



**KBC BANK NV**

*(Incorporated with limited liability in Belgium)*

**Warrant Programme**

The English version of this Base Prospectus has been approved by the Financial Services and Markets Authority (*Autoriteit voor Financiële Diensten en Markten/Autorité des Services et Marchés Financiers*) (the **FSMA**) on 26 February 2019 in its capacity as competent authority under Article 23 of the Belgian Law dated 16 June 2006 concerning the public offer of investment securities and the admission of investment securities to trading on a regulated market, as last amended by the law dated 30 July 2018 (the **Belgian Prospectus Law**) to approve this document as a base prospectus (the **Base Prospectus**) for the purposes of Article 29 of the Belgian Prospectus Law and Article 5.4 of the Prospectus Directive (as defined herein). This approval cannot be considered as a judgement as to the opportunity or the quality of the transaction, nor on the situation of the Issuer. Application has also been made to Euronext Brussels for the Warrants issued under the Programme to be listed on Euronext Brussels. Application may also be made for the Warrants to be admitted to trading on Euronext Brussels following their dematerialisation. Euronext Brussels' regulated market is a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments (as amended) (**MiFID II**).

**Warrants involve a high degree of risk and potential investors should be prepared to sustain a loss of all or part of their investment. For a discussion of the risks see "Risk Factors" below. Investors should review and consider these risk factors carefully before purchasing any Warrants.**

This Base Prospectus will be published on the internet site [www.kbctop.com](http://www.kbctop.com) and a copy can be obtained free of charge at the offices of KBC Bank NV.

*Arranger and Dealer*

**KBC Bank NV**

**The date of this Base Prospectus is 26 February 2019.**

A handwritten signature in blue ink, appearing to read 'Ivo De Saedeleer', written over a horizontal line.

Ivo DE SAEDELEER, DEALER

A handwritten signature in black ink, appearing to read 'Danny Swinnen', written over a horizontal line.

**Danny Swinnen**  
Chief Dealer  
Financial Markets



**KBC BANK NV**

*(Incorporated with limited liability in Belgium)*

### **Warrant Programme**

Under this Warrant Programme (the **Programme**), KBC Bank NV (the **Issuer** or **KBC Bank**) may from time to time issue call warrants (*koopwarranten/warrants d'achat*) relating to an Underlying Share (as defined hereinafter) (**Warrants**) denominated in euro (**euro, EUR or €**) or in any currency agreed between the Issuer and the relevant Dealer(s) (as defined below) or subscriber.

The Warrants under the Programme may be issued on a continuing basis, by way of one or more separate issuances, to the Dealer specified below and to any additional dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis (each a **Dealer** and together the **Dealers**) or to a subscriber.

The English version of this Base Prospectus has been approved by the Financial Services and Markets Authority (*Autoriteit voor Financiële Diensten en Markten/Autorité des Services et Marchés Financiers*) (the **FSMA**) on 26 February 2019 in its capacity as competent authority under Article 23 of the Belgian Law dated 16 June 2006 concerning the public offer of investment securities and the admission of investment securities to trading on a regulated market, as last amended by the law dated 30 July 2018 (the **Belgian Prospectus Law**) to approve this document as a base prospectus (the **Base Prospectus**) for the purposes of Article 29 of the Belgian Prospectus Law and Article 5.4 of the Prospectus Directive (as defined herein). This approval cannot be considered as a judgement as to the opportunity or the quality of the transaction, nor on the situation of the Issuer.

Application has also been made to Euronext Brussels for the Warrants issued under the Programme during the period of 12 month from the date of approval of this Base Prospectus to be listed on Euronext Brussels. Application may also be made for the Warrants to be admitted to trading on Euronext Brussels following their dematerialisation. Euronext Brussels' regulated market is a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments (as amended) (**MIFID II**). The Issuer may also issue Warrants which are not listed or admitted to trading on a regulated market or request the listing or admission to trading of the warrants on any other stock exchange or market.

A Warrant constitutes a contractual claim (*schuldvordering/créance*) against the Issuer which is initially represented and evidenced by a registration in a register held by the Issuer (or by the Warrant Agent on its behalf) (the **Warrants Register**) in the name of the relevant Warrant Holder (a **Registered Warrant**). An electronic platform managed by (or on behalf of) KBC Bank NV (the **Electronic Platform**) has been implemented through which the Registered Warrants are initially registered in the name of and assigned to the individual Warrant Holders using an individualised user name and password. The Warrant Holders will need to use this user name and password in case they wish to sell (or otherwise transfer) their Registered Warrants through the Electronic Platform KBC Bank NV does not charge any fees for the creation and maintenance of the Warrants Register.

Upon the choice of the Warrant Holder, the form of a Registered Warrant can be changed by a process of dematerialisation potentially with a view of trading the relevant Warrant on Euronext Brussels (a **Dematerialised Warrant**). The Dematerialised Warrants will be represented exclusively by book entries in

the records of the clearing system operated by Euroclear SA/NV or any successor thereto (the **Securities Settlement System**) and held by the Warrant Holder (or its successor or transferee) through a securities account with KBC Bank or with a direct or indirect participant in the Securities Settlement System. Access to the Securities Settlement System is available through those of its Securities Settlement System participants whose membership extends to securities such as the Dematerialised Warrants.

While it is possible for investors to trade (purchase and sell) Dematerialised Warrants through securities accounts held with Securities Settlement System participants other than KBC Bank, the exercise of the rights attached to a Warrant may or, in respect of certain rights, will require that the Warrant Holder disposes of or opens a securities and/or cash account with KBC Bank: (i) a securities account in case of the Exercise of a Warrant for the acquisition of the Underlying Share as a consequence of such Exercise, (ii) a securities account for the delivery of a Dematerialised Warrant to the Issuer in case of a Sale thereof, and (iii) a cash account for the payment of the Actual Exercise Price, the Exercise Costs and the Exercise Expenses in case of the Exercise of a Warrant (unless a cash account held with another institution than KBC Bank would be permitted by the Issuer in the future in which case it will notify the Warrant Holders thereof in accordance with Condition (14)).

In relation to any Series of Warrants, this Base Prospectus must be read as a whole and together also with the applicable Final Terms (the **Applicable Final Terms**). A **Series** means Warrants which are identical in all respects.

Any Series of Warrants issued on or after the date of this Base Prospectus and which is the subject of Final Terms which refer to this Base Prospectus are issued subject to the provisions described herein. The Applicable Final Terms will be filed with the FSMA. Copies of Final Terms in relation to Warrants to be listed on the Euronext Brussels will also be published on the website at [www.kbc.com](http://www.kbc.com) (by clicking through to <https://www.kbc.com/en/kbc-bank-warrant-programme?agree=1>).

Unless otherwise stated, capitalised terms used in this Base Prospectus have the meanings set forth in this Base Prospectus. Where reference is made to the terms and conditions, reference is made to the Conditions of the Warrants.

The date of this Base Prospectus is 26 February 2019. The Base Prospectus shall be valid for a period of 12 months from its date of approval.

## 1. IMPORTANT INFORMATION

This Base Prospectus comprises a base prospectus in respect of Warrants issued under the Programme for the purposes of Article 5.4 of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented or applied in a Relevant Member State of the European Economic Area, the **Prospectus Directive**), in connection with Regulation 809/2004 of the European Commission.

This Base Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “*Documents Incorporated by Reference*”). This Base Prospectus shall be read and construed on the basis that such documents are incorporated and form part of this Base Prospectus.

This Base Prospectus has been prepared on the basis that any offer of Warrant in any Member State of the European Economic Area that has implemented the Prospectus Directive (each a **Relevant Member State**) will be made pursuant to an exemption from the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for the offer of Warrants. Accordingly any person making or intending to make an offer in that Relevant Member State of Warrants which are the subject of an offering contemplated in this Base Prospectus as completed by Final Terms in relation to the offer of Warrants, may only do so (i) in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to article 3 of the Prospectus Directive or supplement a prospectus pursuant to article 16 of the Prospectus Directive, in each case, in relation to such offer, or (ii) if a prospectus for such offer has been approved by the competent authority in that Relevant Member State, or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State and (in either case) published, all in accordance with the Prospectus Directive, provided that any such prospectus has subsequently been completed by final terms which specify that offers may be made other than pursuant to article 3(2) of the Prospectus Directive in that Relevant Member State and such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or final terms, as applicable, and the Issuer has consented in writing to its use for the purpose of such offer. Neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Warrants in circumstances in which an obligation arises for the Issuer or any Dealer to publish a prospectus or supplement for such offer.

The distribution of this Base Prospectus and the offering or sale of the Warrants in certain jurisdictions may be restricted by law. Persons into whose possession the Base Prospectus comes, are required by the Issuer, the Arranger and any Dealer to inform themselves about and to observe such restrictions. None of the Issuer, the Arranger nor any Dealer represents that this Base Prospectus may be lawfully distributed, or that any Warrants may be lawfully offered, or assumes any responsibility for facilitating any such distribution or offering, in any other jurisdiction. No Warrants may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

The Warrants have not been and will not be registered under the United States Securities Act of 1933 (the **Securities Act**). The Warrants may not be offered, sold or delivered within the United States or to a U.S. Person (as defined in the Conditions below). For a description of certain restrictions for offers and sales of Warrants and distribution of this Base Prospectus, see further “*Selling Restrictions*”.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Warrants, (a) is intended to provide the basis of any credit or other evaluation, or (b) should be considered as a recommendation by the Issuer, that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Warrant should purchase any Warrants. Each investor

contemplating purchasing any Warrants should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Warrants constitutes an offer or invitation by or on behalf of the Issuer to subscribe for or to purchase any Warrants.

This Base Prospectus contains or incorporates by reference certain statements that constitute forward-looking statements. Such forward-looking statements may include, without limitation, statements relating to the Issuer's business strategies, trends in its business, competition and competitive advantage, regulatory changes and restructuring plans.

Words such as **believes, expects, projects, anticipates, seeks, estimates, intends, plans** or similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. The Issuer does not intend to update these forward-looking statements except as may be required by applicable securities laws.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other outcomes described or implied in forward-looking statements will not be achieved. A number of important factors could cause actual results, performance or achievements to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include: (i) the ability to maintain sufficient liquidity and access to capital markets; (ii) market and interest rate fluctuations; (iii) the strength of global economy in general and the strength of the economies of the countries in which the Issuer conducts operations; (iv) the potential impact of sovereign risk in certain European Union countries; (v) adverse rating actions by credit rating agencies; (vi) the ability of counterparties to meet their obligations to the Issuer; (vii) the effects of, and changes in, fiscal, monetary, trade and tax policies, financial regulation and currency fluctuations; (viii) the possibility of the imposition of foreign exchange controls by government and monetary authorities; (ix) operational factors, such as systems failure, human error, or the failure to implement procedures properly; (x) actions taken by regulators with respect to the Issuer's business and practices in one or more of the countries in which the Issuer conducts operations; (xi) the adverse resolution of litigation and other contingencies; (xii) the Issuer's success at managing the risks involved in the foregoing.

The foregoing list of important factors is not exclusive; when evaluating forward-looking statements, investors should carefully consider the foregoing factors and other uncertainties and events, as well as the other risks identified in this Base Prospectus.

**No person is or has been authorised by the Issuer, the Arranger or any Dealer, the Warrant Agent or the Calculation Agent to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Warrants and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arranger or any Dealer, the Warrant Agent or the Calculation Agent. Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Warrants issued hereunder shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers appointed under the Programme from time to time expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme. Investors should review, inter alia, the documents incorporated herein by reference when deciding whether or not to purchase any Warrants.**

An investment in the Warrants entails certain risks, which vary depending on the specification and type or structure of the Warrants.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal 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, (a) Warrants are legal investments for it, (b) Warrants can be used as collateral for various types of borrowing, and (c) other restrictions apply to its purchase or pledge of any Warrants. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Warrants under any applicable risk-based capital or similar rules.

## TABLE OF CONTENTS

	<b>Page</b>
1. Important Information .....	4
2. Summary .....	9
3. Risk Factors.....	34
I. RISKS RELATING TO THE ISSUER .....	35
II. RISKS RELATING TO THE WARRANTS.....	51
4. Responsibility Statement.....	62
5. Selling Restrictions.....	63
6. Documents incorporated by Reference.....	65
7. Terms and Conditions of the Warrants.....	68
(1) Definitions.....	70
(2) Form.....	79
(3) Title and Transfer .....	79
(4) Currency .....	80
(5) Status.....	80
(6) Dematerialisation process of the Registered Warrant.....	80
(7) Exercise and Sale.....	81
(8) Exercise Rights.....	82
(9) Exercise Procedure.....	85
(10) Sale of Dematerialised Warrants in the open market .....	88
(11) Sale of Dematerialised Warrants to the Issuer .....	88
(11)bis Sale of Registered Warrants to the Issuer.....	92
(12) Illegality .....	94
(13) Agents, Determinations and Modifications.....	95
(14) Notices and Addresses .....	96
(15) Expenses and Taxation .....	97
(16) Entirety of the Conditions .....	98
(17) Governing law and Jurisdiction.....	98
(18) Market Disruption.....	98
(19) Events affecting the Underlying Share.....	98
(20) Additional Disruption Events.....	99
8. Form of Final Terms.....	101
PART A – CONTRACTUAL TERMS .....	101
PART B – OTHER INFORMATION .....	104
[Annex to the Final Terms Summary of the Warrants].....	106
9. Use of Proceeds .....	107
10. Information relating to the Issuer .....	108
1. CREATION .....	108
2. KBC GROUP STRATEGY .....	109
3. MANAGEMENT STRUCTURE .....	113
4. SHORT PRESENTATION OF KBC BANK GROUP.....	114
5. RATINGS OF KBC BANK NV.....	116
6. MAIN COMPANIES WHICH ARE SUBSIDIARIES OF KBC BANK GROUP OR IN WHICH IT HAS SIGNIFICANT HOLDINGS AS OF 31 DECEMBER 2017 .....	117
7. GENERAL DESCRIPTION OF ACTIVITIES OF KBC BANK GROUP .....	117
8. PRINCIPAL MARKETS AND ACTIVITIES .....	117

9.	COMPETITION .....	122
10.	STAFF .....	122
11.	RISK MANAGEMENT.....	122
12.	BANKING SUPERVISION AND REGULATION .....	128
13.	MATERIAL CONTRACTS .....	136
14.	RECENT EVENTS.....	136
15.	TREND INFORMATION .....	136
16.	MANAGEMENT OF KBC BANK.....	137
17.	MEMBERS OF AUDIT COMMITTEE.....	142
18.	MEMBERS OF THE RISK AND COMPLIANCE COMMITTEE.....	142
19.	STATUTORY AUDITOR.....	142
20.	LITIGATION.....	143
11.	Taxation.....	150
12.	Index of Defined Terms.....	153
13.	General Information .....	155





## 2. SUMMARY

*The following summary establishes in accordance with Articles 24 and 29 of the Belgian Prospectus Law, in a brief manner and in a non-technical language, the essential characteristics and risks associated with the Issuer and the Warrants.*

*The summary is made up of disclosure requirements known as “Elements”. These Elements are numbered in Section A – E.*

*The summary contains all the Elements required to be included in a summary for the type of the securities and Issuer. There may be gaps in the numbering sequence of the Elements in cases where Elements are not required to be addressed.*

*Even though an Element may be required to be inserted in the summary because of the type of instruments and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of “not applicable”. Certain provisions of this summary are in brackets. Such information will be completed or, where not relevant, deleted, in relation to a particular issue of Warrants, and the completed summary in relation to such issue of Warrants shall be appended to the Applicable Final Terms.*

<b>A. Introduction and Warnings</b>		
<b>A.1</b>	Introduction and warnings	<p>This summary should only be read as an introduction to the base prospectus dated 26 February 2019 as supplemented from time to time (the <b>Base Prospectus</b>). Any decision to invest in any Warrants should be based on a consideration of the Base Prospectus as a whole and of the Applicable Final Terms by any investors. Where a claim relating to the information contained in the Base Prospectus is brought before a court in a Member State, the plaintiff investor may, under the national legislation of the Member States, be required to bear the costs of translating the Base Prospectus before the legal proceedings are initiated. Nobody bears civil liability on the mere basis of this summary or its translation, except if this summary is misleading, incorrect or inconsistent when read together with other parts of the Base Prospectus or it does not provide, when read together with the other parts of the Base Prospectus, key information in order to aid investors when considering whether to invest in such Warrants.</p> <p><i><b>Warrants involve a high degree of risk and potential investors should be prepared to sustain a loss of all or part of their investment. Prior to making an investment decision, prospective investors should consider carefully, (i) all the information set forth in this Base Prospectus (and any supplement, if applicable) and, in particular, the considerations set forth below and (ii) all the information set forth in the Applicable Final Terms.</b></i></p>
<b>A.2</b>	Consent to the use of the Prospectus	<p>Not applicable. The Base Prospectus has been prepared solely in connection with the admission to trading of the Warrants on a regulated market pursuant to Article 3(3) of the Prospectus Directive and there will be no public offer for the Warrants. The Issuer does not consent to the use of the</p>

## A. Introduction and Warnings

Base Prospectus for subsequent resales.

## B. Issuer

<b>B.1</b>	Legal and commercial name of the Issuer	KBC Bank NV ( <b>KBC Bank</b> or the <b>Issuer</b> )
<b>B.2</b>	Domicile/legal form/legislation under which the Issuer operates /country of incorporation	KBC Bank is a limited liability company ( <i>naamloze vennootschap/société anonyme</i> ) incorporated under the laws of Belgium (number 0462.920.226). Its registered office is situated at Havenlaan 2, B-1080 Brussels, Belgium.
<b>B.4 b</b>	Trend information	<p><b>Banking sector</b></p> <p>After ongoing recapitalization in the aftermath of Eurocrisis, Eurozone banks continued with strengthening their balance sheet, closely monitored by the European Central Bank. At the same time, they adjusted 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, banks' asset quality in core countries like 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.</p> <p>Loan growth in the Eurozone is strengthening. Looking forward, enhanced economic governance and the banking union, which still needs to be completed, significantly strengthened the Eurozone architecture and offer a more stable banking sector environment than in the pre-crisis years. Amid a benign macroeconomic environment – despite significant emerging risks – profitability continues to improve, but significant challenges remain to enhance cost efficiency in a competitive environment and to withstand ongoing pressure on revenue growth. At the same time new technologies trigger new challenges to business models. Banks with a large customer and diversified income base are likely best suited to cope with these challenges.</p> <p><b>General economic environment and risks</b></p> <p>The global economy continues to perform solidly. In the United States, annual real gross domestic product (“GDP”) growth in 2017 accelerated to 2.3% after its dip in 2016 (1.5%). Growth in the United States was driven primarily by strong private consumption, which was underpinned by improving labour market conditions. Additionally, business spending</p>

## B. Issuer

picked up markedly. After a somewhat weaker Q1 2018 growth figure, Q2 GDP growth reached 1.0% qoq (4.2% annualised). The sharp acceleration was driven by the large growth contribution from private consumption, strong federal spending and an exceptionally high growth contribution of net trade. Corporate sentiment indicators – although down from their recent highs – also continue to signal optimism. Furthermore, the tax reform which the Republicans approved in the United States at the end of 2017 together with more government spending is expected to deliver some additional, albeit modest, boost to growth in 2018-2019. Therefore, average annual GDP growth in the United States is expected to slightly accelerate and reach its peak in 2018. The growth pace will then likely decline in the following years, reflecting the late-cyclical state of the United States economy, the tighter policy of the Federal Reserve System (“Fed”) and tightness of the United States labour market. For now, activity and inflation trends will support the Federal Reserve to continue with their gradual monetary policy path as planned. Also for the Eurozone economy, 2017 was a very strong year with an average annual growth rate of 2.5%, which was far more than expected. Private demand played an important role in the growth uptick, but net trade also made a substantial growth contribution. Moreover, business investment, although not fully recovered from the crisis, was an essential growth contributor during the year. In the first half of 2018, euro area GDP growth was somewhat lacklustre compared to the strong 2017 figures, with domestic demand the main driver. Economic sentiment in the Eurozone declined in the first half of 2018. However, it remains at elevated levels, after having reached a seventeen-year high in December 2017. Nevertheless, optimism remains for the Eurozone economy and above-potential growth in the coming years is still expected.. The main risks for the euro area economy will be the adverse effects of the ongoing trade conflicts and negative consequences from Brexit.

Headline inflation is picking up in the euro area. This is mainly driven by oil price movements. Core inflation, excluding prices of energy, food, tobacco and alcohol, remains subdued in the region of 1%. Nevertheless, wage growth measures in several euro area economies have been rising recently, suggesting more inflation support from that corner in the coming months. Nevertheless, we still expect inflation to approach but not reach the ECB’s medium-term target of below but close to 2%. This persistent shortfall from its inflation target explains the rather dovish stance of the ECB and its very gradual monetary policy normalisation plans with a first rate hike at the earliest after the summer of 2019. The combination of a dovish central bank, disappointing economic data, sticky core inflation, flight to quality capital flows, scarcity of German benchmark bonds and a continued presence of excess liquidity in the euro area will delay and slow down the normalisation of the term premium on euro area bond markets.

Momentum remains supportive for the US dollar in the short-term as the interest rate differentials with the Eurozone have again reached multi-year highs. However, in the medium to longer term, most factors are pointing to an appreciation of the euro against the US dollar. Expectations of a first

B. Issuer		
		ECB rate hike and the consequences of late-cyclical fiscal stimulus (twin deficits) in the United States will lead to a strengthening of the Euro.
<b>B.5</b>	Description of the group and position of Issuer within the group	<p>KBC Bank is a wholly-owned subsidiary of KBC Group NV (<b>KBC Group</b>).</p> <p>A simplified schematic of KBC Group's legal structure is provided below.</p> <div style="text-align: center;"> <pre> graph TD     KBCGroup[KBC Group NV] --- KBCBank[KBC Bank]     KBCGroup --- KBCInsurance[KBC Insurance]     style KBCBank fill:#0070C0,color:#fff     style KBCInsurance fill:#0070C0,color:#fff           </pre> <p>(simplified presentation)</p> </div> <p>As at the end of December 2017, the share capital of KBC Bank was EUR 8,948 million and consisted of 915,228,482 ordinary shares, one of which is held by its sister company KBC Insurance NV and the remainder are held by KBC Group NV. 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 <a href="http://www.kbc.com">www.kbc.com</a>. The core shareholders of KBC Group NV are KBC Ancora, CERA, MRBB and the other core shareholders.</p> <p>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.</p> <p>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.</p>
<b>B.9</b>	Profit forecasts or estimates	Not applicable. The Issuer has not made any profit forecasts or estimates.
<b>B.10</b>	Qualifications in the auditor's report	Not applicable. The auditor has not qualified its report on the historical financial information included in the Base Prospectus.

