 1992 $MR_1 = \frac{MR_0 \times I_0}{I_0}$ where: I_0 = yearly based reference index for the second calendar month prior to the offer date as published in the Belgian Official Gazette; I_1 = yearly based reference index for the second calendar month prior to the interest-rate review as published in the Belgian Official Gazette; MR_1 = new monthly interest rate; MR_0 = monthly interest rate originally agreed for the first period.
Amount (size of the advance)	• minimum EUR 2.500 • maximum depending on purpose, guarantees and DTI
Maturity	max. 25 years

KBC Bank also provides bridge loans to finance the period between a purchase of a new home and the sale of the previous home. The bridge loans have a maturity of maximum one year. Principal and interests are paid at the same time when the funds of the new mortgage loan are available. A prepayment penalty (a reinvestment fee) is not paid by the borrower in case of early repayment on a bridge loan. Bridge loans will not be included in the securitisation transaction.

6.3 Security and Insurance

The home loan documentation used before October 2018 contained a right for KBC Bank to attach the customer's salary in case of default. This clause was part of the contract, which the customer signs at the inception of the loan. In the event the customer is married, Belgian law requires that both spouses sign the loan documentation, including the above mentioned clause. In this way, KBC Bank NV can, if necessary, attach both of the spouses´ salaries. Since October 2018, this right is no longer included in the home loan documentation.

A true mortgage is a security that is often used in Belgium, because of the benefit of a tax deduction or tax credit with respect to interest and principal which only exists if a home loan is accompanied by a mortgage. The majority of the home loans of KBC Bank are secured by a true mortgage.

A reduced portion of the KBC Bank home loans are granted without a true mortgage. In that case, a "power of attorney" or "mandate" (in the form of a notarial deed) to create a true mortgage is granted by the customer to KBC Bank. This process can be used for very creditworthy customers to reduce the mortgage registration costs. A combination of a true mortgage (for a limited amount) and a power of attorney is becoming the norm in the current market (interesting for fiscal reasons).

Since 1995, a "negative pledge agreement" is included in the home loan documentation of KBC Bank. This clause generally stipulates that the customer (i) promises not to grant another mortgage on the same property to another bank, and (ii) promises not to sell the property.

KBC Bank does not require credit insurance in connection with its mortgages. However, most borrowers understand the advantage of maintaining a life insurance policy. The debt insurance policy is not annexed to the notary deed. Neither the life insurance nor the hazard insurance policy is annexed to the notary deed.

6.4 Discounts

Most financial institutions apply a basic rate for their mortgage loans. Loyal customers can be granted a more favourable arrangement.

A distinction is made between "conditional" discounts and "commercial" discounts.

A "conditional" discount is a discount, which depends on one or more conditions (i.e. taking out a life or hazard insurance policy). As long as the conditions are fulfilled, the conditional discount is granted. From the moment that one of the conditions is no longer satisfied, the discount no longer applies.

A "commercial" discount is a discount that is granted to the customer for commercial reasons, i.e. to convince him to take the loan with KBC Bank. Once a "commercial" discount is granted, it can under no circumstances be withdrawn from the customer.

Until 5 December 2006, KBC Bank had only applied commercial discounts. From 5 December 2006, a combination of conditional and commercial discounts is possible.

6.5 Prepayments

A borrower may repay his mortgage loan in part (only once a year) or in full at any time.

In case of a partial repayment, the borrower can choose either to shorten the maturity of the mortgage loan (and thus keep the same monthly payments as scheduled) or to reduce the amount of the monthly payments (and thus keep the maturity as scheduled).

The borrower must pay a prepayment penalty equivalent to three (3) months of interest on the amount of principal prepaid.

7. Servicing

(a) KBC Bank is a duly licensed credit institution and mortgage credit provider, subject to prudential, capital and liquidity regulation and supervision in Belgium. It has expertise in servicing mortgage loans and has well-documented and adequate policies, procedures and risk-management controls relating to the servicing of mortgage loans.

(b) Credit risk monitoring and follow-up: various phases

Credit risk management of delinquent borrowers (i.e. borrowers who are in arrears on their mortgage loan or on any other credit product) can be divided into a number of phases:

(i) the Monitoring Phase;

(ii) the Special Mention Phase;

(iii) the Possible Loss Phase;

(iv) the Irrecoverable Phase; and

(v) the Write-off Phase.

(c) Separation of responsibilities between local branches and head office

In the Monitoring Phase, the local branch is responsible for the credit risk supervision and is the point of contact for the borrower.

As soon as the credit risk is in the Special Mention Phase, the head office is responsible for supervision. As from that moment, the responsibility of the local branch is limited to providing relevant information to the head office.

(d) Start of credit risk monitoring – automatic processes

Credit risk monitoring and follow-up is triggered by risk warning signals. For mortgage loans, these signals arise primarily from the detection of arrears in payment.

Supervision is backed up by automatic processes. The main automatic processes are:

(i) The monthly review of the credit portfolio: at the end of the month, the entire credit portfolio is scanned. If a borrower is more than five (5) days in arrears with at least one credit product, an electronic file is created and sent to the Monitoring Phase.

(ii) The daily review of the credit portfolio: Each day, the entire credit portfolio is scanned. If a borrower is a certain number of days in arrears on at least one credit product, the file is allocated to the head office and transferred to the Special Follow-up Phase. For mortgage loans, this occurs automatically after the borrower is forty-five (45) days in arrears.

(iii) The dunning procedure: borrowers are sent reminders about their delinquent credit situation. The letters are individualised per credit product. For mortgage loans, fifteen (15) days after non-payment of the instalment, a friendly reminder is sent. If the borrower fails to pay the arrears, a notice of default will be sent to the borrower by registered mail after he has been in

arrears for thirty-five (35) days. This notice of default will be repeated every month until the arrears are paid or the credit product becomes due and payable.

(e) The Monitoring Phase

At the beginning of each month, the local office has to screen those customers for whom a new electronic file has been created. The local office can check the status of the followed-up customers in a special IT application.

Each month, a list of borrowers that are monitored will be sent to the relevant local branch. Based on this list, the branch can take a number of measures:

(i) contact the borrower personally (by phone);

(ii) set-off the arrears against credit balances on the borrower's accounts, subject to the certain legal limits;

(iii) make arrangements with the customer to clear the arrears or change repayment schedule of the mortgage loan;

(iv) create an additional mortgage by exercising the mortgage mandate, if any;

(v) encourage the borrower to sell his property voluntarily;

(vi) encourage the borrower to transfer his credit to another financial institution; and

(vii) transfer the responsibility of the follow-up to the head office.

The local office records the actions taken in the electronic file of the customer.

If it is not possible to normalise the delinquent credit situation, the borrower's file will be transferred to the next follow-up phase.

(f) The Special Mention Phase

The borrower's file will be automatically transferred to the Special Mention Phase when he becomes delinquent on at least one credit product for a certain number of days. For mortgage loans, the transfer to the Special Mention Phase occurs after the borrower is forty-five (45) days in arrears.

The files of the borrowers can also be transferred to the Special Mention Phase sooner:

(i) at the request of the local branch;

(ii) if the local branch makes arrangements with the borrower to clear the arrears on his mortgage loan; and

(iii) if serious credit events occurred (e.g. fraud).

In this phase, the head office will endeavour to have the borrower regularise his delinquent status. The measures that the head office may take are similar to those listed for the monitoring phase. Head office can consult the electronic file in order to know which measure the local office has already taken.

As from this phase, the local branch loses all decision authority. All accounts of the borrower (with or without an overdraft facility) will be automatically blocked in order to avoid additional limit overruns.

(g) The Possible Loss Phase

The borrower will be transferred to the Possible Loss Phase if, at the end of the month, he has been delinquent on at least one credit product for at least ninety (90) days.

This phase is an extension of the Special Mention Phase.

In this phase the head office will try to normalise the borrower's status. If it does not succeed, the credit products on which the borrower is in arrears will be accelerated to the extent contractually and legally possible.

Conciliation proceeding

For mortgage loans, as a rule, legal conciliation proceedings are initiated before the loan is accelerated. The conciliation proceedings will be initiated once the borrower has missed three complete repayment instalments. The conciliation phase can last for three (3) months.

In the conciliation proceeding, the borrower is required to appear before the competent court in order to provide KBC Bank with the possibility to foreclose the mortgaged assets (Court of first instance).

If the court rules that no conciliation is possible, KBC Bank will accelerate the loan without delay. If the court rules in favour of conciliation, the borrower will have a certain period to pay the instalments that are in arrears. If the borrower subsequently fails to comply with the payment arrangements, KBC Bank will be entitled to accelerate the loan immediately.

(h) The Irrecoverable Phase

A borrower goes in doubtful phase when KBC Bank is required to terminate the credit agreement or when there is no possibility of recovering the debt via the usual procedures.

For mortgage loans, the rule is that the loan is accelerated if the court rules that no conciliation is possible or if the borrower fails to comply with the payment arrangements imposed by the court (see paragraph (f)).

Consequences of the irrecoverable classification are :

(i) the credit will be transferred from the normal accounting system to default claims accounting;

(ii) a special debt recovery account will be opened. All future repayments will be transferred to this account; and

(iii) specific provisions are booked.

The head office has a number of alternatives to recover these mortgage loans. Procedures are conducted as a matter of principle at the lowest expense for both KBC Bank and the borrower.

(iv) payment arrangements may be allowed;

(v) an application can be submitted to exercise the mortgage mandate, if any, to create a mortgage;

(vi) the borrower can be encouraged to sell his property voluntarily;

(vii) the borrower can be encouraged to transfer his loan to another financial institution;

(viii) notice can be served on the borrower's employer with a view to assign the borrower's salary; and

(ix) the file can be transferred to an attorney to commence the forced sale of the property.

The repayment of these mortgage loans generally occurs through a voluntary or forced sale of the mortgaged property. If the proceeds of the foreclosed property do not cover the outstanding amount of the mortgage loan, payment arrangements are discussed with the borrower.

A property is foreclosed on average after 2 and 3 years.

(i) The Write-off Phase

A borrower's file will be transferred to the Write-off phase if there is no longer any possibility of recovering the debt via the usual procedures. The claims outstanding will in this case be written off . For mortgage loans, this is the balance remaining after the mortgaged property has been sold.

KBC Bank must be able to justify the write-off to the tax authorities:

(i) KBC Bank holds a certificate of non-collectibility (from a bailiff, …);

(ii) the payments received are not sufficient to pay accruing interest (= perpetual payment arrangements);

(iii) the borrower's name has been officially removed from registers of births, deaths and marriages (gone missing);

(iv) the amount of the claim is not significant enough to justify the expense of active follow-up;

(v) the claim is forgiven by law (e.g., under a collective debt settlement or if a bankrupt's debts are excused);

(vi) the borrower has died and left no heirs; and

(vii) KBC Bank has reached a compromise settlement with the borrower.

In this phase it is still possible to make new payment arrangements on demand of the customer.

8. Collective debt settlements

The Act of 5 July 1998 on collective debt settlement for private persons is in effect since 1 January 1999.

This legislation is designed to enable individuals with excessive and structural debt problems to clear this debt.

If a borrower starts such proceedings, this will affect credit risk supervision. All ongoing legal procedures will be suspended immediately.

The competent court will in principle allow an out-of-court settlement. If this is not possible, it will impose a court settlement (with a maximum term of 5 years).

If the borrower has a mortgage loan, the court will generally decide that the credit repayments must continue to be made on the relevant due dates to enable the borrower to continue to occupy the home. In this case, the mortgage loan will not be treated as irrecoverable, but will continue to be considered a normal credit.

MORTGAGE RECEIVABLES PURCHASE AGREEMENT

Under the Mortgage Receivables Purchase Agreement the Issuer, acting through its Compartment Home Loan Invest 2019, will purchase any and all rights of the Seller against certain borrowers (the "**Borrowers**") under or in connection with certain selected Mortgage Loans (the "**Mortgage Receivables**"). On the Closing Date the Issuer will accept the transfer by way of assignment of legal title to the Mortgage Receivables. The assignment of the Mortgage Receivables from the Seller to the Issuer will not be notified to the Borrowers, except in special events as further described hereunder ("**Notification Events**"). The Issuer will be entitled to all proceeds in respect of the Mortgage Receivables as of the Cut-Off Date.

Pursuant to the Mortgage Receivables Purchase Agreement, KBC Bank NV as Seller has covenanted that it will retain a material net economic interest of not less than 5 per cent. in the Transaction in accordance with Article 6 of the Securitisation Regulation. As at the Closing Date, such interest will be comprised of an interest in the first loss tranche as required by Article 6(3)(d) of the Securitisation Regulation. Any change to the manner in which such interest is held will be notified to investors through the Investor Reports.

1. Sale – Purchase Price

The purchase price for the Mortgage Receivables shall consist of

(a) an initial purchase price (the "**Initial Purchase Price**"), being the aggregate Outstanding Principal Amount of all Mortgage Receivables at the Cut-off Date (which will be an amount of approximately of EUR 3,445,000,000, which shall be payable on the Closing Date; and

(b) a deferred purchase price, which shall, with respect to each financial year, be equal to the net profit of the Issuer over that financial year (after taxes and calculated without taking into account the Deferred Purchase Price), less an amount required for the Issuer to have a final distributable profit as set forth in the Mortgage Receivables Purchase Agreement (the "**Deferred Purchase Price**").

The "**Outstanding Principal Amount**" means, at any moment in time, the principal balance (*hoofdsom / montant principal*) of a Mortgage Receivable resulting from a Mortgage Loan at such time.

In respect of the Deferred Purchase Price, the following amounts shall be payable:

(a) on each Monthly Payment Date the Issuer shall pay to the Seller a deferred purchase price instalment (each a "**Deferred Purchase Price Instalment**") equal to the Deferred Purchase Price Available Amount, less, with respect to each Deferred Purchase Price Instalment to be paid on a Monthly Payment Date, the amounts, if any, paid on that Monthly Payment Date in accordance with paragraph (b) and (c) below;

(b) on the Monthly Payment Date falling in July of each financial year, the Issuer shall, with respect to the immediately preceding financial year (the "**Preceding Financial Year**") pay to the Seller an amount equal to the positive difference, if any, between:

(i) the Deferred Purchase Price for the Preceding Financial Year; and

(ii) the aggregate amount of all Deferred Purchase Price Instalments paid on the Monthly Payment Dates in the Preceding Financial Year and on the Monthly Payment Date falling in January of the current financial year;

up to a maximum amount equal to the Deferred Purchase Price Available Amount for that Monthly Payment Date; and

(c) if the aggregate of the payments pursuant to paragraphs (a) and (b) above made in respect of a financial year is less than the amount of the Deferred Purchase Price for that financial year, then such difference will be deferred to the next Monthly Payment Date on which the Issuer will have sufficient Notes Interest Available Amount available to pay such difference;

(d) if the aggregate of the payments under paragraph (a) above made in respect of a financial year exceeds the amount of the Deferred Purchase Price for that financial year, the Seller will on the Monthly Payment Date falling in July of the immediately following financial year, pay such excess to the Issuer together with interest thereon at the rate of the one (1) month EURIBOR applicable to the immediately preceding Interest Period. If such excess is due with respect to the last financial year during which Notes are outstanding, the Seller will pay such amount into the Issuer Collection Account on the last Monthly Payment Date of such financial year.

"**Deferred Purchase Price Available Amount**" means, on any Monthly Payment Date, an amount equal to:

(i) prior to delivery of an Enforcement Notice or on the occurrence of a Redemption Event, the positive difference, if any, between the Notes Interest Available Amount as calculated on each Monthly Calculation Date and the sum of all amounts payable by the Issuer as set forth in the Interest Priority of Payments under (i) up to and including (xiv); or, as the case may be,

(ii) following delivery of an Enforcement Notice or on the occurrence of a Redemption Event, the amount remaining after all the payments as set forth in the Priority of Payments upon Enforcement under (i) up to and including (xi) (see Credit Structure above) on such date have been made.

The sale of the Mortgage Receivables shall include, and the Issuer shall be fully entitled to, all ancillary items (*bijhorigheden / accessories*) of such Mortgage Receivables and in particular, but not limited to:

(a) all rights and title of the Seller in and under the Mortgage Loans including for the avoidance of doubt, but not limited to:

  (i) the right to demand, sue for, recover, receive and give receipts for all principal moneys payable or to become payable under the Mortgage Receivables or the unpaid part thereof and the interest and Prepayment Penalties to become due thereon;

  (ii) the benefit of and the right to sue on all covenants with the Seller in each Mortgage Receivable and the right to exercise all powers of the Seller in relation to each Mortgage Receivable;

  (iii) the right to demand, sue for, recover, receive and give receipts for all prepayment indemnities (*wederbeleggingsvergoeding / indemnité de remploi*) or fees to the extent they relate to the Mortgage Receivables; and

  (iv) the right to exercise all express and implied rights and discretions of the Seller in, under or to the Mortgage Receivables and each and every part thereof (including, if any, the right, subject to and in accordance with the terms respectively set out

therein, to set and to vary the amount, dates and number of payments of interest and principal applicable to the Mortgage Receivables);

(b) all rights and title of the Seller to the Related Security insofar as it relates to the Mortgage Receivables;

(c) the benefit of any Mortgage Mandate granted as security for the Mortgage Receivables to have an additional Mortgage created over the relevant Mortgaged Assets in accordance with the provisions of the Mortgage Receivables Purchase Agreement;

(d) all rights, title, interest and benefit of the Seller in any Hazard Insurance Policy and Debt Insurance Policy in so far as it relates to the Mortgage Receivables including but without limitation the right to receive the proceeds of any claim thereunder;

(e) all documents, computer data and records on or by which each of the above is recorded or evidenced, to the extent that they relate to the above, such as, but not limited to, the Contract Records;

(f) all causes and rights of action against any notary public in connection with the execution of the Mortgage Loans, the researches, opinions, certificates or confirmations in relation to any Mortgage Loan or Mortgaged Assets or otherwise affecting the decision of the Seller to offer to make or to accept any Mortgage Loan;

(g) all causes and rights of action against any valuer/appraiser in connection with the investigation and appraisal of any property, any researches, opinions certificates or confirmations in relation to any Mortgage Receivable or Mortgaged Assets or otherwise affecting the decision of the Seller to offer to make or to accept any Mortgage Receivable or Related Security relating thereto;

(h) all causes and rights of action against any Mortgage Registrar, such as, without limitation, all rights of action mentioned in the articles 128, 130 and 132 of the Mortgage Act, with respect to any transcription (*overschrijving / transcription*), inscription (*inschrijving / inscription*) or marginal inscription (*kantmelding / inscription en marge*) of any right relating to the Mortgaged Assets; and

(i) all causes and rights of action against any broker, lawyer or other person in connection with any report, valuation, opinion, certificate or other statement of fact or opinion given in connection with any of the above, or affecting the decision of the Seller to offer to make or to accept any of the above,

it being understood that any Related Security with an all sums nature will continue to secure any other amounts owed by the relevant Borrower to the Seller subject to the conditions set out in section 2 (*All Sums Mortgages – Mortgage Mandates*) below.

2. All Sums Mortgages – Mortgage Mandates

2.1 All Sums Mortgages

The Mortgage Receivables are secured by All Sums Mortgages in accordance with Article 81*bis* of the Mortgage Act.

The Seller may hold Existing Loans and will be entitled to make Further Loans to a Borrower, which are or will be secured by the same Mortgage as the Mortgage Receivables transferred to the Issuer.

If there are Existing Loans which are secured by the same Mortgage, the Seller and the Issuer would by law rank equally with respect to the proceeds of the enforcement of such Mortgage (see further *Risk Factors – Mortgage Loans – Mortgages*), unless otherwise agreed between the Seller and the Issuer.

If there are Further Loans granted which are secured by the same Mortgage, the proceeds of such Mortgage shall be distributed pursuant to the rules set out in Articles 81*quater*, §2 and 81*quinquies* of the Mortgage Act and the Mortgage Receivables Purchase Agreement, *i.e.*, the Issuer, acting through its Compartment Home Loan Invest 2019, shall fully rank in priority to the Seller.

The Mortgage Receivables Purchase Agreement provides, among other things, that:

(a) in respect of any Related Security securing both a Mortgage Receivable and Seller Loans, all sums owed by any Borrower to the Seller under a Seller Loan and all the rights and remedies of the Seller in respect of a Seller Loan will at all times be subject and subordinated to any sums owed by the Borrower to the Issuer in relation to all sums received out of the enforcement of the Related Security;

(b) as long as any part of the sums owed to the Issuer under a Mortgage Receivable is or might become outstanding and until all these sums are irrevocably paid in full, all sums received out of the enforcement of the Related Security will be distributed to the Issuer in priority of the Seller by payment into the Issuer Collection Account, unless the Issuer and the Security Agent otherwise agree; and

(c) the Seller undertakes that, as long as any part of the sums owed to the Issuer under a Mortgage Receivable is or might become outstanding and until all these sums are irrevocably paid in full, it will not be entitled to receive for its own account any of the proceeds of enforcement of the Related Security.

In addition, the Mortgage Receivables Purchase Agreement will contain certain arrangements regarding the acceleration of a Mortgage Receivable or a Seller Loan and the enforcement of All Sums Mortgages and Related Security securing both a Mortgage Receivable and Sellers Loans.

2.2 Mortgage Mandates

The Mortgage Receivables may have the benefit of a Mortgage Mandate that permits the creation of a mortgage on the Mortgage Assets either as an All Sums Mortgage or as a mortgage that secures all advances made under a credit opening (*kredietopening / ouverture de crédit*). Accordingly, the Seller and the Issuer may have a shared interest in all or some of the Mortgage Mandates.

With respect to the exercise of Mortgages Mandates in order to create mortgages, the Mortgage Receivables Purchase Agreement provides that:

(a) if the Mortgage Receivable to which a Mortgage Mandate relates is secured by a Mortgage for an aggregate secured amount of at least 100 per cent of the Outstanding Principal Amount of the Mortgage Receivable plus 10 per cent of such amount in accessories (*toebehoren / accessoires*) plus three years of interest, such Mortgage Mandate may be exercised in order to create a mortgage in favour of the Seller only; and

(b) if the Mortgage Receivable to which a Mortgage Mandate relates is secured by a Mortgage for an aggregate secured amount that is lower than 100 per cent of the Outstanding Principal Amount of the Mortgage Receivable plus 10 per cent of such amount in accessories (*toebehoren / accessoires*) plus three years of interest, such Mortgage Mandate may only be exercised in order to create a Mortgage in accordance with the following principles:

(i) it will be created for the benefit and in the name of the Seller and the Issuer;

(ii) it will secure all existing and future debts and obligations which the Borrower owes or may owe to the Seller or to the Issuer;

(iii) so that all other secured debts will be contractually subordinated to the Mortgage Receivable owing to the Issuer.

3. Representations and Warranties

3.1 Representations and Warranties relating to the Seller

Pursuant to the Mortgage Receivables Purchase Agreement, the Seller will represent and warrant for the benefit of the Issuer and the Security Agent on the date of the Mortgage Receivables Purchase Agreement, on the Closing Date and each Monthly Payment Date that:

(a) it is a company with limited liability (*naamloze vennootschap / société anonyme*), duly organised and validly existing under the laws of Belgium with full power and authority to execute and deliver, and to perform all of its obligations under the Mortgage Receivables Purchase Agreement and all necessary corporate authority has been obtained and corporate action has been taken and all necessary consents and approvals obtained, for it to sign and perform the transactions contemplated by the Mortgage Receivables Purchase Agreement;

(b) it is duly licensed as a credit institution by the NBB under the Credit Institutions Supervision Act and it is duly licensed by the FSMA mortgage credit provider under the Code of Economic Law;

(c) it (i) is not in a situation of cessation of payments within the meaning of Belgian insolvency laws, (ii) has not resolved to enter into *vereffening / liquidation*, (iii) has not filed for bankruptcy (*faillissement / faillite*) or judicial reorganisation (*gerechtelijke reorganisatie / réorganisation judiciaire*), or for stay of payment (*uitstel van betaling / sursis de paiement*), (iv) has not been adjudicated bankrupt or annulled as legal entity, nor (v) has any corporate action been taken or is pending in relation to any of the above;

(d) it is not subject to any reorganisation measures (*mesures d'assainissement / saneringsmaatregelen*) within the meaning of Article 3 § 1, 56° of the Credit Institutions Supervision Act or winding-up procedures (*procédures de liquidation / liquidatieprocedures*) within the meaning of Article 3 § 1, 59° of the Credit Institutions Supervision Act;

(e) the Mortgage Receivables Purchase Agreement constitutes legal and valid obligations binding on it and enforceable in accordance with its terms;

(f) it is not in breach of or in default under any agreement to an extent or in a manner which has or which could have a material adverse effect on it or on its ability to perform its obligations under the Mortgage Receivables Purchase Agreement;

(g) no Notification Event has occurred or will occur as a result of the entering into or performance of the Mortgage Receivables Purchase Agreement;

(h) the information that may reasonably be relevant for the transaction envisaged in the Mortgage Receivables Purchase Agreement and that has been supplied by it to the Issuer and the Security Agent in connection with the Mortgage Receivables Purchase Agreement is to the best of its knowledge true, complete and accurate in all material respects and it is not

aware of any facts or circumstances that have not been disclosed to the Issuer and the Security Agent which might if disclosed adversely affect the decision of the Issuer and the Security Agent to enter into the transaction envisaged in the Mortgage Receivables Purchase Agreement;

(i) no litigation, arbitration or administrative proceeding has been instituted, or is pending, or, to the best of its belief, threatened which might have a material adverse effect on it or on its ability to perform its obligations under the Mortgage Receivables Purchase Agreement; and

(j) The Seller has not acquired and it does not intend to acquire more than 25 per cent. of the assets from an affiliate or branch of the Seller or the Issuer that is organised or located in the United States.

3.2 Representations and Warranties relating to the Mortgage Loans and the Mortgage Receivables

Pursuant to the Mortgage Receivables Purchase Agreement, the Seller will on the date of the Mortgage Receivables Purchase Agreement and on the Closing Date make the following representations and warranties in relation to the Mortgage Loans and the Mortgage Receivables for the benefit of the Issuer and the Security Agent.

(a) Valid existence – Mortgage Loan Characteristics

(i) The Mortgage Receivables and Related Security exist and are valid, legally binding and enforceable obligations of the relevant Borrowers, or as the case may be, the relevant Insurance Company or third party provider of additional collateral.

(ii) The Mortgage Loans are granted with respect to Real Estate and have been granted with a purpose to purchase, construct or renovate such Real Estate or to refinance an existing mortgage loan and the Real Estate is used for residential purposes.

(iii) The Borrowers of the Mortgage Loans are resident in Belgium on the Cut-Off Date.

(iv) Each Mortgage Loan was granted by the Seller or, as the case may be, its legal predecessor as the original lender in its ordinary course of business as a loan secured by a Mortgaged Asset and, in the latter case, acquired by the Seller as a true sale and in accordance with the then prevailing credit policies of the original lender, which are no less stringent for the Mortgage Loans than for similar mortgage loans of the Seller originated on or about the same time.

(v) The Mortgage Loans are either Annuity Mortgage Loans or Linear Mortgage Loans.

(vi) Each Mortgage Loan is being repaid by way of direct debit of the Borrower's account with the Seller on the Cut-Off Date.

(vii) The Mortgage Loans do not include transferable securities as defined in point (44) of Article 4(1) of MiFID II or any securitisation position.

(viii) The Mortgage Loans are not structured so that repayment of the principal amount outstanding at maturity would be dependent on the sale of the Mortgaged Assets.

(b) Governing legislation

(i) Each Mortgage Loan and relating Related Security is governed by Belgian law and no Mortgage Loan or relating Mortgage and Mortgage Mandate expressly provides

for the jurisdiction of any court or arbitral tribunal other than Belgian courts or tribunals.

(ii) Each Mortgage Loan is subject to the Mortgage Credit Act or, as from 1 April 2015, Book VII, Title 4, Chapter 2 of the Code of Economic Law.

(iii) Each Mortgage Loan and relating Mortgage and Mortgage Mandate complies in all material respects with the requirements of the Mortgage Credit Act or, as from 1 April 2015, Book VII, Title 4, Chapter 2 of the Code of Economic Law and implementing regulations.

(iv) To the extent required by applicable law, all Standard Loan Documentation has been duly and timely submitted to the FSMA (previously the CBFA) in accordance with the relevant provisions in the Mortgage Credit Act or, as from 1 April 2015, the Federal Public Service Economy in accordance with the relevant provisions in Book VII, Title 4, Chapter 2 of the Code of Economic Law.

(v) The Law of 12 June 1991 on consumer loans (the "**Consumer Credit Act**") and Book VII, Title 4, Chapter 1 of the Code of Economic Law on consumer credit loans do not apply to any of the Mortgage Loans.

(vi) The creditworthiness of the Borrowers has been assessed in accordance with the requirements set out in paragraphs 1 to 4, point (a) of paragraph 5, and paragraph 6 of Article 18 of the Mortgage Loans Directive, as of the implementation thereof into Belgian law.

(c) Free from third-party rights

(i) Each Mortgage Loan has been granted by the Seller for its own account or if applicable, by the original lender.

(ii) The Seller has exclusive, good and marketable title to and has the absolute property right over each Mortgage Loan and Mortgage Receivable and the other rights, interests and entitlements sold pursuant to the Mortgage Receivables Purchase Agreement.

(iii) The Mortgage Loans, the Mortgage Receivables and Related Security are free and clear of any encumbrances, liens, charges, pledges, pre-emption rights, options or other rights or security interests of any nature whatsoever in favour of, or claims of, third parties, and of any attachments (*derdenbeslag / saisie-arrêt*).

(iv) The Seller has not assigned, transferred, pledged, disposed of, dealt with or otherwise created or allowed to arise or subsist any security interest or other adverse right or interest in respect of its right, title, interest and benefit in or to any of the Mortgage Loans, Mortgage Receivables or Related Security and of the rights relating thereto or any of the property, rights, titles, interests or benefits sold or assigned pursuant to the Mortgage Receivables Purchase Agreement or pledged pursuant to the Pledge Agreement, in any way whatsoever other than pursuant to the Mortgage Receivables Purchase Agreement or the Pledge Agreement.

(v) The Mortgage Loans can be easily segregated and identified for ownership and collateral security purposes.

(d) Each Mortgage Receivable is secured by

(i) a first ranking Mortgage; or

(ii) a lower ranking Mortgage provided that the benefit of all higher ranking Mortgages on the same Real Estate has been transferred to the Issuer pursuant to the Mortgage Receivables Purchase Agreement; and, as the case may be,

(iii) a mandate to create Mortgages over the Mortgaged Assets.

(e) Fully disbursed Mortgage Loans

(i) The proceeds of each Mortgage Loan (including any brokers' fees) have been fully disbursed and the Seller has no further obligation to make further disbursement relating to the Mortgage Loan.

(ii) If the proceeds of a Mortgage Loan have been used by the Borrower for the construction of a real property (the **construction**), the construction has been completed.

(f) No set-off or other defence

(i) None of the Mortgage Loans and Related Security is subject to any reduction resulting from any valid and enforceable *exceptie / exception* or *verweermiddel / moyen de défense* (including *schuldvergelijking / compensation*) available to the relevant Borrower, Insurance Company or third party collateral provider and arising from any act or omission on the part of, or event or circumstance attributable to, the Seller prior to the execution of the Mortgage Receivables Purchase Agreement (except any *exceptie* or *verweermiddel* based on the provisions of Article 1244, paragraph 2 of the Belgian Civil Code or the provisions of Belgian insolvency laws).

(ii) No pledge, lien or counterclaim (except commercial discounts as applicable) or other security interest has been created or arisen or now exists between the Seller and any Borrower or Insurance Company which would entitle such Borrower to reduce the amount of any payment otherwise due under its Mortgage Loan.

(iii) The Standard Loan Documentation does not contain any express provisions giving the Borrower a contractual set-off right.

(g) No subordination

The Seller has not entered into any agreement, which would have the effect of subordinating the right to the payment under any of the Mortgage Loans to any other indebtedness or other obligations of the Borrower.

(h) No limited recourse

The Seller has not entered into any agreement, which would have the effect of limiting the rights in respect of the Mortgage Loan to any assets of the Borrower for the payment thereof.

(i) No abstraction

No bills of exchange, promissory notes or '*grossen'* to order have been issued or subscribed in connection with any amounts owing under any Mortgage Loan.

(j) No waiver

The Seller has not knowingly waived or acquiesced in any breach of any of its rights under or in relation to a Mortgage Loan or any Related Security, provided that the Permitted Variations made in accordance with the Transaction Documents shall not constitute a breach of this warranty.

(k) Performing loan

(i) No event has occurred and has not been cured prior to the Closing Date, entitling the Seller to accelerate the repayment of such Mortgage Loan.

(ii) No notice of prepayment of all or any part of the Mortgage Loan has been received by the Seller.

(iii) On the Cut-Off Date, no Mortgage Loan is in arrears and no Borrower is in default within the meaning of Article 178(1) of the CRR.

(iv) On the Cut-Off Date, to the best of the Seller's knowledge, no Borrower is, or has been since the date of the Mortgage Loan, in material breach of any obligation owed in respect of such Mortgage Loan, and no steps have been taken by the Seller to enforce any Mortgage as a result of such breach.

(v) On the Cut-Off Date, to the best of the Seller's knowledge, the Seller does not classify pursuant to its internal policies any Borrower to be unlikely to pay its credit obligations to it, without recourse by the Seller to take actions such as realising security.

(l) Litigation

The Seller has not received written notice of any litigation or claim calling into question in any material way the Seller’s title to any Mortgage Loan or Related Security.

(m) Insolvency

(i) The Seller has not received written notice, nor is otherwise aware, that any Borrower is bankrupt, has entered into or has filed for a rescheduling or repayments (*betalingsfaciliteiten / facilités de paiements*), judicial reorganisation (*gerechtelijke reorganisatie / réorganisation judiciaire*) or a moratorium (*uitstel van betaling / sursis de paiement*), or has applied for a collective reorganisation of its debts (*collectieve schuldenregeling / règlement collectif*) pursuant to the law of 5 July 1998, or is in a situation of cessation of payments or has otherwise become insolvent nor has the Seller any reason to believe that any Borrower is about to enter into, or to file for, any of the above situations or procedures.

(ii) To the best of the Seller’s knowledge, no Borrower has been declared bankrupt or had a court grant his creditors a final non-appealable right of enforcement or material damages as a result of a missed payment within three years prior to the Cut-Off Date.

(n) Incapacity

The Seller has not received notice of the death or any other incapacity of any Borrower.

(o) No Withholding Tax

Neither the Seller nor the Borrower is required to make any withholding or deduction for or on account of tax in respect of any payment in respect of the Mortgage Loans.

(p) Assignability of the Mortgage Receivables

(i) Each Mortgage Receivable, secured by the Related Security, may be validly assigned to the Issuer and each Mortgage Receivable may be validly pledged by the Issuer in accordance with the Pledge Agreement.

(ii) The Standard Loan documentation specifically provides that the Mortgage Receivables may be assigned.

(iii) Each Mortgage Receivable, secured by Related Security, is legally entitled of being transferred by way of sale, and their transfer by way of sale is not subject to any contractual or legal restriction, other than the notification to the Borrower for the purpose of rendering the assignment enforceable against the Borrower.

(iv) No sale of a Mortgage Receivable in the manner herein contemplated will be recharacterised as any other type of transaction and the sale of all Mortgage Receivables will be effective to pass to the Issuer full and unencumbered title thereto and benefit thereof, and no further act, condition or thing will be required to be done in connection therewith to enable the Issuer to require payment of each Mortgage Receivable or the enforcement of each Mortgage Receivable in any court other than, for the purpose of rendering the sale enforceable against the Borrower, the giving of notice to the Borrower of the sale of such Mortgage Receivable by the Seller to the Issuer.

(v) Upon the sale of any Mortgage Receivables such Mortgage Receivables will no longer be available to the creditors of the Seller on its liquidation.

(vi) The Mortgage Receivables and the Related Security are not in a condition that can be foreseen to adversely affect the enforceability of the sale thereof.

(q) Valid Mortgage

(i) Each Mortgage exists and constitutes a valid and subsisting mortgage over the relevant Mortgaged Asset and each Mortgage shall continue to secure the relevant Mortgage Receivable following assignment of such Mortgage Receivable.

(ii) Each Mortgage which has been registered at the relevant Mortgage Register is a first-ranking mortgage, except if the Seller holds all other prior ranking Mortgage(s) and the benefit of such Mortgage(s) is also transferred to the Issuer pursuant to the Mortgage Receivables Purchase Agreement.

(iii) No other mortgage or security interest attaches to any Mortgaged Asset other than any (a) mortgages and liens which apply to the Mortgaged Asset by operation of law and (b) any lower ranking mortgages, liens, encumbrances or claims.

(iv) All steps necessary with a view to perfecting the Seller's title to each Mortgage were duly taken at the appropriate time or are in the process of being taken without undue delay on the part of the Seller and those within its control.

(v) As at the date of origination of the Mortgage Loan the immovable property over which such Mortgage has been granted existed or was under construction and the Seller has received no notice nor has it any reason to believe that it does not exist.

(vi) Subject to (v) above, each Mortgage Receivable is secured on and each Mortgage relating thereto relates to a Mortgaged Asset situated in Belgium.

(r) Mortgage Mandate

Each attorney appointed under a Mortgage Mandate and as long as such attorney, if a legal person, exists, or, if a private person, is alive, has the power under the Mortgage Mandate to create a mortgage in favour of the Issuer and the Seller.

(s) Related Security

The Seller has not received notice of any material breach of the terms of any Related Security.

(t) The Mortgaged Assets

(i) Prior to providing a Mortgage Loan to a Borrower, the Seller instructed the notary public to conduct a search on origin and validity of the Borrower's title to the Mortgaged Asset and such search:

(A) did not disclose anything material which would cause the Seller, acting reasonably, not to proceed with the Mortgage Loan on the proposed terms;

(B) did disclose that the Borrower or a third party collateral provider had the exclusive, absolute and unencumbered title over the Mortgaged Asset; and

(C) did not disclose any tax liabilities or, if applicable, any social security (*sociale zekerheid / sécurité sociale*) liabilities, registrations, annotations or transcriptions or deficiencies in the title of property which may substantially impair the rights of the Seller, including, but not limited to, deferred payment of the purchase price, reservation of title (*eigendomsvoorbehoud / réserve de propriété*), any condition precedent or any resolutive condition, usufruct (*vruchtgebruik / usufruit*) or negative undertakings not to transfer or mortgage.

(ii) The notary public has not been dispensed from any of its responsibilities and/or liabilities in relation to any Mortgage Loan, Mortgage and Mortgage Mandate.

