PROSPECTUS FOR ADMISSION TO TRADING ON EURONEXT BRUSSELS

LOAN INVEST NV/SA, COMPARTMENT SME LOAN INVEST 2020

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

EUR 3,500,000,000 SME Asset-Backed Floating Rate Notes due 2054,
issue price 100 per cent.

Application has been made for an admission to trading of the EUR 3,500,000,000 SME Asset-Backed Floating Rate Notes due 2054 (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 SME Loan Invest 2020, on Euronext Brussels NV (**"Euronext Brussels"**). The Notes will be issued on 15 July 2020 or such later date as may be agreed between the Issuer, the Seller and the Manager.

This Prospectus constitutes a prospectus for the purposes of Article 8 of the Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market (the "**Prospectus Regulation**") and the listing and issuing rules of Euronext Brussels (the "**Listing Rules**"). No application will be made to list the Notes on any other stock exchange. In accordance with article 23 of the Prospectus Regulation, in the event of a significant new factor, material mistake or material inaccuracy relating to the information included in this Prospectus which is capable of affecting the assessment of the Notes during the period from the date of approval of the Prospectus to the listing of the Notes, a supplement to this Prospectus shall be published. Any supplement is subject to approval by the FSMA, in the same manner as this Prospectus,and must be made public in the same manner as this Prospectus.

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

(1) 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 1 to this Prospectus (Qualifying Investors);

(2) 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

(3) they are holders of an exempt securities account ("**X-Account***"*) with the Securities Settlement System operated by the National Bank of Belgium 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. Notes may not be acquired by a 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 198, §1, 11° of the Belgian Income Tax Code 1992 or any successor provision) or by a transferee who is a resident of, or has an establishment in, or acts, for the purposes of the Notes, through a bank account held on, a tax haven jurisdiction, a low-tax jurisdiction or a non-cooperative jurisdiction within the meaning of Article 307, §1/2 of the Belgian Income Tax Code 1992 or any successor provision (the **("Excluded Holder"**). Any acquisition of a Note by, or transfer of a Note to, a person who is not an Eligible Holder and/or by a person who is an Excluded Holder shall be void and not binding on the Issuer and the Security Agent. If a Noteholder ceases to be an Eligible Holder and/or becomes an Excluded 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 and that does not qualify as an Excluded 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 or that qualifies as an Excluded 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). None of the Issuer nor any Compartment has been and neither will 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**") or in the United Kingdom (the **UK**). 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 (EU) 2016/97 (as amended or superseded, "**Insurance Distribution 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 Regulation (EU) 2017/1129 (the **Prospectus Regulation**). 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 or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPS Regulation.

The Notes will carry a floating rate of interest, payable monthly in arrears, 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 0,75 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"{xe "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 0,75 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 July 2054 (the **"Final Maturity Date"**). On the first Monthly Payment Date falling on 15 August 2020 and on each Monthly Payment Date thereafter, the Notes will be subject to mandatory partial redemption in accordance with the terms and conditions of the Notes (the "**Conditions**") through the application of the Notes Redemption Available Amount to the extent available.

On the Monthly Payment Date falling on 15 July 2025 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 'AAAsf' rating by Fitch Ratings Limited (**"Fitch"**) and at least 'AA(High) (sf)' by DBRS ("**DBRS**") (Fitch and DBRS 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 most material risks associated with an investment in the Notes, see *Risk factors* hereafter.**

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 SME Receivables (as defined below), (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 (as defined below). Recourse in respect of the Notes is limited to the SME 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 are the property of 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 Code on Companies and Associations (*Wetboek van Vennootschappen en verenigingen / Code des Sociétés et Associations*) (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 Banking Frankfurt.

The Notes will be solely the obligations of Compartment SME Loan Invest 2020 of the Issuer and have been allocated to Compartment SME Loan Invest 2020 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 SME Loan Invest 2020. Furthermore, none of such persons or entities or any other person in whatever capacity (i) has assumed or will accept any liability whatsoever to the 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 SME Receivables Purchase Agreement. After the Closing Date, the Issuer will prepare monthly investor reports wherein relevant information with regard to the SME Receivables will be disclosed publicly together with an overview of the retention of the material net economic interest by the Seller as confirmed to the Issuer for each monthly Investor Report. Such information can be obtained from the website https://www.kbc.com/en/investor-relations/debt-issuance/home-loan-invest.html[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

[1] The information included on this website is not incorporated by reference in this Prospectus.
[2] This document is not incorporated by reference in this Prospectus.

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 7 July 2020 in its capacity as competent authority under Article 20 of the Prospectus Regulation. The FSMA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed the Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer or the Notes.

The information on the websites referred to in this Prospectus does not form part of this Prospectus and has not been scrutinized or approved by the FSMA.

Without prejudice to the requirements that the Notes can only be acquired and held by Eligible Holders that are not Excluded Holders, 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.

This Prospectus will be valid until 6 July 2021. The obligation to supplement this Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Prospectus is no longer valid.

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

For a discussion of certain most material 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
7 July 2020

CONFIRMED COPY
ON BEHALF OF LOAN INVEST NV/SA, INSTITUTIONELE VBS NAAR BELGISCH RECHT / SIC INSTITUTIONELLE DE DROIT BELGE, ACTING THROUGH ITS COMPARTIMENT SME LOAN INVEST 2020

NAME: CHRISTOPHE TANS
TITLE: DIRECTOR
DATE: 7 JULY 2020

NAME: IRENE FLORESCU
TITLE: DIRECTOR
DATE: 7 JULY 2020

1. 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 any 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 available by means of the website https://www.kbc.com/en/investor-relations/debt-issuance/home-loan-invest.html[3].

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 Section 26 – *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.

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 Section 26 – *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

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

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 SME Loan Invest 2020 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 SME Loan Invest 2020. 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).

Any acquisition of a Note by, or transfer of a Note to, a person who is not an Eligible Holder or to a person who is an Excluded Holder shall be void and not binding on the Issuer and the Security Agent. If a Noteholder ceases to be an Eligible Holder or becomes an Excluded 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 and that does not qualify as an Excluded 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 or that qualifies as an Excluded Holder, will be suspended. Upon issuance of the Notes, the denomination of the Notes is EUR 250,000.

Furthermore, no Notes may be acquired by a Belgian or foreign transferee that qualifies as an "affiliated company" (within the meaning of Article 1:20 of the 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.

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 account or benefit of, United States persons as defined in Regulation S under the Securities Act ("**Regulation S**"), except in certain transactions exempt from or not subject to the registration requirements of the Securities Act (see *Purchase and Sale* below). Accordingly, the Notes are being offered, sold or delivered only to non-U.S. persons (within the meaning of Regulation S) in offshore transactions in reliance on Regulation S. None of the Issuer nor any Compartment has been and neither will be registered as an investment company under the U.S. Investment Company Act of 1940, as amended.

In connection with the issue of any Notes, KBC Bank NV acting 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, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date

of the relevant Notes and 60 days after the date of the allotment of the relevant Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or persons 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 230.

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 SME Loan Invest 2020 of the Issuer. All obligations of the Issuer to the Noteholders and the other Secured Parties have been allocated to Compartment SME Loan Invest 2020 of the Issuer and the Noteholders and the other Secured Parties only have recourse to the Pledged Assets of Compartment SME Loan Invest 2020.

2. RESPONSIBILITY STATEMENTS, THIRD PARTY INFORMATION, EXPERTS' REPORT AND COMPETENT AUTHORITY APPROVAL

The Issuer is responsible for the information contained in this Prospectus. The responsibility of the Issuer is based on Article 11 of the Prospectus Regulation. To the best of its knowledge 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 Marnixlaan 23 (5th floor), 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 Market for SME Loans, KBC Bank NV, Portfolio Overview, SME Loan Underwriting and Servicing, Related Party Transactions –Corporate Services Provider*, *Related Party Transactions –the Paying 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 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 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 Gateway building, Nationale Luchthaven van Brussel 1J, 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, 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 Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing the Prospectus Regulation as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004.

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3. RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. In addition, factors which are most 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 most material 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 not known to the Issuer. The Issuer, the Arranger or the Manager make no representation that the statements below regarding the risks of investing in 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.

None of the Seller, the Swap Counterparty, the Paying Agent, the Listing Agent, the Reference Agent, the Security Agent, the Administrator, the Servicer, the Corporate Services Provider, the Account Bank, the Subordinated Loan Provider, the Issuer Directors, the Shareholder Director, the Shareholder, the Arrangers, the Manager, or any of their respective affiliates makes any assurance, guarantee, representation or warranty, express or implied, as to the expected or projected success, return, timing or amount of payments, performance result, effect, consequence or benefit (including legal, regulatory, tax, financial, accounting, regulatory capital, legal investment or otherwise) to any Noteholder, and none of the foregoing parties will have a fiduciary relationship with respect to any Noteholder or prospective Noteholder. No Noteholder may rely on any such party for a determination of expected or projected success, return, performance result, effect, consequence or benefit (including legal, regulatory, tax, financial, accounting, regulatory capital, legal investment or otherwise) with respect to any Noteholder in connection with the Notes. Each Noteholder will be required or deemed to represent that, among other things, it has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisors regarding investment in the offered Notes as it has deemed necessary and that the investment by it is within its powers and authority, is permissible under applicable laws governing such purchase, has been duly authorized by it and complies with applicable securities laws and other laws and regulations.

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.

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for such potential investor, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to such potential investor's purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk based capital or similar rules. A failure to consult may lead to damages being incurred or a breach of applicable law by the investor.

In each category the most material risk factors are mentioned first. The materiality of a risk factor is assessed by its expected negative impact on the Issuer (including any relevant mitigation measures) and the probability of its occurrence. Some risk factors can be grouped into more than one category. In that case, the Issuer has only mentioned that risk factor in the most appropriate category, and not in the other categories. Potential investors should consult the risk factors in all categories.

1. RISKS RELATED TO THE AVAILABILITY OF FUNDS TO PAY THE NOTES

1.1 The Issuer has limited resources available to meet its obligations

The obligations of the Issuer under the Notes are limited recourse obligations and the ability of the Issuer to meet its obligations in full to pay principal and interest on the Notes will be dependent on the receipt by it of the funds under the SME Receivables and certain other funds as further described in sub-section 1.2 (Risk of non-payment under the Notes due to non-payment on the SME Receivables) below.

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 SME Loan Invest 2020 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 SME 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 Section 7 - *Credit Structure*.

In the event that the Security Interests in respect of the Notes has been fully enforced and the proceeds of such enforcement, after payment of all other claims ranking in priority, are insufficient to pay in full all principal and interest and other amounts whatsoever due in respect of the Notes, 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.

1.2 Risk of non-payment under the Notes due to non-payment on the SME Receivables

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 SME 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 SME Receivables, the proceeds of the sale of any SME 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 Section 7 - *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.

This risk in increased by the fact that the Notes will be solely the obligations of the Issuer and will not be obligations or responsibilities of, and will not be guaranteed by, the Seller, the Swap Counterparty or any other entity or person, in whatever capacity acting.

The risk regarding the payments on the SME Receivables is influenced by, among other things, market interest rates, general economic conditions, the financial standing of the Borrowers and other similar factors. Other factors such as loss of earnings or illness including in connection with an epidemic (in relation to the impact of the COVID-19 pandemic, see risk factor 6.2 (*The performance of the Notes may be adversely affected by the recent conditions in the Belgian and global financial markets caused by the COVID-19 pandemic and these conditions may not improve in the near*

future)), divorce (in relation to an individual as Borrower) and other similar factors could ultimately have an adverse impact on the ability of the Borrowers to repay their SME Receivables.

This credit risk is mitigated to a certain extent by the subordinated ranking of the Subordinated Loan (as 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) and by the excess in the Interest Amount generated by the SME Receivables (which 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 Section – *Credit Structure* – 7.4 – *Priority of Payments in respect to interests*)).

However, such credit risk mitigation does not cover all risks and if, upon default by the Borrowers and after exercise by the Servicer of all available remedies in respect of the applicable SME 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.

1.3 Risk that the Issuer is not able to redeem the Notes at the Final Maturity Date or on Optional Redemption Dates

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 SME Receivables is sufficient to redeem the Notes.

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 option to redeem the Notes on the first Optional Redemption Date or any subsequent Optional Redemption Dates. 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 SME Receivables still outstanding at that time.

As a result, Noteholders are exposed to the risk of the Notes not being redeemed on the first Optional Redemption Date or any subsequent Optional Redemption Dates. Given that the Final Maturity Date is in July 2054, Noteholders may be forced to hold the Notes longer than they envisaged as there may also not be a market in the Notes (see also risk factor 3.3 (*Limited Liquidity of the Notes*)).

2. RISKS RELATING TO THE UNDERLYING ASSETS

2.1 Risks related to prepayment on the SME Loans

The Issuer is obliged to apply the Notes Redemption Available Amount towards repayment of the Notes and, as long as no Sequential Trigger Event has occurred, the Subordinated Loan, in accordance with paragraph (b) of Condition 4.5 (*Redemption and Cancellation*). The maturity of the Notes will depend on, inter alia, the amount and timing of payment of principal (including full and partial prepayments, sale of the SME Receivables by the Issuer, Net Proceeds upon enforcement of a SME Loan and repurchase by the Seller of SME Receivables) on all relevant SME Loans. The average maturity of the Notes may be affected by a higher or lower than anticipated rate of prepayments on the SME Loans or the occurrence of a Sequential Trigger Event (see also the risk factor 2.6(*Risks related to the average life of the Notes*).

The rate of prepayment of SME Loans is influenced by a wide variety of economic, social and other factors, including prevailing market interest rates, changes in tax laws (including, but not limited to,

amendments to mortgage interest tax deductibility), local and regional economic conditions and changes in Borrowers' behaviour. With regard to credit agreements entered into after 10 January 2014, Borrowers have a statutory right to prepay the loans subject only to a notice period and, insofar as this was agreed, a prepayment fee.

No guarantee can be given as to the level of prepayment that the SME Loans may experience, and a variation in the rate of prepayments of principal on the SME Receivables may affect the Notes. The estimated average life of the Notes must therefore be viewed with considerable caution and Noteholders should make their own assessment thereof.

2.2 Risk that enforcement proceeds will be insufficient

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 SME 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 SME 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 commercial 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 Section 7 - *Credit Structure*). However, 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 SME Receivables are still outstanding, may depend upon whether the SME Receivables can be sold, otherwise realised or refinanced so as to obtain an amount sufficient to redeem the Notes. There is no active and liquid secondary market for SME Loans in Belgium. Therefore, it may be that neither the Issuer nor the Security Agent will be able to sell or refinance the SME Receivables on appropriate terms should either of them be required to do so. In such case Noteholders may lose all or part of their investment.

2.3 SME Loans not or partially secured by a Mortgage or a Business Pledge

Approximately half of the SME Loans are not secured by a Mortgage or a Business Pledge and certain SME Loans are only partially secured. Where a SME Loan is not fully secured by a Mortgage or a Business Pledge, the Borrower of the relevant SME Loan or a third party provider of Loan Security may have granted a Mortgage Mandate. A Mortgage Mandate does not constitute an actual security which creates a priority right of payment out of the proceeds of a sale of the mortgaged or pledged assets, but is an irrevocable power of attorney granted by a Borrower or a third party provider of Loan Security to certain attorneys enabling them to create a Mortgage, as security for the SME Loan.

If the SME Loan is not fully secured and the Borrower would default it may not be possible to recover the full amount due under the SME Receivable.

This may lead to the Issuer having insufficient funds available to it to fulfil towards the Noteholders its payment obligations under the Notes and this may result for Noteholders in losses under the Notes.

2.4 Set-off and defense of non-performance by Borrowers, Insurance Companies or other third parties may affect the proceeds under the SME Receivables

Set-off following the sale of the SME Receivables

The sale of the SME Receivables to the Issuer and the pledge of the SME 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, 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 Insurance Companies or third party provider of collateral) and the Seller, as soon as such cross-claims exist and are fungible, liquid (*vaststaand / liquide*) and payable (*opeisbaar / exigible*), potentially reducing amounts receivable by the assignee and the beneficiaries of the Pledge.

However pursuant to the Mobilisation Act the Issuer (and the Secured Parties) will no longer be subject to set-off risk: (a) following notification of the assignment of the SME 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.

To further mitigate this risk under the SME 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.

To the extent the Seller would be declared bankrupt or would no longer be able to indemnify the Issuer, if set-off rights would arise, this could limit the amounts received by the Issuer, which could in its turn prevent the Issuer from fulfilling its payment obligations under the Notes towards the Noteholders.

Defense 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. The exception of non-performance is subject to various conditions.

Although the Mobilisation Act limits the circumstances when the assigned debtor can invoke the defence of non-performance, this right is not fully excluded and 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.

2.5 Shared Security

The Loan Security that may secure a SME Receivable (which may include, *inter alia*, Mortgages, Mortgage Mandates and Business Pledges) does not necessarily only secure such SME Receivable, but often also secures:

(a) in case the SME Receivable constitutes a term advance under a revolving facility (*kredietopening / ouverture de crédit*) (a "**Credit Facility**"), all advances made from time to time under such Credit Facility; and

(b) in many cases, all other amounts which the Borrower owes or in the future may owe to the Seller (**All Sums Security Interests**).

As a consequence of the sale of a SME Receivable to the Issuer, the Issuer and the Seller shall thus share the benefit of the same Related Security (a "**Shared Security**") since it will secure both the SME Receivable (security in favour of the Issuer) and other loans, if any, or any other obligations owing from time to time to the Seller, if any (security in favour of the Seller). In this respect, it should also be noted that the proceeds which are to be allocated to the Seller may increase in the future to the extent (i), in case of an All Sums Security Interest, the amount of debts owed by the Borrower to the Seller increases, or (ii), in case of Loan Security granted in relation to a Credit Facility, additional advances are granted to the Borrower under a Credit Facility.

In case such Shared Security would be enforced, the proceeds will in principle be shared between the Seller and the Issuer, which means that the Issuer may receive a lower amount than if it were the only secured creditor. This may affect the amounts recovered under the SME Loans and could affect the Issuer's obligations under the Notes.

2.6 Risks related to the average Life of the Notes

The estimates regarding the average life of the Notes are summarised in the table below and are based on pool data as of 30 June 2020 (further details of the weighted average life of the Notes can be found in section 6 (Key Parties and Overview Principal Features) – "Average Life").

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	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	4.71	3.46	3.33	3.04	2.66	2.62

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

The weighted 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 given the impact that variations may have on the payment under the Notes (see risk factor 2.1 (Risks related to prepayment on the SME Loans).

2.7 Risks related to enforcement of Loan Security and the value of the Mortgaged Assets or pledged businesses

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 or pledged businesses. No assurance can be given that values of the Mortgaged Assets or the pledged businesses have remained or will remain at the level at which they were on the date of origination of the related SME Loans or on the signature date of the Pledge Agreement. A decline in value may result in losses to the Noteholders if such security is required to be enforced, if the proceeds of the sale of the Loan Security may not entirely cover the outstanding amount under such SME Receivable. The risks above may be exacerbated, if foreclosure action is taken by a third party creditor against the Borrower prior to the Servicer, as the Servicer will not control the foreclosure procedures in relation to the Mortgaged Assets or pledged businesses. Although this will not affect the priority rights in relation to the Mortgaged Assets or the pledged businesses, the Servicer will need to follow the foreclosure actions of the third party having been prior in starting up its proceedings. 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.

3. RISKS RELATING TO THE STRUCTURE

3.1 Risks related to the Swap Agreement

Interest Rate Risk

The amount of revenue receipts that the Issuer receives will fluctuate according to the interest rates applicable to the SME Loans and the Transaction Accounts. The Issuer will be subject to floating rate interest obligations under the Notes (floored at zero) while the SME 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 SME 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 floating rate of 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. The Issuer will not be obliged to pay to the Swap Counterparty any amounts in respect of the SME Receivables (or any Prepayment Penalties) under the Swap Agreement to the extent that it has not effectively received such amounts from the Borrowers, the Sellers or the Servicer, as the case may be.

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 (which can be the case if an event of default occurs in relation to a party, e.g. (i) non-payment, (ii) insolvency related events, or (iii) if an

Enforcement Notice is served or if in certain circumstances the Swap Counterparty is downgraded (see Section 7.11 – *Credit Structure – Downgrade of Swap Counterparty*)), 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 SME 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.

3.2 Risk that the Notes are redeemed before the first Optional Redemption Date

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 SME 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.

3.3 Limited 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.

3.4 Ratings of the Notes

The (future) 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 SME Loans and other relevant structural features of the Transaction, including, *inter alia*, the short-term and long-term issuer default rating 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. At any time, a Rating Agency may amend its relevant rating methodology and such amendments may result in a downgrade of the ratings assigned to the Notes. Following amendments of the relevant rating criteria by a Rating Agency the relevant parties to a Transaction Document may agree (but are under no obligation) to amend and restate the relevant Transaction Document in order to implement the new criteria so as to maintain the ratings then assigned to the Notes, subject to the terms of the relevant Transaction Document. Such amendments and/or the costs associated with the implementation of such amendment may be prejudicial to the interest of the Noteholders.

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 SME Receivables and/or the Belgian market for SME Loans, 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. In the event that the ratings initially assigned to the Notes by the Rating Agencies are subsequently withdrawn or lowered for any reason, no person or entity is obliged to provide any additional support or credit enhancement to the Notes. A qualification, downgrade or withdrawal of any of the ratings of the Notes may impact on the value of the Notes.

3.5 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 SME Receivables are made, and to this extent there may be a risk of commingling of proprietary funds of the Seller and the Issuer.

Without prejudice to the following paragraph, this commingling risk is mitigated by the fact that the amounts received by the Seller in respect of the SME 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 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 see further Section *12.9 - SME Receivables Purchase Agreement – 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 Section 7 - *Credit Structure*.

Notwithstanding the mitigating elements listed above, 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 SME Receivables at such time. This could have a significant adverse effect on the Issuer and hence on its obligations under the Notes.

3.6 No searches and investigations on the SME Loans and Related Security

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 SME 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 SME Receivables would ordinarily make, and each will rely instead on the representations and warranties given by the Seller

in the SME Receivables Purchase Agreement. These representations and warranties will be given in relation to the SME 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 SME Receivables randomly selected out of the Provisional Portfolio.

If there is a material breach of any representation and warranty in relation to any SME 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 SME Receivables and the Related Security, for an aggregate amount equal to the then Outstanding Principal Amount of the repurchased SME 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 SME Receivables Purchase Agreement. This may affect the quality of the SME Receivables and the Related Security and accordingly the ability of the Issuer to make payments on the Notes to the Noteholders.

3.7 Historical Information

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

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

In case events or circumstances would materialise that have a significant impact on the ability of Borrowers to fulfil their payment obligations under the SME Receivables or that would have a significant adverse effect on the value of any Loan Security and that have not materialised in the past, a mismatch can arise between the future performance of the SME Receivables and their historical performance.

As regards recent developments, see in particular, in relation to the impact of the coronavirus (COVID-19) outbreak, Section 9 (*KBC Bank NV*), sub-section 16 (*Trend information*) - "*General economic environment and risks*"and risk factor 6.2 (*The performance of the Notes may be adversely affected by the recent conditions in the Belgian and global financial markets caused by the COVID-19 pandemic and these conditions may not improve in the near future*).

If the performance of the SME Receivables would evolve negatively and not be in line with the historical performance, this could have a significant adverse effect on the funds received by the Issuer and accordingly the ability of the Issuer to make payments on the Notes to the Noteholders.

3.8 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 SME Receivables. The Issuer will have no obligation to keep any Noteholder or any other person informed as to matters arising in relation to the SME 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 Paying Agent, on or about each Monthly Payment Date. Noteholders may hence not be able to (timely) assess if the credit risk in respect of the Notes is increasing. Furthermore, also taking into account the expected limited liquidity of the Notes (see risk factor 3.3 (*Limited Liquidity of the Notes*)), this limited information may adversely affect the (market) value of the Notes.

4. RISKS RELATED TO CHANGES TO THE STRUCTURE AND DOCUMENTS

4.1 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 4.12 (*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 insofar 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:

(c) 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

(d) 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 ratings 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

(e) 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. Noteholders are therefore exposed to the risk that changes are made to the Transaction Documents without their consent which may be against the interest of such Noteholder and this may have an adverse effect on the (value of the) Notes. Moreover, Noteholders should be aware that if they intend to sell any of the Notes, the fact that changes may be made to the Transaction Documents without their consent, could have an adverse effect on the value of such Notes.

5. COUNTERPARTY RISKS

5.1 The Issuer has counterparty risk exposures

The Issuer is party to contracts with a number of third parties who have agreed to perform services in relation to the Issuer and/or the Notes. The Issuer is a special purpose vehicle and does not have any personnel. Counterparties to the Issuer may not perform their obligations under the Transaction Documents (including any failure arising from circumstances beyond their control, such as epidemics (including the COVID-19 outbreak)) 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, Paying 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. In the event that any of the counterparties fail to perform their obligations under the respective agreements to which they are a part Noteholders and/or payments under the Notes may be adversely affected.

In addition, neither the Issuer nor the Paying Agent will have any responsibility for the proper performance by the Securities Settlement System operated by the National Bank of Belgium or a (directly or indirectly) participant in such system of their obligations under their respective rules, operating procedures and calculation methods. Any disruption in the proper performance of the Securities Settlement System by the National Bank of Belgium or a breach by a (directly or indirectly) participant of their obligations under their respective rules might adversely affect Noteholders and/or payments under the Notes.

5.2 Risk that the ratings of the counterparties change

Certain counterparties of the Issuer are required to have a certain minimum rating pursuant to the Transaction Documents, in particular the Account Bank. If the rating of such counterparty falls below such rating, remedial actions are required to be taken, which may, for example, entail posting of collateral and/or the replacement of such counterparty. If a replacement counterparty must be appointed or another remedial action must be taken, it cannot be certain that a replacement counterparty will be found which complies with the criteria or is willing to perform such role, or that such remedial action will be available. In addition, such replacement or action when taken, may lead to higher costs and expenses, as a result of which the Issuer may have insufficient funds to pay its liabilities in full. Moreover, a deterioration of the credit quality of any of the Issuer's counterparties, a downgrade of any of their credit ratings and/or a failure to take remedial actions could affect the Noteholders by having an adverse effect on the credit rating assigned to, and/or the value of, the Notes.

5.3 Conflict of interest

KBC Bank NV/SA is acting in a number of capacities (as Seller, Servicer, Subordinated Loan Provider, Paying Agent, Listing Agent, Reference Agent, Arranger, Manager, Account Bank, Swap Counterparty and Corporate Services Provider) in connection with the Transaction described herein. In acting in such capacities in connection with such Transaction, KBC Bank NV/SA shall have only the duties and responsibilities expressly agreed to by it in its relevant capacity and shall not, by virtue of its acting in any other capacity, be deemed to have other duties or responsibilities or be deemed to hold a standard of care other than expressly provided with respect to each such capacity.

Noteholders should therefore be aware that a conflict of interest could arise between the various roles of KBC Bank NV/SA and that KBC Bank NV/SA has no implicit or explicit obligation or duty to act in the best interest of the Noteholders when performing its various functions.

6. MACRO-ECONOMIC AND MARKET RISKS

6.1 The performance of the Notes may be adversely affected by the recent conditions in the global financial markets 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 and the Account Bank.

Further, there is considerable uncertainty surrounding Brexit. The uncertainty surrounding the implementation and effect of Brexit and 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.

The adverse economic conditions listed above could affect Borrowers' willingness or ability to meet their obligations, resulting in increased defaults in the securitised portfolio and ultimately the ability of the Issuer to pay interest and repay principal to Noteholders.

These factors could result in the Issuer having insufficient funds to fulfil its obligations under the Notes in full and as a result could adversely affect the performance of the Notes and lead, for the Noteholders, to losses under the Notes.

6.2 The performance of the Notes may be adversely affected by the recent conditions in the Belgian and global financial markets caused by the COVID-19 pandemic and these conditions may not improve in the near future

The coronavirus pandemic and related containment measures taken in various contries worldwide are having a serious impact on the global economy. The Eurozone in general and the Belgian economy is as a result going through a deep recession in the first half of 2020.

The consequences (in Belgium and worldwide) of the economic shock generated by the coronavirus pandemic cannot be precisely determined at this date and are largely dependent on several crucial assumptions about the scale and duration of the crisis and are subject to much more uncertainty than usual. In particular, it is uncertain that the resumption of activity in Belgium and abroad will not be further compromised by new containment measures which would be dictated by a resurgence of the pandemic in the future. This possibility remains a significant risk and the resulting adverse impact on the economy could be deepened.

The Belgian governmental measures in Belgium include, amongst others, a right for certain Borrowers that are in distress due to the COVID-19 outbreak to request a so-called “payment holiday”. Provided that certain conditions are satisfied under such “payment holiday” framework, such Borrowers may be granted an extension of scheduled repayments of principal with a maximum

of, at the date of this Prospectus, 6 months. This may result in payment disruptions and possibly losses under the SMEs Receivables.