## B. Issuer

<b>B.12</b>	Selected financial information	<p>The tables below set out a summary of key financial information extracted from the Issuer's audited consolidated financial statements for the years ended 31 December 2016 and 31 December 2017 and the Issuer's unaudited consolidated semi-annual financial statements for the first six months of 2017 and 2018.</p> <table border="1"> <thead> <tr> <th data-bbox="549 555 746 757"> <b>Summary of consolidated income statement (in millions of €, IFRS)</b> </th> <th data-bbox="767 555 879 584"> <b>FY 2016</b> </th> <th data-bbox="938 555 1050 584"> <b>FY 2017</b> </th> <th data-bbox="1129 555 1241 584"> <b>HY 2017</b> </th> <th data-bbox="1305 555 1417 584"> <b>HY 2018</b> </th> </tr> </thead> <tbody> <tr> <td data-bbox="549 824 715 853">                     Total income                 </td> <td data-bbox="767 824 842 853">                     6,240                 </td> <td data-bbox="938 824 1013 853">                     6,588                 </td> <td data-bbox="1129 824 1204 853">                     3,368                 </td> <td data-bbox="1305 824 1380 853">                     3,233                 </td> </tr> <tr> <td data-bbox="549 920 683 987">                     Operating expenses                 </td> <td data-bbox="767 920 858 949">                     -3,399                 </td> <td data-bbox="938 920 1029 949">                     -3,568                 </td> <td data-bbox="1129 920 1220 949">                     -1,893                 </td> <td data-bbox="1305 920 1396 949">                     -2,001                 </td> </tr> <tr> <td data-bbox="549 1055 699 1084">                     Impairment                 </td> <td data-bbox="767 1055 831 1084">                     -145                 </td> <td data-bbox="938 1055 975 1084">                     44                 </td> <td data-bbox="1129 1055 1166 1084">                     67                 </td> <td data-bbox="1305 1055 1342 1084">                     57                 </td> </tr> <tr> <td data-bbox="549 1151 746 1218">                     Result after tax, group share                 </td> <td data-bbox="767 1151 847 1180">                     2,026                 </td> <td data-bbox="938 1151 1018 1180">                     2,003                 </td> <td data-bbox="1129 1151 1209 1180">                     1,187                 </td> <td data-bbox="1305 1151 1358 1180">                     947                 </td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th data-bbox="549 1384 746 1585"> <b>Summary of consolidated 2018 balance sheet (in millions of €, IFRS)</b> </th> <th data-bbox="767 1384 911 1413"> <b>31-12-2016</b> </th> <th data-bbox="938 1384 1082 1413"> <b>31-12-2017</b> </th> <th data-bbox="1129 1384 1273 1413"> <b>30-06-2017</b> </th> <th data-bbox="1305 1384 1449 1451"> <b>30-06-2018</b> </th> </tr> </thead> <tbody> <tr> <td data-bbox="549 1653 699 1682">                     Total assets                 </td> <td data-bbox="767 1653 874 1682">                     239,333                 </td> <td data-bbox="938 1653 1045 1682">                     256,322                 </td> <td data-bbox="1129 1653 1236 1682">                     260,522                 </td> <td data-bbox="1305 1653 1412 1682">                     266,379                 </td> </tr> <tr> <td data-bbox="549 1749 715 1861">                     Parent shareholders' equity                 </td> <td data-bbox="767 1749 858 1778">                     12,568                 </td> <td data-bbox="938 1749 1029 1778">                     14,083                 </td> <td data-bbox="1129 1749 1220 1778">                     13,344                 </td> <td data-bbox="1305 1749 1396 1778">                     13,115                 </td> </tr> </tbody> </table>	<b>Summary of consolidated income statement (in millions of €, IFRS)</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>HY 2017</b>	<b>HY 2018</b>	Total income	6,240	6,588	3,368	3,233	Operating expenses	-3,399	-3,568	-1,893	-2,001	Impairment	-145	44	67	57	Result after tax, group share	2,026	2,003	1,187	947	<b>Summary of consolidated 2018 balance sheet (in millions of €, IFRS)</b>	<b>31-12-2016</b>	<b>31-12-2017</b>	<b>30-06-2017</b>	<b>30-06-2018</b>	Total assets	239,333	256,322	260,522	266,379	Parent shareholders' equity	12,568	14,083	13,344	13,115
<b>Summary of consolidated income statement (in millions of €, IFRS)</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>HY 2017</b>	<b>HY 2018</b>																																						
Total income	6,240	6,588	3,368	3,233																																						
Operating expenses	-3,399	-3,568	-1,893	-2,001																																						
Impairment	-145	44	67	57																																						
Result after tax, group share	2,026	2,003	1,187	947																																						
<b>Summary of consolidated 2018 balance sheet (in millions of €, IFRS)</b>	<b>31-12-2016</b>	<b>31-12-2017</b>	<b>30-06-2017</b>	<b>30-06-2018</b>																																						
Total assets	239,333	256,322	260,522	266,379																																						
Parent shareholders' equity	12,568	14,083	13,344	13,115																																						

B. Issuer		
		<p><i>Material adverse change:</i></p> <p>There has been no material adverse change in the prospects of the Issuer or KBC Bank Group since 31 December 2017.</p> <p><i>Significant change in the financial or trading position:</i></p> <p>There has been no significant change in the financial or trading position of the Issuer since 30 June 2018.</p>
<b>B.13</b>	Recent material events particular to the Issuer's solvency	<p>At the end of June 2018, total equity came to 15.7 billion euros (13.1 billion euros in parent shareholders' equity, 0.2 billion euros in minority interests and 2.4 billion euros in additional tier-1 instruments), up 0.7 billion euros on its level at the beginning of the year on a like-for-like basis (i.e. after adjustment for the impact of the first-time application of IFRS 9, which led to a drop of 0.6 billion euros). The like-for-like change during the first six months of the year resulted from the inclusion of the profit for that period (+0.9 billion euros, excluding minority interests), the issuance of a new additional tier-1 instrument in April 2018 (+1 billion euros), changes in the various revaluation reserves (an aggregate -0.1 billion euros), dividends paid to KBC Group for financial year 2017 (-1.2 billion euros) and a number of smaller changes.</p> <p>The common equity ratio (Basel III) stood at 15.8% (fully loaded) at 30 June 2018 (16.3% at 31 December 2017). The leverage ratio (Basel III, fully loaded) stood at 6% (6.1% at 31 December 2017).</p>
<b>B.14</b>	Extent to which the Issuer is dependent upon other entities within KBC Group	<p>The Issuer has, besides its banking activity, also 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, the Issuer is affected by the cash flows from dividends received from these group companies. The Issuer also functions as funding provider for a number of these group companies.</p> <p>The Issuer is a credit institution. It relies in part on its holding company, KBC Group NV, to meet certain capital and regulatory requirements.</p> <p>The major other subsidiary of KBC Group NV is KBC Insurance NV. The Issuer co-operates closely with KBC Insurance NV, amongst others, in relation to distribution of insurance products.</p>
<b>B.15</b>	Description of the Issuer's principal activities	<p>The Group is a multi-channel bank that caters primarily to private persons, small and medium-sized enterprises (SMEs) and midcaps.</p> <p>Its geographic focus is on Europe. In its "home" (or "core") markets Belgium, Czech Republic, Slovak Republic, Hungary, Bulgaria and Ireland,</p>

B. Issuer		
		<p>the Group has important and (in some cases) even leading positions.<sup>5</sup> The Group is also present in other countries where the primary focus is on supporting the corporate clients of the home markets.</p> <p>The Group's core business is retail and private bank-insurance (including asset management), although it is also active in providing services to corporations and market activities. Across most of its home markets, the Group is active in a large number of products and activities, ranging from the plain vanilla (i.e. basic or standard) deposit, credit, asset management and insurance businesses (via its sister company, KBC Insurance NV) to specialised activities such as, but not exclusively, payments services, dealing room activities (money and debt market activities), brokerage and corporate finance, foreign trade finance, international cash management, leasing, etc.</p>
<b>B.16</b>	Extent to which the Issuer is directly or indirectly owned or controlled	As the Issuer is a wholly-owned subsidiary of KBC Group NV, it is indirectly controlled by the shareholders of KBC Group NV. KBC Group NV's shares are listed on Euronext Brussels. At the date of the Base Prospectus and based on the notifications made in accordance with the Belgian law of 2 May 2007 on disclosure of major holdings in issuers whose shares are admitted to trading on a regulated market, the major shareholders of KBC Group NV are KBC Ancora, Cera, MRBB and the other core shareholders.
<b>B.17</b>	Credit ratings assigned to the Issuer or its debt securities at the request or with the cooperation of the Issuer in the rating process.	<p>The long-term unsecured, unsubordinated and unguaranteed debt obligations of the Issuer have been assigned the following credit ratings (situation as at 9 March 2018):</p> <p>A+ (stable Outlook) by Fitch Ratings</p> <p>A1 (positive Outlook) by Moody's</p> <p>A+ (stable Outlook) by S&amp;P</p>

C. Securities		
<b>C.1</b>	Type of the securities	<p>A Warrant constitutes a contractual claim (<i>schuldvordering/créance</i>) against the Issuer which is initially represented and evidenced by a registration in a register held by the Issuer (or by the Warrant Agent on its behalf) (the <b>Warrants Register</b>) in the name of the relevant Warrant Holder (a <b>Registered Warrant</b>). An electronic platform managed by (or on behalf of) KBC Bank NV (the <b>Electronic Platform</b>) has been implemented through which the Registered Warrants are initially registered in the name of and assigned to the individual Warrant Holders using an individualised user name and password. The Warrant Holders will need to use this user name and password in case they wish to sell (or otherwise transfer) their</p>

## C. Securities

		<p>Registered Warrants through the Electronic Platform. KBC Bank NV does not charge any fees for the creation and maintenance of the Warrants Register.</p> <p>Upon the choice of the Warrant Holder, the form of a Registered Warrant can be changed by a process of dematerialisation potentially with a view of trading of the Warrant on Euronext Brussels (<b>Dematerialised Warrants</b>). The Dematerialised Warrants will be represented exclusively by book entries in the records of the clearing system operated by Euroclear SA/NV or any successor thereto (the <b>Securities Settlement System</b>) and held by the Warrant Holder (or its successor or transferee) through a securities account with KBC Bank or with a direct or indirect participant in the Securities Settlement System.</p> <p>Administrative costs will be charged by the Issuer to the Warrant Holder for the dematerialisation of Registered Warrants. Such cost will be based on the tariffs applicable at the time of such dematerialisation request, which are set out (and updated from time to time) in the tariff card published by the Issuer on the Issuer's website under page:</p> <p><a href="https://kbc-pdf.kbc.be/vermogensopbouw/tarieven_effecten_nl.pdf">https://kbc-pdf.kbc.be/vermogensopbouw/tarieven_effecten_nl.pdf</a></p>
C.2	Currency	<p>Subject to compliance with all relevant laws, regulations and directives, a Warrant may be issued, and its Warrant Value (and its Issue Price, Exercise Price and Actual Exercise Price) may be expressed, in euro or in any other currency agreed between the Issuer and the relevant Dealer(s) or subscriber of the relevant Series as specified in the Applicable Final Terms. Such currency in which a Warrant is issued and the Exercise Price at which the Warrant can be exercised can be different from the currency of the Underlying Share to which the Warrant is linked.</p>
C.5	A description of any restrictions on the free transferability of the Warrants	<p>Subject to the applicable restrictions in all jurisdictions in relation to offers, sales or transfers, the Warrants are freely transferrable. In all jurisdictions, offers, sales or transfers of Warrants may only be effected to the extent lawful in the relevant jurisdiction. The distribution of the Base Prospectus or its summary may be restricted by law in certain jurisdictions.</p>
C.8	Description of the rights attached to the Warrants	<p>Call Warrants (<i>koopwarranten/warrants d'achat</i>) provide the Warrant Holder a contractual right against the Issuer to acquire a (predetermined fraction of a) Share against a predetermined Exercise Price during a predetermined Exercise Period.</p> <p><u>Status (Condition (5))</u>: The Warrants constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and will rank at all times <i>pari passu</i> and without any preference among themselves. The Warrants will not be secured by the Underlying Share(s) to which such Warrant is linked. The Warrants will not bear any interest. The Warrant</p>



## C. Securities

Holders are qualified as senior preferred creditors under article 389/1, 1° of the Belgian Banking Law, and such creditors have a higher priority ranking than the so-called senior non-preferred creditors defined under article 389/1, 2° of the Belgian Banking Law.

Exercise (Conditions (7) and (8)): The Warrant Holder can autonomously choose to Exercise its Warrant(s) (both Registered Warrants and Dematerialised Warrants), at once or in multiple transactions, on any Business Days during the Exercise Period prior to the Expiration Date by delivering to the Warrant Agent a duly signed Exercise Notice (in the form set out in the Warrant Agreement). Upon Exercise of its Warrant, the Warrant Holder will be entitled to acquire from the Issuer the fraction or number of the Underlying Share(s) per Warrant at the Exercise Price. Following Exercise and delivery of the Entitlement, the Warrant Holder will be directly exposed to any fluctuation in the Share Value of the Underlying Share.

A Warrant Holder wishing to Exercise its Warrants will need to dispose of a securities account held with KBC Bank and a cash account held with KBC Bank (even if such Warrant Holder acquired a Dematerialised Warrant held in a securities account with a Securities Settlement System participant outside of KBC Bank).

In case of Exercise of a Warrant, Exercise Costs and Exercise Expenses will be due by the Warrant Holder. The Exercise Costs will be based on the tariffs applicable at the Actual Exercise Date and which are set out (and updated from time to time) in the tariff card published by the Issuer on the Issuer's website under page: [https://kbc-pdf.kbc.be/vermogensopbouw/tarieven\\_effecten\\_nl.pdf](https://kbc-pdf.kbc.be/vermogensopbouw/tarieven_effecten_nl.pdf).

A Warrant cannot be exercised through the Electronic Platform (but the Exercise Notice and contact details for the exercise can be obtained through the Electronic Platform).

Sale (Conditions (7), (10), (11) and (11)bis): The Warrant Holder can also autonomously choose to Sell its Warrants (both Registered Warrants and Dematerialised Warrants), at once or in multiple transactions, on any Business Days during the Exercise Period (i) either on the open market to any third party or (ii) to the Issuer.

The Sale of Registered Warrants to the Issuer can take place through the Electronic Platform (a sale of Dematerialised Warrants to the Issuer or the Sale of any Warrants in the open market or to any third party will take place outside the Electronic Platform).

The Issuer may agree to purchase the Warrants (without this being an obligation) at the Sale Price which will be formed and determined:

(a) for Warrants that are not END Warrants, twice intra-day, a first time at 9:00h (CET) in the morning and the second time at 12:00h (CET) noon, and posted on the Issuer's website at: [www.kbctop.com](http://www.kbctop.com); or

(b) for END Warrants, once intra-day, at or about 23:30 (CET), and posted

## C. Securities

on the Issuer's website the immediately following Business Day at: [www.kbctop.com](http://www.kbctop.com).

Such Sale Price will be based on KBC Bank's own pricing models. The Issuer shall ensure that at any time as long as Warrants are outstanding under the Programme in respect of which the Exercise Period has not lapsed, such Sale Price will continue to be posted.

The discretion for the Issuer to accept any offer(s) made by the Warrant Holders to sell their Warrants to the Issuer does not affect any obligations KBC Bank would have to purchase the Warrants on the secondary market in its role as market maker in respect of any Series of Warrants admitted to trading on Euronext Brussels in accordance with the applicable market rules. For any Series of Warrants admitted to trading on Euronext Brussels, there will systematically be a party that will be acting as market maker on the secondary market.

In case of sale of the Warrants to the Issuer, no additional costs will be due by the Warrant Holder. The Warrant Holder will however be liable for any Sale Expenses that would become due.

The Warrants can, following dematerialisation in accordance with Condition (6) also be transferred by way of a stock exchange trade on Euronext Brussels.

In case of a transfer of a Warrant by way of a stock exchange trade on Euronext Brussels, administrative cost will be due by the Warrant Holder as set out (and updated from time to time) in the tariff card published by the Issuer on the Issuer's website under page:

[https://kbc-pdf.kbc.be/vermogensopbouw/tarieven\\_effecten\\_nl.pdf](https://kbc-pdf.kbc.be/vermogensopbouw/tarieven_effecten_nl.pdf).

Governing Law (Condition (17)): The Warrants will be governed by Belgian law.

*Where applicable, the Issuer and the Calculation Agent undertake to comply with Book VI of the Belgian Code of Economic Law in respect of Warrants issued under the Programme and subscribed to by consumers in Belgium.*

*To the extent the Warrant Holder is a consumer in Belgium, the Issuer may not unilaterally modify an essential feature of the Warrants, unless: (a) in the case of the occurrence of (i) a force majeure event or (ii) an event which substantially alters the economics of the contract as initially agreed between the parties and which is not attributable to the Issuer, (b) any such modification does not create an obvious imbalance between the rights and obligations of the parties to the detriment of the Warrant Holder, and (c) the Issuer does not charge costs to the Warrant Holder for any such modification.*

*Furthermore, to the extent the Warrant Holder is a consumer in Belgium,*

## C. Securities

*the cancellation of the Warrants provided for in the Conditions is only possible upon a decision of the Issuer or the Calculation Agent: (a) if (i) a force majeure event has occurred and (ii) the Issuer does not charge additional costs to the Warrant Holder for such cancellation; or (b) if (i) an event has occurred which substantially alters the economics of the contract as initially agreed between the parties and which is not attributable to the Issuer, (ii) such cancellation does not create an obvious imbalance between the rights and obligations of the parties to the detriment of the Warrant Holder, (iii) the Issuer does not charge costs to the Warrant Holder for such cancellation, and (iv) the Issuer reimburses the Warrant Holder the costs (other than the Actual Exercise Price, the Exercise Costs and the Exercise Expenses) already paid by such Warrant Holder pro rata in the following proportion: (total initial term MINUS elapsed period at the time of such cancellation) / total initial term.*

### **Conditions allowing unilateral modification to the Warrants:**

A number of Conditions grant or may grant the Issuer, the Calculation Agent and/or the Warrant Agent a unilateral right to modify certain features of the Warrants. The sole purpose of these provisions is to allow the Issuer, the Calculation Agent and/or the Warrant Agent, as the case may be, upon the occurrence of certain events (i) which are outside of the control of the Issuer, the Calculation Agent and/or the Warrant Agent, (ii) which were not reasonably foreseeable at the time of issuance of the relevant Warrants, and (iii) to the extent that the Warrant Holder is a consumer in Belgium, which substantially alters the economics of the contract as initially agreed between the parties, to make modifications to the Warrants that would allow the rights and obligations under the Warrants to be exercised and performed by the Warrant Holders in view of realising a return to the extent possible in accordance with the initially agreed terms and contractual equilibrium of the Warrants. These Conditions are the following:

Settlement Disruption Event (Condition (8)d): If, following the Exercise of a Warrant, a Settlement Disruption Event occurs or exists on the Share Delivery Date of the Underlying Shares, delivery of the Underlying Shares may be postponed until the third Business Day following the date on which no Settlement Disruption Event occurs. The Issuer in these circumstances also has the right to pay the Disruption Cash Settlement Price on the basis of repayment at Fair Market Value of the Underlying Shares and costs.

Failure to Deliver (Condition (8)e): if “**Failure to Deliver**” is specified as applying in the Applicable Final Terms and, following the Exercise of relevant Warrant(s), the Calculation Agent establishes it is impossible to deliver some or all of the Underlying Shares due to illiquidity in the market for the Underlying Shares, then (i) the Underlying Shares that are not affected by such event will be delivered against payment of the Actual Exercise Price for such partial delivery and (ii) instead of delivering the Affected Shares, the Issuer will satisfy its obligation by payment of the Failure to Deliver Settlement Price based on the Share Value of the Underlying Shares and costs.

## C. Securities

Modification (Condition (13)d): The Issuer may in some cases modify the Conditions and/or the Warrant Agreement without the consent of the Warrant Holders provided that, amongst others, such modification is not materially prejudicial to the interests of the Warrant Holders or required to correct a minor or formal error or an inconsistency between the Conditions and Applicable Final Terms of the Warrants issue and the relevant term sheet relating to the Warrants. To the extent the Warrant Holder is a consumer in Belgium, any modification pursuant to Condition 13(d) may not relate to an essential feature of the Warrants, unless: (a) in the case of the occurrence of (i) a force majeure event or (ii) an event which substantially alters the economics of the contract as initially agreed between the parties and which is not attributable to the Issuer, (b) any such modification does not create an obvious imbalance between the rights and obligations of the parties to the detriment of the Warrant Holder, and (c) the Issuer does not charge costs to the Warrant Holder for any such modification.

Potential Adjustment Event (Condition (19)a): Subject to particular circumstances being declared in respect of the Underlying Share, the Issuer may be entitled to make certain adjustments to the Warrants or substitute the Underlying Share.

De-listing, Merger, Nationalisation, Insolvency and, if specified in the Applicable Final Terms, Tender Offer (Condition (19)b): Subject to certain events affecting the Underlying Shares, the Issuer may in first instance be entitled to make certain adjustments to the Warrants and, if such adjustment would not reasonably result in a repair of the contractual equilibrium, cancel the Warrants.

Additional Disruption Events (Condition (20)): Subject to particular disruption events occurring, the Issuer may in first instance be entitled to make certain adjustments to the Warrants and, if such adjustment would not reasonably result in a repair of the contractual equilibrium, cancel the Warrants.

### **Conditions allowing a cancellation of the Warrants:**

Furthermore, a number of Conditions grant or may grant the Issuer, the Calculation Agent and/or the Warrant Agent a right to terminate and cancel the Warrants under certain circumstances. Such termination and cancellation rights are only intended to be invoked by the Issuer, the Calculation Agent and/or the Warrant Agent, as the case may be, upon the occurrence of certain events (i) which are outside of the control of the Issuer, the Calculation Agent and/or the Warrant Agent, (ii) which were not reasonably foreseeable at the time of issuance of the relevant Warrants and (iii) to the extent that the Warrant Holder is a consumer in Belgium, which substantially alters the economics of the contract as initially agreed between the parties, provided that all reasonable efforts were otherwise made that would allow the rights and obligations under the Warrants to be exercised

## C. Securities

		<p>and performed by the Warrant Holders in view of realising a return to the extent possible in accordance with the initially agreed terms and contractual equilibrium. These Conditions are the following:</p> <p><u>Illegality (Condition (12)):</u>  (a) In the case of a Warrant Holder who is not a consumer in Belgium, if the performance of any obligations of the Issuer under any Warrants or any hedging relating thereto becomes illegal, or  (b) in the case of a Warrant Holders who is a consumer in Belgium, if the performance of any obligations of the Issuer under any Warrants becomes illegal,  then the Issuer may cancel such Warrants and pay to the Warrant Holder the Fair Market Value (subject to certain adjustments).</p> <p><u>De-listing, Merger, Nationalisation, Insolvency and, if specified in the Applicable Final Terms, Tender Offer (Condition (19)b):</u> Subject to certain events affecting the Underlying Shares, the Issuer may in first instance be entitled to make certain adjustments to the Warrants and, if such adjustment would not reasonably result in a repair of the contractual equilibrium, cancel the Warrants.</p> <p><u>Additional Disruption Events (Condition (20)):</u> Subject to particular disruption events occurring, the Issuer may in first instance be entitled to make certain adjustments to the Warrants and, if such adjustment would not reasonably result in a repair of the contractual equilibrium, cancel the Warrants.</p>
C.11	Admission to trading	Application for the Warrants to be admitted to trading on the regulated market of Euronext Brussels may be made after the dematerialisation of the relevant Warrants in accordance with Condition (6). See also C.1 above.
C.15	Description of how the value of the Warrants are affected by the value of the Underlying Share	<p>Warrant Holders should note that in this Base Prospectus a number of different definitions are used to refer to the value or price of a Warrant at a given time:</p> <p>“Initial Warrant Value” which refers, in respect of a Warrant of a given Series, to the initial value per Warrant of a given Series as set by the Issuer on the Issue Date (and specified as such in the Applicable Final Terms of such Series).</p> <p>“Issue Price” means, in respect of a Warrant of a given Series, the issue price of the Warrant specified as such in the Applicable Final Terms of such Series and which is equal to the Initial Warrant Value of such Warrant plus any hedging costs, commission and other costs related to the issuance of the Warrant.</p> <p>“Sale Price” means, in respect of a Warrant of a given Series, the price formed and determined (a) for Warrants that are not END Warrants, twice</p>

## C. Securities

intra-day by the Issuer; or (b) for END Warrants, once intra-day by the Issuer, using its own pricing models and quoted at [www.kbctop.com](http://www.kbctop.com), at which the Issuer may purchase the Warrant if offered for Sale to it by the Warrant Holder.

“Trading Price” means, in respect of a Warrant of a given Series, the price for such Warrants as quoted either on any Stock Exchange or other trading venue where such Warrant is listed and/or admitted to trading or as determined by a market-maker for such Warrant. The Trading Price of the Warrants should in principle not deviate much from the Sale Price as determined by the Issuer.

“Warrant Value” refers generally to the value of a Warrant at a given time.

A Warrant provides for a value which the Warrant Holder can realise by either Selling the Warrant to a third party in the open market (at the then applicable Trading Price) or to the Issuer (at the Sale Price as determined by the Issuer in accordance with Condition (11)a(i) and (11)bis a(i)). The Sale Price determined by the Issuer will not necessarily at all times be equal to the Trading Price which takes into account bid and offer quotes in the secondary markets).