(iii) None of the Mortgages and Mortgage Mandates have been created over a part in an undivided property, a collective property (*mede-eigendom / co-propriété*) or a property which has been purchased pursuant to a purchase agreement which results in an effective *tontine* or a similar arrangement, except

(A) in case there is another first-ranking Mortgage relating to the same Borrower that meets all representations and warranties set out herein; or

(B) in case of a *tontine* or a similar arrangement;

I. the parties to the arrangement are Borrowers under the same Mortgage Loan, are held jointly and severally, and have granted the

relevant Mortgage with respect to all their present and future rights in respect of the Mortgaged Asset; and

II. such Mortgage is still in full force and effect for each such Borrower.

(iv) The Seller has not received any notice requiring the compulsory acquisition (*expropriation / onteigening*) of such Mortgaged Asset.

(u) The Seller's compliance with laws

The Seller has, in relation to the origination, the servicing and the assignment of the Mortgage Loans and Mortgage Receivables, complied in all material respects with all relevant banking, consumer protection, privacy, money laundering and other laws.

(v) Servicing

Except for the Servicer, no other person has been granted or conveyed the right to service any Mortgage Loan and/or to receive any consideration in connection therewith, unless agreed otherwise between the parties hereto.

(w) Selection process

(i) The Seller has not taken any action in selecting the Mortgage Loans which, to the Seller's knowledge, would result in delinquencies or losses on the Mortgage Loans being materially in excess of the average delinquencies or losses on the Seller's total portfolio of loans of the same type.

(ii) The risk of a Borrower defaulting on a payment under the Mortgage Loans is not significantly higher than for comparable mortgage loans held by the Seller, but which are not part of the Mortgage Loans.

(x) Originating and Standard Loan Documentation

(i) Prior to making each Mortgage Loan the Seller carried out or caused to be carried out all investigations, searches and other actions and made such enquiries as to the Borrower's status and obtained such consents (if any) as would a reasonably prudent lender and nothing which would cause any such a lender to decline to proceed with the initial loan on the proposed terms was disclosed.

(ii) At the time of origination, the Seller has consulted the the KPD-registration system in the internal Risk and Damage database (*Risico- en Schade Bestand* or *RSB*) and the external Retail Loan database (*Centrale voor Kredieten aan Particulieren* or *CKP*), both of which did not include a negative registration for the Borrower.

(iii) Prior to making each Mortgage Loan, the Seller's lending criteria laid down in the Credit Policies or, as the case may be, the lending criteria of the Seller applicable at the time or the lending criteria of the relevant original lender, were satisfied so far as applicable subject to such waivers as might be exercised by a reasonably prudent mortgage lender.

(iv) Each Mortgage Loan has been granted and each of the Related Security has been created, subject to the general terms and conditions and materially in the forms of the Standard Loan Documentation (so far as applicable) and any amendment to the

terms of the Mortgage Loans has been made substantially in accordance with the Credit Policies or the then prevailing credit policies of the Seller or the original lender.

(v) None of the Mortgage Loans were marketed and underwritten on the premise that the Borrower or where applicable intermediaries, were aware that the information provided might not be verified by the Seller.

(vi) The interest rate on each Mortgage Loan was market conform at its origination date.

(vii) On the Cut-Off Date, no Mortgage Receivable is a Disputed Mortgage Receivable.

(y) Proper accounts and records

(i) Each Mortgage Loan and Related Security is properly documented in the Contract Records relating to such Mortgage Loan. The relevant transactions, payments, receipts, proceedings and notices relating to such Mortgage Loan and such Contract Records are properly recorded in the Contract Records and in the possession of the Seller or held to its order.

(ii) The Contract Records contain evidence of the existence, rank and amount of the relevant Mortgages, evidence of the existence and the amount of the Mortgage Mandates and if so applicable under the prevailing internal policy, the valuation of the relevant Mortgaged Assets.

(z) Data protection and privacy laws

The Seller and the databases it maintains, in particular with regard to the Mortgage Loans and the Borrowers, materially comply with the data protection and privacy laws and regulations.

The current Standard Loan Documentation of the Seller refers to the processing of the personal data of Borrowers for securitisation purposes such as this Transaction.

As regards the Mortgage Loans that are governed by the previous standard loan documentation, the Seller has notified the Borrowers under such Loans of the change to the original purpose of the processing of the personal data resulting from the Transaction.

(aa) Credit Policies

The Seller's Credit Policies are those of a reasonably prudent mortgage lender and servicer.

(bb) Missing data

As for any Mortgage Loans where the Seller confirms that no actual or no complete data are available, the characteristics of those Mortgage Loans are substantially the same as the ones under the Credit Policies.

(cc) Financial criteria

(i) On the Cut-Off Date the Outstanding Principal Amount of each Mortgage Receivable as of its Cut-Off Date, plus the nominal amount of the principal comprised in all the Instalments that fell due under the Mortgage Receivable on or before, but have not been paid by, its Cut-Off Date, is not more than EUR

1,000,000,000.

(ii) Each Mortgage Receivable is repayable by way of monthly Instalments.

(iii) Each Mortgage Receivable is denominated exclusively in euro (this includes Mortgage Loans historically denominated in Belgian frank).

(iv) Each Mortgage Receivable has a fixed rate period that is not less than one (1) year.

(v) Each Mortgage Receivable has a fixed interest rate period that does not exceed thirty (30) years.

(vi) No Mortgage Receivable has an initial maturity in excess of thirty (30) years.

(vii) In respect of each Mortgage Loan, at least one Instalment has been received.

(dd) Mortgage pool characteristics

(i) On the Cut-Off Date, each Mortgage Receivable has a LTM of less than 500%.

(ii) On the Cut-Off Date, each Mortgage Receivable has a Current LTV equal to or less than 100%.

4. Eligibility Criteria

All representations and warranties, as set out under section 3.2 above, shall be considered to constitute the eligibility criteria relating to the Mortgage Loans or, as the case may be, the Mortgage Receivables (the "**Eligibility Criteria**"). The Eligibility Criteria pertain to the Mortgage Receivables and Mortgage Loans on the Cut-Off Date.

5. Repurchases, Call Options and Permitted Variations

5.1 Repurchase

If at any time after the Closing Date any of the representations and warranties relating to a Mortgage Loan or a Mortgage Receivable proves to have been untrue or incorrect, the Seller shall within thirty (30) calendar days of receipt of written notice thereof from the Issuer remedy the matter giving rise thereto and if such matter is not capable of being remedied or is not remedied within the said period of thirty (30) calendar days, the Seller shall on the next succeeding Monthly Payment Date, repurchase and accept re-assignment of such Mortgage Receivable and Related Security.

All Mortgage Receivables to be repurchased by the Seller pursuant to the preceding paragraph shall be repurchased for a price equal to the then Outstanding Principal Amount of such Mortgage Receivables plus accrued interest thereon and costs (including any costs incurred by the Issuer for effecting and completing such repurchase and reassignment) up to (but excluding) the date of completion of the repurchase (the "**Repurchase Price**").

In addition, if, upon conversion of a Mortgage Mandate with respect to a Mortgage Receivable in accordance with the Credit Policies, such Mortgage Mandate was not exercised in accordance with the terms and conditions of the Mortgage Receivables Purchase Agreement, the Issuer will have the right (exercisable upon its own initiative or at the direction of the Security Agent) to require the Seller to repurchase such Mortgage Receivable.

The purchase price for the Mortgage Receivables so repurchased and reassigned shall be equal to the then Outstanding Principal Amount together with accrued interest due but unpaid, if any, up to the relevant date of such repurchase or reassignment and reasonable costs relating thereto (including any costs incurred by the Issuer in effecting and completing such repurchase and re-assignment), except that with respect to Defaulted Receivables, the purchase price shall be the lesser of (a) the sum of the Outstanding Principal Amount, together with accrued interest due but unpaid, if any, and any other amount due under the Mortgage Receivables up to the relevant date of such sale or repurchase and (b) an amount equal to (A) the value of the Mortgaged Assets as provided in an expert valuation report of less than six (6) months old, or (B) if no such expert valuation report is available, the most recent market value of the Mortgaged Assets as reflected in the relevant Contract Records, indexed in accordance with the price index published on www.statbel.fgov.be, or if not available, any other index representative of the residential real estate market in Belgium (the "**Optional Repurchase Price**").

5.2 Clean-Up Call Option

On each Monthly Payment Date the Seller or any third party appointed by the Seller may, but is not obliged to, repurchase and accept re-assignment of all (but not only part of) the Mortgage Receivables if (i) on the Monthly Calculation Date immediately preceding such Monthly Payment Date the aggregate Principal Amount Outstanding of all Notes is less than 10 per cent. of the aggregate Principal Amount Outstanding of all Notes as of the Closing Date and (ii) the Issuer has sufficient funds to pay all amounts due in respect of the Notes upon the exercise of such option by the Seller (the "**Clean-Up Call Option**").

The Issuer has undertaken in the Mortgage Receivables Purchase Agreement to sell and assign the Mortgage Receivables to the Seller or any third party appointed by the Seller in its sole discretion in case of the exercise of the Clean-Up Call Option, to the extent it holds the Mortgage Receivables upon exercise by the Seller of the Clean-Up Call Option.

All Mortgage Receivables to be so repurchased by the Seller shall be repurchased for a price equal to the Optional Repurchase Price.

5.3 Regulatory Call Option

On each Monthly Payment Date the Seller has the Regulatory Call Option to repurchase the Mortgage Receivables upon the occurrence of a Regulatory Change provided that the Issuer has sufficient funds to pay all amounts due in respect of the Notes upon the exercise of such option by the Seller. A "**Regulatory Change**" will be a change published after the Closing Date (i) in the Basel Capital Accords promulgated by the Basel Committee on Banking Supervision (the "**Basel Accords**") or in the international, European or Belgian regulations, rules and instructions (which includes the solvency regulation of the NBB or the ECB as applicable) (the "**Bank Regulations**") applicable to the Seller (including any change in the Bank Regulations enacted for purposes of implementing a change to the Basel Accord) or a change in the manner in which the Basel Accords or such Bank Regulations are interpreted or applied by the Basel Committee on Banking Supervision or by any relevant competent international, European or national body (including the NBB or any relevant international, European or other competent regulatory or supervisory authority) which, in the opinion of the Seller, has the effect of adversely affecting the rate of return on capital of the Seller or increasing its cost or reducing its benefit with respect to the transaction contemplated by the Notes or (ii) in the eligible collateral framework of the European Central Bank as a result of which the Notes no longer qualify as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosytem.

The Issuer has undertaken in the Mortgage Receivables Purchase Agreement to sell and assign the Mortgage Receivables to the Seller or any third party appointed by the Seller in its sole discretion in

case of the exercise of the Regulatory Call Option, to the extent it holds the Mortgage Receivables at the time of exercise by the Seller of the Regulatory Call Option.

All Mortgage Receivables to be so repurchased by the Seller shall be repurchased for a price equal to the Optional Repurchase Price.

5.4 Permitted Variations

Upon request of a Borrower to change the terms and conditions of or in relation to a Mortgage Receivable or any rights in relation thereto, the Servicer shall be entitled to change such terms and conditions or rights if all the following conditions are satisfied (a "**Permitted Variation**")

(a) no Enforcement Notice has been given by the Security Agent that remains in effect at the date of the relevant variation;

(b) the repayment type of the Mortgage Receivable shall not be changed;

(c) the variation would not cause the Mortgage Loan or Mortgage Receivable to no longer comply with all the Eligibility Criteria;

(d) if the variation relates to the variation of the fixed interest rates applicable to a Mortgage Receivable other than in accordance with the applicable Mortgage Conditions, the interest rate after such variation is market conform and not lower than the fixed interst rate at the moment of such variation;

(e) the variation will not provide for a full or partial release of the Mortgage related to the Mortgage Loan as a result of which the LTM immediately following such variation will be higher than 100%;

(f) the Outstanding Principal Amount of the Mortgage Receivable shall not be reduced otherwise than as a result of an effective payment of principal;

(g) if the variation results from a discharge (*ontlasting / décharge*) in connection with a divorce (*echtscheiding / divorce*) or from a discharge of a personal guarantor (*persoonlijke borg / garantie personnelle*):

  (i) such variation shall be considered by the Servicer acting as a reasonably prudent mortgage lender (*bonus pater familias*);

  (ii) all underwriting criteria as set out in the Credit Policies remain satisfied following the acceptance of such variation;

(h) the final redemption date of such varied Mortgage Receivable would as a consequence of the variation not be extended beyond the Monthly Payment Date falling four (4) years prior to the Final Redemption Date of the Notes.

A proposed variation that does not meet the conditions set out above, is a "**Non-Permitted Variation**".

For the avoidance of doubt:

(a) the waiver by the Servicer of any Prepayment Penalty in connection with the voluntary prepayment of any Mortgage Receivable, is a Non-Permitted Variation; and

(b) the power of the Servicer to agree to a Permitted Variation is subject to a request to that effect being made by the relevant Borrower.

The Servicer shall keep a note of any variation, amendment or waiver with respect to a Mortgage Receivable.

The Issuer or the Security Agent shall be entitled to terminate the powers of the Servicer to make Permitted Variations with three (3) months prior notice, provided another procedure or powers are put into place to deal with variations without any additional cost or expense for the Servicer. Such new procedure and powers will have no adverse impact on the then current ratings assigned to the Notes.

5.5 Non-Permitted Variations

If the proposed variation is a Non-Permitted Variation and provided that the Non-Permitted Variation has been requested by the Borrower of the relevant Mortgage Receivable:

(a) the Seller, or the Servicer on its behalf, must promptly inform the Issuer and the Security Agent, and

(b) if and to the extent that the Seller requests that such Non-Permitted Variation is accepted, it being understood that the Seller may not request the approval of a Non-Permitted Variation in respect of any Defaulted Receivable, and except if the Issuer and the Security Agent confirm that the Seller does not need to repurchase the relevant Mortgage Receivable, within five (5) Business Days after such request has been made, but in any event prior to the actual processing of the Non-Permitted Variation, the Seller shall repurchase and accept re-assignment of the relevant Mortgage Receivable at a price equal to the Repurchase Price.

6. Notification Events

If:

(a) a default is made by the Seller in the payment on the due date of any amount due and payable by the Seller under the Mortgage Receivables Purchase Agreement or under any Transaction Document to which it is or will be a party and such failure is not remedied within ten (10) calendar daysafter notice thereof has been given by the Issuer or the Security Agent to the Seller; or

(b) the Seller fails duly to perform or comply with any of its obligations under the Mortgage Receivables Purchase Agreement or under any Transaction Document to which it is or will be a party and, if such failure is capable of being remedied, such failure is not remedied within ten (10) Business Days after notice thereof has been given by the Issuer or the Security Agent to the Seller; or

(c) any representation or warranty made by the Seller in the Mortgage Receivables Purchase Agreement, other than those relating to the Mortgage Loans and the Mortgage Receivables (which the Seller consequently repurchases), or under any of the Transaction Documents to which the Seller is or will be a party, proves to have been, and continues to be after the expiration of any applicable grace period, untrue or incorrect in any material respect; a representation or warranty will be considered to be untrue or incorrect in a material respect if it affects the validity of the obligations of the Seller under the Transaction Documents; or

(d) an order being made or an effective resolution being passed for the winding up (*ontbinding / dissolution*) of the Seller except a winding up for the purposes of or pursuant to an

amalgamation or reconstruction the terms of which have previously been approved by the Security Agent in writing or by an Extraordinary Resolution of the Noteholders; or

(e) the Seller, otherwise than for the purposes of such amalgamation or reconstruction as is referred to in paragraph (d) above, ceases or, through an official action of the board of directors of the Seller, threatens to cease to carry on business or the Seller is unable to pay its debts as and when they fall due or the value of its assets falling to less than the amount of its liabilities or otherwise becomes insolvent; or

(f) (i) any steps have been taken or legal proceedings have been instituted or threatened against the Seller for the bankruptcy (*faillissement / faillite*), stay of payment (*uitstel van betaling/sursis de paiement*) or for any analogous insolvency proceedings under any applicable law, or (ii) an administrator, receiver or like officer (including an ad hoc administrator *(voorlopig bewindvoerder / administrateur provisoire*) and an enterprise mediator *(ondernemingsbemiddelaar / médiateur d'entreprise*)) has been appointed in respect of the Seller or any of its assets; or

(g) at any time it becomes unlawful for the Seller to perform all or a material part of its obligations under any of the Transaction Documents to which it is or will be a party; or

(h) any action is taken by any authority, court or tribunal, which results or may result in the revocation of the license of the Seller (i) to act as a credit institution within the meaning of the Law of 25 April 2014 on the status and supervision of credit institutions (the "**Credit Institutions Supervision Act**") or (ii) as a mortgage credit provider under Book VII, Title 4, Chapter 4 of the Code of Economic Law; or

(i) the Seller becomes subject to any reorganisation measure (*mesures d'assainissement / saneringsmaatregelen*) within the meaning of Article 3 § 1, 56° of the Credit Institutions Supervision Act, or winding-up procedures (*procédures de liquidation / liquidatieprocedures*) within the meaning of Article 3 § 1, 59° of the Credit Institutions Supervision Act; or

(j) at any time,

  (i) the long-term, unsecured and unsubordinated debt obligations of the Seller cease to be rated at least as high as Baa3 by Moody's or such rating is withdrawn; or

  (ii) the deposit rating (if available) or long term IDR of the Seller cease to be rated as high as BBB- by Fitch and the short-term IDR of the Seller ceases to be rated as high as F3 by Fitch or such ratings are withdrawn; or

(k) the service of an Enforcement Notice by the Security Agent occurs;

then the Seller, shall forthwith (i) notify in writing the relevant Borrowers of the Mortgage Loans and any other relevant parties indicated by the Issuer and/or the Security Agent, including the Insurance Companies or other third party providers of additional collateral, of the assignment of the Mortgage Receivables and the Related Security to the Issuer and (ii) instruct the relevant Borrowers of the Mortgage Loans and any other relevant parties indicated by the Issuer and/or the Security Agent, including the Insurance Companies or other third party providers of additional collateral to pay any amounts due directly to the Issuer Collection Account or, at its option, the Issuer shall be entitled to make such notifications and to give such instructions itself or on behalf of the Seller, unless in respect of:

(A) an event referred to under (b), (c), (g) and (k) (but in relation to the event referred to under (k), only to the extent such events are based on items (b), (c), and (g) of the Notification Events) above, where, if and to the extent this event would not have a material adverse effect on the interest of the Noteholders, the notification and instruction referred to above shall not be made subject to an appropriate remedy to the satisfaction of the Issuer and the Security Agent being found and implemented within a period of thirty (30) calendar days and provided that the current ratings assigned to the Notes will not be adversely affected as a consequence thereof; and

(B) an event as referred to under (j) above, if the Issuer has given an irrevocable notice to the Security Agent and the Rating Agencies of its intention to redeem the Notes early in accordance with the provisions on Optional Redemption in case of a Ratings Downgrade Event and provided that following such notice (i) the Issuer shall give notice to the Noteholders and the Security Agent in accordance with the Conditions and (ii) the Issuer redeems the Notes in whole in accordance with the Conditions on the first Monthly Payment Date following the notice by the Issuer of its intention to redeem the Notes early in accordance with the provisions on Optional Redemption in case of a Ratings Downgrade Event; and

(C) an event as referred to under (j) above, where such event occurs by reason of a Rating Agency withdrawing the rating of the Seller, if the Seller notifies the Issuer, the Security Agent and the Rating Agencies of its intention to enter into good faith discussions with the relevant Rating Agency with a view to keep or reinstate the applicable rating of the Seller and such rating is maintained or reinstated within a period of sixty (60) calendar days from the date on which the rating was withdrawn, as further notified by the Seller to the Issuer, the Security Agent and the Rating Agencies; and

(D) an event referred to under (f) above, in which case the Issuer shall, assisted by either the Seller or the Administrator (determined by the choice of the Issuer), (i) notify in writing the relevant Borrowers of the Mortgage Loans and any other relevant parties indicated by the Issuer and/or the Security Agent, including the Insurance Companies or other third party providers of additional collateral, of the assignment of the Mortgage Receivables and the Related Security to the Issuer and (ii) instruct the relevant Borrowers of the Mortgage Loans and any other relevant parties indicated by the Issuer and/or the Security Agent, including the Insurance Companies or other third party providers of additional collateral to pay any amounts due directly to the Issuer Collection Account.

If the notification to the Borrowers and any other relevant parties indicated by the Issuer and/or the Security Agent, as set forth above, must be given at a time when the Transaction Accounts must be transferred to an alternative account bank pursuant to the terms of the Account Bank Agreement, the notification shall be effected in two steps by the Seller or the Issuer (or the Administrator on its behalf) (as applicable) where the notification sub (i) above of the assignment of the Mortgage Receivables is given forthwith as set forth above and where the notification sub (ii) above relating to the payment instructions is given as soon as the Transaction Accounts will have been transferred to the relevant alternative account bank and appropriate back-up servicing arrangements have been put in place.

The Mortgage Receivables Purchase Agreement contains arrangements for the relevant information regarding the Borrowers to be held under escrow and to be accessible by the Issuer and the Security Agent upon the service of an Enforcement Notice by the Security Agent, for purposes of the required notifications.

7. Right of first refusal

The Mortgage Receivables Purchase Agreement provides for a right of first refusal for the Seller, if the Issuer decides in its sole discretion to sell the Mortgage Receivables in the context of an Optional Redemption in case of a Ratings Downgrade Event. The conditions of this right of first refusal are as further set out in the Mortgage Receivables Purchase Agreement.

8. Risk Mitigation Deposit

In case the Counterparty Risk Assessment of the Seller falls below Baa3(cr) by Moody's (such event being a "**Risk Mitigation Deposit Trigger Event**"), then the Seller shall as soon as reasonably possible following the occurrence of such Risk Mitigation Deposit Trigger Event, credit to a bank account (the "**Deposit Account**") to be held in the name of the Issuer with a third party account bank having the Required Minimum Ratings, the Risk Mitigation Deposit Amount.

The "**Risk Mitigation Deposit Amount**" shall be an amount as determined by the Administrator as follows:

(i) Upon the first occurrence of a Risk Mitigation Deposit Trigger Event, the Risk Mitigation Deposit Amount shall be equal to the higher of (x) zero and (y) the aggregate amount of the first scheduled interest and principal payment becoming due and payable on each Mortgage Loan on or immediately following the occurrence of the Risk Mitigation Deposit Trigger Event.

(ii) On the first calendar day of each month following the month in which the Risk Mitigation Deposit Trigger Event occurred (the "**Adjustment Date**") and provided no Notification Event has occurred, the Risk Mitigation Deposit Amount shall be adjusted and be equal to the higher of (x) zero and (y) the aggregate amount of the first scheduled interest and principal payment becoming due and payable on each Loan on or immediately following such Adjustment Date.

To the extent the balance on the Deposit Account exceeds the Risk Mitigation Deposit Amount calculated on the Adjustment Date, the Administrator will immediately (and in any event no later than five (5) Business Days following the Adjustment Date) release the amount in excess to the Seller. To the extent the balance on the Deposit Account is less than the Risk Mitigation Deposit Amount calculated on the Adjustment Date, the Administrator will notify the Seller thereof and the Seller will immediately (and in any event no later than five (5) Business Days following the notification of the adjusted Risk Mitigation Deposit Amount by the Administrator) credit such shortfall to the Deposit Account.

(iii) As from the time a Notification Event has occurred, the Risk Mitigation Deposit Amount will become fixed and may no longer be adjusted in accordance with paragraph (ii) above and will, as a result, become fixed. Furthermore, as from the time a Notification Event has occurred, the Risk Mitigation Deposit Amount may no longer be released (other than to the Issuer for the purposes set out under (a) or (b) below) unless the Notes have been fully and finally repaid.

The Risk Mitigation Deposit Amount as determined by the Administrator for each first calendar day of the month following the occurrence of a Risk Mitigation Deposit Trigger Event (and as long as the Risk Mitigation Deposit Trigger Event continues) will be reported by the Administrator in the Investor Report. The funds credited to the Deposit Account will not be included as Notes Redemption Available Amount and/or Notes Interest Available Amount and will not form part of the Priority of Payments, unless if used to mitigate Commingling Risk in which case the Issuer will be required to add such funds to the Notes Interest Available Amount and/or Notes Redemption

Available Amount, as the case may be. The Risk Mitigation Deposit Amount will not serve as general credit enhancement to the Issuer and can only be used by the Issuer to mitigate Commingling Risk. The Issuer will transfer the interest received on the Deposit Account to the Seller.

The funds credited to the Deposit Account may only be applied by the Issuer for the purpose of indemnifying the Issuer against any losses resulting from the fact that following an insolvency of the Seller the recourse the Issuer would have against the Seller for amounts paid into the accounts held with the Seller at such time would be an unsecured claim against the insolvent estate of the Seller for moneys due at such time ("**Commingling Risk**")(See also Section 1.17 – Commingling Risk).

In such event, the Issuer (or the Administrator on behalf of the Issuer) will transfer the relevant amounts from the Deposit Account to the Transaction Account.

Unless applied in order to indemnify Commingling Risk, the funds credited to the Deposit Account shall remain credited to the Deposit Account until (the earlier of):

(a) the Seller no longer being subject to any Risk Mitigation Deposit Trigger Event; or

(b) a full and final repayment of the Notes on the Final Maturity Date (or such other date upon which the Notes are to be redeemed in full).

If any of the above conditions under (a) or (b) is fulfilled, the Administrator will immediately release the funds credited to the Deposit Account to the Seller (including, for the avoidance of doubt, any amounts as might be credited to this Deposit Account at a later date).

ISSUER SERVICES AGREEMENT

Services

In the Issuer Services Agreement, the Servicer will agree to provide mortgage payment transactions and other services to the Issuer on a day-to-day basis in relation to the Mortgage Loans and the Mortgage Receivables, including, without limitation, the collection and recording of payments of principal, interest and other amounts in respect of the Mortgage Loans and the Mortgage Receivables.

The Servicer will be obliged to administer the Mortgage Loans and the Mortgage Receivables at the same level of skill, care and diligence as it administers mortgage loans in its own portfolio.

In the Issuer Services Agreement, the Administrator will agree to provide certain administration, calculation and cash management services to the Issuer, including (a) the direction of amounts received by the Seller to the Issuer Collection Account, (b) the operation of the Transaction Accounts, (c) drawings (if any) to be made by the Issuer from the Reserve Account, (d) all payments to be made by the Issuer under the Swap Agreement and under the other Transaction Documents, (e) all payments to be made by the Issuer under the Notes in accordance with the Agency Agreement and the Conditions and (f) all calculations to be made pursuant to the Conditions under the Notes and (g) the production of all information necessary for the Issuer in order to perform its obligations under the ECB regulation No 1075/2013 of 18 October 2013 concerning statistics on the assets and liabilities of financial vehicle corporations engaged in securitisation transactions (recast). The Administrator will also provide the Swap Counterparty with all information (to the extent available) necessary in order for the Swap Counterparty to perform its role as Calculation Agent under the Swap Agreement.

In the Issuer Services Agreement, the Corporate Services Provider will agree to provide certain administrative, reporting and corporate services to the Issuer, including, without limitation, the keeping of all books and registers of the Issuer and preparation of the Monthly Calculation Reports and the monthly Investor Report.

Termination

The appointment of the Servicer, the Administrator and/or the Corporate Services Provider under the Issuer Services Agreement will be terminated by the Issuer (with the consent of the Security Agent) or by the Security Agent in certain circumstances, including but not limited to (a) a default by the Servicer, the Administrator and/or the Corporate Services Provider in the payment on the due date of any payment due and payable by it under the Issuer Services Agreement, (b) a default by the Servicer, the Administrator and/or the Corporate Services Provider in the performance or observance of any of its other covenants and obligations under the Issuer Services Agreement, (c) the Servicer, the Administrator and/or the Corporate Services Provider has taken any corporate action or any steps have been taken or legal proceedings have been instituted or threatened against it under any reorganisation procedure (*saneringsmaatregelen / measures d'assainissement*) or winding-up procedures (*liquidatieprocedures / procedures de liquidation*) within the meaning of Article 3, §1 of the Credit Institutions Supervision Act for any insolvency proceedings under any applicable law or for bankruptcy or for the appointment of a receiver or a similar officer of its or any or all of its assets, (d) the Administrator has taken any corporate action or any steps have been taken or legal proceedings have been instituted or threatened against it under any insolvency proceedings under any applicable law or for bankruptcy or for the appointment of a receiver or a similar officer of its or any or all of its assets, (e) the license of the Servicer as mortgage credit provider is revoked by the FSMA in accordance with Article 67/1 of Book XV of the Belgian Code of Economic Law or the license of the Servicer as credit institution has been revoked in accordance with Article 233 of the Credit Institutions Supervision Act.

Upon termination of the appointment of the Servicer, the Administrator and/or the Corporate Services Provider under the Issuer Services Agreement, the Issuer (as the case may be, with the assistance of the

Security Agent, the Administrator, the Back-up Servicer Facilitator and/or the Corporate Services Provider, and whenever a Protection Notice or Enforcement Notice has been served, the Security Agent in consultation with the Issuer) shall use its best efforts to appoint a substitute servicer (within 60 calendar days), administrator and/or corporate services provider and such substitute servicer, administrator, and/or corporate services provider shall enter into an agreement with the Issuer and the Security Agent substantially on the terms of the Issuer Services Agreement, provided that such substitute servicer, administrator and/or corporate services provider shall have the benefit of a fee at a level to be then determined. Any such substitute servicer, administrator and/or corporate services provider is obliged to, among other things, (i) have experience of administering mortgage loans and mortgages of residential property in Belgium and (ii) hold all required licences under applicable law therefore. The Issuer shall, promptly following the execution of such agreement, pledge its interest in such agreement in favour of the Secured Parties, including the Security Agent on behalf of the Noteholders and the other Secured Parties, on the terms of the Pledge Agreement, *mutatis mutandis*, to the satisfaction of the Security Agent.

The Issuer Services Agreement may, *inter alia*, be terminated by the Servicer, the Administrator or the Corporate Services Provider upon the expiry of not less than twelve (12) months' notice of termination given by respectively the Servicer, the Administrator and/or the Corporate Services Provider to each of the Administrator, the Servicer and the Corporate Services Provider respectively and the Issuer and the Security Agent provided that – *inter alia* – (a) the Security Agent consents in writing to such termination, which consent shall not be unreasonably withheld and (b) a substitute servicer, administrator or corporate services provider shall be appointed on the same terms as the terms of the Issuer Services Agreement, such appointment to be effective not later than the date of termination of the Issuer Services Agreement and the Servicer, the Administrator and/or the Corporate Servicer shall not be released from its obligations under the Issuer Services Agreement until such substitute servicer, administrator and/or corporate services provider has entered into such new agreement.

THE ISSUER

The Issuer has been established as a special purpose vehicle for the purpose of issuing securities, including the Notes.

1. NAME AND STATUS

The Issuer is a company with limited liability (*naamloze vennootschap / société anonyme*) incorporated under the name Loan Invest NV/SA, *institutionele vennootschap voor belegging in schuldvorderingen naar Belgisch recht / société d'investissement en créances institutionnelle de droit belge* in accordance with the UCITS Act.

The registered office of the Issuer is located at Koningsstraat 97, 1000 Brussels and its telephone number is +32 2 209 22 00. The Issuer is registered with the Crossroads Bank for Enterprises under number RPR 0889.054.884.

The Issuer is subject to the rules applicable to *institutionele vennootschappen voor belegging in schuldvorderingen naar Belgisch recht / sociétés d'investissement en créances institutionnelle de droit belge*, as set out in the UCITS Act.

The Issuer has been registered with the Federal Public Service Finance (*Federale Overheidsdienst Financiën / Service Public Fédéral Finances*) on 8 May 2007 as an *institutionele vennootschap voor belegging in schuldvorderingen naar Belgisch recht / société d'investissement en créances institutionnelle de droit belge* and its Compartment Home Loan Invest 2019 has been registered with the Federal Public Service Finance (*Federale Overheidsdienst Financiën / Service Public Fédéral Finances*) on 10 December 2018 as a compartment of a an *institutionele vennootschap voor belegging in schuldvorderingen naar Belgisch recht / société d'investissement en créances institutionnelle de droit belge*. This registration cannot be considered as a judgment as to the opportunity or the quality of the Transaction, nor on the situation of the Issuer or Compartment Home Loan Invest 2019.

The Issuer has obtained a license as a mortgage credit provider under Book VII, Title 4, Chapter 4 of the Code of Economic Law effective as of 18 July 2017.

The Issuer is a public company within the meaning of Article 438 of the Company Code.

2. INCORPORATION

The Issuer was incorporated on 24 April 2007 for an unlimited period of time.

A copy of the deed of incorporation and the Articles of Association of the Issuer will be available for public inspection at the registered office of the Issuer and the specified office of the Domiciliary Agent. The Issuer has the corporate power and capacity to issue the Notes, to acquire the Mortgage Receivables and to enter into and perform its obligations under the Transaction Documents.

3. SHARE CAPITAL AND SHAREHOLDING

The Issuer has an issued share capital of EUR 69,500 represented by 100 registered shares without nominal value, which are fully paid up. Initially, all shares were allocated to Category I, representing Compartment Home Loan Invest 2007. By an amendment of the Articles of Association of the Issuer on 12 August 2008, 10 shares of Category I of the Issuer have been reallocated to a new category of shares, Category II, representing Compartment Home Loan Invest 2008. By an amendment of the Articles of Association of the Issuer on 5 March 2009, 10 shares of Category I of the Issuer have

been reallocated to a new category of shares, Category III, representing Compartment Home Loan Invest 2009. By an amendment of the Articles of Association of the Issuer on 24 May 2011, 10 shares of Category I of the Issuer have been reallocated to a new category of shares, Category IV, representing Compartment Home Loan Invest 2011. By an amendment of the Articles of Association of the Issuer on 22 March 2016, 10 shares of Category I of the Issuer have been reallocated to a new category of shares, Category V, representing Compartment Home Loan Invest 2016. At the same time Compartment Home Loan Invest 2008, Compartment Home Loan Invest 2009 and Compartment Home Loan Invest 2011 were dissolved and liquidated and the corresponding shares were reallocated to Compartment Home Loan Invest 2007. As a result of the amendment of the Articles of Association of the Issuer on 22 March 2016, 90 shares are allocated to Category I, representing Compartment Home Loan Invest 2007 and 10 shares are allocated to Category V, representing Compartment Home Loan Invest 2016. By an amendment of the Articles of Association of the Issuer on 9 March 2017, 10 shares of Category I of the Issuer have been reallocated to a new category of shares, Category VI, representing Compartment SME Loan Invest 2017. By an amendment of the Articles of Associaton of the Issuer on 23 November 2018, 10 shares of Category I of the Issuer have been reallocated to a new category of shares, Category VII, representing Compartment Home Loan Invest 2019.

All shares (Category I, Category V, Category VI and Category VII) of the Issuer are held by Loan Invest Securitisation B.V. Loan Invest Securitisation B.V. is a private company with limited liability (*besloten vennootschap*) incorporated under the laws of the Netherlands on 5 April 2007 (the "**Shareholder**"). The objects of the Shareholder are to invest in securities, including debt securities or rights of participation, in collective investment undertakings under Dutch or foreign law or in securitisation structures, as well as to finance collective investment undertakings or securitisation structures provided that the Shareholder only obtains financing (i) in Belgium with Qualifying Investors under the UCITS Act, or (ii) in any other country (other than Belgium). The sole managing director of the Shareholder is as of 5 April 2007, Intertrust Management B.V. (the "**Shareholder Director**"). All shares of the Shareholder are held by Stichting Loan Invest. The Shareholder is the founder of the Issuer within the meaning of Article 450 of the Company Code.

Stichting Loan Invest is a foundation (*stichting*) incorporated under the laws of the Netherlands on 29 March 2007. The objects of Stichting Loan Invest are, *inter alia*, to incorporate, acquire and to hold shares in the share capital of the Shareholder and to exercise all rights attached to such shares. The sole managing director of Stichting Loan Invest is Intertrust Management B.V.

The sole shareholder of Intertrust Management B.V. is Intertrust Group B.V.

The objectives of Intertrust Management B.V. are (a) advising of and mediation by financial and related transactions, (b) finance company, and (c) management of legal entities.

The Shareholder Director has entered into a management agreement with each of Stichting Shareholder and the Shareholder and the Security Agent. In these management agreements (the "**Shareholder Management Agreements**") the Shareholder Director agrees and undertakes to, *inter alia*, (i) do all that an adequate managing director or director should do or should refrain from doing, and (ii) refrain from taking any action detrimental to the obligations under any of the Transaction Documents or the then current ratings assigned to the Notes. The shares in the Issuer can only be validly transferred to a qualifying investor (*in aanmerking komende belegger / investisseur éligible*) within the meaning of Article 5, §3/1 of the UCITS Act. In addition, the Articles of Association provide for a specific share transfer procedure, requiring the consent of the Issuer's board of directors. If the registered shares issued by the Issuer are acquired by a holder that does not qualify as a qualifying investor within the meaning of Article 5, §3/1 of the UCITS Act, the Issuer will refuse to register such transfer in its share register.

4. CORPORATE PURPOSE AND PERMITTED ACTIVITY

The corporate purpose of the Issuer consists exclusively in the collective investment of financial means, which are exclusively collected with qualifying investors for the purposes of Article 271/6, §2 of the UCITS Act, in receivables that are assigned to it by third parties.

The securities issued by the Issuer can only be acquired by those qualifying investors.

The Issuer may carry out all activities and take all measures that can contribute to the realisation of its corporate purpose, such as e.g., but not exclusively, to issue financial instruments whether or not negotiable, contract loans or credit agreements in order to finance its portfolio of receivables or to manage payment default risks on the receivables and pledge the receivables it holds in its portfolio and its other assets. The Issuer may hold additional or temporary term investments, liquidities and securities. The Issuer may purchase, issue or sell all sorts of financial instruments, purchase or sell options relating to financial instruments, interest instruments or currencies, as well as enter into swaps, interest swaps or term contracts relating to currencies or interest and negotiate options on such contracts, provided that the transaction serves to cover a risk linked to one or more assets on its balance sheet.

Outside the scope of the securitisation transactions carried out by it and outside the investments permitted by law, the Issuer may not hold any assets, enter into any agreements or engage in any other activities. It may not engage personnel.

Any amendment of the corporate purpose of the Issuer requires a special majority of eighty (80) percent of the voting rights.

The Compartment Home Loan Invest 2019 of the Issuer has been set up with as purpose the collective investment of financial means collected in accordance with the Articles of Association in a portfolio of selected mortgage receivables.

5. COMPARTMENTS

The Articles of Association authorise the Issuer's board of directors to create several compartments within the meaning of Article 271/11, § 4 of the UCITS Act. The notarial deed confirming such decision of the board of directors amends the Articles of Association. The UCITS Act does not further specify the procedure that must be followed in this respect.

Pursuant to the Articles of Association, the Issuer's board of directors may create new compartments either by (i) issuing new shares, or (ii) reallocating the existing shares.

Upon incorporation of the Issuer, all shares of the Issuer were allocated to Category I, representing Compartment Home Loan Invest 2007. By a notarial deed of amendment to the Articles of Association, 10 existing shares of Category I (relating to Compartment Home Loan Invest 2007) were reallocated to a new Category II (relating to Compartment Home Loan Invest 2008).