As at the date of this Prospectus, KBC Group has published results that the KBC Group (to which the Originator belongs) is incurring loan losses on its SME loan portfolio and has indicated that SMEs would on average be more vulnerable to this crisis than larger corporates. Such negative assessments and evolutions could also materialise in respect of the SME Receivables held by the Issuer.

The adverse economic conditions listed above could affect Borrowers' willingness or ability to meet their obligations, resulting in increased defaults in the securitised portfolio and ultimately the ability of the Issuer to pay interest and repay principal to Noteholders.

These factors could result in the Issuer having insufficient funds to fulfil its obligations under the Notes in full and as a result could adversely affect the performance of the Notes and lead, for the Noteholders, to losses under the Notes.

7. LEGAL AND TAX RISKS

7.1 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.

7.2 No notification or acknowledgment of the Sale and Pledge

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

Except as described below, the sale of the SME Receivables to the Issuer (as well as the pledge of the SME 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 acknowledgement by the Borrowers, the Insurance Companies and third party providers of collateral is given:

(a) The liabilities of the Borrowers under the relevant SME Loans (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 relevant SME Loan 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 SME Loans and will be accountable to the Issuer accordingly but this may not address all risks described herein.

(b) 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 third party

collateral providers to vary the terms and conditions of the SME Loans, the Related Security or the Insurance Policie or the other collateral and that the Seller in such capacity may waive any rights under the SME 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 SME Loans, the Related Security or the Insurance Policies other than in accordance with the relevant Transaction Documents. If the Seller would fail to comply with this undertaking the Issuer would be bound by such amendments or variations and it would in principle only have an claim for indemnification against the Seller for damage incurred pursuant to a breach of this undertaking;

(c) If the Seller were to transfer or pledge its SME Receivables in respect of the same SME 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 SME Receivables, 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 but this does not mitigate all risks as described herein;

(d) Payments made by Borrowers, Insurance Companies or other third party collateral providers to creditors of the Seller will validly discharge their respective obligations under the SME Receivables, 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 SME 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.

However, these undertakings do not mitigate this risk fully and if the debtors mentioned above have made valid payments to creditors of the Seller the Issuer will only have a indemnification claim against the Seller.

(e) Borrowers, Insurance Companies or other third party 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 the notification of the transfer or pledge. See risk factor 2.3 (*Set-Off and defense of non-performance*) for further details.

(f) Under the SME Receivables Purchase Agreement, the Seller will represent and warrant in relation to each SME Receivable and Related Security, that no such rights and defences have arisen in favour of the Borrower, Insurance Companies or other the third party collateral providers up to the Closing Date. If a Borrower, Insurance Company or other third party 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 SME Receivable, Insurance 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 SME Receivables Purchase Agreement provides that upon the occurrence of certain Notification Events (as set out in the SME 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 third party collateral providers, of the assignment of the SME Receivables and the Related Security to the Issuer and (ii) instruct the relevant Borrowers of the SME Loans and any other relevant parties indicated by the Issuer and/or the Security Agent, including the third party collateral providers to pay any amounts due directly to the Issuer Collection Account. 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 Section 12 - *SME Receivables Purchase Agreement*). A similar principle is included in the Pledge Agreement with respect to the Security Interests in the SME Receivables.

Before such notification, any of the risks described above can materialise and have a negative impact on the amounts that the Issuer receives or can receive under and in relation to the SME Receivables and Related Security, which could in turn have a negative impact on the amounts the Noteholders will receive under the Note.

7.3 No Gross-up for Taxes

As provided in Condition 4.8, if withholding of, or deduction for, or an 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 Paying 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.

7.4 Risks relating to the proposed financial transactions tax

On 14 February 2013, the European Commission issued proposals, including a draft Directive (the "**Commission's proposal**") for a financial transaction tax ("**FTT**") to be adopted in certain participating EU member states (including Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia, although Estonia has since stated that it will not participate). If the Commission's proposal was adopted, the FTT would be a tax primarily on "financial institutions" (which would include the Issuer) in relation to "financial transactions" (which would include the conclusion or modification of derivative contracts and the purchase and sale of financial instruments).

Under the Commission's proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating member states. Generally, it would apply where at least one party is a financial institution, and at least one party is established in a participating member state. A financial institution may be, or be deemed to be, "established" in a participating member state in a broad range of circumstances, including (a) by transacting with a person established in a participating member state or (b) where the financial instrument which is subject to the financial transaction is issued in a participating member state.

The FTT may give rise to tax liabilities for the Issuer with respect to certain transactions (including concluding derivative transactions and/or purchases or sales of securities (such as authorised investments)) if it is adopted based on the Commission's proposal. Any such tax liabilities may reduce amounts available to the Issuer to meet its obligations under the Notes and may result in investors receiving less interest or principal than expected.

It should also be noted that the FTT could be payable in relation to relevant transactions by investors in respect of the Notes (including secondary market transactions) if the conditions for a charge to arise are satisfied and the FTT is adopted based on the Commission's proposal. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

However, the FTT proposal remains subject to negotiation between participating member states. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU member states may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

8. REGULATORY RISKS

8.1 Regulatory initiatives may have an adverse impact on the regulatory treatment of the Notes and/or decrease liquidity in respect of the Notes

In Europe, the U.S., and elsewhere, there is increased political and regulatory scrutiny of the asset-backed securities industry. This has resulted in multiple measures for increased regulation which are at various stages of implementation and which may have an adverse impact on the regulatory position of certain investors in securitisation exposures and/or on the incentives for certain investors to hold asset-backed securities, and may thereby affect the liquidity of such securities. Investors in the Notes are responsible for analysing their own regulatory position, and should consult their own advisers in this respect. None of the Issuer or the Seller makes any representation to any prospective investor or purchaser of the Notes regarding the regulatory treatment of their investment on the Closing Date, or at any time in the future.

Prudential regulation reforms under Basel or other frameworks may have an adverse impact on the regulatory capital treatment of the Notes.

Investors should note in particular that the Basel Committee on Banking Supervision (**BCBS**) has approved a series of significant changes to the Basel framework for prudential regulation (such changes being referred to by the BCBS as Basel III, and referred to, colloquially, as Basel III in respect of reforms finalised prior to 7 December 2017 and Basel IV in respect of reforms finalised on or following that date). The Basel III/IV reforms, which include revisions to the credit risk framework in general and the securitisation framework in particular, may result in increased regulatory capital and/or other prudential requirements in respect of securitisation positions. The BCBS continues to work on new policy initiatives. National implementation of the Basel III/IV reforms may vary those reforms and/or their timing. It should also be noted that changes to prudential requirements have been made for insurance and reinsurance undertakings through participating jurisdiction initiatives, such as the Solvency II framework in Europe. Investors in the Notes are responsible for analysing their own regulatory position and prudential regulation treatment applicable to the Notes and should consult their own advisers in this respect.

Securitisation Regulation regime applies to the Notes and non-compliance with this regime may have an adverse impact on the regulatory treatment of Notes and/or decrease liquidity of the Notes.

The Securitisation Regulation applies in general (subject to certain grandfathering) from 1 January 2019, although some legislative measures necessary for the full implementation of the new regime have not yet been finalised and compliance with certain requirements is subject to the application of transitional provisions.

The Securitisation Regulation establishes certain common rules for all securitisations that fall within its scope (including recast of pre-1 January 2019 risk retention and investor due diligence regimes). The Securitisation Regulation has direct effect in member states of the EU and is to be implemented in due course in other countries in the EEA.

The Securitisation Regulation requirements apply to the Notes. As such, certain European-regulated institutional investors, including credit institutions, investment firms, authorised alternative investment fund managers, insurance and reinsurance undertakings, certain undertakings for the collective investment of transferable securities (UCITs) and certain regulated pension funds (institutions for occupational retirement provision), are required to comply under Article 5 with certain due diligence requirements prior to holding a securitisation position and on an ongoing basis while holding the position. Among other things, prior to holding a securitisation position, such institutional investors are required to verify certain matters with respect to compliance of the relevant transaction parties with credit granting standards, risk retention and transparency requirements. If the relevant European-regulated institutional investor elects to acquire or holds the Notes having failed to comply with one or more of these requirements, this may result in the imposition of a penal capital charge on the Notes for institutional investors subject to regulatory capital requirements or a requirement to take a corrective action, in the case of a certain type of regulated fund investors. Aspects of the requirements of the Securitisation Regulation and what is or will be required to demonstrate compliance to national regulators remain unclear. Prospective investors should therefore make themselves aware of requirements applicable to them and are required to independently assess and determine the sufficiency of the information described in this Prospectus generally for the purposes of complying with such due diligence requirements under the Securitisation Regulation and any corresponding national measures which may be relevant.

Various parties to the securitisation transaction described in this Prospectus (including the Seller and the Issuer) are also subject to the requirements of the Securitisation Regulation. However, there is at present some uncertainty in relation to some of these requirements and what is or will be required to demonstrate compliance to national regulators, including in particular with regard to the transparency obligations imposed under Article 7 of the Securitisation Regulation, the application of the transitional provisions in connection with such Article and the final position on the new disclosure templates to be applied under the new technical standards. Please note that the European Commission-adopted texts of Article 7 technical standards were published in October 2019, representing the near final position on the applicable reporting templates, but these are yet to be approved by the European Parliament and the Council of the European Union and it is expected that these technical standards will be finalised and enter into force in the course of 2020. Prospective investors are referred to the sections 24.2 (Information made available to Investors) for further details and should note that there can be no assurance that the information in this Prospectus or to be made available to investors in accordance with Article 7 of the Securitisation Regulation will be adequate for any prospective institutional investors to comply with their due diligence obligations under the Securitisation Regulation.

In the light of the risks highlighted above, prospective investors in the Notes are responsible for analysing their own regulatory position, and should consult their own advisers in this respect.

STS designation impacts on regulatory treatment of the Notes.

The Securitisation Regulation (and the associated Regulation (EU) 2017/2401 (**CRR Amendment Regulation**)) also includes provisions intended to implement the revised securitisation framework

developed by BCBS (with adjustments) and provides, among other things, for harmonised foundation criteria and procedures applicable to securitisations seeking designation as STS securitisation.

The STS securitisation designation impacts on the potential ability of the Notes to achieve better or more flexible regulatory treatment under various EU regimes that were amended (or will be amended in due course) to take into account the STS framework (such as Type 1 securitisation under Solvency II, as amended; regulatory capital treatment under the securitisation framework of the Capital Requirements Regulation, as amended by the CRR Amendment Regulation; Type 2B securitisation under the LCR Regulation, as amended and the forthcoming changes (which are yet to be finalised) to the EMIR regime that will address certain exemptions for STS securitisation swaps, as to which investors are referred to the risk factor entitled "*Impact of the European Market Infrastructure Regulation*").

The Notes are not intended to be designated as STS securitisation for the purposes of the Securitisation Regulation. Prospective investors are themselves responsible for analysing their own regulatory position, and should consult their own advisers in this respect and should consider (and where appropriate, take independent advice on) the consequence from a regulatory perspective of the Notes not being considered an STS securitisation, including (but not limited to) that the lack of such designation may negatively affect the regulatory position of, and the capital charges on, the Notes and, in addition, have a negative effect on the price and liquidity of the Notes in the secondary market.

Volcker Rule

Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection 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 or any Compartment 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 or such Compartment.

Investors should conduct their own analysis to determine whether the Issuer or any Compartment is a "covered fund" for their purposes.

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 or any Compartment, the Issuer or any Compartment's status under the Volcker Rule or to such investor's investment in the Notes on any issue date or at any other time.

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.

U.S. risk retention requirements

Section 941 of the Dodd-Frank Wall Street Reform and Consumer Protection 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);

(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;

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

8.2 Risks related to the regulatory status of the Issuer as Institutional VBS/SIC

The Issuer has been established so as to have and maintain the status of an Institutional VBS/SIC. A VBS/SIC such as the Issuer must ensure that securities it issues are being acquired and held at all times by Qualifying Investors only. The Issuer has in its view taken appropriate measures in this respect. If such measures would be considered not to be adequate or the Issuer would for any other reason lose its regulatory status as an Institutional VBS/SIC, this could negatively impact the holders of the Notes, as an Institutional VBS/SIC benefits from certain special rules for the assignment of

[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

receivables and from a special tax regime. The status as Institutional VBS/SIC is in particular a requirement for the absence of corporate tax on the revenues of the Issuer and, in principle, for an exemption of VAT on certain expenses of the Issuer and facilitates the assignment of the SME Receivables 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.

8.3 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).

On 10 April 2019, the European Money Markets Institute (formerly EURIBOR-EBF) (the "**EMMI**") applied for authorisation as administrator of the EURIBOR. On 2 July 2019, following the positive advice of the EURIBOR College of Supervisors, the FSMA granted the requested authorisation to EMMI, by application of the Benchmark Regulation. The fact that EMMI has obtained authorisation as administrator of the EURIBOR, confirms that the requirements contained in the Benchmark Regulation are met. Consequently, the benchmark may also be used since 1 January 2020.

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 4.1 (*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.

8.4 Impact of the 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**") (as amended by Regulation (EU) No 2019/834 ("**EMIR Refit 2.1**")) prescribes a number of regulatory requirements for counterparties to derivatives contracts including (i) a mandatory clearing obligation for certain classes of OTC derivatives contracts (the "**Clearing Obligation**"); (ii) collateral exchange, daily valuation and other risk mitigation requirements for OTC derivatives contracts not subject to clearing (the "**Risk Mitigation Requirements**"); and (iii) certain reporting requirements. In general, the application of such regulatory requirements in respect of any derivative transactions under the Swap Agreement and will depend on the classification of the counterparties to such derivative transactions.

Pursuant to EMIR, counterparties can be classified as: (i) financial counterparties ("**FCs**") (which, following changes made by EMIR Refit 2.1, includes a sub-category of small FCs ("**SFCs**")), and (ii) non-financial counterparties ("**NFCs**"). The category of "NFC" is further split into: (i) non-financial counterparties above the "clearing threshold" ("**NFC+s**"), and (ii) non-financial counterparties below the "clearing threshold" ("**NFC-s**"). Whereas FCs and NFC+ entities may be subject to the Clearing Obligation or, to the extent that the relevant derivative transactions are not subject to clearing, to the collateral exchange obligation and the daily valuation obligation under the Risk Mitigation Requirements (the "**Margin Obligation**"), such obligations do not apply in respect of NFC- entities.

The Issuer is currently an NFC-, although a change in its position cannot be ruled out. Should the status of the Issuer change to NFC+ or FC, this may result in the application of the Clearing Obligation or the Margin Obligation, although it seems unlikely that the Swap Agreement would be a relevant type of OTC derivative contract that would be subject to the Clearing Obligation under the relevant implementing measures made to date. It should also be noted that the Margin Obligation should not apply in respect of derivative transactions entered into prior to the relevant application date, unless such derivative transaction is materially amended on or after that date.

Prospective investors should note that there is some uncertainty with respect to the ability of each of the Issuer to comply with the Clearing Obligation and the Margin Obligation were they to be applicable, which may (i) lead to regulatory sanctions, (ii) adversely affect the ability of the Issuer to continue to be party to the Swap Agreement (possibly resulting in a restructuring or termination of the derivative transactions entered into under the Swap Agreement) or to enter into swap agreements and/or (iii) significantly increase the cost of such arrangements, thereby negatively affecting the ability of the Issuer to hedge certain risks. As a result, the amounts available to the Issuer to meet its obligations may be reduced, which may in turn result in investors' receiving less interest or principal than expected.

Lastly, it should be noted that, as described in the risk factor 4.1 (*The Security Agent may agree to modifications without the Noteholders' prior consent*), amendments driven by new legal requirements under EMIR may be made to the transaction documents and/or to the terms and conditions applying to Notes.

8.5 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**") as substantially transposed into Belgian law in the Credit Institutions Supervision Act provides for the establishment of a new European-wide framework for the recovery and resolution of credit institutions and investment firms. The BRRD provides 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.

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 complete or partial suspension or prohibition of the institution's activities and the revocation of the institution's licence.

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. In addition, 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 such bail-in mechanism, shareholders and creditors will thus have to contribute to the losses of the failing institution.

In principle, the Issuer does not fall within the scope of the BRRD and its Belgian implementation as it does not qualify as a credit institution. Therefore the Issuer is not be subject to any resolution actions as stated in this paragraph, including any "bail in" action in relation to the Notes.

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 SME 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, which could have a negative impact on the Notes and the Noteholders.

9. RISKS RELATING TO THE CHARACTERISTICS OF THE NOTES

9.1 Eligible collateral

The Notes have been structured in a manner so as to allow Eurosystem eligibility. However, there is no assurance that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria and, in accordance with its policies, will not be given prior to issue of the Notes. If the Notes are accepted for such purposes, Eurosystem may amend or withdraw any such approval in relation to the 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 European 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.

In the event that the Notes are not recognised (or cease to be recognised) as an eligible collateral for Eurosystem operations, the holders of the Notes may ultimately suffer a lack of liquidity.

9.2 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 (as defined below).

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 (*Meetings of Noteholders, Modifications, Waivers*), will apply in order to protect the interest of External Investors.

Where KBC Bank as Noteholder exercises its voting rights, due to its interests in the transaction as Seller, Swap Counterparty and other transaction roles, its interests may not be aligned with the interests of other Noteholders.

10. RISK RELATING TO THE ISSUER

10.1 The obligations of the issuers are allocated to the Compartment SME Loan Invest 2020 and Noteholders shall only have recourse against this Compartment

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 SME Loan Invest 2020. This is the eighth compartment that has been created by the Issuer. If there are different compartments in a Institutional VBS/SIC, all liabilities or transactions must, in relation to the relevant counterparty, be clearly allocated to one or more of such compartments. 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 and directors may be held jointly liable by the company or third parties for all damages that result from a breach of this provision.

See further in this respect Risk Factor 1.1 (The Issuer has limited resources available to meet its obligations).

4. 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, the Conditions and the Transaction Documents referred to therein in making any decision whether or not to invest in any Notes.

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 7 July 2020 the Issuer will enter into a SME Receivables purchase agreement (the "**SME Receivables Purchase Agreement**") with the Seller and the Security Agent. Pursuant to the SME Receivables Purchase Agreement the Seller will sell and assign to the Issuer legal title to the SME Receivables. The SME Receivables consist of any and all rights of the Seller against certain borrowers under SME Loans originated by the Seller which loans may be secured, by a (i) a first ranking Mortgage, (ii) a lower ranking Mortgage, (iii) a mandate to create Mortgages in Belgium or (iv) a Business Pledge, or may be unsecured. The initial purchase price for the SME Receivables amounts to 100% of the Outstanding Principal Amount of the SME Receivables on the Cut-Off Date (which will be equal to an amount of EUR 4,999,452,689.28). The transfer of legal title to the SME Receivables will take place on 15 July 2020 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.

(2) 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.

(3) The Issuer will credit on the Closing Date EUR 50,000,000 from the proceeds of the Subordinated Loan to the Reserve Account.

(4) 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 Section 7 – *Credit Structure*.

(5) The rates of interest on the SME 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 obligations under EMIR.

(6) 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 SME Receivables and the receipt of funds under the Swap Agreement. The Issuer will enter into a pledge

agreement (the "**Pledge Agreement**") with Deloitte Bedrijfsrevisoren / Réviseurs d'Entreprises C.V.B.A. (the "**Security Agent**"). 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 SME 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 Section 7 – *Credit Structure*.

(7) 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.

(8) 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.

(9) 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.

(10) The Issuer will enter into a SME 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 SME payment transactions and the other services as agreed in the Issuer Services Agreement in relation to the SME 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:

(1) 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;

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

(3) 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;

(4) 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; and

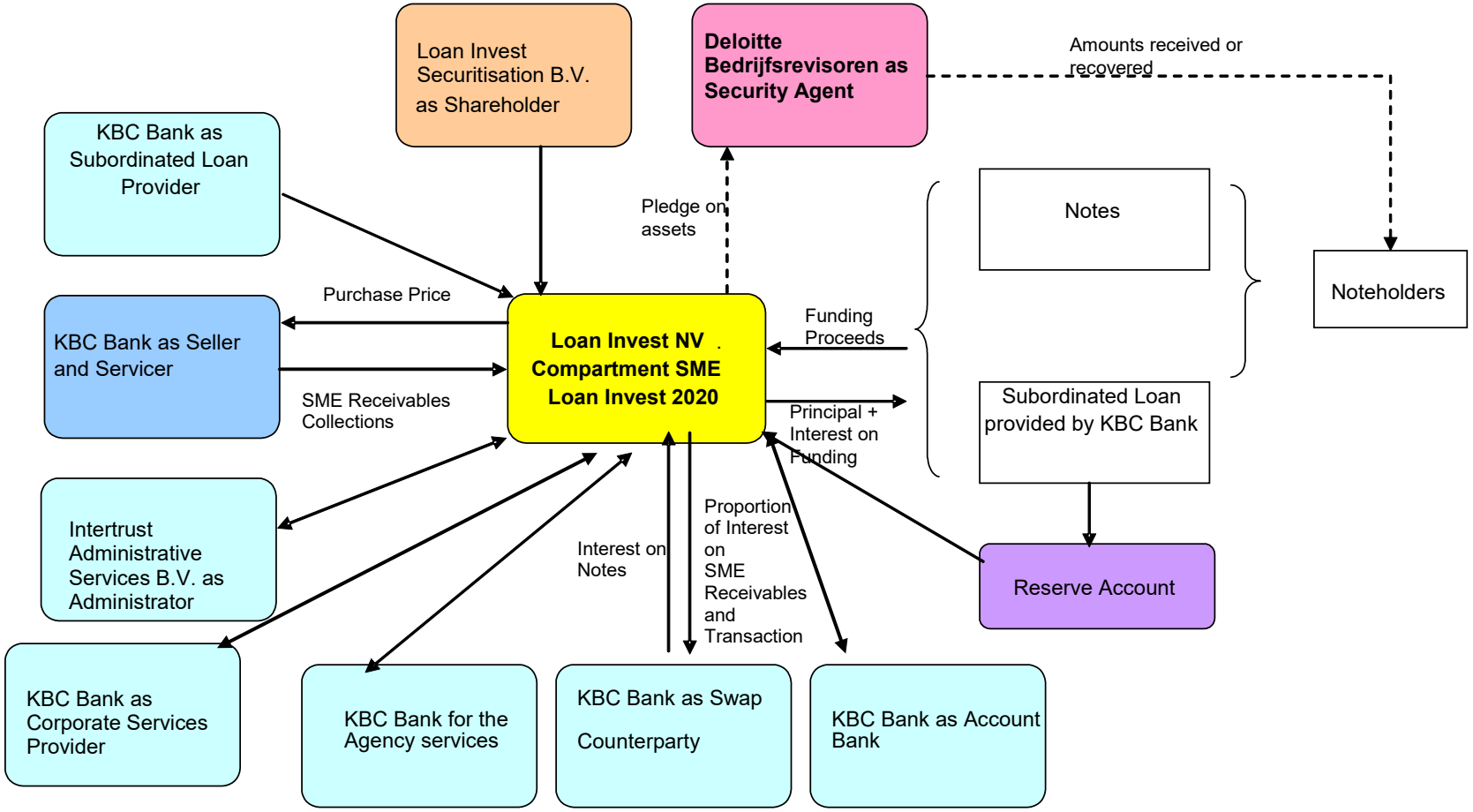
(5) issuer management agreements (the "**Issuer Management Agreements**") with the Issuer Directors and the Security Agent pursuant to which the Issuer Directors will undertake to act as managing director of the Issuer and to perform certain services in connection therewith.

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.

Furthermore, 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 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 SME Receivables Purchase Agreement. After the Closing Date, the Issuer will prepare monthly investor reports wherein relevant information with regard to the SME Receivables will be disclosed publicly together with an overview of the retention of the material net economic interest by the Seller as confirmed to the Issuer for each monthly Investor Report. Such information can be obtained from the website https://www.kbc.com/en/investor-relations/debt-issuance/home-loan-invest.html[6]. 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.

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

TRANSACTION STRUCTURE DIAGRAM



5. KEY FEATURES OF THE NOTES

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

Principal Amount	EUR 3,500,000,000
Credit Enhancement	Subordination of the Subordinated Loan
Margin up to but excluding the first Optional Redemption Date falling on 15 July 2025	0,75 per cent.
Margin from and including the first Optional Redemption Date	0,75 per cent.
Interest Accrual	Act/360
Monthly Payment Date	Interest and principal will be payable monthly in arrears 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 July 2054
Denomination	EUR 250,000
Form	Dematerialised form
Listing	Euronext Brussels
Rating	At least AAAsf by Fitch and AA(High) (sf) by DBRS
ISIN Code	BE0002720010
Common Code	219962681

6. 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 SME Loan Invest 2020. 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 Marnixlaan 23 (5th floor), 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 SME Loan Invest 2020 of the Issuer has been registered with the Federal Public Service Finance (*Federale Overheidsdienst Financiën / Service Public Fédéral Finances*) on 25 June 2020. 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 SME Loan Invest 2020.

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 SME Receivables and the Issuer's rights under the Transaction Documents.

The Notes are issued by the Issuer, acting through its Compartment SME Loan Invest 2020. The Noteholders and the other Secured Parties only have recourse to the Pledged Assets of Compartment SME Loan Invest 2020 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 Section 14 – *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.

"Originator":	KBC Bank NV
"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 Gateway building, Luchthaven Nationaal 1 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 as bondholders' representative in accordance with article 7:63 of the Company Code. 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 voor Amsterdam*) 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
"Paying 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":	PricewaterhouseCoopers (PWC), with its registered office at Woluwedal 18, 1932 Zaventem, registered with the Crossroads Bank for Enterprises under number 0429.501.944, Business Court of Brussels, represented by Kurt Marichal until the general shareholders meeting called to approve the financial statements as of 31 December 2021. 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/investor-relations/debt-issuance/home-loan-invest.html[7].

Principal features of the Notes

Notes:	The EUR 3,500,000,000 floating rate SME Asset-Backed Notes due 15 July 2054 (the "**Notes**") will be issued by the Issuer on 15 July 2020 or on such later date as may be agreed between the Issuer, the Seller and the Manager
Eligible Holders of the Notes	The Notes may only be acquired by direct subscription, by transfer or otherwise, and may only be held by holders that satisfy the following criteria ("**Eligible Holders**"): (a) they qualify as a Qualifying Investor (*in aanmerking komende belegger / investisseurs éligible*) (as referred to in Article 5, §3/1 of 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 operated

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

by the National Bank of Belgium or (directly or indirectly) 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.

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 or qualifies as an Excluded Holder, will be suspended.

Pursuant to Article 5, §3 and §3/1 of the UCITS Act, Qualifying Investors 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 and for the last time on 25 February 2017) 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 (*Vennootschapsbelasting/Impôt des sociétés*);

(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 (*parastatale instellingen/organismes para-étatiques*) 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 Belgian Income Tax Code 1992 or any successor provision). Furthermore, no Notes may be acquired by a Belgian or foreign transferee that qualifies as an "affiliated company" (within the meaning of Article 1:20 of the 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 Belgian or 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, a low-tax jurisdiction or a non-cooperative jurisdiction as referred to in Article Article 307, §1/2 of the Belgian Income Tax Code 1992 or any successor provision (the "**Excluded Holder**").
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 Section 7 – *Credit Structure*. The rights of the Notes, in respect of priority of payment, are set out in Condition 4.2(c).
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 arrears 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. 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 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 0,75 per cent. per annum. The interest rate applicable to the Notes will never be less than zero.
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 0,75 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 3.04 years. The estimated weighted average life of the Notes excluding the optional redemptions will be 3.33 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 July 2054 (the "**Final Maturity Date**").
Optional Redemption of the Notes:	On the Monthly Payment Date falling in July 2025 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 August 2020 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 each Monthly Payment Date, the Notes Redemption Available Amount will be applied: (a) prior to the occurrence of a Sequential Trigger Event: (i) *first*, up to the Maximum Pro Rata Amount Notes, in or towards satisfaction of principal amounts due under the Notes until fully redeemed; and

(ii) *second*, up to the Maximum Pro Rata Amount Subordinated Loan, in or towards satisfaction of principal amounts due under the Subordinated Loan until fully repaid; and

(b) after the occurrence of a Sequential Trigger Event:

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

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

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 Paying 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 ceased to be a Tax Eligible Investor, 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; 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 SME 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 SME 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 SME Receivables Purchase Agreement to sell and assign the SME 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 SME Receivables upon exercise by the Seller of the Clean-Up Call Option. The purchase price will be calculated as described in the *SME Receivables Purchase Agreement*. The proceeds of such sale shall be applied by the Issuer 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 SME 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 SME Receivables Purchase Agreement to sell and assign the SME 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 SME Receivables upon exercise by the Seller of the Regulatory Call Option. The purchase price will be calculated as described in the *SME 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 SME Receivables in accordance with Condition 4.5. See *SME 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 Paying 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 Paying 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 Paying 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 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 Section 25 – *Terms and Conditions of the 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 SME Receivables, pursuant to the provisions of an agreement dated on or about 7 July 2020 (the "**SME Receivables Purchase Agreement**") and made between the Seller, the Issuer and the Security Agent. See further Section 12 – *SME 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 50,000,000. See further Section 17 – *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 AAAsf by Fitch and AA(High) (sf) by DBRS.