A Warrant can be attributed an Initial Warrant Value upon issuance. Thereafter, the two main components that affect the value and pricing of a Warrant are (i) the Intrinsic Value of the Warrant and (ii) the Time Value of the Warrant. Therefore the value of a Warrant and its Trading Price at any time after issuance may differ from the Issue Price.

The Intrinsic Value of the Warrant is based on the difference between the Share Value of the Underlying Share and the Exercise Price of the Warrant. This Intrinsic Value fluctuates with the Share Value of the Underlying Share; it is a main component of the value and pricing of the Warrant.

The value of the Warrant can be close to zero if the Share Value of the Underlying Share is well below the Exercise Price of the Warrant.

Another main component affecting the value and pricing of the Warrant is the Time Value that reflects the upward potential the Underlying Share has before the end of the Exercise Period; it reflects the possibility that the Share Value of the Share at the end of the Exercise Period exceeds the Exercise Price of the Warrant.

The value of the Warrants may be affected by (i) the Share Value of the Underlying Share; (ii) the volatility of the Underlying Share; (iii) the time remaining to Expiration Date; (iv) the components of the Underlying (fund) Share; (v) the dividends of the components of the Underlying (fund) Share; (vi) any changes of interest rates (if applicable); (vii) any change in currency exchange rates (if applicable); (viii) the depth of the market or liquidity of the Underlying Share and (ix) any related transaction costs.

## C. Securities

		<p>Furthermore, Warrants also have a “leverage effect” which can be explained as follows: the relatively lower investment required to obtain a Warrant (compared to a direct investment in the relevant Underlying Share) will allow the Warrant Holder, for a same investment amount, to invest in a relatively higher number of Warrants. Whereas it is normal for prices of a Warrant to move in parallel with the prices of the Underlying Share, the investment of an equal amount in Warrants compared to a direct investment in the Underlying Share, will result in larger gains on the Warrants in the event the price of the underlying Share increases, but also larger losses in case such price decreases.</p>
<b>C.16</b>	Exercise Period and Expiration Date	<p>The Warrants can be Exercised on any Business Day during the Exercise Period, as stated in the relevant Final Terms.</p> <p>Any Warrant which is not exercised prior to the Expiration Date shall become void and expire worthless.</p>
<b>C.17</b>	Description of settlement procedures of the Warrants on the Issue Date	<p>The Warrants sold will be delivered on the Issue Date against payment of the Issue Price of the Warrants by registration in the Warrants Register.</p>
<b>C.18</b>	Description of how the return on the Warrants takes place	<p>Each Warrant entitles its holder, upon due Exercise (prior to the Expiration Date), to receive from the Issuer on the Share Delivery Date the Entitlement against payment of the Exercise Price. The excess (if any) of the Share Value of the Underlying Share over the Exercise Price of the Warrant will determine whether a Warrant has an Intrinsic Value for the Warrant Holder upon Exercise of its Warrant. If the Warrant has an Intrinsic Value, the Warrant Holder should be able to realise a return by selling the Underlying Share it receives upon Exercise.</p> <p>The Warrant Holder can also autonomously choose to Sell its Warrant(s) (both Registered Warrants and Dematerialised Warrants) on any Business Days during the Exercise Period (i) either on the open market to any third party or (ii) to the Issuer at the Sale Price. The Warrant Holder can make a return if (a) the Trading Price at which it is able to Sell its Warrant(s) in the open market or (b) the Sale Price at which it is able to Sell its Warrant(s) to the Issuer, is higher than the Trading Price or the Issue Price (as applicable) at which it acquired its Warrant(s).</p> <p>The Issuer has the right, without this being an obligation, to accept such offer (the discretion for the Issuer to accept any offer(s) made by the Warrant Holders to Sell their Warrants to the Issuer does not affect any obligations KBC Bank would have in its role as market maker to purchase Warrants in respect of any Series of Warrants admitted to trading on Euronext Brussels in accordance with the applicable market rules).</p>

C. Securities		
		See Element C.8 above for the rights attached to the Warrants.
<b>C.19</b>	Exercise Price	The Exercise Price of each Warrant of a Series is as stated in the Applicable Final Terms.
<b>C.20</b>	Description of the Underlying Share and where information on Underlying Share can be found	<p>The Underlying Shares are the shares in a SICAV managed by KBC Asset Management SA/NV as set out in the relevant Final Terms [issuer, ISIN].</p> <p>Information on the Underlying Share(s) is available on the website as set out in the relevant Final Terms.</p>
D. Risk Factors		
<b>D.2</b>	Key risks specific to the Issuer	<p>The Issuer believes that the factors described below represent the principal risks, each of which may affect the Group's business or financial condition, and therefore the Issuer's ability to fulfil its obligations under Warrants issued under the Programme. The inability of the Issuer to pay interest, principal or other amounts on or in connection with any Warrants may occur for other reasons which may not be considered significant risks by the Issuer based on the information currently available to it or which it may not currently be able to anticipate. The sequence in which the risk factors are listed is not an indication of their likelihood to occur or of the extent of their consequences.</p> <p>These factors include amongst others, the following risks:</p> <p>(1) The Group is subject to economic and market conditions which may pose significant challenges and adversely affect its results, due to, among others, the highly competitive market in which the Group operates, liquidity and funding risk, counterparty risk (including in respect of Belgian and other European sovereigns), interest rate risk, foreign exchange risk and general market risks. General business and economic conditions that could affect the Group include the level and volatility of interest and foreign exchange rates, inflation, employment levels, bankruptcies, household income, consumer spending, fluctuations in both debt and equity capital markets, liquidity of the global financial markets, the availability and cost of funding, investor confidence, the Brexit, credit spreads (e.g. corporate, sovereign) and the strength of the economies in which the Group operates. In addition, the Group's business activities are dependent on the level of banking, finance and financial insurance services required by its customers. The Group's principal credit risk exposure is to retail and corporate customers, including in its mortgage and real estate portfolio, as well as towards other financial institutions and sovereigns.</p> <p>(2) Increased regulation of the financial services industry and changes thereto could adversely affect the Group; there is an increased risk of</p>



## C. Securities

		<p>regulatory or compliance breaches, uncertainty in respect of the Group’s ability to (timely) meet new regulatory capital requirements. Although the Group works closely with its regulators and continually monitors regulatory developments, there can be no assurance that additional regulatory or capital requirements will not have an adverse impact on the Group, its business, financial condition or results of operations.</p> <p>(3) A downgrade in the credit rating of the Group or its subsidiaries may limit access to certain markets and counterparties and may necessitate the posting of additional collateral to counterparties or exchanges.</p> <p>(4) The Group’s risk management procedures and processes may not capture all possible risks, or may not quantify such risks correctly. In addition, operational risks remain inherent to its business, such as the possibility of inadequate or failed internal or external processes or systems, human error, regulatory breaches, the loss of key personnel, employee misconduct or external events such as fraud or cyber crime.</p> <p>(5) Litigation or other proceedings may adversely affect the Group’s business or financial condition, as it is difficult to predict the outcome thereof or the time when such liability risk may materialise. As a result, there can be no assurance that provisions will be sufficient to cover resulting losses.</p> <p>(6) The financial industry, including the Group, is increasingly dependent on information technology systems, which may fail, be inadequate or no longer available.</p> <p>(7) The Group’s financial statements are in part based on assumptions and estimates which, if inaccurate, could have an impact on its reported results or financial position.</p> <p>(8) The Group is responsible for contributing to compensation schemes and subject to special bank taxes.</p> <p>(9) The Group could become subject to the exercise of “bail-in” powers or other resolution powers by the Resolution Authority. The potential impact thereof is inherently uncertain, including in certain significant stress situations.</p>
<p><b>D.6</b></p>	<p>Key risks specific to the Warrants</p>	<p><u>General risk relating to Warrants:</u></p> <p><u>Warrants are complex financial instruments:</u></p> <p>Warrants are complex financial instruments. Investors should on the basis of the risks described in this Prospectus, be able to make an informed investment decision to purchase the Warrants. <u>Warrant Holders may be required to absorb losses in the event KBC Group were to become subject to the exercise of “bail-in” or other resolution powers by the resolution</u></p>

## C. Securities

### authorities.

These give the resolution authorities the power to “bail-in” the claims of certain unsecured creditors of a failing institution (including the Warrants) by either mandatorily converting the claims into equity or by writing off such claims by way of a reduction of the outstanding principal amount, potentially to zero. These so-called “bail-in” powers are part of a broader set of resolution tools provided to the resolution authorities in relation to distressed credit institutions and investment firms. These include the ability for the resolution authorities to force, in certain circumstances of distress, the sale of a credit institution’s business or its critical functions, the separation of assets, the replacement or substitution of the bank as obligor in respect of debt instruments, modifications to the terms of debt instruments (including altering the maturity and/or the amount of interest payable and/or imposing a temporary suspension on payments) and discontinuing the listing and admission to trading of financial instruments.

Warrants involve a high degree of risk and investors must be prepared to sustain a total loss of the purchase price of their Warrants.

Warrants involve a high degree of risk. Warrants have a leverage effect, meaning that the investment of an amount in Warrants compared to a direct investment of the same amount in the Underlying Share(s) may result in significantly higher gains but also in significantly higher losses. The (non-)occurrence of anticipated fluctuations in the price of the Underlying Share may disproportionately affect the value of Warrants. Warrants may expire worthless if the Underlying Share does not perform as anticipated. If not Exercised in accordance with the Conditions prior to the Expiration Date, a Warrant will become void and expire worthless.

In order to recover and realize a return upon its investment, a Warrant Holder must be correct about the direction, timing and magnitude of an anticipated change in the value of the Share underlying the Warrants. Warrant Holders should also consider that the return on the investment in Warrants is reduced by the costs in connection with the purchase, exercise and/or sale of the Warrants.

Exposure to the Underlying Share: Following Exercise of the Warrant and delivery of the Entitlement, the Warrant Holder will be directly exposed to any fluctuation in the Share Value of the Underlying Share. Furthermore, in order to obtain any cash (return) from its investment following the Exercise of the Warrant, the investor will need to be able to sell the Underlying Share in the open market, in which case it will be exposed to any illiquidity in the market for the Underlying Share and will need to bear any costs, expenses and/or taxes that would be incurred in respect of the sale of such Underlying Share.

Credit Risk: The Warrant Holder also bears the risk that the financial situation of the Issuer declines or that insolvency or bankruptcy proceedings are instituted against the Issuer and that as a result the Issuer cannot fulfil its

## C. Securities

obligations under the Warrants.

Warrants are unsecured obligations: The Warrants are direct, unconditional, unsecured and unsubordinated obligations of the Issuer. The purchase of Warrants does not confer the Warrant Holder any rights (whether in respect of voting, distributions or otherwise) or recourse attaching to any Shares or security in the underlying Shares.

The Warrants does neither provide (prior to its Exercise) any ownership rights in the Underlying Shares.

Certain factors affecting the value and Trading Price of the Warrants: The difference between the Share Value of the Underlying Share that can be acquired upon Exercise of a Warrant and the Exercise Price (the Intrinsic Value of the Warrant) at any time prior to the Expiration Date is typically expected to be less than the Trading Price of the Warrant at such time. The difference between the Intrinsic Value and the Trading Price will reflect, among other things, the Time Value of a Warrant. The Time Value of a Warrant will depend partly upon the length of the Exercise Period remaining to Expiration Date (as well as on certain of the other factors affecting the Warrant Value mentioned below).

Before Exercising or Selling Warrants, Warrant Holders should carefully consider, among others, the following factors which may affect the value of the Warrant: (i) the Share Value and volatility of the Underlying Share; (ii) the time remaining to the Expiration Date; (iii) the components of the Underlying Share; (iv) the dividends of the components of the Underlying Share; (v) any change in interest rates (if applicable); (vi) any change in currency exchange rates (if applicable); (vii) the depth of the market or liquidity of the Underlying Share and (viii) any related transaction costs. As a result of such factors, the price at which Warrant Holder may be able to sell a Warrant prior to its Expiration Date may be less than the initial amount invested in the Warrant. Each of these factors interrelate in complex ways (for example, one factor may offset an increase in trading value of the Warrant caused by another factor). Investors are at risk that the Warrant Value may be adversely affected by one or more of the following factors

Pricing: As part of the valuation mechanism, Warrants may specify a Valuation Time and an Exchange and Related Exchange in which the Share Value of the Underlying Shares are to be observed. Depending on how the Share Value of the Underlying Shares is calculated, the Share Value of such Underlying Shares may fluctuate throughout the Scheduled Trading Day, and they may change rapidly. As a result, investors should note that return on any Warrants may be particularly sensitive to the choice of Valuation Times and valuation methods. The “price discovery” mechanism used to ascertain the Share Value of the Underlying Shares at any given time on Exchanges or other venues may not be uniform throughout the trading day. This may affect the valuation of any issuance of Warrants. For example, Exchanges may conduct auctions to set an opening or closing price, and trading characteristics and participants in after-hours trading sessions may

## C. Securities

differ from those during regular hour sessions.

Specific risks relating to the Underlying Shares where the Underlying Shares are units in a fund: in respect of Warrants where the Underlying Shares are units in a fund (as specified in the Applicable Final Terms) certain specific risks may occur, including, but without limitation, breach of the operating documents of the fund, resignations of the investment manager, dissolution, etc.

Issuer and Agents' discretion and valuation: Certain determinations and calculations under the Programme and the Conditions of the Warrants will be made by any of the Issuer, the Warrant Agent or the Calculation Agent in their sole and absolute discretion acting in good faith. Accordingly, an investor in the Warrants is subject to the risk that such determinations and calculations under the Warrants are conclusively determined by one party which may be the Issuer itself and any of its Affiliates and the investor cannot object to such calculation or determination.

The influence of trading or hedging transactions of the Issuer on the Warrants: The Issuer may in the course of its normal business activity engage in trading in the underlying Shares or hedge itself in relation to the risks associated with the issue of the Warrants. These activities of the Issuer may have an influence on the market price of the Warrants.

Commission and Cost of Hedging: the original Issue Price of the Warrants may include certain commissions or fees charged by the Issuer and/or the Dealer(s) and the cost or expected cost of hedging the Issuer's obligations under the Warrants and may include a distribution fee payable to the distributor of the Warrants (such commissions or fees will be reflected in the difference between the Issue Price per Warrant and the Initial Warrant Value per Warrant as specified in the applicable Final Terms). Accordingly, there is a risk that upon issue, the price at which the Issuer, the Dealer(s) or their affiliates would be willing to purchase Warrants from the Warrant Holder in the secondary market would be lower than the original Issue Price or the market price or quoted level of the Underlying Share.

Hedging against the market risk: Due to fluctuating supply and demand for the Warrants, there is no assurance that their value will correlate with movements of the Underlying Shares.

Settlement Disruption Event: In the case of a Settlement Disruption Event, settlement will be postponed until the Business Day falling three (3) Business Days after the date in respect of which no such Settlement Disruption Event applies. The Issuer in these circumstances also has the right to pay the Cash Settlement Disruption Price in lieu of delivering the Underlying Shares. Such a determination may have an adverse effect on the value of the relevant Warrants.

Failure to Deliver: If Failure to Deliver is specified as applying in the Applicable Final Terms and, following the Exercise of relevant Warrant(s),

## C. Securities

the Calculation Agent establishes it is impossible to deliver, when due, some or all of the Underlying Shares comprising the Entitlement (the Affected Shares) due to illiquidity in the market for the Underlying Shares, then (i) the Issuer will only deliver any Underlying Shares which are not Affected Shares and the Calculation Agent shall determine the Actual Exercise Price to be paid in respect of such partial delivery; and (ii) in respect of any Affected Shares, in lieu of physical delivery, the Issuer will satisfy its obligations by payment to the relevant Warrant Holder(s) of the Failure to Deliver Settlement Price.

Discretion for replacement of the Underlying Share: Upon the occurrence of certain events (including, but not limited to, Merger, Nationalisation, Insolvency), the Warrants may be subject to either (i) adjustments as determined by the Calculation Agent; or (ii) the substitution of the Share the subject of such an event by a replacement share selected by the Calculation Agent; or (iii) cancellation.

Illegality: If the Issuer determines: (a) in the case of a Warrant Holder who is not a consumer in Belgium, that the performance of any obligations of the Issuer under any Warrants or any hedging relating thereto becomes illegal, or (b) in the case of a Warrant Holders who is a consumer in Belgium, that the performance of any obligations of the Issuer under any Warrants becomes illegal, then the Issuer may cancel such Warrants and pay to the Warrant Holder the Fair Market Value (subject to certain adjustments).

Potential conflicts of interest: The Issuer (or its Affiliates) may also engage in trading activities (including hedging activities) and other instruments or derivative products based on or related to the Underlying Share for their proprietary accounts or for other accounts under their management. The Issuer may also issue other derivative instruments in respect of the Underlying Share. The Issuer may also act as underwriter in connection with future offerings of the Underlying Shares or other securities related to the Shares underlying the Warrants or may act as financial adviser to certain companies or in a commercial banking capacity for certain companies. Such activities could present certain conflicts of interest, could influence the prices of the Underlying Shares or other securities referring to the Underlying Share and could adversely affect the value of such Warrants. In case the Calculation Agent should make determinations and calculations in respect of the Warrants, the Calculation Agent shall act at all times in good faith and a commercially reasonable manner, but not necessarily in the interest of the Warrant Holder.

Modifications: investors in the Warrants are subject to the risk that the Conditions may be modified without the consent of any Warrant Holder if such modification is not materially prejudicial to the interests of the Warrant Holders or required to correct a minor or formal error or an inconsistency between the Conditions and Applicable Final Terms of the Warrants issue and the relevant term sheet relating to the Warrants.

Price in case of Sale to the Issuer: A Warrant Holder that wishes to offer its

## C. Securities

Warrant(s) for sale to the Issuer should itself consult the website [www.kbctop.com](http://www.kbctop.com) in order to know the Sale Price at which the Warrant(s) can be offered for Sale to the Issuer on a given Actual Sale Date.

The Warrant Holder should thereby note that, in case it wishes to Sell its Warrant(s) to the Issuer in accordance with Condition (11)a and (11)bis a, it only has a right to offer the Warrant for Sale to the Issuer, but that the Issuer has no obligations to purchase its Warrant(s) (except for any obligations KBC Bank would have in its role as market maker in respect of any Series of Warrants admitted to trading on Euronext Brussels in accordance with the applicable market rules, to purchase on the secondary market). Furthermore, even though the Issuer will publish once or twice a day Sale Price at which it would in principle be prepared to purchase Warrants in case of a Sale by a Warrant Holder, the Issuer also expressly reserves the right to deviate from such posted prices in the event of significant market fluctuations.

Exercise Expenses, Sale Expenses, charges and costs: a Warrant Holder must pay all Exercise Expenses (in case of the Exercise of a Warrant) and all Sale Expenses (in case of using its right of Sale of a Warrant to the Issuer) relating to the Warrants. The Warrant Holder shall also be liable for any and all present, future, prospective, contingent or anticipated Taxes.

A Warrant Holder who holds an END Warrant and who wishes to offer such Warrant for sale to the Issuer, should note that at the moment of its offer the applicable Sale Price will not yet be known, as this price shall only be determined at the end of the Business Day on which it makes the offer (or at the end of the following Business Day, if it makes the offer after 16:00h CET). The same risk applies to holders of other Warrants who offer their Warrants for sale in the period where the applicable Sale Price is not yet available (i.e. on any Business Day after 16:00 CET and before 09:00 CET on the following Business Day). Such Warrant Holders will therefore only be able to acknowledge the (potential) return on their investment after they have decided to sell the Warrant(s).

Exercise Risk and Sale Risk: Exercise or Sale of the Warrants and delivery of the Entitlement to the Underlying Shares by the Issuer is subject to all applicable laws, regulations and practices in force on the relevant Actual Exercise Date or Actual Sale Date, as the case may be, and none of the Issuer, the Warrant Agent or the Calculation Agent shall incur any liability whatsoever if it is unable in case of a force majeure to effect the transactions contemplated as a result of any such laws, regulations or practices.

Additional Disruption Events: Subject to particular disruption events occurring (“Change in Law”, “Hedging Disruption”, “Increased Cost of Hedging”, “Increased Cost of Stock Borrow”, “Insolvency Filing” and/or “Loss of Stock Borrow”), the Issuer may be entitled to make certain adjustments to, or cancel the Warrants.

Governing Law: The Conditions are based on the laws of Belgium in effect

## C. Securities

as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to the Belgian law or administrative practice after the date of this Base Prospectus.

Disclosure of beneficial ownership: An investor in Warrants might in some jurisdictions be treated as the beneficial holder of the Underlying Shares to which its Warrants relate and thereby become subject to the risk that it (or the Issuer/its Affiliates) may be required by laws, regulations, rules, guidelines or other administrative practice in any relevant jurisdiction to provide information regarding the beneficial holder and the Warrants to any governmental or regulatory authority in such jurisdiction.

Exercise of certain rights only possible through KBC securities account: Regardless whether a Warrant is held by the investor (a) as a Registered Warrant or (b) a Dematerialised Warrant on a securities account outside of KBC Bank, in order to be able to exercise the following rights attached to a Warrant, the Warrant Holder will in any event need to dispose of an account held with KBC Bank: (i) a securities account for purposes of the delivery of the Underlying Share to the Warrant Holder in case of Exercise of the Warrant, (ii) a securities account in case of a Sale of a Dematerialised Warrant to the Issuer, and (iii) a cash account for the payment of the Actual Exercise Price, the Exercise Costs and the Exercise Expenses in case of the Exercise of a Warrant. While it is possible for investors to trade (purchase and sell) Dematerialised Warrants through securities accounts held with Securities Settlement System participants other than KBC Bank, the exercise of the aforementioned rights will require the opening of a securities account and a cash account with KBC Bank.]

Dematerialised Warrant – Securities Settlement System: In case of transfers of Dematerialised Warrants between investors, the investors will have to rely on the procedures of the Securities Settlement System and the Securities Settlement System participants for settlement. The Issuer also has no responsibility or liability for the records relating to, or payments made in respect of, the Dematerialised Warrants through the Securities Settlement System.

Dematerialised Warrants – application of the regime of the Coordinated Royal Decree No. 62 of 10 November 1967 governing the custody of transferable financial instruments and the settlement of transactions on these instruments (“RD 62”): The Issuer, the Securities Settlement System and, by subscribing or acquiring the Warrants, the Warrant Holders will consent to the contractual application of the provisions of RD 62 to the Dematerialised Warrants. The Warrant Holders should therefore have the benefit of the relevant provisions of RD 62, including in case of insolvency of certain intermediaries with whom they hold their Registered Warrants account (provided such relevant account with the intermediary is located in Belgium). Warrant Holders should however be aware that to date there is no case law which has tested the contractual application of the rules of RD 62 to financial instruments.