Furthermore, a new chapter, relating to Compartment Home Loan Invest 2008, was included in the Articles of Association.

In addition, by notarial deed of amendment of 5 March 2009 to the Articles of Association, 10 existing shares of Category I (relating to Compartment Home Loan Invest 2007) were reallocated to a new Category III (relating to Compartment Home Loan Invest 2009), and a new chapter, relating to Compartment Home Loan Invest 2009 was included in the Articles of Association.

By notarial deed of amendment of 24 May 2011 to the Articles of Association, 10 existing shares of Category I (relating to Compartment Home Loan Invest 2007) were reallocated to a new Category IV (relating to Compartment Home Loan Invest 2011), and a new chapter, relating to Compartment Home Loan Invest 2011 was included in the Articles of Association.

By notarial deed of amendment of 22 March 2016 to the Articles of Association, 10 existing shares of Category I (relating to Compartment Home Loan Invest 2007) were reallocated to a new Category V (relating to Compartment Home Loan Invest 2016), and a new chapter, relating to Compartment Home Loan Invest 2016 was included in the Articles of Association. At the same time Compartment Home Loan Invest 2008, Compartment Home Loan Invest 2009 and Compartment Home Loan Invest 2011 were dissolved and liquidated and the corresponding shares were reallocated to Compartment Home Loan Invest 2007.

By notarial deed of amendment of 9 March 2017 to the Articles of Association, 10 existing shares of Category I (relating to Compartment Home Loan Invest 2007) were reallocated to a new Category VI (relating to Compartment SME Loan Invest 2017), and a new chapter, relating to Compartment SME Loan Invest 2017 was included in the Articles of Association.

By notarial deed of amendment of 23 November 2018 to the Articles of Association, 10 existing shares of Category I (relating to Compartment Home Loan Invest 2007) were reallocated to a new Category VII (relating to Compartment Home Loan Invest 2019), and a new chapter, relating to Compartment Home Loan Invest 2019 was included in the Articles of Association.

The Pledged Assets and all liabilities of the Issuer relating to the Notes and the Transaction Documents will be exclusively allocated to Compartment Home Loan Invest 2019. The parties involved in future securitisation transactions of the Issuer, or involved in the securitisation transactions of the Issuer acting through its Compartment Home Loan Invest 2016 and Compartment SME Loan Invest 2017, will not have any recourse to the Pledged Assets. Unless expressly provided otherwise, all appointments, rights, title, assignments, obligations, covenants and representations, assets and liabilities, relating to the issue of the Notes will be exclusively allocated to Compartment Home Loan Invest 2019 and will not extend to other transactions or other compartments of the Issuer or any assets of the Issuer other than those allocated to Compartment Home Loan Invest 2019 under the Transaction Documents.

The creation of Compartments means that the Issuer is internally split into subdivisions and that each such subdivision, a Compartment, legally constitutes a separate group of assets to which corresponding liabilities are allocated.

The liabilities allocated to a Compartment are exclusively backed by the assets of such Compartment.

6. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

6.1 Board of directors

The board of directors of the Issuer ensures the management of the Issuer. Pursuant to Article 14 of its Articles of Association, the board of directors of the Issuer consists of two directors. The Issuer current board of directors consists of the following persons:

(a) Christophe Tans; and

(b) Irène Florescu.

(the "**Issuer Directors**")

The current term of office of the Issuer Directors expires in 2023.

Companies of which Christoph Tans has been a member of the administrative, management or supervisory bodies or partner at any time in the previous five years are:

(A) as director/manager in his own name: Abn Amro Lease België N.V., B-Arena N.V., Belgian Lion NV, Car Park Development NV, Casino Finance International S.A., Castle Rock Holdings S.P.R.L., Central Park NV, Citic Capital Future Holdings S.P.R.L., Community Waste Holding Private Stichting, Cosmote Global Solutions NV, Cultura 2006 Fondation Privee, Evere Real Estate S.P.R.L., Four-Leaf Hotels Nv, Four-Leaf Investment NV, Granja S.C.R.L., Hotel Development Antwerpen NV Hotel Development Corporation NV, International Hotel Development Flanders NV, La Liniere Hotel SA, Gelase S.A., Mercatorpark Antwerp Nv, Newbelco Sa, Mir Bidco Sa, Omega Pharma Invest Nv, Omega Pharma NV, Penates Funding N.V., Loan Invest N.V., Quantesse Private Stichting, Quintenpark Antwerp Nv, Quintenpark Hotels Nv, Rec De Ii S.P.R.L., Royal Street N.V., Sonnat S.A., Spe III Stevens S.P.R.L., Spe III Volta S.P.R.L., Stichting Bachelier - Private Stichting, Stichting Holding Bass - Private Stichting, Stichting Holding B-Carat I Private Stichting, Stichting Holding Belgian Lion - Private Stichting, Stichting Holding Noor Funding - Private Stichting, Stichting Holding Record Lion - Private Stichting, Stichting Holding Sakia - Private Stichting, Stichting Jpa Properties - Private Stichting, Stichting Vesta - Private Stichting, Wealth Rock Holdings S.P.R.L., Trefondinvest B.V.B.A., Stichting Holding B-Carat Ii Private Stichting, Intertrust Belgium NV, Phidias Management NV, Intertrust Corporate Services NV, Intertrust Services NV, Intertrust Financial Services BVBA, Intertrust Accounting Services CVBA.

(B) as permanent representative of Phidias Management NV/SA: Boetie Belgium Holding S.P.R.L., Canterbury Holding S.A., Dextora N.V., Icap Belco 2007 N.V., North America Power Inc. S.A., Concesiones Carreteras N.V., Lonko Belgium Holding S.P.R.L., New Affinity S.A., Tpg Belgium S.A.,

(C) as permanent representative of Stichting Vesta Private Stichting: Dexia Secured Funding Belgium N.V., Mercurius Funding N.V.

(D) as permanent representative of Intertrust Corporate Services NV: Jpa Properties B.V.B.A., Sakia Funding N.V., Stichting Jpa Properties Private Stichting

(E) as permanent representative of Intertrust Financial Services BVBA: Noor Funding N.V., Record Lion N.V., Stichting Holding Esmee - Private Stichting, Stichting Vesta - Private Stichting

(F) as permanent representative of Intertrust Services NV: Tbe (Titrisation Belge - Belgische Effectisering) S.A.

(G) as permanent representative of Intertrust Belgium NV/SA: Abn Amro Beheermaatschappij 2 N.V., Anfiri Bvba, Athor Investments S.P.R.L., Avocent Belgium Ltd S.P.R.L., BBQ Holdings N.V., B-Carat N.V., Beleggingsmaatschappij Wassenaarse Stand B.V.B.A., Bfcc Sprl, Bonito Belgium Holdings N.V., Brussels Docks Bidco Sa, Carp Holdings N.V., Clantern Holdings N.V., Community Waste Holding Private Stichting, Consolidated Minerals (Belgium) Limited S.P.R.L., Consortium Real Estate S.A., Cpis S.A., Cpit S.A., Cpiv S.A., Cpiw S.A., Digitalix S.A., Eli Dental S.P.R.L., Esmee Master Issuer N.V., Everyan Hospitality Properties S.A., Febex Invest S.P.R.L., Fribler Belgium Holding S.P.R.L., Fuel Bidco N.V., Gattaca Holdings N.V., Gccl (Belgium) Services S.P.R.L., Global Income S.P.R.L., Global Opportunity Investments S.P.R.L., Gulag Belgium Holding S.P.R.L., Heritage Fund S.P.R.L., Hih Global Rue Royale S.A., Ht Media Holdings N.V.,

Hudson Global Resources Belgium NV, Ironmonger Holdings N.V., Kent Pharmaceuticals Foundation Private Stichting, Kf Japan B.V.B.A., Kipling Investments Belgium N.V., Lamothe Belgium B.V.B.A., Loch Lomond Foundation Private Stichting, Mascot Holdings N.V., Montindu N.V., Moulin Rouge S.A., Prologis Mexico Holding I (A) B.V.B.A., Prologis Mexico Holding Ii (A) B.V.B.A., Prologis Mexico Holding Iii (A) B.V.B.A., Prologis Mexico Holding Iv (A) B.V.B.A., Prologis Mexico Holding V (A) B.V.B.A., Pura Vida Belgium S.A., Pvd Belgium S.A., Ress Holding S.P.R.L., Reverie Bay Hospitality Sa, Rima 2 N.V., Robhein Beheer B.V.B.A., Rospa Belgium B.V.B.A., Rubella B.V.B.A., Securholds S.P.R.L., Squadron Asia Pacific Ii N.V., Squadron Asia Pacific N.V., Stichting Holding Sakia - Private Stichting, Storm Holding Nederland B.V. B.V.B.A., Strategic Metals B.V.B.A., Taifoen Holding B.V. B.V.B.A., Thimay II B.V.B.A., Trancoso S.A., Transcontinental Oil Transportation S.P.R.L., Vacca-Invest S.P.R.L., Vifama Patrimoine S.P.R.L., Wadi Investment S.P.R.L., Wasabi Capital S.P.R.L., Yan Commerce S.P.R.L.

Companies of which Intertrust Corporate Services NV has been a member of the administrative, management or supervisory bodies or partner at any time in the previous five years are:

(A) as director/manager in her own name: B-Arena N.V., Belgian Lion NV, Cosmote Global Solutions NV, Granja S.C.R.L., Loan Invest N.V., Mir Bidco SA, Newbelco SA, Penates Funding N.V., Royal Street N.V., Stichting Bachelier - Private Stichting, Stichting Holding Bass - Private Stichting, Stichting Holding Belgian Lion - Private Stichting, Stichting Holding Esmee - Private Stichting, Stichting Holding Noor Funding - Private Stichting, Stichting Holding Record Lion - Private Stichting, Stichting Holding Sakia - Private Stichting, Stichting Vesta - Private Stichting, Cultura 2006 Fondation Privee, Stichting Holding B-Carat II Private Stichting, Intertrust Belgium NV, Phidias Management NV, Intertrust Corporate Services NV, Intertrust Services NV, Intertrust Financial Services BVBA.

(B) as permanent representative of Phidias Management NV/SA: Avocent Belgium Ltd S.P.R.L., Bbq Holdings N.V., B-Carat N.V., Bonito Belgium Holdings N.V., Clantern Holdings N.V., Cpis S.A., Cpit S.A., Cpiv S.A., Cpiw S.A., Febex Invest S.P.R.L., Gattaca Holdings N.V., Pura Vida Belgium S.A., Pvd Belgium S.A., Ironmonger Holdings N.V., Carp Holdings N.V., Mascot Holdings N.V., Securholds S.P.R.L., Squadron Asia Pacific Ii N.V., Squadron Asia Pacific N.V., Stichting Jpa Properties - Private Stichting, Vacca-Invest S.P.R.L.

(C) as permanent representative of Intertrust Corporate Services NV: Community Waste Holding Private Stichting, Kent Pharmaceuticals Foundation Private Stichting, Pai Tap Limited S.A., Loch Lomond Foundation Private Stichting.

(D) as permanent representative of Intertrust Financial Services BVBA: Bass Master Issuer N.V., Dexia Secured Funding Belgium N.V., Mercurius Funding N.V., Quantesse Private Stichting, Stichting Holding Bass - Private Stichting, Stichting Holding Record Lion - Private Stichting, Stichting Holding Belgian Lion - Private Stichting, Stichting Holding Noor Funding - Private Stichting.

(E) as permanent representative of Intertrust Belgium NV/SA: Aisela10 S.P.R.L., Buschberg Associates S.A., Canterbury Holding S.A., Casino Finance International S.A., Concesiones Carreteras N.V., Cultura 2006 Fondation Privee, Dextora N.V., European Financial Services Round Table A.S.B.L., Fonciere Bruxelles Sainte-Catherine S.A., Fonciere Gand Cathedrale S.A., Fonciere Igk S.A., Fribler Belgium Holding S.P.R.L., Gelase S.A., Gulag Belgium Holding S.P.R.L., Ht Media Holdings N.V., Icap Belco 2007 N.V., Moulin Rouge S.A., New Affinity S.A., Pronuptia Investments S.P.R.L., Sedna 2006 S.P.R.L., Sonnat S.A., Tpg Belgium S.A.

(F) as permanent representative of Stichting Holding Esmee Private Stichting: Esmee Master Issuer N.V.

(G) as permanent representative of Stichting Holding Sakia Private Stichting: Sakia Funding N.V.

None of the Issuer Directors have been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies), nor have they been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

The Issuers Directors did not received any remuneration during the last full financial year.

The business offices of the directors are located at:

Koningsstraat 97
1000 Brussels
Belgium

6.2 Other administrative, management or supervisory bodies

The Issuer has no other administrative, management or supervisory bodies other than the board of directors. The board of directors will delegate some of its management powers to the Administrator and the Corporate Services Provider for the purpose of assisting it in the management of the affairs of the Issuer but it will retain overall responsibility for the management of the Issuer, in accordance with the UCITS Act. For more information about the Administrator, see below *Related Party Transactions – the Administrator.* For more information about the Corporate Services Provider, see below *Related Party Transactions – the Corporate Services Provider*.

6.3 Conflict of interest

None of the Issuer Directors has any conflict of interest between its duties as director and its other duties or private interests.

None of the Issuer, the Shareholder or Stichting Shareholder have a conflict of interest with any of its directors with respect to the entering into the Transaction Documents.

6.4 Issuer Management Agreement

Each of the Issuer Directors has entered into a management agreement with the Issuer and the Security Agent. In these management agreements (the "**Issuer Management Agreements**") each of the Issuer Directors agrees and undertakes to, *inter alia*, (i) act as managing director of the Issuer and to perform certain services in connection therewith, and (ii) refrain from taking any action detrimental to the obligations under any of the Transaction Documents or the then current ratings assigned to the Notes. In addition each of the Issuer Directors agrees in the relevant Issuer Management Agreements that it will not enter into any agreement in relation to the Issuer acting through its Compartment Home Loan Invest 2019 other than the Transaction Documents to which it is a party, without the prior written consent of the Security Agent, provided that there will be no adverse effect on the then current ratings assigned to the Notes. The Issuer Management Agreements do not provide for additional benefits upon termination.

7. SHAREHOLDERS' MEETING

The shareholders' meeting has the power to take decisions on matters for which it is competent pursuant to the Company Code. In addition, the Articles of Association provide that if as a result of a conflict of interest of one or more directors with respect to a decision to be taken by the board of directors of the Issuer, such decision cannot be validly taken due to the applicable legal provisions with respect to conflicts of interests in public companies, the matter will be submitted to the shareholders' meeting and the shareholders' meeting will have the power to take a decision on such matter.

The annual shareholders' meeting will be held each year on the second Tuesday of the month of June at 11.00 AM (Central European Time) at the registered office of the Issuer. The shareholders' meetings are held at the Issuer's registered office. A general meeting may be convened at any time and must be convened whenever this is requested by shareholders representing one-fifth of the share capital or, as the case may be, representing one fifth of the capital attributed to a particular Compartment.

Shareholders' meetings are convened upon convening notice of the board of directors. Such notices contain the agenda as well as the proposals of resolutions and are made in accordance with the Company Code. Copies of the documents to be provided by law are provided with the convening notice.

A shareholder may be represented at a meeting of shareholders by a proxyholder. In order to be valid, the proxy must state the agenda of the meeting and the proposed resolutions, a request for instruction for the exercise of the voting right for each item on the agenda and the information on how the proxyholder must exercise his voting right in the absence of restriction of the shareholders.

The shareholders' meeting may validly resolve irrespective of the number of shares present or represented, unless otherwise provided by law. Any resolution is validly adopted at the majority of the votes. Amendments to the Articles of Association require a majority of seventy-five (75) per cent. of the votes (and a majority of eighty (80) per cent. for the amendment of the corporate purpose).

Pursuant to Article 646 §2 of the Company Code, the Shareholder will, as long as it remains the sole shareholder of the Issuer, exercise the powers vested with the shareholders' meeting.

8. CHANGES TO THE RIGHTS OF HOLDERS OF SHARES

The board of directors is authorised to create various categories of shares, where each category coincides with a separate part or Compartment of the assets of the Issuer. The board of directors can make use of this authorisation and decide to create a Compartment by reallocating existing shares in different categories, in compliance with the equality between shareholders, or by issuing new shares. The rights of the holders of shares and of creditors with respect to a Compartment or that arise by virtue of the creation, the operation, or the liquidation of a Compartment are limited to the assets of such compartment.

Upon creation of a Compartment via (re)allocation of existing shares or via the issue of new shares, the board of directors shall ensure that the shares of that compartment, except with the prior written consent of all shareholders of the category concerned, are assigned to the shareholders in the same proportion as in the other compartments.

9. SHARE TRANSFER RESTRICTIONS

Given the specific purpose of the Issuer and Article 3, 7° of the UCITS Act, the shares in the Issuer can only be held by qualifying investors within the meaning of Article 5, §3/1 of the UCITS Act. Each transfer in violation of the share transfer restrictions contained in Article 10 of the articles of association of the Issuer is null and is not enforceable against the Issuer. In addition:

(a) if shares are transferred to a transferee who does not qualify as a qualifying investor within the meaning of Article 5, §3/1 of the UCITS Act, the Issuer will not register such transfer in its share register; and

(b) as long as shares are held by a shareholder who does not qualify as a qualifying investor within the meaning of Article 5, §3/1 of the UCITS Act, the payment of any dividend in relation to the shares held by such shareholder will be suspended.

Share transfers are further subject to authorisation by the board of directors. If a proposed transfer of shares is not authorised by the board of directors, the board of directors will have to propose one or more alternative transferees for the shares.

The shares may not be pledged or be the subject matter of another right *in rem* other than the property interest, unless approved by the board of directors.

10. CORPORATE GOVERNANCE

The Issuer complies with the relevant corporate governance requirements of the Company Code.

In accordance with Article 526*bis* of the Company Code, companies whose securities are admitted to trading on a regulated market must establish an audit committee. Article 526*bis*, § 7 of the Company Code contains an exemption from this obligation for any company the sole business of which is to act as issuer of asset-backed securities as defined in Article 2(5) of Commission Regulation (EC) No 809/2004. In that case, the relevant company must explain to the public the reasons for which it considers it not appropriate to have an audit committee or an administrative or supervisory body entrusted to carry out the functions of an audit committee.

The Issuer's sole business consists of the issuance of asset-backed securities as defined in Article 2(5) of the Commission Regulation (EC) No 809/2004 and the Issuer does not consider it appropriate to establish an audit committee. The Issuer refers in this respect to the recitals of the European Directive in relation to statutory audits of annual accounts, where it is stated that where a collective investment undertaking functions merely for the purpose of pooling assets, the establishment of an audit committee is not always appropriate. This is because the financial reporting and related risks are not comparable to those of other public-interest entities.

In addition, the Issuer operates in a strictly defined regulatory environment and is subject to specific governance mechanisms. In this regard, the Issuer refers to its corporate purpose, limiting its activities to the issue of negotiable financial instruments for the purpose of acquiring receivables. Furthermore, the Issuer points out that, with respect to the main tasks to be carried out by an audit committee, such as the monitoring of the financial reporting process and of the statutory audit of the annual and consolidated accounts, it will enter into an Issuer Services Agreement pursuant to which the Corporate Services Provider and the Administrator will provide certain reporting, calculation and monitoring services.

The Issuer will include a declaration as to the reasons why it does not consider it appropriate to establish an audit committee (as set out above) in the annual report with respect to its annual accounts.

11. ACCOUNTING YEAR

The Issuer's accounting year ends on 31 December of each year. The first accounting year of the Issuer started on 24 April 2007 and ended on 31 December 2008.

Compartment Home Loan Invest 2007 of the Issuer started operations in July 2007, Compartment Home Loan Invest 2008 of the Issuer started operations in November 2008, Compartment Home Loan Invest 2009 started operations in March 2009 and Compartment Home Loan Invest 2011 started operations in October 2011. Compartment Home Loan Invest 2008, Compartment Home Loan Invest 2009 and Compartment Home Loan Invest 2011 were dissolved and liquidated on 22 March 2016. Compartment Home Loan Invest 2016 started operations in April 2016 and Compartment SME Loan Invest 2017 started operations in April 2017. Compartment Home Loan Invest 2019 of the Issuer was created on 23 November 2018 and the Issuer, acting through its Compartment Home Loan Invest 2019, has not commenced operations other than the Transaction.

The financial statements as of 31 December 2017 of the Issuer, acting through its Compartment Home Loan Invest 2007, Compartment Home Loan Invest 2016, Compartment SME Loan Invest 2017 have been approved by the shareholders' meeting held on have been approved by the shareholders' meeting of 12 June 2018.

12. THE AUDITOR

BCVBA PwC Bedrijfsrevisoren, with its registered office at Woluwedal 18, 1932 Sint-Stevens-Woluwe, registered with the Crossroads Bank for Enterprises under number 0429.501.944, Business Court of Brussels, represented by R. Jeanquart and J. Gregory, is appointed as auditor of the Issuer until the general shareholders meeting called to approve the financial statements as of 31 December 2018. The decision on the reappointment or change of the mandate of the Auditors will be published in the annexes to the Belgian State Gazette and on the website of the Issuer at https://www.kbc.com/en/no-crawl/home-loan-invest-disclaimer[23].

13. TAX POSITION OF THE ISSUER

(a) Registration tax

Contributions to the capital of the Issuer are not subject to registration tax and are subject only to a nominal fixed fee of EUR 95.

(b) Withholding tax on moneys collected by the Issuer

All interest payments made by any Borrower to the Issuer are exempt from Belgian withholding tax.

(c) Corporate income tax

The Issuer is subject to corporation tax at the current ordinary rate of 29.58 per cent. (inclusive of the crisis surcharge) to be reduced to 25% as from assessment year 2021 for taxable periods starting at the earliest on 1 January 2020. However its tax base is notional: it is only taxed on disallowed expenses and abnormal or gratuitous benefits received by it. The Issuer does not anticipate incurring substantially disallowed expenses or receiving any such abnormal or gratuitous benefits.

(d) Value added tax ("VAT")

[23] This document is not incorporated by reference in this Prospectus.

The Issuer qualifies in principle as a VAT taxpayer but is fully exempt from VAT in respect of its operations. Any input VAT incurred by the Issuer (at the current rate of 21 per cent.) is, therefore, not recoverable under the VAT legislation.

Services supplied to the Issuer by the parties to the Transaction Documents, including the Auditor, or other parties under the Transaction Documents will, in general, be subject to VAT. However, fees paid in respect of the management of the Issuer (including its administration and the organisation and management of its financing instruments) and its assets (including the receipt of payments on behalf of the Issuer and the forced collection of receivables), as well as transactions with respect to receivables (with the exception of the forced collection thereof), securities and liquid assets are exempt from Belgian VAT.

In a certain, very strict interpretation of the language used in Article 44, §3, 11° of the Belgian VAT Code, one could possibly conclude that as from the entry into force of the Belgian Law of 19 April 2014 on alternative investment funds and their managers (the "**AIFM Law**"), the VAT exemption provided by said provision no longer applies to institutions for investment in receivables ("**IIRs**"). In an administrative decision dated 30 March 2015, the tax authorities have however confirmed that until the current wording of the references in Article 44, §3, 11° of the Belgian VAT Code will be corrected by a legislative change, all entities that qualified for the aforementioned VAT exemption prior to the entry into force of the Belgian AIFM Law (including IIRs), continue to do so after the date of entry into force of the AIFMLaw.

Article 44, §3, 11° of the Belgian VAT Code has meanwhile been amended by the Law of 3 August 2016. This legislative change has, however, not remedied the aforementioned uncertainty as to whether IIRs are still eligible for the VAT exemption provided by that Article. That being said, it appears from the preparatory documents of the Law of 3 August 2016 that the intention of the legislator clearly was for the original scope of the exemption provided by Article 44, §3, 11 of the Belgian VAT Code to be maintained. Also, neither the Law of 3 August 2016 itself nor its preparatory documents contain any clear indications that the legislator would have intended to exclude IIRs from said exemption. Therefore, the above-mentioned administrative decision should still be valid (and consequently the aforementioned VAT exemption should still be applicable).

14. CAPITALISATION

The following table shows the capitalisation of the Issuer as of the Closing Date as adjusted to give effect to the issue of the Notes:

Share Capital

Issued Share Capital	euro 69,500
Compartment Home Loan Invest 2007	euro 48,650
Compartment Home Loan Invest 2016	euro 6,950
Compartment SME Loan Invest 2017	euro 6,950
Compartment Home Loan Invest 2019	euro 6,950

Borrowings

Compartment Home Loan Invest 2016

Notes	euro 1,893,892,440

Subordinated Loan	euro 366,000,000
Expenses Subordinated Loan	euro 0

Compartment SME Loan Invest 2017

Notes	euro 2,747,949,008
Subordinated Loan	euro 1,233,135,940
Expenses Subordinated Loan	euro 0

Compartment Home Loan Invest 2019

Notes	euro 3,200,000,000
Subordinated Loan	euro 280,000,000
Expenses Subordinated Loan	euro 1,000,000

15. INFORMATION TO INVESTORS

15.1 Information

See the section *General – 2. Information made available to investors* below.

In addition to what is set out under the subsection referred to above, the Corporate Services Provider, the Administrator and the Auditor will assist the Issuer in the preparation of the annual reports to be published in order to inform the Noteholders.

15.2 Notices

For Notices to the Noteholders, see Condition 4.13.

16. FINANCIAL INFORMATION CONCERNING THE ISSUER

16.1 Financial position

Compartment Home Loan Invest 2007 of the Issuer started operations in July 2007, Compartment Home Loan Invest 2008 of the Issuer started operations in November 2008, Compartment Home Loan Invest 2009 started operations in March 2009 and Compartment Home Loan Invest 2011 started operations in October 2011. Compartment Home Loan Invest 2008, Compartment Home Loan Invest 2009 and Compartment Home Loan Invest 2011 were dissolved and liquidated on 22 March 2016. Compartment Home Loan Invest 2016 started operations in April 2016 and Compartment SME Loan Invest 2017 started operations in April 2017. Compartment Home Loan Invest 2019 of the Issuer was created on 23 November 2018 and the Issuer, acting through its Compartment Home Loan Invest 2019, has not commenced operations other than the Transaction.

The financial statements as of 31 December 2017 of the Issuer, acting through its Compartment Home Loan Invest 2007, Compartment Home Loan Invest 2016, Compartment SME Loan Invest 2017 have been approved by the shareholders' meeting held on have been approved by the shareholders' meeting of 12 June 2018.

Pursuant to Article 27, § 2, (c) of the Prospectus Law, the FSMA has by decision of 8 February 2019 granted an exemption with respect to the obligation to provide historical financial information (under items 3 and 20.1 of Annex I, items 8.2 and 8.2 bis of Annex VII and item 8.3 of Annex XV of Regulation (EC) 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of

advertisements) in relation to Compartment Home Loan Invest 2019 of the Issuer. This exemption also applies to any related information requirements where such information relates to Compartment Home Loan Invest 2007, Compartement Home Loan Invest 2016 and Compartment SME Loan Invest 2017.

16.2 Dividend policy

Pursuant to Article 30 of the Articles of Association of the Issuer, the profit of the Issuer will be attributed to each Compartment on the basis of the profit realised by each respective Compartment. The profit attributed to Compartment Home Loan Invest 2019 may (after constitution of the legal reserve) either be distributed as dividend to the Shareholder of Compartment Home Loan Invest 2019 or reserved for later distribution or for the cover of risk of default of payment of the Mortgage Receivables.

16.3 Investment policy

The Issuer has as such no borrowing or leverage limits. Pursuant to its Articles of Association, the Issuer may however only invest in receivables that are assigned to it by third parties as well as in temporary investments. The Issuer may not hold other assets than those necessary for the realisation of its corporate purpose.

Compartment Home Loan Invest 2019 of the Issuer has been set up with as purpose the collective investment of financial means collected in accordance with the Articles of Association in a portfolio of selected mortgage receivables.

16.4 Valuation rules

The Issuer will apply the following valuation rules:

(a) Assets

Claims

The class of '*Claims*' contains the Mortgage Loans in portfolio that will be sold by KBC Bank NV to Compartment Home Loan Invest 2019 of Loan Invest NV/SA for an Initial Purchase Price and a Deferred Purchase Price. The Mortgage Loans will be recognised in the balance sheet at historic cost, minus the recognised write-downs on the Mortgage Loans. The historic cost consists of the Initial Purchase Price which Compartment Home Loan Invest 2019 of Loan Invest NV/SA paid for the Mortgage Loans. The Deferred Purchase Price is determined by the results of Compartment Home Loan Invest 2019 of Loan Invest NV/SA after all other obligations have been met and will be recognised as an expense at the moment of determination of the result.

Regarding the credit risks, a prudent valuation policy is being pursued. Defaulted loans will be written off at 100% as soon as they occur.

Liquid assets

By liquid assets the nominal credit amounts on the current accounts held with financial institutions are meant. These credit amounts mainly consist of:

- cash flows on loans already received and not applied for the payment of the compensation to investors;

- the reserve fund.

Accrual accounts

Under the class of asset accrual accounts are included:

- the deferral of charges that were made in the past accounting period and that should be attributed to the following accounting period;

- the accrual of revenues that will only be collected in the course of the following accounting period but that relate to the past accounting period.

(b) Liabilities

Debts

The liabilities arising from the Notes are recognised in the balance sheet in the amount made available, less any repayments effected.

The reimbursement of the Notes takes place by means of incoming cash flows resulting from the redemption or early termination of the Mortgage Receivables. The expected reimbursements of the Notes in the next accounting period are recognised under the heading, '*Liabilities of more than one year which become due within one year*'.

Subordinated liabilities are valuated analogously to other liabilities, irrespective of whether they are represented by securities. Included under subordinated liabilities is a subordinated loan provided by KBC Bank NV to Compartment Home Loan Invest 2019 of Loan Invest NV/SA.

Under the class of '*Other liabilities'* all liabilities in relation to payment of the Deferred Purchase Price, as well as the liabilities relating to payment of a compensation to the management, the payment of dividends, current accounts with related companies and other accounts provided by the minimum chart of accounts (M.A.R.) are included.

The Mortgage Loans purchased by the Issuer carry a floating rate or a fixed rate of interest payable on a monthly basis, whereas the Notes carry a floating interest rate payable on a monthly basis. In order to match these cash flows, Compartment Home Loan Invest 2019 of Loan Invest NV/SA has concluded an interest rate swap with KBC Bank NV.

Accrual accounts

Under the class of liability accrual accounts are included:

- the accrual of charges that will only be paid in the course of the following accounting period but that relate to the past accounting period;

- the deferral of revenues that were collected in the past accounting period but that relate to the following accounting period.

17. NEGATIVE STATEMENTS

Compartment Home Loan Invest 2007 of the Issuer started operations in July 2007, Compartment Home Loan Invest 2008 of the Issuer started operations in November 2008, Compartment Home Loan Invest 2009 started operations in March 2009 and Compartment Home Loan Invest 2011

started operations in October 2011. Compartment Home Loan Invest 2008, Compartment Home Loan Invest 2009 and Compartment Home Loan Invest 2011 have in the meantime been dissolved and liquidated. Compartment Home Loan Invest 2016 started operations in April 2016 and Compartment SME Loan Invest 2017 started operations in April 2017. Compartment Home Loan Invest 2019 of the Issuer was created on 23 November 2018 and the Issuer, acting through its Compartment Home Loan Invest 2019, has not commenced operations other than the Transaction.

The Issuer has not been involved in any governmental, legal or arbitration proceedings (including proceedings which are pending or threatened of which the Issuer is aware), during a period since its incorporation, which may have or have had in the recent past significant effects on the Issuer or its financial position or profitability.

Pursuant to Article 27, § 2, (c) of the Prospectus Law, the FSMA has by decision of 8 February 2019 granted an exemption with respect to the obligation to provide historical financial information (under items 3 and 20.1 of Annex I, items 8.2 and 8.2 bis of Annex VII and item 8.3 of Annex XV of Regulation (EC) 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements) in relation to Compartment Home Loan Invest 2019 of the Issuer. This exemption also applies to any related information requirements where such information relates to Compartment Home Loan Invest 2007, Compartment Home Loan Invest 2016 and Compartment SME Loan Invest 2017.

RELATED PARTY TRANSACTIONS – MATERIAL CONTRACTS

1. THE SELLER

1.1 Name and Status

The Mortgage Receivables have been originated by the Seller or its legal predecessors.

For a description of the Seller, see *KBC Bank NV*.

1.2 Mortgage Receivables Purchase Agreement

Under the Mortgage Receivables Purchase Agreement, the Issuer will purchase any and all relevant rights of the Seller against certain borrowers (the "**Borrowers**") under or in connection with certain selected Mortgage Loans (the "**Mortgage Receivables**"). On the Closing Date, the Issuer will accept the transfer by way of assignment of legal title to the Mortgage Receivables. The Issuer will be entitled to the proceeds of the Mortgage Receivables from the Cut-Off Date.

For a description of the Mortgage Receivables Purchase Agreement, see further in the section entitled *Mortgage Receivables Purchase Agreement.*

2. THE ADMINISTRATOR

2.1 Name and status

Pursuant to the Issuer Services Agreement, the Issuer has appointed Intertrust Administrative Services B.V., a Dutch private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid),* with its registered office at Prins Bernhardplein 200, 1097 Amsterdam, the Netherlands, registered with the commercial register (*kamer van koophandel en fabrieken voor Amsterdam)* under number 33.21.02.70 as the Administrator. Its phone number is +31 (0)20 521 4777 and fax number +31 (0)20 521 4888. E-mail: securitisation@intertrustgroup.com Corporate websites: www.intertrustcapitalmarkets.com.

2.2 Issuer Services Agreement

Under the Issuer Services Agreement, the Administrator will agree to provide certain administration, calculation and cash management services for the Issuer.

For a description of the Issuer Services Agreement, see further in the section entitled *Issuer Services Agreement.*

2.3 Remuneration

With respect to the duties and responsibilities as Administrator from the Closing Date and during the Transaction, the Issuer shall pay EUR 2,500 as one-off set-up fee and on a quarterly basis in advance an amount of EUR 2,500 (*i.e.*, EUR 10,000 on an annual basis) (exclusive of VAT and office disbursements). This fee is subject to certain assumptions and may in certain cases be adjusted in consultation with the Issuer and the Security Agent. In addition, the Issuer will reimburse to the Administrator all reasonable out-of pocket costs, expenses and charges properly incurred by the Administrator in connection with the services and the preparation, execution, delivery, administration, modification or amendment in respect of its rights, obligations and responsibilities under the agreement.

2.4 Replacement

In certain events, the Issuer (with the prior consent of the Security Agent) or the Security Agent will terminate the appointment of the Administrator with effect from a date (no earlier than the date of the notice) specified in the notice provided that the effective date of such termination shall be no earlier than the effective date of the appointment of a substitute administrator.

The appointment of a substitute administrator is subject to the following conditions:

(a) the prior notification to the Rating Agencies of the appointment of a substitute administrator;

(b) such substitute administrator must be approved by the Security Agent;

(c) such substitute administrator must have experience in delivering the relevant services and must hold all required licences under applicable law therefore;

(d) there will be no adverse impact on the then current ratings assigned to the Notes;

(e) the termination shall not become effective and the Administrator shall not be released from its obligations under the Issuer Services Agreement until such substitute administrator has entered into such new agreement; and

(f) the Issuer shall promptly following the execution of the agreement with the substitute administrator pledge its interest in such agreement in favour of the Secured Parties, including the Security Agent on behalf of the Noteholders and the other Secured Parties, on the terms of the Pledge Agreement, *mutatis mutandis*, to the satisfaction of the Security Agent.

3. THE CORPORATE SERVICES PROVIDER

3.1 Name and status

Pursuant to the Issuer Services Agreement, the Issuer has appointed KBC Bank NV as Corporate Services Provider.

For a description of the Seller, see further *KBC Bank NV*.

3.2 Issuer Services Agreement

Under the Issuer Services Agreement, the Corporate Services Provider will agree to provide certain administration, corporate and reporting services for the Issuer.

For a description of the Issuer Services Agreement, see further in the section entitled *Issuer Services Agreement*.

3.3 Remuneration

With respect to the duties and responsibilities as Corporate Services Provider from the Closing Date and during the Transaction, the Issuer shall pay on a quarterly basis in arrears an amount of EUR 3,000 (*i.e.*, EUR 12,000 on an annual basis) (exclusive of VAT). In addition, the Issuer will reimburse to the Corporate Services Provider all reasonable out-of pocket costs, expenses and charges properly incurred by the Corporate Services Provider in connection with the services and the preparation, execution, delivery, administration, modification or amendment in respect of its rights, obligations and responsibilities under the agreement.

3.4 Replacement

In certain events, the Issuer (with the prior consent of the Security Agent) or the Security Agent will terminate the appointment of the Corporate Services Provider with effect from a date (no earlier than the date of the notice) specified in the notice provided that the effective date of such termination shall be no earlier than the effective date of the appointment of a substitute corporate services provider.

4. THE SECURITY AGENT

4.1 Name and status

Deloitte Bedrijfsrevisoren / Réviseurs d'entreprises (the **"Security Agent"**) a *coöperatieve vennootschap met beperkte aansprakelijkheid / société coopérative à responsabilité limitée* incorporated under the laws of Belgium on 30 May 1986 with registered office at Gateway Building, Luchthaven Nationaal 1J, 1930 Zaventem and registered with the Crossroads Bank for Enterprises under number RPR 0429.053.863, Business Court of Brussels is appointed as representative of the Noteholders and as agent of the Secured Parties on terms and subject to the conditions set out in the Pledge Agreement. The Security Agent is appointed as representative (*vertegenwoordiger / représentant*) of the Noteholders in accordance with the UCITS Act.

4.2 Pledge Agreement

For a description of the Pledge Agreement, see further in the section entitled *Security Agent.*

4.3 Remuneration

With respect to duties and responsibilities carried out up to and including the Closing Date, a one off fee based on an average hourly rate of EUR 250 per man hour of effective service, exclusive of VAT, capped at EUR 18,000 (exclusive of VAT) will be payable by the Issuer to the Security Agent.

With respect to the duties and responsibilities as Security Agent from the Closing Date and during the Transaction, the remuneration of the Security Agent shall be calculated at the applicable current billing rate per hour of its services with a floor of EUR 5,000 per annum, exclusive of VAT.

4.4 Replacement

In certain events, the Issuer shall by written notice to the Security Agent, the other Secured Parties and the Rating Agencies terminate the powers delegated to the Security Agent under the Pledge Agreement and the Transaction Documents with effect from a date (no earlier than the date of the notice) specified in the notice and appoint a substitute security agent selected by the Issuer which shall act as security agent until a new security agent is appointed by the general meeting of Noteholders, which shall promptly be convened by the Issuer.