The ratings assigned to the Notes address, among other matters:

- the likelihood of full and timely payments due to the holders of the Notes, of interest on each Monthly Payment Date; and
- the likelihood of ultimate payment to the holders of the Notes of principal in relation to the Notes on or prior to the Final Maturity Date.

However, the ratings assigned to the Notes do not represent any assessment of the likelihood or level of principal prepayments. The ratings do not address the possibility that the Noteholders might suffer a lower than expected yield due to prepayments or early amortisation or may fail to recoup their initial investments.

Governing Law: The Notes will be governed by and construed in accordance with the laws of the Kingdom of Belgium.

SME Receivables: Under the SME 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 SME Loans (the "**SME Receivables**"). On the Closing Date, the Issuer will accept the transfer by way of assignment of legal title to the SME Receivables. The Issuer will be entitled to the proceeds of the SME Receivables from the Cut-Off Date.

Repurchase of SME Receivables: Under the SME Receivables Purchase Agreement the Seller has undertaken to repurchase and accept re-assignment of a SME Receivable:

(a) in case any of the representations and warranties given by the Seller in respect of such SME Receivable or its related SME Loan are untrue or incorrect;

(b) if a Borrower requests a Non-Permitted Variation to a SME Receivable and if the Seller requests that such Non-Permitted Variation be accepted;

(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 SME Receivables Purchase Agreement.

SME Loans: The SME Receivables to be sold by the Seller pursuant to the SME Receivables Purchase Agreement will result from investment loans entered into by the Seller and the relevant Borrowers (including individuals and legal persons (*rechtspersonen / personnes morales*)

within the framework of a small or medium sized professional enterprise, which may be secured by (i) a first ranking Mortgage, (ii) a lower ranking Mortgage, (iii) a mandate to create Mortgages over Real Estate (the "**Mortgaged Assets**"), (iv) a Business Pledge, or may be unsecured, and entered into by the Seller or its legal predecessors and the relevant Borrowers which meet the criteria set forth in the SME Receivables Purchase Agreement and which will be selected prior to or on the Closing Date for the purpose of the purchase of the relevant SME Receivables in accordance with the SME Receivables Purchase Agreement (the "**SME Loans**").

Where the SME Loans, which take the form of Investment Credits, have been originated under a (revolving) credit facility, the Investment Credit is fully drawn down on the date of the transfer of the SME Receivables to the Issuer.

Sale of SME Receivables on each Optional Redemption Date:

The Issuer will have the right to sell and assign all but not some of the SME 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 SME Receivables:

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

The purchase price of each SME 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 SME Receivable or its related SME 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 an amount as calculated by the Servicer in its daily operations representing an amount equal to the Outstanding Principal Amount of such SME Receivable less the estimated losses or, as the case may be, realised losses in relation to such SME Receivable according to the Seller's impairment policy (the "**Optional Repurchase Price**").

The purchase price of each SME Receivable in the event of a sale or repurchase (i) pursuant to a breach of a representation and warranty in relation to such SME Receivable or its related SME Loan or (ii) upon a Non-Permitted Variation, shall be equal to the then Outstanding Principal Amount of such SME 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:

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 SME 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 SME 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 Section 18 – *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 Business Day, (each a "**Collection Date**") transfer all amounts received by the Seller in connection with the SME Receivables.

Risk Mitigation Deposit: In case the long term unsecured, unguaranteed and unsubordinated debt obligations of the Seller falls below a rating of BBB by DBRS (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 from Commingling Risk.

Reserve Account: The Issuer will pay on the Closing Date EUR 50,000,000 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 50,000,000 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 1,550,000,000. The proceeds of the Subordinated Loan will be used to (i) pay part of the Initial Purchase Price for the SME 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 an ISDA 2002 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 (the "**Swap Agreement**") to hedge the risk between (a) the interest received by the Issuer on the SME 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 Section 7 – *Credit Structure* under *Interest Rate Hedging*.

OTHER:

Issuer Services Agreement: Under a SME 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 SME payment transactions and the other services as agreed in the Issuer Services Agreement in relation to the SME 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 SME Receivables, and (b) the implementation of arrears procedures including, if applicable, the enforcement of mortgages (see further the section 10 – *SME Loan Underwriting and Servicing* 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.

7. CREDIT STRUCTURE

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

7.1 SME Loan Interest Rates

The interest rate of each SME 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 SME Loans is expected to be approximately 1.74 per cent. Interest rates vary between individual SME Loans. The range of interest rates is described further in *Description of the SME Loans*.

The actual amount of revenue received by the Issuer under the SME 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 SME 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.

7.2 Cash Collection Arrangement

Payments by the Borrowers of interest and scheduled principal under the SME Receivables are due on a monthly basis, interest being payable in arrears. Until the assignment of the SME 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 SME Receivables to the Issuer Collection Account.

Upon the occurrence of certain Notification Events, the Borrowers will be notified of the assignment of the SME Receivables to the Issuer in accordance with Clause 16 of the SME 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.

7.3 Transaction Accounts

(a) 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 SME 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 SME 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 (A) (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 (ii) a deposit rating (if available) or the long-term issuer default rating 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) the deposit rating (if available) or the long-term unsecured unsubordinated and unguaranteed debt obligations of the Account Bank are assigned a rating of less than the DBRS Required Minimum Ratings, 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, with the Required Minimum Ratings, to guarantee the obligations of the Account Bank.

If DBRS withdraws the DBRS Rating of the Account Bank, reference will be made solely to Fitch Required Minimum Ratings, and such withdrawal by DBRS will not constitute a breach of the DBRS Required Minimum Rating and will not trigger an obligation to transfer, or procure a guarantee in respect of, the Issuer Collection Account and a guarantee in respect of the obligations of the Account Bank (as the case may be) in accordance with the Account Bank Agreement.

If the Transaction Accounts were transferred to an alternative Account Bank, 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, 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 and the Issuer has made a reasonable effort to find a substitute Account Bank, 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 shall ensure that each Rating Agency is promptly informed of any transfer to an alternative Account 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 on each Collection Date to invest any balance standing to the credit of the Transaction Accounts in:

(a) euro denominated securities with a maturity not beyond one relevant business day before the next succeeding Monthly Payment Date, with such securities returning principal at maturity, in each case provided that such securities have been assigned:

(i) for eligible investments with a maturity of up to 30 days:

(A) a rating of at least A or R-1(low) by DBRS where the Notes are rated AAA(sf) by DBRS; or

(B) a rating of at least A(low) or R-1(low) by DBRS where the Notes are rated AA(high)(sf) by DBRS,

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 F1 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 issuer default rating of at least A, or, where the Notes are rated AA(sf), a short-term IDR of at least F1 or a long-term issuer default rating of at least A-, and (B) whose long-term unsecured unsubordinated and unguaranteed debt obligations are assigned a rating at least equal to the DBRS 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.

(b) **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 50,000,000.

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 50,000,000, 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.

(c) **Deposit Account**

The Issuer may be required to establish a Deposit Account in accordance with the terms of the SME Receivables Purchase Agreement for the deposit of the Risk Mitigation Deposit Amount (see further *SME Receivables Purchase Agreement –12.9 Risk Mitigation Deposit*).

7.4 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 SME Receivables;

(b) as interest received on the Transaction Accounts;

(c) as Prepayment Penalties under the SME Loans;

(d) as Net Proceeds on any SME 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 SME Receivables pursuant to the SME Receivables Purchase Agreement or any other amounts received pursuant to the SME Receivables Purchase Agreement, to the extent such amounts do not relate to principal;

(h) as amounts received in connection with a sale of SME 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 SME 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 SME 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 SME Receivables Purchase Agreement and as described under

paragraph *Risk Mitigation Deposit* in the section *SME 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 Paying 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 satisfaction of interest due or interest accrued but unpaid on the Subordinated Loan in accordance with the terms of the Subordinated Loan Agreement;

(ix) *ninth*, 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;

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

(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 SME Receivables Purchase Agreement; and

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

7.5 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 SME Receivables from any person, but, for the avoidance of doubt, excluding Prepayment Penalties;

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

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

(f) any amounts (provided that these are used solely as indemnity for losses of scheduled principal on the SME 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 SME Receivables Purchase Agreement and as described under *Risk Mitigation Deposit* in the section *SME 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"**):

(ii) prior to the occurrence of a Sequential Trigger Event:

(A) *first*, up to the Maximum Pro Rata Amount Notes, in or towards satisfaction of principal amounts due under the Notes until fully redeemed; and

(B) *second*, up to the Maximum Pro Rata Amount Subordinated Loan, in or towards satisfaction of principal amounts due under the Subordinated Loan until fully repaid; and

(iii) after the occurrence of a Sequential Trigger Event:

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

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

"**Sequential Trigger Event**" means, at any point in time, any of the following events occurring:

(a) the sum of the outstanding Defaulted Receivables, including written-off loans, since the Closing Date exceeds an amount equal to 3% of the aggregate Outstanding Principal Amount of the SME Receivables at the Closing Date; or

(b) the sum of the Delinquent Receivables exceeds an amount equal to 5% of the aggregate Outstanding Principal Amount of the SME Receivables; or

(c) the principal outstanding of the Subordinated Loan falls below 33% of the original principal amount of the Subordinated Loan on the Closing Date.

"**Maximum Pro Rata Amount Notes**" means the amount equal to:

(a) the Notes Redemption Available Amount multiplied by the outstanding amount of principal under the Notes; divided by

(b) the sum of (i) the outstanding amount of principal under the Notes and (ii) the outstanding amount of principal under the Subordinated Loan minus the Reserve Account Required Amount.

"**Maximum Pro Rata Amount Subordinated Loan**" means the amount equal to:

(a) the Notes Redemption Available Amount multiplied by the outstanding amount of principal under the Subordinated Loan minus the Reserve Account Required Amount; divided by

(b) the sum of (i) the outstanding amount of principal under the Notes and (ii) the outstanding amount of principal under the Subordinated Loan minus the Reserve Account Required Amount.

7.6 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 Paying 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.

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.

7.7 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 1,550,000,000 and will up to an amount of EUR 1,499,452,689.28 be used by the Issuer to pay to the Seller part of the Initial Purchase Price for the SME Receivables, pursuant to the SME Receivables Purchase Agreement.

Part of the proceeds of the Subordinated Loan up to an amount of EUR 50,000,000 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.

7.8 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.

7.9 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 (ix) 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 outstanding amount of the Subordinated Loans on the immediately preceding Monthly Payment Date (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 positive amount by which at such Monthly Calculation Date the aggregate Outstanding Principal Amount of the SME Receivables that have become Defaulted Receivables during the immediately preceding Monthly Calculation Period exceeds the aggregate of all repayments and Net Proceeds relating to defaulted principal amounts received by the Issuer during the immediately preceding Monthly Calculation Period.

"**Notes Principal Deficiency Ledger**" means the sub-ledger of the Principal Deficiency Ledger on which the Administrator shall debit the Monthly Principal Deficiency to the extent that the debit balance on the Subordinated Loan Principal Deficiency Ledger is equal to the Subordinated Loan Principal Deficiency Limit in accordance with clause 3.4 of the Issuer Services Agreement.

"**Subordinated Loan Principal Deficiency Ledger**" means the sub-ledger of the Principal Deficiency Ledger known as the Subordinated Loan Principal Deficiency Ledger as further defined in Clause 3.4 of the Issuer Services Agreement.

7.10 Interest Rate Hedging

The Eligibility Criteria require that all SME 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 SME Loan. If the interest period is shorter than the term of the SME 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 SME 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 SME 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 SME Receivables pursuant to the SME Receivables Purchase Agreement or any other amounts received pursuant to the SME 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 SME 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) an excess margin of 0.25 per cent. per annum calculated on a monthly basis and applied to the aggregate outstanding principal amount of SME Receivables, excluding Delinquent Receivables and Defaulted Receivables on the last day of the relevant Monthly Calculation Period; and

(g) 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 minus the balance of the Notes Principal Deficiency Ledger 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 minus the balance of the Notes Principal Deficiency Ledger 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 0,75 per cent. per annum) 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.

7.11 Downgrade of Swap Counterparty

DBRS rating triggers

(a) In the event (such event, an "**Initial DBRS Rating Event"**) that, at any time the longterm, unsecured, unsubordinated and unguaranteed debt obligations of the Swap Counterparty cease to be assigned a public rating, private rating or private assessment of at least as high as A by DBRS (such rating, the "**First Rating Threshold"**), then the Swap Counterparty shall while that Initial DBRS Rating Event is continuing, at its own cost and as soon as practicable, but in any event no later than thirty (30) Business Days (i) provide collateral in such amount as is set out in the Credit Support Annex to the Swap Agreement, or (ii) arrange for the transfer of its rights and obligations to a replacement third party with a rating at least as high as the First Rating Threshold, or (iii) provide for a guarantee by a third party with a rating at least as high as the First Rating Threshold or (iv) take any other actions in line with DBRS' policies to maintain the rating on the Notes.

(b) In the event (such event, a "**Subsequent DBRS Rating Event"**) that, at any time the long-term unsecured, unsubordinated and unguaranteed debt obligations of the Swap Counterparty or, if applicable, its credit support provider or any third party transferee, cease to be assigned a public rating, private rating or private assessment at least as high as BBB by DBRS (such rating, the

"**Second Rating Threshold"**), then the Swap Counterparty will while that Subsequent DBRS Rating Event is continuing, at its own cost:

(i) as soon as practicable but in any event within thirty (30) Business Days from the occurrence of such Subsequent DBRS Rating Event post collateral in accordance with the provisions of Credit Support Annex (or, if at the time such Subsequent DBRS Rating Event occurs, the Swap Counterparty has posted collateral under the Credit Support Annex following an Initial DBRS Rating Event, as the case may be, post additional collateral in accordance with the Credit Support Annex); and

(ii) use commercially reasonable efforts as of the occurrence of any such Subsequent DBRS Rating Event to:

(A) transfer all of its rights and obligations with respect to the Swap Agreement to a replacement third party with a rating at least as high as the First Rating Threshold; or

(B) obtain a guarantee or procure a co-obligor of its rights and obligations with respect to the Swap Agreement from a third party with a rating at least as high as the First Rating Threshold; or

(C) take any other actions in line with DBRS' policies to maintain the rating on the Notes.

(c) The Issuer and the Security Agent shall use their reasonable endeavours to co-operate with the Swap Counterparty in connection with any transfer of the rights and obligations of the Swap Counterparty under the Swap Agreement pursuant to any downgrade as set out 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 either 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

(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 Fitch.

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 issuer default rating of an entity is rated at least "A" by Fitch or the short-term issuer default rating of an entity is rated at least "F1" by Fitch;

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

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

7.12 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 (which shall be paid outside of the Interest Priority of Payments and the Priority of Payments upon Enforcement) 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.

7.13 Sale of SME Receivables

Under the terms of the Pledge Agreement, the Issuer will have the right to sell and assign all but not some of the SME 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 SME 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 SME 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.

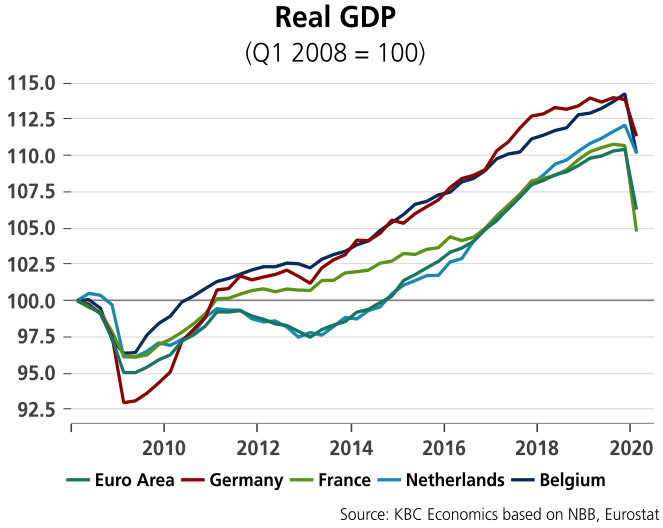
The purchase price of the SME Receivables in the event of a repurchase or reassignment other than (i) pursuant to a breach of representation and warranty in relation to such SME Receivable or its related SME Loan or (ii) upon a Non-Permitted Variation shall be equal to the Optional Repurchase Price.

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

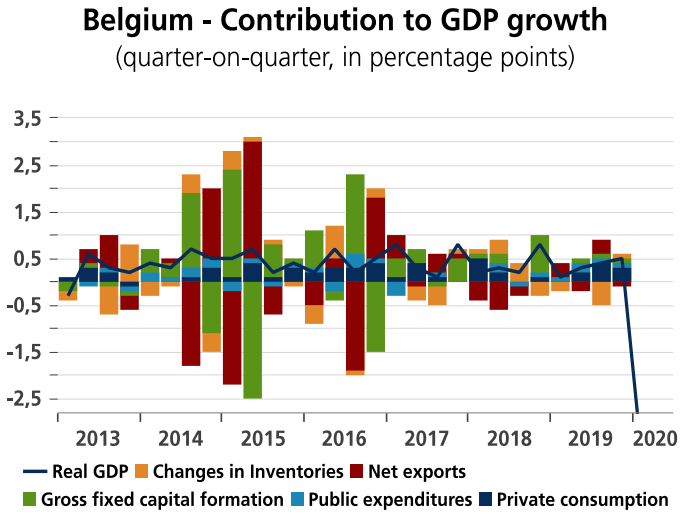
8. OVERVIEW OF BELGIAN MARKET FOR SME LOANS

8.1 Belgium Economic Environment

The Belgian economy performed relatively well in the post-2008 financial crisis period, with real GDP growth roughly in line with the German one. Growth during the past decade was strongly driven by domestic demand. The COVID-19 crisis is now severely hitting the economy. Producer confidence is indeed indicating that Belgian economic activity is experiencing an unprecedented hard stop in the first half of 2020. We think the recovery, starting in Q3 2020, will be rather weak. Consumption will remain muted as uncertainty lifts precautionary savings and measures of social distancing and consumers' cautiousness hinder shopping. On the side of businesses, the higher risk of bankruptcy and postponement of investments, as well as the massive deterioration in the international economic environment increase the danger that COVID-19 causes more permanent damage to the Belgian economic fabric. We project the Belgian economy to shrink by 9.5% in 2020, followed by positive growth of 5.7% in 2021. This will leave real GDP in Q4 2021 4.4% below the Q4 2019 level.



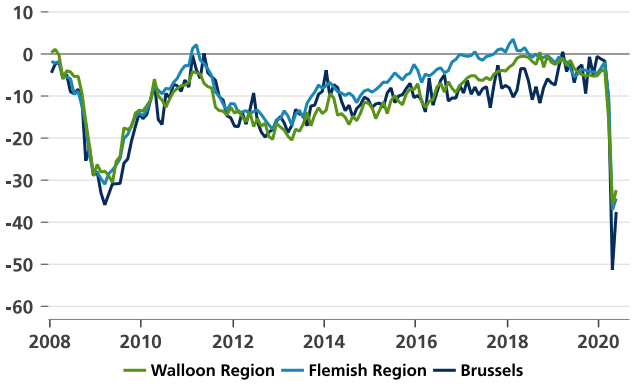
Source: KBC Economics based on NBB, Eurostat



Source: KBC Economics based on NBB

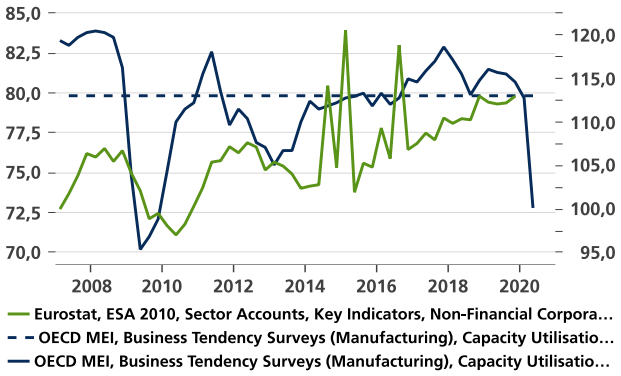
Producer confidence in the Belgian regions

NBB indicator



Source: KBC Economics based on NBB

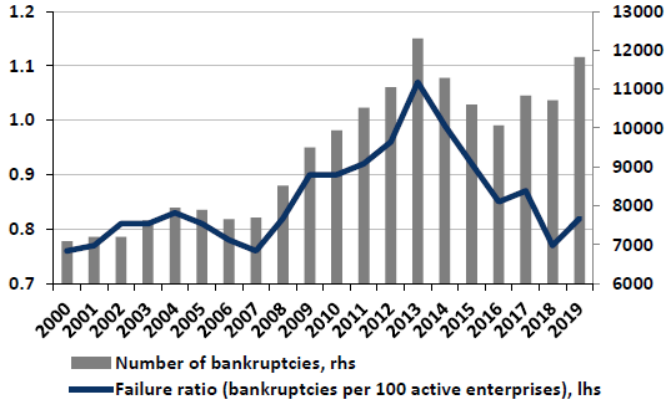
Capacity utilisation and corporate investment



Source: KBC Economics based on OECD, Eurostat

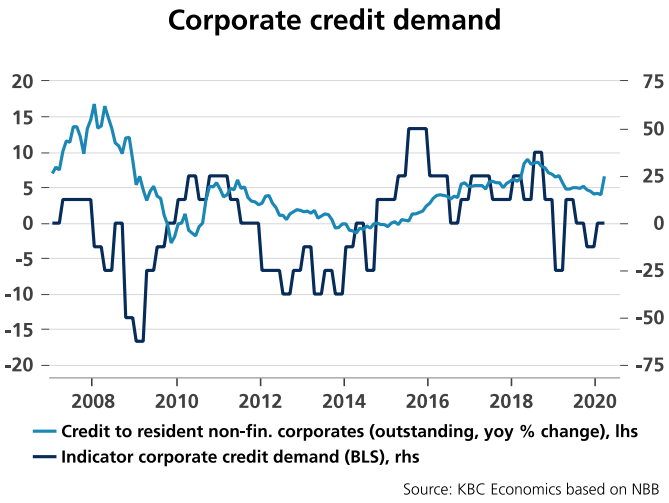
Corporate and SME performance has been improving since 2013, with structural decreases in the number of bankruptcies and net new start-ups picking up. In more recent years, bankruptcies were on the rise again, but this was not caused by the business cycle. The deterioration, with a rise in the failure ration in 2019, was due to a broadening of the scope of the Belgian insolvency law. The new law made it possible to pursue bankruptcy for non-profit organisations, liberal professions and the self-employed.

Evolution of bankruptcies in Belgium



Source: KBC Economics based on Graydon

Corporate credit demand has been on the rise since early 2015, as reflected by the year-on-year change in outstanding credit amount and by the Lending Survey indicator (NBB). This increase in demand can be matched with increased corporate capital expenses since 2015. In more recent years the year-on-year change in outstanding corporate credit has been slowing down, in line with softer real GDP growth since 2017.



Currently, the COVID-19 crisis is disturbing the evolution of credit demand. In this context and in particular as a result of a lower appetite to invest (notably many Belgian companies wanting to defer their investment plans), it could be assumed that the Belgian market for SME Loans are vulnerable.

The measures taken by the Belgian federal authorities are part of a series of measures taken in countries all over Europe and are also supported by the response of the ECB in reaction to the coronavirus pandemic. These are meant to protect the economy and the most vulnerable sectors and individuals.

The economic impact of the coronavirus pandemic on the Belgian economy and on the Belgian market for SME Loans is still uncertain. Although it is not possible at this stage to make a detailed and correct assessment of potential provisioning or financial impact on KBC and on SME Loans of the measures announced by the Belgian Federal Government, we are closely monitoring the situation on a daily basis.

Nevertheless, at this stage and as stated in the section titled "*Expected credit losses*" on pages 22 to 23 of KBC Group NV's extended quarterly report for the first quarter of 2020[8], KBC Group estimates the full-year 2020 impairment to range between roughly 0.8 billion euro (optimistic scenario) and roughly 1.6 billion euro (pessimistic scenario).

In addition, as stated in the section titled "*Financial instruments at fair value through P&L*" on page 24 of KBC Group NV's extended quarterly report for the first quarter of 2020, the combination of a number of market-driven factors, such as sharply lower stock markets, widening credit spreads and lower long-term interest rates, has had a negative impact on the fair value of financial Instruments at the KBC Group of 0.4 billion euro.

[8] https://www.kbc.com/content/dam/kbccom/doc/investor-relations/Results/1Q2020/1Q2020-quarterly-report-en.pdf. Please note that KBC Group NV's extended quarterly report for the first quarter of 2020 is not incorporated by reference in this Base Prospectus.

8.2 SME's in Belgium

In 2017 (latest Eurostat figures available), there were 634,071 SME's (~ up to 50 employees) in Flanders, 308,535 SME's in Wallonia and 130,653 in Brussels. Overall the number of SME's in Belgium has structurally increased, with a 23.2% increase between 2008 and 2017. Company size in terms of employees and of added value contribution are roughly in line with the EU average.

	>=250 employees	50 to 249 employees	20 to 49 employees	10 to 19 employees	0 to 9 employees
Value added according to company size (2017)					
EU (27 countries)	44.1%	18.6%	10.1%	27.2%	
Belgium	38.5%	18.5%	11.3%	7.1%	24.8%
People employed according to company size (2017)					
EU (27 countries)	33.0%	16.9%	10.9%	9.2%	29.9%
Belgium	31.5%	15.0%	10.9%	8.1%	34.5%

9. KBC BANK NV

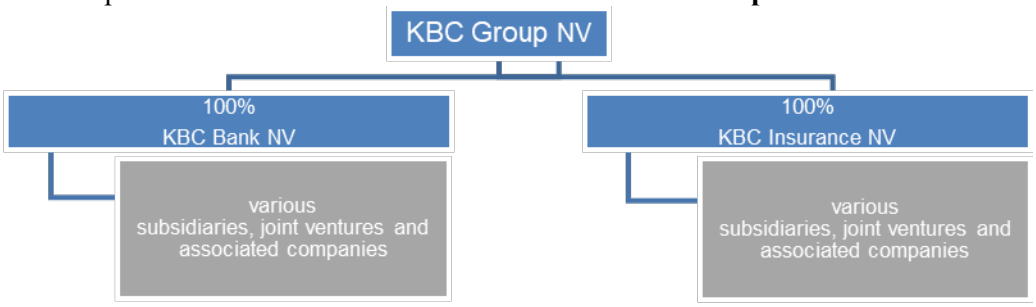
KBC Bank NV is acting as the main contractual counterparty of the Issuer. KBC Bank KV is indeed acting as Originator, Seller, Servicer, Corporate Services Provider, Paying Agent, Reference Agent, Listing Agent, Account Bank, Swap Counterparty and Subordinated Loan Provider. This section therefore provides a description of KBC Bank NV's business activities as well as certain financial information in respect of KBC Bank NV.

1. Corporate Structure and share capital

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 "**KBC Group**" or "**KBC**").

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[9]. KBC Bank together with all subsidiaries in the scope of consolidation is referred to as "**KBC Bank Group**".



As at the date of this Prospectus, the share capital of KBC Bank was EUR 9,732 million and consisted of 995,371,469 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. KBC Group NV's shares are listed on Euronext Brussels. An overview of the shareholding of KBC Group NV is available on the website at www.kbc.com[10]. The core shareholders of KBC Group NV are KBC Ancora, CERA, MRBB and a group of legal entities and individuals referred to as "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.

[9] The information included on this website is not incorporated by reference in this Prospectus.
[10] The information included on this website is not incorporated by reference in this Prospectus.

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.

2. KBC Group Strategy

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.

The strategy of KBC Group rests on the following principles:

- The Group places its clients at the centre of everything it does.
- The Group looks to offer its clients a unique bank-insurance experience.
- The Group focuses on its long-term development and aims to achieve sustainable and profitable growth.
- The Group meets its responsibility to society and local economies.
- The Group implements its strategy within a strict risk, capital and liquidity management framework.-
- 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 consists of financial resilience and the 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.