## C. Securities

		<p><u>Possible illiquidity of the Warrants in the secondary market:</u> It is not possible to predict the price at which Warrants will trade in the secondary market or whether such market will be liquid or illiquid. The Issuer may, but is not obliged to (except to the extent that the Issuer acts as market-maker for an issue of Warrants admitted to trading on Euronext Brussels), at any time purchase Warrants at any price in the open market or by tender or private treaty. Any Warrants so purchased may be held or resold or surrendered for cancellation. Even though for any Series of Warrants admitted to trading on Euronext Brussels, there will systematically be a party that will be acting as market maker on the secondary market, the secondary market for such Warrants may remain limited. To the extent that an issue of Warrants becomes illiquid, an investor may have to exercise such Warrants to realize value.</p> <p><u>Exchange rate risks and exchange controls:</u> In the event of Exercising the Warrants or Selling the Warrants to the Issuer, the Warrant Holder will pay the Actual Exercise Price or the Issuer will pay the Sale Price in the specified Currency provided in the Applicable Final Terms. This presents certain risks relating to currency conversions if the Underlying Shares are denominated principally in a currency or currency unit other than the Specified Currency (i.e. the Share Currency). These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Share Currency) and the risk that authorities with jurisdiction over the Share Currency may impose or modify exchange controls.</p> <p>If an investor anticipates that it will need to convert payments made to it under the Warrants to it into a currency of its choice, then the investor is subject to the risk that the currency conversion rate which it must pay for exchanging the obtained currency into the chosen currency becomes less attractive and therefore decreased the realisable value of its investment.</p> <p>Government and monetary authorities may impose exchange controls that could adversely affect an applicable exchange rate. As a result, the amount that investors may receive from the Issuer in the event of selling the Warrants back to the Issuer may be less than expected or zero.</p>
--	--	---

## Section E – Offer

E.2b	Reasons for the offer and use of proceeds	<p>The Base Prospectus has been prepared solely in connection with the admission of the Warrants to trading on a regulated market pursuant to Article 3(3) of the Prospectus Directive. There will be no public offer of the Warrants and thus reasons for the offer and the use of the proceeds are not required.</p> <p>The net proceeds from each issue of Warrants will be used by the Issuer for profit making or risk hedging purposes. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in</p>
------	---	--



		the Applicable Final Terms.
<b>E.3</b>	Description of the terms and conditions of the offer	Not applicable. The Base Prospectus has been prepared solely in connection with the admission of the Warrants to trading on a regulated market pursuant to Article 3(3) of the Prospectus Directive. There will be no public offer of the Warrants and thus a description of the terms and conditions of the offer is not required.
<b>E.4</b>	Interest of natural and legal persons involved in the issue/offer	[The Dealer(s) may be paid commissions in relation to any Warrants issued under the Programme.] [As far as the Issuer is aware, no person involved in the issue of the Warrants has an interest material to the offer, including conflicting interests.][Any Dealer [and its Affiliates] may also have engaged, and may in the future engage, in [transactions or perform other services for] [the Issuer and its Affiliates] in the ordinary course of business in relation to the Warrants and Underlying Shares.]
<b>E.7</b>	Estimated expenses charged by the Issuer to the investor	The Base Prospectus has been prepared solely in connection with the admission of the Warrants to trading on a regulated market pursuant to Article 3(3) of the Prospectus Directive. There will be no public offer of the Warrants and a description of the estimated expenses charged by the Issuer to the investor is not required.

### 3. RISK FACTORS

*The Issuer believes that the following factors may affect its ability to fulfil its obligations in respect of Warrants issued under the Programme. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

*In addition, factors which are material for the purpose of assessing the market risks associated with Warrants issued under the Programme are also described below.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in Warrants issued under this Programme, but the inability of the Issuer to pay any amount or to deliver the Underlying Shares may occur for other reasons which may not be considered significant risks by the Issuer based on the information currently available to it or which it may not currently be able to anticipate. The Issuer does not represent that the statements below regarding the risks of holding any Warrants are exhaustive. The sequence in which the risk factors are listed is not an indication of their likelihood to occur or of the extent of their consequences. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision and consult with their own professional advisors (if they consider it necessary).*

***The purchase of Warrants may involve substantial risks. Prior to making an investment decision, prospective investors should consider carefully (i) all the information set forth in this Base Prospectus (and any supplement, if applicable) and, in particular, the considerations set forth below and (ii) all the information set forth in the Applicable Final Terms.***

*Words and expressions defined in the Conditions of the Warrants below or elsewhere in this Base Prospectus have the same meanings in this Risk Factors section, unless the contrary intention appears.*

In this Base Prospectus KBC Bank NV including all companies in the scope of consolidation of KBC Bank NV will be referred to as “**KBC Bank Group**” or “**the Group**”.

Risk factors have been grouped as set out below:

#### **I. Risks relating to the Issuer**

- Risks relating to the market in which KBC Bank Group operates
- Risks relating to KBC Bank Group and its business
- Other risks relating to KBC Bank Group

#### **II. Risks relating to the Warrants**

- General risks relating to the Warrants
- Risks related to the market generally

## **I. RISKS RELATING TO THE ISSUER**

### **1. Risks relating to the market in which the Group operates**

#### ***1.1 Economic and market conditions may pose significant challenges for the Group and may adversely affect its results***

The global economy, the condition of the financial markets and adverse macro-economic developments can all significantly influence the Group's performance. The after-effects of the financial crisis on the wider economy and the uncertainty concerning the future economic environment have led to more difficult earnings conditions for the financial sector. The challenging environment in which the Group operates is characterised by, amongst others, a prolonged period of low interest rates resulting from (amongst others) ongoing central bank measures to foster economic growth and giving rise to negative interest rates in some areas, upswings in market volatility, and business activities coping with lower overall profitability. Furthermore, a number of countries in Europe have relatively large sovereign debts and/or fiscal deficits, and most European economies face a number of structural challenges.

Since the Group conducts the majority of its business in Belgium, the Czech Republic, the Slovak Republic, Hungary, Bulgaria and the other home markets such as Ireland, its performance is influenced by the level and cyclical nature of business activity in these countries which is in turn affected by both domestic and international economic and political events. A weakening in these economies may in particular have a negative effect on the Group's financial condition and results of operations. Moreover, any deterioration in financial and credit market conditions could further adversely affect the Group's business and, if they were to persist or worsen, could adversely affect the financial condition, results of operations and access to capital and credit of the Group.

General business and economic conditions that could affect the Group include the level and volatility of short-term and long-term interest rates, a prolonged period of low and potentially negative interest rates in some areas, inflation, employment levels, bankruptcies, household income, consumer spending, fluctuations in both debt and equity capital markets, liquidity of the global financial markets, fluctuations in foreign exchange, the availability and cost of funding, investor confidence, political crisis, credit spreads (e.g. corporate, sovereign) and the strength of the economies in which the Group operates.

In addition, the Group's business activities are dependent on the level of banking, finance and financial services required by its customers. In particular, levels of borrowing are heavily dependent on customer confidence, employment trends, the state of the economies in which the Group does business and market interest rates at the time.

All these elements, including market volatility, can negatively affect the Group's banking and asset management activities through a reduction in demand for products and services, a reduction in the value of assets held by the Group, a decline in the profitability of certain assets and a loss of liquidity in certain asset classes.

#### ***1.2 Political, constitutional and economic uncertainty arising from the outcome of the referendum on the membership of the United Kingdom in the European Union.***

On 23 June 2016, the United Kingdom held a national referendum on the continued membership of the United Kingdom in the European Union. A majority of voters voted for the United Kingdom to leave the European Union. The announcement of the referendum result caused significant volatility in global stock markets and currency exchange rate fluctuations that resulted in a significant weakening of the pound sterling against the U.S. dollar, the euro and other major currencies. The

share prices of major banks in Europe, including the Group, suffered significant declines in market prices in the weeks following the referendum. Furthermore, major credit rating agencies have also downgraded the sovereign credit rating of the United Kingdom.

In the first quarter of 2017, the United Kingdom triggered Article 50 of the Treaty on European Union which is the formal starting point of exiting the European Union. A process of negotiation has since begun to determine the future terms of the relationship of the United Kingdom with the European Union, and the uncertainty during and after the period of negotiation could have a further negative economic impact and result in renewed volatility in the markets. Regardless of any eventual timing or terms of the United Kingdom's exit from the European Union, the June referendum and the following formal decision to withdraw did already create significant political, social and macroeconomic uncertainty.

The effects on the United Kingdom, European and global economy of the uncertainties arising from the results of the referendum are difficult to predict but may include economic and financial instability in the United Kingdom, Europe and the global economy and the other types of risks described in the previous risk factor entitled "Economic and market conditions may pose significant challenges for the Group and may adversely affect its results" on page 35 of this Base Prospectus. Any uncertainty or economic and financial instability or other effects arising as a result of the decision of the United Kingdom to leave the European Union, could affect the Group's business and, if they were to persist or worsen, could adversely affect the financial condition, results of operations and access to capital and credit of the Group.

### ***1.3 Increased regulation of the financial services industry or changes thereto could have an adverse effect on the Group's operations***

There have been significant regulatory developments in response to the global financial crisis, including various initiatives, measures, stress tests and liquidity risk assessments taken at the level of the European Union, national governments, the European Banking Authority and/or the European Central Bank (the **ECB**). This has led to the adoption of a new regulatory framework and the so-called "Banking Union", as a result of which the responsibility for the supervision of the major Eurozone credit institutions (including the Group) has been assumed at the European level.

The most relevant areas of regulatory and legislative developments which affect the Group and its parent KBC Group NV include the following:

- The revised regulatory framework of Basel III which was implemented in the European Union through the adoption of Regulation (EU) n°575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (**CRR**) and Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions on prudential requirements for credit institutions and investment firms (**CRD**, and together with CRR, **CRD IV**).
- A new recovery and resolution regime for credit institutions which introduced certain tools and powers with a view to addressing banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses, through Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending various EU Directives and Regulations (**BRRD**).
- The assumption in November 2014 of certain supervisory responsibilities by the ECB which were previously handled by the National Bank of Belgium (the **NBB**), pursuant to Council

Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (the **Single Supervision Mechanism** or **SSM** ).

- Regulation (EU) No 806/2014 of the European Parliament and of the Council 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 Bank Resolution Fund and amending Regulation (EU) No 1093/2010 of the European Parliament and of the Council (the **Single Resolution Mechanism** or **SRM** ). The Single Resolution Mechanism entered into force on 19 August 2014 and applies to credit institutions which fall under the supervision of the ECB, including the Group. It established a Single Resolution Board (**SRB**) which is responsible since 1 January 2016 of vetting resolution plans and carrying out any resolution in cooperation with the national resolution authorities (the SRB together with the resolution college of the NBB is hereinafter referred to as the **Resolution Authority**).
- Finally, changes are also being made to the International Financial Accounting Standards (**IFRS**).

Although the Issuer works closely with its regulators and continually monitors regulatory developments, there can be no assurance that additional regulatory or capital requirements will not have an adverse impact on the Issuer and/or its subsidiaries, their business, financial condition or results of operations

In May 2014, the new Belgian law of 25 April 2014 on the status and supervision of credit institutions and stockbroking firms (the **Banking Law**) entered into force. The Banking Law replaced the banking law of 22 March 1993 and implemented various directives, including (without limitation) CRD IV and BRRD, as well as various other measures taken since the financial crisis. The Banking Law imposes, amongst others, several restrictions with respect to certain activities (including trading activities, which may have to be separated if certain thresholds are exceeded) and prohibits certain proprietary trading activities. Certain provisions of the Banking Law are still subject to further implementation.

In addition, 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 (being remuneration recovery mechanics pursuant to which a staff member has to return the ownership of an amount of variable remuneration paid in the past under certain conditions (**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. 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 NBB Governance Manual for the Banking Sector contains recommendations to assure the suitability of shareholders, management and independent control functions and the appropriate organisation of the business.

On 23 November 2016, the European Commission proposed certain further amendments to CRD IV and BRRD. These relate, amongst others, to the inclusion of a new layer of so-called "non-preferred" senior debt instruments to absorb losses and certain other changes to implement the proposal by the

Financial Stability Board in respect of the Total Loss-Absorbing Capacity (TLAC) for global systemically important banks (GSIBs). These proposed changes are currently scheduled to be adopted and implemented in large part by 2019 at the earliest.

On 31 July 2017, the Belgian legislator adopted a new law to, amongst others, amend the Banking Law in order to give effect to the European Commission’s proposals of 23 November 2016 to amend CRD IV and BRRD. In particular, the law also adds a new article 389/1 in the Banking Law which aims at increasing the effectiveness of the bail-in tool (being the mechanism to write down 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. See risk factor “*The Group could become subject to the exercise of a “bail-in” tool or other resolution tools and powers by the Resolution Authority*” below) and introduces a new category of claims in the statutory creditor hierarchy in the case of a liquidation procedure (*procédure de liquidation/liquidatieprocedure*) of a credit institution. Article 389/1, 2° of the Banking Law now divides senior notes into: (i) senior preferred notes, retaining the same ranking as the previous senior notes; and (ii) senior non-preferred notes. Senior non-preferred notes are direct, unconditional, senior, and unsecured (*chirographaires/chirografaire*) obligations.

In accordance with this new provision, in case of liquidation of a credit institution or stockbroking firm, the claims will rank as follows (whereby Common Equity Tier 1 will rank lowest):

Common Equity Tier 1	
Additional Tier 1	
Tier 2 + other Subordinated Liabilities	
Non Preferred Senior Unsecured Instruments <i>(art. 389/1, 2° Belgian Banking Law 25 April 2014)</i>	
Other Preferred Senior Unsecured Liabilities	} <u>pari</u> <u>passu</u>
Derivatives	
Deposits Large Enterprises (>100,000 EUR)	
Deposits SME and Physical Persons (>100,000 EUR)	
Covered Deposits (<100,000 EUR)	
Secured Liabilities	

On 30 July 2018 the Belgian legislator adopted a law which, among others, amended Article 389/1, 2° of the Banking Law. As of this law, senior non-preferred notes must have each of the following characteristics:

- (i) they may not contain embedded derivatives or be derivatives themselves (it being understood that floating rate debt instruments which are derived from a commonly used reference rate and debt instruments which are not denominated in the national currency of the issuer, provided that principal, repayment and interest are denominated in the same currency, may not solely on the basis of these characteristics be considered as debt instruments containing embedded derivatives);

- (ii) their maturity may not be less than one year; and
- (iii) the issuance terms must expressly provide that the claim is unsecured (*chirographaire/chirografair*) and that their ranking is as set forth in Article 389/1, 2° of the Belgian Banking Law.

On 7 December 2017, the Basel Committee reached an agreement on the remaining Basel III post-crisis regulatory reforms (commonly known as **Basel IV**). One of the main elements of Basel IV is the aggregate output floor which will ensure that bank's risk-weighted assets generated by internal models are no lower than 72.5% of the risk-weighted assets as calculated by the standardised approaches of Basel III (the **Output Floor**). Basel IV has also revised standardised approaches for credit risk and especially operational risk. The Basel IV agreement needs to be transposed into European regulation. It will apply as from 1 January 2022. The Output Floor will be phased in over five years from 2022 to 2027.

The Group conducts its businesses subject to on-going regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies and interpretations in Belgium and the other regions in which the Group conducts its business. Changes in supervision and regulation, in particular in Belgium and Central and Eastern Europe (e.g. Hungary), could materially affect the Group's business, the products and services offered by it or the value of its assets.

In particular, it cannot be excluded that the Group or its parent KBC Group NV would be required to issue further securities that qualify as regulatory capital or to liquidate assets or curtail certain businesses as a result of such new regulations or a different interpretation given by the ECB (or exercise of certain discretions under the applicable banking regulations in a different manner than the NBB). All may have an adverse effect on the Group's business, financial condition and results of operations. Moreover, there seems to have been an increase in the level of scrutiny applied by governments and regulators to enforce applicable regulations and calls to impose further charges on the financial services industry in recent years. There can be no assurance that such increased scrutiny or charges will not require the Group to take additional measures which, in turn, may have adverse effects on its business, financial condition and results of operations.

#### ***1.4 Risk associated with the highly competitive environment in which the Group operates and which could intensify further as a result of the global market conditions***

As part of the financial services industry, the Group faces substantial competitive pressures that could adversely affect the results of its operations in banking, asset management and other products and services.

In its Belgian home market, the Group faces substantial competition, mainly from BNP Paribas Fortis, ING Group and Belfius Bank. In addition, the Group faces increased competition in the Belgian savings market from smaller-scale banking competitors (and internet bank competitors) seeking to enlarge their respective market shares by offering higher interest rates. In Central and Eastern Europe, the Group faces competition from the regional banks in each of the jurisdictions in which it operates and from international competitors such as UniCredit, Erste Bank and Raiffeisen International.

Competition is also affected by consumer demand, technological changes (including the growth of digital banking), regulatory actions and/or limitations and other factors. Such factors include changes in competitive behaviour due to new entrants to the market (including potentially non traditional financial services providers such as large retail or technology conglomerates) and new lending models (such as, for example, peer-to-peer lending). These competitive pressures could result in increased pricing pressures on a number of the Group's products and services and in the loss of

market share in one or more such markets. Moreover, there can be no certainty that the Group's investment in its IT capability intended to address the material increase in customer use of online and mobile technology for banking will be successful or that it will allow the Group to continue to grow such services in the future.

## **2 Risks relating to the Group and its business**

### **2.1 *The Group has significant credit default risk exposure***

As a large financial organisation, the Group is subject to a wide range of general credit risks, including risks arising from changes in the credit quality and recoverability of loans and amounts due from counterparties. Third parties that owe the Group money, securities or other assets may not pay or perform under their obligations. These parties include, among others, borrowers under loans made by the Group (in particular, by the Issuer), the issuers whose securities the Group holds, customers, trading counterparties, counterparties under derivative contracts, clearing agents, exchanges, clearing houses, guarantors and other financial intermediaries. These parties may default on their obligations to the Group due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure or other reasons.

Credit institutions have witnessed a significant increase in default rates over the past few years as a result of worsening economic conditions. This increase in the scope and scale of defaults is evidenced by the significant increase in the amount of impaired loans in the Portfolio of the Group in 2013, although this has been decreasing again since 2014. This trend – i.e., the decreasing amount of impaired loans – remains visible, particularly in Ireland. In some of the Central and Eastern European countries in which the Group is active, credit is also granted in a currency other than the local currency. Changes in exchange rates between the local and such other currency can also have an impact on the credit quality of the borrower. Any further adverse changes in the credit quality of the Group's borrowers, counterparties or other obligors could affect the recoverability and value of its assets and require an increase in the Group's provision for bad and doubtful debts and other provisions. In addition to the credit quality of the borrower, adverse market conditions such as declining real estate prices negatively affect the results of the Group's credit portfolio since these conditions impact the recovery value of the collateral. All this could be further exacerbated in the case of a prolonged economic downturn or worsening market conditions.

The Group's banking business makes provisions for loan losses which correspond to the provision for impairment losses in its income statement in order to maintain appropriate allowances for loan losses. These provisions are recorded according to IFRS 9 requirements (calculated on a lifetime expected credit loss (ECL) basis for defaulted borrowers and on a 12-month or lifetime ECL basis for non-defaulted borrowers, depending on whether there has been a credit risk deterioration and a corresponding shift from 'Stage 1' to 'Stage 2' (see page 126 for further explanation of these terms). Specific IFRS 9 models are used for this purpose. Any increase in the provision for loan losses, any loan losses in excess of the previously determined provisions with respect thereto or changes in the estimate of the risk of loss inherent in the portfolio of non-impaired loans could have a material adverse effect on the Group's business, results of operation or financial condition.

The Group's principal credit risk exposure is to retail and corporate customers, including in its mortgage and real estate portfolio, as well as towards other financial institutions and sovereigns. As this credit risk reflects some concentration, particularly in Belgium, the Czech Republic, the Slovak Republic, Hungary, Bulgaria and the other home markets (such as Ireland) where it is active, the Group's financial position is sensitive to a significant deterioration in credit and general economic conditions in these regions. Moreover, uncertainty regarding Greece and the rest of the Eurozone, the risk of losses as a result of a country's or a credit institution's financial difficulties or a downgrade in its credit rating could have a significant impact on the Group's credit exposure, loan provisioning,



results of operation and financial position. In addition, concerns about, or a default by, one credit institution could lead to significant liquidity problems, losses or defaults by other institutions, because the commercial and financial soundness of many financial institutions are closely related as a result of their credit, trading, clearing and other relationships.

The events described above have adversely affected and may continue to adversely affect, the Group's ability to engage in routine transactions as well as the performance of various loans and other assets it holds.

## **2.2 *Risks associated with liquidity and funding inherent to the Group's business***

The procurement of liquidity for the Group's operations and access to long term financings are crucial to achieve the Group's strategic goals, as they enable the Group to meet payment obligations in cash and on delivery, scheduled or unscheduled, so as not to prejudice the Group's activities or financial situation.

Although the Group currently has a solid liquidity position (with a diversified core deposit base and a large amount of liquid and/or pledgeable assets), its procurement of liquidity could be adversely impacted by the inability to access the debt market, sell products or reimburse financings as a result of the deterioration of market conditions, the lack of confidence in financial markets, uncertainties and speculations regarding the solvency of market participants, rating downgrades or operational problems of third parties. In addition thereto, the Group's liquidity position could be adversely impacted by substantial outflows in deposits and asset management products.

Limitations of the Group's ability to raise the required funds on terms which are favourable for the Group, difficulties in obtaining long-term financings on terms which are favourable for the Group or dealing with substantial outflows could adversely affect the Group's business, financial condition and results of operations. In this respect, the adoption of new liquidity requirements under Basel III and CRD IV must be taken into account since these could give rise to an increased competition resulting in an increase in the costs of attracting the necessary deposits and funding.

Furthermore, as was the case during the financial crisis, protracted market declines can reduce the liquidity of markets that are typically liquid. If, in the course of its activities, the Group requires significant amounts of cash on short notice in excess of anticipated cash requirements, the Group may have difficulty selling investments at attractive prices, in a timely manner, or both.

In such circumstances, market operators may fall back on support from central banks and governments by pledging securities as collateral. Unavailability of liquidity through such measures or the decrease or discontinuation of such measures could result in a reduced availability of liquidity on the market and higher costs for the procurement of such liquidity when needed, thereby adversely affecting the Group's business, financial condition and results of operations.

## **2.3 *The Group is exposed to counterparty credit risk in derivative transactions***

The Group executes a wide range of derivatives transactions, such as interest rate, exchange rate, share/index prices, commodity and credit derivatives with counterparties in the financial services industry.

Operating in derivative financial instruments exposes the Group to market risk and operational risk, as well as the risk that the counterparty defaults on its obligations or becomes insolvent prior to maturity when the Group has an outstanding claim against that counterparty. Non-standardised or individually negotiated derivative transactions can make exiting, transferring or settling the position difficult.

Counterparty credit risk is subject to mitigating actions taken by the Group (i.e. central clearing and collateralization). The remaining risk can be exacerbated if the collateral held by the Group cannot be realised or liquidated at a value that is sufficient to cover the full amount of the counterparty exposure.

#### **2.4 *Changes in interest rates, which are caused by many factors beyond the Group's control, can have significant adverse effects on its financial results***

Fluctuations in interest rates affect the returns the Group earns on fixed interest investments and also affect the value of the investment and trading portfolio of the Group. Interest rate changes also affect the market values of the amounts of capital gains or losses the Group takes on and the fixed interest securities it holds.

The results of the Group's operations are affected by its management of interest rate sensitivity. Interest rate sensitivity refers to the relationship between changes in market interest rates and changes in net interest income. Changes in market interest rates, including in case of negative interest rates in certain areas, can affect the interest rates that the Group receives on its interest-earning assets differently to the rates that it pays for its interest-bearing liabilities. Accordingly, the composition of the Group's assets and liabilities, and any gap position resulting from such composition, causes the Group's operations' net interest income to vary with changes in interest rates. In addition, variations in interest rate sensitivity may exist within the repricing periods and/or between the different currencies in which the Group holds interest rate positions. A mismatch of interest-earning assets and interest-bearing liabilities in any given period may, in the event of changes in interest rates, have a material effect on the financial condition or results of operations of the Group's businesses.

#### **2.5 *The Group is subject to foreign exchange risk***

The Group pursues a prudent policy as regards its structural currency exposure, with a view to limit as much as possible currency risk. Foreign exchange exposures in the asset-liability management (ALM) books of banking entities with a trading book are transferred to the trading book where they are managed within the allocated trading limits. The foreign exchange exposure of banking entities without a trading book and of other entities has to be hedged, if material. Equity holdings in non-euro currencies that are part of the investment portfolio are however generally not hedged. Participating interests in foreign currency are in principle funded by borrowing an amount in the relevant currency equal to the value of assets excluding goodwill. Although the Group pursues a prudent policy with regard to foreign exchange risk, there can still be a limited impact of this risk on the financial results of the Group.

#### **2.6 *The Group is subject to market risk***

The most significant market risks the Group faces are interest rate, credit spread, basis risk, foreign exchange and bond and equity price, inflation rate and market liquidity risks. Changes in (the level and volatility of) interest rates, (the level and shape of) levels, yield curves and (the level and volatility of) yield spreads may affect the interest rate margin realised between lending and borrowing costs. Changes in currency prices and price volatility affect the value of assets and liabilities denominated in foreign currencies and may affect income from foreign exchange dealing. The performance of financial markets (equity prices and equity price volatility) may cause changes in the value of the Group's investment and trading portfolios.