In addition, the Noteholders shall be entitled to terminate the appointment of the Security Agent by an Extraordinary Resolution notified to the Issuer and the Security Agent, provided that (i) in the same resolution a substitute security agent is appointed, and (ii) such substitute security agent meets all legal requirements to act as security agent and representative and accepts to be bound by the terms of the Transaction Documents in the same way as its predecessor.

The Security Agent shall be entitled to terminate its appointment at any time by written notice to the Issuer, the other Secured Parties and the Rating Agencies if it reasonably believes that its performance, or any aspect of it, results, or might result, in it or any entity of its network, breaching any legal, regulatory, ethical or independence requirement in any jurisdiction. Notwithstanding the

foregoing, the Security Agent may also agree to variations to the Transaction Documents or the Conditions to avoid such breach. The termination of the appointment of the Security Agent shall not take effect before a substitute security agent selected by the Issuer has been appointed by the general meeting of Noteholders which shall promptly be convened by the Issuer upong having received the termination notice of the Security Agent, unless the continued appointment of the Security Agent would result in a regulatory or independence breach in which case the termination of the appointment will take effect immediately before such regulatory breach occurs, provided that the Security Agent shall have given at least 7 Business Days prior written notice of termination of its appointment to the Issuer. In that case, the Issuer shall appoint a substitute security agent selected by the Issuer which shall act as security agent until a new security agent is appointed by the general meeting of Noteholders, which shall promptly be convened by the Issuer.

Such termination shall also terminate the appointment and power of attorney by the other Secured Parties. The other Secured Parties hereby irrevocably agree that the substitute security agent shall from the date of its appointment act as attorney (*mandataris/mandataire*) of the other Secured Parties on the terms and conditions set out in these Conditions and the Transaction Documents.

Without prejudice to what is set out above, the Security Agent shall not be discharged from its responsibilities under the Pledge Agreement until a suitable substitute security agent, which has been accepted by the Issuer and the Noteholders (such approval not being unreasonably withheld) is appointed.

5. THE SERVICER

5.1 Name and Status

The Seller has been appointed as Servicer.

For a description of the Seller, see further *KBC Bank NV*.

5.2 The Issuer Services Agreement

Pursuant to the Issuer Services Agreement the Seller has been appointed as Servicer and, in this capacity as Servicer, will agree to provide mortgage payment transactions and the other services as agreed in the Issuer Services Agreement in relation to the Mortgage Receivables.

For a description of the Issuer Services Agreement, see further in the section entitled *Issuer Services Agreement.*

5.3 Remuneration

In consideration of the Servicer's agreement to carry out certain services as agreed in the Issuer Services Agreement, the Issuer shall pay monthly in arrear on each Monthly Payment Date to the Servicer a servicing fee of 0.05 per cent. calculated over the aggregate Outstanding Principal Amount of all Mortgage Receivables as at the immediately preceding Monthly Calculation Date.

5.4 Replacement

In certain events, the Security Agent or the Issuer (with the prior consent of the Security Agent) will terminate the appointment of the Servicer with effect from a date (no earlier than the date of the notice) specified in the notice provided that the effective date of such termination shall be no earlier than the effective date of the appointment of a substitute servicer (which has experience in delivering the relevant services and holds all required licences under applicable law therefore).

The Issuer has appointed Intertrust Admnistrative Services B.V. as Back-up Servicer Facilitator. The Back-up Servicer Facilitator shall assist the Issuer in appointing (within 60 calendar days) a third party substitute servicer in the event the Servicer needs to be replaced upon termination of its appointment by the Issuer following the occurrence of one of the servicing termination events listed in the Issuer Services Agreement.

The Issuer shall:

(a) promptly notify the Rating Agencies of the appointment of a substitute service provider; and

(b) promptly following the execution of the agreement with the substitute service provider pledge its interest in such agreement in favour of the Security Agent, on the terms of the Pledge Agreement, *mutatis mutandis*, to the satisfaction of the Security Agent.

5.5 Conflict of Interest

The Servicer may have a conflict of interest resulting from its responsibilities as Servicer for the Issuer pursuant to the Issuer Services Agreement, on the one hand, and its concern to preserve its commercial relations with the Borrowers, on the other hand. This conflict of interest risk is mitigated by the terms of the Issuer Services Agreement. The Issuer Services Agreement provides, among other things, that the Servicer must at all times act in such a manner as would be reasonable to expect from a reasonably prudent professional of high standing in providing services similar to the services provided by the Servicer. In addition, the Issuer Services Agreement contains certain specific undertakings to protect the interests of the Issuer.

6. THE ACCOUNT BANK

6.1 Name and status

KBC Bank NV acts as the Account Bank under the Account Bank Agreement entered into between the Issuer, the Account Bank and the Security Agent.

KBC Bank NV currently has a long-term debt credit rating of Aa3 from Moody's and A+ from Fitch.

Pursuant to the Account Bank Agreement, the balances standing to the credit of each of the Transaction Accounts shall carry the Account Interest Rate (the "**Account Interest Rate**"). The Account Interest Rate shall be the rate of interest determined by reference to Eonia minus 0.125 per cent. (with a floor at zero) and notified by the Account Bank on the basis of actual days elapsed and a 360 day year.

For a description of the Seller, see further *KBC Bank NV.*

6.2 Account Bank Agreement

For a description of the Account Bank Agreement, see further in the section entitled *Credit Structure – Transaction Accounts.*

6.3 Replacement of the Account Bank

In certain events, the Issuer may (but, if prior to the date on which the Notes are redeemed or written off in full, only with the prior written consent of the Security Agent), by not less than thirty (30) Business Days' written notice terminate the Account Bank Agreement with immediate effect from the expiry of such notice.

(a) If at any time the short-term IDR of the Account Bank is assigned a rating of less than the Fitch Required Minimum Short Term Rating or such ratings is withdrawn, and the deposit rating (when available) or the long-term IDR of the Account Bank is assigned a rating of less than the Fitch Required Minimum Long Term Rating or such rating is withdrawn; or

(b) if at any time the long-term unsecured unsubordinated and unguaranteed debt obligations of the Account Bank are assigned a rating of less than the Moody's Required Minimum Rating or such rating is withdrawn,

the Issuer and the Account Bank shall within sixty (60) calendar days (A) transfer the balance of the relevant Transaction Accounts to an alternative bank with the Required Minimum Ratings, or (B) find a third party with the Required Minimum Ratings to guarantee the obligations of the Account Bank.

If the Transaction Accounts were transferred to an alternative Account Bank as set out under (A) above, the Issuer may opt to re-transfer the Transaction Accounts to the original Account Bank provided that the obligations of the original Account Bank are guaranteed by a third party with the Required Minimum Ratings at the time of such re-transfer.

If a third party has granted a guarantee for the obligations of the original Account Bank as set out under (B) above, the Issuer may opt to terminate such guarantee provided that the Transaction Accounts are transferred to an alternative Account Bank with the Required Minimum Ratings by the time of such termination.

If at the time when a transfer of the relevant Transaction Accounts would otherwise have to be made under the Account Bank Agreement, there is no other bank which has the Required Minimum Ratings and which is willing, acting reasonably, to act as account bank under the Transaction Documents and if the Security Agent so agrees, the Transaction Accounts will not need to be transferred until such time as there is a bank which has the Required Minimum Ratings and which is willing, acting reasonably, to act as account bank under the Transaction Documents, whereupon such transfer will be made to the bank meeting such criteria within one (1) month of identification of such bank.

7. THE DOMICILIARY AGENT – THE LISTING AGENT – THE REFERENCE AGENT

7.1 Name and Status

KBC Bank NV has been appointed as Domiciliary Agent, Listing Agent and Reference Agent (together referred to as "**Agents**") pursuant to the Agency Agreement dated on or about the Closing Date.

KBC Bank NV currently has a long-term debt credit rating of Aa3 from Moody's and A+ from Fitch.

7.2 Activities

A description of the overall activities of the Domiciliary Agent is given in the section entitled *KBC Bank NV*.

7.3 Agency Agreement

Under the Agency Agreement, the Domiciliary Agent will undertake to ensure the payment of the sums due on the Notes and perform all other obligations and duties imposed on it by the Conditions and the Agency Agreement.

In addition, the Domiciliary Agent will perform the tasks described in the Clearing Agreement dated on or about the Closing Date, which comprise *inter alia* providing the Securities Settlement System Operator with information relating to the issue of the Notes, the Prospectus and other documents required by law.

The Listing Agent will cause an application to be made to Euronext Brussels NV/SA for the admission to trading of the Notes. The Reference Agent shall determine the Floating Rate of Interest of the Notes applicable to each Floating Rate Interest Period, the Interest Amount and the relevant Monthly Payment Date, all subject to and in accordance with the Conditions and the Agency Agreement.

7.4 Remuneration

The Issuer shall pay or procure the payment of such commissions in respect of the services of the Domiciliary Agent, the Listing Agent and the Reference Agent under this Agreement under the Agency Agreement as shall be agreed between the Issuer and the Domiciliary Agent. The Issuer shall not be concerned with the apportionment of payment among the Agents.

7.5 Replacement of the Domiciliary Agent, Listing Agent or Reference Agent

The Issuer and each Agent may at any time, subject to prior written notice, terminate the appointment of a relevant Agent under the Agency Agreement. In addition, in certain events, the Issuer may terminate the appointment of an Agent forthwith, subject to the prior approval of the Security Agent.

The termination of the appointment of an Agent (whether by the Issuer or by the resignation of the Agent) shall not be effective unless upon the expiry of the relevant notice there is:

(a) a Domiciliary Agent that will at all times be a participant in the Securities Settlement System;

(b) a Domiciliary Agent that has its specified offices in a European city which, so long as the Notes are listed on Euronext Brussels, shall be Brussels;

(c) a Domiciliary Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directives;

(d) a Listing Agent; and

(e) a Reference Agent.

8. THE RATING AGENCIES

Moody’s Investors Service Limited and Fitch Ratings have been requested to rate the Notes.

9. THE SWAP COUNTERPARTY

9.1 Name and status

The Seller (as the Swap Counterparty) will enter into a Swap Agreement in order to provide a hedge against the risk of possible variance between the rates of interest on the Mortgage Receivables and the Transaction Accounts and the floating rates applicable to the Notes.

For a description of the Seller, see further *KBC Bank NV*.

9.2 Swap Agreement

(a) Description

For a description of the Swap Agreement, see the section entitled *Credit Structure – 10. Interest Rate Hedging.*

(b) Termination of the Swap Agreement

The swap transaction under the Swap Agreement will terminate on the earlier of (a) the Final Maturity Date and (b) the date on which the Notes have been redeemed in full in accordance with the Conditions.

The swap transaction under the Swap Agreement may also be terminated in other circumstances, including but not limited to the following, each as more specifically defined in the Swap Agreement:

(i) if there is a failure to pay amounts due under the Swap Agreement and any applicable grace period has expired;

(ii) if certain insolvency events occur with respect to a party;

(iii) if a breach of a provision of the Swap Agreement by the Swap Counterparty is not remedied within the applicable grace period;

(iv) if a change in law results in the obligations of one of the parties becoming illegal;

(v) if the Swap Counterparty is downgraded and fails to comply with the requirements of the downgrade provisions contained in the Swap Agreement and described above (see section entitled *Credit Structure – 10.2 Downgrade of Swap Counterparty*); and

(vi) if an Enforcement Notice is served upon the Issuer by the Security Agent.

Upon an early termination of the swap transaction under the Swap Agreement, the Issuer or Swap Counterparty may be liable to make a termination payment to the other. The termination payment will be calculated and made in euro. The amount of any termination payment will be based on one or more firm quotations sought from leading dealers as to the costs of entering into a swap with the same terms and conditions that would have the effect of preserving the economic equivalent of the respective full payment obligations of the parties (or based upon a good faith determination of total losses and costs (or gains) if no prior quotation is accepted and no firm quotations remain capable of being accepted at the relevant price or if basing the valuation on quotations would not produce a commercially reasonable result) and will include any unpaid amounts that become due and payable prior to the date of termination. Any such termination payment could be substantial and may affect the funds available to pay amounts due to the Noteholders.

(c) Transfer of the Swap Agreement

The Swap Counterparty may by notice to the Security Agent and subject to certain conditions specified in the Swap Agreement, transfer its obligations under the Swap Agreement to another entity.

10. THE SUBORDINATED LOAN PROVIDER

10.1 Name and Status

The Seller will act as Subordinated Loan Provider.

For a description of the Seller, see further *KBC Bank NV*.

10.2 The Subordinated Loan Agreement

Pursuant to the Subordinated Loan Agreement, the Seller, as Subordinated Loan Provider, will agree to make a subordinated loan to the Issuer, the proceeds of which will be used to (i) pay part of the Initial Purchase Price, and (ii) credit the Reserve Account up to the Reserve Account Required Amount. The remaining part of this subordinated loan will be credited to the Issuer Collection Account.

The Subordinated Loan will bear interest from (and including) the Closing Date until the Subordinated Loan (and all accrued interest thereon) will be paid in full at a rate which is equal to the higher of (i) zero and (ii) the sum of one (1) month EURIBOR plus a margin of 100 bps per annum.

If the Notes Interest Available Amount is not sufficient to pay all the interest due under the Subordinated Loan on a Monthly Payment Date, the unpaid part of the interest due under the Subordinated Loan will be deferred to the next succeeding Monthly Payment Date.

10.3 The Expenses Subordinated Loan Agreement

Pursuant to the Expenses Subordinated Loan Agreement, the Seller, as Subordinated Loan Provider, will agree to make a subordinated loan to the Issuer, the proceeds of which will be used to pay certain initial costs and expenses in connection with the issue of the Notes.

The Expenses Subordinated Loan will bear interest from (and including) the Closing Date until the Expenses Subordinated Loan (and all accrued interest thereon) will be paid in full at a rate which is equal to the higher of (i) zero and (ii) the sum of one (1) month EURIBOR plus a margin of 100 bps per annum.

11. THE BACK-UP SERVICER FACILITATOR

Pursuant to the Issuer Services Agreement, the Issuer has appointed Intertrust Administrative Services B.V., a Dutch private company with limited liability (besloten vennootschap met beperkte aansprakelijkheid), with its registered office at Prins Bernhardplein 200, 1097 Amsterdam, the Netherlands, registered with the commercial register (kamer van koophandel en fabrieken voor Amsterdam) under number 33.21.02.70 as the Back-Up Servicer Facilitator. Its phone number is +31 (0)20 521 4777 and fax number +31 (0)20 521 4888. E mail: securitisation@intertrustgroup.com Corporate websites: www.intertrustcapitalmarkets.com.

The Back-up Servicer Facilitator shall assist the Issuer in appointing (within 60 calendar days) a third party substitute servicer in the event the Servicer needs to be replaced upon termination of its

appointment by the Issuer following the occurrence of one of the servicing termination events listed in the Issuer Services Agreement.

12. THE SECURITIES SETTLEMENT SYSTEM OPERATOR

Pursuant to the Clearing Agreement, the Securities Settlement System Operator will provide clearing services for the Issuer.

13. SECURITY

A description of the security is given in the section entitled *Description of Security.*

MAIN TRANSACTION EXPENSES

1. Administrator

With respect to the duties and responsibilities as Administrator from the Closing Date and during the Transaction, the Issuer shall pay EUR 2,500 as a one-off set-up fee and on a quarterly basis in advance an amount of EUR 2,500 (*i.e.*, EUR 10,000 on an annual basis) (exclusive of Dutch VAT and office disbursements). This fee is subject to certain assumptions and may in certain cases be adjusted in consultation with the Issuer and the Security Agent. In addition, the Issuer will reimburse to the Administrator all reasonable out-of pocket costs, expenses and charges properly incurred by the Administrator in connection with the services and the preparation, execution, delivery, administration, modification or amendment in respect of its rights, obligations and responsibilities under the agreement.

2. Corporate Services Provider

With respect to the duties and responsibilities as Corporate Services Provider from the Closing Date and during the Transaction, the Issuer shall pay on a quarterly basis in arrears an amount of EUR 3,000 (*i.e.*, EUR 12,000 on an annual basis) (exclusive of VAT). In addition, the Issuer will reimburse to the Corporate Services Provider all reasonable out-of pocket costs, expenses and charges properly incurred by the Corporate Services Provider in connection with the services and the preparation, execution, delivery, administration, modification or amendment in respect of its rights, obligations and responsibilities under the agreement.

3. Security Agent

With respect to duties and responsibilities carried out up to and including the Closing Date, a one off fee based on an average hourly rate of EUR 250 per man hour of effective service, exclusive of VAT, capped at EUR 18,000 (exclusive of VAT will be payable by the Issuer to the Security Agent.

With respect to the duties and responsibilities as Security Agent from the Closing Date and during the Transaction, the remuneration of the Security Agent shall be calculated at the applicable current billing rate per hour of its services with a floor of EUR 5,000 per annum, exclusive of VAT.

4. Servicer

In consideration of the Servicer's agreement to carry out certain services as agreed in the Issuer Services Agreement, the Issuer shall pay monthly in arrear on each Monthly Payment Date to the Servicer a servicing fee of 0.05 per cent. calculated over the aggregate Outstanding Principal Amount of all Mortgage Receivables as at the immediately preceding Monthly Calculation Date.

5. Domiciliary Agent, Listing Agent and Reference Agent

On each Monthly Payment Date, the Issuer shall pay to the Domiciliary Agent an amount of EUR 1,250 (i.e. EUR 5,000 on an annual basis) for commissions, fees and expenses in respect of the services of the Domiciliary Agent.

6. Other Senior Expenses Payable by the Issuer

The Issuer shall in addition pay the following ongoing expenses:

(a) to the Auditors;

(b) to the Issuer Directors, expenses or other amounts in connection with the Issuer Management Agreements;

(c) to the NBB, fees as provided under the Clearing Agreement, which will be payable as long as any of the Notes are outstanding;

(d) to the FSMA, an annual fee calculated in accordance with Belgian law and regulations;

(e) and others, provided that they are justified and duly documented.

USE OF PROCEEDS

The net proceeds of the Notes to be issued on the Closing Date will be EUR 3,200,000,000.

The net proceeds of the issue of the Notes will be applied on the Closing Date to pay part of the Initial Purchase Price for the Mortgage Receivables purchased under the Mortgage Receivables Purchase Agreement.

The net proceeds of the Subordinated Loan will be used to (i) pay the remaining part of the Initial Purchase Price for the Mortgage Receivables in the amount of up to EUR 245,000,000, and (ii) credit the Reserve Account up to EUR 35,000,000. The remaining part of the proceeds of the Subordinated Loan will be credited to the Issuer Collection Account.

The proceeds of the Expenses Subordinated Loan, in the amount of EUR 1,000,000 will be used by the Issuer to pay certain initial costs and expenses in connection with the issue of the Notes.

DESCRIPTION OF SECURITY

The Security Agent has been designated as security agent on behalf of the Secured Parties in accordance with Article 5 of the Collateral Law and Article 3 of the MAS Law.

In addition, the Security Agent has been designated as representative of the Noteholders, in compliance with Article 271/12, §1 first to seventh indent of the UCITS Act which states that the representative (the Security Agent) may bind all Noteholders and represent them vis-à-vis third parties or in court, in accordance with the terms of its mission. The representative may act in courts and represent the Noteholders in any bankruptcy or judicial reorganisation, as applicable, or similar insolvency proceedings without having to reveal the identity of the Noteholders it represents. The Security Agent, acting in its capacity as representative of the Noteholders, acts in the sole benefit of the Noteholders.

The Security Agent has also been appointed as irrevocable agent (*mandataris / mandataire*) of the other Secured Parties. In relation to any duties, obligations and responsibilities of the Security Agent to the other Secured Parties in its capacity as agent of the other Secured Parties in relation to the Pledged Assets and under or in connection with the Transaction Documents, the Security Agent and the other Secured Parties agree and the Issuer concurs, that the Security Agent shall discharge these duties, obligations and responsibilities by performing and observing its duties, obligations and responsibilities as representative of the Noteholders in accordance with the provisions of the Pledge Agreement, the Transaction Documents and the Conditions.

The Issuer shall grant on the Closing Date a first ranking pledge (*pand in eerste rang / gage en premier rang*) to the Secured Parties, including the Security Agent on behalf of the Noteholders and the other Secured Parties (the "**Pledge Agreement**") over:

(a) the Mortgage Receivables, secured by the Related Security, acquired by the Issuer pursuant to the Mortgage Receivables Purchase Agreement;

(b) all moneys and proceeds payable or to become payable under, in respect of, or pursuant to the Transaction Accounts and the right to receive payment of such moneys and proceeds and all payments made, including all sums of money that may at any time be credited to any Transaction Account together with all interest accruing from time to time on such money and the debts represented by any Transaction Account as well as all other rights, title, interest and benefit under or in respect of the Transaction Accounts; and

(c) all rights, title, interest and benefit of the Issuer under or pursuant to the Transaction Documents to which the Issuer is a party (other than the Pledge Agreement), including without limitation, its rights under the (A) Mortgage Receivables Purchase Agreement, (B) the Issuer Services Agreement, (C) the Issuer Management Agreements, (D) the Account Bank Agreement and (E) the Swap Agreement.

The Pledge Agreement provides that the pledge on the Mortgage Receivables and Related Security will not be notified to the Borrowers, the Insurance Companies or other relevant parties, except if a Notification Event occurs or if an Enforcement Notice is given. Prior to notification of the pledge to the Borrowers, the pledge on the Mortgage Receivables will be an undisclosed pledge.

The pledge created pursuant to the Pledge Agreement over the rights referred to in paragraph (b) and (c) above will be acknowledged by the relevant obligors and will therefore be a disclosed pledge.

The Pledge Agreement is subject to Belgian law. Under Belgian law, upon enforcement of the Security Interests, the Security Agent, in its capacity as pledgee and acting on its own behalf and on behalf of the other Secured Parties, will be permitted to collect any moneys payable in respect of the Mortgage

Receivables, any moneys payable under the Transaction Documents pledged to it and any moneys standing to the credit of the Transaction Accounts and to apply such moneys in satisfaction of obligations of the Issuer which are secured by the Pledge Agreement. The Security Agent will also be permitted to apply to the president of the Business Court (*Ondernemingsrechtbank / Tribunal de l'Entreprise*) for authorisation to sell the Pledged Assets (with the exception of the Transaction Accounts, which can be realised in accordance with the terms of the Pledge Agreement only).

In addition to other methods of enforcement permitted by law, Article 271/12, § 2 of the UCITS Act also permits all Noteholders (acting together) to request the president of the Business Court to attribute to them the Pledged Assets in payment of an amount estimated by an expert. In accordance with the terms of the Pledge Agreement, only the Security Agent shall be permitted to exercise these rights.

The security rights described above shall serve as security for the benefit of the Secured Parties, including each of the Noteholders but, *inter alia*, amounts owing to the Subordinated Loan Provider will rank in priority of payment after amounts owing to the Noteholders. See *Credit Structure* above.

THE SECURITY AGENT

1. NAME AND STATUS

Deloitte Bedrijfsrevisoren / Réviseurs d'Entreprises (the "**Security Agent**") is a *coöperatieve vennootschap met beperkte aansprakelijkheid / société coopérative à responsabilité limitée* incorporated under the laws of Belgium on 30 May 1986 with registered office at Gateway Building, Luchthaven Nationaal 1J, 1930 Zaventem and registered with the Crossroads Bank for Enterprises under number RPR 0429.053.863, Business Court of Brussels.

2. POWERS, AUTHORITIES AND DUTIES

The Security Agent, acting in its own name and on behalf of the Secured Parties shall have the power:

(a) to accept the Security Interests on behalf of the Noteholders and the other Secured Parties;

(b) upon service of an Enforcement Notice, to proceed against the Issuer to enforce the performance of the Transaction Documents and to enforce the Security Interests on behalf of the Secured Parties;

(c) to collect all proceeds in the course of enforcing the Security Interests;

(d) to apply or to direct the application of the proceeds of enforcement in accordance with the Conditions and the provisions of the Pledge Agreement;

(e) to instruct the Domiciliary Agent (or any substitute domiciliary agent appointed in accordance with the provisions of the Agency Agreement) to open a bank account with an Eligible Institution for the purposes of depositing the proceeds of enforcement and to give all directions to the Eligible Institution and/or the Domiciliary Agent (or its substitute) to administer such account, and to receive a power of attorney given by the Domiciliary Agent to administer such account;

(f) to exercise all other powers and rights and perform all duties given to the Security Agent under the Transaction Documents; and

(g) generally, to do all things necessary in connection with the performance of such powers and duties.

"**Eligible Institution**" means a credit institution within the meaning of the Belgian law of 25 April 2014 on the supervision of the credit institutions.

The Security Agent has been designated as security agent on behalf of the Secured Parties in accordance with Article 5 of the Collateral Law and Article 3 of the MAS Law.

The Security Agent has also been designated as representative of the Noteholders, in compliance with Article 271/12, §1 first to seventh indent of the UCITS Act which states that the representative (the Security Agent) may bind all Noteholders and represent them vis-à-vis third parties or in court, in accordance with the terms of its mission. The representative may act in courts and represent the Noteholders in any bankruptcy or judicial reorganisation, as applicable, or similar insolvency proceedings without having to reveal the identity of the Noteholders it represents. The representative must act in the sole benefit of the Noteholders.

The Security Agent has also been appointed as irrevocable agent (*mandataris / mandataire*) of the Secured Parties (other than the Noteholders). In relation to any duties, obligations and responsibilities of the Security Agent to these other Secured Parties in its capacity as agent of these other Secured Parties in relation to the Pledged Assets and under or in connection with the Transaction Documents, the Security Agent and these other Secured Parties agree and the Issuer concurs, that the Security Agent shall discharge these duties, obligations and responsibilities by performing and observing its duties, obligations and responsibilities as representative of the Noteholders in accordance with the provisions of the Pledge Agreement, the Transaction Documents and the Conditions.

The Security Agent may delegate the performance of any of the foregoing powers to any persons (including any legal entity) whom it may designate. Notwithstanding any sub-contracting or delegation of the performance of its obligations under the Pledge Agreement, the Security Agent shall not thereby be released or discharged from any liability hereunder and shall remain responsible for the performance of the obligations of the Security Agent under the Pledge Agreement and shall be jointly and severally liable for the performance or non-performance or the manner of performance of any sub-contractor, agent or delegate and such sub-contracting or delegation shall not affect the Security Agent's obligations under the Pledge Agreement.

2.1 Protection Notice

The Security Agent may in accordance with Clause 10(e) of the Pledge Agreement serve a protection notice as a result of which no payments shall be made from the Transaction Accounts without the prior consent of the Security Agent, provided that such will not alter the relevant Priority of Payments (the "**Protection Notice**").

2.2 Variations

The Security Agent may on behalf of the Noteholders and without the consent of the Noteholders or the other Secured Parties, at any time and from time to time, concur with the Issuer or any other person in making any modification:

(a) to these Conditions or any of the relevant Transaction Documents which in the opinion of the Security Agent is of a formal, minor, or technical nature or is to correct a manifest error or to comply with the mandatory provisions of Belgian law;

(b) to these Conditions or any of the relevant Transaction Documents which in the opinion of the Security Agent is not materially prejudicial to the interests of the Noteholders, provided that the then current ratings of the Notes will not be adversely affected by any such modification, authorisation or waiver (it being understood that the fact that the then current rating of the Notes will not be adversely affected does not address whether such modification is in the best interest of, or prejudicial to, some or all of the Noteholders);

(c) to these Conditions or any of the relevant Transaction Documents in order to enable the Issuer and/or the Swap Counterparty to comply with any obligation which applies to it under Articles 9, 10 and 11 of Regulation (EU) 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories dated 4 July 2012 (including, without limitation, any associated regulatory technical standards and advice, guidance or recommendations from relevant supervisory regulators) (the "**EMIR Requirements**") or any other obligation which applies to it under the EMIR Requirements and/or any new regulatory requirements, subject to receipt by the Security Agent of a certificate of the Issuer and, where the amendment has been requested by the Swap Counterparty, the Swap Counterparty certifying to the Security Agent that the amendments requested by the Issuer or the Swap Counterparty, as the case may be, are to be made solely

for the purpose of enabling the Issuer or the Swap Counterparty, as the case may be, to satisfy its requirements under EMIR, provided that the Security Agent shall not be obliged to agree to any modification which, in the reasonable opinion of the Security Agent, would have the effect of (A) exposing the Security Agent to any additional liability or (B) adding to or increasing the obligations, liabilities or duties, or decreasing the protections, of the Security Agent or the Noteholders in respect of the Notes, the relevant Transaction Documents and/or the Conditions, (C) the transaction described in this Prospectus not complying with the requirements set out in the Securitisation Regulation, in each case, further provided that the Security Agent has received written confirmation from the Swap Counterparty in respect of the Swap Agreement that it has consented to such amendment; or

(d) to these Conditions or any of the relevant Transaction Documents in order to enable the Issuer to comply with any obligation which applies to it under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies and Commission Delegated Regulation (EU) 2015/3 (including, without limitation, any associated regulatory technical standards and advice, guidance or recommendations from relevant supervisory regulators) (the "**CRA3 Requirements**"), including any requirements imposed by the Securitisation Regulation or any other obligation which applies to it under the CRA3 Requirements, the Securitisation Regulation, Regulation (EU) 2017/2401 of the European Parliament and of the Council of 12 December 2017 amending Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (the "**CRR Amendment Regulation**") and/or any new regulatory requirements, subject to receipt by the Security Agent of a certificate of the Issuer certifying to the Security Agent that the amendments requested by the Issuer are to be made solely for the purpose of enabling the Issuer to satisfy its requirements under the CRA3 Requirements, the Securitisation Regulation, the CRR Amendment Regulation and/or any new regulatory requirements provided that the Security Agent shall not be obliged to agree to any modification which, in the reasonable opinion of the Security Agent, would have the effect of (i) exposing the Security Agent to any additional liability or (ii) adding to or increasing the obligations, liabilities or duties, or decreasing the protections, of the Security Agent or the Noteholders in respect of the Notes, the relevant Transaction Documents and/or the Conditions or (iii) the transaction described in this Prospectus not complying with the requirements set out in the Securitisation Regulation. Each other party to any relevant Transaction Document shall cooperate to the extent reasonably practicable with the Issuer in amending such Transaction Documents to enable the Issuer to comply with the CRA3 Requirements, the Securitisation Regulation, the CRR Amendment Regulation and/or new regulatory requirements;

(e) to these Conditions or any of the relevant Transaction Documents in order to enable the Issuer to change the base rate on the Notes from EURIBOR to an alternative base rate (any such rate, an "**Alternative Base Rate**") (and such other amendments as are necessary or advisable in the reasonable judgment of the Issuer to facilitate such change) to the extent there has been or there is reasonably expected to be a material disruption or cessation to EURIBOR, provided that:

the Security Agent receives a certificate of the Issuer certifying to the Security Agent that:

(A) such modification is being undertaken due to:

I. a material disruption to EURIBOR, an adverse change in the methodology of calculating EURIBOR or EURIBOR ceasing to exist or be published;

II. a public statement by the administrator of EURIBOR that it will cease publishing EURIBOR permanently or indefinitely (in circumstances where

no successor administrator for EURIBOR has been appointed that will continue publication of EURIBOR) and such cessation is reasonably expected by the Issuer to occur prior to the Final Maturity Date;

III. a public statement by the supervisor of the administrator of EURIBOR that EURIBOR has been or will be permanently or indefinitely discontinued or will be changed in an adverse manner and such cessation is reasonably expected by the Issuer to occur prior to the Final Maturity Date;

IV. a public statement by the supervisor of the administrator of EURIBOR that means EURIBOR may no longer be used or that its use is subject to restrictions or adverse consequences; or

V. the reasonable expectation of the Issuer that any of the events specified in sub-paragraphs (i), (ii), (iii) or (iv) will occur or exist within six months of the proposed effective date of such modification;

and, in each case, has been drafted solely to such effect; and

provided that:

(B) such Alternative Base Rate is:

I. a base rate published, endorsed, approved or recognised by the FSMA, any regulator in the European Union or any stock exchange on which the Notes are listed or any relevant committee or other body established, sponsored or approved by any of the foregoing; or

II. a base rate utilised in a material number of publicly-listed new issues of Euro-denominated asset backed floating rate notes prior to the effective date of such modification (for these purposes, unless agreed otherwise by the Security Agent, such issues shall be considered material); or;

III. a base rate utilised in a publicly-listed new issue of Euro-denominated asset backed floating rate notes where the originator of the relevant assets is the Seller;

and, in each case, the change to the Alternative Base Rate will not, in its opinion, be materially prejudicial to the interest of the Noteholder or resulting in the Transaction described in this Prospectus not complying with the requirements set out in the Securitisation Regulation; and

provided further that:

(C)

I. the party proposing the modification to a Transaction Document, if possible and if necessary with the cooperation of the Issuer, obtains from each of the Rating Agencies written confirmation (or certifies in writing to the Issuer and the Security Agent that the Rating Agencies have been informed of the proposed modification and none of the Rating Agencies has indicated that such modification would result in a downgrade, withdrawal or suspension of the then current ratings assigned to the Notes by such Rating Agency and would not result in any Rating Agency placing any Notes on rating watch

negative (or equivalent)) that such modification would not result in a downgrade, withdrawal or suspension of the then current ratings assigned to any Notes by such Rating Agency and would not result in any Rating Agency placing the Notes on rating watch negative (or equivalent) and, if relevant, delivers a copy of each such confirmation to the Issuer and the Security Agent; or

II. the Issuer certifies in writing to the Security Agent that the Rating Agencies have been informed of the proposed modification and none of the Rating Agencies has indicated within 30 Business Days after being informed thereof that such modification would result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to the Notes by such Rating Agency or (y) such Rating Agency placing the Notes on rating watch negative (or equivalent); and

provided further that the Security Agent shall not be obliged to agree to any modification which, in the reasonable opinion of the Security Agent, would have the effect of (i) exposing the Security Agent to any additional liability or (ii) adding to or increasing the obligations, liabilities or duties, or decreasing the protections, of the Security Agent or the Noteholders in respect of the Notes, the relevant Transaction Documents and/or the Conditions. Each other party to any relevant Transaction Document shall cooperate to the extent reasonably practicable with the Issuer in amending such Transaction Documents to enable the Issuer to change the base rate on the Notes from EURIBOR to an Alternative Base Rate (and such other amendments as are necessary or advisable in the reasonable judgment of the Issuer to facilitate such change) to the extent there has been or there is reasonably expected to be a material disruption or cessation to EURIBOR; and

(f) to these Conditions or any of the relevant Transaction Documents (including the Swap Agreement) for the purpose of complying with any changes in the requirements of Article 6 of the Securitisation Regulation, after the Closing Date, including as a result of the adoption of regulatory technical standards in relation to the Securitisation Regulation or any other risk retention legislation or regulations or official guidance in relation thereto, subject to receipt by the Security Agent of a certificate of the Issuer and, as the case may be, the party proposing the modification certifying to the Security Agent that such modification is required solely for such purpose and has been drafted solely to such effect,

it being understood that any modification of a Transaction Document must be approved by each party thereto.

Any such modification shall be binding on the Noteholders and the Secured Parties.

In no event may such modification be a Basic Terms Modification (as defined in Condition 4.12). The Security Agent shall not be bound to give notice to the Noteholders of any modifications to the Transaction Documents agreed pursuant to this paragraph. The Issuer shall cause notice of any such modification to be given to the Rating Agencies, the Administrator, the Servicer, the Corporate Services Provider and the Domiciliary Agent.

If in the Security Agent's opinion it is not sufficiently established that the proposed amendment or variation can be approved by it in accordance with this paragraph, it will determine in its full discretion whether to submit the proposal to a duly convened meeting of Noteholders or to refuse the proposed amendment or variation.

2.3 Waivers

The Security Agent may, without the consent of the Noteholders and the other Secured Parties or the Issuer, without prejudice to its rights in respect of any further or other breach, condition, event or act from time to time and at any time, but only if and in so far as in its opinion the interests of the Noteholders will not be materially prejudiced thereby, (i) authorise or waive, on such terms and conditions (if any) as shall seem expedient to it, any proposed or actual breach of any of the covenants or provisions contained in or arising pursuant to the Pledge Agreement, the Notes or any of the Transaction Documents, or (ii) determine that any breach, condition, event or act which constitutes (and/or which, with the giving of notice or the lapse of time and/or the Security Agent making any relevant determination and/or issuing any relevant certificate would constitute), but for such determination, an Event of Default shall not, or shall not be subject to specified conditions, be treated as such for the purposes of the Pledge Agreement. Any such authorisation, waiver or determination pursuant to this clause shall be binding on the Noteholders and if, but only if, the Security Agent shall so require, notice thereof shall be given to the Noteholders and any Rating Agency.

2.4 Reliance

In determining whether or not any power, trust, authority, duty or discretion or any change, event or occurrence under or in relation to the Conditions or any of the Transaction Documents will be:

(a) materially prejudicial to the interests of Noteholders;

(b) exposing the Security Agent to any additional liability;

(c) adding to or increasing the obligations, liabilities or duties, or decreasing the protections, of the Security Agent or the Noteholders in respect of the Notes, the Conditions or the Transaction Documents; or

(d) resulting in the Transaction to not comply with the requirements set out in the Securitisation Regulation,

the Security Agent shall be able to rely on, and act on any advice or opinion of or any certificate obtained from a valuer, accountant, banker, broker, securities company or other company other than the Rating Agencies, or any certificate obtained in accordance with paragraph 2.2 above whether obtained by itself or the Issuer and it shall not be liable for any loss occasioned by such action, save where such loss is due to its Gross Negligence, wilful misconduct or fraud. Concurrently, the Security Agent may, along with any other relevant factors, have regard for whether the then current rating of the Notes would not be adversely affected by such exercise.

2.5 Conflicts of interest

In connection with the exercise of its powers, authorities and discretions, the Security Agent shall have regard to the interests of all Noteholders as a class and shall not have regard to the consequence of such exercise for individual Noteholders.

The Security Agent shall take account of the interests of the Secured Parties to the extent that there is no conflict amongst them. To the extent that:

(a) an actual conflict exists or is likely to exist between the interests of the Secured Parties in relation to any material action, decision or duty of the Security Agent under or in relation to the Pledge Agreement and the Conditions; and

(b) any of the Transaction Documents and the Conditions give the Security Agent a material discretion in relation to such action, decision or duty;

the Security Agent shall always have regard to the interests of the Noteholders in priority to the interests of the other Secured Parties.

Further, to the extent that:

(i) an actual conflict exists or is likely to exist between the interests of the Issuer, the Secured Parties and the interests of KBC Bank NV in its capacity as Seller in relation to any material action, decision or duty of the Security Agent under or in relation to the Pledge Agreement and any other Transaction Document; and

(ii) the Pledge Agreement and any other Transaction Document gives the Security Agent a material discretion in relation to such action, decision or duty,

then the Security Agent shall have regard to the interests of the Issuer and the Secured Parties (other than KBC Bank NV in its capacity as Seller) in priority to the interests of the Seller.