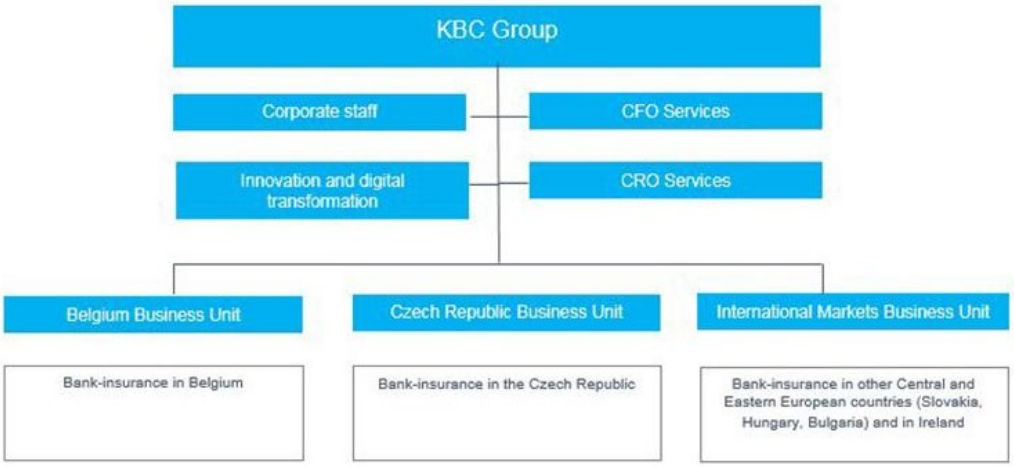
A summary of the KBC Group's strategy is set out on pages 18 to 34 of the Seller's 2019 Annual Report. It is set out even more extensively on pages 32 to 66 of the KBC Group's Annual Report[11].

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:

[11] The Seller's 2019 Annual Report and KBC Group's Annual Report are not incorporated by reference to this Prospectus.



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

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

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

(ii) 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 Chief Executive Officer (CEO), and these 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 (at at 31 December 2018)	**Number of shares**
KBC Group NV	995,371,468
KBC Insurance NV	1
Total	995,371,469

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

Network

Network (as at 31 December 2019)

[12] The information included on this website is not incorporated by reference in this Prospectus.

Network (as at 31 December 2019)	
Bank branches in Belgium:	518
Bank branches in Central and Eastern Europe (Czech Republic, Slovak Republic, Hungary and Bulgaria):	733
Bank branches in the rest of the world (including rep. offices):	27*

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

5. Selected financial information of the Seller

Income Statement

The table below sets out highlights of the information extracted from KBC Bank's audited consolidated annual statements for each of the two years ended 31 December 2018 and 31 December 2019.

Highlights of the consolidated income statement KBC Bank (in millions of EUR)	**Full year 2018**	**Full year 2019**
Net interest income	4,033	4,153
Dividend income	29	35
Net result from financial instruments at fair value through profit or loss	161	70
Net realised result from debt instruments at fair value through other comprehensive income	8	6
Net fee and commission income	2,062	2,085
Other net income	167	200
TOTAL INCOME	**6,460**	**6,548**
Operating expenses	-3,712	-3,797
Impairment	19	-213
Share in results of associated companies and joint-ventures	12	3
RESULT BEFORE TAX	**2,779**	**2,541**
Income tax expense	-598	-501
RESULT AFTER TAX	**2,181**	**2,040**
Attributable to minority interest	171	35

Attributable to equity holders of the parent	2,010	2,005

Balance Sheet

The table below sets out highlights of the information extracted from KBC Bank's audited consolidated annual statements as at 31 December 2018 and 31 December 2019.

Highlights of the consolidated balance sheet, KBC Bank (in millions of EUR)	**31 12 2018**	**31 12 2019**
Total assets	248,940	253,967
Loans and advances to customers (excluding reverse repos*)	144,810	153,781
Securities (equity and debt instruments)	44,387	46,260
Deposits from customers and debt securities (excluding repos**)	194,837	203,839
Risk weighted assets (Basel III, fully loaded)	85,474	89,838
Total equity	16,709	16,594
of which parent shareholders' equity	14,150	15,091

* 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 2 July 2020)	
Fitch	A+ (negative outlook)
Moody's	A1 (stable outlook)
Standard and Poor's	A+ (stable outlook)

Ratings can change. Various ratings exist. Investors should look at https://www.kbc.com/en/investor-relations/credit-ratings.html?zone=topnav for the most recent ratings and for the underlying full analysis of each rating agency to understand the meaning of each rating[13].

[13] The information included on this website is not incorporated by reference in this Prospectus.

Each such credit rating agency is established in the European Union and is registered under Regulation (EC) No. 1060/2009 and listed on the "List of Registered and Certified CRA's" as published by ESMA in accordance with Article 18(3) of such Regulation.[14]

7. Main companies which are subsidiaries of KBC Bank Group or in which it has significant holdings as of 31 December 2019

Company	Registered office	Ownership percentage of KBC Bank	Activity (simplified)
CBC Banque SA	Namur – 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 KBC Bank Group at year end 2019 is provided in its annual report.

8. General description of activities of KBC Bank Group

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

Its geographic focus is on Europe. In its "home" (or "*core*") markets Belgium, Czech Republic, Slovak Republic, Hungary, Bulgaria and Ireland, KBC Bank Group has important and (in some cases) even leading positions.[15] KBC Bank Group is also present in other countries where the primary focus is on supporting the corporate clients of the home markets.

KBC Bank 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, KBC Bank 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

[14] A list of credit rating agencies registered under Regulation (EC) No. 1060/2009 is published on the website of ESMA (http://esma.europa.eu/supervision/credit-rating-agencies/risk)

[15] Source: KBC Bank NV.

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

Activities in Belgium

Market position of the bank network in Belgium, end of 2018	
Market share (own KBC Bank estimates)	Banking products* 20% Investment funds 30%
Bank branches	518

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

KBC Bank Group has a network of 518 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 3.5 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 2019, 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 30%.

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 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 their Belgian subsidiaries, the most important of which are CBC Banque, KBC Asset Management, KBC Lease Group (Belgium) and KBC Securities.

KBC Bank Group's aim in Belgium is:

- To focus on an omnichannel approach and invest in the seamless integration of its different distribution channels (branches, agencies, advisory centres, websites and mobile apps), while investing in the further digital development of its banking and insurance services and

exploiting new technologies and data to provide clients with more targeted and proactive advice.

- To expand its service provision via own and other channels. KBC Bank collaborates to this end with partners through 'ecosystems' that enable it to offer its clients comprehensive solutions. To integrate a range of selected partners in its own mobile app (see further) and for its products and services to be present in the distribution channels of selected third parties (e.g., cycle loans and insurance at cycle dealers).

- To exploit its 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 grow bank-insurance further at CBC in specific market segments and to expand our presence and accessibility in Wallonia.

- To work on the ongoing optimisation of its bank-insurance model in Belgium.

- To continue the pursuit of becoming the reference bank for SMEs and mid-cap enterprises based on its thorough knowledge of the client and its personal approach.

- To express its commitment to Belgian society by taking initiatives in areas including environmental awareness, financial literacy, entrepreneurship and demographic ageing. To actively participate in the mobility debate and develop solutions.

Activities in Central and Eastern Europe

Market position of the bank network in the home countries of Central and Eastern Europe, end of 2018		**Czech Republic**	**Slovak Republic**	**Hungary**	**Bulgaria**
Market share (own KBC Bank estimates)	Banking products*	21%	10%	10%	10%
	Investment funds	24%	7%	13%	16%
Bank branches	Total	225**	117	208	183

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

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

In its four home countries, KBC Bank 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 KBC Bank 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, KBC Bank 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.

KBC Bank Group's estimated market share (the average of the share of the lending market and the deposit market, see table above) amounted to 21% in the Czech Republic, 10% in the Slovak Republic, 11% in Hungary, and 10% in Bulgaria (rounded figures). KBC Bank Group also has a strong position in the investment fund market in Central and Eastern Europe (estimated at 24% in the Czech Republic, 7% in the Slovak Republic, 13% in Hungary and 16% in Bulgaria).

In KBC Bank 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 KBC Bank Group's activities in the Czech Republic, consisting primarily of the activities of the ČSOB group (under the ČSOB, 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 in Bulgaria, plus KBC Bank Ireland's Irish operations.

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

- in relation to the Czech Republic Business Unit:
    - To maintain its position as the reference for bank-insurance by offering integrated, client-centric solutions.
    - To continue to digitalise services and to introduce new innovative products and services, including open bank-insurance solutions.
    - To concentrate on further simplifying products, processes (including application of Robotic Process Automation and Intelligent Process Automation (RPA and IPA)), head office, distribution model and branding, with a view to achieving even greater cost efficiency.
    - To unlock business potential through advanced use of data and to leverage its position as market leader in home finance.
    - To strengthen its business culture, with the goal of becoming even more flexible, agile and diverse.
    - To express its social engagement by focusing on environmental awareness, financial literacy, entrepreneurship and demographic ageing.

- in relation to the International Markets Business Unit (excluding Ireland):
    - To maintain its position as the reference for bank-insurance by offering integrated, client-centric solutions.
    - To continue to digitalise services and to introduce new innovative products and services, including open bank-insurance solutions.
    - To concentrate on further simplifying products, processes (including application of Robotic Process Automation and Intelligent Process Automation (RPA and IPA)), head office, distribution model and branding, with a view to achieving even greater cost efficiency.
    - To unlock business potential through advanced use of data and to leverage its position as market leader in home finance.
    - To strengthen its business culture, with the goal of becoming even more flexible, agile and diverse.
    - To express its social engagement by focusing on environmental awareness, financial literacy, entrepreneurship and demographic ageing.

An overview of the Group's recent acquisitions is set out in the chapter "*We focus on sustainable and profitable growth*" of the Seller's 2019 Annual Report.

Activities in the rest of the world

A number of companies belonging to KBC Bank 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 KBC Bank Group or in which it has significant holdings as of 31 December 2019*") or the full list in the 2019 annual report of KBC Bank.

As regards the Group's strategy in Ireland, the main is to further implement the 'Digital First' strategy in order to ensure an outstanding client experience. The aim is to differentiate ourselves through the instant and proactive delivery of products and services and through a high level of accessibility (including mobile and contact centre). The Group will further develop its strong position in home loans and is fully committed, as in the other core countries, to bank-insurance. The loan portfolio of KBC Bank Ireland plc stood at approximately EUR 10 billion as at the end of December 2019, almost entirely relating to mortgage loans. At the end of December 2019, approximately 16% (EUR 1.7 billion) of the total Irish loan portfolio was impaired (of which EUR 0.9 billion more than 90 days past due). For the impaired loans, approximately EUR 0.4 billion impairments have been booked. The Group estimates its share of the Irish retail market in 2019 at 9%. It caters to 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 (more details are available in the the Seller's 2019 Annual Report[16]).

In the Group's financial reporting, KBC Bank Ireland is included in the International Markets Business Unit. 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

[16] This document is not incorporated by reference to this Prospectus.

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, 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, among other things, costs related to the holding of participations and the results of the remaining companies or activities earmarked for divestment or in run-down.

10. Competition

All of KBC Bank Group'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, insurance companies, specialised finance companies, asset managers, private bankers, investment companies, fintech and e-commerce companies etc.

In both Belgium and Central and Eastern Europe, the Group has an extensive bank-insurance network of branches, insurance agencies and other distribution channels. The Group believes most of its companies have strong name brand recognition in their respective markets.

In Belgium, KBC Bank Group is perceived as belonging to the top three (3) financial institutions. For certain products or activities, KBC Bank 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, KBC Bank Group is one of the important financial groups, occupying significant positions in banking. In this respect, KBC Bank Group competes, in each of these countries, 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, KBC Bank 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, KBC Bank 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% (KBC estimate). 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 2019, KBC Bank Group had, on average and on a consolidated basis, about 30,000 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. In addition to consultations, at works council meetings and at meetings with union representatives and with other consultative bodies, KBC Bank 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 and asset management, the KBC Bank Group is exposed to a number of typical industry-specific risks such as – but certainly not exclusively – credit risk, market risks, movements in interest rates and exchange rates, currency risk, liquidity risk, operational risk, exposure to emerging markets, changes in regulations and customer litigation as well as the economy in general. Material risk factors affecting the Issuer are mentioned in the section 3 (Risk Factors) of this Prospectus.

Risk management in the KBC Group is effected group-wide. As a consequence, the risk management for the Issuer and the KBC Bank Group is embedded in the KBC Group's risk management and cannot be seen separately from it.

An overview of KBC (Bank) Group's risk management approach is set out in the "Risk management" section on pages 46 to 78 of the Seller's 2019 Annual Report[17].

More detailed information can be found in KBC Group NV's 2019 Risk Report, available at https://www.kbc.com/content/dam/kbccom/doc/investor-relations/Results/JVS-2019/Risk-report-2019.pdf[18].

This document is not incorporated by reference and does not form part of this Prospectus, and it has not been scrutinised or approved by the FSMA.

13. Banking supervision and regulation

Introduction: supervision by the European Central Bank

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

[17] This document is not incorporated by reference to this Prospectus.
[18] The document is not incorporated by reference in this Prospectus.

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.

Supervision and regulation in Belgium

The banking regime in Belgium is governed by the **Banking Law**. The Banking Law 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, as amended by Directive (EU) 2019/878 of 20 May 2019, and as may be further amended or replaced from time to time ("**CRD**") and, where applicable, Regulation (EU) n° 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms,as amended by Regulation (EU) 2019/876 of 20 May 2019, and as may be further amended or replaced from time to time ("**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, as amended by Directive (EU) 2019/879 of 20 May 2019 ("**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 Banking Law with effect from 16 July 2016.

The Banking Law 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 Banking law is to protect public savings and the stability of the Belgian banking system in general.

Supervision of credit institutions

(1) 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 ten working days.

(2) The Banking Law 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.

(3) The Banking Law 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.

(4) The Banking Law establishes a range of instruments to tackle potential crises of credit institutions at three stages:

(a) 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 in (c) 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.

(b) Early intervention

The ECB and the 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 Banking Law 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.

(c) Resolution

- In relation to credit institutions falling within the scope of the Single Supervisory Mechanism, such as KBC Bank NV (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, as amended by Regulation (EU) 2019/877 of 20 May 2019, 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 Banking Law. 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 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 Banking Law, which entered into force on 1 January 2016.

Bank governance

The Banking Law 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 Banking Law 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 Banking Law, KBC Bank has an Executive Committee of which each member is also a member of the Board of Directors.

Pursuant to the Banking Law, 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 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 Banking Law 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 December 2019 by the Board of Directors of KBC Group NV, KBC Bank and KBC Insurance NV.

KBC Bank also has a Corporate Governance Charter which is published on www.kbc.com[19].

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 take 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.

Solvency is also limited by the leverage ratio, which compares Tier 1 capital to non-risk weighted assets.

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

[19] The document is not incorporated by reference in this Prospectus.

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%, 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).

Due to the challenges for the economy posed by the coronavirus crisis, the ECB has decided in March 2020 to allow banks to operate temporarily below the level of capital defined by the pillar 2 guidance (P2G), the capital conservation buffer and the liquidity coverage ratio. These temporary measures were enhanced by the appropriate release of the countercyclical capital buffer by the NBB. Various local competent authorities in the Group's core markets have also decided to release the countercyclical capital buffer.

The following table provides an overview of the fully loaded CET1 requirement for 2020 at the level of the Seller:

KBC Group	
Pillar 1 minimum requirement (P1 min)	4.50%
Pillar 2 requirement (P2R)	1.75%
Conservation buffer	2.50%
O-SII buffer	1.50%
Countercyclical buffer*	0.30%
Overall capital requirement (OCR) = MDA threshold**	10.55%

** The fully loaded countercyclical buffer of KBC Group for 2020 takes into account the COVID-19 measures of national authorities to decrease the CCyB rates in countries where KBC has relevant exposures, which will become applicable in the course of 2020*

*** Maximum Distributable Amount under CRD IV*

KBC Group clearly exceeds these targets: on 31 December 2019, the fully loaded CET1 ratio for KBC Group came to 17.1%, (16.0% at 31 December 2018) which represented a capital buffer of EUR 6,486 million relative to the minimum requirement of 10.60%. The leverage ratio (Basel III, fully loaded) stood at 6.8% (6.1% at 31 December 2018) relative to the minimum requirement of 3%.

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.

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.

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 "**Law of 18 September 2017**"). 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 Law of 18 September 2017 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 6) 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 6).

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 Banking Law. 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 Banking Law). 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 Banking Law.

14. Material contracts

KBC Bank has not entered into any material contracts outside the ordinary course of its business which could result in any member of KBC Bank Group being under an obligation or entitlement that is material to KBC Bank's ability to meet its obligations to Noteholders.

15. Recent events

Information about recent events in relation to the Seller can be found in the following sub-sections of this Section 9 (KBC Bank NV): "*2. KBC Group strategy*", "*3. Management structure*", "*4. Short presentation of KBC Bank*", "*8. General description of activities of KBC Bank Group*", "*9. Principal markets and activities*", "*12. Risk management*", "*13. Banking supervision and regulation*" and "*21. Litigation*".

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[20]. 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 this Prospectus section as well as https://newsroom.kbc.com/en#.

16. Trend information

The main sources for this section are the European Banking Authority, the European Central Bank (the "**ECB**") and the European Commission.

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 ECB. 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. The non-performing loans ratio in Ireland has been falling significantly in recent years.

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 very uncertain macroeconomic environment with the impact of the coronavirus crisis lingering on, bank profitability faces significant challenges 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.

General economic environment and risks

General trend information on the Covid-19 pandemic

The coronavirus (COVID-19) pandemic has caused major disruption and dislocation to the global economy. KBC expects a widespread recession in Europe as well as in the U.S. due to the pandemic.

[20] These documents are not incorporated by reference in this Prospectus.

Policy responses to the coronavirus crisis are fast and far-reaching and are likely to mitigate the lasting impact of the crisis as well as to assist the speed of the recovery. In particular, monetary authorities are adopting markedly more accommodative policy measures. On top of that, many governments have already announced substantial fiscal stimulus. Therefore, we expect that the coronavirus crisis will cause a deep, but temporary global recession. By the end of 2020 and through 2021, a gradual recovery is expected while the long-term outlook for the global economy is maintained. Risks remain clearly to the downside.

KBC expects an internationally synchronized deterioration in the business cycle. Nevertheless, the magnitude of the recession linked to the coronavirus pandemic is likely to differ across countries. The latter will depend on the importance of tourism, the integration of countries in European and global production chains, the availability and quality of medical services, each economy's recent growth momentum and the available budgetary space to mitigate the economic impact.

The coronavirus crisis will also cause some dampening effects on inflation rates, since global demand will fall. The lower oil price is expected to have a temporary positive impact on European growth, but it will only be a marginal offset to the negative effects of the coronavirus pandemic.

Central banks have already taken drastic measures to provide substantial support to contain the recession due to the coronavirus crisis, consisting of policy rate cuts, substantial measures in terms of liquidity provision and additional quantitative easing. KBC expects central banks to take further action if needed. Further interest rate cuts by the ECB and the U.S. Federal Reserve are unlikely at the moment, but significant further unconventional policy initiatives may be required in response to the unprecedented and still evolving coronavirus crisis.

The coronavirus crisis and the shock in the oil markets have caused a sharp risk-off wave in financial markets. As a result of a widespread global flight to safe havens in combination with expectations of more accommodative monetary policies, long-term government bond yields dropped substantially and are expected to stay low. However, those same risk-off drivers coupled with expectations of potentially massive fiscal initiatives have caused yields to bounce off their lowest levels and spreads between countries to widen. These influences are likely to remain a source of significant volatility in interest rate markets in the current environment.

The Coronavirus Covid-19 pandemic in Belgium

As the coronavirus pandemic and the ensuing global health crisis have led to a massive impact on economic activity, the Belgian Federal Government, the NBB and Febelfin (the Belgian banking federation) reached an agreement at the end of March 2020 on a number of measures for banks.

As set out in a charter on the payment moratorium for corporate credits, the Belgian financial sector committed to providing viable (i.e., if there were no payment arrears on 1 February 2020 or payment arrears of less than 30 days on 29 February 2020) non-financial companies, self-employed persons and individuals with mortgage credit which have payment problems due to the coronavirus crisis with a temporary deferment of payment until 30 September 2020 without charge. Non-financial companies are required to have a permanent establishment in Belgium. Borrowers are required to evidence the fact that they are in distress because of the coronavirus crisis and request their bank for a postponement of payment.

Pursuant to the Belgian Royal Decree of 14 April 2020 granting a State guarantee for certain credits in the combat against the consequences of the coronavirus, qualifying short-term credits granted by credit institutions to viable non-financial companies could benefit from a State guarantee. The regime extends to new credits granted by either Belgian credit institutions or Belgian branches of foreign credit institutions between 1 April 2020 and 30 September 2020 with a maturity of up to twelve months. Only companies which are deemed viable (i.e., which do not have pre-existing

financial difficulties) could benefit from the State guarantee. Furthermore, the Royal Decree requires that the companies are registered in the Belgian Crossroads Bank for Enterprises, covering both Belgian companies as well as foreign companies which have activities in Belgium.

In addition, Belgium's four largest banks (Belfius, BNP Paribas Fortis, ING and the Originator) agreed on measures to support companies facing difficulties due to the coronavirus crisis, such as the granting of extensions for the repayment of interest and/or capital and the granting of additional credit. This agreement is likely to be extended to other, if not all, banks which are active in the granting of loans. Each bank will act on a case-by-case basis and will invite its client companies to contact it to find the appropriate solution.

The measures taken by the Belgian federal authorities are part of a series of measures taken in countries all over Europe and are also supported by the response of the ECB in reaction to the coronavirus pandemic. These are meant to protect the economy and the most vulnerable sectors and individuals.

The economic impact of the coronavirus pandemic on the Belgian economy is still uncertain and it is not possible at this stage to make a detailed and correct assessment of potential provisioning or financial impact of the measures announced by the Belgian Federal Government.

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 Banking Law, the Board of Directors of kBC Bank has set up an Executive Committee which has the powers to perform the acts referred to in Article 7:104 of the Belgian Companies and Associations Code and article 18 of the Seller's articles of association. However, these powers relate 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. The Seller is not aware of any potential conflicts of interest between the duties to the Seller of the Members of the Board of Directors 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**
DEBACKERE Koenraad KBC Bank NV Havenlaan 2	Chairman	2024	Non-executive Director of Umicore NV Non-executive Director of ZB Sports DevelopmentChairman of the Board of Directors of KBC Verzekeringen NV

1080 Brussel			Chairman of the Board of Directors of KBC Group NV Non-executive Director of Gemma Fresuis-Fonds K.U. Leuven NV Non-executive Director of Better3Fruit NV Non-executive Director of Bio Incubator Leuven NV Non-executive Director of Essencia Innovation Fund Non-executive Director of Televic Group NV Non-executive Director of Group Joos Non-executive Director of LRM/Mijnen
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 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 Senior General Manager of KBC Group NV, Branch Bulgaria
THIJS Johan	Executive	2021	Executive Director/CEO of KBC Verzekeringen

KBC Bank NV Havenlaan 2 1080 Brussel	Director/CEO		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 VBO 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 Non-Executive Director of Ceskoslovenska Obchodni Banka a.s. (CR) Member of the Supervisory Board of Ceskoslovenska Obchodna Banka a.s. (S.R. Member of the Management Board of KBC Bank NV, Dublin Branch Non-Executive Director of United Bulgarian Bank AD
ARISS Nabil 16 Chiddingstone street London SW6 3TG United Kingdom	Independent Director	2022	Executive Director AF Law Executive Director of Fresnel 1823 Limited
DEPICKERE Franky Cera-KBC Ancora Muntstraat 1 3000 Leuven	Non-executive Director	2023	Executive Director of Cera CVBA Executive Director of Cera Beheersmaatschappij NV Non-executive Director of BRS Microfinance Coop CVBA 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. Member of the Supervisory Board of Ceskoslovenska Obchodni Banka a.s. (CR) Executive Director of KBC Ancora NV Non-executive Director of CBC Banque SA Non-executive Director United Bulgarian Bank AD
CALLEWAERT Katelijn Cera	Non-executive Director	2021	Executive Director of Cera Beheersmaatschappij NV Member of the Executive Committee of Cera

Beheersmaatschappij Muntstraat 1 3000 Leuven			CVBA Non-executive Director of KBC Group NV Non-executive Director of KBC Verzekeringen NV Executive Director of Almancora Beheersmaatschappij NV Non-executive Director CBC Banque SA
DE BECKER Sonja MRBB CVBA Diestsevest 40 3000 Leuven	Non-executive Director	2020	Non-executive Director of Acerta CVBA Non-executive Director of M.R.B.B. CVBA – Maatschappij voor Roerend Bezit van de Boerenbond Non-executive Director 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 Non-executive Director of BB-Patrim CVBA
WITTEMANS Marc MRBB cvba Diestsevest 40 3000 Leuven	Non-executive Director	2022	Non-executive Director of KBC Group NV Non-executive Director 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 Executive Director and CEO of Aktiefinvest CVBA Non-executive Director of KBC Verzekeringen NV Non-executive Director Acerta Public BV Non-executive Director Acerta Verzekeringen Non-executive Director of Shéhérazade Développement CVBA Non-executive Director of AVEVE NV – Aan- en verkoopvennootschap van de Belgische Boerenbond Non-executive Director of KBC Bank Ireland Plc Non-executive Director of SBB Bedrijfsdiensten CVBA Non-executive Director of K&H Bank Zrt
FALQUE	Executive	2020	Non-executive Director of CBC Banque SA

Daniel KBC Bank NV Havenlaan 2 1080 Brussels	Director		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	Independent Director	2020	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 Non-executive Director of Swedbank AB
LUTS Erik KBC Bank NV Havenlaan 2 1080 Brussels	Executive Director	2021	Non-executive Director of De Bremberg VZW Non-executive Director of Thanksys NV Non-executive Director of Joyn International NV Non-executive Director of Joyn Belgium NV Non-executive Director of KBC Focus Fund 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 ID NV Non-executive Director of Bancontact Payconiq 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
KIRALY Julia KBC Bank NV Havenlaan 2 1080 Brussels	Independent Director	2023	Executive Director of Fintor Holding Ltd. Non-executive Director of KBC Group NV
PAPIRNIK Vladimira KBC Group NV Havenlaan 2 1080 Brussels	Independent Director	2020	Non-executive Director of KBC Group 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[21].

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

PricewaterhouseCoopers Bedrijfsrevisoren BV (*erkend revisor/réviseur agréé*), represented by Roland Jeanquart and Gregory Joos, with offices at Woluwedal 18, B-1932 Sint-Stevens-Woluwe, Belgium ("**PwC**"), has been appointed as auditor of KBC Bank for the financial years 2016-2022. 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 2018 and 31 December 2019 and resulted in an unqualified audit opinion with an emphasis of matter paragraph on the financial statements for the year ended 31 December 2019.

PwC is a member of the *Instituut van de Bedrijfsrevisoren/Institut des Réviseurs d'Entreprises*.

The report of the auditor of KBC Bank on the audited consolidated annual financial statements of KBC Bank and its consolidated subsidiaries for the financial years ended 31 December 2018 and 31 December 2019 are available on the website of the Issuer at https://www.kbc.com/en/no-crawl/home-loan-invest-disclaimer[23].

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

[21] This document is not incorporated by reference in this Prospectus.
[22] This document is not incorporated by reference in this Prospectus.
[23] This document is not incorporated by reference in this Prospectus.

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.

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.

Judicial inquiries and criminal proceedings

(i) 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

A. Belgian proceedings (overview per court entity)

A.1 Company Court of Antwerp, section Antwerp

On 16 March 2010, 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).

LKI and /or LKB started numerous satellite proceedings with the sole aim to delay the decision of the Company Court of Antwerp, section Antwerp regarding ADB's recovery claim. (see also proceedings described under points A.2., A.3., A.4. and B.)

Numerous times LKI and /or LKB were convicted for reckless and vexatious legal actions and were ordered to pay KBC Bank in damages for a total amount of EUR 595,000 and legal expenses (including the legal representation costs) of EUR 222,015.51 (including the amounts granted by the decisions described under A.3 below).

All decisions (45) regarding these proceedings rejected LKI and /or LKB's claims / legal actions. Only two decision were rendered in favor of LKI. The first was a decision of the United States Court of Appeals for the Second Circuit in 2013 whereby the RICO case was reversed and remanded back to the District Court on legal technical grounds. (see further below under point B).

The second decision was the ruling of Court of Cassation dated 19 December 2019 which only partially annulled the Antwerp Court of Appeal decision of 13 December 2018 regarding the lack of reasoning in relation to the order of LKI and LKB to pay damages for vexatious reckless proceedings. The case was only sent to the Brussel Court of Appeal on this aspect.

As of today after almost 10 years of litigation the Company Court of Antwerp, section Antwerp has still not been able to decide on the merits of the case.

A.2 Company Court of Antwerp, section Antwerp

On 28 July 2014, 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*.

A.3 Company 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 LK claims an additional amount of approximately 5 million USD.

By decision of 7 February 2017, the Commercial Court of Antwerp, section Antwerp (now Company Court of Antwerp, section Antwerp) dismissed LKB's claim. Moreover, the Court decided that the proceedings initiated by LKB were reckless and vexatious and ordered LKB to pay EUR 250,000 in damages, as well as the maximum legal representation cost of EUR 72,000.