The Group uses a range of instruments and strategies to partly hedge against certain market risks. If the market risk management instruments and strategies prove ineffective or only partially effective (e.g. basis risk arises, i.e. the price of a derivative is not or no longer perfectly correlated with the

market value of the underlying asset, as a result of which the derivative is not or no longer a perfect hedge for the underlying asset), the Group may suffer losses. Sudden drying up of the liquidity in the financial markets may affect the (cost of the) implementation of the risk reducing measures.

Unforeseen market developments such as those in relation to the government bonds of various countries which occurred in 2011 and 2012 may significantly reduce the effectiveness of the measures taken by the Group to hedge risks. Gains and losses from ineffective risk-hedging measures may heighten the volatility of the results achieved by the Group and could therefore have a material adverse effect on the Group's business, results of operations and financial condition.

**2.7 *A downgrade in the credit rating of KBC Group NV or its subsidiaries, such as the Issuer, may limit access to certain markets and counterparties and may necessitate the posting of additional collateral to counterparties or exchanges***

The credit ratings of KBC Group NV and certain of its subsidiaries, such as the Issuer, are important to maintaining access to key markets and trading counterparties. The major rating agencies regularly evaluate KBC Group NV, certain of its subsidiaries, including the Issuer, and their securities, and their ratings of debt and other securities are based on a number of factors, including financial strength, as well as factors not entirely within the control of the Group, including conditions affecting the financial services industry generally or the rating of the countries in which it operates. In light of the difficulties in the financial services industry and the financial markets, there can be no assurance that KBC Group NV or its subsidiaries, including the Issuer, will maintain the current ratings.

KBC Group NV's or its subsidiaries', including the Issuer's, failure to maintain their credit ratings could adversely affect the competitive position of the Group, make entering into hedging transactions more difficult and increase borrowing costs or limit access to the capital markets or the ability of the Group to engage in funding transactions. A further reduction in KBC Group NV's or its subsidiaries including the Issuer's credit ratings could have a significant impact on certain trading revenues, particularly in those businesses where longer term counterparty performance is critical. In connection with certain trading agreements, an entity of the Group may be required to provide additional collateral in the event of a credit ratings downgrade.

**2.8 *The Group's risk management policies, procedures and methods may leave it exposed to unidentified, unanticipated or incorrectly quantified risks, which could lead to material losses or material increases in liabilities***

The Group devotes significant resources to developing risk management policies and models, procedures and assessment methods for its banking and asset management businesses. The Group applies both quantitative and qualitative methods to arrive at quantifications of risk exposures. These include, amongst others, value-at-risk (**VaR**) models, back testing, Probability of Default (**PD**) models, Loss Given Default (**LGD**) models, asset valuation models and stress tests as well as risk assessment methods.

Nonetheless, such risk management techniques and strategies may not be fully effective in assessing risk exposure in all economic and market environments or against all types of risk, including risks that the Group fails to identify or anticipate. Some of the models and metrics used are based upon observed historical behaviour as well as future predictions. Accordingly, the models used by the Group may fail to predict or may predict incorrectly future risk exposures and the Group's losses could therefore be significantly greater than such measures would indicate. In addition, the risk management methods used by the Group do not take all risks into account and could prove insufficient. If prices move in a way that the Group's risk modelling has not anticipated, the Group may experience significant losses. These failures can be exacerbated where other market participants

are using models that are similar to those of the Group. In certain cases, it may also be difficult to reduce risk positions due to the activity of other market participants or widespread market dislocations. Furthermore, other risk management methods depend on the evaluation of information regarding markets, customers or other publicly-available information. Such information may not always be accurate or up-to-date.

Accordingly, the Group's losses could be significantly greater than such measures would indicate and unanticipated or incorrectly quantified risk exposures could result in material losses in the Group's banking and asset management businesses.

## **2.9 *While the Group strictly manages its operational risks, these risks remain inherent to its business***

The Group is exposed to many types of operational risks, including fraudulent and other criminal activities (both internal and external), breakdowns in processes or procedures and systems failure or non-availability. In addition, the Group may also be subject to disruptions of its operating systems, or of the infrastructure that supports it, arising from events that are wholly or partially beyond the Group's control (for example natural disasters, acts of terrorism, computer viruses, pandemics, transport or utility failures or external vendors not fulfilling their contractual obligations) which could give rise to losses in service to customers and to loss or liability to the Group.

The operational risks that the Group faces include the possibility of inadequate or failed internal or external processes or systems, human error, regulatory breaches, employee misconduct or external events such as fraud or cyber crime. These events can potentially result in financial loss as well as harm to its reputation. Additionally, the loss of key personnel could adversely affect the Group's operations and results.

The Group attempts to keep operational risks at appropriate levels by maintaining a sound and well controlled environment in light of the characteristics of its business, the markets and the regulatory environments in which it operates. While these control measures mitigate operational risks, they do not eliminate them.

## **2.10 *The financial industry, including the Group, is increasingly dependent on information technology systems, which may fail, be inadequate or no longer available***

The Group, like other banks and financial institutions, is increasingly dependent on highly sophisticated information technology (IT) systems for the conduct of its business. The proper functioning of the Group's payment systems, financial and sanctions controls, risk management, credit analysis and reporting, accounting, customer services and other IT services, as well as the communication networks between its branches and main data centres, are critical to the Group's operations.

IT systems are, however, vulnerable to a number of problems, such as software or hardware malfunctions, computer viruses, hacking and physical damage to vital IT centres. IT systems need regular upgrading and banks, including the Group, may not be able to implement necessary upgrades on a timely basis or upgrades may fail to function as planned. Furthermore, failure to protect financial industry operations from cyber-attacks could result in the loss or compromise of customer data or other sensitive information. These threats are increasingly sophisticated and there can be no assurance that banks will be able to prevent all breaches and other attacks on its IT systems. In addition to costs that may be incurred as a result of any failure of IT systems, banks, including the Group, could face fines from bank regulators if they fail to comply with applicable banking or reporting regulations.

**2.11 *The Group may be subject to privacy or data protection failures, cybercrime and fraudulent activity in relation to personal customer data, which could result in investigations by regulators, liability to customers, administrative fines, penalties and/or reputational damage.***

The Group is subject to regulation regarding the processing (including disclosure and use) of personal data. The Group processes significant volumes of personal data relating to customers as part of its business, some of which may also be classified under legislation as sensitive personal data. The Group must therefore comply with strict data protection and privacy laws and regulations.

Regulation 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, which entered into force on 25 May 2018, is the primary legislation governing the Group's use of customer personal data. It introduces substantial changes to data protection laws, including an increased emphasis on businesses being able to demonstrate compliance with their data protection obligations. This requires significant investments by the Group in its data management and compliance operations. In addition, the European Commission recently released its proposal for a new European ePrivacy Regulation.

The Group also faces the risk of a breach in the security of its ICT systems, for example from increasingly sophisticated attacks by cybercrime groups. Data breaches could have a material adverse impact on the Group's reputation and on its business, financial condition, operating results and prospects. The Group tries to mitigate such risks, including by ensuring that systems and procedures are in place to ensure compliance with relevant regulations. There can, however, be no assurance that such security measures will be effective.

**2.12 *The Group's financial statements are in part based on assumptions and estimates which, if inaccurate, could have an impact on its reported results or financial position***

The Group's financial statements are based in part on assumptions and estimates which, if inaccurate, could cause material misstatement of the results of its operations and financial position. The Group believes that all assumptions and estimates are reasonable at the time the financial statements are being prepared.

The preparation of financial statements in accordance with EU-IFRS requires the use of estimates. It also requires management to exercise judgment in applying relevant accounting policies. The key areas involving a higher degree of judgment or complexity, or areas where assumptions are significant to the consolidated and individual financial statements, include credit impairment charges for amortised cost assets, impairment and valuation of available-for-sale investments (as of 1 January 2018 in accordance with IFRS 9: valuation of assets through other comprehensive income), calculation of income and deferred tax, fair value of financial instruments, valuation of goodwill and intangible assets, calculation of technical provisions insurance, valuation of provisions and accounting for pensions and post-retirement benefits. There is a risk that if the judgment exercised or the estimates or assumptions used subsequently turn out to be incorrect then this could result in significant loss to the Group, beyond that anticipated or provided for, which could have an adverse effect on its business, financial condition and results of operations.

Observable market prices are not available for many of the financial assets and liabilities that the Group holds at fair value and a variety of techniques to estimate the fair value are used. Should the valuation of such financial assets or liabilities become observable, for example as a result of sales or trading in comparable assets or liabilities by third parties, this could result in a materially different valuation to the current carrying value in the Group's financial statements.

As of 1 January 2018, the consolidated financial statements of the Issuer are prepared in accordance with IFRS 9. The total impact of the first time application of the transition from IAS 39 to IFRS 9 as

at 1 January 2018 amounted to, including the impact on both the financial assets and provisions, a decrease in equity before tax of EUR -755 million (EUR -599 million after tax). This consists of:

- a classification and measurement impact of EUR -475 million before tax, mainly due to a decrease of other comprehensive income reserves; and
- an increase in impairments and provisions amounting to EUR -280 million before tax.

The further development of standards and interpretations under EU-IFRS could also significantly affect the results of operations, financial condition and prospects of the Group.

**2.13 *The Group is exposed to the risk of breaches of regulatory and compliance-related requirements in connection with the exercise of its business activity, such as provisions for limitation of money laundering***

The possibility of inadequate or erroneous internal and external work processes and systems, regulatory problems, breaches of compliance-related provisions in connection with the exercise of business activities, such as rules to prevent money laundering, human errors and deliberate legal violations such as fraud cannot be ruled out. The Group endeavours to hedge such risks by implementing appropriate control processes tailored to its business, the market and regulatory environment in which it operates. Nevertheless, it is possible that these measures prove to be ineffective in relation to particular or all operational risks to which the Group is exposed. Even though the Group's endeavours to insure itself against the most significant operational risks, it is not possible to obtain insurance cover for all the operational risks on commercially acceptable terms on the market. Should one, some or all of the risks described in this paragraph materialise, the Group business, results of operations and financial condition could be materially adversely affected.

**2.14 *Litigation or other proceedings or actions may adversely affect the Group's business, financial condition and results of operations***

The Group's business is subject to the risk of litigation by customers, employees, shareholders or others through private actions, class actions or summary proceedings by associations (e.g. consumer or professional organisations) notably in order to stop or suspend commercial activities or products, administrative proceedings, regulatory actions or other litigation (including, but not limited to, any criminal investigation or prosecution). Given the complexity of the relevant circumstances and corporate transactions underlying these proceedings, together with the issues relating to the interpretation of applicable law, it is inherently difficult to estimate the potential liability related to such liability risks, to evaluate the outcome of such litigation or the time when such liability may materialise. Management makes estimates regarding the outcome of legal, regulatory and arbitration matters, such as the ones mentioned above, and creates provisions when losses with respect to such matters are deemed probable and can be reasonably estimated. Estimates, by their nature, are based on judgment and currently available information and involve a variety of factors, including but not limited to the type and nature of the litigation, claim or proceeding, the progress of the matter, the advice of legal counsel and other advisers, possible defences and previous experience in similar cases or proceedings. Legal proceedings with remote or non quantifiable outcomes are not provided for, and the Group may be required to cover litigation losses which are not covered by such provision, including for example series of similar proceedings. As a result, there can be no assurance that provisions will be sufficient to fully cover the possible losses arising from litigation proceedings, and the Group cannot give any assurance that a negative outcome in one or more of such proceedings would not have a material adverse effect on the Group's business, results of operations or financial condition.

Furthermore, plaintiffs in legal proceedings may seek recovery of large or indeterminate amounts or other remedies that may affect the Group's ability to conduct business, and the magnitude of the potential loss relating to such actions may remain unknown for substantial periods of time. Also, the cost to defend future actions may be significant. There may also be adverse publicity associated with litigation that could decrease customer acceptance of its services, regardless of whether the allegations are valid or whether they are ultimately found liable. See further "Information relating to the Issuer", Subsection "Litigation".

As a result, litigation may adversely affect the Group's business, financial condition and results of operations.

### **2.15 *The Group is exposed to risks on account of pension obligations***

The Group has various pension obligations towards its current and former staff. These obligations therefore entail various risks which are similar to, amongst others, risks in a life insurance company and risks involving a capital investment. Risks, however, may also arise due to changes in tax or other legislation, and/or in judicial rulings, as well as inflation rates or interest rates. Any of these risks could have a material adverse effect on the Group's business, results of operations and financial condition.

## **3 Other risks relating to the Group**

### **3.1 *The Group is responsible for contributing to compensation schemes and subject to special bank taxes***

The Group is required to make contributions to national resolution deposit guarantee fund based on a number of criteria, including the amount of its deposit taking. In addition, the Group is required to make contributions to the European Single Resolution Fund which was established pursuant to the SRM and which is to be built up with contributions of the banking sector to ensure the availability of funding support for the resolution of credit institutions. The overall aim of the SRM is to ensure an orderly resolution of failing banks with minimal costs to taxpayers and the real economy. Moreover, the Group is also subject to special bank taxes which have been introduced after the financial crisis and which have been increased in recent years.

Any levies, taxes or funding requirements imposed on the Group pursuant to the foregoing or otherwise in any of the jurisdictions where they operate could have a material adverse effect on the Group's business, financial condition and results of operations.

### **3.2 *The Group is subject to increasingly onerous minimum regulatory capital, liquidity and leverage requirements***

As a licensed credit institution, the Issuer is subject to the capital requirements and capital adequacy ratios of CRD IV, which implements the Basel III capital requirements. The CRD IV requirements include a capital conservation buffer and, in certain circumstances, a systemic buffer and/or a countercyclical buffer which come on top of the minimum requirements. These additional requirements will be fully phased in as from 2019 and will have an impact on the Group and its operations, as it imposes higher capital requirements.

The Group is subject to the risk, inherent in all regulated financial businesses, of having insufficient capital resources to meet the minimum regulatory capital requirements. Under CRD IV, capital requirements are inherently more sensitive to market movements than under previous regimes. Capital requirements will increase if economic conditions or negative trends in the financial markets worsen. Accordingly, banks could be required to raise additional capital if they were to incur losses

or asset impairments. Any such further capital increases may be difficult to achieve or only be raised at high costs in the context of adverse market circumstances.

Any failure of the Group to maintain its minimum regulatory capital ratios could result in administrative actions or sanctions or it ultimately being subject to any resolution action (including bail-in), which in turn is likely to have a material adverse impact on the Group's results of operations. A shortage of available capital may restrict the Group's opportunities for expansion.

CRD IV requires the Group to meet targets set for the Basel III liquidity related ratios, i.e., (i) the liquidity coverage ratio (**LCR**) under Article 412 CRR which requires banks to hold sufficient unencumbered high quality liquid assets to withstand a 30-day stressed funding scenario and (ii) the net stable funding ratio (**NSFR**) under Article 427 which is calculated as the ratio of an institution's amount of available stable funding to its amount of required stable funding. At year-end 2017, the NSFR of the Group stood at 134% and the average LCR in 2017 was 139%. By way of comparison, the requirements for the Group under CRD IV are 100% for NSFR and 100% (on 1 January 2018) for LCR. Therefore, the Group currently complies with the CRD IV requirements. However, failure to comply with these ratios in the future may lead to regulatory sanctions.

### ***3.3 The Group could become subject to the exercise of a “bail-in” tool or other resolution tools and powers by the Resolution Authority. The potential impact thereof is inherently uncertain, including in certain significant stress situations***

The BRRD, which was adopted in May 2014 and implemented in the Banking Law, provides common tools and powers to supervisory and resolution authorities to address banking crises preemptively in order to safeguard financial stability and minimise taxpayers' exposure to losses. The powers granted to resolution authorities under the BRRD include a “bail-in” tool in relation to unsecured debt (including the Warrants) and a statutory “write-down and conversion power” in relation to regulatory capital instruments. These powers allow resolution authorities to write down the claims of unsecured creditors of a failing institution in order to recapitalise the institution by allocating losses to its shareholders and unsecured creditors, or to convert debt into equity, as a means of restoring the institution's capital position. The bail-in tool is applicable to all liabilities (including the Warrants) as defined in the BRRD. Pursuant to Article 44 (2) and (3) of the BRRD certain liabilities of credit institutions are, however, excluded from the scope of the bail-in tool and therefore not subject to the bail-in. The bail-in tool was introduced with effect on 1 January 2016 and comes in addition to the write-down and conversion power applicable to additional tier 1 and tier 2 capital instruments, which is to be exercised before or at the latest concurrently with (but immediately prior to) the exercise of any resolution power (including the bail-in power).

Under the Banking Law, substantial powers have been granted to the NBB, the SSM and the SRM in their capacity as supervisory authority and resolution authority. These powers enable the Resolution Authority to deal with and stabilise credit institutions and their holding company (including KBC Group NV and the Issuer) that are failing or are likely to fail. In line with BRRD, the resolution regime will enable the Resolution Authority to: (i) transfer all or part of the business of the relevant entity or the shares of the relevant entity to a private sector purchaser; (ii) transfer all or part of the business of the relevant entity to a “bridge bank”; (iii) obtain the temporary public ownership of the relevant entity and/or (iv) bail-in unsecured debt (including the Warrants). Moreover, competent supervisory and resolution authorities are entrusted with broad early intervention powers and institutions will be required to draw up recovery and resolution plans and demonstrate their resolvability.

Moreover, in order to make the bail-in power effective, BRRD and the Banking Law provide that credit institutions (including the Issuer) will at all times have to meet a minimum requirement for own funds and eligible liabilities (**MREL**) so that there is sufficient capital and liabilities available to

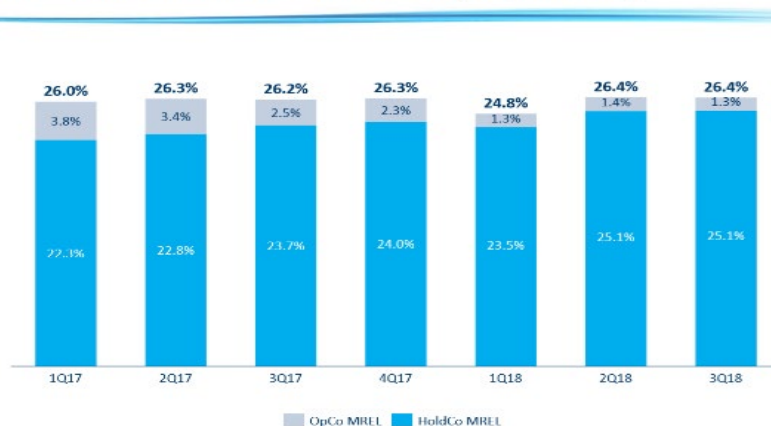


stabilise and recapitalise failing credit institutions. These requirements will be gradually phased in. The resolution plan for KBC is based on a Single Point of Entry (SPE) approach<sup>1</sup> at the level of KBC Group. Bail-in is the preferred resolution tool.

As at 30 June 2018, the MREL ratio based on instruments issued by KBC Group stood at 25.1 per cent. of risk weighted assets (the ‘point of entry’ view). Based on the broader SRB definition, which also includes eligible instruments of the Issuer, the MREL ratio applicable to the Issuer amounted to 26.4 per cent. of risk weighted assets (the ‘consolidated’ view). The SRB requires KBC Group to achieve a ratio of 25.9 per cent. by 1 May 2019 using eligible instruments of both KBC Group and the Issuer.

On 25 November 2016, the European Commission proposed certain further amendments to CRD IV and BRRD, including, amongst others, to implement the TLAC proposal. The proposed changes are currently scheduled to be adopted and implemented in large part by 2019. It is not entirely clear at this stage to what extent TLAC will be adopted in respect of MREL, including in relation to the sanctions that would apply in the case of an institution’s failure to comply with MREL. Any failure to comply may have a material adverse effect on the Group’s business and results of operation.

Available MREL as a % of RWA (fully loaded)



As these are new rules and there are still a number of important implementation rules that need to be adopted under CRD IV, BRRD and the Banking Law, uncertainty remains about the potential effect thereof on the business and operations of the Group and how the authorities may choose to exercise the powers afforded to them under such rules.

### 3.4 *Belgian bank recovery and resolution regime*

BRRD has been transposed into Belgian law as from 3 March 2015. Under the Belgian bank recovery and resolution regime, the supervisory and resolution authorities (which includes the Resolution Authority) are able to take a number of measures in respect of any credit institution it supervises if deficiencies in such credit institution's operations are not remedied. Such measures include the appointment of a special commissioner whose consent is required for all or some of the decisions taken by all the institution's corporate bodies; the imposition of additional requirements in terms of solvency, liquidity, risk concentration and the imposition of other limitations; limitations on variable remuneration; the complete or partial suspension or prohibition of the institution's activities; the requirement to transfer all or part of the institution's participations in other companies; the replacement of the institution's directors or managers; the revocation of the institution's licence; and

<sup>1</sup> This resolution strategy involves a single resolution authority applying resolution tools at the holding or parent company level of a group. In the present case, this is on the level of KBC Group.

the right to impose the reservation of distributable profits, or the suspension of dividend distributions or interest payments to holders of additional Tier 1 capital instruments.

Furthermore, the lead regulators can impose specific measures on important financial institutions (including the Group), when the Resolution Authority is of the opinion that (a) such financial institution has an unsuitable risk profile or (b) the policy of the financial institution can have a negative impact on the stability of the financial system.

These new regulations confer wide-ranging powers on competent authorities to intervene and to alter an institution's business, operations and capital markets and debt structure which could have significant consequences on the Group's profitability, operations and financing costs. As these are new rules and as there remain a number of important implementing measures that still need to be adopted, there is considerable uncertainty about the potential effect thereof on the business and operations of the Group and how the authorities may choose to exercise the powers afforded to them under such laws and regulations.

Please also refer to "*The Group could become subject to the exercise of a "bail-in" tool or other resolution tools and powers by the Resolution Authority. The potential impact thereof is inherently uncertain, including in certain significant stress situations*" above for further information.

### **3.5 *The Group is highly concentrated in and hence vulnerable to European sovereign exposure, in particular in its home country Belgium***

The Group conducts the vast majority of its business in the European Union. Part of that business has led to an exposure by the Group towards various countries in the European Union, including certain countries which have come under market pressure in the past few years and which have not yet fully recovered from the effects of the financial crisis. It is possible that economic and financial developments in certain European countries could put pressure on their ability to meet their obligations vis-à-vis their creditors, including the Group. If any such sovereign risk were to materialise, the Group's business, financial condition and results of operation could be materially adversely affected.

### **3.6 *While KBC Bank Group strictly manages its operational risks, these risks remain inherent to its business***

KBC Bank Group is exposed to many types of operational risks, including fraudulent and other criminal activities (both internal and external), breakdowns in processes or procedures and systems failure or non-availability. In addition, KBC Bank Group may also be subject to disruptions of its operating systems, or of the infrastructure that supports it, arising from events that are wholly or partially beyond KBC Bank Group's control (for example, natural disasters, acts of terrorism, computer viruses, pandemics, transport or utility failures or external vendors not fulfilling their contractual obligations) which could give rise to losses in service to customers and to loss or liability to KBC Bank Group.

The operational risks that KBC Bank Group faces include the possibility of inadequate or failed internal or external processes or systems, human error, regulatory breaches, employee misconduct or external events such as fraud or cybercrime. These events can potentially result in financial loss as well as harm to its reputation. Additionally, the loss of key personnel could adversely affect KBC Bank Group's operations and results.

KBC Bank Group attempts to keep operational risks at appropriate levels by maintaining a sound and well controlled environment in light of the characteristics of its business, the markets and the

regulatory environments in which it operates. While these control measures mitigate operational risks they do not eliminate them.

## **II. RISKS RELATING TO THE WARRANTS**

### ***1. General risk relating to Warrants***

#### ***1.1 The Warrants are complex financial instruments***

Warrants are complex financial instruments. A potential investor should not invest in Warrants which are complex financial instruments unless, on the basis of (i) all the information set forth in this Base Prospectus (and any supplement, if applicable) and, in particular, the considerations set forth below and (ii) all the information set forth in the Applicable Final Terms, it is able to make an informed investment decision.