2.6 No obligation to act

All the parties to the Pledge Agreement agree that the Security Agent shall not be bound to take any action under its powers or duties other than those referred to under paragraph (a), (c) and (e) of *Powers, authorities and duties* and under *Variations*, unless:

(a) it shall have been directed to do so by an Extraordinary Resolution of the holders of the Notes then outstanding; or

(b) it shall have been requested to do so by the holders of not less than fifty (50) per cent. in Principal Amount Outstanding of the Notes then outstanding and held by External Investors; or

(c) it shall have been requested to do so by the holders of not less than ten (10) per cent in Principal Amount Outstanding of the Notes then outstanding; and

(d) it shall in all cases have been indemnified to its satisfaction against all liability, proceedings, claims and demands to which it may be or become liable and all costs, charges and expenses which may be incurred by it in connection therewith, save where these are due to its own Gross Negligence, wilful misconduct or fraud.

2.7 Restrictions on the Secured Parties to act

At any time after the Notes have become due and repayable the Security Agent may, at its discretion and without further notice, take such steps and proceedings against the Issuer as it may think fit to enforce the Security Interests and to enforce repayment of the Notes together with payment of accrued interest, but it shall not be bound to take any such proceedings unless:

(a) it shall have been directed to do so by an Extraordinary Resolution of the holders of the Notes then outstanding; or

(b) it shall have been requested to do so by the holders of not less than fifty (50) per cent. in Principal Amount Outstanding of the Notes then outstanding and held by External Investors; or

(c) it shall have been requested to do so by the holders of not less than ten (10) per cent. in Principal Amount Outstanding of the Notes then outstanding; and

(d) it shall in all cases have been indemnified or secured to its satisfaction for against all liability, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages and expenses which it may incur by so doing, save where due to its own Gross Negligence, wilful misconduct or fraud, it being understood that Gross Negligence shall mean negligence of such serious nature that not any prudent Security Agent would have acted similarly.

Only the Security Agent may enforce the Security Interests and no other Secured Party shall be entitled to enforce such security or proceed against the Issuer to enforce the performance of any of the provisions of the Pledge Agreement, unless the Security Agent, having become bound to take such steps as provided in the Pledge Agreement, fails to do so within a reasonable period (thirty (30) calendar days being deemed for this purpose to be a reasonable period) and such failure shall be continuing.

2.8 Accountability, Indemnification and Exoneration of the Security Agent

If so requested in advance by the board of directors of the Issuer, the Security Agent shall report to the general meeting of Noteholders on the performance of its duties under the Pledge Agreement and the Transaction Documents provided such request is notified by registered mail no later than ten (10) Business Days prior to the relevant general meeting of Noteholders. The board of directors of the Issuer shall require such report if so requested by those Noteholders who have requested that such general meeting be convened.

The Transaction Documents contain provisions governing the responsibility (and relief from responsibility) of the Security Agent and providing for its indemnification in certain circumstances, including provisions relieving the Security Agent from taking enforcement proceedings or enforcing the Security Interests unless indemnified to its satisfaction.

The Security Agent shall not be liable to the Issuer or any of the Secured Parties (other than the Security Agent) in respect of any loss or damage which arises out of the exercise, or the attempted exercise of, or the failure to exercise any of its powers or any loss resulting there from, except that the Security Agent shall be liable for such loss or damage that is caused by its Gross Negligence, wilful misconduct or fraud.

The Security Agent shall not be responsible for any loss, expense or liability which may be suffered as a result of any assets comprised in the Pledged Assets, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of the Servicer or any agent or related company of the Servicer or by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Security Agent.

The Security Agent shall have no liability for any breach of or default under its obligations under the Transaction Documents if and to the extent that such breach is caused by any failure on the part of the Issuer or any of the Secured Parties (other than the Security Agent) to duly perform any of their material obligations under any of the Transaction Documents. In the event that the Security Agent is rendered unable to duly perform its obligations under the Transaction Documents by any circumstances beyond its control (*overmacht / force majeure*), the Security Agent shall not be liable for any failure to carry out its obligations under the Transaction Documents which are thus affected by the event in question and, for so long as such circumstances continue, its obligations under the Transaction Documents which are thus affected will be suspended without liability for the Security Agent.

The Security Agent shall not be responsible for monitoring the compliance by any of the other party (including the Issuer and the Servicer) with their obligations under the Transaction Documents. The Security Agent may, until it has actual knowledge or express notice to the contrary, assume the Issuer and the Servicer are observing and performing all their obligations under any of the Transaction Documents and in any notices or acknowledgements delivered in connection with any such Transaction Documents.

The Security Agent shall not be responsible for ensuring that any Security Interest is created by, or continues to be managed by, the Issuer, the Security Agent, or any other person in such a manner as to create or maintain sufficient control to obtain the type of Security Interest described in the Pledge Agreement in relation to the assets of the Issuer which are purported to be secured thereby, provided that it complies with the provisions of the Transaction Documents.

Except if such meeting is convened by the Security Agent, but only to the extent that any defect has arisen directly from the Security Agent's Gross Negligence, wilful misconduct or fraud, the Security Agent shall not be liable for acting upon any resolution purporting to have been passed at any meeting of Noteholders in respect whereof minutes have been made and signed even though subsequent to its acting it may be found that there was some defect in the constitution of the meeting or passing of the resolution or that for any reason the resolution was not valid or binding upon the Noteholders.

If the Security Agent has acted upon such resolution, each Noteholder shall forthwith on demand indemnify the Security Agent for its *pro rata* share in any liability, loss or expense incurred or expected to be incurred by the Security Agent in any way relating to or arising out of its acting as Security Agent in respect of that resolution, except to the extent that the liability or loss arises directly from the Security Agent's Gross Negligence, wilful misconduct or fraud. The liability shall be divided between the Noteholders *pro rata* according to the respective Principal Amount Outstanding of the Notes held by each of them respectively.

2.9 Instructions and indemnity

Whenever the interests of the Noteholders are or can be affected in the opinion of the Security Agent, the Security Agent may - if indemnified to its satisfaction - take legal action on behalf of the Noteholders and represent the Noteholders in any bankruptcy (*faillissement / faillite*), liquidation (*vereffening / liquidation*) or judicial reorganisation (*gerechtelijke reorganisatie / réorganisation judiciaire*), as applicable and any other legal proceedings initiated against the Issuer or any other party to a Transaction Document.

The Security Agent can under no circumstances, including the situation wherein Noteholders' instruction or approval cannot be obtained for whatever reason, be required to act without it being remunerated and indemnified or secured to its satisfaction.

The Security Agent shall be indemnified by the Issuer and held harmless, in respect of any and all liabilities and expenses incurred by it or by anyone appointed by it or to whom any of its functions may be delegated by it in carrying out its functions.

2.10 Replacement of the Security Agent

In certain events, the Issuer shall by written notice to the Security Agent, the other Secured Parties and the Rating Agencies, terminate the powers delegated to the Security Agent under the Pledge Agreement and the Transaction Documents with effect from a date (to be no earlier than the date of the notice) specified in the notice and appoint a substitute security agent selected by the Issuer which shall act as security agent until a new security agent is appointed by the general meeting of Noteholders, which shall promptly be convened by the Issuer.

In addition, the Noteholders shall be entitled to terminate the appointment of the Security Agent by an Extraordinary Resolution notified to the Issuer and the Security Agent, provided that (i) in the same resolution a substitute security agent is appointed, and (ii) such substitute security agent meets all legal requirements to act as security agent and representative and accepts to be bound by the terms of the Transaction Documents in the same way as its predecessor.

The Security Agent shall be entitled to terminate its appointment at any time by written notice to the Issuer, the other Secured Parties and the Rating Agencies if it reasonably believes that its performance, or any aspect of it, results, or might result, in it or any entity of its network, breaching any legal, regulatory, ethical or independence requirement in any jurisdiction. Notwithstanding the foregoing, the Security Agent may also agree to variations to the Transaction Documents or the Conditions to avoid such breach. The termination of the appointment of the Security Agent shall not take effect before a substitute security agent selected by the Issuer has been appointed by the general meeting of Noteholders which shall promptly be convened by the Issuer upon having received the termination notice of the Security Agent, unless the continued appointment of the Security Agent would result in a regulatory or independence breach in which case the termination of the appointment will take effect immediately before such regulatory breach occurs, provided that the Security Agent shall have given at least 7 Business Days prior written notice of termination of its appointment to the Issuer. In that case, the Issuer shall appoint a substitute security agent selected by the Issuer which shall act as security agent until a new security agent is appointed by the general meeting of Noteholders, which shall promptly be convened by the Issuer.

Such termination shall also terminate the appointment and power of attorney by the other Secured Parties. The other Secured Parties hereby irrevocably agree that the substitute security agent shall from the date of its appointment act as attorney (*mandataris / mandataire*) of the other Secured Parties on the terms and conditions set out in these Conditions and the Transaction Documents.

Without prejudice to the foregoing, the Security Agent shall not be discharged from its responsibilities under the Pledge Agreement until a suitable substitute security agent, which has been accepted by the Issuer and the Noteholders (such approval not being unreasonably withheld) is appointed.

TAXATION IN BELGIUM

This section provides a general description of the main Belgian tax issues and consequences of acquiring, holding, redeeming and/or disposing of the Notes. This summary provides general information only and is restricted to the matters of Belgian taxation stated herein. It is intended neither as tax advice nor as a comprehensive description of all Belgian tax issues and consequences associated with or resulting from any of the above-mentioned transactions. Prospective acquirers are urged to consult their own tax advisors concerning the detailed and overall tax consequences of acquiring, holding, redeeming and/or disposing of the Notes.

The summary provided below is based on the information provided in this Prospectus and on Belgium's tax laws, regulations, resolutions and other public rules with legal effect, and the interpretation thereof under published case law, all as in effect on the date of this Prospectus and with the exception of subsequent amendments with retroactive effect.

General Rule

Any taxes which may be due relating to payments of interest and/or principal in respect of the Notes will be borne by the beneficiary of those payments.

If the Issuer, the Securities Settlement System Operator, the Domiciliary Agent or any other person is required to make any withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatever nature in respect of any payment in respect of the Notes, the Issuer, the Securities Settlement System Operator, the Domiciliary Agent or that other person shall make such payment after such withholding or deduction has been made and will account to the relevant authorities for the amount so required to be withheld or deducted. Neither the Issuer, the Securities Settlement System Operator, the Domiciliary Agent nor any other person will be obliged to gross up the payment in respect of the Notes or make any additional payments to holders of Notes in respect of such withholding or deduction.

Belgian Withholding Tax

Under current Belgian withholding tax legislation, all interest payments in respect of the Notes (which include any amount paid in excess of the initial issue price upon the redemption of the Notes by the Issuer) will be subject to Belgian withholding tax on the gross amount of the interest, currently at the rate of 30%. Tax treaties may provide for a lower rate subject to certain conditions.

However, under Belgian domestic law, payments by or on behalf of the Issuer of interest on the Notes may be made without deduction of withholding tax for Notes held by Tax Eligible Investors (as defined below) in an exempt account (an "X-Account") with the Securities Settlement System, as defined and organised by the Act of 6 August 1993, as amended, and its implementing decrees or with a Participant in the Securities Settlement System.

Tax Eligible Investors include *inter alia*:

(a) Belgian resident companies subject to corporate income tax;

(b) investment funds, recognised in the framework of pension savings, referred to in article 115 of the Royal Decree implementing the Belgian Income Tax Code 1992 ("**RD/BITC92**");

(c) state regulated institutions ("*organismes para-étatiques*"/"*parastatalen*") for social security, or institutions which are assimilated therewith, referred to in article 105, 2º of the RD/BITC92;

(d) corporate investors who are non-residents of Belgium, whether they have a permanent establishment in Belgium or not; and

(e) individual investors who are non-residents of Belgium and who have not allocated the Notes to a professional activity in Belgium.

Tax Eligible Investors do not include, *inter alia,* Belgian resident investors who are individuals or Belgian non-profit organisations, other than those referred to under (b) and (c) above.

The above categories only summarise the detailed definitions contained in Article 4 of the Royal Decree of 26 May 1994, as amended, to which investors should refer to for a precise description of the relevant eligibility rules.

Upon opening an X-Account with the Securities Settlement System or a Participant therein, a Tax Eligible Investor is required to provide a statement of its tax eligible status on a form approved by the Belgian Minister of Finance. There are no ongoing declaration requirements for Tax Eligible Investors save that they need to inform the Securities Settlement System Participants of any change of the information contained in the statement of their tax eligible status. However, Securities Settlement System Participants are required to provide to the Securities Settlement System Operator annually with listings of investors who have held an X-Account during the preceding calendar year.

These identification requirements do not apply to Notes held by Tax Eligible Investors through Euroclear or Clearstream Luxembourg or their sub-participants outside of Belgium, provided that these institutions or sub-participants only hold X-Accounts and are able to identify the accountholder.

In the event of any changes made in the laws or regulations governing the exemption for Tax Eligible Investors, neither the Issuer nor any other person will be obliged to make any additional payment in the event that the Issuer, the Securities Settlement System Operator or its Securities Settlement System Participants are required to make any withholding or deduction in respect of the payments due on the Notes.

Income Tax

(a) Belgian Resident Corporations

Noteholders who are Belgian resident corporations, subject to Belgian corporate income tax, are liable to corporate income tax on the income of the Notes and capital gains realised upon the disposal of the Notes. Capital losses realised upon the disposal of the Notes will normally be tax deductible.

(b) Belgian Resident Legal Entities

This paragraph applies only to Belgian resident legal entities subject to the income tax on legal entities which are Tax Eligible Investors and therefore eligible to hold their Notes in an X-Account (e.g. Belgian qualifying pension funds organised in the form of a ASBL/VZW).

For Noteholders who are Belgian resident legal entities, the withholding tax on interest will constitute the final tax in respect of such income. As no withholding tax will be levied on the payment of interest due to the fact that the Belgian legal entities hold the Notes through an X-Account with the Securities Settlement System, they will have to declare the interest and pay the applicable withholding tax to the Belgian Treasury.

Belgian legal entities are not liable to income tax on capital gains realised upon the disposal of the Notes (except for that part of the sale price attributable to the *pro rata* interest component).

(c) Non-Residents of Belgium

Noteholders who are non-residents of Belgium for Belgian tax purposes and are not holding the Notes through a Belgian establishment and do not invest the Notes in the course of their Belgian professional activity will not incur or become liable for any Belgian tax on income or capital gains (save as the case may be, in the form of withholding tax) by reason only of the acquisition, ownership or disposal of the Notes.

Transfer tax

No transfer tax (*taks op de beursverrichtingen/taxe sur les opérations de bourse*) will be due on the issuance of the Notes.

Any transfer for consideration of the Notes on the secondary market executed in Belgium through a financial intermediary will trigger a transfer tax of 0.12 per cent. The tax will be due on each sale and acquisition separately, with a maximum of EUR 1,300 per party and per transaction. An exemption is available for non-residents acting for their own account (subject to delivery of an affidavit confirming their non-resident status), and for certain professional intermediaries, insurance companies, pension funds and undertakings for collective investment, acting for their own account.

The transfer tax also applies to secondary market transactions of which the order is, directly or indirectly, made to a professional intermediary established outside of Belgium notably by a legal entity for the account of its seat or establishment in Belgium (referred to as a "**Belgian Investor"**). In such a scenario, the transfer tax is due by the Belgian Investor, unless the Belgian Investor can demonstrate that the transfer tax due has already been paid by the professional intermediary established outside of Belgium. In the latter case, the foreign professional intermediary also has to provide each client (which gives such intermediary an order) with a qualifying order statement (*bordereau/borderel*), at the latest on the business day after the day the transaction concerned was realised. Alternatively, professional intermediaries established outside of Belgium could appoint a stock exchange tax representative in Belgium, subject to certain conditions and formalities ("**Transfer Tax Representative"**). Such Transfer Tax Representative will then be liable towards the Belgian Treasury for the transfer tax due and for complying with reporting obligations and the obligations relating to the order statement in that respect. If such a Transfer Tax Representative would have paid the transfer tax due, the Belgian Investor will, as per the above, no longer be the debtor of the transfer tax.

Exchange of information: Common Reporting Standard

The Notes are subject to the Directive on Administrative Cooperation (DAC2) (2014/107/EU) of 09/12/2014. Under this Directive (and the Belgian law implementing this Directive ("Wet tot regeling van de mededeling van inlichtingen betreffende financiële rekeningen, door de Belgische financiële instellingen en de FOD Financiën in het kader van automatische uitwisseling van inlichtingen op internationaal niveau en voor belastingdoeleinden" of 16 December 2015.), Belgian financial institutions holding these notes for tax residents in another CRS contracting state, shall report financial information regarding the Notes (income, gross proceeds,..) to the Belgian competent authority, who shall communicate the information to the competent authority of the state of the tax residence of the beneficial owner.

About 100 jurisdictions committed to exchange information either by September 2017 or September 2018.

Exchange of information: FATCA (U.S. Foreign Account Tax Compliance Act)

According to the FATCA legislation, an Intergovernmental Agreement (IGA) is signed on 23 April 2014 and the Belgian law implementing the FATCA legislation ("Wet tot regeling van de mededeling van inlichtingen betreffende financiële rekeningen, door de Belgische financiële instellingen en de FOD Financiën in het kader van automatische uitwisseling van inlichtingen op internationaal niveau en voor belastingdoeleinden" of 16 December 2015), Belgian financial institutions holding these notes for "US accountholders " and for

“Non US owned passive Non Financial Foreign entities” shall report financial information regarding the Treasury Notes (income, gross proceeds,..) to the Belgian competent authority, who shall communicate the information to the US tax authorities.

FOREIGN ACCOUNT TAX COMPLIANCE ACT

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including Belgium) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019 and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

DEMATERIALISED NOTES

The Notes will be issued in the form of dematerialised notes under the Company Code and cannot be physically delivered. They will be represented exclusively by book entries in the records of the Securities Settlement System.

Access to the Securities Settlement System is available through its Securities Settlement System Participants whose membership extends to certain banks, stock brokers (*beursvennootschappen / sociétés de bourse*), and Euroclear and Clearstream, Luxembourg.

Each of the persons appearing from time to time in the records of the Securities Settlement System as the Noteholder will be entitled to receive any payment made in respect of that Note in accordance with the respective rules and procedures of the Securities Settlement System. Such persons shall have no claim directly against the Issuer in respect of payment due on the Notes.

The Issuer and the Domiciliary Agent will not have any responsibility for the proper performance by the Securities Settlement System or its Securities Settlement System Participants of their obligations under their respective rules and operating procedures.

ADMISSION TO TRADING AND DEALING ARRANGEMENTS

Total amount and denomination

The Issuer's Board of Directors has resolved to issue 12,800 Notes.

The Notes are Notes with each a nominal amount of EUR 250,000.

Admission to trading

Application has been made for an admission to trading of the Notes on Euronext Brussels.

Clearing

The Notes will be accepted for clearance through the Securities Settlement System under the ISIN number BE0002632132 and common code 194881223.

Access to the Securities Settlement System is available through those of its Securities Settlement System Participants whose membership extends to securities such as the Notes.

Securities Settlement System Participants include certain banks, stock brokers *(beursvennootschappen / sociétés de bourse*), and Euroclear Bank NV/SA (**"Euroclear"**) and Clearstream Banking, *société anonyme*, Luxembourg (**"Clearstream, Luxembourg"**). Accordingly, the Notes will be eligible to clear through, and therefore accepted by, Euroclear and Clearstream, Luxembourg and investors can hold their Notes on securities accounts in Euroclear and Clearstream, Luxembourg.

Transfers of interests in the Notes will be effected between Securities Settlement System Participants in accordance with the rules and operating procedures of the Securities Settlement System. Transfers between investors will be effected in accordance with the respective rules and operating procedures of the Securities Settlement System Participants through which they hold their Notes.

The Domiciliary Agent will perform the obligations of domiciliary agent included in the Clearing Agreement, including, without limitation, providing the Securities Settlement System Operator the information required by law, publishing notices required in connection with any redemption of the Notes and notifying, on behalf of the Issuer, the Securities Settlement System Operator and the Swap Counterparty of the Interest Amounts and amounts of principal relating to each Note.

The Issuer and the Domiciliary Agent will not have any responsibility for the proper performance by the Securities Settlement System or its Securities Settlement System Participants of their obligations under their respective rules and operating procedures.

GENERAL

1. EXPENSES OF THE ADMISSION TO TRADING

1.1 Euronext

Costs are:

- per tranche of EUR 25,000,000: EUR 250 with a maximum of EUR 2,500;
- plus EUR 500 per listing year.

The maximum amounts to EUR 15,000.

The costs are to be paid as of the moment of listing.

1.2 NBB

- Handling charges and data creation: EUR 3,120 upfront;
- Financial service, custody and various: an annual fee of EUR 1,200 plus 0.005 per thousand.

2. INFORMATION MADE AVAILABLE TO INVESTORS

2.1 Historical default and loss performance information

Data on static and dynamic historical default and loss performance, including delinquency and default data, for substantially similar mortgage loans as the Mortgage Loans shall be made available to potential investors before pricing in accordance with paragraph 2.8 below. The sources of these data and the basis for similarity will also be made available. These data shall cover a period of at least five years.

2.2 Cash-flow model

A liability cash-flow model which precisely represents the contractual relationship between the Mortgage Receivables and the payments flowing between the Seller, the Issuer, the Noteholders and other third parties shall be made available to potential investors before pricing and, after pricing, on an ongoing basis to investors and, upon request, to potential investors in accordance with paragraph 2.8 below.

2.3 Investor Reports

On each Monthly Payment Date, the Corporate Services Provider will prepare the Investor Report and will submit it for approval to the Administrator. The Investor Report will consist of a duly completed report comprising information regarding, among other things:

(a) all materially relevant data on the credit quality and the performance of the Mortgage Receivables in respect of the preceding Monthly Calculation Period;

(b) information on events which trigger changes in the Priority of Payments or the replacement of any counterparties and data on the cash flows generated by the Mortgage Receivables and by the liabilities of the Transaction; and

(c) an overview of the retention of the material net economic interest by the Seller.

The Investors Reports will be made available in accordance with paragraph 2.8 below.

2.4 Loan-by-loan information

The Corporate Services Provider will make available loan-by-loan information (i) on the Mortgage Receivables prior to the Closing Date which information can be obtained by potential investors upon request from the Issuer and (ii) after the Closing Date, on a monthly basis, which information can be obtained within one month after the relevant Monthly Payment Date, for as long as such requirement is effective, provided that (i) the Corporate Services Provider has received the relevant information from the Servicer, (ii) such information is complete and correct and (iii) such information is provided in a format which enables the Corporate Services Provider to use it for the purposes of the template.

The loan-by-loan information will not include information related to the environmental performance and energy performance of the Real Estate financed by the Mortgage Loans, as such information is not captured in the internal databases of the Seller.

The loan-by-loan information will be made available in accordance with paragraph 2.8 below.

2.5 Documents available

Copies of the following documents shall be made available by the Corporate Services Provider to investors and potentional investors no later than 15 calendar days after the Closing Date in accordance with paragraph 2.8 below:

(a) this Prospectus;

(b) the articles of association of the Issuer;

(c) the articles of association of the Security Agent;

(d) the Mortgage Receivables Purchase Agreement;

(e) the Subordinated Loan Agreement;

(f) the Pledge Agreement;

(g) the Agency Agreement;

(h) the Account Bank Agreement;

(i) the Expenses Subordinated Loan Agreement;

(j) the Master Definition Agreement;

(k) the Subscription Agreement;

(l) the Issuer Services Agreement;

(m) the Swap Agreement;

(n) the Issuer Management Agreements;

(o) the Shareholder Management Agreement;

(p) any other transaction document entered into from time to time; and

(q) all reports, letters and other documents, valuations and statements prepared by any expert at the Issuer's request, any part of which is included or referred to in the Prospectus.

These documents shall be made available to investors before pricing at least in draft or initial form.

In case of an amendment to any of the documents listed above, such amended document shall be made available by the Corporate Services Provider in accordance with paragraph 2.8 below.

2.6 Inside information

Any privileged information relating to the securitisation that the Seller or the Issuer are obliged to make public in accordance with Article 17 of Regulation (EU) No 596/2014 of the European Parliament and of the Council on insider dealing and market manipulation, shall be made available by the Corporate Services Provider in accordance with paragraph 2.8 below.

2.7 Responsibility

For the purpose of Article 7(2) of the Securitisation Regulation, the Seller as originator has been designated as the entity responsible for compliance with the requirements of Article 7 of the Securitisation Regulation and will either fulfil such requirements itself or shall procure that such requirements are complied with on its behalf, among others by the Corporate Services Provider as set out in the sections 2.1 to 2.6 above.

2.8 Availability of information

The information set out under sections 2.1 to 2.6 above will be made available by the Corporate Services Provider on behalf of the Seller by means of a securitisation repository, registered in accordance with Article 10 of the Securitisation Regulation.

Where no such securitisation repository is registered in accordance with Article 10 of the Securitisation Regulation, the information will be made available by means of the website https://www.kbc.com/en/no-crawl/home-loan-invest-disclaimer[24] which satisfies the conditions set out in Article 7(2), fourth paragraph of the Securitisation Regulation.

Without prejudice to what is set out above, the information set out under sections 2.3 to 2.6 above will be made available to the Noteholders and competent authorities and, upon request, to potential investors.

In addition to what is set out above, the Investor Reports will be made available free of charge at the office of the Domiciliary Agent.

In addition to what is set out above, the documents listed under section 2.5 *Documents available* may be inspected at the specified offices of the Domiciliary Agent during normal business hours, as long as any Notes are outstanding.

2.9 Other information

The Issuer shall make available any other mandatory information, such as described in the royal decree of 14 November 2007, as amended from time to time, on the obligations of issuers of

[24] This document is not incorporated by reference in this Prospectus.

financial instruments which are admitted to trading on a Belgian regulated market (including information as to modifications to the conditions, rights or guarantees attached to the Notes).

Furthermore, the Issuer will be required to provide certain information to the NBB for statistical purposes.

TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions (the "**Conditions**") of the Notes. The Conditions are subject to amendment and the final form thereof will appear in the Pledge Agreement.*

1. GENERAL

The issue of the EUR 3,200,000,000 floating rate Mortgage-Backed Notes due 15 February 2050 (the "**Notes**") was authorised by a resolution of the board of directors of Loan Invest NV/SA, *institutionele vennootschap voor belegging in schuldvorderingen / société d'investissement en créances institutionnelle* (the "**Issuer**") passed on or about 1 February 2019. The Notes are issued in accordance with an agency agreement to be entered into on or before the Closing Date (the "**Agency Agreement**") (which expression includes such agency agreement as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto as from time to time modified) between the Issuer, KBC Bank NV (the "**Domiciliary Agent**", the "**Listing Agent**" and the "**Reference Agent**") and Deloitte Bedrijfsrevisoren / Réviseurs d'Entreprises C.V.B.A. (the "**Security Agent**") as security agent for, among others, the holders for the time being of the Notes (the "**Noteholder**").

The Issuer is organised into separate Compartments and new Compartments may be constituted. The Notes, the Pledged Assets (as defined below) and the Transaction Documents (as defined below) are exclusively allocated to Compartment Home Loan Invest 2019 of the Issuer and the rights thereunder against the Issuer will not be recoverable from any other Compartment or any assets of the Issuer other than those allocated to its Compartment Home Loan Invest 2019.

On the Closing Date, a portfolio of mortgage receivables resulting from Belgian residential mortgage loans (the "**Mortgage Receivables**") will be sold by KBC Bank NV (the "**Seller**") to the Issuer acting through its Compartment Home Loan Invest 2019.

The Notes are secured by the security created pursuant to, and on the terms set out in, an agreement concerning the appointment of the Security Agent and establishing security over the assets relating to Compartment Home Loan Invest 2019 (the "**Pledge Agreement**"), to be entered into on or before the Closing Date between, among others, the Issuer and the Security Agent. Pursuant to the Agency Agreement, provision is made for, among other things, the payment of principal and interest in respect of the Notes and the determination of the rate of interest payable on the Notes and the admission to trading of the Notes.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of:

(a) the Agency Agreement;

(b) the Pledge Agreement;

(c) the issuer services agreement (the "**Issuer Services Agreement**") to be entered into on or before the Closing Date between, among others, the Issuer, the Administrator and the Seller, acting as Servicer and as Corporate Services Provider;

(d) the account bank agreement (the "**Account Bank Agreement**") to be entered into on or before the Closing Date between, among others, the Issuer and the Seller acting as Account Bank;

(e) the mortgage receivables purchase agreement (the "**Mortgage Receivables Purchase Agreement**") between the Seller and the Issuer to be entered into on or before the Closing Date;

(f) the subordinated loan agreement (the "**Subordinated Loan Agreement**") between the Seller as the Subordinated Loan Provider and the Issuer to be entered into on or before the Closing Date;

(g) the expenses subordinated loan agreement (the "**Expenses Subordinated Loan Agreement**") between the Seller and the Subordinated Loan Provider and the Issuer to be entered into on or before the Closing Date;

(h) the clearing agreement (the "**Clearing Agreement**") to be entered into on or before the Closing Date between the Issuer and the Securities Settlement System Operator;

(i) the master definitions agreement (the "**Master Definitions Agreement**") to be entered into on or before the Closing Date between, among others, the Issuer, the Seller and the Security Agent;

(j) the interest rate swap agreement (the "**Swap Agreement**") to be entered into on or before the Closing Date between the Issuer and the Seller, acting as the Swap Counterparty;

(k) the issuer management agreements (the "**Issuer Management Agreements**") to be entered into on or before the Closing Date between the Issuer and the Issuer Directors; and

(l) the shareholder management agreements (the "**Shareholder Management Agreements**") to be entered into on or before the Closing Date between the Stichting Shareholder, the Shareholder and the Shareholder Director.

The Issuer and KBC Bank NV (the "**Arranger**" and the "**Manager**") will enter into a subscription agreement on or before the Closing Date (the "**Subscription Agreement**").

The Mortgage Receivables Purchase Agreement, the Issuer Services Agreement, the Agency Agreement, the Pledge Agreement, the Subscription Agreement, the Swap Agreement, the Account Bank Agreement, the Clearing Agreement, the Expenses Subordinated Loan Agreement, the Subordinated Loan Agreement, the Master Definitions Agreement, the Issuer Management Agreements, the Shareholder Management Agreements and all agreements, forms and documents executed pursuant to or in relation to such documents collectively, will be referred to as the "**Transaction Documents**". The issue of the Notes and the other transactions contemplated in the Transaction Documents shall be referred to as the "**Transaction**".

Copies of the Agency Agreement, the Pledge Agreement, the Clearing Agreement and the other Transaction Documents are available for inspection at the specified offices of the Domiciliary Agent. By subscribing for or otherwise acquiring the Notes, the Noteholders will be deemed to have knowledge of, accept and be bound by all the provisions of the Mortgage Receivables Purchase Agreement, the Issuer Services Agreement, the Agency Agreement, the Pledge Agreement, the Subscription Agreement, the Swap Agreement, the Account Bank Agreement, the Clearing Agreement, the Expenses Subordinated Loan Agreement, the Subordinated Loan Agreement, the Master Definitions Agreement, the Management Agreements and all other Transaction Documents.

2. DEMATERIALISED NOTES

The Notes, each in the denomination of EUR 250,000, are issued in the form of dematerialised notes under the Company Code and cannot be physically delivered. They will be represented exclusively

by book entries in the records of the X/N securities and cash clearing system operated by the National Bank of Belgium or any of its successors (the "**Securities Settlement System**").

The Notes are accepted for clearance through the Securities Settlement System, in accordance with the applicable clearing regulations of the National Bank of Belgium and with the Act of 6 August 1993 on transactions in certain securities (*Wet betreffende de transacties met bepaalde effecten / Loi relative aux opérations sur certaines valeurs mobilières*) and the corresponding royal decrees of 26 May 1994 and 14 June 1994.

Each of the persons appearing from time to time in the records of the Securities Settlement System as the holder of a Note will be entitled to receive any payment made in respect of that Note in accordance with the respective rules and procedures of the Securities Settlement System. Such persons shall have no claim directly against the Issuer in respect of payment due on the Notes.

Transfers of interests in the Notes will be effected between Securities Settlement System Participants in accordance with the rules and operating procedures of the Securities Settlement System. Transfers between investors will be effected in accordance with the respective rules and operating procedures of the Securities Settlement System Participants through which they hold their Notes.

Each person who is for the time being shown in the records of the Securities Settlement System Operator as the holder of a particular principal amount of Notes will be entitled to be treated by the Issuer, the Domiciliary Agent and the Security Agent as the holder of such principal amount of Notes, but without prejudice to the application of the provisions of the Company Code on dematerialisation including without limitation Article 471 thereof.

The Issuer and the Domiciliary Agent will not have any responsibility for the proper performance by the Securities Settlement System or the Securities Settlement System Participants of their obligations under their respective rules and operating procedures.

The Notes may only be acquired and held by Eligible Holders (see below *Holding and transfer restrictions*). Each payment of interest on Notes of which the Issuer becomes aware that they are held by a holder that does not qualify as an Eligible Holder will be suspended.

If at any time the Notes are transferred to another clearing system, not operated or not exclusively operated by the National Bank of Belgium, these provisions shall apply *mutatis mutandis* to such successor clearing system and a successor clearing system operator or any additional clearing system and additional clearing system operator (any such clearing system, an "**Alternative Clearing System**").

3. HOLDING AND TRANSFER RESTRICTIONS

The Notes may only be acquired, by direct subscription, by transfer or otherwise and may only be held by holders ("**Eligible Holders**") who satisfy the following criteria:

(i) they qualify as qualifying investors (*in aanmerking komende beleggers* / *investisseurs éligibles*) within the meaning of Article 5, §3/1 of the UCITS Act ("**Qualifying Investors under the UCITS Act**"), acting for their own account;

(ii) they do not constitute investors that, in accordance with the annex, section (I), second indent, of the Royal Decree of 19 December 2017 concerning further rules for implementation of the directive on markets in financial instruments ("**Mifid II**"), have registered to be treated as non-professional investors; and

(iii) they are holders of an exempt securities account ("**X-account**") with the Securities Settlement System operated by the National Bank of Belgium or with a participant in such system and will use that X-account for the holding of the Notes.

A list of for the time being Qualifying Investors under the UCITS Act is attached as Annex I.

Any acquisition of a Note by or transfer of a Note to a person who is not an Eligible Holder shall be void and not binding on the Issuer and the Security Agent. If a Noteholder ceases to be an Eligible Holder, it is obliged to report this to the Issuer and it will promptly transfer the Notes it holds to a person that qualifies as an Eligible Holder at arm's length market conditions.

Each payment of interest on Notes of which the Issuer becomes aware that they are held by a holder that does not qualify as an Eligible Holder will be suspended.

By subscribing or otherwise acquiring the Notes, the Noteholders certify that they are an Eligible Holder, and that they will only sell, transfer or otherwise assign the Notes to prospective Noteholders that qualify as Eligible Holders.

4. TERMS AND CONDITIONS OF THE NOTES

Except as expressly provided otherwise, all Conditions apply exclusively to the Notes as allocated to Compartment Home Loan Invest 2019 of the Issuer and all appointments, rights, title, assignments, obligations, covenants, representations, assets and liabilities generally in relation to this transaction are exclusively allocated to, or binding on, Compartment Home Loan Invest 2019 and will not be recoverable against any other compartments of the Issuer or any assets of the Issuer other than those allocated to Compartment Home Loan Invest 2019.

By subscribing to or otherwise acquiring the Notes, the Noteholders (i) shall be deemed to have knowledge of, accept and be bound by the Conditions; (ii) acknowledge and accept that the Notes are allocated to Compartment Home Loan Invest 2019; (iii) acknowledge that they are Eligible Holders and that they can only transfer their Notes to Eligible Holders; (iv) waive any right to payment and recourse to the extent that such payment or part thereof would cause the Issuer's net assets (as determined in accordance with Article 617 and 619 of the Company Code, taking into account all its Compartments) to become lower than the minimum share capital required by Belgian law; (v) shall not sue for recovery of or take any other steps for the purpose of recovering any amounts or liabilities whatsoever owing to them, in whatever capacity, by the Issuer or in respect of any of its liabilities whatsoever under any of the Transaction Documents, in each case unless and until the Security Agent having become bound to enforce the Security Interests, fails to do so within a reasonable time (thirty (30) calendar days being deemed for this purpose to be a reasonable period) and such failure is continuing; and (vi), or any other person acting on their behalf, shall not until the date falling one year after the latest maturing Note is paid in full, initiate or join any person in initiating, any Bankruptcy Event or the appointment of any Bankruptcy Official in relation to the Issuer or any of its Compartments.

Words and expressions defined in the Master Definitions Agreement and not defined herein shall have the same meaning in the Conditions, unless otherwise defined herein.

4.1 Form, Denomination and Title

(a) The Notes are issued in the form of dematerialised notes under the Company Code in the denomination of EUR 250,000.

(b) The Notes may only be acquired or subscribed to and may only be held by Eligible Holders. "**Eligible Holders**" are holders who satisfy the following criteria:

(i) they qualify as qualifying investors (*in aanmerking komende beleggers* / *investisseurs éligibles*) within the meaning of Article 5, §3/1 of the UCITS Act ("**Qualifying Investors under the UCITS Act**"), acting for their own account;

(ii) they do not constitute investors that, in accordance with the annex, section (I), second indent, of the Royal Decree of 19 December 2017 concerning further rules for implementation of the directive on markets in financial instruments ("**Mifid II**"), have registered to be treated as non-professional investors; and

(iii) they are holders of an exempt securities account ("**X-account**") with the Securities Settlement System operated by the National Bank of Belgium or with a participant in such system and will use that X-account for the holding of the Notes.

Any acquisition of a Note by or transfer of a Note to a person who is not an Eligible Holder shall be void and not binding on the Issuer and the Security Agent. If a Noteholder ceases to be an Eligible Holder, it is obliged to report this to the Issuer and it will promptly transfer the Notes it holds to a person that qualifies as an Eligible Holder on at arm's length market conditions.

Each payment of interest on Notes of which the Issuer becomes aware that they are held by a holder that does not qualify as an Eligible Holder will be suspended.

(c) By subscribing or otherwise acquiring the Notes, the Noteholders certify that they are an Eligible Holder, and that they will only sell, transfer or otherwise assign the Notes to prospective Noteholders that qualify as Eligible Holders.

4.2 Status, Relationship between the Notes and Security

(a) Status and Priority

(i) The Notes are direct, secured and unconditional obligations of Compartment Home Loan Invest 2019 of the Issuer and rank *pari passu* and rateably without any preference or priority among the Notes. The Notes will be senior to the Subordinated Loan granted pursuant to the Subordinated Loan Agreement and any amounts owing to the Subordinated Loan Provider will rank in priority of payment after amounts owing to the Noteholders. The rights of the Notes, in respect of priority of payment are set out in Condition 4.2(c).