LKB appealed against the decision of 7 February 2017. On 28 February 2019, the Antwerp Court of Appeals dismissed LKB's appeal. LKB was ordered to pay the legal representation cost for the appeal proceedings of EUR 18,000. On 18 June 2019 LKB initiated

proceedings before the Court of Cassation against the decision of the Antwerp Court of Appeals dated 28 February 2019. These proceedings are still pending.

LKI – which was not a party to the first instance proceedings – commenced third-party opposition proceedings against the same decision with the Commercial Court (now Company Court). By decision of 7 May 2019, the Company Court dismissed the third- party opposition proceedings initiated by LKI. The Court ordered LKI to pay the legal representation cost of EUR 1,440.

A.4 Criminal complaint

On 13 October 2016 LK filed a criminal complaint with the Investigating Magistrate at the Dutch speaking Court of First Instance of Brussels against KBC Bank. The criminal complaint is based on: embezzlement, theft and money-laundering.

Although this investigation started at the 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).

B. 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.

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.

On 27 September 2018, LKI filed a notice of appeal against the Opinion and Order of 29 August 2018. On 19 November 2019 the US Court of Appeals dismissed LKI's appeal and affirmed the decision of the District Court of 29 August 2018.

On 27 September 2018, LKI also requested a pre-motion conference before the District Court to file a motion in order to vacate its judgement dated 29 August 2018. Following the decision of the District Court dated 4 February 2020 allowing LKI to file a motion to seek relief from its judgement, LKI decided not to file a motion to reopen the case.

(ii) On 6 October 2011, Irving H. Picard, trustee for the substantively consolidated SIPA (Securities Investor Protection Corporation Act) liquidation of Bernard L. Madoff Investments Securities LLC and Bernard L. Madoff, sued KBC Investments Ltd (a wholly-owned subsidiary of KBC Bank) before the bankruptcy court in New York to recover approximately USD 110,000,000 worth of transfers made to KBC entities. The basis for this

claim were the subsequent transfers that KBC Investments Ltd had received from Harley International, a Madoff feeder fund established under the laws of the Cayman Islands. This claim is one of a whole set made by the trustee against several banks, hedge funds, feeder funds and investors. In addition to the issues addressed by the district court, briefings were held on the applicability of the Bankruptcy Code's 'safe harbor' and 'good defenses' rules to subsequent transferees (as is the case for KBC Investments Ltd). KBC Investments Ltd, together with numerous other defendants, filed motions for dismissal. District court Judge Jed Rakoff has made several intermediate rulings in this matter, the most important of which are the rulings on extraterritoriality and good faith defences.

On 27 April 2014, Judge Rakoff issued an opinion and order regarding the 'good faith' standard and pleading burden to be applied in the Picard/SIPA proceeding based on sections 548(b) and 559(b) of the Bankruptcy Code. As such, the burden of proof that lies on Picard/SIPA is that KBC Investments Ltd should have been aware of the fraud perpetrated by Madoff. On 7 July 2014, Judge Rakoff ruled that Picard/SIPA's reliance on section 550(a) does not allow for the recovery of subsequent transfers received abroad by a foreign transferee from a foreign transferor (as is the case for KBC Investments Ltd.). Therefore, the trustee's recovery claims have been dismissed to the extent that they seek to recover purely foreign transfers. In June 2015, the trustee filed a petition against KBC Investments Ltd to overturn the ruling that the claim fails on extraterritoriality grounds. In this petition, the trustee also amended the original claim including the sum sought. The amount has been increased to USD 196,000,000.

On 21 November 2016, Judge Bernstein issued a memorandum decision regarding claims to recover foreign subsequent transfers, including the transfers which the trustee seeks to recover from KBC Investments Ltd. In this memorandum decision, Judge Bernstein concluded that the trustee's claims based on foreign transfers should be dismissed out of concern for international comity and ordered a dismissal of the action against KBC Investments Ltd. and on 3 March 2017, the Bankruptcy Court issued an appealable order denying the Madoff Trustee's request for leave to amend his Complaint and dismissing the Complaint. On 16 March 2017 the trustee Picard filed an appeal of dismissal, on 27 September 2017 the Second Circuit granted trustee Picard's petition for a direct appeal, on 10 January 2018 trustee Picard filed his opening brief in appeal to Second Circuit.

Briefing in the appeal was completed on 8 May 2018, and the Second Circuit held oral argument on 16 November 2018.

On 28 February 2019 the Second Circuit reversed the Bankruptcy Court's dismissal of the actions against KBC Investments Ltd on extraterritoriality and international comity grounds. The action against KBC Investments Ltd has therefore been remanded back to the Bankruptcy Court for further proceedings.

In April 2019 a request for rehearing was denied.

On 30 August 2019, a petition for writ of Certiorari was filed with the U.S. Supreme Court to consider the appeal and reverse the Second Circuit decision by the joint defence group.

On 10 December 2019, the U.S. Supreme Court entered a brief order inviting the U.S. Solicitor General to file a brief expressing the views of the United States Government.

On 10 April 2020 the United States Solicitor General filed a brief recommending that the Supreme Court deny the Madoff defendants' petition for a writ of certiorari.

The timing for the Supreme Court's decision on the petition is uncertain, but an order granting or denying the petition is likely to be entered sometime in late spring or early summer 2020. If denied, the case will be back with the Bankruptcy Court and litigation on the case will continue.

10. SME LOAN UNDERWRITING AND SERVICING

10.1 Underwriting

(a) Distribution

Most credit requests pass through the KBC front offices network which is responsible for the registration of qualitative and complete credit requests in the credit application systems for commercial credits. As part of our strategy we have a wide range of online and mobile access platforms, supported by KBC Live offices (acting remotely with broad opening hours). The client can get necessary support to introduce his credit request (for small (max. 50.000 EUR per requests) and rather simple requests) himself via these mobile applications.

Managing a credit relationship with the client within KBC is based on the following principles:

- Proactive capturing of the client credit needs
- Collecting all relevant client information
- Determining the clients earnings potential

Within BU Belgium contact with professional, SME and corporate clients is initiated by Retail (retail banking in Flemish region and Brussels), Corporate Banking (corporate banking in Flemish Region, Brussels and some foreign branches) or by CBC (retail and corporate banking in Walloon region and Brussels). In addition to its "bricks and stones" network KBC has a wide range of online and mobile access platforms, reflecting its strategy to be a fully capable multi-channel banking and insurance services provider. KBC also took its first steps in cooperation with third parties.

- Retail Banking consists of 383 (self service branches excluded) retail and 20 private banking branches. Client approach is done through segments (private customers, SME's), client groups (youth, starters, …) and specific domains (Agriculture, Social Profit, …).
- Corporate Banking consists of 12 business centres grouped in 4 regions located in Belgium and 7 foreign branches (US / UK / FR / NL / GER / Italy/ Asia Pacific). Customer profile is primarily based on financial and geographical differentiators:
    - Belgian enterprise groups annual (group) turnover +15 mio EUR
    - An overall corporate score of more than 0,7 based on different parameters in the consolidated figures.
    - Belgian enterprise groups with international footprint and/or specialised needs
    - International groups active in Belgium

(b) Loan origination process

Step 1: Risk analysis

Each credit request starts with translating the client's needs in terms of product, term, repayment schedule, pricing and costs, collateral and guarantees, conditions and covenants. KBC's primary lending criterion is the clients' debt repayment capacity. Several types of collateral can be requested to cope with potential negative economic evolutions, however the presence of sufficient collateral should never substitute the primary criterion of sufficient operating cash flow.

A comprehensive risk profile of the client is assembled for each credit request, reflecting amongst others the probability of default and the expected loss given default. KBC applies a uniform rating scale for all its SME and Corporate exposure ranging from PD1 to PD9 for performing exposures.

PD		
from	to	rating
0,00 %	0,10 %	1
0,10 %	0,20 %	2
0,20 %	0,40 %	3
0,40 %	0,80 %	4
0,80 %	1,60 %	5
1,60 %	3,20 %	6
3,20 %	6,40 %	7
6,40 %	12,80 %	8
12,80 %	100,00 %	9

Mainly three different PD-models are used to calculate the probability of default of a professional client: the SME, Midsize Corporate or Large Corporate model. Which model is used for a certain borrower is based on certain financial differentiators. Calculation of risk parameters such as probability of default, exposure at default and loss given default is strongly automated and model based. The possibility to overrule model input or output by front office users is very limited.

Underwriting processes are generally more automated within Retail Banking. There is a strong emphasis on client risk assessment engines which combine a statistical scoring of the borrower, a set of policy rules and a repayment capacity calculation step.

A borrower analysis is done with different degrees of granularity depending on the nature of the request and the outcome of the risk assessment engine. The analysis focuses on analysis of qualitative and quantitative performance drivers, KBC commercial strategy towards the borrower, the borrowers business profile, shareholder structure, etcetera.

KBC applies the principle of risk based pricing for all credit requests, either through the use of return on allocated capital (Raroc) minima for Corporate borrowers or through risk differentiated tariff tables for Retail SME's.

All collateral should be evaluated during credit origination as part of the credit decision, with access to all available collateral information and according to the applicable valuation policies. Collateral valuation rules are specific and conservative.

Step 2: Credit acceptance process

KBC has an extensive and up-to-date framework of credit policies and guidelines, which reflects its risk appetite, governance procedures and CSR guidelines. KBC lending is based on a realistic assessment of the borrower's capacity and willingness to repay the loan, rather than on the realisation of collateral. KBC will only finance activities and transactions which it can reasonably judge as meeting the by KBC accepted

ethical and national/international legal standards. KBC will also offer clients only financial products or services that fit their needs. KBC ensures that its clients are making informed decisions by providing timely, clear, transparent and consistent information on the credit product/service offered, the rights and obligations of the clients as well as on pricing. The framework can in certain cases lead to either restricted or excluded lending towards certain borrower types or activities.

An independent advice is made when necessary, either by a local advisor or a Group advisor. The advisor focuses on all risk aspects relating to the request and on its compliance with KBC's credit policy and overall policy guidelines.

All credit requests in the retail segment and almost 60% (in number) of the credit requests in the corporate segment pass through a risk assessment engine. This risk assessment engine is basically composed of a validated statistical score card, a set of policy rules and repayment capacity calculation. The outcome of this decision engine can be automated (no human decision taker), individual (one human decision taker) or collegial decision (two human decision takers). Automated decisions are limited to specific credit types with a maximum requested amount of 300.000 EUR (in the digital channel the requested amount is limited to 50.000 EUR). Individual decisions are limited to an absolute maximum requested amount of 300.000 EUR (the maximum that can be decided is depending on 1° the delegation authority of the employee deciding on the credit request and 2° a combination of probability of default ("**PD**") and loss given default ("**LGD**") with lower maxima for higher PD/LGD-combinations). A system embedded control is done whether the KBC employee who wants to decide the credit request has sufficient individual credit delegation. Credit committees (taking collegial decisions) always exist of at least two people – reflecting the 4-eyes principle – and can be composed of front office and/or head office representatives depending on the applicable decision level.

A "maximum requested amount" refers to the maximum amount regardless of the combination of PD and LGD.

An "absolute maximum requested amount" refers to the maximum amount depending on the combination of PD and LGD.

Step 3: Credit contract

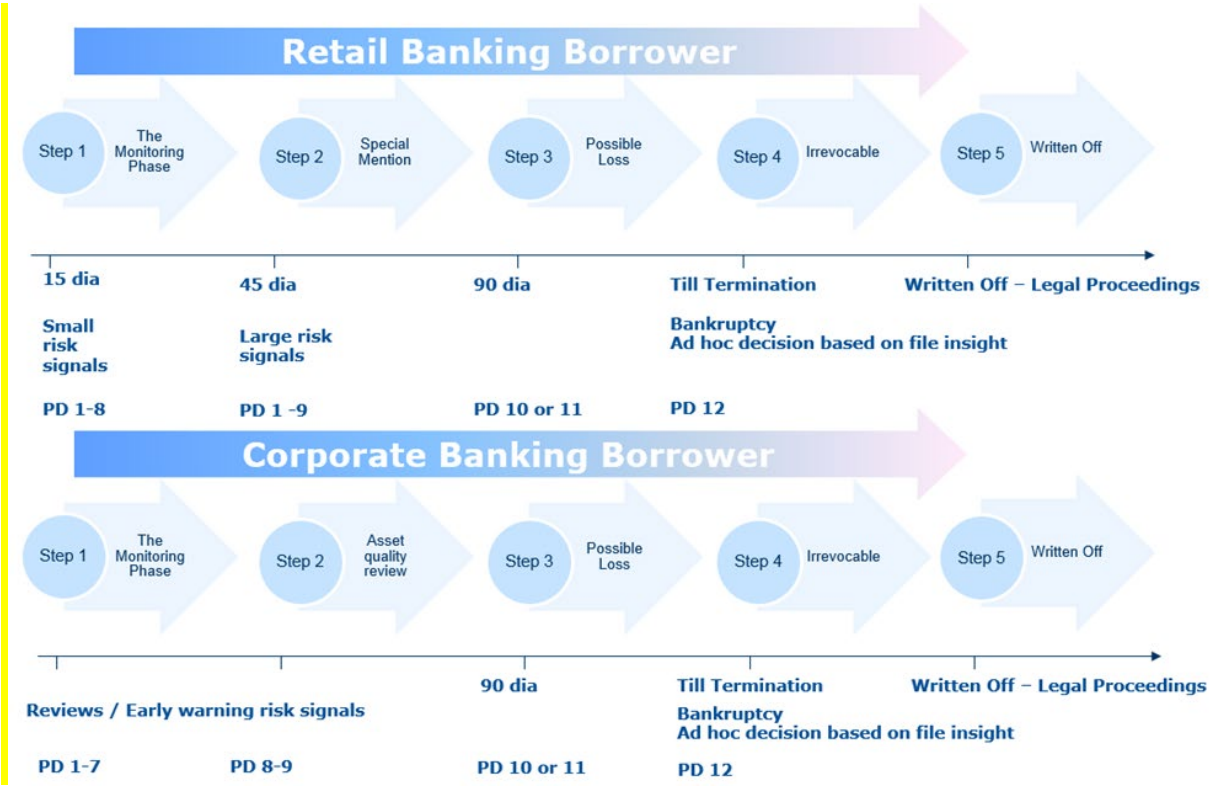
Drafting of credit documentation can be fully automated or may require manual drafting at Head Office, depending on the complexity of the loan and/or the collateral type. For a part of the credit contracts digital signing in the clients applications is possible.

Step 4: Loan disbursement

For a part of the credit requests a drawdown by the client himself (the so called straight through process) is possible. A sample check on these automatically drawn down contracts is performed by a task force at head office. For the other part of the credit requests manual checks and actions have to be done by front office and/or head office employees (e.g. check on completeness of all documents, check on correct signature(s) on credit contract and collateral documents, date of registration of the mortgage, etc.).

10.2 Collection, monitoring and bad debt management

(a) Monitoring: phases



(b) **Bad debt management**

Default definitions

KBC applies PD classes 10 to 12 for its defaulted exposures. A client or facility is considered to be in default if and only if one or more of the following conditions is fulfilled: the client or facility is 'unlikely to pay', 'more than 90 days past due' or 'irrecoverable'.

- A client or facility is assigned PD10 if and only if it is 'unlikely to pay' and not 'more than 90 days past due' or 'irrecoverable'. This can be indicated by hard default triggers (e.g. write-off, bankruptcy, sale of a credit obligation with a credit-related economic loss of > 5%) or by soft default triggers (indicators to consider a default, especially when different indicators simultaneously occur, e.g. justified concerns about a borrower's future ability to generate stable and sufficient cash flows, default of one obligor within the group of connected clients).

- A client or facility is assigned PD11 if and only if it is 'more than 90 days default' and not 'irrecoverable'.

- A client or facility is assigned PD 12 or 'irrecoverable' if and only if one or more of the following conditions are fulfilled for at least one of the client's facilities, for the facility or at least one of the group's facilities:

    - the facility is terminated by the bank;

    - an irreversible court order was sentenced commanding the repossession of the security.

(i) Debt monitoring: review procedures and arrears management

Risk monitoring in Retail Banking is organized on two levels. On client level (individual client or credit risk group) a structured approach is handled with 3 processes: reviews, quality checks and attention tasks. The

review process is performed on a yearly basis, the review trigger being based on the outstanding amount at credit risk group level in combination with the highest PD of the credit risk group. Quality checks are performed on a monthly basis for some severe risk signals for borrowers with a credit exposure of >=75.000 EUR and on a yearly basis for all borrowers with a granted working capital line of 500.000 EUR or more being >25% of turnover on the account in combination with a PD of at least 5. The attention tasks process is based on warning signals in combination with a total risk score of 100 or more. Apart from this approach risk monitoring can also be done on sector level or on a specific group of clients, as a consequence of some specific event, concerns on the financial situation in a specific sector, etc.

Within Corporate Banking a system of risk-differentiated reviews is implemented. This review can be a PD batch decision, a dynamic review or a static review. Differentiation between the types of review is made according to a combination of the highest PD of the credit risk group and the group delegation total. Static reviews are determined at the beginning of the calendar year and have to be performed during this same year. Dynamic reviews are determined each month and have to be performed within 6 weeks after the trigger 'dynamic review'. Both static and dynamic reviews require the review of the full credit risk group. In addition to this review process a system of Early Warning Signals (EWS) is in place. Depending on the strength of the EWS the approach is different.

All borrowers have a bank account with KBC. Payments are generally made by automatic debit from these accounts. Loan management and risk monitoring start after the release of the funds and can include follow up by the local branches and/or head office.

Within the Monitoring phase the borrower is contacted personally in view of making arrangements to clear the arrears or to set off the arrears against credit balances on his accounts, to negotiate additional or convert existing guarantees. At the same time a dunning procedure is started up. The operational management and decision authority remain in the local branches.

Only portfolio based impairment provisions are made for the performing portfolio.

(ii) Debt monitoring: intensive care

The involvement of the Intensive Care department is obligatory as soon as a borrower becomes PD10 or PD11 and enters the Possible Loss phase (step 3). KBC intensive care departments aim to normalize the credit situation and re-enter a performing status when possible. However an exit strategy will be decided if need be, based on a thorough analysis of the economic situation of the client and the overall credit/collateral situation with KBC and other financial institutions. Depending on the client, the outstanding amount and complexity, the distressed file will either be managed on a portfolio or a customized basis. Co-involvement of the branches is often required to ensure maximum continuity in the management of the distressed file.

For files managed by the Corporate Banking network all provisions are calculated on an individual basis. Provisions for impaired Retail Banking files are automatically calculated for exposures below 1.250.000 EUR and are individually calculated for exposures in excess of this threshold. Provisions are permanently evaluated and updated.

(iii) Debt monitoring: debt recovery

As soon as a borrower is assigned with a PD12 rating, the distressed file is handled by the debt recovery departments unconditionally. There is no longer any involvement of the branch or the relationship manager, the file is now the sole discretion of the Debt Recovery department. The aim is now to have a maximum recovery at the lowest possible cost. File managers have an own portfolio of individual files that they manage until the file can be closed.

11. PORTFOLIO OVERVIEW

The summary below relates to a final Portfolio as of 30 June 2020.

11.1 Summary Statistics

Summary				
Date	Number of debtors	Number of loans	Outstanding balance	Average outstanding balance / borrower
30/06/2020	17.894	29.001	4.999.452.689,28	279.392,68

11.2 Date of Origination

The distribution of SME Loans (both by current balance and number of Loans) across the date of origination of their current balance is set out in Table 2 just below.

Table '02' – Origination date

Orginiation date				
Orginiation date	Outstanding	% Outstanding balance	Number of loans	% Number of loans
2003	9.546.418,22	0,19%	80	0,28%
2004	18.569.653,78	0,37%	88	0,30%
2005	22.690.400,38	0,45%	318	1,10%
2006	47.223.418,67	0,94%	430	1,48%
2007	61.576.470,72	1,23%	447	1,54%
2008	60.903.628,58	1,22%	493	1,70%
2009	73.867.763,01	1,48%	516	1,78%
2010	86.506.095,90	1,73%	664	2,29%
2011	113.837.187,48	2,28%	863	2,98%
2012	143.581.308,94	2,87%	797	2,75%
2013	80.403.098,32	1,61%	488	1,68%
2014	105.600.768,83	2,11%	544	1,88%
2015	177.299.678,92	3,55%	1.047	3,61%
2016	482.243.569,69	9,65%	2.207	7,61%
2017	907.691.069,44	18,16%	4.492	15,49%
2018	1.025.975.600,20	20,52%	5.816	20,05%
2019	1.251.858.734,64	25,04%	7.282	25,11%
2020	330.077.823,56	6,60%	2.429	8,38%
Grand total	**4.999.452.689,28**	**100,00%**	**29.001**	**100,00%**

11.3 Final Maturity Date

The distribution of SME Loans (both by current balance and number of Loans) across Final Maturity Date is set out in Table 3.

Table '03' – Final maturity date

Final maturity date				
Maturity date	Outstanding	% Outstanding balance	Number of loans	% Number of loans
2015 < maturity date <= 2020	28.745.881,64	0,57%	1.560	5,38%
2020 < maturity date <= 2025	1.171.148.253,03	23,43%	16.287	56,16%
2025 < maturity date <= 2030	1.491.285.694,84	29,83%	5.664	19,53%
2030 < maturity date <= 2035	1.533.677.625,58	30,68%	4.072	14,04%
2035 < maturity date <= 2040	763.898.577,26	15,28%	1.413	4,87%
2040 < maturity date <= 2045	10.696.656,93	0,21%	5	0,02%
Grand total	**4.999.452.689,28**	**100,00%**	**29.001**	**100,00%**

11.4 Initial Maturity

The distribution of SME Loans (both by current balance and number of Loans) across their Initial Maturity is set out in Table 4.

Table '04' – Initial maturity

Initial maturity (months)				
Initial maturity	Outstanding	% Outstanding balance	Number of loans	% Number of loans
0 < initial maturity <= 60	737.960.640,74	14,76%	14.538	50,13%
60 < initial maturity <= 120	1.508.059.102,42	30,16%	6.488	22,37%
120 < initial maturity <= 180	1.489.287.273,74	29,79%	5.196	17,92%
180 < initial maturity <= 240	1.082.956.696,95	21,66%	2.610	9,00%
240 < initial maturity <= 300	155.800.970,71	3,12%	156	0,54%
300 < initial maturity <= 360	24.943.629,72	0,50%	12	0,04%
360 < initial maturity <= 420	444.375,00	0,01%	1	0,00%
Grand total	**4.999.452.689,28**	**100,00%**	**29.001**	**100,00%**

11.5 Seasoning

The distribution of SME Loans (both by current balance and number of Loans) across their seasoning is set out in Table 5.

Table '05' – Seasoning

Seasoning (months)				
Seasoning	Outstanding	% Outstanding balance	Number of loans	% Number of loans
0 < seasoning <= 60	4.632.160.907,71	92,65%	26.452	91,21%
60 < seasoning <= 120	231.291.376,12	4,63%	1.442	4,97%
120 < seasoning <= 180	125.798.447,86	2,52%	1.059	3,65%
180 < seasoning <= 240	10.201.957,59	0,20%	48	0,17%
Grand total	**4.999.452.689,28**	**100,00%**	**29.001**	**100,00%**

11.6 Interest Rate

The distribution of the SME Loans (both by current balance and number of Loans) across their Interest Rate is set out in Table 6.

Table '06' – Interest rate

Interest rate				
Interest rate	Outstanding	% Outstanding balance	Number of loans	% Number of loans
0 < interest rate <= 0.5	116.145.102,93	2,32%	234	0,81%
0.5 < interest rate <= 1	881.820.986,80	17,64%	2.672	9,21%
1 < interest rate <= 1.5	1.372.924.565,97	27,46%	7.188	24,79%
1.5 < interest rate <= 2	1.333.534.540,66	26,67%	8.700	30,00%
2 < interest rate <= 2.5	604.057.937,52	12,08%	4.009	13,82%
2.5 < interest rate <= 3	231.381.566,79	4,63%	2.161	7,45%
3 < interest rate <= 3.5	90.650.860,48	1,81%	1.073	3,70%
3.5 < interest rate <= 4	113.679.197,92	2,27%	904	3,12%
4 < interest rate <= 4.5	92.721.203,98	1,85%	661	2,28%
4.5 < interest rate <= 5	98.340.442,68	1,97%	714	2,46%
5 < interest rate <= 5.5	44.231.111,87	0,88%	441	1,52%
5.5 < interest rate <= 6	17.982.539,21	0,36%	212	0,73%
6 < interest rate <= 6.5	1.585.396,05	0,03%	24	0,08%
6.5 < interest rate <= 7	390.024,68	0,01%	7	0,02%
7 < interest rate <= 7.5	7.211,74	0,00%	1	0,00%
Grand total	**4.999.452.689,28**	**100,00%**	**29.001**	**100,00%**

11.7 Interest Rate Type

The distribution of SME Loans (both by current balance and number of Loans) across types of Interest rate reset is set out in Table 7.

Table '07' – Interest Payment Frequency

Interest payment frequency				
Interest payment frequency	**Outstanding**	**% Outstanding balance**	**Number of loans**	**% Number of loans**
Annual	229.464.292,23	4,59%	677	2,33%
Bullet	85.000,00	0,00%	1	0,00%
Monthly	4.022.151.343,04	80,45%	27.548	94,99%
Quaterly	591.329.157,13	11,83%	517	1,78%
Semi annualy	156.422.896,88	3,13%	258	0,89%
Grand total	**4.999.452.689,28**	**100,00%**	**29.001**	**100,00%**

11.8 Interest Rate Reset Date

The distribution of SME Loans (both by current balance and number of Loans) across their reset date is set out in Table 8.

Table '08' - Reset date

Interest rate review code				
Interest reset period	**Outstanding**	**% Outstanding balance**	**Number of loans**	**% Number of loans**
Annual	326.833.824,92	6,54%	1.933	6,67%
Not apply	3.421.351.294,82	68,43%	21.660	74,69%
Other	1.251.267.569,54	25,03%	5.408	18,65%
Grand total	**4.999.452.689,28**	**100,00%**	**29.001**	**100,00%**

11.9 Repayment Type

The distribution of SME Loans (both by current balance and number of Loans) across their repayment type is set out in Table 9.

Table '09' - Principal payment type

Principal payment type				
Principal payment type	**Outstanding**	**% Outstanding balance**	**Number of loans**	**% Number of loans**
Bullet	235.354.712,04	4,71%	250	0,86%
French	3.237.860.803,51	64,76%	22.744	78,42%
Linear	1.526.237.173,73	30,53%	6.007	20,71%
Grand total	**4.999.452.689,28**	**100,00%**	**29.001**	**100,00%**

A “Bullet” repayment means that the entire capital fraction is paid at the end of the amortization scheme.

A “French” repayment means that the amount (sum of capital and interest amount) paid each period is the same.

A “Linear” repayment means that the capital fraction paid each period is the same.

11.10 Principal Payment Frequency

The distribution of SME loans (both by current balance and number of Loans) across the principal payment frequency is set out in Table 10.

Table '10' - Principal payment frequency

Principal payment frequency				
Principal payment frequency	**Outstanding**	**% Outstanding balance**	**Number of loans**	**% Number of loans**
Annual	229.687.689,90	4,59%	725	2,50%
Bullet	282.991.255,11	5,66%	284	0,98%
Monthly	3.934.598.905,15	78,70%	27.370	94,38%
Quaterly	438.093.928,30	8,76%	473	1,63%
Semi annualy	114.080.910,82	2,28%	149	0,51%
Grand total	**4.999.452.689,28**	**100,00%**	**29.001**	**100,00%**

11.11 Current balance

The distribution of Loans by amounts and current balance and number of Loans is set out in Table 11.