#### ***1.2 Warrants involve a high degree of risk and investors must be prepared to sustain a total loss of the purchase price of their Warrants***

The repayment of any amount invested in Warrants and any return on investment is variable and not guaranteed. Unlike a savings account or similar investment with a lower return and little or no capital risk, Warrants may potentially have a greater return but there is a greater risk of loss of capital. This is because the Warrants are designed to track the price or level of the Underlying Share. The occurrence of fluctuations or the non-occurrence of anticipated fluctuations in the Share Value of the Underlying Share will disproportionately affect the Warrant Value. As a result thereof the Warrant Value will be adversely affected and in a worst case scenario become zero as well. Investors in the Warrants would then lose all of their invested amounts.

An investment in Warrants is not equivalent to an investment in a time deposit. Warrants do not pay any interest. The Warrants are not covered by the Belgian deposit protection scheme.

#### ***1.3 If not Exercised in accordance with the Conditions prior to the Expiration Date, a Warrant will become void and expire worthless***

Warrant Holders risk losing their entire investment if the Underlying Share does not perform as anticipated. Further risks may include, among others, interest rate, foreign exchange, time value and political risks. A Warrant is an asset which, other factors held constant, tends to decline in value over time and which becomes worthless if it cannot be Exercised prior to its expiry. Prospective Warrant Holders should be experienced with respect to options and option transactions and should understand the risks of transactions involving the relevant Warrants on the basis of this Prospectus.

The risk of loss of some or all of the purchase price of a Warrant upon expiration means that, in order to recover and realize a return upon its investment, a Warrant Holder must be correct about the direction, timing and magnitude of an anticipated change in the Share Value of the Underlying. Assuming all other factors are held constant, the more a Warrant is 'out-of-the-money' (meaning that the Share Value of the Underlying Share that can be acquired upon Exercise of the Warrant is below the Exercise Price of the Warrant) and the shorter its remaining term to expiration, the greater the risk that holder of such Warrants will lose all or part of its investment.

In addition, Warrant Holders should consider that the return on the investment in Warrants is reduced by the costs in connection with the purchase, exercise and/or sale of the Warrants.

The terms of the Warrants differ from those of ordinary debt securities. The Warrants do not entitle the holder of the Warrants to receive a coupon payment or dividend yield and therefore do not constitute a regular source of income. Possible losses in connection with an investment in the Warrants can therefore not be compensated by other income from the Warrants.

#### **1.4 *Exposure to the Underlying Share***

Following Exercise of the Warrant and delivery of the Entitlement, the Warrant Holder will be directly exposed to any fluctuation in the Share Value of the Underlying Share. Furthermore, in order to obtain any cash (return) from its investment following the Exercise of the Warrant, the investor will need to be able to sell the Underlying Share in the open market, in which case it will be exposed to any illiquidity in the market for the Underlying Share and will need to bear any costs, expenses and/or taxes that would be incurred in respect of the sale of such Underlying Share.

#### **1.5 *Credit Risk***

The Warrant Holder bears the risk that the financial situation of the Issuer declines or that insolvency or bankruptcy proceedings are instituted against the Issuer and that as a result the Issuer cannot fulfil its obligations under the Warrants (the Issuer's credit risk). If the Issuer were insolvent or defaulted on its obligations under the Warrants, in the worst case scenario, investors in the Warrants could lose all of their invested amounts.

#### **1.6 *Warrants are unsecured obligations***

The Warrants are direct, unconditional, unsecured and unsubordinated obligations of the Issuer and will rank *pari passu* with all present and future unsecured and unsubordinated obligations of the Issuer, without any preference among themselves and without any preference one above the other by reason of priority of date of issue, any currency of payment or otherwise, except for obligations given priority by the applicable law.

The Warrants will not be secured by the Underlying Share(s) to which such Warrant is linked. The Warrant Holder will not have recourse to any Underlying Share or any other security/collateral if the Issuer does not perform its obligations under the Warrants.

The Warrant Holders are qualified as senior preferred creditors under article 389/1, 1° of the Belgian Banking Law, and such creditors have a higher priority ranking than the so-called senior non-preferred creditors defined under article 389/1, 2° of the Belgian Banking Law.

#### **1.7 *No ownership rights***

An investment in Warrants is not the same as an investment in the Underlying Share and does not provide the Warrant Holder (prior to the Exercise of the Warrants) with any of the rights that a holder of the Underlying Share may have (such as voting rights and rights to receive dividends).

#### **1.8 *Certain factors affecting the value and Trading Price of the Warrants***

The difference between the Share Value of the Underlying Share that can be acquired upon Exercise of the Warrant and the Exercise Price (such difference constituting the Intrinsic Value of the Warrant) at any time prior to the Expiration Date is typically expected to be less than the Trading Price of the Warrant at such time. The difference between the Intrinsic Value and the Trading Price will reflect, among other things, the Time Value of a Warrant, which reflects the upward potential of the Share Value of the Underlying Share before the end of the Exercise Period. The Time Value of a

Warrant will depend partly upon the length of the Exercise Period remaining to Expiration Date (as well as on certain of the other factors affecting the Warrant Value mentioned below).

Before Exercising or Selling Warrants, Warrant Holders should carefully consider, among others, the following factors which may affect the value of the Warrant: (i) the Share Value and volatility of the Underlying Share; (ii) the time remaining to the Expiration Date; (iii) the components of the Underlying Share; (iv) the dividends of the components of the Underlying Share; (v) any change in interest rates (if applicable); (vi) any change in currency exchange rates (if applicable); (vii) the depth of the market or liquidity of the Underlying Share and (viii) any related transaction costs. As a result of such factors, the price at which Warrant Holder may be able to Sell a Warrant prior to its Expiration Date may be less than the initial amount invested in the Warrant. Each of these factors interrelate in complex ways (for example, one factor may offset an increase in trading value of the Warrant caused by another factor).

Investors are at risk that the Warrant Value may be adversely affected by one or more of the following factors:

(a) *Fluctuations Share Value of the Underlying Share*

Fluctuations in Share Value of the Underlying Share may affect the Warrant Value. The Share Value of the Underlying Share may vary over time and may increase or decrease by reference to a variety of factors which may include corporate actions, macro-economic factors and speculation.

(b) *Volatility of the Underlying Share*

If the size and frequency of market fluctuations of the Underlying Share decreases the trading value of the Warrants would likely decrease.

(c) *Time remaining to the Expiration Date*

The Warrants may trade at a price above that which would be expected based on the level of the Share Value of the Underlying Share. Any such difference will reflect the *Time value* resulting from the length of the Exercise Period remaining prior to the Expiration Date. An investor in the Warrants should be aware of the risk that, as the time remaining to the Expiration Date of the Warrants decreases, the Time Value would likely decrease, which would adversely affect the value of the Warrants. If all other circumstances remain equal, the value of the Warrants will in principle be decreasing overtime.

(d) *Interest rates*

Changes in interest rates will have a direct impact on the Time Value of the Warrants and hence have an impact on the Warrant Value. Changes in interest rates may also affect the economy of a country in which the Underlying Share is traded, which may adversely affect the Warrant Value

(e) *Dividend rates*

An investor in the Warrants is subject to the risk that changes in dividend or other distribution rates on the Underlying Share may adversely affect the trading price of the Warrants.

(f) *Currency rates*

Rising quoted currency rates may lower the value of the Warrants. Changes in currency rates may also affect the economy of a country in which the underlying is traded, and which may adversely affect the value of the Warrants.

(g) *Leverage effect*

Finally, investors should also consider the leverage effect of Warrants which can be explained as follows: the relatively lower investment required to obtain a Warrant (compared to a direct investment in the relevant Underlying Share) will allow the Warrant Holder, for a same investment amount, to invest in a relatively higher number of Warrants. Whereas it is normal for prices of a Warrant to move in parallel with the prices of the Underlying Share, the investment of an equal amount in Warrants compared to a direct investment in the Underlying Share, will result in larger gains on the Warrants in the event the price of the Underlying Share increases, but also larger losses in case such price decreases.

## **1.9 Pricing**

As part of the valuation mechanism, Warrants may specify a Valuation Time and an Exchange and Related Exchange in which the Share Value of the Underlying Shares are to be observed. Depending on how the Share Value of the Underlying Shares is calculated, the Share Value of such Underlying Shares may fluctuate throughout the Scheduled Trading Day, and they may change rapidly. As a result, investors should note that return on any Warrants may be particularly sensitive to the choice of Valuation Times and valuation methods. The “price discovery” mechanism used to ascertain the Share Value of the Underlying Shares at any given time on Exchanges or other venues may not be uniform throughout the trading day. This may affect the valuation of any issuance of Warrants. For example, Exchanges may conduct auctions to set an opening or closing price, and trading characteristics and participants in after-hours trading sessions may differ from those during regular hour sessions.

### **1.10 Issuer and Agents’ discretion and valuation**

Certain determinations and calculations under the Programme and the Conditions of the Warrants will be made by any of the Issuer, the Warrant Agent or the Calculation Agent acting in good faith. Accordingly, an investor in the Warrants is subject to the risk that such determinations and calculations under the Warrants are conclusively determined by one party which may be the Issuer itself and any of its Affiliates and the investor cannot object to such calculation or determination. Such situation could result in a potential conflict of interest in the person of the Warrant Agent (see also below *1.20– Potential conflicts of interest*).

### **1.11 The influence of trading or hedging transactions of the Issuer on the Warrants**

The Issuer may in the course of its normal business activity engage in trading in the Underlying Shares. In addition, the Issuer may conclude transactions in order to hedge itself partially or completely against the risks associated with the issue of the Warrants. These activities of the Issuer may have an influence on the market price of the Warrants. A possible negative impact of the conclusion or dissolution of these transactions on the Warrant Value cannot be excluded.

### **1.12 Commission and cost of hedging**

The original Issue Price of the Warrants may include certain commissions or fees charged by the Issuer and/or the Dealer(s) and the cost or expected cost of hedging the Issuer's obligations under the Warrants and may include a distribution fee payable to the distributor of the Warrants (such commissions or fees will be reflected in the difference between the Issue Price per Warrant and the Initial Warrant Value per Warrant as specified in the Applicable Final Terms). Accordingly, there is a risk that upon issue, the price, if any, at which the Issuer, the Dealer(s) or their affiliates would be willing to purchase Warrants from the Warrant Holder in the secondary market would be lower than the original Issue Price or the market price or quoted level of the Underlying Share.

### **1.13 Hedging against the market risk**

Investors intending to invest in the Warrants to hedge against the market risk associated with investing in an Underlying Share should recognize that there is a risk that the Warrant Value may not exactly correlate with the Share Value of the related Underlying Share.

This is, in part, due to fluctuating supply and demand for the Warrants and any transaction and other costs reflected in the Warrant Value of the Warrants. For these reasons, among others, it may not be possible to purchase or Exercise Warrants at the prices calculated on basis of the Share Value of any Underlying Share to which such Warrant relates. Accordingly, investors who invest in Warrants as a means of hedging may be exposed to risks arising out of such differences in value.

### **1.14 Market Disruption Event**

Investors in the Warrants are subject to the risk that a Market Disruption Event will occur. A Market Disruption Event may occur in respect of a listed Underlying Share if, in respect of a relevant stock exchange or as determined by the Calculation Agent: there is an early closure without notice; limitations are imposed on trading; trading is suspended; or market participants are prevented from obtaining valuations or effecting transactions. If the Calculation Agent determines that a Market Disruption Event has occurred, any consequential postponement of or adjustment of valuation provided in any Underlying Share may have an adverse effect on the Warrant Value of such Warrants.

### **1.15 Settlement Disruption Event**

If, following the Exercise of a Warrant, a Settlement Disruption Event occurs or exists on the Share Delivery Date of the Underlying Shares, delivery of the Underlying Shares will be postponed until the third Business Day following the date on which no Settlement Disruption Event occurs.

The Issuer may in these circumstances also have the right to pay the Disruption Cash Settlement Price *in lieu* of delivering the Underlying Shares.

The Share Value of the Underlying Share may fluctuate during the period the Settlement Disruption Event continues and hence the investor in the Warrant is exposed that the Share Value of the Underlying Share during such period decreases.

### **1.16 Failure to Deliver**

If Failure to Deliver is specified as applying in the Applicable Final Terms and, following the Exercise of relevant Warrant(s), the Calculation Agent establishes it is impossible to deliver, when due, some or all of the Underlying Shares comprising the Entitlement (the **Affected Shares**) due to illiquidity in the market for the Underlying Shares, then

- (i) the Issuer will only deliver any Underlying Shares which are not Affected Shares and the Calculation Agent shall determine the Actual Exercise Price to be paid by the relevant Warrant Holder(s) in respect of that partial delivery; and
- (ii) in respect of any Affected Shares, *in lieu of* physical delivery, the Issuer will satisfy its obligations by payment to the relevant Warrant Holder(s) of the Failure to Deliver Settlement Price.

#### **1.17 Adjustment of the Warrants, replacement of an Underlying Share or cancellation of the Warrants**

If a Potential Adjustment Event, De-listing, Merger Event, Nationalisation, Insolvency or, if Tender Offer is specified as applying in the Applicable Final Terms in respect of a particular Series of Warrants, a Tender Offer occurs, prospective purchasers should note that the Warrants may be subject to either (i) adjustment by the Calculation Agent; or (ii) the substitution of the Underlying Share which is the subject of such an event by a replacement share selected by the Calculation Agent; or (iii) in the case of a De-listing, Merger Event, Nationalisation, Insolvency or Tender Offer, the Issuer may also cancel the Warrants as provided in the Conditions.

#### **1.18 Additional Disruption Event**

The Issuer may specify in the Final Terms any of the following Additional Disruption Events: “Change in Law”, “Hedging Disruption”, “Increased Cost of Hedging”, “Increased Cost of Stock Borrow” and/or “Loss of Stock Borrow” as Additional Disruption Event.

Warrant Holders should note that Additional Disruption Events may occur in relation to the relevant Warrants in certain circumstances described in the Conditions. If an Additional Disruption Event occurs, the Issuer may take the action described in (i) or (ii) below:

- (i) *in first instance*, require the Calculation Agent to determine the appropriate adjustment, if any, to be made to one or more of the Entitlement and/or the Exercise Price and/or the Actual Exercise Price and/or any of the other terms of these Conditions and/or the Applicable Final Terms to account for the Additional Disruption Event and determine the effective date of that adjustment; or
- (ii) *if the adjustment under (i) would not reasonably result in a repair of the contractual equilibrium (in line with the initially agreed terms of the Warrants)*, cancel the Warrants and pay an amount to each Warrant Holder based on the Fair Market Value of a Warrant taking into account the Additional Disruption Event, as the case may be, *plus*, if already paid, the Actual Exercise Price, the Exercise Cost and the Exercise Expenses, all as determined by the Calculation Agent.

In such case the Warrant Holders may suffer a loss of some or all of their investment and may forgo any appreciation in the Underlying Share that may occur following such Additional Disruption Event.

To the extent that the Warrant Holder is a consumer in Belgium, any adjustment pursuant to Condition (20) (*Additional Disruption Events*) may not relate to an essential feature of the Warrants, unless: (a) in the case of the occurrence of (i) a force majeure event or (ii) an event which substantially alters the economics of the contract as initially agreed between the parties and which is not attributable to the Issuer, (b) any such adjustment does not create an obvious imbalance between the rights and obligations of the parties to the detriment of the Warrant Holder, and (c) the Issuer does not charge costs to the Warrant Holder for any such adjustment. “Hedging Disruption”,



“Increased Cost of Hedging”, “Increased Cost of Stock Borrow” and/or “Loss of Stock Borrow” are Additional Disruption Events that will not be applicable to the extent that the Warrant holder is a consumer in Belgium.

### **1.19 *Illegality***

If the Issuer determines:

(a) in the case of a Warrant Holder who is not a consumer in Belgium, that the performance of any obligations of the Issuer under any Warrants or any hedging relating thereto becomes illegal, or

(b) in the case of a Warrant Holder who is a consumer in Belgium, that the performance of any obligations of the Issuer under any Warrants becomes illegal,

then the Issuer may cancel such Warrants and, if permitted by applicable law, pay the holder of each such Warrants an amount equal to the Fair Market Value of such Warrants notwithstanding such illegality, plus, if already paid, the Actual Exercise Price, the Exercise Cost and the Exercise Expenses, all as determined by the Calculation Agent in its sole and absolute discretion.

### **1.20 *Potential conflicts of interest***

The Issuer (or its Affiliates) may also engage in trading activities (including hedging activities) related to the Underlying Share and other instruments or derivative products based on or related to the Underlying Shares for their proprietary accounts or for other accounts under their management. The Issuer may also issue other derivative instruments in respect of the Underlying Shares. The Issuer may also act as underwriter in connection with future offerings of the Underlying Shares or other securities related to the Underlying Shares or may act as financial adviser to certain companies or in a commercial banking capacity for certain companies. Such activities could present certain conflicts of interest, could influence the prices of the Underlying Shares or other securities referring to the Underlying Share and could adversely affect the value of such Warrants. In case the Calculation Agent should make determinations and calculations in respect of the Warrants, the Calculation Agent shall act at all times in good faith and a commercially reasonable manner, but not necessarily in the interest of the Warrant Holder.

### **1.21 *Modifications***

Investors in the Warrants are subject to the risk that the Conditions may be modified without the consent of any Warrant Holder where the Issuer determines that (i) such modification is not materially prejudicial to the interests of the Warrant Holders as a whole; or (ii) such modification is of a formal, minor or technical nature or to correct a manifest or proven error, to cure, correct or supplement any defective provision contained herein and/or therein or to comply with mandatory provisions of the law; or (iii) such modification is made to correct an inconsistency between the final terms and the conditions of the Warrant issue (comprising these Conditions as completed by the relevant Final Terms) and the relevant term sheet relating to the Warrants. To the extent the Warrant Holder is a consumer in Belgium, any modification pursuant to Condition 13(d) may not relate to an essential feature of the Warrants, unless: (a) in the case of the occurrence of (i) a force majeure event or (ii) an event which substantially alters the economics of the contract as initially agreed between the parties and which is not attributable to the Issuer, (b) any such modification does not create an obvious imbalance between the rights and obligations of the parties to the detriment of the Warrant Holder, and (c) the Issuer does not charge costs to the Warrant Holder for any such modification.

### **1.22 *Price in case of Sale to the Issuer***

A Warrant Holder who holds Warrants other than END Warrants and who wishes to offer its Warrant(s) for sale to the Issuer should itself consult the website [www.kbctop.com](http://www.kbctop.com) in order to know

the Sale Price at which the Warrant(s) can be offered for Sale to the Issuer on a given Actual Sale Date.

A Warrant Holder who holds an END Warrant and who wishes to offer such Warrant for sale to the Issuer, should note that at the moment of its offer the applicable Sale Price will not yet be known, as this price shall only be determined at the end of the Business Day on which it makes the offer (or at the end of the following Business Day, if it makes the offer after 16:00h CET). The same risk applies to holders of other Warrants who offer their Warrants for sale in the period where the applicable Sale Price is not yet available (i.e. on any Business Day after 16:00 CET and before 09:00 CET on the following Business Day). Such Warrant Holders will therefore only be able to acknowledge the (potential) return on their investment after they have decided to sell the Warrant(s).

The Warrant Holder should thereby note that, in respect of a Sale of its Warrants to the Issuer in accordance with Condition (11)a and (11)bis a, it only has a right to offer the Warrant for Sale, but that the Issuer has no obligation to purchase its Warrant(s). Furthermore, even though the Issuer will publish once or twice a day Sale Price at which it would in principle be prepared to purchase Warrants in case of a Sale by a Warrant Holder, the Issuer also expressly reserves the right to deviate from such posted prices in the event of significant market fluctuations.

### **1.23 *Exercise Expenses, Sale Expenses and other charges and costs***

A Warrant Holder must pay all Exercise Expenses (in case of the Exercise of a Warrant) and all Sale Expenses (in case of using its right of Sale of a Warrant to the Issuer) relating to the Warrants. The Warrant Holder shall also be liable for any and all present, future, prospective, contingent or anticipated Taxes. For a further description of the Exercise Expenses, Sale Expenses and Taxes, please refer to the Conditions.

The Issuer will deduct from amounts payable to the Warrant Holder all Exercise Expenses, Sale Expenses and Taxes not previously paid by, or deducted from amounts paid to Warrant Holders as the Calculation Agent in its sole and absolute discretion determines are attributable to the Warrants.

### **1.24 *Exercise Risk and Sale Risk***

Exercise or Sale of the Warrants and delivery of the Entitlement to the Underlying Shares by the Issuer is subject to all applicable laws, regulations and practices in force on the relevant Actual Exercise Date or Actual Sale Date, as the case may be, and none of the Issuer, the Warrant Agent or the Calculation Agent shall incur any liability whatsoever if it is unable in case of force majeure to effect the transactions contemplated as a result of any such laws, regulations or practices. None of the Issuer, the Warrant Agent or the Calculation Agent shall under any circumstances, save in case of gross negligence or wilful misconduct, be liable for any acts or defaults of the Securities Settlement System or any Securities Settlement System participant in relation to the performance of its duties in relation to the Warrants.

### **1.25 *Governing Law***

The Conditions are based on the laws of Belgium in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to Belgian law or administrative practice after the date of this Base Prospectus. Such decision or change may result in a Change in Law and constitute an Additional Disruption Event.

### **1.26 *Disclosure of beneficial ownership***

An investor in Warrants might in some jurisdictions be treated as the beneficial holder of the Underlying Shares to which its Warrants relate. Consequently, depending on the size of an investor's exposure to the Underlying Shares, an investor in Warrants is subject to the risk that it (or the Issuer/its Affiliates) may be required by laws, regulations, rules, guidelines or other administrative practice in any relevant jurisdiction to provide information regarding the beneficial holder and the Warrants to any governmental or regulatory authority in such jurisdiction. The Issuer and its Affiliates reserve the right to request further information regarding the investor and the Warrants from the investor in order to comply with such disclosure requirements.

### **1.27 *Exercise of certain rights only possible through KBC accounts***

Regardless whether a Warrant is held by the investor (a) as a Registered Warrant or (b) a Dematerialised Warrant on a securities account outside of KBC Bank, in order to be able to exercise the following rights attached to a Warrant, the Warrant Holder will in any event need to dispose of an account held with KBC Bank: (i) a securities account for purposes of the delivery of the Underlying Share to the Warrant Holder in case of Exercise of the Warrant, (ii) a securities account in case of a Sale of a Dematerialised Warrant to the Issuer, and (iii) a cash account for the payment of the Actual Exercise Price, the Exercise Costs and the Exercise Expenses in case of the Exercise of a Warrant. While it is possible for investors to trade (purchase and sell) Dematerialised Warrants through securities accounts held with Securities Settlement System participants other than KBC Bank, the exercise of the aforementioned rights will require the opening of a securities account and a cash account with KBC Bank in case the Warrant holder does not have such account.

### **1.28 *Dematerialised Warrant – Securities Settlement System***

The Dematerialised Warrants will be represented exclusively by book entries in the records of Securities Settlement System and will be held by the Warrant Holder (or its successor or transferee) through a securities account with KBC Bank NV or with a direct or indirect participant in the Securities Settlement System. In case of transfers of Dematerialised Warrants between investors, the investors will have to rely on the procedures of the Securities Settlement System and the Securities Settlement System participants for settlement of such transfers. Transfers of Dematerialised Warrants are subject to the risk of those settlement procedures failing and that book entries in the records of the Securities Settlement System (or of the participants) are entered incorrectly which may lead to difficulties for an investor asserting ownership of its Warrants.

The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, the Dematerialised Warrants. Warrant Holders should also inform themselves about any costs of holding the Dematerialised Warrants on a securities account outside of KBC Bank. The Issuer does not bear any responsibility in respect of such costs.

### **1.29 *Dematerialised Warrants – application of the regime of the Coordinated Royal Decree No. 62 of 10 November 1967 governing the custody of transferable financial instruments and the settlement of transactions on these instruments (“RD 62”)***

Upon dematerialisation in accordance with Condition (6), the Dematerialised Warrants will be represented exclusively by book entries in the records of the Securities Settlement System and held by the Warrant Holder (or its successor or transferee) through a securities account with KBC Bank or with a securities account of a direct or indirect participant in the Securities Settlement System. As result, the Dematerialised Warrants can be transferred by transferring such Warrants between securities accounts held with direct or indirect participants in the Securities Settlement System.