(ii) The Pledge Agreement contains provisions which provide that in connection with the exercise of its powers, authorities and discretions, the Security Agent shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequence of such exercise for individual Noteholders. For so long as there are any Notes outstanding, the Security Agent is to have regard solely to the interests of the Noteholders if, in the Security Agent's opinion, there is a conflict between the interests of (a) the Noteholders and (b) any other Secured Parties.

(b) Security

Pursuant to the Pledge Agreement, a pledge will be created in favour of the Secured Parties, including the Security Agent on behalf of the Noteholders and the other Secured Parties, as security for, among other things, the Notes over:

(i) the Mortgage Receivables and the Related Security, acquired by the Issuer pursuant to the Mortgage Receivables Purchase Agreement;

(ii) all moneys and proceeds payable or to become payable under, in respect of, or pursuant to the Transaction Accounts and the right to receive payment of such moneys and proceeds and all payments made, including all sums of money that may at any time be credited to any Transaction Account together with all interest accruing from time to time on such money and the debts represented by any Transaction Account, as well as all other rights, title, interest and benefit under or in respect of the Transaction Accounts; and

(iii) all rights, title, interest and benefit of the Issuer under or pursuant to its rights under the Transaction Documents to which the Issuer is a party (other than the Pledge Agreement), including without limitation, its rights under the (A) Mortgage Receivables Purchase Agreement, (B) the Issuer Services Agreement, (C) the Issuer Management Agreements, (D) the Account Bank Agreement and (E) the Swap Agreement.

The security created by the Issuer pursuant to the Pledge Agreement (in favour of all the Secured Parties), is referred to herein as the "**Security Interests**". The assets in which the Security Interests are created are referred to herein collectively as the "**Pledged Assets**".

The Pledged Assets serve as security for payments to the Noteholders but the Pledged Assets also provide security for other amounts payable by the Issuer under the Transaction Documents but to the extent only that such amounts, costs and expenses have been properly and specifically allocated to Compartment Home Loan Invest 2019, including amounts thus payable to (i) the Security Agent under the Pledge Agreement, (ii) the Servicer under the Issuer Services Agreement, (iii) the Administrator under the Issuer Services Agreement, (iv) the Corporate Services Provider under the Issuer Services Agreement, (v) the Seller under the Mortgage Receivables Purchase Agreement, (vi) the Account Bank under the Account Bank Agreement, (vii) the Domiciliary Agent, the Listing Agent and the Reference Agent under the Agency Agreement, (viii) the Swap Counterparty under the Swap Agreement and (ix) the Issuer Directors under the Issuer Management Agreements, all in accordance with the order of priorities set out below.

The Noteholders will be entitled to the benefit of the Pledge Agreement and the Noteholders will be entitled to the benefit of the Agency Agreement and all other Transaction Documents, and by subscribing for or otherwise acquiring the Notes, the Noteholders shall be deemed to have knowledge of, accept and be bound by, the terms and conditions set out therein, including the appointment of the Security Agent to hold the Security Interests and to exercise the rights under the Pledge Agreement for the benefit of the Noteholders and the other Secured Parties. The Noteholders shall have recourse only against the Pledged Assets and to no other assets of the Issuer.

(c) Priorities of payment

The Pledge Agreement contains provisions regulating the priority of application of amounts forming part of the Security Interests among the persons entitled thereto.

Prior to the service of an Enforcement Notice by the Security Agent or the occurrence of a Redemption Event, the Notes Interest Available Amount (as defined below) will be applied in accordance with the Interest Priority of Payments (as defined below). The Notes Redemption Available Amount will be applied in accordance with the Principal Priority of Payments.

Following an Enforcement Notice or the occurrence of a Redemption Event, payments will be made only in accordance with the Priority of Payments upon Enforcement.

Priority of Payments in respect of interest

Prior to the delivery of an Enforcement Notice by the Security Agent or the occurrence of a Redemption Event, the sum of the following amounts referred to under items (a) up to and including

(k), calculated as at each Monthly Calculation Date (being the fourth Business Day prior to each Monthly Payment Date) and which have been received or deposited during the Monthly Calculation Period immediately preceding such Monthly Calculation Date or, with respect to the amounts referred to under item (f), on the immediately succeeding Monthly Payment Date (the sum of items (a) up to and including (k) being hereafter referred to as the **"Notes Interest Available Amount"**):

(a) as interest, including penalty interest, on the Mortgage Receivables;

(b) as interest accrued on the Transaction Accounts;

(c) as Prepayment Penalties under the Mortgage Loans;

(d) as Net Proceeds on any Mortgage Receivables;

(e) as amounts to be drawn from the Reserve Account on the immediately succeeding Monthly Payment Date (excluding, for the avoidance of doubt, any amount remaining in the Reserve Account after all amounts of interest and principal due in respect of the Notes have been paid in full and all payments or provisions of the Interest Priority of Payments ranking higher in priority have been made);

(f) as amounts to be received from the Swap Counterparty under the Swap Agreement on the immediately succeeding Monthly Payment Date, if any, excluding, for the avoidance of doubt, any collateral transferred pursuant to the Swap Agreement;

(g) as amounts received in connection with a repurchase of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement or any other amounts received pursuant to the Mortgage Receivables Purchase Agreement, to the extent such amounts do not relate to principal;

(h) as amounts received in connection with a sale of Mortgage Receivables pursuant to the Pledge Agreement to the extent such amounts do not relate to principal;

(i) as amounts received as post-foreclosure proceeds on the Mortgage Receivables;

(j) any (remaining) amounts standing to the credit of the Issuer Collection Account to the extent they do not relate to principal; and

(k) any amounts (provided that these are used solely as indemnity for losses of scheduled interest on the Mortgage Receivables as a result of Commingling Risk) to be used as Notes Interest Available Amount from the funds credited to the Deposit Account in accordance with the provisions of Mortgage Receivables Purchase Agreement and as described under under paragraph *Risk Mitigation Deposit* in the section *Mortgage Receivables Purchase Agreement* above, which are transferred from the Deposit Account to the Issuer Collection Account,

will pursuant to the terms of the Pledge Agreement be applied by the Issuer on the immediately succeeding Monthly Payment Date as follows (in each case only if and to the extent that payments of a higher order of priority have been made in full), (the "**Interest Priority of Payments**"):

(i) *first*, in or towards satisfaction, pro rata, according to the respective amounts thereof, of any amounts, if any, due and payable to the Issuer Directors in connection with the Issuer Management Agreements;

(ii) *second*, in or towards satisfaction of fees and expenses due and payable to the Administrator under the Issuer Services Agreement;

(iii) *third,* in or towards satisfaction of any fees due and payable to the Security Agent under the Pledge Agreement and of any costs, charges, liabilities and expenses incurred by the Security Agent under or in connection with any of the Transaction Documents, including, but not limited to, fees and expenses of any legal advisor, auditor and/or accountant appointed by the Security Agent;

(iv) *fourth*, in or towards satisfaction, *pro rata*, according to the respective amounts thereof, (i) of any amounts due and payable to third parties under obligations incurred in connection with the Issuer's business (other than under the Transaction Documents), including, without limitation, in or towards satisfaction of sums due or provisions for any payment of the Issuer's liability, if any, to tax and sums due to any Rating Agency and fees and expenses of any legal advisor, auditor and/or accountant appointed by the Issuer, (ii) fees and expenses due to the Domiciliary Agent, the Listing Agent and the Reference Agent under the Agency Agreement, (iii) fees and expenses due to the Servicer under the Issuer Services Agreement and (iv) fees and expenses due and payable to the Corporate Services Provider under the Issuer Services Agreement;

(v) *fifth*, in or towards satisfaction, *pro rata*, according to the respective amounts thereof, of (i) all amounts of interest due or interest accrued but unpaid in respect of the Notes and (ii) amounts, if any, due but unpaid under the Swap Agreement, (except for any termination payment due or payable as a result of the occurrence of an Event of Default (as defined therein) where the Swap Counterparty is the Defaulting Party or an Additional Termination Event (as defined therein) relating to the credit rating of the Swap Counterparty (as such terms are defined in the Swap Agreement) (a "**Swap Counterparty Default Payment**") payable under (xi) below but excluding, for the avoidance of doubt, the repayment to the Swap Counterparty of Excess Swap Collateral;

(vi) *sixth,* in or towards making good any shortfall reflected in the Notes Principal Deficiency Ledger until the debit balance, if any, on the Notes Principal Deficiency Ledger is reduced to zero;

(vii) *seventh*, in or towards satisfaction of any sums required to replenish the Reserve Account up to the amount of the Reserve Account Required Amount;

(viii) *eighth*, in or towards making good any shortfall reflected in the Subordinated Loan Principal Deficiency Ledger until the debit balance, if any, on the Subordinated Loan Principal Deficiency Ledger is reduced to zero;

(ix) *ninth*, in or towards satisfaction of any sums required to replenish the Deposit Account up to to the amount of the Risk Mitigation Deposit Required Amount, to the extent the Seller has not credited such sums to the Deposit Account before the relevant Monthly Calculation Date;

(x) *tenth*, in or towards satisfaction of interest due or interest accrued but unpaid on the Subordinated Loan in accordance with the terms of the Subordinated Loan Agreement;

(xi) *eleventh,* in or towards satisfaction of the Swap Counterparty Default Payment payable to the Swap Counterparty under the terms of the Swap Agreement;

(xii) *twelfth,* in or towards satisfaction of interest due or interest accrued but unpaid in respect of the Expenses Subordinated Loan in accordance with the terms of the Expenses Subordinated Loan Agreement;

(xiii) *thirteenth,* in or towards satisfaction of principal due and payable but unpaid in respect of the Expenses Subordinated Loan in accordance with the terms of the Expenses Subordinated Loan Agreement;

(xiv) *fourteenth*, in or towards transfer to the Share Capital Account on the Monthly Payment Date falling in July of amounts payable to the Issuer under the Mortgage Receivables Purchase Agreement; and

(xv) *fifteenth,* in or towards satisfaction of any payments due in connection with the Deferred Purchase Price to the Seller.

Priority of Payments in respect of principal

Prior to the delivery of an Enforcement Notice by the Security Agent or the occurrence of a Redemption Event, the sum of the following amounts referred to under items (a) up to and including (h), calculated as at any Monthly Calculation Date, as being received or deposited during the immediately preceding Monthly Calculation Period (the sum of items (a) up to and including (h) hereinafter referred to as the "**Notes Redemption Available Amount**"):

(a) by means of repayment and prepayment in full of principal under the Mortgage Receivables from any person, but, for the avoidance of doubt, excluding Prepayment Penalties;

(b) as amounts received in connection with a repurchase of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement and any other amounts received pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts relate to principal;

(c) as amounts received in connection with a sale of Mortgage Receivables pursuant to the Pledge Agreement to the extent such amounts relate to principal;

(d) as amounts to be credited to the Principal Deficiency Ledger under items (vi) and (viii) of the Interest Priority of Payments on the immediately succeeding Monthly Payment Date;

(e) as partial prepayment in respect of Mortgage Receivables;

(f) any amounts (provided that these are used solely as indemnity for losses of scheduled principal on the Mortgage Receivables as a result of Commingling Risk) to be used as Notes Redemption Available Amount from the funds credited to the Deposit Account in accordance with the provisions of the Mortgage Receivables Purchase Agreement and as described under *Risk Mitigation Deposit* in the section *Mortgage Receivables Purchase Agreement* below, which are transferred from the Deposit Account to the Issuer Collection Account;

(g) any part of the Notes Redemption Available Amount calculated on the immediately preceding Monthly Calculation Date which has not been applied towards redemption of the Notes on the preceding Monthly Payment Date;

(h) any amount remaining in the Reserve Account after all amounts of interest and principal due in respect of the Notes have been paid in full and all payments or provisions of the Interest Priority of Payments ranking higher in priority have been made,

will, pursuant to the Pledge Agreement be applied by the Issuer on the Monthly Payment Date immediately succeeding such Monthly Calculation Date as follows (and in each case only if and to the extent that payments or provisions of a higher priority have been made in full) (the "**Principal Priority of Payments**"):

(i) *first,* in or towards satisfaction of principal amounts due under the Notes until fully redeemed;

(ii) *second,* in or towards satisfaction of principal amounts due under the Subordinated Loan until fully repaid.

Priority of Payments upon Enforcement

Following delivery of an Enforcement Notice or on the occurrence of a Redemption Event, any amounts payable by the Security Agent or, in the case of a Redemption Event, the Issuer under the Pledge Agreement will be applied in the following order of priority (and in each case only if and to the extent payments of a higher priority have been made in full) (the "**Priority of Payments upon Enforcement**"):

(i) *first*, in or towards satisfaction, *pro rata*, according to the respective amounts thereof, of any amounts, if any, due and payable to the Issuer Directors in connection with the Issuer Management Agreements;

(ii) *second*, in or *towards* satisfaction of fees and expenses due and payable to the Administrator under the Issuer Services Agreement;

(iii) *third,* in or *towards* satisfaction of any fees due and payable to the Security Agent under the Pledge Agreement and of any cost, charge, liability and expenses incurred by the Security Agent under or in connection with any of the Transaction Documents, which will include, *inter alia*, the fees and expenses of any legal advisor, auditor and/or accountant appointed by the Security Agent;

(iv) *fourth,* in or towards satisfaction*, pro rata*, according to the respective amounts thereof, of (i) the fees and expenses of the Domiciliary Agent, the Listing Agent and the Reference Agent incurred under the provisions of the Agency Agreement, (ii) the fees and expenses of the Servicer under the Issuer Services Agreement and (iii) the fees and expenses due and payable to the Corporate Services Provider under the Issuer Services Agreement;

(v) *fifth,* in or towards satisfaction, *pro rata*, according to the respective amounts thereof, of amounts, if any, due but unpaid to the Swap Counterparty under the Swap Agreement including any amount to be paid by the Issuer upon early termination of the Swap Agreement as determined in accordance with its terms but excluding any Swap Counterparty Default Payment payable under subparagraph (x) below, excluding, for the avoidance of doubt, the repayment to the Swap Counterparty of Excess Swap Collateral;

(vi) *sixth,* in or *towards* satisfaction of all amounts of interest due or interest accrued but unpaid in respect of the Notes;

(vii) *seventh*, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Notes;

(viii) *eighth*, in or towards satisfaction of all amounts of interest due or interest accrued but unpaid in respect of the Subordinated Loan;

(ix) *ninth*, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Subordinated Loan;

(x) *tenth,* in or towards satisfaction of the Swap Counterparty Default Payment payable to the Swap Counterparty under the terms of the Swap Agreement;

(xi) *eleventh*, in or towards satisfaction of all amounts of interest due, interest accrued and principal due but unpaid in respect of the Expenses Subordinated Loan; and

(xii) *twelfth,* in or towards satisfaction of any payments due in connection with the Deferred Purchase Price to the Seller.

Following delivery of an Enforcement Event or the occurrence of a Redemption Event, the Issuer or, failing which, the Security Agent will without undue delay give notice to the Noteholders the occurrence of such event and that the payment of any amounts payable by the Security Agent under the Pledge Agreement will be applied following the Priority of Payments upon Enforcement.

4.3 Covenants of the Issuer

Save with the prior written consent of the Security Agent or as provided in or envisaged by any of the Transaction Documents, the Issuer undertakes with the Secured Parties that so long as any Note remains outstanding, it shall not:

(a) carry on any business other than the business of purchasing receivables by using different compartments and to finance such acquisitions by issuing securities through such compartments and the related activities described therein and in respect of that business;

(b) in relation to Compartment Home Loan Invest 2019 and the Transaction, engage in any activity or do anything whatsoever except:

(i) own and exercise its rights in respect of the Pledged Assets and its interests therein and perform its obligations in respect of the Pledged Assets;

(ii) preserve and/or exercise and/or enforce any of its rights and perform and observe its obligations under the Transaction Documents in accordance with applicable law;

(iii) to the extent permitted by the terms of any of the Transaction Documents, pay dividends or make other distributions in the manner permitted by applicable law;

(iv) use, invest or dispose of any of its property or assets in the manner provided in or contemplated by the Transaction Documents; and

(v) perform any act incidental to or necessary in connection with (i), (ii), (iii) or (iv) above;

(c) in relation to Compartment Home Loan Invest 2019 and the Transaction, save as permitted by the Transaction Documents, incur any indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any indebtedness;

(d) in relation to Compartment Home Loan Invest 2019 and the Transaction, create or permit to exist any mortgage, charge, pledge, lien or other security interest whatsoever over any of its assets, or sell or otherwise dispose of any part of its assets or undertaking, present or future (including any Pledged Assets), other than as expressly contemplated by the Transaction Documents;

(e) consolidate or merge with any other person or convey or transfer its property or assets substantially or as an entirety to any person, other than as contemplated by the Transaction Documents;

(f) permit the validity or effectiveness of the Pledge Agreement or any other Transaction Document or the priority of the Security Interests to be amended, terminated postponed or discharged, or permit any person whose obligations form part of the Pledged Assets to be released from such obligations;

(g) amend, supplement or otherwise modify its by-laws (*statuten / statuts*) or any provisions of these covenants save to the extent that such modifications are required by law or relate only to other transactions that do not adversely affect the assets and liabilities of Compartment Home Loan Invest 2019;

(h) have any employees, own premises or own shares in any subsidiary or any company;

(i) in relation to Compartment Home Loan Invest 2019 and the Transaction, have an interest in any bank account, other than (i) the Transaction Account and the Securities Pledged Account, (ii) the Share Capital Account, (iii) the Deposit Account (if required to be opened in accordance with the provisions of the Mortgage Receivables Purchase Agreement), and (iii) any swap collateral account that the Issuer may need to open in accordance with the Swap Agreement and the Credit Support Annex, unless such account or interest is pledged or charged to the Secured Parties on terms acceptable to the Security Agent;

(j) in relation to Compartment Home Loan Invest 2019 and the Transaction, issue any further notes or any other type of security;

(k) reallocate any assets from Compartment Home Loan Invest 2019 to any other Compartment that it may set up in the future;

(l) enter into transactions of which it is aware that they are not at arm's length;

(m) dispose of any assets of Compartment Home Loan Invest 2019 except in accordance with the terms of the Transaction Documents.

The Issuer shall procure that all material transactions and material liabilities incurred by the Issuer are clearly allocated to one or more Compartments of the Issuer and it shall not allocate transactions or liabilities to Compartment Home Loan Invest 2019 other than as envisaged in the Transaction Documents.

As long as any of the Notes remains outstanding the Issuer will procure that there will at all times be a provider of administration services and corporate services and a servicer for the Mortgage Receivables and an Account Bank. The appointment of the Security Agent, the Administrator, the Corporate Services Provider, the Reference Agent, the Domiciliary Agent, the Listing Agent, the Servicer, the Account Bank and the Swap Counterparty may be terminated only as provided in the Transaction Documents.

In giving any consent to any of the foregoing, the Security Agent may require the Issuer to make such modifications or additions to the provisions of any of the Transaction Documents or may impose such other conditions or requirements as the Security Agent may deem expedient (in its absolute discretion) in the interests of the Noteholders.

In determining whether or not to give any proposed consent, the Security Agent shall be able to rely on, and act on any advice or opinion of or any certificate obtained from a valuer, accountant, banker,

broker, securities company or other company other than the Rating Agencies whether obtained by itself or the Issuer and it shall not be liable for any loss occasioned by such action, save where such loss is due to its Gross Negligence, wilful misconduct or fraud. Concurrently, the Security Agent may, along with any other relevant factors, have regard for whether the then current ratings of the Notes would not be adversely affected by such proposed consent. "**Gross Negligence**" shall mean for the purposes hereof negligence of such serious nature that not any prudent security agent/common representative would have acted similarly.

The Issuer further covenants with the Secured Parties as follows:

(a) at all times to carry on and conduct its affairs in a proper and efficient manner;

(b) to give to, and procure that is given to, the Security Agent such information and evidence (and in such form) as the Security Agent shall reasonably require for the purpose of the discharge of the duties, powers, authorities and discretions vested in it under or pursuant to Condition 4.11 and the Pledge Agreement;

(c) to cause to be prepared and certified by its auditors, in respect of each financial year, accounts in such forms as will comply with the requirements of Belgian laws and regulations;

(d) at all times to keep proper books of accounts and allow the Security Agent and any person appointed by the Security Agent free access to such books of account at all reasonable times during normal business hours;

(e) forthwith after becoming aware thereof and without waiting for the Security Agent to take any action, to give notice in writing to the Security Agent of the occurrence of any Event of Default or any condition, event or act which with the giving of notice and/or the lapse of time and/or the issue of a certificate would constitute an Event of Default;

(f) at all times to execute all such further documents and do all such acts and things as may be necessary or appropriate at any time or times to give effect to the Transaction Documents;

(g) at all times to comply with and perform all its obligations under or pursuant to the Transaction Documents and to use its best endeavours to procure, so far as it is lawfully able to do so, that the other parties thereto, comply with and perform all their respective obligations thereunder and pursuant thereto and not to terminate any of the Transaction Documents or any right or obligation arising pursuant thereto or make any amendment or modification thereto or agree to waive or authorise any material breach thereof;

(h) at all times to comply with any reasonable direction given by the Security Agent in relation to the Security Interests in accordance with the Pledge Agreement;

(i) upon occurrence of a termination event under the Account Bank Agreement, to use its best endeavours to appoint a substitute account bank within sixty (60) calendar days;

(j) upon resignation of an Agent or upon the occurrence of a termination event under the Agency Agreement, to appoint a relevant substitute agent;

(k) to promptly exercise and enforce its rights and discretions in relation to the Swap Agreement and in particular those rights to require a transfer, collateralisation, an indemnity or a guarantee in the event of a downgrading of the Swap Counterparty;

(l) at all times to keep separate bank accounts and financial statements allocated to its separate Compartments (as the case may be);

(m) at all times to keep separate stationery for each of its Compartments (as the case may be);

(n) at no time to pledge, charge or encumber the assets allocated to Compartment Home Loan Invest 2019 otherwise than pursuant to the Pledge Agreement;

(o) at all times to have adequate corporate capital to run its business in accordance with the corporate purpose as set out in its Articles of Association;

(p) at all times not to commingle its own assets allocated to any of its Compartments with the assets of another Compartment or the assets of third parties and, in particular, to expressly allocate any liabilities of any of its Compartments to the relevant Compartment;

(q) to observe at all times all applicable corporate formalities set out in its by-laws, the UCITS Act, the Company Code and any other applicable legislation, including, but not limited to, all formalities to be complied with in its capacity as public and listed company;

(r) to comply in all respects with the specific statutory and regulatory provisions applicable to an *institutionele vennootschap voor belegging in schuldvorderingen naar Belgisch recht / société d'investissement en créances institutionnelle de droit belge* and to refrain from all acts which could prejudice the continuation of such status at any time;

(s) to mention in each communication in relation to the Notes or the admission to trading of the Notes, issued by or on behalf of the Issuer, that the Notes may only be subscribed to or otherwise acquired or held by an Eligible Holder;

(t) to conduct at all times its business in its own name; for the avoidance of doubt, this requirement does not prejudice those provisions under the Transaction Documents which provide that certain transaction parties (including the Administrator, the Corporate Services Provider, the Servicer and the Account Bank) shall for certain purposes act on behalf of the Issuer;

(u) if it becomes aware of any event which is or may become (with the lapse of time and/or the giving of notice and/or the making of any determination) a Notification Event, it will without delay inform the Security Agent of such event; and

(v) if it finds or has been informed that a substantial change has occurred in the development of the Mortgage Receivables or the cash flows generated by the Mortgage Receivables or that any particular event has occurred which may materially change the ratings of the Notes, the expected financial results of the Transaction or the expected cash flows, it will without delay inform the Security Agent of such change or event, except if such change or event is or has already been reflected in a Monthly Calculation Report.

The Issuer shall provide to the Security Agent, the Rating Agencies and the Domiciliary Agent or procure that the Security Agent, the Rating Agency and the Domiciliary Agent are provided with the Investor Reports on or about each Monthly Payment Date.

The Investor Reports will be made available for inspection at https://www.kbc.com/en/no-crawl/home-loan-invest-disclaimer and will be made available upon request free of charge to any person at the office of the Domiciliary Agent.

4.4 Interest

(a) Period of Accrual

Each Note bears interest on its Principal Amount Outstanding (as defined in Condition 4.5(c)) from and including the Closing Date. Each Note (or in the case of the redemption of part only of a Note that part only of such Note) shall cease to bear interest from its due date for redemption unless payment of the relevant amount of principal or any part thereof is improperly withheld or refused. In such event, interest will continue to accrue thereon (before and after any judgment) at the rate applicable to such Note up to but excluding the date on which all sums due in respect of such Note are paid to the Securities Settlement System Operator for the benefit of relevant Noteholder, or (if earlier) the seventh calendar day after notice is duly given by the Domiciliary Agent to the relevant Noteholder (in accordance with Condition 4.13) that it has received all sums due in respect of such Note, provided payment is in fact made.

Whenever it is necessary to compute an amount of interest in respect of any Note for any period (including any Floating Rate Interest Period (as defined below)), such interest shall be calculated on the basis of the actual days elapsed and a 360 days year.

(b) Interest Periods and Payment Dates

Interest on the Notes is payable monthly in arrear in euro on the 15th day of each month (or, if such day is not a Business Day, the next succeeding Business Day) in each year (each such day being a "**Monthly Payment Date**"), the first Monthly Payment Date being in March 2019. The period from (and including) a Monthly Payment Date (or the Closing Date in respect of the first Floating Rate Interest Period) to (but excluding) the immediately succeeding (or first) Monthly Payment Date is called a "**Floating Rate Interest Period**" in these Conditions. The first Floating Rate Interest Period will commence on (and include) the Closing Date and will end on (but exclude) the first Monthly Payment Date.

A "**Business Day**" means (i) a day other than a Saturday or Sunday on which the NBB-SSS is operating and (ii) a day on which banks are open for business in Brussels, provided that such day is also a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer payment system ("**TARGET2**") or any successor thereto is operating credit or transfer instructions in respect of payments in euro.

(c) Interest on the Notes up to the first Optional Redemption Date

Up to (but excluding) the first Optional Redemption Date, interest on the Notes for each Floating Rate Interest Period will accrue at a rate equal to the sum of the Euro Interbank Offered Rate ("**EURIBOR**") for one (1) month deposits plus a margin of [0.65] per cent. per annum. The interest applicable to the Notes will never be lower than zero.

(d) Interest on the Notes following the first Optional Redemption Date

If on the first Optional Redemption Date the Notes have not been redeemed in full, a floating rate of interest will be applicable to the Notes equal to the sum of EURIBOR for one (1) month deposits, payable by reference to Floating Rate Interest Periods on each succeeding Monthly Payment Date, plus a margin of [0.65] per cent. per annum. The interest applicable to the Notes will never be lower than zero

(e) EURIBOR

For the purpose of Conditions 4.4(c) and 4.4 (d) EURIBOR will be determined as follows:

(i) The Reference Agent will obtain for each Floating Rate Interest Period the rate equal to the amount of EURIBOR for one (1) month deposits in euros (or, in respect of the first Floating Rate Interest Period, the rate which represents the linear interpolation of EURIBOR for one (1) month deposits in euro, rounded, if necessary, to the 5th decimal place with 0.00005 being rounded upwards). The Reference Agent shall use the EURIBOR rate as determined and published jointly by the European Money Markets Institute ("**EMMI**") and which appears for information purposes on the Reuters Screen EURIBOR01 (or, if not available, any other display page on any screen service maintained by any registered information vendor for the display of the EURIBOR rate selected by the Reference Agent) as at or about 11.00 a.m. (Central European time) on the day that is two (2) Business Days preceding the first day of each Floating Rate Interest Period (each an "**Interest Determination Date**").

(ii) If, on the relevant Interest Determination Date, such EURIBOR rate is not determined and published by EMMI, or if it is not otherwise reasonably practicable to calculate the rate under (i) above, the Reference Agent will use its reasonable efforts to, and provided that such arrangements are in compliance with the requirements imposed on the administrator of a benchmark pursuant to the Benchmark Regulation (the **Benchmark Regulation Requirements**):

(A) request the principal euro-zone office of each of four major banks in the euro-zone interbank market (the "**Reference Banks**") to provide a quotation for the rate at which one (1) month euro deposits are offered by it in the euro-zone interbank market at approximately 11.00 a.m. (Central European time) on the relevant Interest Determination Date to prime banks in the euro-zone interbank market in an amount that is representative for a single transaction at that time; and

(B) if at least two quotations are provided, determine the arithmetic mean (rounded, if necessary, to the fifth decimal place with 0.000005 being rounded upwards) of such quotation as is provided; and

(iii) if fewer than two such quotations are provided as requested, the Reference Agent will determine the arithmetic mean (rounded, if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the rates quoted by major banks, of which there shall be at least two in number, in the euro-zone, selected by the Reference Agent, at approximately 11.00 a.m. (Central European time) on the relevant Interest Determination Date for one (1) month deposits to leading euro-zone banks in an amount that is representative for a single transaction in that market at that time; and

(iv) if the Reference Agent is unable to determine EURIBOR in accordance with the provisions under (ii) and (iii) above, the Issuer shall use its best efforts, to, at its discretion and provided that such arrangements are in compliance with the Benchmark Regulation Requirements, determine EURIBOR in accordance with (ii) and (iii) above itself or appoint a third party to perform such determination and inform the Reference Agent in writing of EURIBOR applicable for the relevant Interest Period and each such determination or calculation shall be final and binding on all parties;

and EURIBOR for such Floating Rate Interest Period shall be the rate per annum equal to the euro interbank offered rate for euro deposits as determined in accordance with this Condition 4.4(e), provided that if the Reference Agent is unable to determine EURIBOR in accordance with the above provisions in relation to any Floating Rate Interest Period, EURIBOR applicable to the Notes during such Floating Rate Interest Period will be EURIBOR last determined in relation thereto, until EURIBOR can be determined again on a subsequent Interest Determination Date.

(f) Determination of Rates of Interest and Calculation of Interest Amounts

The Reference Agent will, as soon as practicable after 11.00 a.m. (Central European Time) on each Interest Determination Date, determine the floating rate of interest for the Notes (the "**Floating Rate of Interest**") and calculate the amount of interest payable on the Notes for the following Floating Rate Interest Period (the "**Interest Amount**") by applying the relevant Floating Rate of Interest to the Principal Amount Outstanding of the Notes. The determination of the Floating Rate of Interest and each Interest Amount by the Reference Agent shall (in the absence of manifest error) be final and binding on all parties.

(g) Notification of Rates of Interest and Interest Amounts

At the latest by 02.00 pm (CET) on the Interest Determination Date, the Reference Agent will cause the Floating Rate of Interest and the Interest Amount to be notified to the Securities Settlement System Operator, the Issuer, the Administrator, the Security Agent and the Domiciliary Agent and will cause notice thereof to be given to the Noteholders. The Interest Amount, the Floating Rate of Interest and the Monthly Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Floating Rate Interest Period.

(h) Determination or Calculation

If the Reference Agent at any time for any reason does not determine the relevant Floating Rate of Interest or or does not receive EURIBOR from the Issuer based on Condition 4(e)(iv) or fails to calculate the Interest Amount in accordance with Condition 4.4(f), the Issuer (or whenever a Protection Notice or Enforcement Notice has been served, the Security Agent shall, or a party so appointed by the Security Agent shall on behalf of the Security Agent acting in accordance with Benchmark Regulation Requirements, in consultation with the Issuer determine or shall cause the Floating Rate of Interest to be determined at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described in Condition 4.4(e) and Condition 4.4(f) above, it shall deem fair and reasonable under the circumstances, or, as the case may be, the Issuer (or whenever a Protection Notice or Enforcement Notice has been served, the Security Agent in consultation with the Issuer) shall calculate or shall cause the Interest Amount to be calculated in accordance with Condition 4.4(f), and each such determination or calculation shall (in the absence of manifest error) be final and binding on all parties.

(i) Reference Banks and Reference Agent

The Issuer will procure that, as long as any of the Notes remains outstanding, there will at all times be four Reference Banks and a Reference Agent. The Issuer has, subject to prior written consent of the Security Agent, the right to terminate the appointment of the Reference Agent or of any Reference Bank by giving at least ninety (90) calendar days' notice in writing to that effect. Notice of any such termination will be given to the holders of the Notes in accordance with Condition 4.13. If any person shall be unable or unwilling to continue to act as a Reference Bank or the Reference Agent (as the case may be) or if the appointment of any Reference Bank or the Reference Agent shall be terminated, the Issuer will, with the prior written consent of the Security Agent, appoint a successor Reference Bank or Reference Agent (as the case may be) to act in its place, provided that neither the resignation nor removal of the Reference Agent shall take effect until a successor approved in writing by the Security Agent has been appointed.

4.5 Redemption and Cancellation

(a) Final redemption

Unless previously redeemed as provided below, the Issuer will redeem the Notes at their Principal Amount Outstanding (as defined below) on the Monthly Payment Date falling in February 2050 (the "**Final Maturity Date**").

The Issuer may not redeem Notes in whole or in part prior to the Final Maturity Date except as provided in Conditions 4.5(b), 4.5(e), 4.5(f), 4.5(g), 4.5 (h) and 4.5(i) but without prejudice to Condition 4.9.

(b) Mandatory Redemption

Provided that no Enforcement Notice has been served in accordance with Condition 4.9, on each Monthly Payment Date the Issuer shall be obliged to apply the Notes Redemption Available Amount (as defined below) to redeem (or partially redeem) the Notes at their Principal Amount Outstanding on a *pro rata* basis until fully redeemed.

The principal amount so redeemable in respect of each relevant Note (each a "**Principal Redemption Amount**") on the relevant Monthly Payment Date shall be the amount (if any) (rounded down to the nearest euro) of the Notes Redemption Available Amount on the Monthly Calculation Date relating to that Monthly Payment Date divided by the number of Notes subject to such redemption, provided always that the Principal Redemption Amount may never exceed the Principal Amount Outstanding of the relevant Note. Following application of the Principal Redemption Amount, the Principal Amount Outstanding of such Note shall be reduced accordingly.

Under the terms of the Pledge Agreement, the Issuer will have the right to sell and assign all but not some of the Mortgage Receivables on each Optional Redemption Date to a third party, which may also be the Seller. In addition, on each Monthly Payment Date, the Seller or any third party appointed by the Seller has the option (but not the obligation) to repurchase and accept re-assignment of the Mortgage Receivables if (i) on the Monthly Calculation Date immediately preceding such Monthly Payment Date the aggregate Principal Amount Outstanding of the Notes is less than ten (10) per cent. of the aggregate Principal Amount Outstanding of the Notes as of the Closing Date and (ii) the Issuer shall have provided to the Security Agent a certificate signed by two directors of the Issuer to the effect that it will have the funds, not subject to the interest of any other person, required to discharge all its liabilities in respect of the Notes and any amounts required to be paid in priority to or *pari passu* with the Notes in accordance with these Conditions (the "**Clean-Up Call Option**"). The Issuer has undertaken in the Mortgage Receivables Purchase Agreement to sell and assign the Mortgage Receivables to the Seller or any third party appointed by the Seller in its sole discretion in case of the exercise of the Clean-Up Call Option, to the extent it still holds the Mortgage Receivables upon exercise by the Seller of the Clean-Up Call Option.

The proceeds of such sales shall be applied by the Issuer towards redemption of the Notes until fully redeemed.

All Mortgage Receivables which would be so repurchased by the Seller or the third party shall be repurchased for a price equal to the then Outstanding Principal Amount together with accrued interest due but unpaid (if any) up to the relevant date of such repurchase and reassignment and reasonable costs relating thereto (including any costs incurred by the Issuer in effecting and completing such repurchase and re-assignment), except that with respect to Defaulted Receivables, the purchase price shall be the lesser of (a) the sum of the Outstanding Principal Amount, together with accrued interest due but unpaid, if any, and any other amount due under the Mortgage Receivables up to the relevant date of such sale or repurchase and (b) an amount equal to (A) the value of the Mortgaged Assets as provided in an expert valuation report of less than six (6) months old, or (B) if no such expert valuation report is available, the most recent market value of the Mortgaged Assets as reflected in the relevant Contract Records, indexed in accordance with the price

index published on www.statbel.fgov.be, or if not available, any other index representative of the residential real estate market in Belgium. (the "**Optional Repurchase Price**").

(c) Definitions

For the purpose of these Conditions the following terms shall have the following meanings:

(i) The "**Principal Amount Outstanding**" on any Monthly Payment Date of any Note shall be the principal amount of that Note upon issue less the aggregate amount of all Principal Redemption Amounts in respect of that Note that have become due and payable prior to such Monthly Payment Date.

(ii) The term "**Notes Redemption Available Amount**" shall mean on any Monthly Calculation Date the sum of the following amounts referred to under items (A) up to and including (G), received or held by the Issuer during the immediately preceding Monthly Calculation Period:

(A) by means of repayment and prepayment in full of principal under the Mortgage Receivables from any person, but, for the avoidance of doubt, excluding Prepayment Penalties, if any;

(B) as amounts received in connection with a repurchase of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement and any other amounts received pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts relate to principal;

(C) as amounts received in connection with a sale of Mortgage Receivables pursuant to the Pledge Agreement to the extent such amounts relate to principal;

(D) as amounts to be credited to the Principal Deficiency Ledger under items (vi) and (viii) of the Interest Priority of Payments on the immediately succeeding Monthly Payment Date;

(E) as partial prepayment in respect of Mortgage Receivables;

(F) any part of the Notes Redemption Available Amount calculated on the immediately preceding Monthly Calculation Date which has not been applied towards redemption of the Notes on the preceding Monthly Payment Date; and

(G) any amount remaining in the Reserve Account after all amounts of interest and principal due in respect of the Notes have been paid in full and all payments or provisions of the Interest Priority of Payments ranking higher in priority have been made.

(iii) The term "**Net Proceeds**" shall mean (a) the proceeds of a foreclosure on the Mortgage, (b) the proceeds of foreclosure on any other collateral securing the Mortgage Receivable, (c) the proceeds, if any, of collection of any insurance policies in connection with the Mortgage Receivable, including but not limited to any Insurance Policy, and (d) the proceeds of foreclosure on any other assets of the relevant debtor, after deduction of foreclosure costs.

(iv) The term "**Monthly Calculation Date**" means, in relation to a Monthly Payment Date, the fourth Business Day prior to such Monthly Payment Date.

(v) The term "**Monthly Calculation Period**" means a period of one (1) month commencing on, and including the first day of each month of each year.

(d) Determination of Principal Redemption Amount and Principal Amount Outstanding

(i) On each Monthly Calculation Date, the Issuer shall determine (or cause the Administrator to determine) (x) the Principal Redemption Amount and (y) the Principal Amount Outstanding of the relevant Note on the first day of the next following Floating Rate Interest Period. Each determination by or on behalf of the Issuer of any Principal Redemption Amount or the Principal Amount Outstanding of a Note shall in each case (in the absence of manifest error) be final and binding on all persons.