Table '11' - Loan amount

Current balance				
Current balance	Outstanding	% Outstanding balance	Number of loans	% Number of loans
0 < current balance <= 250000	1.426.485.400,00	28,53%	24.420	84,20%
250000 < current balance <= 500000	904.067.295,58	18,08%	2.610	9,00%
500000 < current balance <= 750000	486.767.116,45	9,74%	801	2,76%
750000 < current balance <= 1000000	343.110.074,17	6,86%	398	1,37%
1000000 < current balance <= 1250000	218.064.049,85	4,36%	194	0,67%
1250000 < current balance <= 1500000	196.595.020,32	3,93%	143	0,49%
1500000 < current balance <= 1750000	151.535.142,25	3,03%	93	0,32%
1750000 < current balance <= 2000000	123.809.752,00	2,48%	66	0,23%
2000000 < current balance <= 2250000	66.062.745,57	1,32%	31	0,11%
2250000 < current balance <= 2500000	102.847.540,84	2,06%	43	0,15%
2500000 < current balance <= 2750000	68.429.822,88	1,37%	26	0,09%
2750000 < current balance <= 3000000	100.705.425,96	2,01%	35	0,12%
3000000 < current balance <= 3250000	40.859.258,39	0,82%	13	0,04%
3250000 < current balance <= 3500000	64.216.988,14	1,28%	19	0,07%
3500000 < current balance <= 3750000	32.534.589,73	0,65%	9	0,03%
3750000 < current balance <= 4000000	62.197.425,04	1,24%	16	0,06%
4000000 < current balance <= 4250000	16.464.821,72	0,33%	4	0,01%
4250000 < current balance <= 4500000	57.666.047,57	1,15%	13	0,04%
4500000 < current balance <= 4750000	64.653.434,41	1,29%	14	0,05%
4750000 < current balance <= 5000000	59.155.339,78	1,18%	12	0,04%
5000000 < current balance <= 5250000	5.173.525,92	0,10%	1	0,00%
5250000 < current balance <= 5500000	10.872.500,17	0,22%	2	0,01%
5500000 < current balance <= 5750000	17.006.238,00	0,34%	3	0,01%
5750000 < current balance <= 6000000	23.918.576,22	0,48%	4	0,01%
6000000 < current balance <= 6250000	12.265.265,69	0,25%	2	0,01%
6250000 < current balance <= 6500000	12.875.067,03	0,26%	2	0,01%
7000000 < current balance <= 7250000	14.163.967,13	0,28%	2	0,01%
7250000 < current balance <= 7500000	7.278.367,77	0,15%	1	0,00%
7750000 < current balance <= 8000000	8.000.000,00	0,16%	1	0,00%
8500000 < current balance <= 8750000	43.027.987,33	0,86%	5	0,02%
9000000 < current balance <= 9250000	18.175.925,74	0,36%	2	0,01%
9250000 < current balance <= 9500000	18.798.148,34	0,38%	2	0,01%
9750000 < current balance <= 10000000	29.787.407,41	0,60%	3	0,01%
10000000 < current balance <= 10250000	10.089.501,65	0,20%	1	0,00%
11000000 < current balance <= 11250000	11.176.248,86	0,22%	1	0,00%
12000000 < current balance <= 12250000	12.150.000,00	0,24%	1	0,00%
14500000 < current balance <= 14750000	14.543.915,89	0,29%	1	0,00%
14750000 < current balance <= 15000000	29.994.184,05	0,60%	2	0,01%
19750000 < current balance <= 20000000	60.000.000,00	1,20%	3	0,01%
24750000 < current balance <= 25000000	25.000.000,00	0,50%	1	0,00%
28750000 < current balance <= 29000000	28.928.571,43	0,58%	1	0,00%
Grand total	**4.999.452.689,28**	**100,00%**	**29.001**	**100,00%**

11.12 The Industry Breakdown

The distribution of SME Loans (both by current balance and number of Loans) across industry is set out in Table 12.

Table '12' - Industry

Industry				
Industry	Outstanding	% Outstanding balance	Number of loans	% Number of loans
Agriculture, farming, fishing	304.310.607,22	6,09%	2.485	8,57%
Authorities	53.157.327,82	1,06%	31	0,11%
Automotive	140.574.343,38	2,81%	1.054	3,63%
Aviation	7.163.379,82	0,14%	25	0,09%
Beverages	24.491.780,04	0,49%	54	0,19%
Building & construction	281.539.843,58	5,63%	3.467	11,95%
Chemicals	39.672.235,14	0,79%	100	0,34%
Consumer products	667.616,49	0,01%	19	0,07%
Distibution	576.995.991,74	11,54%	4.041	13,93%
Electricity	14.953.499,05	0,30%	42	0,14%
Electrotechnics	7.848.159,78	0,16%	117	0,40%
Finance and insurance	306.020.939,71	6,12%	756	2,61%
Food producers	153.437.915,32	3,07%	412	1,42%
Horeca	145.330.684,43	2,91%	1.703	5,87%
IT	22.568.144,41	0,45%	165	0,57%
Machinery & heavy equipment	74.110.199,73	1,48%	162	0,56%
Media	10.289.677,10	0,21%	114	0,39%
Metals	60.687.504,40	1,21%	472	1,63%
Oil, gas & other fuels	662.024,77	0,01%	7	0,02%
Paper & pulp	3.108.827,69	0,06%	30	0,10%
Real estate	660.665.520,22	13,21%	2.385	8,22%
Sector unknown	9.983.470,23	0,20%	263	0,91%
Services	1.980.614.324,47	39,62%	10.469	36,10%
Shipping	37.431.071,49	0,75%	104	0,36%
Telecom	3.997.011,87	0,08%	31	0,11%
Textile & apparel	14.897.705,93	0,30%	71	0,24%
Timber & wooden furniture	43.517.979,83	0,87%	222	0,77%
Traders	19.581.989,81	0,39%	195	0,67%
Water	1.172.913,81	0,02%	5	0,02%
Grand total	**4.999.452.689,28**	**100,00%**	**29.001**	**100,00%**

11.13 Region

The distribution of Loans (both by current balance and number of Loans) across the Belgian regions set out in Table 15.

Table '15' – Regions

Region				
Region	Outstanding	% Outstanding balance	Number of loans	% Number of loans
Brussels	406.505.805,35	8,13%	1.722	5,94%
Flanders	4.390.529.098,78	87,82%	26.114	90,05%
Wallonië	202.417.785,15	4,05%	1.165	4,02%
Grand total	**4.999.452.689,28**	**100,00%**	**29.001**	**100,00%**

11.14 Borrower PD class

The distribution of SME Loans (both by current balance and number of Loans) across the PD scale is set out in Table 16.

Table '16' – PD

Borrower PD class				
PD	Outstanding	% Outstanding balance	Number of loans	% Number of loans
01	678.845.912,29	13,58%	3.961	13,66%
02	946.478.832,64	18,93%	5.666	19,54%
03	966.825.329,66	19,34%	5.018	17,30%
04	937.258.450,79	18,75%	5.307	18,30%
05	647.517.864,66	12,95%	3.345	11,53%
06	472.935.719,09	9,46%	2.489	8,58%
07	198.891.556,62	3,98%	1.674	5,77%
08	89.847.313,99	1,80%	850	2,93%
09	60.851.709,54	1,22%	691	2,38%
Grand total	**4.999.452.689,28**	**100,00%**	**29.001**	**100,00%**

12. SME RECEIVABLES PURCHASE AGREEMENT

Under the SME Receivables Purchase Agreement the Issuer, acting through its Compartment SME Loan Invest 2020, will purchase any and all rights of the Seller against certain borrowers (the "**Borrowers**") under or in connection with certain selected SME Loans (the "**SME Receivables**"). On the Closing Date the Issuer will accept the transfer by way of assignment of legal title to the SME Receivables. The assignment of the SME 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 SME Receivables as of the Cut-Off Date.

Pursuant to the SME 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 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 through the Investor Reports.

12.1 Sale – Purchase Price

The purchase price for the SME Receivables shall consist of

(a) an initial purchase price (the "**Initial Purchase Price**"), being the aggregate Outstanding Principal Amount of all SME Receivables at the Cut-off Date (which will be an amount of EUR 4,999,452,689.28 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 SME 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 SME Receivable resulting from a SME 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 (with a floor at zero) 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 SME Receivables shall include, and the Issuer shall be fully entitled to, all ancillary items (*bijhorigheden / accessoires*) of such SME Receivables and in particular, but not limited to:

(a) the Outstanding Principal Amount of the SME Receivables on the Cut-off Date;

(b) all amounts of principal in respect of the SME Receivables due but unpaid on the Cut off Date;

(c) all rights and title of the Seller in and under the SME 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 SME 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 SME Receivable and the right to exercise all powers of the Seller in relation to each SME 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 SME Receivables; and

(iv) the right to exercise all express and implied rights and discretions of the Seller in, under or to the SME 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 SME Receivables);

(d) all rights and title of the Seller to the Related Security insofar as it relates to the SME Receivables;

(e) the benefit of any Mandate granted as security for the SME Receivables to have a (additional) Mortgage created in accordance with the provisions of the SME Receivables Purchase Agreement;

(f) all rights, title, interest and benefit of the Seller in any Hazard Insurance Policy or Debt Insurance Policy in so far as it relates to the SME Receivables including but without limitation the right to receive the proceeds of any claim thereunder;

(g) 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;

(h) all causes and rights of action against any notary public in connection with the execution of the SME Loans, the researches, opinions, certificates or confirmations in relation to any SME Loan or Related Security or otherwise affecting the decision of the Seller to offer to make or to accept any SME Loan;

(i) 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 SME Receivable or Related Security or otherwise affecting the decision of the Seller to offer to make or to accept any SME Receivable or Related Security relating thereto;

(j) 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

(k) 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 in accordance with the terms and conditions set out in section 12.2 (*All Sums Security Interests*) and 12.3 (*Mandates*) below.

12.2 All Sums Security Interests

(a) Some SME Receivables may be secured by:

(i) an All Sums Mortgage in accordance with Article 81*bis* of the Mortgage Act; or

(ii) a Business Pledge in accordance with the MAS Law.

(b) 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 or Business Pledge, as the case may be, as the SME Receivables transferred to the Issuer.

(c) 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 – SME Loans – Shared Security*), unless otherwise agreed between the Seller and the Issuer.

(d) 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 SME Receivables Purchase Agreement, *i.e.*, the Issuer, acting through its Compartment SME Loan Invest 2020, shall fully rank in priority to the Seller.

(e) In relation to SME Receivables which are secured by a Business Pledge, contractually agreed distributions of proceeds derived from all sums securities are *ex officio* enforceable against third parties other than the Borrower according to article 5 of the Mobilisation Act, unless the latter has been notified thereof.

(f) The SME Receivables Purchase Agreement provides, among other things, that:

(i) in respect of any Shared Security securing both a SME 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 Shared Security;

(ii) as long as any part of the sums owed to the Issuer under a SME 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 Shared 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

(iii) the Seller undertakes that, as long as any part of the sums owed to the Issuer under a SME 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 Shared Security.

(g) In addition, the SME Receivables Purchase Agreement will contain certain arrangements regarding the acceleration of a SME Receivable or a Seller Loan and the enforcement of Shared Security securing both a SME Receivable and Sellers Loans.

12.3 Mortgage Mandates

The SME Receivables may have the benefit of a Mandate that permits the creation of a Mortgage on the Mortgaged Assets either as an All Sums Mortgage or as a Mortgage that secures all advances made under a credit opening (*kredietopening/ouverture de credit*). Accordingly, the Seller and the Issuer may have a shared interest in all or some of the Mandates.

(a) With respect to the exercise of Mandates, the SME Receivables Purchase Agreement provides that:

(i) if the SME Receivable to which a 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 SME Receivable plus 10 per cent. of such amount in accessories (*toebehoren / accessoires*) plus

three years of interest, such Mandate may be exercised in order to create a Mortgage in favour of the Seller only; and

(ii) if the SME Receivable to which a 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 SME Receivable plus 10 per cent. of such amount in accessories (*toebehoren / accessoires*) plus three years of interest, such Mandate may only be exercised in order to create a Mortgage in accordance with the following principles:

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

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

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

12.4 Representations and Warranties

(a) Representations and Warranties relating to the Seller

Pursuant to the SME Receivables Purchase Agreement, the Seller will represent and warrant for the benefit of the Issuer and the Security Agent on the date of the SME Receivables Purchase Agreement, on the Closing Date and each Collection 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 SME 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 SME 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 as a provider of mortgage credit 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 SME 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 SME Receivables Purchase Agreement;

(g) no Notification Event has occurred or will occur as a result of the entering into or performance of the SME Receivables Purchase Agreement;

(h) the information that may reasonably be relevant for the transaction envisaged in the SME Receivables Purchase Agreement and that has been supplied by it to the Issuer and the Security Agent in connection with the SME 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 SME 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 SME 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.

(b) **Representations and Warranties relating to the SME Loans and the SME Receivables**

Pursuant to the SME Receivables Purchase Agreement, the Seller will on the date of the SME Receivables Purchase Agreement and on the Closing Date make the following representations and warranties in relation to the SME Loans and the SME Receivables for the benefit of the Issuer and the Security Agent.

(a) Valid existence – SME Loan Characteristics

(i) The SME 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 SME Loans are granted with respect to investments related to the enterprise of the Borrower.

(iii) The Borrowers of the SME Loans:

(A) in case of individuals, are resident in Belgium; and

(B) in case of companies, have their principal place of business (*voornaamste vestiging/établissement principal*) in Belgium.

(iv) Each SME Loan was granted by the Seller or, as the case may be, its legal predecessor in its ordinary course of business as a loan with respect to investments related to the enterprise of the relevant Borrower.

(v) The SME Loans are tailor-made term loans with a standardised amortisation plan granted by the Seller or, as the case may be, its legal predecessor as the original lender to a small or medium sized enterprise or corporate enterprise as an advance

under a Credit Facility, subject to a fixed or variable interest rate, which is usually secured ("**Investment Credits**").

(vi) Each SME Loan is being repaid by way of direct debit of the Borrower's account with the Seller on the Cut-Off Date.

(vii) The SME Loans do not include transferable securities as defined in point (44) of Article 4(1) of MiFID II or any securitisation position.

(viii) No SME Loan is an intercompany loan granted by the Seller to one of its Affiliated Entities.

(b) Governing legislation

(i) Each SME Loan and relating Related Security is governed by Belgian law and no SME Loan or relating Related Security expressly provides for the jurisdiction of any court or arbitral tribunal other than Belgian courts or tribunals.

(ii) No SME Loan is subject to any consumer protection legislations (in particular the provisions on consumer credit set out in Book VII, Title 4, Chapter 1 of the Code of Economic Law and on mortgage credit set out in Book VII, Title 4, Chapter 2 of the Code of Economic Law).

(iii) Each SME Loan is granted solely for professional or commercial purposes.

(c) Free from third-party rights

(i) Each SME 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 SME Loan and SME Receivable and the other rights, interests and entitlements sold pursuant to the SME Receivables Purchase Agreement.

(iii) The SME Loans, the SME 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 SME Loans, SME 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 SME Receivables Purchase Agreement or pledged pursuant to the Pledge Agreement, in any way whatsoever other than pursuant to the SME Receivables Purchase Agreement or the Pledge Agreement.

(v) The SME Loans can be easily segregated and identified for ownership and collateral security purposes.

(d) Fully disbursed SME Loans

The proceeds of each SME Loan (including any brokers' fees) have been fully disbursed and the Seller has no further obligation to make further disbursement relating to the SME Loan.

(e) No set-off or other defence

(i) None of the SME 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 SME 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 SME Loan.

(iii) The Standard Loan Documentation does not contain any express provisions giving the Borrower a contractual set-off right.

(f) 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 SME Loans to any other indebtedness or other obligations of the Borrower.

(g) No limited recourse

The Seller has not entered into any agreement, which would have the effect of limiting the rights in respect of the SME Loan to any assets of the Borrower for the payment thereof.

(h) 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 SME Loan.

(i) No waiver

The Seller has not knowingly waived or acquiesced in any breach of any of its rights under or in relation to a SME 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.

(j) 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 SME Loan.

(ii) On the Cut-Off Date, no SME Loan is in arrears.

(iii) No notice of prepayment of all or any part of the SME Loan has been received by the Seller.

(k) 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 SME Loan or Related Security.

(l) Insolvency

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 / reorganisation 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.

(m) Incapacity

The Seller has not received notice of the death or any other incapacity of any Borrower, to the extent a Borrower is an individual.

(n) 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 SME Loans.

(o) Assignability of the SME Receivables

(i) Each SME Receivable, secured by the Related Security or unsecured, may be validly assigned to the Issuer and each SME Receivable may be validly pledged by the Issuer in accordance with the Pledge Agreement.

(ii) The Standard Loan Documentation specifically provides that the SME Receivables may be assigned.

(iii) Each SME Receivable, secured by Related Security or unsecured, 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 SME Receivable in the manner herein contemplated will be recharacterised as any other type of transaction and the sale of all SME 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 SME Receivable or the enforcement of each SME 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 SME Receivable by the Seller to the Issuer.

(v) Upon the sale of any SME Receivables such SME Receivables will no longer be available to the creditors of the Seller on its liquidation.

(p) Valid Mortgage

Where a SME Receivable is secured by a 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 SME Receivable following assignment of such SME Receivable.

(ii) 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.

(iii) As at the date of origination of the SME 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.

(iv) Subject to (iii) above, each Mortgage relating to a SME Receivable relates to a Mortgaged Asset situated in Belgium.

(q) Valid Business Pledge

Where a SME Receivable is secured by a Business Pledge:

(i) Each Business Pledge exists and constitutes a valid and subsisting pledge over the business of the relevant Borrower and each Business Pledge shall continue to secure the relevant SME Receivable following assignment of such SME Receivable.

(ii) All steps necessary with a view to perfecting the Seller's title to each Business Pledge 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.

(iii) The parts of the business of a Borrower subject to a Business Pledge will at all times be located in Belgium at a place where such Borrower is allowed to operate its business.

(r) Mortgage Mandate

Where a SME Receivable has the benefit of a 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 SME Loan that is secured by a Mortgage or a Mortgage Mandate 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 did not disclose anything material which would cause the Seller, acting reasonably, not to proceed with such SME Loan on the proposed terms.

(ii) To the best of the Seller's knowledge, 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 SME Loans and SME 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 SME 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 SME Loans which, to the Seller's knowledge, would result in delinquencies or losses on the SME Loans being materially in excess of the average delinquencies or losses on the Seller's total portfolio of loans of the same type.

(ii) SME Loans have not been selected to be sold to the Issuer with the aim of rendering losses on the SME Loans sold to the Issuer, measured over a period of four years, higher than the losses over the same period on comparable assets held on the balance sheet of the Seller.

(x) Originating and Standard Loan Documentation

(i) Prior to making each SME 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) Prior to making each SME 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.

(iii) Each SME 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 SME Loans has been made substantially in accordance with the Credit Policies or the then prevailing credit policies of the Seller or the original lender.

(iv) 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.

(y) Proper Accounts and Records

Each SME Loan and Related Security is properly documented in the Contract Records relating to such SME Loan. The relevant transactions, payments, receipts, proceedings and notices relating to such SME Loan and such Contract Records are properly recorded in the Contract Records and in the possession of the Seller or held to its order.

(z) Data protection and privacy laws

(i) The Seller and the databases it maintains, in particular with regard to the SME Loans and the Borrowers, fully comply with the data protection and privacy laws and regulations.

(ii) The current Standard Loan Documentation, including the General Banking Terms & Conditions and the Privacy Statement, of the Seller refers to the finality of the processing of the personal data resulting from the Transaction.

(iii) As regards the SME 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 finality 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 lender and servicer.

(bb) Missing Data

As for any SME Loans where the Seller confirms that no actual or no complete data are available, the characteristics of those SME Loans are substantially the same as the ones under the Credit Policies.

(cc) Financial Criteria

(i) The interest rate on each SME Loan was market conform at its Origination Date.

(ii) On the Cut-Off Date the Outstanding Principal Amount of each SME Receivable as of its Cut-Off Date, plus the nominal amount of the principal comprised in all the Instalments that fell due under the SME Receivable on or before, but have not been paid by, its Cut-Off Date, is not more than EUR 25,000,000.

(iii) Each SME Receivable, except for SME Receivables providing for a bullet repayment, is repayable by monthly, quarterly, semi-annual or annual Instalments.

(iv) Each SME Receivable is denominated exclusively in euro.

(v) On the Cut-Off Date, no SME Receivable is a Disputed SME Receivable.

(vi) No SME Receivable has an initial maturity in excess of thirty (30) years.

(vii) In respect of each SME Loan, at least one Instalment has been received.

(viii) On the Cut-Off Date, no SME Receivable has an Outstanding Principal Amount that is higher than EUR 25,000,000.

(ix) On the Cut-Off Date, the annual turnover of each Borrower is lower than or equal to EUR 50,000,000.

(x) On the Cut-Off Date, the number of employees of each Borrower is lower than or equal to 250.

(xi) The Borrower of a SME Receivable is not assigned an internal rating of 10 or higher in according with the internal rating models of KBC Bank NV.

(dd) Specific SME Loan Information

The items of information provided to Fitch and DBRS in respect of the SME Loans and the Related Security related to the SME Receivables, as specifically identified in the SME Receivables Purchase Agreement, are true and correct in all material respects.

12.5 Eligibility Criteria

All representations and warranties, as set out under section 12.4(b) above, shall be considered to constitute the eligibility criteria relating to the SME Loans or, as the case may be, the SME Receivables (the "**Eligibility Criteria**"). The Eligibility Criteria pertain to the SME Receivables and SME Loans on the Cut-Off Date.

12.6 Repurchases, Call Options and Permitted Variations

(a) **Repurchase**

If at any time after the Closing Date any of the representations and warranties relating to a SME Loan or a SME 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 Collection Date, repurchase and accept re-assignment of such SME Receivable and Related Security.

All SME 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 SME 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 SME Receivable in accordance with the Credit Policies, such Mortgage Mandate was not exercised in accordance with the terms and conditions of the SME 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 SME Receivable.

The purchase price for the SME 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 an amount as calculated by the Servicer in its daily operations representing an amount equal to the Outstanding Principal Amount of such SME Receivable less the estimated losses or, as the case may be, realised losses in relation to such SME Receivable according to the Seller's impairment policy (the "**Optional Repurchase Price**").

(b) **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 SME 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 SME Receivables Purchase Agreement to sell and assign the SME 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 SME Receivables upon exercise by the Seller of the Clean-Up Call Option.

All SME Receivables to be so repurchased by the Seller shall be repurchased for a price equal to the Optional Repurchase Price.

(c) **Regulatory Call Option**

On each Monthly Payment Date the Seller has the Regulatory Call Option to repurchase the SME 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 or to a lesser degree as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem.

The Issuer has undertaken in the SME Receivables Purchase Agreement to sell and assign the SME 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 SME Receivables at the time of exercise by the Seller of the Regulatory Call Option.

All SME Receivables to be so repurchased by the Seller shall be repurchased for a price equal to the Optional Repurchase Price.

(d) **Permitted Variations**

Upon request of a Borrower to change the terms and conditions of or in relation to a SME 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 SME Receivable shall not be changed;

(c) the variation would not cause the SME Loan or SME Receivable to no longer comply with all the Eligibility Criteria;

(d) if the variation relates to the variation of the interest rates applicable to a SME Receivable, the interest rate after such variation is market conform and not lower than the prevailing interest rate at the moment of such variation,it being understood that the fixed or floating nature of the interest rate will not be altered after such variation;

(e) the Outstanding Principal Amount of the SME Receivable shall not be reduced otherwise than as a result of an effective payment of principal;

(f) 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 lender (*bonus pater familias*);

(ii) all underwriting criteria as set out in the Credit Policies remain satisfied following the acceptance of such variation;

(g) the final redemption date of such varied SME Receivable would as a consequence of the variation not be extended beyond the Monthly Payment Date falling more than four (4) years prior to the Final Maturity Date of the Notes,

provided that the SME Receivables in respect of which the variations under paragraph (d) and (g) above apply may not exceed, at any point in time, an amount equal to 5 per cent. of the aggregate Outstanding Principal Amount of all SME Receivables at the Closing Date.

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 SME 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 SME 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.

(e) **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 SME Receivable:

(a) the Seller, or the Servicer on its behalf, must promptly inform the Issuer, the Administrator 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, the Seller shall repurchase and accept re-assignment of the relevant SME Receivable at a price equal to the Repurchase Price.

12.7 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 SME 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 days after 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 SME 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, it being understood that if the conversion of a Mortgage Mandate, with respect to a SME Receivable was not exercised in accordance with the terms and conditions of the SME Receivables Purchase Agreement, repurchase of the relevant SME Receivable further to the SME Receivables Purchase Agreement will be considered an appropriate remedy; or

(c) any representation or warranty made by the Seller in the SME Receivables Purchase Agreement, other than those relating to the SME Loans and the SME 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 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

(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 a DBRS Rating of BBB(Low) by DBRS or such rating is withdrawn; or

(ii) the deposit rating (if available) or long term issuer default rating of the Seller cease to be rated as high as BBB- by Fitch and the short-term issuer default rating 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 SME 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 SME Receivables and the Related Security to the Issuer and (ii) instruct the relevant Borrowers of the SME Loans, including the Insurance Companies and any other relevant parties indicated by the Issuer and/or the Security Agent, including 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 provided that 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 provided that the current ratings assigned to the Notes will not be adversely affected as a consequence thereof;

(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 SME 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 SME Receivables and the Related Security to the Issuer and (ii) instruct the relevant Borrowers of the SME 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 SME 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 SME 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.

12.8 Right of first refusal

The SME Receivables Purchase Agreement provides for a right of first refusal for the Seller, if the Issuer decides in its sole discretion to sell the SME 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 SME Receivables Purchase Agreement.

12.9 Risk Mitigation Deposit

In case long term unsecured, unguaranteed and unsubordinated debt obligations of the Seller falls below a rating of BBB by DBRS (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 SME 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 Dat**e") 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 sum of:

(A) 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; and

(B) an amount obtained by multiplying the aggregate Outstanding Principal Amount of all SME Receivables as at such Adjustment Date by the Average Prepayment Rate (applied on a period of one month).

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 purpose of indemnifying the Issuer for Commingling Risk (as set out 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 Section moneys due at such time ("**Commingling Risk**")(See also Section 3.5 – 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).

13. ISSUER SERVICES AGREEMENT

13.1 Services

In the Issuer Services Agreement, the Servicer will agree to provide payment transactions and other services to the Issuer on a day-to-day basis in relation to the SME Loans and the SME Receivables, including, without limitation, the collection and recording of payments of principal, interest and other amounts in respect of the SME Loans and the SME Receivables.

The Servicer will be obliged to administer the SME Loans and the SME Receivables at the same level of skill, care and diligence as it administers SME 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.

13.2 Termination

The appointment of the Servicer, the Administrator and/or the Corporate Services Provider (each a "**Service Provider**") under the Issuer Services Agreement may 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 Service Provider shall have failed to pay or transfer any amount when due in accordance with this Agreement and such failure continues unremedied for a period of ten (10) calendar days after the date of the written notice from the Issuer to the relevant Service Provider requiring the same to be remedied;

(b) a default (other than a failure to pay) is made by a Service Provider in the performance or observance of any of its other covenants and obligations under this Agreement, which in the reasonable opinion of the Issuer or the Security Agent is materially prejudicial to the interests of the Issuer or the Noteholders and (except where such default is incapable of remedy, when no such continuation and/or notice as is hereinafter mentioned shall be required) such default continues unremedied for a period of ten (10) Business Days after the date of the written notice from the Issuer to the relevant Service Provider requiring the same to be remedied;

(c) any corporate action or any steps have been taken or legal proceedings have been instituted or threatened against a Service Provider, as the case may be,

(i) under any reorganisation procedure (*saneringsmaatregelen / mesures d'assainissement*) within the meaning of Article 3, §1, 56° of the Credit Institutions Supervision Act, or winding-up procedures (*liquidatieprocedures / procédures de liquidation*) within the meaning of Article 3, §1, 59° of the Credit Institutions Supervision Act for its entering into redress measures (*herstelmaatregelen/mesures de redressement*) within the meaning of Book II, Title VI of the Credit Institutions Supervision Act;

(ii) for any insolvency proceedings under any applicable law;

(iii) for its bankruptcy or composition or reorganisation, as applicable;

(iv) for the appointment of a receiver or a similar officer of its or any or all of its assets; or

(d) a Service Provider is in a situation as set out in Article 244, §1 of the Credit Institutions Supervision Act relating to the conditions for the application of a resolution mechanism (*afwikkelingsmaatregel / mesures de resolution*);

(e) the licence of a Service Provider as credit institution is revoked in accordance with Article 233 of the Credit Institutions Supervision Act;

(f) a Service Provider has ceased or, its Board of Directors has taken any official action which threatens to cease to carry on its business which would be likely to adversely and materially affect its ability to perform its obligations under this Agreement;

(g) a Service Provider is unable to pay its debts or the value of its assets has fallen less than the amount of its liabilities or it has become insolvent;

(h) a beneficiary of an encumbrance has taken possession of all or a substantial part of the undertaking or assets of a Service Provider; or

(i) if it becomes unlawful under any applicable law for a Service Provider to perform any material part of its Services.

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 Servicer, 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 SME Loans 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;

(b) a substitute servicer, administrator or corporate services provider shall be appointed on substantially 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;

(c) the substitute service provider has experience in delivering the relevant services and must hold all required licenses under applicable law therefore;

(d) there will be no adverse impact on the then current rating assigned to the Notes;

(e) the termination shall not become effective and the relevant Service Provider shall not be released from its obligations under this Agreement until such substitute service provider has entered into such new agreement; and

(f) the Issuer shall 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.

14. THE ISSUER

The Issuer has been established as a special purpose vehicle for the purpose of issuing securities, including the Notes.