RD 62 creates a legal framework for the custody and transfer of fungible financial instruments in a book entry system. RD 62 in particular defines the type of claims an account holder has against the intermediaries within the book entry system with whom it holds its financial instruments on account and creates certain *in rem* rights to reclaim the financial instruments in case of insolvency of the intermediary with whom the financial instruments are held, protecting the account holder.

RD 62 provides that certain rules of RD 62, including the aforementioned *in rem* rights to reclaim financial instruments in case insolvency of an intermediary can be made applicable contractually at the time of deposit by a party of financial instruments with a participant in the Securities Settlement System.

The Issuer, the Securities Settlement System and, by subscribing or acquiring the Warrants, the Warrant Holders will consent to the contractual application of the provisions of RD 62 to the Dematerialised Warrants. The Warrant Holders should therefore have the benefit of the relevant provisions of RD 62, including in case of insolvency of certain intermediaries with whom they hold their Registered Warrants account (provided such relevant account with the intermediary is located in Belgium). Warrant Holders should however be aware that to date there is no case law which has tested the contractual application of the rules of RD 62 to financial instruments.

## **2 Risks related to the market generally**

### **2.1 Possible illiquidity of the Warrants in the Secondary Market**

It is not possible to predict the price at which Warrants will trade in the secondary market or whether such market will be liquid or illiquid. The Issuer may, but is not obliged to (except to the extent that the Issuer acts as market-maker for an issue of Warrants admitted to trading on Euronext Brussels), at any time purchase Warrants at any price in the open market or by tender or private treaty. Any Warrants so purchased may be held or resold or surrendered for cancellation. Even if the Issuer is a market-maker for an issue of Warrants, the secondary market for such Warrants may be limited. To the extent that an issue of Warrants becomes illiquid, an investor may have to exercise such Warrants to realize value.

### **2.2 Exchange rate risks and exchange controls**

In the event of Exercising the Warrants or Selling the Warrants to the Issuer, the Warrant Holder will pay the Actual Exercise Price or the Issuer will pay the Sale Price in the specified Currency provided in the Applicable Final Terms (**Specified Currency**). This presents certain risks relating to currency conversions if the Underlying Shares are denominated principally in a currency or currency unit other than the Specified Currency (the **Share Currency**). These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Share Currency) and the risk that authorities with jurisdiction over the Share Currency may impose or modify exchange controls.

If an investor anticipates that it will need to convert payments made to it under the Warrants to it into a currency of its choice, then the investor is subject to the risk that the currency conversion rate

which it must pay for exchanging the obtained currency into the chosen currency becomes less attractive and therefore decreased the realisable value of its investment.

Government and monetary authorities may impose exchange controls that could adversely affect an applicable exchange rate. As a result, the amount that investors may receive from the Issuer in the event of selling the Warrants back to the Issuer may be less than expected or zero.

### **2.3 *There may be no active trading market for the Warrants***

The Issuer has filed an application to have Warrants issued under the Programme listed on the regulated market of Euronext Brussels. If the Warrants are admitted to trading after their issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. There is no assurance that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Warrants. Furthermore, it cannot be guaranteed that a listing once approved will be maintained.

#### 4. RESPONSIBILITY STATEMENT

The Issuer accepts responsibility for the information contained in this Base Prospectus and each relevant Final Terms. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Market data and other statistical information used in this Base Prospectus has been extracted from a number of sources, including independent industry publications, government publications, reports by market research firms or other independent publications (each an **Independent Source**). The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the relevant Independent Source, no facts have been omitted which would render the reproduced information inaccurate or misleading.

## 5. SELLING RESTRICTIONS

The Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable laws and legal regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Warrants or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Warrants under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries. None of the Issuer or any other Dealer shall have any responsibility therefor.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Warrants, or possession or distribution of the Base Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

None of the Issuer or any Dealer represents that Warrants may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Series, the relevant Dealer(s) will be required to comply with such other restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the Applicable Final Terms.

In particular (but without limiting the generality of the above), subject to any amendment or supplement which may be agreed with the Issuer in respect of the issue of any Series, each Dealer appointed under the Programme will be required to agree, to comply with the following provisions except to the extent that, as a result of any change in, or the official interpretation of, any applicable laws and/or regulations, non-compliance would not result in any breach of the applicable laws and/or regulations.

### **Selling restriction in the EEA**

The Issuer has not authorised any offer to the public of Warrants in any Member State of the European Economic Area. In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), an offer to the public of any Warrant may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any Warrant may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- (i) to legal entities which are qualified investors as defined under the Prospectus Directive;
- (ii) to fewer than 100, or, if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive (as defined below), 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant dealer;
- (iii) in respect of an offer of securities whose denomination per unit amounts to at least EUR 100,000; or
- (iv) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of the Warrants shall result in a requirement for the Issuer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of the provisions above, the expression an **offer to the public** in relation to any Warrants 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 Warrants to be offered so as to enable an investor to decide to purchase any Warrants, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State.

## **United Kingdom**

The Issuer and each Dealer has represented and agreed that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the **Financial Services and Markets Act**)) received by it in connection with the issue or sale of any Warrants in circumstances in which Section 21(1) of the Financial Services and Markets Act does not apply to the Issuer; and
- (ii) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act with respect to anything done by it in relation to the Warrants in, from or otherwise involving the United Kingdom.

## **United States**

In particular, and without prejudice to the foregoing, the Warrants have not been, and will not be, registered under the United States Securities Act of 1933 as amended (the Securities Act) and may not be offered or sold within the United States of America to, or for the account or benefit of, U.S. Persons (as such term is defined in the Conditions). Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.



## 6. DOCUMENTS INCORPORATED BY REFERENCE

The following documents, which have previously been published or are published simultaneously with this Base Prospectus and have been filed with the FSMA, shall be incorporated in, and form part of, this Base Prospectus:

- The audited consolidated annual financial statements of the Issuer for the financial years ended 31 December 2016 together with the related statutory auditors' report;<sup>2</sup>
- The unaudited consolidated interim financial statements of the Issuer for the half year ended 30 June 2017<sup>3</sup>.
- The audited consolidated annual financial statements of the Issuer for the financial years ended and 31 December 2017, together with the related statutory auditors' report;<sup>4</sup>
- The unaudited consolidated interim financial statements of the Issuer for the half year ended 30 June 2018.<sup>5</sup>

Following the publication of this Base Prospectus a supplement may be prepared by the Issuer and approved by the FSMA in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in a document incorporated by reference therein) shall, to the extent applicable, be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the registered office of the Issuer and on the website at [www.kbc.com](http://www.kbc.com).

Under Article 34 of the Belgian Prospectus Law, the Issuer is required to prepare and publish a supplement to the Base Prospectus if a significant new factor, material mistake or inaccuracy relating to the information included in the Base Prospectus which is capable of affecting the assessment of the Belgian warrants and which arises or is noted between the time when the Base Prospectus is approved and the final closing of the offer to the public or, as the case may be, the time when trading on a regulated market begins, whichever occurs later.

Furthermore, in connection with the listing of the Warrants on Euronext Brussels, so long as any Warrant remains outstanding and listed on such exchange, in the event of any material adverse change in the financial condition of the Issuer which is not reflected in this Base Prospectus, the Issuer will prepare a further supplement to this Base Prospectus or publish a new base prospectus for use in connection with any subsequent issue of the Warrants to be listed on Euronext Brussels.

If the terms of the Programme are modified or amended in a manner which would make this Base Prospectus, as supplemented, inaccurate or misleading, a new base prospectus will be prepared.

---

<sup>2</sup> [https://www.kbc.com/en/system/files/doc/investor-relations/Results/JVS\\_2016/JVS\\_2016\\_BNK\\_en.pdf](https://www.kbc.com/en/system/files/doc/investor-relations/Results/JVS_2016/JVS_2016_BNK_en.pdf)

<sup>3</sup> [https://www.kbc.com/en/system/files/doc/investor-relations/9-Bank-info/2017\\_1H\\_JVS\\_bank\\_en.pdf](https://www.kbc.com/en/system/files/doc/investor-relations/9-Bank-info/2017_1H_JVS_bank_en.pdf)

<sup>4</sup> [https://www.kbc.com/en/system/files/doc/investor-relations/Results/JVS\\_2017/JVS\\_2017\\_BNK\\_en.pdf](https://www.kbc.com/en/system/files/doc/investor-relations/Results/JVS_2017/JVS_2017_BNK_en.pdf)

<sup>5</sup> [https://www.kbc.com/en/system/files/doc/investor-relations/9-Bank-info/2018\\_1H\\_JVS\\_Bank\\_en.pdf](https://www.kbc.com/en/system/files/doc/investor-relations/9-Bank-info/2018_1H_JVS_Bank_en.pdf)

## Specific items contained in *Documents Incorporated by Reference*

### Documents

<i>Audited consolidated annual financial statements of the Issuer and its consolidated subsidiaries for the financial year ended 31 December 2016*</i>	<b>Page number</b>
report of the board of directors	5-69
consolidated balance sheet	73
consolidated income statement	71
consolidated statement of comprehensive income	72
consolidated cash flow statement	76-77
notes to the financial statements	78-139
statutory auditors' report	140-143
consolidated statement of changes in equity	74-75

<i>Audited consolidated annual financial statements of the Issuer and its consolidated subsidiaries for the financial year ended 31 December 2017*</i>	<b>Page number</b>
report of the board of directors	5-73
consolidated balance sheet	77
consolidated income statement	75
consolidated statement of comprehensive income	76
consolidated cash flow statement	80-81
notes to the financial statements	82-146
statutory auditors' report	147-154
consolidated statement of changes in equity	78-79

<i>Unaudited consolidated interim financial statements of the Issuer for the half year ended 30 June 2017*</i>	<b>Page number</b>
report for the six months of 2017	2-8
consolidated financial statements according to IFRS	9-27
consolidated income statement	10
condensed consolidated statement of comprehensive income	11
consolidated balance sheet	12
consolidated statement of changes in equity	13
condensed consolidated cash flow statement	14
notes on statement of compliance and changes in accounting policies	14
notes on segment reporting	15
other notes	16-25
auditors' report	26-27
other information	28-31

<i>Unaudited consolidated interim financial statements of the Issuer for the half year ended 30 June 2018*</i>	<b>Page number</b>
report of the board of directors	5-9
consolidated income statement	11
condensed consolidated statement of comprehensive income	12
consolidated balance sheet	13
consolidated statement of changes in equity	14
condensed consolidated cash flow statement	15
notes on statement of compliance and changes in accounting policies	15-29
notes on segment reporting	33-34
other notes	35-43
statutory auditors' report	44-45

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

Information contained in the documents incorporated by reference other than information listed in the table above is for information purposes only.

## 7. TERMS AND CONDITIONS OF THE WARRANTS

*The following are the terms and conditions of the Warrants (the **Conditions**) which will apply to each Series of Warrants issued under the Programme. Certain information which is applicable to each Series of Warrants will be set out in a final terms document (the **Final Terms**). Since the Final Terms that are applicable to a particular Series of the Warrants (the **Applicable Final Terms**) may only be determined when such Series of Warrants is issued, the Conditions set out below should be read in conjunction with the relevant Applicable Final Terms which will be published upon each issue of Warrants in accordance with Article 14 of the Prospectus Directive.*

KBC Bank NV (the **Issuer**) has established a programme (the **Programme**) for the issuance of call warrants (*koopwarranten/warrants d'achat*) relating to certain Underlying Shares (as defined in Condition 1 below) (the **Warrants**).

The Warrants are one of a Series of Warrants issued by the Issuer pursuant to a Warrant Agreement dated on or about 27 February 2019 (such Warrant Agreement as amended and/or supplemented and/or restated from time to time, the **Warrant Agreement**) between, *inter alia*, the Issuer and KBC Bank NV as Warrant Agent. In accordance with the provisions of the Warrant Agreement, additional Warrant Agents may be appointed from time to time in respect of a particular Series as set out in the Applicable Final Terms of such Series. KBC Bank NV shall also, in accordance with the provisions of the Warrant Agreement, undertake the duties of Calculation Agent as set out in these Conditions and in the Applicable Final Terms. In accordance with the provisions of the Warrant Agreement, additional Calculation Agents may be appointed from time to time in respect of a particular Series as set out in the Applicable Final Terms of such Series (in which case a separate calculation agency agreement will be concluded between the Issuer and such Calculation Agent in the form set out in the schedule to the Warrant Agreement, the **Calculation Agency Agreement**). The expression Calculation Agent shall, in relation to the relevant Warrants, include such other specified calculation agent.

The Applicable Final Terms for a particular Series of Warrants (or the relevant provisions thereof) are set out in Part A of the Final Terms and are attached hereto and complete these Conditions for the purposes of such particular Series of Warrants.

As used herein, a **Series** means Warrants which are identical in all respects (including, for the avoidance of doubt, as to the Issue Date and Issue Price (such terms as defined below)).

Certain provisions of these Conditions include summaries of, and are subject to, the detailed provisions of the Warrant Agreement. The Warrant Agreement and the Applicable Final Terms (and, if applicable in respect of a particular Series, any Calculation Agency Agreement) are available for inspection at and copies thereof may be obtained from the specified office of the Warrant Agent set out at the end of these Conditions during normal business hours, save that if the relevant Warrants are not admitted to trading on a regulated market in the European Economic Area, the Applicable Final Terms will only be obtainable by a Warrant Holder (as defined below) holding one or more Warrants and such Warrant Holder must produce evidence satisfactory to the Warrant Agent as to its holding of such Warrants and identity.

*Where applicable, the Issuer and the Calculation Agent undertake to comply with Book VI of the Belgian Code of Economic Law in respect of Warrants issued under the Programme and subscribed to by consumers in Belgium.*

*To the extent the Warrant Holder is a consumer in Belgium, the Issuer may not unilaterally modify an essential feature of the Warrants, unless: (a) in the case of the occurrence of (i) a force majeure event or (ii) an event which substantially alters the economics of the contract as initially agreed between the parties and*

which is not attributable to the Issuer, (b) any such modification does not create an obvious imbalance between the rights and obligations of the parties to the detriment of the Warrant Holder, and (c) the Issuer does not charge costs to the Warrant Holder for any such modification.

Furthermore, to the extent the Warrant Holder is a consumer in Belgium, the cancellation of the Warrants provided for in the Conditions is only possible upon a decision of the Issuer or the Calculation Agent: (a) if (i) a force majeure event has occurred and (ii) the Issuer does not charge additional costs to the Warrant Holder for such cancellation; or (b) if (i) an event has occurred which substantially alters the economics of the contract as initially agreed between the parties and which is not attributable to the Issuer, (ii) such cancellation does not create an obvious imbalance between the rights and obligations of the parties to the detriment of the Warrant Holder, (iii) the Issuer does not charge costs to the Warrant Holder for such cancellation, and (iv) the Issuer reimburses the Warrant Holder the costs (other than the Actual Exercise Price, the Exercise Costs and the Exercise Expenses) already paid by such Warrant Holder pro rata in the following proportion: (total initial term MINUS elapsed period at the time of such cancellation) / total initial term.

The Warrants are instruments that allow the Warrant Holder to gain an exposure on an Underlying Share. Their value may fluctuate based on, *inter alia*, fluctuations in the Share Value of the Underlying Share. The Warrants grant the Warrant Holders a right of Exercise of the Warrants (see Conditions (7)a), (8) and (9)) and a right to sell the Warrants either to the Issuer (see Conditions (7)b)ii and (11)) or to third parties in the open market (see Conditions (7)b)i and (10)). Subject to the applicable costs and expenses as referred to in these Conditions, in case of an Exercise of the Warrants, the Warrant Holders may realise a return by selling the Underlying Shares they receive upon Exercise provided the Warrants have an Intrinsic Value at such time. Subject to the applicable costs and expenses as referred to in these Conditions, in case of a sale of the Warrant, the Warrant Holders can make a return if (a) the Trading Price at which they are able to Sell their Warrant(s) to a third party in the open market or (b) the Sale Price at which they are able to Sell their Warrant(s) to the Issuer, is higher than the Trading Price or the Issue Price (as applicable) at which the relevant Warrant(s) was (were) acquired.

As set out above, a number of Conditions grant or may grant the Issuer, the Calculation Agent and/or the Warrant Agent a unilateral right to modify certain features of the Warrants (including, but not limited to, the postponement of the Share Delivery Date, provide for a cash settlement rather than a physical delivery of the Underlying Share or making adjustments to the Entitlement and/or the Exercise Price, which are to be considered as substantial features of the Warrants):

- (a) Condition (8)d (*Settlement Disruption*);
- (b) Condition (8)e (*Failure to Deliver*), if specified in the Applicable Final Terms;
- (c) Condition (13)cd (*Modification*);
- (d) Condition (19)a (*Potential Adjustment Events*);
- (e) Condition (19)b (*De-Listing, Merger Event, Tender Offer (if specified in the Applicable Final Terms), Insolvency and Nationalisation*);
- (f) Condition (20) (*Additional Disruption Events*): “Change in Law”, “Hedging Disruption”, “Increased Cost of Hedging”, “Increased Cost of Stock Borrow” and/or “Loss of Stock Borrow”, in each case if specified in the Applicable Final Terms.

The sole purpose of these provisions is to allow the Issuer, the Calculation Agent and/or the Warrant Agent, as the case may be, upon the occurrence of certain events (i) which are outside of the control of the Issuer,

the Calculation Agent and/or the Warrant Agent, (ii) which were not reasonably foreseeable at the time of issuance of the relevant Warrants, and (iii) to the extent that the Warrant Holder is a consumer in Belgium, which significantly alters the economics of the contract as initially agreed between the parties, to make modifications to the Warrants that would allow the rights and obligations under the Warrants to be exercised and performed by the Warrant Holders in view of realising a return to the extent possible in accordance with the initially agreed terms and contractual equilibrium.

Furthermore, a number of Conditions grant or may grant the Issuer, the Calculation Agent and/or the Warrant Agent a right to terminate and cancel the Warrants under certain circumstances:

- (a) Condition (12) (*Illegality*);
- (b) Condition (19)b (*De-Listing, Merger Event, Tender Offer (if specified in the Applicable Final Terms), Insolvency and Nationalisation*);
- (c) Condition (20) (*Additional Disruption Events*): “Change in Law”, “Hedging Disruption”, “Increased Cost of Hedging”, “Increased Cost of Stock Borrow” and/or “Loss of Stock Borrow”, in each case if specified in the Applicable Final Terms.

Such termination and cancellation rights are only intended to be invoked by the Issuer, the Calculation Agent and/or the Warrant Agent, as the case may be, upon the occurrence of certain events (i) which are outside of the control of the Issuer, the Calculation Agent and/or the Warrant Agent, (ii) which were not reasonably foreseeable at the time of issuance of the relevant Warrants, and (iii) to the extent that the Warrant Holder is a consumer in Belgium, which significantly alters the economics of the contract as initially agreed between the parties, and provided that all reasonable efforts were otherwise made that would allow the rights and obligations under the Warrants to be exercised and performed by the Warrant Holders in view of realising a return to the extent possible in accordance with the initially agreed terms and contractual equilibrium. In case of cancellation, the Issuer is required to indemnify the Warrant Holder for the loss suffered by the Warrant Holder because of the cancellation. An amount based on the Fair Market Value of the Warrant (*plus*, if already paid, the Actual Exercise Price, the Exercise Cost and the Exercise Expenses) will be paid as a minimum to compensate the Warrant Holder. To the extent the Warrant Holder is a consumer in Belgium, if the Issuer cancels the Warrants as a result of the occurrence of an event which substantially alters the economics of the contract as initially agreed between the parties and which is not attributable to the Issuer, the Issuer may not charge costs to the Warrant Holder for such cancellation, and the Issuer will reimburse the Warrant Holder the costs (other than the Actual Exercise Price, the Exercise Costs and the Exercise Expenses) already paid by such Warrant Holder pro rata in the following proportion: (total initial term MINUS elapsed period at the time of such cancellation) / total initial term.

### **(1) Definitions**

For the purpose of these Conditions, the following definitions have the following meanings:

**Actual Exercise Date** has the meaning set out in Condition (8)a.

**Actual Exercise Price** has the meaning set out in Condition (8)b.

**Actual Sale Date** has the meaning set out in the Condition (11)a0 and (11)bis(ii);

**Additional Disruption Event** means any of Change in Law, Hedging Disruption, Increased Cost of Hedging, Increased Cost of Stock Borrow and/or Loss of Stock Borrow, in each case if specified in the Applicable Final Terms. To the extent that the Warrant Holder is a consumer in Belgium, Hedging Disruption, Increased

Cost of Hedging, Increased Cost of Stock Borrow and/or Loss of Stock Borrow will not be deemed to be an Additional Disruption Event.

**Affiliate** means in relation to any entity (the **First Entity**), any entity controlled, directly or indirectly, by the First Entity, any entity that controls, directly or indirectly, the First Entity or any entity directly or indirectly under common control with the First Entity. For those purposes **Control** means ownership of a majority of the voting power of an entity.

**Agent** means any of the Warrant Agent or the Calculation Agent.

**Applicable Final Terms** has the meaning set out in the introduction to these Conditions.

**Belgian Code of Economic Law** means the Belgian code of economic law (*Wetboek Economisch Recht / Code de Droit Économique*) dated 28 February 2013.

**Business Day** means (i) a day (other than Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in Brussels (Belgium) and in the relevant Business Day Centre(s) and Euroclear SA/NV is open for business and (ii) for the purpose of making payments in euro, any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System is open.

**Business Day Centre** means the city or cities specified as such in the relevant Final Terms.

**Calculation Agency Agreement** has the meaning set out in the introduction of these Conditions.

**Calculation Agent** means KBC Bank NV in respect of any Series of Warrants issued under the Programme unless, in respect of a particular Series of Warrants, another party is appointed as the Calculation Agent in the Applicable Final Terms for such Series, and any successor Calculation Agent from time to time.

**Cash Settlement Date** has the meaning set out in Condition (11)e.

**Change in Law** means that, on or after the Issue Date (as specified in the Applicable Final Terms) due to:

- (i) the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law); or
- (ii) the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority),
  - (A) it has become illegal to hold, acquire or dispose of any relevant Underlying Share or Warrant; or
  - (B) the Issuer will incur a materially increased cost in performing its obligations in relation to the Warrants (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on the tax position of the Issuer and/or any of its Affiliates),

and, for the purposes of this definition, sub-paragraph (B) will not be considered as a “Change in Law” if the Warrant Holder is a consumer in Belgium.

**Conditions** has the meaning set out in the introduction to these Conditions.

**Dealer(s)** means KBC Bank and any additional dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis.

**De-listing** means, in respect of any Underlying Shares, that the Exchange announces that pursuant to the rules of the Exchange such Underlying Shares cease (or will cease) to be listed, traded or publicly quotes on the Exchange for any reason (other than a Merger Event or Tender Offer) and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as the Exchange (or whether the Exchange is within the European Union, in a member state of the European Union).

**Dematerialisation Notice** has the meaning set out in Condition (6).

**Dematerialised Warrants** has the meaning has the meaning set out in Condition (2).

**Disrupted Day** means any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session.

**Disruption Cash Settlement Price** in respect of any relevant Warrant shall be the Fair Market Value of such Warrant (taking into account, where the Settlement Disruption Event affected some but not all of the Underlying Shares comprising the Entitlement and such non-affected Shares have been duly delivered, the value of such affected Underlying Shares), as determined by the Calculation Agent plus, if already paid, the Actual Exercise Price, the Exercise Cost and Exercise Expenses (or, where some Shares have been delivered, and a *pro rata* portion of the Actual Exercise Price, the Exercise Cost and/or Exercise Expenses has been paid, such *pro rata* portion).

**END Warrant** means a Warrant identified in the Applicable Final Terms as an END Warrant (i.e. a Warrant whose Sale Price is formed and determined once intra-day by the Issuer in accordance with Condition (11)a(i) for Dematerialised Warrants and Condition (11)bis a(i) for Registered Warrants).

**Entitlement** means, in respect of a Warrant of a Series, the number of the Underlying Shares or fraction of the Underlying Share which a Warrant Holder is entitled to receive upon Exercise of such Warrant.

**Euro, EUR or €** means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty, as amended.

**Exchange** means each exchange or quotation system, any successor or any substitute exchange or quotation system, including for the avoidance of doubt but without limitation, any regulated market.