(ii) The Issuer will cause each determination of a Principal Redemption Amount and Principal Amount Outstanding of the Notes to be notified forthwith to the Security Agent, the Domiciliary Agent, the Reference Agent, the Seller and the Swap Counterparty and will immediately cause notice of each determination of a Principal Redemption Amount and Principal Amount Outstanding to be given in accordance with Condition 4.13 by no later than 11.00 hrs (CET) on the 4th Business Day before the relevant Monthly Payment Date. If no Principal Redemption Amount is due to be made on the Notes on any applicable Monthly Payment Date a notice to this effect will be given to the Noteholders in accordance with Condition 4.13.

(iii) If the Issuer does not at any time for any reason determine (or cause the Administrator to determine) the Principal Redemption Amount or the Principal Amount Outstanding of a Note, such Principal Redemption Amount or such Principal Amount Outstanding shall be determined by the Administrator, failing which the Security Agent in accordance with the preceding paragraphs (but based upon the information in its possession as to the Notes Redemption Available Amount) and each such determination or calculation shall be deemed to have been made by the Issuer.

(e) Optional Redemption

Unless previously redeemed in full, on the Monthly Payment Date falling in February 2024 and on each Monthly Payment Date thereafter (each an "**Optional Redemption Date**") the Issuer may, at its option, redeem all (but not some only) of the Notes at their Principal Amount Outstanding together with interest accrued but unpaid on such date. The Issuer shall notify the exercise of such option by giving not more than sixty (60) nor less than thirty (30) calendar days written notice to the Security Agent and the Noteholders in accordance with Condition 4.13, prior to the relevant Optional Redemption Date.

(f) Redemption for tax reasons

The Notes may be redeemed at the option of the Issuer (which shall be under no obligation to do so) in whole, but not in part, on any Monthly Payment Date, at their Principal Amount Outstanding, together with interest accrued but unpaid up to and including the date of redemption, if any of the following circumstances arise:

(i) if on the next Monthly Payment Date the Issuer, the Securities Settlement System Operator, the Domiciliary Agent or any other person would be required to deduct or withhold for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed by the Kingdom of Belgium (or any sub-division or authority thereof or therein) from any payment of principal or interest in respect of Notes held by or on behalf of any Noteholder who would, but for any amendment to, or change in, the tax laws or regulations of the Kingdom of Belgium (or of any sub-division or authority thereof or therein having power to tax) or in the interpretation by a revenue authority or a court of, or in the administration of, such laws or regulations after the Closing Date, have been a Tax Eligible Investor; or

(ii) if on the next Monthly Payment Date, the Issuer, the Swap Counterparty or any other person would be required to deduct or withhold for or on account of any present or future taxes, duties assessments or governmental charges of whatever nature imposed by the Kingdom of Belgium (or any sub-division or authority thereof or therein), or any other sovereign authority having the power to tax, from any payment under the Swap Agreement; or

(iii) if the total amount payable in respect of interest on any of the Mortgage Receivables ceases to be receivable by the Issuer due to withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature in respect of such payments; or

(iv) if, after the Closing Date, the IIR Tax Regulations are changed or applied in a way materially adverse to the Issuer or would no longer apply to the Issuer;

by giving not more than sixty (60) nor less than thirty (30) calendar days written notice to the Noteholders and the Security Agent prior to the relevant Monthly Payment Date in accordance with Condition 4.13, provided that:

(i) prior to giving any such notice, no Enforcement Notice has been served by the Security Agent in respect of any of the Notes;

(ii) prior to giving such notice, the Administrator shall have provided to the Security Agent a certificate signed by two directors of the Issuer confirming that the Issuer will have on the Relevant Monthly Payment Date sufficient funds available to discharge all amounts of principal and interest due in respect of the Notes and any amounts required to be paid in priority to or *pari passu* with the Notes in accordance with the Interest or Principal Priority of Payment. The Notes may not be redeemed under such circumstances unless all Notes (or such of them as are then outstanding) are also redeemed in full at the same time; and

(iii) the Security Agent is satisfied in its reasonable opinion, following such certification, that the Issuer is able to discharge such liabilities.

A "**Tax Eligible Investor**" includes all persons and organisations referred to in Article 4 of the *Koninklijk Besluit van 26 mei 1994 over de inhouding en de vergoeding van de roerende voorheffing / Arrêté royal relatif à la perception et à la bonification du précompte mobilier* (Royal decree of 26 May 1994 on the deduction of withholding tax)**.**

"**IIR Tax Regulations**" means the Belgian tax regulations introducing income tax, withholding tax, registration duty and VAT concessions for Belgian companies for investment in receivables (including the Issuer).

(g) Optional Redemption in case of Change of Law

In addition, on each Monthly Payment Date, the Issuer may at its option (but shall not be under any obligation to do so) redeem the Notes, in whole, but not in part, if there is a change in, or any amendment to the laws, regulations, decrees or guidelines of the Kingdom of Belgium (including in respect of EU legislation, regulations or guidelines implemented or applicable in the Kingdom of Belgium) or of any authority therein or thereof having legislative or regulatory powers or in the interpretation by a relevant authority or a court of, or in the administration of, such laws, regulations, decrees or guidelines after the Closing Date (a "**Change of Law**") which would or could affect the Issuer or the Noteholders, as certified by the Security Agent, by giving not more than sixty (60) calendar days' notice nor less than thirty (30) calendar days' notice in accordance with Condition 4.13 prior to the relevant Monthly Payment Date, provided that:

(i) prior to giving any such notice, no Enforcement Notice has been served by the Security Agent in respect of any of the Notes;

(ii) prior to giving such notice, the Administrator shall have provided to the Security Agent a certificate signed by two directors of the Issuer confirming that the Issuer will have on the relevant Monthly Payment Date sufficient funds available to discharge all amounts of principal and interest due in respect of the Notes and any amounts required to be paid in priority to or *pari passu* with the Notes; and

(i) the Security Agent is satisfied in its reasonable opinion, following such certification, that the Issuer is able to discharge such liabilities.

(h) Redemption for regulatory reasons

The Issuer shall redeem the Notes, in whole, but not in part, on any Monthly Payment Date, at their Principal Amount Outstanding together with interest accrued but unpaid up to and including the date of redemption, if the Seller exercises its Regulatory Call Option to repurchase the Mortgage Receivables upon the occurrence, on or after after the Closing Date, of a change (i) in the Basel Capital Accord promulgated by the Basel Committee on Banking Supervision (the **"Basel Accord"**), in the Basel II Capital Accord promulgated by the Basel Committee on Banking Supervision as set forth in the EU Capital Adequacy Directive 2006/49/EC, as amended and supplemented from time to time (the "**Basel II Accord**") and as further amended recently (the "**Basel III Accord**") or in the international, European or Belgian regulations, rules and instructions (the "**Bank Regulations**") applicable to the Seller (including any change in the Bank Regulations enacted for purposes of implementing a change to the Basle Accord or the Basel II Accord or the Basel III Accord) or such a change in the manner in which the Basel Accord, the Basel II Accord or the Bank Regulations are interpreted or applied by the Basel Committee on Banking Supervision or by any relevant competent international, European or national body (including any relevant international, European or Belgian Central Bank or other competent regulatory or supervisory authority), in each case, which, in the opinion of the Seller, has the effect of adversely affecting the rate of return on capital of the Seller or increasing the cost or reducing the benefit to the Seller with respect to the transaction contemplated by the Notes or (ii) in the eligible collateral framework of the European Central Bank as result of which the Notes no longer qualify as eligible collateral for Eurosystem monetary policy purposes and intra-day credit operations by the Eurosystem (a "**Regulatory Change**").

The Issuer shall notify the exercise of such option by giving not more than sixty (60) nor less than thirty (30) calendar days notice to the Noteholders and the Security Agent in accordance with Condition 4.13 prior to the relevant Monthly Payment Date. Prior to giving any such notice, the Issuer shall have provided to the Security Agent a certificate signed by two directors of the Issuer to the effect that it will have the funds, not subject to the interest of any other person, required to discharge all its liabilities in respect of the Notes and any amounts required to be paid in priority to or *pari passu* with the Notes in accordance with these Conditions.

(i) Optional Redemption in case of a Ratings Downgrade Event

On each Monthly Payment Date, the Issuer may at its option (but shall not be under any obligation to do so) redeem the Notes, in whole, but not in part, upon the occurrence of a downgrade of the Seller by a Rating Agency on or after the Closing Date as a result of which (i) the long-term, unsecured and unsubordinated debt obligations of the Seller cease to be rated as high as Baa3 by Moody's or (ii) the deposit rating (if available) or long term IDR of the Seller cease to be rated as high as BBB- by Fitch and the short-term short-term IDR of the Seller ceases to be rated as high as F3 by Fitch or such ratings are withdrawn (a "**Ratings Downgrade Event**") by giving not more than sixty (60) calendar days' notice in accordance with Condition 4.13 prior to the relevant Monthly Payment Date, provided that:

(i) prior to giving any such notice, no Enforcement Notice has been served by the Security Agent in respect of any of the Notes;

(ii) prior to giving such notice, the Administrator shall have provided to the Security Agent a certificate signed by two directors of the Issuer confirming that the Issuer will have on the relevant Monthly Payment Date sufficient funds available to discharge all amounts of principal and interest due in respect of the Notes and any amounts required to be paid in priority to or *pari passu* with the Notes; and

(iii) the Security Agent is satisfied in its reasonable opinion, following such certification, that the Issuer is able to discharge such liabilities.

(j) Notice of Redemption

Any such notice as is referred to in Conditions 4.5(e), 4.5(f), 4.5. (g), 4.5(h) and 4.5(i) above shall be irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the Notes at their Principal Amount Outstanding together with interest accrued but unpaid up to and including the date of redemption.

(k) Purchase

The Issuer may not purchase Notes.

(l) Cancellation

All Notes redeemed in full pursuant to the foregoing provisions will be cancelled upon redemption and may not be resold or reissued.

4.6 Payment

(a) On each date, which is one day prior to the day on which payment in respect of the Notes becomes due, the Issuer will transfer, or cause to be transferred, to the Domiciliary Agent by not later than 12 am (Brussels time) for further distribution to the Noteholders (through the Securities Settlement System), an amount sufficient for the payment of principal, interest and other amounts (if any) in respect of the Notes as the same shall become due.

Upon receipt of such payment, the Securities Settlement System Operator shall cause the amounts due to the relevant Noteholders to be credited to the accounts of the Securities Settlement System Participants through which the Noteholders hold their Notes, who shall cause the same amounts to be credited to the Noteholder's accounts with such Securities Settlement System Participants.

(b) Payments of principal and interest in respect of the Notes are subject in all cases to any fiscal or other laws and regulations applicable thereto.

(c) The initial Domiciliary Agent is KBC Bank NV and its initial specified office is at Havenlaan 2, 1080 Brussels. The Issuer reserves the right at any time to vary or terminate the appointment of the Domiciliary Agent and to appoint additional or other paying agents provided that no paying agent located in the United States of America will be appointed and for as long as the Notes are admitted to trading on Euronext Brussels, the Issuer will at all times maintain a paying agent in Belgium. Notice of any termination or appointment of a Domiciliary Agent and of any changes in the specified offices of the Domiciliary Agent will be given to the Noteholders in accordance with Condition 4.13.

(d) If the due date for payment of any amount of principal or interest in respect of any Note is not a Business Day, such payment shall be due on the immediately succeeding Business Day without any further payments of additional amounts.

4.7 Prescription (*verjaring / prescription*)

Claims for the payment of principal or interest under the Notes shall become time barred ten or five years, respectively, after their relevant due date.

4.8 Taxation

(a) All payments in respect of the Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature, unless the Issuer, the Securities Settlement System Operator, the Domiciliary Agent or any other person is required by applicable law or FATCA to make any payment in respect of the Notes subject to any withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature (including FATCA). In that event, the Issuer, the Securities Settlement System Operator, the Domiciliary Agent or such other person (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. Neither the Issuer, the Securities Settlement System Operator, the Domiciliary Agent nor any other person will be obliged to gross up the payments in respect of the Notes or to make any additional payments to any Noteholders in respect of any such withholding or deduction. For purposes of this Condition 4.8(a), the term "**FATCA**" shall mean Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

(b) The Security Agent, the Issuer, the Securities Settlement System Operator, the Domiciliary Agent or any other person being required to make a Tax Deduction shall not constitute an Event of Default.

4.9 Events of Default

(a) The Security Agent

(i) may at its discretion; and

(ii) if (A) it shall have been directed to do so by an Extraordinary Resolution of the holders of the Notes then outstanding or (B) if it shall have been requested to do so by the holders of not less than fifty (50) per cent. in Principal Amount Outstanding of the Notes then outstanding and held by External Investors or (C) if it shall have been requested to do so by the holders of not less than ten (10) per cent in Principal Amount Outstanding of the Notes then outstanding (subject to being indemnified to its satisfaction for all its liabilities and expenses) shall be bound,

declare the Notes to be due and payable following the occurrence and continuation of an Event of Default by giving notice (an "**Enforcement Notice**") to the Issuer, the Rating Agencies, the Servicer and the Administrator that the Notes are, and each Note shall become immediately due and payable at their or its Principal Amount Outstanding, together with accrued interest as provided in these Conditions and the Pledge Agreement **provided**, in the case of the occurrence of any of the events mentioned in paragraphs (ii) to (vi) below, that the Security Agent shall have certified in writing to the Issuer that such an event is, in its opinion, materially prejudicial to the Noteholders Notes then outstanding.

Each of the following events is an "**Event of Default**":

(i) the Issuer fails to pay any amount of principal in respect of the Notes on or within ten (10) calendar days of the due date for payment of such principal or, fails to pay any amount of interest in respect of the Notes on or within ten (10) calendar days of the due date for payment of such interest, provided that, for the avoidance of doubt, any suspension of payments of interest in accordance with Condition 4.1(b) shall not constitute an Event of Default; or

(ii) the Issuer defaults in the performance or observance of any of its other obligations or is in breach of any of its representations or warranties under or in respect of the Notes or the other Transaction Documents and such default or breach (a) is, in the opinion of the Security Agent, incapable of remedy or (b) being a default or breach which is, in the opinion of the Security Agent, capable of remedy, remains unremedied for thirty (30) calendar days or such longer period as the Security Agent may agree after the Security Agent has given written notice of such default or breach to the Issuer (save that if the Issuer fails to comply with the order of the Priority of Payments prior to the service of an Enforcement Notice (as set out in Condition 4.2 (c)), such period being reduced to fifteen (15) calendar days to rectify any technical errors); or

(iii) an order being made or an effective resolution being passed for the winding up (*ontbinding / dissolution*) of the Issuer except a winding up for the purposes of or pursuant to an amalgamation or reconstruction the terms of which have previously been approved by the Security Agent in writing or by an Extraordinary Resolution of the Noteholders; or

(iv) the Issuer, otherwise than for the purposes of such amalgamation or reconstruction as is referred to in sub paragraph (iii) above, ceasing or, through an official action of the Board of Directors of the Issuer, threatening to cease to carry on business or the Issuer being unable to pay its debts allocated to Compartment Home Loan Invest 2019 as and when they fall due or the value of its assets allocated to Compartment Home Loan Invest 2019 falling to less than the amount of its liabilities allocated to Compartment Home Loan Invest 2019 or otherwise becomes insolvent; or

(v) proceedings are initiated against or by the Issuer under any applicable liquidation, insolvency or other similar law including Book XX of the Code of Economic Law, or an administrative receiver or other receiver, administrator or other similar official (including an ad hoc administrator *(voorlopig bewindvoerder / administrateur provisoire*) and an enterprise mediator *(ondernemingsbemiddelaar / médiateur d'entreprise*)) has been appointed in relation to the Issuer or in relation to the whole or any substantial part of the undertaking or assets of the Issuer or a notice of demand *(bevel tot betalen/commandement de payer)*) is notified to the Issuer under Articles 1499 or 1564 of the Judicial Code (*Gerechtelijk Wetboek / Code judiciaire)* or distraint *(uitvoerend beslag / saisie exécutoire*) is carried out in respect of the whole or any substantial part of the undertaking or assets allocated to Compartment Home Loan Invest 2019 of the Issuer and in any of the foregoing cases it shall not be discharged within thirty (30) Business Days; or

(vi) any action is taken by any authority, court or tribunal, which results in the loss of the Issuer of its status as an *institutionele vennootschap voor belegging in schuldvorderingen naar Belgisch recht / société d'investissement en créances institutionelle de droit belge* or which in the reasonable opinion of the Security Agent, after consultation with the Issuer and the Administrator, is very likely to result in the loss of such status and would adversely affect the Transaction.

(b) General

Each of the Noteholders agrees with the Issuer and the Security Agent that all obligations of the Issuer to the Noteholders and all other Secured Parties are limited in recourse such that only the Pledged Assets allocated to Compartment Home Loan Invest 2019 will be available to meet the claims of the Noteholders and the other Secured Parties. In the event that the Security Interests in respect of the Notes have been fully enforced and the proceeds of such enforcement, after payment of all other claims ranking under the Pledge Agreement in priority to the relevant Notes are insufficient to pay in full all principal and interest and other amounts whatsoever due in respect of the Notes, the Noteholders shall have no further claim against the Issuer or the Security Agent in respect of any such unpaid amounts.

4.10 Enforcement

(a) Enforcement of the Security Interests

(i) At any time after the Notes have become due and repayable, the Security Agent may, at its discretion and without further notice, take such steps and proceedings against the Issuer as it may think fit to enforce the Security Interests and to enforce repayment of the Notes together with payment of accrued interest, but it shall not be bound to take any such proceedings unless (a) (i) it shall have been directed to do so by an Extraordinary Resolution of the holders of the Notes then outstanding; or (ii) it shall have been requested to do so by the holders of not less than fifty (50) per cent. in Principal Amount Outstanding of the Notes then outstanding and held by External Investors; or (iii) it shall have been requested to do so by the holders of not less than ten (10) per cent in Principal Amount Outstanding of the Notes then outstanding; and (b) it shall have been indemnified or secured to its satisfaction for all expenses and liabilities to which it may become or which it may incur.

(ii) Only the Security Agent may enforce the Security Interests and no other Secured Party shall be entitled to enforce such security or proceed against the Issuer to enforce the performance of any of the provisions of the Pledge Agreement, unless the Security Agent, having become bound to take such steps as provided in the Pledge Agreement, fails to do so within a reasonable period (thirty (30) days being deemed for this purpose to be a reasonable period) and such failure shall be continuing. The Security Agent shall have regard to the Noteholders as a class.

(iii) The Security Agent cannot, while any of the Notes are outstanding, be required to enforce the Security Interests at the request of any Secured Party other than the Noteholders.

(iv) If an Enforcement Notice has been delivered by the Security Agent, the Issuer will not be entitled to dispose of the Mortgage Receivables.

(b) Enforcement of other obligations of the Issuer – non-petition

(i) As representative of the Noteholders and of the other Secured Parties, only the Security Agent may pursue the remedies available under general law or under the Transaction Documents against the Issuer and the Pledged Assets and, other than as permitted in this Condition 4.10, no Secured Party (other than the Security Agent) shall be entitled to proceed directly against the Issuer and the Pledged Assets.

(ii) Without prejudice to Condition 4.10(a), each Secured Party has agreed in the Pledge Agreement that:

(A) none of the Secured Parties, other than the Security Agent, (nor any person on their behalf) are entitled, otherwise than as permitted by the Transaction Documents, to direct the Security Agent to take any proceedings against the Issuer or take any

proceedings against the Issuer unless the Security Agent, having become bound to serve an Enforcement Notice or having been requested in writing or directed by a resolution of the Noteholders in accordance with Conditions 4.10(a) to take any other action to enforce its rights under the Notes and under the other Transaction Documents (such obligations a "**Security Agent Action**"), fails to do so within thirty (30) calendar days of becoming so bound and that failure is continuing (in which case each of the Secured Parties shall (subject to (C) and (D) below) be entitled to take any such steps and proceedings as it shall deem necessary in respect of, the Issuer);

(B) no Secured Party (nor any person on its behalf), other than the Security Agent, shall have the right to take or join any person in taking any steps against the Issuer for the purpose of obtaining payment of any amount due from the Issuer to any of such Secured Parties, unless the Security Agent, having become bound to take a Security Agent Action, fails to do so within thirty (30) calendar days of becoming so bound and that failure is continuing (in which case each of the Secured Parties shall (subject to (C) and (D) below) be entitled to take any such steps and proceedings as it shall deem necessary in respect of the Issuer);

(C) until the date falling one year after the latest maturing Note is paid in full, none of the Secured Parties, including the Security Agent, (or any person acting on their behalf) shall initiate or join any person in initiating any Bankruptcy Event or the appointment of any Bankruptcy Official in relation to the Issuer or any of its Compartments;

(D) no Secured Party, including the Security Agent, nor any person on their behalf, shall be entitled to take or join in the taking of any steps or proceedings which would result in the applicable priority of payments under the Pledge Agreement not being observed; and

(E) no Secured Party (nor any person on its behalf), other than the Security Agent, shall seek to prevent the Security Agent from exercising its powers and discretions under or pursuant to the Pledge Agreement (or any other Transaction Document), unless in the circumstances where they would be entitled to take direct action against the Issuer in accordance with the paragraphs (A) or (B) above.

"**Bankruptcy Event**" in respect of a person means: (a) such person is unable or admits its inability to pay its debts as they fall due, or suspends making payments on any of its debts or is otherwise insolvent; or (b) the value of the assets of such person is less than the amount of its liabilities, taking into account its contingent and prospective liabilities; or (c) a moratorium is declared in respect of any indebtedness of such person; or (d) the commencement of negotiations with one or more creditors of such person with a view to rescheduling any indebtedness of such person; or (e) any corporate action, legal proceedings or other procedure or step is taken in relation to: (i) the appointment of a Bankruptcy Official in relation to such person or in relation to the whole or any part of the undertaking or assets of such person; or (ii) any official or representative (excluding, in relation to the Issuer, by the Security Agent) taking possession of the whole or any part of the undertaking or assets of such person; or (iii) the making of an arrangement, or compromise, (whether by way of voluntary arrangement, scheme of arrangement or otherwise) with any creditor of such person, a reorganisation of such person, a conveyance to or assignment for the creditors of such person generally or the making of an application to a court of competent jurisdiction for protection from the creditors of such person generally, including without limitation a bankruptcy (*faillissement / faillite*) and a judicial reorganisation (*gerechtelijke reorganisatie / réorganisation judiciaire*); or (iv) any distress, execution, attachment or other process being levied or enforced or imposed upon or

against the whole or any part of the undertaking or assets of such person (excluding, in relation to the Issuer, by the Security Agent); or (f) any procedure or step is taken, or any event occurs, analogous to those set out in (a) to (e) above, in any jurisdiction.

"Bankruptcy Official" means, in relation to a person, a liquidator, (except, in the case of the Issuer, a liquidator appointed for the purpose of a merger, reorganisation or amalgamation the terms of which have previously been approved either in writing by the Security Agent or by an Extraordinary Resolution of the Noteholders of the Notes then outstanding), provisional liquidator, administrator, administrative receiver, receiver, manager, compulsory or interim manager, nominee, supervisor, trustee, trustee in bankruptcy, conservator, guardian or other similar officer in respect of such company or in respect of any arrangement, compromise or composition with any creditors or any equivalent or analogous officer under the law of any jurisdiction.

4.11 The Security Agent

(a) Appointment

The Security Agent has been appointed by the Issuer as representative of the Noteholders in accordance with Article 271/12 of the UCITS Act and as irrevocable attorney (*mandataris / mandataire*) of the other Secured Parties, in each case upon the terms and conditions set out in the Pledge Agreement and herein.

(b) Powers, authorities and duties

The Security Agent, acting in its own name and on behalf of the Secured Parties shall have the power:

(i) to accept the Security Interests on behalf of the Noteholders and the other Secured Parties;

(ii) upon service of an Enforcement Notice, to proceed against the Issuer to enforce the performance of the Transaction Documents and to enforce the Security Interests on behalf of the Secured Parties;

(iii) to collect all proceeds in the course of enforcing the Security Interests;

(iv) to apply or to direct the application of the proceeds of enforcement in accordance with the Conditions and the provisions of the Pledge Agreement;

(v) to instruct the Domiciliary Agent (or any substitute domiciliary agent appointed in accordance with the provisions of the Agency Agreement) to open a bank account with an Eligible Institution for the purposes of depositing the proceeds of enforcement and to give all directions to the Eligible Institution and/or the Domiciliary Agent (or its substitute) to administer such account, and to receive a power of attorney given by the Domiciliary Agent to administer such account;

(vi) to exercise all other powers and rights and perform all duties given to the Security Agent under the Transaction Documents; and

(vii) generally, to do all things necessary in connection with the performance of such powers and duties.

"**Eligible Institution**" means a credit institution within the meaning of the Belgian law of 25 April 2014 on credit institutions.

The Security Agent may delegate the performance of any of the foregoing powers to any persons (including any legal entity) whom it may designate. Notwithstanding any sub-contracting or delegation of the performance of its obligations under the Pledge Agreement, the Security Agent shall not thereby be released or discharged from any liability hereunder and shall remain responsible for the performance of the obligations of the Security Agent under the Pledge Agreement and shall be jointly and severally liable for the performance or non-performance or the manner of performance of any sub-contractor, agent or delegate and such sub-contracting or delegation shall not affect the Security Agent's obligations under the Pledge Agreement.

The Security Agent has been designated as agent on behalf of the Secured Parties in accordance with Article 5 of the Collateral Law and Article 3 of the MAS Law.

The Security Agent has also been appointed as irrevocable agent (*mandataris / mandataire*) of the Secured Parties (other than the Noteholders). In relation to any duties, obligations and responsibilities of the Security Agent to these other Secured Parties in its capacity as agent of these other Secured Parties in relation to the Pledged Assets and under or in connection with the Transaction Documents, the Security Agent and these other Secured Parties agree and the Issuer concurs, that the Security Agent shall discharge these duties, obligations and responsibilities by performing and observing its duties, obligations and responsibilities as representative of the Noteholders in accordance with the provisions of the Pledge Agreement, the Transaction Documents and the Conditions.

The Security Agent may in accordance with Clause 10(e) of the Pledge Agreement serve a Protection Notice as a result of which no payments shall be made from the Transaction Accounts without the prior consent of the Security Agent, provided that such will not alter the relevant Priority of Payments.

(c) Variations

The Security Agent may on behalf of the Noteholders and without the consent of the Noteholders or the other Secured Parties at any time and from time to time, concur with the Issuer or any other person in making any modification:

(i) to these Conditions or any of the relevant Transaction Documents which in the opinion of the Security Agent is of a formal, minor, or technical nature or is to correct a manifest error or to comply with the mandatory provisions of Belgian law; or

(ii) to these Conditions or any of the relevant Transaction Documents which in the opinion of the Security Agent is not materially prejudicial to the interests of the Noteholders and not in breach of the Securitisation Regulation, provided that such modification will have no adverse impact on the then current rating assigned to the Notes (it being understood that the fact that the then current rating of the Notes will not be adversely affected does not address whether such modification is in the best interest of, or prejudicial to, some or all of the Noteholders); or

(iii) to these Conditions or any of the relevant Transaction Documents in order to enable the Issuer and/or the Swap Counterparty to comply with any obligation which applies to it under Articles 9, 10 and 11 of Regulation (EU) 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories dated 4 July 2012 (including, without limitation, any associated regulatory technical standards and advice, guidance or recommendations from relevant supervisory regulators) (the "**EMIR Requirements**") or any other obligation which applies to it under the EMIR Requirements and/or any new regulatory requirements, subject to receipt by the Security Agent of a certificate of the Issuer and, where the amendment has been requested by the Swap

Counterparty, the Swap Counterparty certifying to the Security Agent that the amendments requested by the Issuer or the Swap Counterparty, as the case may be, are to be made solely for the purpose of enabling the Issuer or the Swap Counterparty, as the case may be, to satisfy its requirements under EMIR, provided that the Security Agent shall not be obliged to agree to any modification which, in the reasonable opinion of the Security Agent, would have the effect of (A) exposing the Security Agent to any additional liability or (B) adding to or increasing the obligations, liabilities or duties, or decreasing the protections, of the Security Agent or the Noteholders in respect of the Notes, the relevant Transaction Documents and/or the Conditions, (C) the transaction described in this Prospectus not complying with the requirements set out in the Securitisation Regulation, in each case, further provided that the Security Agent has received written confirmation from the Swap Counterparty in respect of the Swap Agreement that it has consented to such amendment; or

(iv) to these Conditions or any of the relevant Transaction Documents in order to enable the Issuer to comply with any obligation which applies to it under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies and Commission Delegated Regulation (EU) 2015/3 (including, without limitation, any associated regulatory technical standards and advice, guidance or recommendations from relevant supervisory regulators) (the "**CRA3 Requirements**"), including any requirements imposed by the Securitisation Regulation or any other obligation which applies to it under the CRA3 Requirements, the Securitisation Regulation, Regulation (EU) 2017/2401 of the European Parliament and of the Council of 12 December 2017 amending Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (the "**CRR Amendment Regulation**") and/or any new regulatory requirements, subject to receipt by the Security Agent of a certificate of the Issuer certifying to the Security Agent that the amendments requested by the Issuer are to be made solely for the purpose of enabling the Issuer to satisfy its requirements under the CRA3 Requirements, the Securitisation Regulation, the CRR Amendment Regulation and/or any new regulatory requirements provided that the Security Agent shall not be obliged to agree to any modification which, in the reasonable opinion of the Security Agent, would have the effect of (i) exposing the Security Agent to any additional liability or (ii) adding to or increasing the obligations, liabilities or duties, or decreasing the protections, of the Security Agent or the Noteholders in respect of the Notes, the relevant Transaction Documents and/or the Conditions or (iii) the transaction described in this Prospectus not complying with the requirements set out in the Securitisation Regulation. Each other party to any relevant Transaction Document shall cooperate to the extent reasonably practicable with the Issuer in amending such Transaction Documents to enable the Issuer to comply with the CRA3 Requirements, the Securitisation Regulation, the CRR Amendment Regulation and/or new regulatory requirements;

(v) to these Conditions or any of the relevant Transaction Documents in order to enable the Issuer to change the base rate on the Notes from EURIBOR to an alternative base rate (any such rate, an "**Alternative Base Rate**") (and such other amendments as are necessary or advisable in the reasonable judgment of the Issuer to facilitate such change) to the extent there has been or there is reasonably expected to be a material disruption or cessation to EURIBOR, provided that:

the Security Agent receives a certificate of the Issuer certifying to the Security Agent that:

(A) such modification is being undertaken due to:

I. a material disruption to EURIBOR, an adverse change in the methodology of calculating EURIBOR or EURIBOR ceasing to exist or be published;

II. a public statement by the administrator of EURIBOR that it will cease publishing EURIBOR permanently or indefinitely (in circumstances where no successor administrator for EURIBOR has been appointed that will continue publication of EURIBOR) and such cessation is reasonably expected by the Issuer to occur prior to the Final Maturity Date;

III. a public statement by the supervisor of the administrator of EURIBOR that EURIBOR has been or will be permanently or indefinitely discontinued or will be changed in an adverse manner and such cessation is reasonably expected by the Issuer to occur prior to the Final Maturity Date;

IV. a public statement by the supervisor of the administrator of EURIBOR that means EURIBOR may no longer be used or that its use is subject to restrictions or adverse consequences; or

V. the reasonable expectation of the Issuer that any of the events specified in sub-paragraphs (i), (ii), (iii) or (iv) will occur or exist within six months of the proposed effective date of such modification;

and, in each case, has been drafted solely to such effect; and

provided that:

(B) such Alternative Base Rate is:

I. a base rate published, endorsed, approved or recognised by the FSMA, any regulator in the European Union or any stock exchange on which the Notes are listed or any relevant committee or other body established, sponsored or approved by any of the foregoing; or

II. a base rate utilised in a material number of publicly-listed new issues of Euro-denominated asset backed floating rate notes prior to the effective date of such modification (for these purposes, unless agreed otherwise by the Security Agent, such issues shall be considered material); or;

III. a base rate utilised in a publicly-listed new issue of Euro-denominated asset backed floating rate notes where the originator of the relevant assets is the Seller;

and, in each case, the change to the Alternative Base Rate will not, in its opinion, be materially prejudicial to the interest of the Noteholder or resulting in the Transaction described in this Prospectus not complying with the requirements set out in the Securitisation Regulation; and

provided further that:

(C)

I. the party proposing the modification to a Transaction Document, if possible and if necessary with the cooperation of the Issuer, obtains from each of the Rating Agencies written confirmation (or certifies in writing to the Issuer and the Security Agent that the Rating Agencies have been informed of the proposed modification and none of the Rating Agencies has indicated that such modification would result in a downgrade, withdrawal or suspension of

the then current ratings assigned to the Notes by such Rating Agency and would not result in any Rating Agency placing any Notes on rating watch negative (or equivalent)) that such modification would not result in a downgrade, withdrawal or suspension of the then current ratings assigned to the Notes by such Rating Agency and would not result in any Rating Agency placing the Notes on rating watch negative (or equivalent) and, if relevant, delivers a copy of each such confirmation to the Issuer and the Security Agent; or

II. the Issuer certifies in writing to the Security Agent that the Rating Agencies have been informed of the proposed modification and none of the Rating Agencies has indicated within 30 Business Days after being informed thereof that such modification would result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to the Notes by such Rating Agency or (y) such Rating Agency placing the Notes on rating watch negative (or equivalent); and

provided further that the Security Agent shall not be obliged to agree to any modification which, in the reasonable opinion of the Security Agent, would have the effect of (i) exposing the Security Agent to any additional liability or (ii) adding to or increasing the obligations, liabilities or duties, or decreasing the protections, of the Security Agent or the Noteholders in respect of the Notes, the relevant Transaction Documents and/or the Conditions. Each other party to any relevant Transaction Document shall cooperate to the extent reasonably practicable with the Issuer in amending such Transaction Documents to enable the Issuer to change the base rate on the Notes from EURIBOR to an Alternative Base Rate (and such other amendments as are necessary or advisable in the reasonable judgment of the Issuer to facilitate such change) to the extent there has been or there is reasonably expected to be a material disruption or cessation to EURIBOR; and

(vi) to these Conditions or any of the relevant Transaction Documents (including the Swap Agreement) for the purpose of complying with any changes in the requirements of Article 6 of the Securitisation Regulation, after the Closing Date, including as a result of the adoption of regulatory technical standards in relation to the Securitisation Regulation or any other risk retention legislation or regulations or official guidance in relation thereto, subject to receipt by the Security Agent of a certificate of the Issuer and, as the case may be, the party proposing the modification certifying to the Security Agent that such modification is required solely for such purpose and has been drafted solely to such effect,

it being understood that any modification of a Transaction Document must be approved by each party thereto.

Any such modification shall be binding on the Noteholders and the other Secured Parties.

In no event may such modification be a Basic Terms Modification (as defined in Condition 4.12). The Security Agent shall not be bound to give notice to the Noteholders of any modifications to the Transaction Documents agreed pursuant to this paragraph, unless required by the Securitisation Regulation. The Issuer shall cause notice of any such modification to be given to the Rating Agencies, the Administrator, the Servicer, the Corporate Services Provider and the Domiciliary Agent.

If, in the Security Agent's opinion it is not sufficiently established that the proposed amendment or variation can be approved by it in accordance with this paragraph, it will determine in its full discretion whether to submit the proposal to a duly convened meeting of Noteholders or to refuse the proposed amendment or variation.

(d) Waivers

The Security Agent may, without the consent of the Noteholders and the other Secured Parties or the Issuer, without prejudice to its right in respect of any further or other breach, condition, event or act from time to time and at any time, but only if and in so far as in its opinion the interests of Noteholders will not be materially prejudiced thereby, (i) authorise or waive, on such terms and conditions (if any) as shall seem expedient to it, any proposed or actual breach of any of the covenants or provisions contained in or arising pursuant to the Pledge Agreement, the Notes or any of the Transaction Documents, or (ii) determine that any breach, condition, event or act which constitutes (and/or which, with the giving of notice or the lapse of time and/or the Security Agent making any relevant determination and/or issuing any relevant certificate would constitute) but for such determination, an Event of Default shall not, or shall not subject to specified conditions, be treated as such for the purposes of the Pledge Agreement. Any such authorisation, waiver or determination pursuant to this clause shall be binding on the Noteholders and if, but only if, the Security Agent shall so require, notice thereof shall be given to the Noteholders and the Rating Agencies.

(e) Reliance

In determining whether or not any power, trust, authority, duty or discretion or any change, event or occurrence under or in relation to the Conditions or any of the Transaction Documents will be:

(i) materially prejudicial to the interests of Noteholders;

(ii) exposing the Security Agent to any additional liability;

(iii) adding to or increasing the obligations, liabilities or duties, or decreasing the protections, of the Security Agent or the Noteholders in respect of the Notes, the Conditions or the Transaction Documents; or

(iv) resulting in the Transaction to not comply with the requirements set out in the Securitisation Regulation,

the Security Agent shall be able to rely on, and act on any advice or opinion of or any certificate obtained from a valuer, accountant, banker, broker, securities company or other company other than the Rating Agencies, or any certificate obtained in accordance with the provisions of Condition 4.11(c) above, whether obtained by itself or the Issuer and it shall not be liable for any loss occasioned by such action, save where such loss is due to its Gross Negligence, wilful misconduct or fraud. Concurrently, the Security Agent may, along with any other relevant factors, have regard for whether the Rating Agencies have confirmed that the then current rating of the Notes, would not be adversely affected by such change, event or occurrence. The fact that the current ratings of the Notes would not be adversely affected shall not be construed to mean that any such exercise, change, event or occurrence is not materially prejudicial to the interests of the Noteholders.

(f) Conflicts of interest

In connection with the exercise of its powers, authorities and discretions, the Security Agent shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequence of such exercise for individual Noteholders.

The Security Agent shall take account of the interests of the Secured Parties to the extent that there is no conflict amongst them. To the extent that:

(i) an actual conflict exists or is likely to exist between the interests of the Secured Parties in relation to any material action, decision or duty of the Security Agent under or in relation to the Pledge Agreement and the Conditions; and

(ii) any of the Transaction Documents and the Conditions give the Security Agent a material discretion in relation to such action, decision or duty;

the Security Agent shall always have regard to the interests of the Noteholders in priority to the interests of the other Secured Parties.

For so long as there are any Notes outstanding, the Security Agent is to have regard solely to the interests of the Noteholders if, in the Security Agent's opinion, there is a conflict between the interests of (a) the Noteholders and (b) any other Secured Parties.

Further, to the extent that:

(A) an actual conflict exists or is likely to exist between the interests of the Issuer, the Secured Parties and the interests of KBC Bank NV in its capacity as Seller in relation to any material action, decision or duty of the Security Agent under or in relation to the Pledge Agreement and any other Transaction Document; and

(B) the Pledge Agreement and any other Transaction Document gives the Security Agent a material discretion in relation to such action, decision or duty;

then the Security Agent shall have regard to the interests of the Issuer and the Secured Parties (other than KBC Bank NV in its capacity as Seller) in priority to the interests of the Seller.