14.1 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 Marnixlaan 23 (5th floor), 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 LEI code of the Issuer is 635400VLKUYLHJTXS840.

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 SME Loan Invest 2020 has been registered with the Federal Public Service Finance (*Federale Overheidsdienst Financiën / Service Public Fédéral Finances*) on 25 June 2020 as a compartment of 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 judgement as to the opportunity or the quality of the Transaction, nor on the situation of the Issuer or Compartment SME Loan Invest 2020.

The Issuer has notified the FSMA on 5 June 2020 of the creation of Compartment SME Loan Invest 2020 in accordance with Article VII.160, §4, second limb of the Code of Economic Law.

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 interest entity within the meaning of Article 1:12 of the Company Code.

14.2 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 in accordance with paragraph (h) (Availability of information) of Section 24.2 (Information made available to Investors). The Issuer has the corporate power and capacity to issue the Notes, to acquire the SME Receivables and to enter into and perform its obligations under the Transaction Documents.

14.3 Share Capital, Shareholding and Compartments

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 and a new chapter, relating to Compartment Home Loan Invest 2008, was included in the Articles of Association.

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 and a new chapter, relating to Compartment Home Loan Invest 2009 was included in the Articles of Association.

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, and a new chapter, relating to Compartment Home Loan Invest 2011 was included in the Articles of Association.

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, 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. 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, and a new chapter, relating to Compartment SME Loan Invest 2017 was included in the Articles of Association.

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, and a new chapter, relating to Compartment Home Loan Invest 2019 was included in the Articles of Association.

By an amendment of the Articles of Association of the Issuer on 20 May 2020, 10 shares of Category I of the Issuer have been reallocated to a new category of shares, Category VIII, representing Compartment SME Loan Invest 2020, and a new chapter, relating to Compartment SME Loan Invest 2020 was included fin the Articles of Association.

All shares (Category I, Category V, Category VI, Category VII and Category VIII) 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 corporate object of the Shareholder is 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, 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 7:13 of the Company Code.

Stichting Loan Invest is a foundation (*stichting*) incorporated under the laws of the Netherlands on 29 March 2007 (the "**Stichting Shareholder**"). The corporate object of the Stichting Shareholder is, *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 (Netherlands) 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 the 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.

14.4 Corporate Object and Permitted Activity

The corporate object of the Issuer consists exclusively in the investment of financial means, which are exclusively collected with qualifying investors for the purposes of Article 5, §3/1 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 object, 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 object of the Issuer requires a special majority of eighty (80) per cent. of the voting rights.

The Compartment SME Loan Invest 2020 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 SME Receivables.

14.5 SME Loan Invest 2020 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. See Section 14.3 (Share Capital, Shareholding and Compartments).

The Pledged Assets and all liabilities of the Issuer relating to the Notes and the Transaction Documents will be exclusively allocated to Compartment SME Loan Invest 2020. The parties involved in future securitisation transactions of the Issuer, or involved in the securitisation transactions of the Issuer acting through any of its Compartments, 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 SME Loan Invest 2020 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 SME Loan Invest 2020 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.

14.6 Administrative, Management and Supervisory Bodies

(a) 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:

(1) Christophe Tans; and

(2) 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.; ABN AMRO Lease België N.V.; Stichting Holding B-Carat I Private Stichting; Stichting Holding B-Carat II Private Stichting; Castle Rock Holdings S.P.R.L.; Citic Capital Future Holdings S.P.R.L.; Evere Real Estate S.P.R.L.; Quantesse Private Stichting; Rec De II S.P.R.L.; Sonnat S.A.; SPE III Stevens S.P.R.L.; SPE III Volta S.P.R.L.; Sakia Funding N.V.; Stichting Holding Record Lion - Private Stichting; Wealth Rock Holdings S.P.R.L.; Stichting Holding Sakia - Private Stichting; Newbelco SA; Omega Pharma NV; Omega Pharma Invest NV; Car Park

Development NV; Four-Leaf Hotels NV; Quintenpark Antwerp NV; Quintenpark Hotels NV; Global Hotel BVBA.

(B) as permanent representative of Phidias Management NV/SA: Dextora N.V.; Icap Belco 2007 N.V.; North America Power INC. S.A.; Vc Esop N.V.; TPG Belgium S.A.; Concesiones Carreteras N.V.,

(C) as permanent representative of Intertrust Corporate Services NV: Sakia Funding N.V

(D) as permanent representative of Intertrust Financial Services BVBA: Noor Funding N.V.; Record Lion N.V.; Stichting Holding Noor Funding - Private Stichting

(E) as permanent representative of Intertrust Services NV: TBE (Titrisation Belge - Belgische Effectisering) S.A.

(F) as permanent representative of Intertrust Belgium NV/SA: Digitalix S.A.; Febex Invest S.P.R.L.; Ress Holding S.P.R.L.; Pura Vida Belgium S.A.; PVD Belgium S.A.; Securholds S.P.R.L.; Storm Holding Nederland B.V. B.V.B.A.; Taifoen Holding B.V. B.V.B.A.; SPE III Runway; Wasabi Capital S.P.R.L.; Transcontinental Oil Transportation S.P.R.L.; BBQ Holdings N.V.; Beleggingsmaatschappij Wassenaarse Stand B.V.B.A.; Carp Holdings N.V.; Clantern Holdings N.V.; Fuel Bidco N.V.; Orcanado B.V.B.A.; HT Media Holdings N.V.; Ironmonger Holdings N.V.; Kipling Investments Belgium N.V.; Lamothe Belgium B.V.B.A.; Mascot Holdings N.V.; Rima 2 N.V.; Rubella B.V.B.A.; Squadron Asia Pacific II N.V.; Squadron Asia Pacific N.V.; Thimay II B.V.B.A.; Athor Investments S.P.R.L.; B-Carat N.V.; BFCC SPRL; GATTACA HOLDINGS N.V.; Global Income S.P.R.L.; Global Opportunity Investments S.P.R.L.; Stichting Holding Sakia - Private Stichting; Yan Commerce S.P.R.L.

Companies of which Irene Gabriela Florescu 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: Stichting Holding B-Carat II Private Stichting; Sakia Funding N.V.; Stichting Holding Sakia - Private Stichting; Stichting Holding Noor Funding - Private Stichting; Newbelco SA.

(B) as permanent representative of Phidias Management NV/SA: B-Carat N.V.; HT Media Holdings N.V.; BBQ Holdings N.V.; Carp Holdings N.V.; Clantern Holdings N.V.; Ironmonger Holdings N.V.; Gattaca Holdings N.V.; Mascot Holdings N.V.; Squadron Asia Pacific II N.V.; Squadron Asia Pacific N.V.; Febex Invest S.P.R.L.; Pura Vida Belgium S.A.; Pvd Belgium S.A.; Securholds S.P.R.L.

(C) as permanent representative of Intertrust Corporate Services NV: PAI TAP Limited S.A.

(D) as permanent representative of Intertrust Financial Services BVBA: Quantesse Private Stichting; Stichting Holding Record Lion - Private Stichting.

(E) as permanent representative of Intertrust Belgium NV/SA: Dextora N.V.; Icap Belco 2007 N.V.; Pronuptia Investments S.P.R.L.; Concesiones Carreteras N.V.; Sonnat S.A.; TPG Belgium S.A.

(F) 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 Issuer Directors did not receive any remuneration during the last full financial year.

The business offices of the directors are located at:

Marnixlaan 23 (5th floor)
1000 Brussels

(b) **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*.

(c) **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 the Stichting Shareholder have a conflict of interest with any of its directors with respect to the entering into the Transaction Documents.

(d) **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 SME Loan Invest 2020 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.

14.7 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 object).

Pursuant to Article Art. 7:125 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.

14.8 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.

14.9 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:

(1) 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

(2) 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.

14.10 Corporate Governance

The Issuer complies with the relevant corporate governance requirements of the Company Code.

In accordance with Article 7:99 of the Company Code, public interest entities must establish an audit committee. Article 7:99, §8, 2° 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 (note that this regulation was repealed and replaced by the Commission Regulation (EU) 2019/980 of 14 March 2019 which provides a definition of "asset backed securities" in its Article 1(a)). 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 (note that this regulation was repealed and replaced by the Commission Regulation (EU) 2019/980 of 14 March 2019 which provides a definition of "asset backed securities" in its Article 1(a)) 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 object, 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.

14.11 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 of the Issuer started operations in April 2016.

Compartment SME Loan Invest 2017 of the Issuer started operations in April 2017. Compartment Home Loan Invest 2019 of the Issuer started operations on 23 November 2018.

Compartment SME Loan Invest 2020 of the Issuer was created on 20 May 2020 and the Issuer, acting through its Compartment SME Loan Invest 2020, has not commenced operations other than the Transaction.

The financial statements as of 31 December 2018 of the Issuer, acting through its Compartment Home Loan Invest 2007, Compartment Home Loan Invest 2016 and Compartment SME Loan Invest 2017 have been approved by the shareholders' meeting of 11 June 2019.

14.12 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 Kurt Marichal, is appointed as auditor of the Issuer until the general shareholders meeting called to approve the financial statements as of 31 December 2021. 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[24].

14.13 Tax Position of the Issuer

(1) 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.

(2) Withholding tax on moneys collected by the Issuer

All interest payments made by any Borrower to the Issuer are exempt from Belgian withholding tax.

(3) Corporate income tax

The Issuer is subject to corporation tax at the current ordinary rate of 25 per cent. (applicable 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.

(4) Value added tax ("VAT")

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

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

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).

14.14 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 1,300,348,200
Subordinated Loan	euro 366,000,000
Expenses Subordinated Loan	euro 0

Compartment SME Loan Invest 2017

Notes	euro 2,054,276,940.80
Subordinated Loan	euro 935,988,500.91
Expenses Subordinated Loan	euro 0

Compartment Home Loan Invest 2019

Notes	euro 2,506,547,200
Subordinated Loan	euro 280,000,000
Expenses Subordinated Loan	euro 0

Compartment SME Loan Invest 2020

Notes	euro 3,500,000,000
Subordinated Loan	euro 1,550,000,000
Expenses Subordinated Loan	euro 1,000,000

14.15 Information to Investors

See Section 24.2 - Information made available to Investors.

14.16 Financial Information Concerning the Issuer

(a) Financial position

See the information provided under Section 14.11 (Accounting Year) of this Prospectus.

Pursuant to Article 18.1(c) of the Prospectus Regulation, the FSMA has by decision of 7 July 2020 granted an exemption with respect to the obligation to provide historical financial information (under items 8.2 of Annex 9 of Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004) in relation to Compartment SME Loan Invest 2020 of the Issuer. This exemption also applies to any related information requirements where such information relates to Compartment Home Loan Invest 2007, Home Loan Invest 2016, SME Loan Invest 2017 and Home Loan Invest 2019.

(b) 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 SME Loan Invest 2020 may (after constitution of the legal reserve) either be distributed as dividend to the Shareholder of Compartment SME Loan Invest 2020 or reserved for later distribution or for the cover of risk of default of payment of the SME Receivables.

(c) 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 object.

Compartment SME Loan Invest 2020 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 SME Receivables.

(d) **Valuation rules**

The Issuer will apply the following valuation rules:

(i) Assets

Claims

The class of '*Claims*' contains the SME Loans in portfolio that were sold by KBC Bank NV to Compartment SME Loan Invest 2020 of Loan Invest NV/SA for an Initial Purchase Price and a Deferred Purchase Price. The SME Loans will be recognised in the balance sheet at historic cost, minus the recognised write-downs on the SME Loans. The historic cost consists of the Initial Purchase Price which Compartment SME Loan Invest 2020 of Loan Invest NV/SA paid for the SME Loans. The Deferred Purchase Price is determined by the results of Compartment SME Loan Invest 2020 of Loan Invest NV/SA after all other obligations have been met and will be recognised at the moment of determination of the result. The Deferred Purchase Price is recognised under the heading "other financial costs" of the profit and loss account.

Regarding the credit risks, a prudent valuation policy is being pursued. Defaulted loans will be written off at a 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 deferral of revenues that will only be collected in the course of the following accounting period but that relate to the past accounting period.

(ii) 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 SME 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 SME Loan Invest 2020 of Loan Invest NV/SA.

Under the class of '*Other liabilities'* all liabilities in relation 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 SME Loans purchased by the Issuer carry a floating rate or a fixed rate of interest payable on a monthly, quarterly, semi-annual or yearly basis, whereas the Notes carry a floating interest rate payable on a monthly basis. In order to match these cash flows, Compartment SME Loan Invest 2020 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 deferral charges that will only be paid in the course of the following accounting period but that relate to the past accounting period;
- the deferral revenues that were collected in the past accounting period but that relate to the following accounting period.

14.17 Negative Statements

See the information provided under Section 14.11 (Accounting Year) of this Prospectus.

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 18.1(c) of the Prospectus Regulation, the FSMA has by decision of 7 July 2020 granted an exemption with respect to the obligation to provide historical financial information (under items 8.2 of Annex 9 of Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004) in relation to Compartment SME Loan Invest 2020 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, Compartment SME Loan Invest 2017 and Compartement Home Loan Invest 2019.

15. RELATED PARTY TRANSACTIONS – MATERIAL CONTRACTS

15.1 The Seller

(a) **Name and Status**

The SME Receivables have been originated by the Seller or its legal predecessors.

For a description of the Seller, see the section entitled *KBC Bank NV.*

(b) **SME Receivables Purchase Agreement**

Under the SME 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 SME Loans (the "**SME Receivables**"). On the Closing Date, the Issuer will accept the transfer by way of assignment of legal title to the SME Receivables. The Issuer will be entitled to the proceeds of the SME Receivables from the Cut-Off Date.

For a description of the SME Receivables Purchase Agreement, see the section entitled *SME Receivables Purchase Agreement.*

15.2 The Administrator

(a) **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)20 577 1177 and fax number +31 (0)20 577 1188. E-mail: securitisation@intertrustgroup.com Corporate websites:www.intertrustcapitalmarkets.com[25]

(b) **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 the section entitled *Issuer Services Agreement.*

(c) **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,

[25] The information included on this website is not incorporated by reference in this Prospectus.

administration, modification or amendment in respect of its rights, obligations and responsibilities under the agreement.

(d) **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:

(1) the prior notification to the Rating Agencies of the appointment of a substitute administrator;

(2) such substitute administrator must be approved by the Security Agent;

(3) such substitute administrator must have experience in delivering the relevant services and must hold all required licences under applicable law therefore;

(4) there will be no adverse impact on the then current ratings assigned to the Notes;

(5) 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

(6) 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.

15.3 The Corporate Services Provider

(a) **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 the section entitled *KBC Bank NV*.

(b) **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 the section entitled *Issuer Services Agreement*.

(c) **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.

(d) **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.

15.4 The Security Agent

(a) **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 1 J, 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.

(b) **Pledge Agreement**

For a description of the Pledge Agreement, see the section entitled *Security Agent.*

(c) **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, estimated 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.

(d) **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.

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.

15.5 The Servicer

(a) Name and Status

The Seller has been appointed as Servicer.

For a description of the Seller, see the section entitled *KBC Bank NV*.

(b) 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 payment transactions and the other services as agreed in the Issuer Services Agreement in relation to the SME Receivables.

For a description of the Issuer Services Agreement, see the section entitled *Issuer Services Agreement.*

(c) 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 arrears on each Monthly Payment Date to the Servicer a servicing fee of 0.05 per cent. per annum calculated over the aggregate Outstanding Principal Amount of all SME Receivables as at the immediately preceding Monthly Calculation Date.

(d) Replacement

In certain events, the Issuer (with the prior consent of the Security Agent) or 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 Administrative 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:

(1) promptly notify the Rating Agencies of the appointment of a substitute service provider; and

(2) 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.

(e) **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.

15.6 The Account Bank

(a) **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 AA (low) from DBRS 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 the section entitled *KBC Bank NV.*

(b) **Account Bank Agreement**

For a description of the Account Bank Agreement, see the section entitled *Credit Structure – Transaction Accounts.*

(c) **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.

(1) If at any time the short-term issuer default rating of the Account Bank is assigned a rating of less than the Fitch Required Minimum Short Term Rating or such rating is withdrawn, and the deposit rating (when available) or the long-term issuer default rating of the Account Bank is assigned a rating of less than the Fitch Required Minimum Long Term Rating or such rating is withdrawn; or

(2) 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 DBRS 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 DBRS withdraws the DBRS Rating of the Account Bank, reference will be made solely to Fitch Required Minimum Ratings, and such withdrawal by DBRS will not constitute a breach of the DBRS Required Minimum Rating and will not trigger an obligation to transfer, or procure a guarantee in respect of, the Issuer Collection Account and a guarantee in respect of the obligations of the Account Bank (as the case may be) in accordance with the Account Bank Agreement.

If the Transaction Accounts were transferred to an alternative Account Bank, 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, 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 and the Issuer has made a reasonable effort to find a substitute Account Bank, 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 shall ensure that each Rating Agency is promptly informed of any transfer to an alternative Account Bank.

15.7 The Paying Agent – the Listing Agent – the Reference Agent

(a) Name and Status

KBC Bank NV has been appointed as Paying 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 AA (low) from DBRS and A+ from Fitch.

(b) **Activities**

A description of the overall activities of the Paying Agent is given in the section entitled *KBC Bank NV*.

(c) **Agency Agreement**

Under the Agency Agreement, the Paying 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 Paying 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.

(d) **Remuneration**

The Issuer shall pay or procure the payment of such commissions in respect of the services of the Paying Agent, the Listing Agent and the Reference Agent under this Agreement under the Agency Agreement as shall be agreed between the Issuer and the Paying Agent. The Issuer shall not be concerned with the apportionment of payment among the Agents.

(e) **Replacement of the Paying 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:

(1) a Paying Agent that will at all times be a participant in the Securities Settlement System;

(2) a Paying Agent that has its specified offices in a European city which, so long as the Notes are listed on Euronext Brussels, shall be Brussels;

(3) a Paying 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;

(4) a Listing Agent; and

(5) a Reference Agent.

15.8 The Rating Agencies

DBRS Ratings Limited and Fitch Ratings Limited have been requested to rate the Notes.

15.9 The Swap Counterparty

(a) **Name and status**

The Seller (as the Swap Counterparty) will enter into the Swap Agreement in order to provide a hedge against the risk of possible variance between the rates of interest on the SME Receivables and the Transaction Accounts and the floating rates applicable to the Notes.

For a description of the Seller, see the section entitled *KBC Bank NV*.

(b) **Swap Agreement**

(i) Description

For a description of the Swap Agreement, see the section entitled *Section 7.10 - Credit Structure – Interest Rate Hedging.*

(ii) 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 (other than a redemption in full in accordance with Condition 4.5(e) Optional Redemption Call, Condition 4.5(f) Optional Redemption Call for Tax Reasons, Condition 4.5(g) Optional Redemption in case of Change in Tax Law, Condition 4.5(h) Optional Redemption in case of Regulatory Call, Condition 4.5(i) Optional Redemption in case of Ratings Downgrade Event or Condition 4.5(b) Clean Up Call).

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:

(1) if there is a failure to pay amounts due under the Swap Agreement and any applicable grace period has expired;

(2) if certain insolvency events occur with respect to a party;

(3) if a breach of a provision of the Swap Agreement by the Swap Counterparty is not remedied within the applicable grace period;

(4) if a change in law results in the obligations of one of the parties becoming illegal;

(5) 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 – 7.11 Downgrade of Swap Counterparty*);

(6) if an Enforcement Notice is served upon the Issuer by the Security Agent;

(7) if the representation made by the Issuer in the Swap Agreement as to their classification in accordance with the Attachment to the ISDA 2013 EMIR NFC Representation Protocol as published by ISDA on 8 March 2013 (the "**NFC Protocol**") proves to be incorrect or misleading in any material respect when made (or deemed repeated) and gives rise to a breach of the terms of the NFC Protocol; and

(8) if certain events relating to the material disruption or cessation of a benchmark occur in accordance with the ISDA Benchmarks Supplement as published by ISDA on 19 September 2018 and as amended, supplemented or varied from time to time.

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.

In the case of a termination of the Swap Agreement, other than as a result of a downgrade as described in paragraph (5) above, the Issuer shall take, or procure that the Administrator shall take all steps reasonably required in finding an alternative Swap Counterparty, subject to the approval of the Security Agent and provided that the then current rating of the Notes is not adversely affected by the appointment of the alternative Swap Counterparty.

(iii) Transfer of the Swap Agreement

The Swap Counterparty may by notice to the Security Agent and the Issuer and subject to certain conditions specified in the Swap Agreement, transfer its obligations under the Swap Agreement to another entity.

15.10 The Subordinated Loan Provider

(a) Name and Status

The Seller will act as Subordinated Loan Provider.

For a description of the Seller, see the section entitled *KBC Bank NV*.

(b) 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.

From (and including) the Closing Date up to (but excluding) the first Optional Redemption Date, the Subordinated Loan will bear interest at a rate which is equal to the higher of (i) zero and (ii) the lower of:

(i) 1,50% per annum; and

(ii) the sum of one (1) month EURIBOR plus a margin of 100 bps per annum.

If on the first Optional Redemption Date the Subordinated Loan has not been repaid in full, interest on the Subordinated Loan will accrue at a rate of the higher of (i) zero and (ii) the lower of:

(a) 1.50% per annum; and

(b) 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.

(c) **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 approved interest thereon) will be paid in full at a rate which is equal to the higher of (i) zero and (ii) the lower of:

(iii) 1,5% per annum; and

(iv) the sum of one (1) month EURIBOR plus a margin of 100bps per annum.

15.11 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)20 577 1177 and fax number +31 (0)20 577 1188. E mail: securitisation@intertrustgroup.com Corporate websites: www.intertrustcapitalmarkets.com[26].

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.

15.12 The Securities Settlement System Operator

Pursuant to the Clearing Agreement, the Securities Settlement System Operator will provide clearing services for the Issuer.

15.13 Security

A description of the security is given in the section entitled *Description of Security*.

[26] The information included on this website is not incorporated by reference in this Prospectus.

16. MAIN TRANSACTION EXPENSES

16.1 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.

16.2 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.

16.3 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.

16.4 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 arrears on each Monthly Payment Date to the Servicer a servicing fee of 0.05 per cent. per annum calculated over the aggregate Outstanding Principal Amount of all SME Receivables as at the immediately preceding Monthly Calculation Date.

16.5 Paying Agent, Listing Agent and Reference Agent

On each Monthly Payment Date, the Issuer shall pay to the Paying 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 Paying Agent.

16.6 Other Senior Expenses Payable by the Issuer

The Issuer shall in addition pay the following ongoing expenses:

(1) to the Auditors;

(2) to the Issuer Directors, expenses or other amounts in connection with the Issuer Management Agreements;

(3) to the NBB, fees as provided under the Clearing Agreement, which will be payable as long as any of the Notes are outstanding;

(4) to the FSMA, an annual fee calculated in accordance with Belgian law and regulations;

(5) and others, provided that they are justified and duly documented.

17. USE OF PROCEEDS

The net proceeds of the Notes to be issued on the Closing Date will be EUR 3,500,000,000.

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 SME Receivables purchased under the SME Receivables Purchase Agreement. The remaining part of the proceeds of the Notes (if any) will be credited to the Reserve Account.

The net proceeds of the Subordinated Loan will be used to (i) pay the remaining part of the Initial Purchase Price for the SME Receivables in the amount of up to EUR 1,499,452,689.28, and (ii) credit the Reserve Account up to EUR 50,000,000. 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.

18. DESCRIPTION OF SECURITY

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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:

(1) the SME Receivables, secured by the Related Security, acquired by the Issuer pursuant to the SME Receivables Purchase Agreement;

(2) 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

(3) 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) SME 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 SME Receivables and Related Security will not be notified to the Borrowers 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 SME Receivables will be an undisclosed pledge.

The pledge created pursuant to the Pledge Agreement over the rights referred to in paragraph (2) and (3) 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 SME 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 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.

With regards to the role of the Security Agent, see Sections 19 (The Security Agent), sub-sections 19.1 (Name and Status Powers) and 19.2 (Authorities and Duties) of this Prospectus.

19. THE SECURITY AGENT

19.1 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 1 J, 1930 Zaventem and registered with the Crossroads Bank for Enterprises under number RPR 0429.053.863, Business Court of Brussels.

19.2 Powers, Authorities and Duties

The Security Agent, acting in its own name and on behalf of the Secured Parties shall have the power:

(1) to accept the Security Interests on behalf of the Noteholders and the other Secured Parties;

(2) 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;

(3) to collect all proceeds in the course of enforcing the Security Interests;

(4) to apply or to direct the application of the proceeds of enforcement in accordance with the Conditions, the provisions of the Pledge Agreement;

(5) to instruct the Paying Agent (or any substitute paying 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 Paying Agent (or its substitute) to administer such account, and to receive a power of attorney given by the Paying Agent to administer such account;

(6) to exercise all other powers and rights and perform all duties given to the Security Agent under the Transaction Documents; and

(7) 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 and as bondholders' representative in accordance with article 7:63 of the Company Code.

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.

(a) **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**").

(b) **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:

(1) to the Conditions and the 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;

(2) to the Conditions and the 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);

(3) to the Conditions and the 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;

(4) to the Conditions and the 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;

(5) to the Conditions and the 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**") including the application of any Adjustment Spread (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 or administered;

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 competent authority supervising 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 competent authority supervising 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 that is administered by an administrator that is recorded in the register administered by the European Securities and Markets Authority pursuant to article 36 of the Benchmark Regulation; and

II. 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

III. 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;

IV. 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 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 change the base rate on the Notes from EURIBOR to an Alternative Base Rate including the application of any Adjustment Spread (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

(6) 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 also given to the Rating Agencies, the Administrator, the Servicer, the Corporate Services Provider and the Paying 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, or, in case of a Basic Term Modification, to ask for an approval of such Basic Term Modification by an Extraordinary Resolution.

For the purpose of paragraph (5) of this section (b) (Variations), "**Adjustment Spread**" means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Security Agent and the Issuer, (in accordance with Condition 4.11), determines is required to be applied to the Alternative Base Rate to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders, as a result of the replacement of EURIBOR with the Alternative Base Rate and is the spread, formula or methodology which (i) the Issuer and the Security Agent, determine is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference EURIBOR, where such rate has been replaced by the Alternative Base Rate or (ii) if the Security Agent and the Issuer determines that (i) does not apply, the Security Agent and the Issuer, determine to be appropriate.

(c) **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.

(d) **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 complying 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 (b) (Variations) 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.

(e) **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:

(1) 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

(2) 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.

(f) **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 (1), (3) and (5) of *Powers, authorities and duties* and under *Variations*, unless:

(1) it shall have been directed to do so by an Extraordinary Resolution of the holders of the Notes then outstanding; or

(2) 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

(3) 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

(4) 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.

(g) **Restrictions on the Secured Parties to act**

As representative of the Noteholders and 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 the Pledge Agreement and Condition 4.10, no Secured Party (other than the Security Agent) shall be entitled to proceed directly against the Issuer and the Pledged Assets.

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.

(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 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.

(i) **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.

(j) **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.

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.

20. 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.

20.1 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 Paying 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 Paying 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 Paying 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.

20.2 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. In addition, transfers of Notes between two X-Accounts do not give rise to any adjustments on account of Belgian withholding tax.

Tax Eligible Investors include *inter alia*:

(1) Belgian resident companies subject to corporate income tax (*Vennootschapsbelasting/Impôt des sociétés*);

(2) 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");

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

(4) corporate investors who are non-residents of Belgium, whether they have a permanent establishment in Belgium or not; and

(5) 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 in central securities depositaries as defined in Article 2, first paragraph, (1) of the Regulation (EU) N° 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012 ("**CSD**") acting as Participants to the Securities Settlement System (each, a "**NBB-CSD**"), provided that the relevant NBB-CSD only holds X Accounts, and that they are able to identify the Noteholders for whom they hold Notes in such account. For the identification requirements not to apply, it is furthermore required that the contracts which were concluded by the relevant NBB CSD as Participants include the commitment that all their clients, holder of an account, are Eligible Investors.

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.

20.3 Income Tax

(a) Belgian Resident Corporations

Noteholders who are Belgian resident corporations, subject to Belgian corporate income tax (*Vennootschapsbelasting/Impôt des sociétés*), are liable to corporate income tax on the income of the Notes and capital gains realised upon the disposal of the Notes. The current ordinary corporate income tax rate is 25 per cent. (with a reduced rate of 20 per cent. applying to the first tranche of EUR 100,000 of taxable income of qualifying small companies),Capital losses realised upon the disposal of the Notes will normally be tax deductible.

Different rules apply to companies subject to a special tax regime, such as investment companies within the meaning of article 185bis of the Belgian Income Tax Code 1992.

(b) Belgian Resident Legal Entities

This paragraph applies only to Belgian resident legal entities subject to the income tax on legal entities (*Rechtspersonenbelasting/Impôt des personnes morales*) 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.