(g) Replacement of the Security Agent

The Noteholders shall be entitled to terminate the appointment of the Security Agent by an Extraordinary Resolution notified to the Issuer and the Security Agent, provided that:

(i) in the same resolution a substitute security agent is appointed; and

(ii) such substitute security agent meets all legal requirements to act as security agent and common representative and accepts to be bound by the terms of the Transaction Documents in the same way as its predecessor.

If any of the following events (each a "**Common Representative Termination Event**") occurs, namely:

(i) an order is made or an effective resolution is passed for the dissolution (*ontbinding / dissolution*) of the Security Agent except a dissolution (*ontbinding / dissolution*) for the purpose of a merger where the Security Agent remains solvent; or

(ii) the Security Agent ceases or threatens to cease to carry on its business or a substantial part of its business or stops payment or threatens to stop payment of its debts or becomes unable to pay its debts as they fall due or the value of its assets falls to less than the amount of its liabilities (taking into account for both these purposes its contingent and prospective liabilities) or otherwise becomes insolvent; or

(iii) the Security Agent defaults in the performance or observance of any of its material covenants and obligations under the Pledge Agreement or any other Transaction Document and (except where such default is incapable of remedy, when no such continuation and/or

notice shall be required) such default continues unremedied for a period of thirty (30) Business Days after the earlier of the Security Agent becoming aware of such default and receipt by the Security Agent of written notice from the Issuer requiring the same to be remedied; or

(iv) the Security Agent becomes subject to any bankruptcy (*faillissement / faillite*), judicial reorganisation (*gerechtelijke reorganisatie / réorganisation judiciaire*), as applicable, or other insolvency procedure under applicable laws; or

(v) the Security Agent is unable to perform its material obligations under the Pledge Agreement for a period of twenty (20) Business Days by circumstances beyond its reasonable control or *force majeure*; or

(vi) the Security Agent no longer meets the conditions set out in the UCITS Act and any implementing royal decrees containing the requirements for the appointment of an agent for Noteholders in accordance with Article 271/12 of the UCITS Act;

then the Issuer shall by notice in writing terminate the powers delegated to the Security Agent under the Pledge Agreement and the Transaction Documents with effect from a date (not earlier than the date of the notice) specified in the notice and appoint a substitute security agent selected by the Issuer which shall act as security agent until a new security agent is appointed by the general meeting of Noteholders which shall promptly be convened by the Issuer. Upon such selection being made and notified by the Issuer to the Secured Parties in a way deemed appropriate by the Issuer all rights and powers granted to the company then acting as Security Agent shall terminate and shall automatically be vested in the substitute security agent so selected. All references to the Security Agent in the Transaction Documents shall where and when appropriate be read as references to the substitute security agent as selected and upon vesting of rights and powers pursuant this clause.

The Security Agent shall be entitled to terminate its appointment at any time by written notice to the Issuer, the other Secured Parties and the Rating Agencies if it reasonably believes that its performance, or any aspect of it, results, or might result, in it or any entity of its network, breaching any legal, regulatory, ethical or independence requirement in any jurisdiction. Notwithstanding the foregoing, the Security Agent may also agree to variations to the Transaction Documents or the Conditions to avoid such breach. The termination of the appointment of the Security Agent shall not take effect before a substitute security agent selected by the Issuer has been appointed by the general meeting of Noteholders which shall promptly be convened by the Issuer upong having received the termination notice of the Security Agent, unless the continued appointment of the Security Agent would result in a regulatory or independence breach in which case the termination of the appointment will take effect immediately before such regulatory breach occurs, provided that the Security Agent shall have given at least 7 Business Days prior written notice of termination of its appointment to the Issuer. In that case, the Issuer shall appoint a substitute security agent selected by the Issuer which shall act as security agent until a new security agent is appointed by the general meeting of Noteholders, which shall promptly be convened by the Issuer.

Such termination shall also terminate the appointment and power of attorney by the other Secured Parties. The other Secured Parties hereby irrevocably agree that the substitute security agent shall from the date of its appointment act as attorney (*mandataris / mandataire*) of the other Secured Parties on the terms and conditions set out in these Conditions and the Transaction Documents.

The Security Agent shall not be discharged from its responsibilities under the Pledge Agreement until a suitable substitute security agent, which has been accepted by the Issuer and the Noteholders (such approval not being unreasonably withheld) is appointed.

(h) Accountability, Indemnification and Exoneration of the Security Agent

If so requested in advance by the board of directors of the Issuer, the Security Agent shall report to the general meeting of Noteholders on the performance of its duties under the Pledge Agreement and the Transaction Documents provided such request is notified by registered mail no later than ten (10) Business Days prior to the relevant general meeting of Noteholders. The board of directors of the Issuer shall require such report if so requested by those Noteholders who have requested that such general meeting be convened.

The Transaction Documents contain provisions governing the responsibility (and relief from responsibility) of the Security Agent and providing for its indemnification in certain circumstances, including provisions relieving the Security Agent from taking enforcement proceedings or enforcing the Security Interests unless indemnified to its satisfaction.

The Security Agent shall not be liable to the Issuer or any of the Secured Parties (other than the Security Agent) in respect of any loss or damage which arises out of the exercise, or the attempted exercise of, or the failure to exercise any of its powers or any loss resulting there from, except that the Security Agent shall be liable for such loss or damage that is caused by its Gross Negligence, wilful misconduct or fraud.

The Security Agent shall not be responsible for any loss, expense or liability which may be suffered as a result of any assets comprised in the Pledged Assets, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of the Servicer or any agent or related company of the Servicer or by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Security Agent.

The Security Agent shall have no liability for any breach of or default under its obligations under the Transaction Documents if and to the extent that such breach is caused by any failure on the part of the Issuer, any of the Secured Parties (other than the Security Agent) to duly perform any of their material obligations under any of the Transaction Documents. In the event that the Security Agent is rendered unable to duly perform its obligations under the Transaction Documents by any circumstances beyond its control (*overmacht / force majeure*), the Security Agent shall not be liable for any failure to carry out its obligations under the Transaction Documents which are thus affected by the event in question and, for so long as such circumstances continue, its obligations under the Transaction Documents which are thus affected will be suspended without liability for the Security Agent.

The Security Agent shall not be responsible for monitoring the compliance by any of the other parties (including the Issuer and the Servicer) with their obligations under the Transaction Documents. The Security Agent may, until it has actual knowledge or express notice to the contrary, assume the Issuer and the Servicer are observing and performing all their obligations under any of the Transaction Documents and in any notices or acknowledgements delivered in connection with any such Transaction Documents.

The Security Agent shall not be responsible for ensuring that any Security Interest is created by, or continues to be managed by, the Issuer, the Security Agent, or any other person in such a manner as to create or maintain sufficient control to obtain the type of Security Interest described in the Pledge Agreement in relation to the assets of the Issuer which are purported to be secured thereby, provided that it complies with the provisions of the Transaction Documents.

Except if such meeting is convened by the Security Agent, but only to the extent that any defect has arisen directly from the Security Agent's Gross Negligence, wilful misconduct or fraud, the Security Agent shall not be liable for acting upon any resolution purporting to have been passed at any meeting of the Noteholders in respect whereof minutes have been made and signed even though subsequent to its acting it may be found that there was some defect in the constitution of the meeting

or passing of the resolution or that for any reason the resolution was not valid or binding upon such Noteholders.

If the Security Agent has acted upon such resolution, each Noteholder shall forthwith on demand indemnify the Security Agent for its *pro rata* share in any liability, loss or expense incurred or expected to be incurred by the Security Agent in any way relating to or arising out of its acting as Security Agent in respect of that resolution, except to the extent that the liability or loss arises directly from the Security Agent's Gross Negligence, wilful misconduct or fraud. The liability shall be divided between the Noteholders *pro rata* according to the respective Principal Amount Outstanding of the Notes held by each of them respectively.

(i) Instructions and indemnity

The Security Agent shall not be bound to take any action under its powers or duties other than those referred to in paragraph (i), (iii) and (v) of Condition 4.11(b) and Condition 4.11(c) unless:

(A) it shall have been directed to do so by an Extraordinary Resolution of the holders of the Notes then outstanding; or it shall have been requested to do so by the holders of not less than fifty (50) per cent. in Principal Amount Outstanding of the Notes then outstanding and held by External Investors; or it shall have been requested to do so by the holders of not less than ten (10) per cent in Principal Amount Outstanding of the Notes then outstanding; and

(B) it shall in all cases have been indemnified to its satisfaction against all liability, proceedings, claims and demands to which it may be or become liable and all costs, charges and expenses which may be incurred by it in connection therewith, save where these are due to its own Gross Negligence, wilful misconduct or fraud.

Whenever the interests of the Noteholders are or can be affected in the opinion of the Security Agent, the Security Agent may – if indemnified to its satisfaction - take legal action on behalf of the Noteholders and represent the Noteholders in any insolvency proceeding and any other legal proceedings initiated against the Issuer or any other party to a Transaction Document.

The Security Agent can under no circumstances, including the situation wherein Noteholders' instruction or approval cannot be obtained for whatever reason, be required to act without it being remunerated and indemnified or secured to its satisfaction.

The Security Agent shall be indemnified by the Issuer and held harmless, in respect of any and all liabilities and expenses incurred by it or by anyone appointed by it or to whom any of its functions may be delegated by it in carrying out its functions.

4.12 Meetings of Noteholders, Modifications and Waivers

The Articles 568 to 580 of the Company Code (*Wetboek van vennootschappen / Code des sociétés)* shall only apply to the extent that the Conditions, the articles of association of the Issuer or the Transaction Documents do not contain provisions which differ from the provisions contained in such articles.

The Pledge Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting the interests of Noteholders, including proposals by Extraordinary Resolution to modify, or to sanction the modification of the Notes (including these Conditions) or the provisions of any of the Transaction Documents.

Any resolution passed at a meeting of the Noteholders duly convened and held in accordance with the Conditions shall be binding upon all the Noteholders whether present or not present at such

meeting and whether or not voting, provided that no Basic Terms Modification shall be effective unless the modification is approved by an Extraordinary Resolution in accordance with the rules set out in the Pledge Agreement for approving a Basic Terms Modification, except that if the Security Agent is of the opinion that such Basic Terms Modification is being proposed by the Issuer as a result of, or in order to avoid an Event of Default, no such Extraordinary Resolution is required. For the avoidance of doubt, any modification (regardless of whether such modification is a Basic Terms Modification or not), shall require the consent of the Issuer.

The Board of Directors of the Issuer or the Auditors for the time being of the Issuer may at any time or upon a request in writing of (i) Noteholders holding not less than one-tenth of the Principal Amount Outstanding of the Notes for the time being outstanding, (ii) Noteholders holding not less than fifty (50) per cent. of the Principal Amount Outstanding of the Notes for the time being outstanding and held by External Investors, or (iii) the Security Agent (subject to its being indemnified to its satisfaction against all costs and expenses thereby occasioned), shall convene a general meeting of the Noteholders.

Any variation, modification, abrogation, cancellation or waiver of certain terms, including the date or priority of redemption of any of the Notes, any modification which would have the effect of postponing any day for payment of interest thereon, reducing or cancelling the amount of principal payable in respect of the Notes or the rate of interest applicable thereto unless such reduction or cancellation results from the change to an Alternative Base Rate as referred to under Condition 4.11(c)(v) or altering the currency of payment thereof or of the majority required to pass an Extraordinary Resolution or altering the definition of an Event of Default, or altering the Security Agent's duties in respect of the Security Interests is referred to herein as a "**Basic Terms Modification**".

The quorum at any meeting of Noteholders for passing an Extraordinary Resolution (other than where the business of such meeting includes the proposal of a Basic Terms Modification (as defined above)) will be one or more persons holding or representing over fifty (50) per cent. of the Principal Amount Outstanding of the Notes then outstanding or at any adjourned meeting one or more persons being or representing Noteholders (as the case may be) whatever the Principal Amount Outstanding of the Notes then outstanding so held or represented and no business (other than the choosing of a chairman) shall be transacted at any such meeting unless the requisite quorum be present at the commencement of business. The quorum at any meeting of Noteholders for passing an Extraordinary Resolution in respect of a Basic Terms Modification shall be (i) one or more persons holding or representing not less than seventy-five (75) per cent. of the Principal Amount Outstanding of the Notes then outstanding and (ii) if any of the Notes are being held by External Investors, one or more persons holding or representing not less than seventy-five (75) per cent. of the Principal Amount Outstanding of the Notes then outstanding and held by such External Investors or, at any adjourned meeting, (i) one or more persons representing not less than twenty-five (25) per cent. of the Principal Amount Outstanding of the Notes then outstanding and (ii) if any of the Notes are being held by External Investors, one or more persons representing not less than twenty-five (25) per cent. of the Principal Amount Outstanding of the Notes then outstanding and held by External Investors.

"**External Investors**" means any person or entity other than (i) the Issuer, (ii) the Seller or (iii) any Affiliated Entity of the Issuer or the Seller.

"**Affiliated Entity**" means a Subsidiary or a Holding Company of a person or any other Subsidiary of that Holding Company.

"**Subsidiary**" means an entity of which a person has direct or indirect control or owns directly or indirectly more than 50 per cent. of the voting capital or similar right of ownership and **control** for this purpose means the power to direct the management and the policies of the entity whether through the ownership of voting capital, by contract or otherwise.

"**Holding Company**" of any other person, means a person in respect of which that other person is a Subsidiary.

The majority required for an Extraordinary Resolution shall be (i) seventy-five (75) per cent. of the votes cast on that resolution and (ii) if any of the Notes are being held by External Investors, seventy-five (75) per cent. of the votes cast with respect to Notes held by External Investors, whether on a show of hands or a poll.

The majority for every resolution other than an Extraordinary Resolution shall be a simple majority.

At any general meeting (a) on a show of hands every Noteholder (being an individual) who is present in person and produces a block voting certificate with respect to a Note or is a proxy shall have one vote and (b) on a poll, every person who is so present shall have one vote in respect of each EUR 250,000 in Principal Amount Outstanding of Notes so represented by the block voting certificate so produced or in respect of which that person is a proxy.

The Seller and the Issuer shall, and will cause any Affiliated Entity of the Issuer or the Seller to, indicate their identity on each block voting certificate or proxy. The Security Agent may request Noteholders to identify themselves for the purpose of determining whether they are External Investors.

The Issuer may with the consent of the Security Agent and without the consent of the Noteholders prescribe such other or further regulations regarding the holding of meetings of Noteholders and attendance and voting thereat as are necessary to comply with Belgian law.

4.13 Notice to Noteholders

Notices to the Noteholders shall be valid if delivered by or on behalf of the Issuer to the Securities Settlement System Operator for communication by it to the participants of the Securities Settlement System. Any such notice shall be deemed given on the date and at the time it is delivered to the Securities Settlement System.

For so long as the Notes are admitted to listing and trading on a regulated market, any notices to Noteholders must also be published in accordance with the rules and regulations applying in respect of such market at the relevant time.

In addition to the above, with respect to notices for meetings of Noteholders, convening notices for the general meeting of Noteholders will include an agenda setting out the matters to be considered during the meeting and the proposed decisions, and will be issued at least fifteen (15) calendar days before the date of the meeting, but the Security Agent shall not be responsible for any failure to comply with such notice requirements if nevertheless any meeting of Noteholders is duly convened and held in accordance with the Company Code, Condition 4.12 hereof and the relevant provisions contained in the Pledge Agreement.

Notices to the Noteholders of the availability of the reports and of meetings of Noteholders will also be given by delivery of the relevant notice to the Securities Settlement System Operator for communication by it to the relevant account holders. No notifications in any such form will be required for convening meetings of Noteholders if all Noteholders have been identified and have been given an appropriate notice by registered mail.

Notices specifying a Monthly Payment Date, a Floating Rate of Interest, an Interest Amount, a Principal Redemption Amount (or absence thereof) or a Principal Amount Outstanding or relating generally to payment dates, payments of interest, interest rates, repayments of principal and other relevant information with respect to the Notes shall be deemed to have been duly given if the

information contained in such notice appears on the relevant page of Bloomberg or such other medium for the electronic display of data as may be approved by the Security Agent and notified to the Noteholders (the **"Relevant Screen"**) at least two (2) Business Days before a Monthly Payment Date. Any such notice shall be deemed to have been given on the first date on which such information appeared on the Relevant Screen or if it is impossible or impracticable to give notice in accordance with this paragraph then notice of the matters referred to in this Condition shall be given in accordance with the preceding paragraph. Such notices may also be distributed by the Arranger or the Security Agent to the extent the Noteholders have been identified.

4.14 Governing Law

The Notes and all Transaction Documents other than the documents set out hereafter are governed by, and should be construed in accordance with, Belgian law.

The Swap Agreement is governed by, and should be construed in accordance with, English law.

The courts of Brussels, Belgium are to have jurisdiction to settle any dispute which may arise out of or in connection with the Notes and the Transaction Documents, with the exception of the Swap Agreement.

The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Swap Agreement.

PURCHASE AND SALE

KBC Bank NV (the "**Manager**") has pursuant to a subscription agreement to be dated on or about 8 February 2019, entered into between the Manager and the Issuer and the Seller (the "**Subscription Agreement**") agreed with the Issuer, subject to certain conditions, to subscribe and pay for or to procure subscription and payment for the Notes at their respective issue prices. KBC Bank NV may acquire a substantial part of the Notes, which may result in KBC Bank NV holding a participation exceeding seventy-five (75) per cent. of the Principal Amount Outstanding of the Notes. In addition, Affiliated Entities of KBC Bank NV may also subscribe to the Notes. The Issuer has agreed to pay certain fees and to indemnify and reimburse the Arranger and the Manager against certain liabilities and expenses in connection with the issue of the Notes.

General

The distribution of this Prospectus and the offering and sale of the Notes in certain jurisdictions may be restricted by law; persons into whose possession this Prospectus comes are required by the Issuer and the Manager to inform themselves about and to observe any such restrictions, including those set out in the following paragraphs. No action has been taken or will be taken in any jurisdiction that would permit a public offering of the Notes, or possession or distribution of this Prospectus or any other offering material in any country or jurisdiction where action for that purpose is required. This Prospectus or any part thereof does not constitute an offer, or an invitation to sell or a solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.

The Manager has undertaken not to offer or sell directly or indirectly any Notes, or to distribute or publish this Prospectus or any other material relating to the Notes in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

General Holding and Transfer Restrictions

The Notes are only offered, directly or indirectly to holders ("**Eligible Holders**") who satisfy the following criteria:

(a) they qualify as a qualifying investor within the meaning of Article 5, §3/1 of the UCITS Act ("**Qualifying Investors under the UCITS Act**"), acting for their own account:

(b) they do not constitute investors that, in accordance with the annex, section (I), second indent, of the Royal Decree of 19 December 2017 concerning further rules for implementation of the directive on markets in financial instruments ("**Mifid II**"), have registered to be treated as non-professional investors; and

(c) they qualify as a holder of an exempt securities account ("**X-account**") with the Securities Settlement System operated by the National Bank of Belgium or with a participant in such system and will use that X-account for the holding of the Notes.

The Notes may only be acquired, by direct subscription, by transfer or otherwise and may only be held by Eligible Holders.

A list of for the time being Qualifying Investors under the UCITS Act is attached as Annex I.

The minimum investment required per investor acting for its own account is EUR 250,000.

Any acquisition of a Note by or transfer of a Note to a person who is not an Eligible Holder shall be void and not binding on the Issuer and the Security Agent. If a Noteholder ceases to be an Eligible Holder, it is

obliged to report this to the Issuer and it will promptly transfer the Notes it holds to a person that qualifies as an Eligible Holder.

Each payment of interest on Notes of which the Issuer becomes aware that they are held by a holder that does not qualify as an Eligible Holder will be suspended.

The Manager will not, after the initial distribution, offer and sale of the Notes as provided in the Subscription Agreement, have any obligation whatsoever to ensure that the Notes are offered, sold, delivered or held by Eligible Holders.

In addition, the following sale and purchase restrictions will apply:

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), the Manager have represented and agreed that it has not made and will not make an offer of the Notes to the public in that Relevant Member State, except that it may make an offer of the Notes to the public in that Relevant Member State at any time:

(a) to any legal entity which is a qualified investors as defined in the Prospectus Directive;

(b) to fewer than 100, or, if the Relevant Member State has implemented the relevant provision of the Directive 2010/73 (amending the Prospectus Directive) 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive; or

(c) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 (2) of the Prospectus Directive,

provided always that such offering shall be restricted to Eligible Holders only and that such offer shall not require the Issuer or the Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of the Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State. This expression "offer of the Notes to the public" should however not be understood as defined in the Prospectus Directive.

The Issuer does not intend to request that the FSMA provides the competent authority of other EEA Member States a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive. In any EEA Member State, offers of Notes can only be made pursuant to an exemption from the obligation under the Prospectus Directive as implemented in such Member State, to publish a prospectus.

Prohibition of sales to EEA retail investors – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point

(10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "**Prospectus Directive**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

Kingdom of Belgium

The Prospectus and related documents are not intended to constitute a public offer in Belgium and may not be distributed to the Belgian public and no steps may be taken which would constitute or result in a public offering in Belgium. This offering constitutes a private placement and this Prospectus has been submitted to the FSMA only for the purpose of the admission to trading of the Notes on Euronext Brussels

Any offer will be made in Belgium exclusively to investors ("**Eligible Holders**") who satisfy the following criteria:

(a) qualify as a qualifying investor within the meaning of Article 5, §3/1 of the UCITS Act ("**Qualifying Investors under the UCITS Act**"), acting for their own account:

(b) they do not constitute investors that, in accordance with the annex, section (I), second indent, of the Royal Decree of 19 December 2017 concerning further rules for implementation of the directive on markets in financial instruments ("**MIFID II**"),, have registered to be treated as non-professional investors; and

(c) qualify as a holder of an exempt securities account ("**X-account**") with the Securities Settlement System operated by the National Bank of Belgium or with a participant in such system and will use that X-account for the holding of the Notes.

The Notes may only be acquired, by direct subscription, by transfer or otherwise and may only be held by Eligible Holders.

The minimum investment required per investor acting for its own account is EUR 250,000.

This Prospectus is intended for the confidential use of the offeree, and may not be reproduced or used for any other purpose.

United Kingdom

The Manager has represented and agreed that (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**UK FSMA**")) in connection with the issue or sale of the Notes in circumstances in which Section 21 (1) of the UK FSMA does not apply to the Issuer and (ii) it has complied and will comply with all applicable provisions of the UK FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

United States

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act and as defined under the U.S Risk Retention Rules) except in certain transactions exempt from or not just subject to the registration requirements of the Securities Act. Terms used in this paragraph have the meaning given to them

by Regulation S under the Securities Act. The Issuer has not been and will not be registered as an investment company under the U.S. Investment Company Act of 1940, as amended.

The Manager has agreed that it will not offer, sell or deliver the Notes (i) as part of its distribution at any time or (ii) otherwise until forty (40) days after the completion of the distribution as determined and certified by the Manager within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S of the Securities Act and it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration to which it sells Notes during the distribution compliance period (as defined in Regulation S) a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meaning given to them by Regulation S under the Securities Act.

Excluded holders

The Notes may not be acquired by a Belgian or foreign transferee who is not subject to income tax or who is, as far as interest income is concerned, subject to a tax regime that is deemed by the Belgian tax authorities to be significantly more advantageous than the common Belgian tax regime applicable to interest income (within the meaning of Articles 54 and 198, 11° of the Belgian Income Tax Code 1992).

Furthermore, no Notes may be acquired by a Belgian or foreign transferee that qualifies as an "affiliated company" (within the meaning of Article 11 of the Belgian Company Code) of the Issuer, save where such transferee also qualifies as a "financial institution" referred to in Article 56, §2, 2° of the Belgian Income Tax Code 1992.

Finally, Notes may not be acquired by a foreign transferee being a resident of or having an establishment in, or acting, for the purposes of the Notes, through a bank account held on a tax haven jurisdiction as referred to in Article 307, §1/2 of the Belgian Income Tax Code of 1992 or any successor provision.

DEFINED TERMS

In addition to the terms defined in this Prospectus, the following terms have the following meaning:

"**Additional Security**" means with regard to any Mortgage Loan, all claims, whether contractual or in tort, against any Insurance Company, notary public, Mortgage Registrar, public administration, property expert, broker or any other person in connection with such Mortgage Loans or the related Mortgaged Assets or Loan Security or in connection with the Seller's decision to grant such Mortgage Loans and in general any other security or guarantee other than the Loan Security created or existing in favour of the Seller as security for a Mortgage Loan;

"**Agreed Form**" means, in relation to any document, the form of the document which has been agreed between the parties thereto;

"**Collateral Law**" means the Law of 15 December 2004 on financial collateral (*Wet van 15 december 2004 betreffende financiële zekerheden en houdende diverse fiscale bepalingen inzake zakelijke-zekerheidsovereenkomsten en leningen met betrekking tot financiële instrumenten / Loi du 15 décembre 2004 relative aux sûretés financières et portant des dispositions fiscales diverses en matière de conventions constitutives de sûreté réelle et de prêts portant sur des instruments financiers*), as amended from time to time;

"**Compartment**" means a compartment within the meaning of article 271/11 of the UCITS Act;

"**Compartment Home Loan Invest 2019**" means the Compartment of the Issuer to which the assets and liabilities relating to the Mortgage Receivables and the Notes are allocated (*Compartiment Home Loan Invest 2019*);

"**Contract Records**" means the file or files, books, magnetic tapes, disks, cassettes or such other method of recording or storing information from time to time relating to each Mortgage Loan and Related Security, containing, *inter alia*, (i) the Mortgage Deeds and all material records and correspondence relating to the Mortgage Loans, the Loan Security and Additional Security and/or the Borrower, (ii) the completed Standard Loan Documentation applicable to the Mortgage Loan and (iii) any payment, arrears and status reports maintained by the Servicer;

"**Constant Prepayment Rate**" or "**CPR**" means the prepayment speed of the underlying collateral;

"**Counterparty Risk Assessment**" means the "counterparty risk assessment" of the relevant counterparty, as such term is referred to in the guidelines published by Moody's in March 2015 (*inter alia*, "Global Structured Finance Operational Risk Guidelines" (March 16, 2015) and "Rating Symbols and Definition" (March 2015))

"**Credit Policies**" means the procedures, policies and practices currently applied by the Seller with regard to the origination, credit collection and administration and underwriting criteria of its Mortgage Loans, provided that if the Seller no longer acts as Servicer, any collection and administration procedures and policies to be agreed between the Issuer and the new servicer;

"**Current LTV**" or "**CLTV**" means the ratio between (i) the sum of (x) the aggregate outstanding principal amount of all Existing Loans secured by the same Mortgage(s) as a Mortgage Receivable and (y) the Outstanding Principal Amount of such Mortgage Receivable, and (ii) the non-indexed value of the Mortgaged Asset(s);

"**Cut-Off Date**" means 31 January 2019;

"**Debt Insurance Policy**" means any insurance policy covering the risk of death of any Borrower of a Mortgage Loan (*schuldsaldoverzekering/assurance solde restant dû*);

"**Deferred Purchase Price Available Amount**" means, on any Monthly Payment Date, an amount equal to:

(a) prior to delivery of an Enforcement Notice, the positive difference, if any, between the Notes Interest Available Amount as calculated on each Monthly Calculation Date and the sum of all amounts payable by the Issuer as set forth in the Interest Priority of Payments under (i) up to and including (xiv); or, as the case may be,

(b) following delivery of an Enforcement Notice, the amount remaining after all the payments as set forth in the Priority of Payments upon Enforcement under (i) up to and including (xi) (see Credit Structure above) on such date have been made.

"**Defaulted Receivable**" means a Mortgage Receivable which has been accelerated by the Servicer in accordance with the Credit Policies and in relation to which the Servicer has opened a special debt recovery account in accordance with the Credit Policies.

"**Disputed Mortgage Receivable**" means any Mortgage Receivable in respect of which payment is disputed (in whole or in part, with or without justification) by the Borrower of such Mortgage Loan, or in respect of which a set-off or counterclaim is being claimed by such Borrower; for the avoidance of doubt, a Mortgage Receivable shall not be a Disputed Mortgage Receivable by reason merely of the fact that any payment thereunder is not made, that the Borrower is in default, insolvent or subject to a *collectieve schuldenregeling / règlement collectif de dettes*, that the Borrower is seeking from the courts the benefit of a grace period, or that there is a conciliation procedure (whether successful or not) in respect of this Mortgage Loan under Article VII. 147 of the Code of Economic Law;

"**Existing Loan**" means any loan or advance originated by the Seller that is secured by the same All Sums Mortgage as a Mortgage Loan (whether the All Sums Mortgage was created before or after the loan or advance was originated) and any advance made available by the Seller under a revolving facility (*kredietopening / ouverture de crédit*) that is secured by the same Mortgage as a Mortgage Loan, before the Closing Date and which has not been transferred to the Issuer;

"**Extraordinary Resolution**" means a resolution passed at a meeting of Noteholders convened and held in accordance with the Pledge Agreement by a majority of not less than (i) seventy-five (75) per cent. of the votes cast on that resolution and (ii) seventy-five (75) per cent. of the votes cast with respect to Notes held by External Investors, whether on a show of hands or a poll;

"**Fitch Required Minimum Ratings**" means: (i) a short-term IDR of at least F1 by Fitch (the **Fitch Required Minimum Short Term Rating**); or (ii) a deposit rating (if available) or long term IDR of at least A by Fitch (the **Fitch Required Minimum Long Term Rating**).

"**FSMA**" means the Financial Services and Markets Authority (*Autoriteit voor Financiële Diensten en Markten / Autorité des services et marchés financiers*), formely named the Belgian Banking, Finance and Insurance Commission (*Commissie voor het Bank-, Financie- en Assurantiewezen / Commission bancaire, financière et des assurances*) and renamed pursuant to the Royal Decree of 3 March 2011 regarding the evolution of the financial supervisory architecture for the financial sector (*Arrêté royal mettant en oeuvre l'évolution des structures de contrôle du secteur financier / Koninklijk besluit betreffende de evolutie van de toezichtstructuur voor de financiële sector*).

"**Further Loan**" means any loan or advance originated by the Seller that is secured by the same All Sums Mortgage as a Mortgage Loan and any advance made available by the Seller under a revolving facility (*kredietopening/ouverture de crédit*) that is secured by the same Mortgage as a Mortgage Loan, after the Closing Date or and which has not been transferred to the Issuer;

"**Hazard Insurance Policy**" means an insurance covering fire and/or kindred perils in respect of any Mortgaged Assets;

"**Instalments**" means in respect of any Mortgage Loan, the aggregate amount of principal and interests which is scheduled to be payable on a particular date or after a particular period in accordance with the contractual terms of such Mortgage Loan (as amended from time to time);

"**Insurance Company**" means any insurance company granting a Hazard Insurance or a Debt Insurance (in respect of a Mortgage Loan);

"**Insurance Policy**" means any and all Hazard Insurance Policy or Debt Insurance Policy.

"**Loan Security**" means in respect of a Mortgage Loan, any Mortgage and, as the case may be, Mortgage Mandate, all rights, title, interest and benefit relating to any Insurance Policies, any guarantee provided for such Mortgage Loan, any assignment of salaries *(loonsoverdracht / cession de salaire)* that the Borrower may earn and any other type of any mortgage *(hypotheek / hypothèque)*, privilege *(voorrecht / privilège)*, pledge, encumbrance, assignment, right of retention, subordination, right of set-off or any security interest whatsoever, however so created or arising whether relating to existing or future assets, each to the extent expressly referred to in the loan documentation governing the Mortgage Loan;

"**LTM**" means the ratio between (i) the sum of (x) the aggregate outstanding principal amount of all Existing Loans secured by the same first-ranking Mortgage that secures a Mortgage Receivable and/or provided that the benefit of all higher ranking Mortgage(s) has been transferred to the Issuer, the lower ranking Mortgage(s) that secure a Mortgage Receivable and (y) the Outstanding Principal of such Mortgage Receivable, and (ii) the total secured amount for which such first-ranking Mortgage and/or lower ranking Mortgage(s) have been registered at the Mortgage Register;

"**MAS Law**" means Title XVII of Book III of the Belgian Civil Code, as amended by the law of 11 July 2013 amending the Belgian Civil Code in respect of security on movable assets and abolishing various relevant provisions, as amended from time to time.

"**Member State**" means a member state of the European Union;

"**Monthly Calculation Date**" means the fourth Business Day prior to such Monthly Payment Date;

"**Monthly Calculation Period**" means a period starting on the first day of each month and ending on the last day of such month;

"**Moody's Required Minimum Ratings**" means a rating of at least A3 by Moody's in respect of the long-term unsecured, unsubordinated and unguaranteed debt obligations;

"**Mortgage**" means, in relation to each Mortgage Loan, a mortgage (*hypotheek* / *hypothèque)* as such term is construed under Belgian law securing the Mortgage Loan, together with the benefit of all rights relating thereto, including, for the avoidance of doubt, a mortgage created for the benefit of the Issuer pursuant to the exercise of a Mortgage Mandate;

"**Mortgage Deed**" means notarially certified copies of the notarial deeds constituting the mortgage loans;

"**Mortgage Mandate**" means, in relation to each Mortgage Loan, an irrevocable power of attorney granted by a Borrower or a third party collateral provider to certain attorneys to create a mortgage as security for the Mortgage Loan and, as the case may be, all other amounts which the Borrower owes or in the future may owe to the Seller;

"**Mortgage Register**" means the office (*hypotheekkantoor / bureau des hypothèques*) where mortgages are or are to be registered in accordance with the Mortgage Law;

"**Mortgage Registrar**" means the person (*hypotheekbewaarder / conservateur des hypothèques*) who registers mortgages at the Mortgage Register in accordance with the Mortgage Law;

"**Original LTV**" or **"OLTV**" means the ratio between (i) the sum of (x) the secured amount for which a Mortgage on a Mortgaged Asset has been registered and (y) the maximum secured amount for which a Mortgage on a Mortgaged Asset can be registered pursuant to a mortgage mandate granted in favour of the Seller, and (ii) the non-indexed value of the Mortgaged Asset.

"**Prepayment Penalty**" means a prepayment penalty due in the event of a voluntary prepayment of principal on any Mortgage Loan prior to its scheduled due date in accordance with the provisions for prepayments provided for in the contractual terms of such Mortgage Loans and in accordance with Book VII, Title 4, Chapter 2 of the Code of Economic Law ;

"**Real Estate**" means a real property or soil destined for real property construction located in Belgium;

"Redemption Event" means a sale of all (but not only part of) the Mortgage Receivables by the Issuer to the Seller or a third party (i) following the exercise by the Seller of the Clean-up Call Option, (ii) following the exercise by the Seller of the Regulatory Call Option, (iii) following the exercise by the Issuer of the Optional Redemption in case of Ratings Downgrade, (iv) following the exercise by the Issuer of the Optional Redemption in case of Change of Law or (v) upon redemption of the Notes by the Issuer on an Optional Redemption Date.

"**Related Security**" means the Loan Security and the Additional Security;

"**Required Minimum Ratings**" means the Fitch Required Minimum Ratings and the Moody's Required Minimum Ratings;

"**Seller Loans**" means the Existing Loans and the Further Loans;

"**Share Capital Account**" means the bank account of the Issuer, acting through its Compartment Home Loan Invest 2019, held with the Account Bank to which certain amounts payable to the Issuer under the Pledge Agreement will be transferred;

"**Standard Loan Documentation**" means the standard documents and forms used for originating Mortgage Loans through the network and according to the procedures of the Seller, attached as Schedule 1 to the Mortgage Receivables Purchase Agreement;

"**Tax Deduction**" means any deduction or withholding on account of any Tax, duties, assessment or charges of whatever nature imposed or levied by or on behalf of the Kingdom of Belgium or any political subdivision or authority thereof or therein;

"**UCITS Act**" means the Act of 3 August 2012 on institutions for collective investment that satisfy the criteria of directive 2009/65/EC and on institutions for investment in receivables (*Wet betreffende de instellingen voor collectieve belegging die voldoen aan de criteria van Richtlijn 2009/65/EG en de instellingen voor belegging in schuldvorderingen / Loi relative aux organismes de placement collectif qui répondent aux conditions de la Directive 2009/65/CE et aux organismes de placement en créances')* as amended from time to time; and

"**Weighted Average Life**" or "**WAL**" means the weighted average number of years that each euro of unpaid principal due on the Mortgage Receivables remains outstanding.

INDEX OF DEFINED TERMS

ANNEX I

Qualifying Investors under the UCITS Act

Pursuant to Article 5, §3 and §3/1 of the UCITS Act, Qualifying Investors are the "professional investors" ("**Professional Investors**"). A royal decree may restrict or extend this definition. The professional investors are the professional clients listed under Annex A of the royal decree of 3 June 2007 (which has been replaced by the royal decree of 19 December 2017) and the eligible counterparties in the meaning of Article 3, §1 of the royal decree of 3 June 2007 (currently Article 3, §1 of the royal decree of 19 December 2017), namely:

(a) the Belgian and foreign legal entities that have a license or are regulated in order to be active on the financial markets including:

(i) the credit institutions;

(ii) the investment firms;

(iii) the other financial institutions that have a license or are regulated;

(iv) the insurance companies;

(v) the collective investment undertakings and their management companies;

(vi) the pension funds and their management companies;

(vii) the traders in commodities futures and derivated instruments (*grondstoffen termijnhandelaren / intermediaries en matières premières et instruments dérivés sur celles-ci);*

(viii) the local companies;

(ix) the other institutional investors;

(b) the other companies than those contemplated in item a above, that satisfy at least two of the following three criteria, on individual basis:

(i) total balance sheet of EUR 20 million;

(ii) net annual turnover of EUR 40 million; and

(iii) equity of EUR 2 million.

(c) national governments, Belgian state, Communities and Regions, national, regional and foreign authorities, public undertakings in charge of the public debt, central banks, international and supranational institutions as the World Bank, the IMF, the European Central Bank, the European Investment Bank, and other similar international institutions.

(d) other institutional investors whom the main activity is the investment in financial instruments, in particular entities in relation to assets securitisation and other financing operations.

The Royal Decree of 26 September 2006 (as amended from time to time) has further modified the definition of "professional investors" for the purposes of Article 5, §3/1 of the UCITS Act as follows:

(a) private individuals are not considered as professional investors;

(b) professional investors that have elected to be treated as non-professional investors, as for the purposes of Article 5, §3/1 of the UCITS Act are considered as professional investors.

REGISTERED OFFICES

ISSUER
Loan Invest NV/SA, Compartment Home Loan Invest 2019
institutionele VBS naar Belgisch recht / SIC institutionelle de droit belge
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1000 Brussels

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KBC Bank NV
Havenlaan 2
1080 Brussels

ADMINISTRATOR
Intertrust Administrative Services B.V.
Prins Bernhardplein 200
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