20.4 Tax on stock exchange transactions

No tax on stock exchange tranactions (*taks op de beursverrichtingen/taxe sur les opérations de bourse*) will be due on the issuance of the Notes (primary market).

The tax on stock exchange transactions will be levied on any transfer for consideration of the Notes on the secondary market if (i) executed in Belgium through a financial intermediary, or (ii) deemed to be executed in Belgium, which is the case if 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"**).

The tax will be levied at a rate 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 the 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.

If the intermediary is established outside of Belgium, the tax on stock exchange transactions 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 (*borderel/bordereau*), at the latest on the business day after the day the relevant transaction 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.

A tax on repurchase transactions (*"taks op de reportverrichtingen"/"taxe sur les reports"*) at the rate of 0.085 per cent. will be due from each party to any such transaction entered into or settled in Belgium in which a stockbroker acts for either party (with a maximum amount per transaction and per party of EUR 1,300 for debt instruments and EUR 1,600 for other securities).

The EU Commission has published on 14 February 2013 a proposal for a Directive (the "**Draft Directive**") on a financial transactions tax ("**FTT**"). This Draft Directive currently stipulates that once the FTT enters into force, the participating Member States shall not maintain or introduce taxes on financial transactions other than the FTT (or VAT as provided in the Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax). For Belgium, the tax on stock exchange transactions should thus be abolished once the FTT enters into force. The Draft Directive is still subject to negotiation between the participating Member States and therefore may be changed at any time.

20.5 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. Two additional jurisdictions committed to exchange information in 2019 and seven in 2020.

20.6 Exchange of information: FATCA (U.S. Foreign Account Tax Compliance Act)

According to the FATCA legislation, an Intergovernmental Agreement (IGA) was 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.

21. 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 the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register 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.

22. 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*), SIX SIS Ltd, Monte Titoli, Euroclear France and Euroclear and Clearstream Banking Frankfurt.

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 Paying 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.

23. ADMISSION TO TRADING AND DEALING ARRANGEMENTS

23.1 Total amount and denomination

The Issuer's Board of Directors has resolved to issue 14,000,000 Notes.

The Notes are Notes with each a nominal amount of EUR 250,000.

23.2 Admission to trading

Application has been made for an admission to trading of the Notes on Euronext Brussels.

23.3 Clearing

The Notes will be accepted for clearance through the Securities Settlement System under the ISIN number BE0002720010 and common code 219962681.

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 Frankfurt, (**"Clearstream, Frankfurt"**). Accordingly, the Notes will be eligible to clear through, and therefore accepted by, SIX SIS Ltd, Monte Titoli, Euroclear France, Euroclear and Clearstream Banking Frankfurt, and investors can hold their Notes on securities accounts in SIX SIS Ltd, Monte Titoli, Euroclear France, Euroclear and Clearstream Banking Frankfurt.

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 Paying Agent will perform the obligations of paying 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 Paying 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.

24. GENERAL

24.1 Expenses of the Admission to Trading

(a) **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.

(b) **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.

24.2 Information made available to Investors[27]

(a) **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:

1. all materially relevant data on the credit quality and the performance of the SME Receivables in respect of the preceding Monthly Calculation Period;
2. 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 SME Receivables and by the liabilities of the Transaction; and
3. an overview of the retention of the material net economic interest by the Seller in the form set out in Schedule 5 of the Issuer Services Agreement.

The Investors Reports will be made available in accordance with paragraph (h) (Availability of information) below.

(b) **Loan-by-loan information**

The Corporate Services Provider will make available loan-by-loan information (i) on the SME 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

[27] The documents mentioned in this section 24.2 are not incorporated by reference in this Prospectus.

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 be made available in accordance with paragraph (h) (Availability of information) below.

(c) **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 (h) (Availability of information) below:

1. this Prospectus;
2. the articles of association of the Issuer;
3. the articles of association of the Security Agent;
4. the SME Receivables Purchase Agreement;
5. the Subordinated Loan Agreement;
6. the Pledge Agreement;
7. the Agency Agreement;
8. the Account Bank Agreement;
9. the Expenses Subordinated Loan Agreement;
10. the Master Definition Agreement;
11. the Subscription Agreement;
12. the Issuer Services Agreement;
13. the Swap Agreement;
14. the Issuer Management Agreements;
15. the Shareholder Management Agreement;
16. any other transaction document entered into from time to time; and
17. 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 (h) (Availability of information) below.

(d) **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 (h) (Availability of information) below.

(e) **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 paragraphs (a) to (f) above.

(f) **Availability of information**

The information set out under paragraphs (a) to (e) 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[28] 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 paragraphs (a) to (e) 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 Paying Agent.

In addition to what is set out above, the documents listed under paragraph (e) (Documents available) may be inspected at the specified offices of the Paying Agent during normal business hours, as long as any Notes are outstanding.

(g) **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 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.

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

25. 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 3,500,000,000 floating rate Asset-Backed Notes due 2054 (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 24 June 2020. 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 "**Paying 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 SME Loan Invest 2020 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 SME Loan Invest 2020.

On the Closing Date, a portfolio of receivables resulting from investment loans within the framework of a small or medium sized professional enterprises in Belgium (the "**SME Receivables**") will be sold by KBC Bank NV (the "**Seller**") to the Issuer acting through its Compartment SME Loan Invest 2020.

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 SME Loan Invest 2020 (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 SME receivables purchase agreement (the "**SME 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 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 SME 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**"[29]. 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 on the website https://www.kbc.com/en/no-crawl/home-loan-invest-disclaimer[30]. 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 SME 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.

[29] The Transaction Documents are not incorporated by reference to this Prospectus.
[30] These documents are not incorporated by reference in this Prospectus.

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 Paying 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 7:38 thereof.

The Issuer and the Paying 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

See Section 1 (Important Information) of this Prospectus in relation to Eligible Holders and Excluded Holders. The Notes may only be acquired, by direct subscription, by transfer or otherwise and may only be held by holders who are 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 SME Loan Invest 2020 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 SME Loan Invest 2020 and will not be recoverable against any other compartments of the Issuer or any assets of the Issuer other than those allocated to Compartment SME Loan Invest 2020.

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 SME Loan Invest 2020; (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 7:212 and 7:214 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

The Notes are issued in the form of dematerialised notes under the Company Code in the denomination of EUR 250,000.

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

(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**"), 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 (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 or to a person who is an Excluded Holder shall be void and not binding on the Issuer and the Security Agent. If a Noteholder ceases to be an Eligible Holder or becomes an Excluded 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 and that does not qualify as an Excluded 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 or that qualifies as an Excluded 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.

4.2 Status, Relationship between the Notes and Security

(a) Status and Priority

(i) The Notes are direct, secured and unconditional obligations of Compartment SME Loan Invest 2020 of the Issuer and rank *pari passu* and rateably without any preference or priority among the Notes. 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 SME Receivables and the Related Security, acquired by the Issuer pursuant to the SME 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 the Transaction Documents to which the Issuer is a party (other than the Pledge Agreement), including without limitation, its rights under the (A) SME 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 SME Loan Invest 2020, 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 SME Receivables Purchase Agreement, (vi) the

Account Bank under the Account Bank Agreement, (vii) the Paying 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, 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 SME Receivables;

(b) as interest accrued on the Transaction Accounts;

(c) as Prepayment Penalties under the SME Loans;

(d) as Net Proceeds on any SME 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 SME Receivables pursuant to the SME Receivables Purchase Agreement or any other amounts received pursuant to the SME Receivables Purchase Agreement, to the extent such amounts do not relate to principal;

(h) as amounts received in connection with a sale of SME 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 SME 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 SME 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 SME Receivables Purchase Agreement and as described under paragraph *Risk Mitigation Deposit* in the section *SME 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 Paying 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 satisfaction of interest due or interest accrued but unpaid on the Subordinated Loan in accordance with the terms of the Subordinated Loan Agreement[31];

(ix) *ninth*, 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;

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

(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 SME 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 SME Receivables from any person, but, for the avoidance of doubt, excluding Prepayment Penalties;

[31] TBC if to be ranked after current item X.

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

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

(f) any amounts (provided that these are used solely as indemnity for losses of scheduled principal on the SME 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 SME Receivables Purchase Agreement and as described under *Risk Mitigation Deposit* in the section *SME 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) prior to the occurrence of a Sequential Trigger Event:

(A) *first*, up to the Maximum Pro Rata Amount Notes, in or towards satisfaction of principal amounts due under the Notes until fully redeemed; and

(B) *second*, up to the Maximum Pro Rata Amount Subordinated Loan, in or towards satisfaction of principal amounts due under the Subordinated Loan until fully repaid; and

(ii) after the occurrence of a Sequential Trigger Event:

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

(B) *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 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 Paying 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 SME Loan Invest 2020 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 SME Loan Invest 2020 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 SME Loan Invest 2020 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 SME Loan Invest 2020;

(h) have any employees, own premises or own shares in any subsidiary or any company;

(i) in relation to Compartment SME Loan Invest 2020 and the Transaction, have an interest in any bank account, other than (i) the Transaction Account and the Securities Pledged Accounts, (ii) the Share Capital Account, (iii) the Deposit Account (if required to be opened in accordance with the provisions of the SME 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 SME Loan Invest 2020 and the Transaction, issue any further notes or any other type of security;

(k) reallocate any assets from Compartment SME Loan Invest 2020 to any other Compartment that it may set up in the future;

(l) have an established place of business in any other jurisdiction than Belgium;

(m) enter into transactions of which it is aware that they are not at arm's length; and

(n) dispose of any assets of Compartment SME Loan Invest 2020 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 SME Loan Invest 2020 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 SME Receivables and an Account Bank. The appointment of the Security Agent, the Administrator, the Corporate Services Provider, the Reference Agent, the Paying 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 SME Loan Invest 2020 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 object 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 or Sequential Trigger 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 SME Receivables, SME Loans or the cash flows generated by the SME 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 Paying Agent or procure that the Security Agent, the Rating Agency and the Paying Agent are provided with the Investor Reports on or about each Monthly Payment Date.

The Investor Reports 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[32] which satisfies the conditions set out in Article 7(2), fourth paragraph of the Securitisation Regulation.

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

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 the relevant Noteholder, or (if earlier) the seventh calendar day after notice is duly given by the Paying 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 arrears 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 August 2020. 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 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 0,75 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 0,75 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 by the European Money Markets Institute (or any other person which takes over the administration of that rate) and which appears for information purposes on the Reuters Screen EURIBOROI (or, if not available, any other display page on any screen service maintained by any registered information vendor (including, without limitation, the Reuter Monitor Money Rate Service, the Dow Jones Telerate Service and the Bloomberg Service) 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 the European Money Markets Institute (or any other person which takes over the administration of that rate), 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.

In the event of material disruption or cessation of a benchmark or if a material disruption or cessation of a benchmark is reasonably expected to occur, an Alternative Base Rate may be adopted in accordance with Condition 4.11(c)(v).

(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 Paying 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 does not receive EURIBOR from the Issuer based on Condition 4.4(e)) 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, 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) shall 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 4.4(f), 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 July 2054 (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:

(v) on each Monthly Payment Date prior to the occurrence of a Sequential Trigger Event, the Issuer shall be obliged to apply the Notes Redemption Available Amount (as defined below) 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):

(A) *first*, to redeem (or partially redeem) the Notes on a *pro rata* basis at their Principal Amount Outstanding up to the Maximum Pro Rata Amount Notes, until fully redeemed; and

(B) *second*, to repay (or partially repay) principal amounts due under the Subordinated Loan, up to the Maximum Pro Rata Amount Subordinated Loan until fully repaid;

(vi) on each Monthly Payment Date following the occurrence of a Sequential Trigger Event, the Issuer shall be obliged to apply the Notes Redemption Available Amount (as defined below) 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):

(A) *first*, to redeem (or partially redeem) the Notes on a *pro rata* basis at their Principal Amount Outstanding, until fully redeemed; and

(B) *second*, to repay (or partially repay) principal amounts due under the Subordinated Loan, until fully repaid.

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:

(i) in case of a redemption on a Monthly Payment Date prior to the occurrence of a Sequential Trigger Event, the lesser of (i) the Notes Redemption Available Amount and (ii) the Maximum Pro Rata Amount Notes, each of (i) and (ii), on the Monthly Calculation Date relating to that Monthly Payment Date divided by the number of Notes subject to such redemption; and

(ii) in case of a redemption on a Monthly Payment Date following the occurrence of a Sequential Trigger Event, 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 the SME 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 SME 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 SME Receivables Purchase Agreement to sell and assign the SME 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 SME Receivables upon exercise by the Seller of the Clean-Up Call Option.

The proceeds of such sales shall be applied by the Issuer towards:

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

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

All SME 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 an amount as calculated by the Servicer in its daily operations representing an amount equal to the Outstanding Principal Amount of such SME Receivable less the estimated losses or, as the case may be, realised losses in relation to such SME Receivable according to the Seller's impairment policy (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 (H), 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 SME 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 SME Receivables pursuant to the SME Receivables Purchase Agreement and any other amounts received pursuant to the SME Receivables Purchase Agreement to the extent such amounts relate to principal;

(C) as amounts received in connection with a sale of SME 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 SME Receivables;

(F) any amounts (provided that these are used solely as indemnity for losses of scheduled principal on the SME 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 SME Receivables Purchase Agreement, 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.

(iii) The term "**Net Proceeds**" shall mean (a) any proceeds received in connection with a SME Receivable after such SME Receivables has become a Defaulted Receivables, (b) the proceeds of foreclosure on any Related Security securing the SME Receivable, (c) the proceeds, if any, of collection of any insurance policies in connection with the SME 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.

(vi) The term "**Sequential Trigger Event**" means, at any point in time, any of the following events occurring:

(i) the sum of the outstanding Defaulted Receivables, including written-off loans, since the Closing Date exceeds an amount equal to 3% of the aggregate Outstanding Principal Amount of the SME Receivables at the Closing Date; or

(ii) the sum of the Delinquent Receivables exceeds an amount equal to 5% of the aggregate Outstanding Principal Amount of the SME Receivables; or

(iii) the principal outstanding of the Subordinated Loan falls below 33% of the original principal amount of the Subordinated Loan on the Closing Date.

(vii) The term "**Maximum Pro Rata Amount Notes**" means the amount equal to:

(i) the Notes Redemption Available Amount multiplied by the outstanding amount of principal under the Notes; divided by

(ii) the sum of (i) the outstanding amount of principal under the Notes and (ii) the outstanding amount of principal under the Subordinated Loan minus the Reserve Account Required Amount.

(viii) The term "**Maximum Pro Rata Amount Subordinated Loan**" means the amount equal to:

(i) the Notes Redemption Available Amount multiplied by the outstanding amount of principal under the Subordinated Loan minus the Reserve Account Required Amount; divided by

(ii) the sum of (i) the outstanding amount of principal under the Notes and (ii) the outstanding amount of principal under the Subordinated Loan minus the Reserve Account Required Amount.

(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 Paying 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 July 2025 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, the Noteholders and each Rating Agency in accordance with Condition 4.13, prior to the relevant Optional Redemption Date.

The proceeds of such sales shall be applied by the Issuer towards:

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

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

(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 Paying 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 ceased to be a Tax Eligible Investor, 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; 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 SME 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.

The proceeds of such sales shall be applied by the Issuer towards:

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

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

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, the Seller or the Noteholders, as certified by the Security Agent, in an adverse way, 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

(iii) 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 SME Receivables upon the occurrence, on or 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 (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 Basel Accord, 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 or to a lesser degree 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.

The proceeds of such sales shall be applied by the Issuer towards:

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

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

(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 BBB(low) by DBRS or BBB- by Fitch or such rating is withdrawn; or (ii) the short-term unsecured, unsubordinated and unguaranteed debt obligations of the Seller cease to be rated as high as F3 by Fitch or such rating is 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.

The proceeds of such sales shall be applied by the Issuer towards:

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

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

(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 on which payment in respect of the Notes becomes due, the Issuer will transfer, or cause to be transferred, to the Paying Agent in same day funds value the same date but 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 (i) fiscal or other laws and regulations applicable thereto and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto (such withholding or deduction, "**FATCA Withholding**").

(c) The initial Paying 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 Paying 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 Paying Agent and of any changes in the specified offices of the Paying 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 Paying 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 (including FATCA Withholding). In that event, the Issuer, the Securities Settlement System Operator, the Paying 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 Paying 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.

(b) The Security Agent, the Issuer, the Securities Settlement System Operator, the Paying 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 ten (10) Business 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; 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 SME Loan Invest 2020 as and when they fall due or the value of its assets allocated to Compartment SME Loan Invest 2020 falling to less than the amount of its liabilities allocated to Compartment SME Loan Invest 2020 or otherwise becomes insolvent; or

(v) proceedings are initiated against or by the Issuer under any applicable liquidation, insolvency or other similar law including the Law on Bankruptcies of 8 August 1997 (*Faillissementswet / Loi sur les faillites*) and the Law on the continuity of enterprises of 31 January 2009 (*Wet betreffende de continuïteit van de ondernemingen / Loi relative à la continuité des enterprises*), as applicable, 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 SME Loan Invest 2020 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 SME Loan Invest 2020 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 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 due to its own Gross Negligence, wilful misconduct or fraud.

(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 SME 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) no Secured Party, (nor any person on its behalf), other than the Security Agent is 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 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, no Secured Party, including the Security Agent, (nor 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, as irrevocable attorney (*mandataris / mandataire*) of the other Secured Parties and is appointed as bondholders' representative in accordance with article 7:63 of the Company Code, 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 Paying Agent (or any substitute paying 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 Paying Agent (or its substitute) to administer such account, and to receive a power of attorney given by the Paying 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 and as bondholders' representative in accordance with article 7:63 of the Company Code.

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**") including the application of any Adjustment Spread (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 or administered;

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 competent authority supervising 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 competent authority supervising 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 that is administered by an administrator that is recorded in the register administered by the European Securities and Markets Authority pursuant to article 36 of the Benchmark Regulation; and

II. 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

III. 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;

IV. 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, (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 change the base rate on the Notes from EURIBOR to an Alternative Base Rate including the application of any Adjustment Spread (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) and except as set forth in Condition 4.12. The Security Agent shall not be bound to give notice to 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 Coporate Services Provider, the Servicer and the Paying 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, or, in case of a Basic Term Modification, to ask for an approval of such Basic Term Modification by an Extraordinary Resolution.

For the purpose of paragraph (v) of this section (c) (Variations), "**Adjustment Spread**" means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Security Agent and the Issuer, (in accordance with Condition 4.11), determines is required to be applied to the Alternative Base Rate to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders, as a result of the replacement of EURIBOR with the Alternative Base Rate and is the spread, formula or methodology which (i) the Issuer and the Security Agent, determine is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference EURIBOR, where such rate has been replaced by the Alternative Base Rate or (ii) if the Security Agent and the Issuer determines that (i) does not apply, the Security Agent and the Issuer, determine to be appropriate.

(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 complying 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 "**Security Agent 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 is no longer able or satisfying the conditions to act as agent and/or bondholders' representative in accordance with Article 271/12 §1 first to seventh indent of the UCITS Act (and/or any implementing royal decrees) and/or article 7:63 of the Company Code,

then 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 (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 7:162 to 7:174 of the Company Code (*Wetboek van vennootschappen en verenigingen / Code des sociétés et associations)* 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.

"**Affiliated Entity**" means a Subsidiary or a Holding Company of a person or any other Subsidiary of that Holding Company.

"**External Investor**" means any person or entity other than (i) the Issuer or (ii) the Seller.

"**Holding Company**" of any other person, means a person in respect of which that other person is a Subsidiary.

"**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.

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

Article 7:165 of the Company Code (*Wetboek van vennootschappen en verenigingen / Code des sociétés et associations)* shall not apply to these Conditions. 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.

26. PURCHASE AND SALE

KBC Bank NV (the "**Manager**") has pursuant to a subscription agreement to be dated on or about 7 July 2020, entered into between the Manager, 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.

26.1 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.

26.2 General Holding and Transfer Restrictions

The Notes are only offered, directly or indirectly to holders who are Eligible Holders. 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 sale and purchase restrictions set out below will apply.

European Economic Area

In relation to each Member State of the European Economic Area (each, a "**Relevant Member State**"), the Manager has 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 a Relevant Member State at any time:

(1) to any legal entity which is a qualified investors as defined in the Prospectus Regulation;

(2) to fewer than 150, natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), as permitted under the Prospectus Regulation; or

(3) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided always that such offering shall be restricted to Qualifying Investors only and that such offer shall not require the Issuer or the Manager to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

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.

The Issuer does not intend to request that the FSMA provides the competent authority of other EEA Member States or in the UK a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Regulation.

Prohibition of sales to EEA and UK 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**")or in the United Kingdom (**UK**). 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 (EU) 2016/97 (as amended or superseded, "**Insurance Distribution 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 Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). 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 or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPS Regulation.

Kingdom of Belgium

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 Eligible Holders. 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**")) received by it 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. None of the Issuer nor any Compartment has not been and neither

will not be registered as an investment company under the U.S. Investment Company Act of 1940, as amended.

The Managers have agreed that they 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 Managers 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, §1, 11° of the Belgian Income Tax Code 1992 or any successor provision).

Furthermore, no Notes may be acquired by a Belgian or foreign transferee that qualifies as an "affiliated company" (within the meaning of Article 1:20 of the 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.

Notes may not be acquired by a Belgian or 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, a low-tax jurisdiction or a non-cooperative jurisdiction as referred to in Article 307, §1/2 of the Belgian Income Tax Code of 1992 or any successor provision.

27. 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 SME 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 SME Loans or the related Mortgaged Assets or Loan Security or in connection with the Seller's decision to grant such SME 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 SME Loan;

"**Agreed Form**" means, in relation to any document, the form of the document which has been agreed between the parties thereto;

"**All Sums Mortgage**" means a Mortgage which is used to secure all other amounts which the Borrower owes or in the future may owe to the Seller (*alle sommen hypotheek/hypothèque pour toute somme*) in addition to amounts which the Borrower owes under the SME Loans;

"**All Sums Security Interest**" means an All Sums Mortgage or any other security interest granted by the relevant Borrower which is used to secure all other amounts which such Borrower owes or in the future may owe to the Seller in addition to amounts which such Borrower owes under the SME Loan.

"**Average Prepayment Rate**" means the average of the Constant Prepayment Rate over the past 3 months;

"**Code of Economic Law**" means the Belgian code of economic law (*Wetboek Economisch Recht/Code de Droit Économique*) dated 28 February 2013, as amended from time to time;

"**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 SME Loan Invest 2020**" means the Compartment of the Issuer to which the assets and liabilities relating to the SME Receivables and the Notes are allocated (*Compartiment SME Loan Invest 2020*);

"**Constant Prepayment Rate**" or "**CPR**" means the prepayment speed of the underlying collateral;

"**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 SME Loan and Related Security, containing, *inter alia*, (i) the Mortgage Deeds and all material records and correspondence relating to the SME Loans, the Loan Security and Additional Security and/or the Borrower, (ii) the completed Standard Loan Documentation applicable to the SME Loan and (iii) any payment, arrears and status reports maintained by the Servicer;

"**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 SME 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;

"**Cut-Off Date**" means 30 June 2020;

"**DBRS Rating**" means:

(a) DBRS' public rating;

(b) if no public rating exists, the DBRS' private rating; or

(c) if no public or private rating exists, DBRS' internal assessment.

"**DBRS Required Minimum Ratings**" means a rating of at least, in respect of long term unsecured, unguaranteed and unsubordinated debt obligations from DBRS of A, or such lower rating as is required to maintain the then current rating assigned to the Notes by DBRS. An institution will be considered to meet the DBRS Required Minimum Rating if:

(a) the institution has been assigned a critical obligations rating by DBRS (a "**COR**") and the rating that is one notch below the assigned COR meets the DBRS Required Minimum Rating; or

(b) if no COR has been assigned to the institution, the higher of the issuer rating or the long-term senior unsecured debt rating assigned to the institution by DBRS meets the DBRS Required Minimum Rating.

"**Debt Insurance Policy**" means any insurance policy covering the risk of death of any Borrower of a SME Loan (*schuldsaldoverzekering/assurance solde restant dû*);

"**Defaulted Receivable**" means a SME Receivable which has been qualified by the Servicer as dubious ("dubieus") in accordance with the Seller's normal credit risk management. The Servicer considers a SME Receivable as dubious when it gets the classification of PD 12 (probability of default 12).

"**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.

"**Delinquent Receivable**" means a SME Receivable of which all or part of the Outstanding Principal Amount remains unpaid past its due date for more than 90 days.

"**Disputed SME Receivable**" means any SME Receivable in respect of which payment is disputed (in whole or in part, with or without justification) by the Borrower of such SME Loan, or in respect of which a set-off or counterclaim is being claimed by such Borrower; for the avoidance of doubt, a SME Receivable shall not be a Disputed SME 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;

"**Existing Loan**" means any loan or advance originated by the Seller that is secured by the same All Sums Security Interest as an SME Loan (whether the All Sums Security Interest 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 All Sums Security Interest as an SME 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 issuer default rating of at least F1 by Fitch (the **Fitch Required Minimum Short Term Rating**); or (ii) a deposit rating (if available) or long term issuer default rating 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*), formerly 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 Security Interest as a SME Loan and any advance made available by the Seller under a revolving facility (*kredietopening/ouverture de crédit*) that is secured by the same All Sums Security Interest as a SME Loan, after the Closing Date 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 SME 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 SME Loan (as amended from time to time);

"**Loan Security**" means in respect of a SME Loan, any Mortgage and, as the case may be, Mortgage Mandate, and all rights, title, interest and benefit relating to any Insurance Policies, any guarantee provided for such SME 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 SME Loan;

"**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;

"**Mortgage**" means, in relation to each SME Loan, a mortgage (*hypotheek / hypothèque)* as such term is construed under Belgian law securing the SME 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 Act**" means the Belgian Act of 16 December 1851 on mortgages (*Hypotheekwet van 16 december 1851/Loi hypothécaire du 16 décembre 1851*), as amended from time to time;

"**Mortgage Deed**" means notarially certified copies of the notarial deeds constituting a Mortgage;

"**Mortgage Mandate**" means, in relation to any SME 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 SME 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 Act;

"**Mortgage Registrar**" means the person (*hypotheekbewaarder / conservateur des hypothèques*) who registers mortgages at the Mortgage Register in accordance with the Mortgage Act;

"**Origination Date**" means, in respect of a Loan, the date on which it was first advanced by the Originator to the Borrower.

"**Prepayment Penalty**" means a prepayment penalty due in the event of a voluntary prepayment of principal on any SME Loan prior to its scheduled due date in accordance with the provisions for prepayments provided for in the contractual terms of such SME Loans;

"**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 SME 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 DBRS Required Minimum Ratings;

"Secured Party" means each of:

(a) the Security Agent under the Pledge Agreement;

(b) the Noteholders under the Notes;

(c) the Administrator under the Issuer Services Agreement;

(d) the Corporate Services Provider under the Issuer Services Agreement;

(e) the Seller under the SME Receivables Purchase Agreement;

(f) the Servicer, or if applicable the Back-up Servicer Facilitator, under the Issuer Services Agreement;

(g) the Subordinated Loan Provider under the Subordinated Loan Agreement and the Expenses Subordinated Loan Agreement;

(h) the Swap Counterparty under the Swap Agreement;

(i) the Account Bank under the Account Bank Agreement;

(j) the Paying Agent under the Agency Agreement;

(k) the Listing Agent under the Agency Agreement;

(l) the Reference Agent under the Agency Agreement; and

(m) the Issuer Directors under the Issuer Management Agreements.

"**Securities Pledged Accounts**" means the securities accounts held by the Issuer with the Account Bank to which the Permitted Investments are credited;

"**Seller Loans**" means the Existing Loans and the Further Loans;

"**Share Capital Account**" means the bank account of the Issuer, acting through its Compartment SME Loan Invest 2020, held with the Account Bank with number BE79 7360 6784 8433 to which certain amounts payable to the Issuer under the Pledge Agreement will be transferred;

"**Shared Security**" means Related Security of which the Issuer and the Seller share the benefit, as it secures both the SME Receivable (security in favour of the Issuer) and other loans, if any, or any other obligations owing from time to time to the Seller, if any (security in favour of the Seller);

"**Standard Loan Documentation**" means the standard documents and forms used for originating SME Loans through the network and according to the procedures of the Seller, attached as Schedule 1 to the SME Receivables Purchase Agreement;

"**Tax**" shall be construed so as to include any present or future tax, levy, impost, duty, charge, fee, deduction or withholding of any nature whatsoever (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same) imposed or levied by any government, state or municipality or any local, state, federal or other authority, body or official exercising a fiscal, revenue, customs or excise function;

"**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 SME Receivables remains outstanding.

28. INDEX OF DEFINED TERMS

ANNEX 1 – 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 and for the last time on 25 February 2017) 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.

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