**Exchange Business Day** means a day on which the Exchange is open for business.

**Exercise or Exercise of a Warrant** has the meaning set out in Condition (8).

**Exercise Cost** means the administrative cost that will be borne by the Warrant Holder upon its exercise of a Warrant as set out in Condition (8)f.

**Exercise Expenses** has the meaning set out in Condition (9)a(vii).

**Exercise Notice** has the meaning set out in Condition (9)a.

**Exercise Period** means, in respect of a Warrant of a Series, the period specified in the Applicable Final Terms during which the Warrant Holder has the right to acquire the Entitlement in the Underlying Share at the Exercise Price.



**Exercise Price** means, in respect of a Warrant of a Series, the price specified in the Applicable Final Terms at which the Warrant Holder is entitled to acquire the Entitlement during the Exercise Period (whereby such Exercise Price is expressed by reference to an entire share or unit of the relevant Underlying Share).

**Expiration Date** means, in respect of a Warrant of a Series, 15:00h (CET) on the last Business Day falling within the Exercise Period.

**Failure to Deliver** has the meaning set out in Condition (8)e.

**Failure to Deliver Notice** means a written notice sent by the Calculation Agent to the relevant Warrant Holder(s) informing that a Failure to Deliver has occurred.

**Failure to Deliver Settlement Price** in respect of any relevant Warrant shall be the Fair Market Value of such Warrant on the Actual Exercise Date (taking into account, the Underlying Shares comprising the Entitlement which have been duly delivered), plus, if already paid, the Actual Exercise Price, the Exercise Cost and Exercise Expenses (or, where some Underlying Shares have been delivered, and a *pro rata* portion of the Actual Exercise Price, the Exercise Cost and/or Exercise Expenses has been paid, such *pro rata* portion).

**Fair Market Value**, in respect of a Warrant, means the fair market value determined by KBC Bank based on an internal model (such model is a generally accepted valuation model and is in scope of different internal processes at the KBC Bank's side; where the Issuer will be the only provider of Warrants on an Underlying Share, the Issuer bears the risk to hedge the market exposure via proxy hedging) and which is the result of the Intrinsic Value and the Time Value of the Warrant.

**Final Terms** means has the meaning set out in the introduction of these Conditions.

**Hedging Disruption** means that the Issuer and/or any of its Affiliates is unable, after using all commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it seems necessary to hedge the equity or other price risk of the Issuer issuing and performing its obligations with respect to the Warrants, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s).

**Hedging Shares** means the number of Shares that the Issuer deems necessary to hedge the equity or other price risk of entering into and performing its obligations with respect to the Warrants.

**Increased Cost of Hedging** means that the Issuer and/or any of its Affiliates would incur a materially increased (as compared with circumstances existing on the Issue Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity or other price risk of the Issuer issuing and performing its obligations with respect to the Warrants, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s), provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer and/or any of its Affiliates shall not be deemed an Increased Cost of Hedging.

**Increased Cost of Stock Borrow** means that the Issuer and/or any of its Affiliates would incur a rate to borrow any Underlying Share that is greater than the Initial Stock Loan Rate.

**Issue Date** means, in respect of a Series of Warrants, the Business Day on which such Series of Warrants is issued as specified in the Applicable Final Terms.

**Issue Price** means, in respect of a Warrant of a Series, the amount per Warrant as specified in the Applicable Final Terms.

**Issuer** has the meaning set out in the introduction to these Conditions.

**Initial Stock Loan Rate** means, in respect of an Underlying Share, the Initial Stock Loan Rate specified in relation to such Share in the Applicable Final Terms.

**Initial Warrant Value** has the meaning set out in Condition (8)b.

**Insolvency Filing** means that a Share Company institutes or has instituted against it by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, or it consents to a proceeding seeking a judgement of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official or it consents to such a petition, provided that proceedings instituted or petitions presented by creditors and not consented to by the Share Company shall not be deemed an Insolvency.

**Intrinsic Value**, in respect a Warrant, the value that is based on the difference between the Share Value of the Underlying Share and the Exercise Price of the Warrant.

**KBC Bank** means KBC Bank NV.

**KBC Bank Group** means KBC Bank and all its subsidiaries.

**KBC Group** means KBC Group NV and its subsidiaries.

**Loss of Stock Borrow** means that the Issuer and/or any Affiliate is unable, after using all commercially reasonable efforts, to borrow (or maintain a borrowing of) any Underlying Share in an amount equal to the Hedging Shares at a rate equal to or less than the Maximum Stock Loan Rate.

**Market Disruption Event** means, in respect of an Underlying Share when this Underlying Share is listed:

- (a) the occurrence or existence at any time during the one hour period that ends at the relevant Valuation Time of:
  - (i) any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise:
    - (A) relating to the Underlying Share on the Exchange; or
    - (B) in futures or options contracts relating to the Underlying Share on any relevant Related Exchange; or
  - (ii) any event (other than an event described in (b) below) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (A) to effect transactions in, or obtain market values for, the Underlying Share on the Exchange, or (B) to effect transactions in, or obtain market values for, futures or options contracts relating to the relevant Underlying Share on any relevant Related Exchange,

which in either case the Calculation Agent determines is material; or

- (b) the closure on any Exchange Business Day of the relevant Exchange or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Scheduled Closing Time on such Exchange Business Day.

**Maximum Stock Loan Rate** means, in respect of an Underlying Share, the Maximum Stock Loan Rate specified in the Applicable Final Terms.

**Merger Date** means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Calculation Agent.

**Merger Event** means, in respect of any Underlying Shares, any (i) reclassification or change of such Underlying Shares that results in a transfer of or an irrevocable commitment to transfer all of such Underlying Shares outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of a Share Company, with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Share Company as the case may be, is the continuing entity and which does not result in a reclassification or change of all such Underlying Shares outstanding), (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 percent of the outstanding Underlying Shares of the Share Company that results in a transfer of or an irrevocable commitment to transfer all such Underlying Shares (other than such Underlying Share owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Share Company or its subsidiaries with or into another entity in which the Share Company is the continuing entity and which does not result in a reclassification or change of all of such Underlying Shares outstanding but results in the outstanding Underlying Share (other than Underlying Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 percent of the outstanding Underlying Shares immediately following such event, in each case if the Merger Date is on or before the relevant Share Delivery Date or Actual Sale Date.

**Nationalisation** means that all the Underlying Shares or all or substantially all the assets of the Share Company are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof.

**Net Asset Value** means, in respect of any Underlying Share in a fund, the value of such Underlying Share determined on the basis of the value of the relevant fund's assets minus the relevant fund's liabilities and as made available by the provider of financial services in respect of the relevant fund.

**Potential Adjustment Event** means any of the following events (in each case, provided that such event falls outside of the control of the Issuer and was not reasonably foreseeable at the time of issuance of the relevant Warrant):

- (i) a subdivision, consolidation or reclassification of relevant Underlying Shares (unless resulting in a Merger Event or, if Tender Offer is specified as applying in the Applicable Final Terms, a Tender Offer), or a free distribution or dividend of any such Underlying Shares to existing holders by way of bonus, capitalisation or similar issue;
- (ii) a distribution, issue or dividend to existing holders of the relevant Underlying Shares of (a) such Underlying Shares or (b) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Share Company, as the case may be, equally or

proportionately with such payments to holders of such Shares or (c) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Share Company, as the case may be, as a result of a spin-off or other similar transaction or (d) any other type of securities, rights and warrants or other assets, in any case for payment (in cash or other consideration) at less than the prevailing market price as determined by the Calculation Agent;

- (iii) an extraordinary dividend as determined by the Calculation Agent;
- (iv) a call by a Share Company in respect of relevant Underlying Shares that are not fully paid;
- (v) a repurchase by a Share Company or any of its subsidiaries of relevant Underlying Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or
- (vi) in respect of a Share Company, an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of such Share Company pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred stock, warrants, debt instruments or stock rights at a price below their market value as determined by the Calculation Agent, provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights;
- (vii) in respect of Warrants where the Underlying Shares are units in a fund (as specified in the Applicable Final Terms):
  - (A) breach by the relevant fund of any applicable provisions of its operating documents, including any strategy or investment guidelines;
  - (B) partial or non-execution of a redemption or subscription order of a hypothetical investor in the fund;
  - (C) dissolution, winding up, liquidation or analogous proceedings being commenced in respect of the fund;
  - (D) investment manager, manager or custodian of the fund ceases to act in such capacity;
  - (E) material modification of the investment programme, objectives, policies, strategy, process or guidelines of the fund;
  - (F) failure by the fund to comply with its reporting obligations;
  - (G) material modification of the fund's operating documents or articles of association or other constitutional documents;
  - (H) material modification of the type of assets in which the fund invests or the trading practices of the fund;
  - (I) suspensions or redemptions of shares in the fund, repurchase or compulsory redemption of shares in the fund or analogous restrictions;
  - (J) loss of authorisation or registration in respect of the fund or its investment manager;

- (K) the fund or its investment manager or administration agent being subject to regulatory or legal proceedings or investigations;
  - (L) cancellation, suspension or revocation of the registration or approval of the fund or change in tax, legal or regulatory treatment of the fund; or
  - (M) expropriation of the shares or the assets of the fund; or
- (viii) any other event having, in the opinion of the Calculation Agent, a diluting or concentrative effect on the theoretical value of the relevant Shares.

**Programme** has the meaning set out in the introduction of these Conditions.

**RD 62** has the meaning set out in Condition (6).

**Registered Warrants** has the meaning set out in Condition (2).

**Related Exchange** means, in respect of the Underlying Share, each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Underlying Share.

**Sale Expenses** has the meaning set out in Condition (11)h(v).

**Sale Notice** means, in relation to (a) the Dematerialised Warrants or (b) the Registered Warrants issued prior to the full implementation of the Electronic Platform, an oral notice given by the Warrant Holder to the Warrant Agent for the sale of the Warrants to the Issuer in accordance with Condition (11)a and (11)bis a.

**Sale of a Warrant** or **Sale** has the meaning set out Condition (11) and (11)bis.

**Sale Price** means the price at which the Issuer may purchase a Warrant if offered to it for Sale by the Warrant Holder, as determined in accordance with Condition (11)a(i) and (11)bis a(i).

**Scheduled Closing Time** means, in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

**Scheduled Trading Day** means (a) any day on which the relevant Exchange and the relevant Related Exchange are scheduled to be open for trading for their respective regular trading sessions notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time and (ii) the Related Exchange is scheduled to be open for trading for its regular trading session.

**Securities Act** means the United States Securities Act of 1933 as amended.

**Securities Settlement System** means the clearing system operated by Euroclear SA/NV or any successor thereto.

**(to) Sell** means, in respect of a Warrant, performing the transaction of a Sale of a Warrant.

**Series** has the meaning set out in the introduction to these Conditions.

**Settlement Disruption Event** means following the Exercise of the Warrant a force majeure event beyond the control of the Issuer as a result of which the Issuer cannot make delivery of the Entitlement to the

Underlying Shares (using the method for delivery of such Entitlement in the Underlying Shares as specified in the Applicable Final Terms).

**Settlement Disruption Event Notice** means a written notice sent by the Warrant Agent to the Warrant Holder(s) informing that a Settlement Disruption Event has occurred.

**Share Company** means a company or companies which issue(s) the Underlying Shares.

**Share Delivery Date** means, in case of Exercise of a Warrant, the date for delivery of the Entitlement in the relevant Underlying Share as set out in Conditions (8)c and (9)d.

**Share Value** means, in respect of an Underlying Share, the value of such Underlying Share based on (i) the price quoted on such exchange or trading venue as specified in the Applicable Final Terms or (ii) in case of an Underlying Share in a fund, the Net Asset Value.

**SICAV** means an investment company with variable capital (*beleggingsvennootschap met veranderlijk kapitaal/société d'investissement à capital variable*) within the meaning of the Law of 3 August 2012 regarding collective investment undertakings that comply with the conditions of Directive 2009/65/EC and the undertakings for the investment in receivables.

**Taxes** means taxes, levies, imposts, duties, deductions, withholdings, assessments or other charges (including any stamp, registration or transfer tax, duty or other charge or tax on income, payments (or deliveries of assets), profits or capital gains) together with any interest, additions to tax or penalties.

**Tender Offer** means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10 percent and less than 100 percent of the outstanding voting shares of the Share Company as determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant.

**Time Value** means, in respect of a Warrant, the Value that reflects the upward potential of the Share Value of the Underlying Share before the end of the Exercise Period; it reflects the possibility that the Share Value of the Underlying Share at the end of the Exercise Period exceeds the Exercise Price of the Warrant.

**Trading Price** means in respect of a Warrant, the price for such Warrants as quoted either on any Stock Exchange or other trading venue where such Warrant is listed and/or admitted to trading or as determined by a market-maker for such Warrant.

**Underlying Share** means, in respect of a Warrant of a Series, the underlying share in a SICAV managed by KBC Asset Management SA/NV, as specified in the Applicable Final Terms, that can be acquired by the Warrant Holder upon Exercise.

**U.S. Person** means a U.S. person as defined in Rule 902(k) promulgated under the Securities Act.

**Valuation Date** means each date specified as such in the Applicable Final Terms (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day) unless if any such date is a Disrupted Day, then the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day (such eighth day, the **Eighth Scheduled Trading Day**). In that case, the Calculation Agent shall determine in its absolute discretion that: (aa) the Valuation Date shall be the Eighth Scheduled

Trading Day; or (bb) the Valuation Date shall be the first succeeding Exchange Business Day on which there is no Market Disruption Event.

**Valuation Time** means, unless an alternative Valuation Time is specified in the Applicable Final Terms, the Scheduled Closing Time on the relevant Exchange on the relevant Valuation Date in relation to the Underlying Share to be valued. If the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time.

**Warrant** has the meaning set out in the introduction to these Conditions.

**Warrant Agent** means KBC Bank NV in respect of any Series of Warrants issued under the Programme unless, in respect of a particular Series of Warrants, another party is appointed as the warrant agent in the Applicable Final Terms for such Series, and any successor Warrant Agent from time to time.

**Warrant Agreement** has the meaning set out in the introduction of these Conditions.

**Warrant Holder** means any holder of a Warrant from time to time.

**Warrants Register** has the meaning set out in Condition (2).

**Warrant Value** means, in respect of a Warrant of a Series, the value of such Warrant.

## **(2) Form**

The Warrants will be issued in registered form (**Registered Warrants**) and initially be represented by a registration in a register held by the Issuer or by the Warrant Agent on its behalf (the **Warrants Register**) in the name of the relevant Warrant Holder(s)).

Upon the choice of the Warrant Holder, the form of the Registered Warrants can be changed by a process of dematerialisation potentially with a view of trading the relevant Warrants on Euronext Brussels (such Warrants the form of which has been changed by the dematerialisation process, **Dematerialised Warrants**). For this purposes, the Issuer will enter into a framework dematerialisation agreement with Euroclear SA/NV which will allow for the Warrants to be represented exclusively by book entries in the records of Euroclear SA/NV (or any successor Securities Settlement System) and held by the Warrant Holder through its securities account with the Securities Settlement System or with a direct or indirect participant in the Securities Settlement System. For further information on the dematerialisation process please refer to Condition (6) hereinafter.

## **(3) Title and Transfer**

An electronic platform managed by (or on behalf of) KBC Bank NV (the **Electronic Platform**) has been implemented through which the Registered Warrants are initially registered in the name of and assigned to the individual Warrant Holders using an individualised user name and password. The Warrant Holders will need to use this individual user name and password in case they wish to sell (or otherwise transfer) their Registered Warrants through the Electronic Platform. KBC Bank NV does not charge any fees for the creation and maintenance of the Warrants Register.

Title to and transfer of Registered Warrants shall pass by registration of the transfer by the Issuer (or by the Warrant Agent on its behalf) in the Warrants Register. Upon a sale or transfer of Registered Warrants, which will take place on the Electronic Platform, the parties to such sale or transfer will be required to complete the relevant transfer documents and certificates which can be obtained for free from the Warrant Agent.

Title to and transfer of Dematerialised Warrants will be evidenced only by records maintained by the Securities Settlement System or any Securities Settlement System participants and in accordance with the applicable rules and procedures for the time being of the Securities Settlement System or the other Securities Settlement System participants, as the case may be.

Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Warrants shall be deemed to be and may be treated as its absolute owner for all purposes and regardless of any notice of ownership, trust or an interest in it, or its theft or loss and no person shall be liable for so treating the holder.

#### **(4) Currency**

Subject to compliance with all relevant laws, regulations and directives, a Warrant may be issued, and its Warrant Value (and its Issue Price, Exercise Price and Actual Exercise Price) may be expressed, in euro or in any other currency agreed between the Issuer and the relevant Dealer(s) or subscriber of the relevant Series as specified in the Applicable Final Terms. Such currency in which a Warrant is issued and the Exercise Price at which the Warrant can be exercised can be different from the currency of the Underlying Share to which the Warrant is linked.

#### **(5) Status**

The Warrants constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank and will rank at all times *pari passu* with all present and future unsecured obligations of the Issuer, without any preference among themselves and without any preference one above the other by reason of priority of date of issue, any currency or payment or otherwise, subject to any exceptions as from time to time under applicable law.

The Warrants will not be secured by the Underlying Share(s) to which such Warrant is linked. Prior to the Exercise of a Warrant, the Warrant does not confer on the Warrant Holder any rights (whether in respect of voting, distributions or otherwise) attaching to the relevant Underlying Share (except for the right to acquire an Entitlement in the Underlying Share at the Exercise Price).

The Warrant Holders are qualified as senior preferred creditors under article 389/1, 1° of the Belgian Banking Law, and such creditors have a higher priority ranking than the so-called senior non-preferred creditors defined under article 389/1, 2° of the Belgian Banking Law.

The Warrants will not bear any interest.

#### **(6) Dematerialisation process of the Registered Warrant**

In order to obtain a Dematerialised Warrant, the Warrant Holder will need to provide a duly completed dematerialisation request notice (**Dematerialisation Notice**) in the form set out in the Warrant Agreement (copies of which form may be obtained from the Warrant Agent) to the Warrant Agent. The dematerialisation request notice cannot be given through the Electronic Platform, but notice details for providing this Dematerialisation Notice can be found on the Electronic Platform. Upon the receipt of a duly completed Dematerialisation Notice from a Warrant Holder by the Warrant Agent, the Warrant Agent will (i) verify whether the relevant Warrant Holder is recorded as a Warrant Holder in the Warrants Register for the relevant Warrants and (ii) upon confirmation thereof, instruct the Securities Settlement System to proceed with the dematerialisation of the relevant Warrants. Upon confirmation of completion of the dematerialisation of the relevant Warrants within the books of the Securities Settlement System, the Warrant Agent will eliminate the relevant number of Registered Warrants from the Warrants Register and the Issuer will deliver the Dematerialised Warrants within ten (10) Business Days as from the day of receipt of the Dematerialisation Notice by the Warrant Agent request into the securities account of the Warrant Holder



held with KBC Bank or another financial institution. Such Dematerialisation Notice cannot be given through the Electronic Platform.

Administrative costs will be charged by the Issuer and/or the Warrant Agent to the Warrant Holder for the dematerialisation of Registered Warrants. Such costs will be based on the tariffs applicable at the time of receipt of such Dematerialisation Notice by the Warrant Agent and which are set out (and updated from time to time) in the tariff card published by the Issuer on the Issuer's website under page: [https://kbc-pdf.kbc.be/vermogensopbouw/tarieven\\_effecten\\_nl.pdf](https://kbc-pdf.kbc.be/vermogensopbouw/tarieven_effecten_nl.pdf).

By delivery of the Dematerialisation Notice by the Warrant Holder, the Warrant Holder shall be deemed to have acknowledged that the provisions referred to in article 17 of the *Coordinated Royal Decree No. 62 of 10 November 1967 governing the custody of transferable financial instruments and the settlement of transactions on these instruments (RD 62)* apply to the relevant Dematerialised Warrants after dematerialisation and consented thereto. RD 62 creates a legal framework for the custody and transfer of fungible financial instruments in a book entry system. RD 62 in particular defines the type of claims an account holder (in the present case, the Warrant Holder) has against the intermediaries within the book entry system with whom it holds its financial instruments on account (in the present case, the financial institution with whom the Warrant Holder holds the Dematerialised Warrants) and creates certain *in rem* rights to reclaim the financial instruments in case of insolvency of the intermediary with whom the financial instruments are held, protecting the account holder.

#### **(7) Exercise and Sale**

Prior to the Expiration Date, a Warrant grants the Warrant Holder a right of (i) Exercise of the Warrant; (ii) Sale of the Warrant to a third party in the open market; and (iii) Sale of the Warrant to the Issuer. The Sale of Registered Warrants to the Issuer is initiated through the Electronic Platform (while the Exercise of Warrants, the Sale of Dematerialised Warrants to the Issuer and the sale of Dematerialised Warrants to a third party in the open market cannot be initiated through the Electronic Platform. For further information on the initiation of the Exercise of Warrants please refer to Condition (9)a *juncto* Condition (8)a. For further information on the initiation of the Sale of Dematerialised Warrants to the Issuer, please refer to Condition (11)a. For further information on the initiation of the sale of Dematerialised Warrants to a third party in the open market, please refer to Condition (10)).

##### **a) Exercise of Warrants**

The Warrants – both the Registered Warrants and the Dematerialised Warrants - of each Series are call warrants (*koopwarranten/warrants d'achat*) linked to an Underlying Shares providing the relevant Warrant Holder a contractual right (*schuldvordering/créance*) against the Issuer to acquire an Entitlement at a predetermined Exercise Price during a predetermined Exercise Period. For further information on the right to Exercise a Warrant and the procedure governing such Exercise, please refer to Condition (8) and Condition (9) hereinafter.

##### **b) Sale of Warrants**

- Sale of Warrants to a third party in the open market

The Warrant Holder has the right to sell its Warrant(s) – both the Registered Warrants and the Dematerialised Warrants - to a third party in the open market. For a further description on the right of Sale of a Warrant to a third party, please refer to Condition (10) hereinafter.

- Sale of Warrants to the Issuer

In addition, the Warrant Holder may offer its Warrant(s) – both the Registered Warrants and the Dematerialised Warrants – for sale to the Issuer and the Issuer has the right, without this being an obligation, to accept such offer as provided in Condition (11) and Condition (11)bis.

**A Warrant which is not Exercised prior to or on the Expiration Date by the Warrant Holder, shall become void and expire worthless.**

### **(8) Exercise Rights**

On the basis of a Warrant, the Warrant Holder may on any Business Day during the Exercise Period exercise the right to acquire an Entitlement in the Underlying Share at a predetermined Exercise Price (**Exercise of a Warrant** or **Exercise**).

Prior to the Exercise of a Warrant, the Warrant does not confer on the Warrant Holder any rights (whether in respect of voting, distributions or otherwise) attaching to the relevant Underlying Share (except for the right to acquire an Entitlement in the Underlying Share at the Exercise Price).

Following the Exercise of a Warrant in accordance with the Conditions, the Warrant Holder who is acquiring the Entitlement in the Underlying Share by Exercising the Warrant will have full title to the Entitlement in Underlying Share and all rights attached thereto.

#### a. Exercise Period

A Warrant is Exercisable on any Business Day during the Exercise Period (until the Expiration Date).

A Warrant Holder can autonomously choose to Exercise its Warrants of a particular Series at once or in multiple transactions.

In order to Exercise a Warrant, the Warrant Holder will need to provide an Exercise Notice to the Warrant Agent and respect the other Exercise procedures as specified in Condition (9). Any Warrant with respect to which no Exercise Notice has been delivered in the manner set out in Condition (9) prior to the Expiration Date shall become void and expire worthless.

The Business Day during the Exercise Period on which an Exercise Notice is delivered prior to 15:00h (CET) to the Warrant Agent (by e-mail or physically at the address set out in Condition (14)), is referred to herein as the **Actual Exercise Date**. If any Exercise Notice is received by the Warrant Agent after 15:00h (CET) on any Business Day during the Exercise Period, such Exercise Notice will be deemed to have been delivered on the immediately succeeding Business Day (which Business Day shall in such case be deemed to be the Actual Exercise Date, provided that any Warrant in respect of which no Exercise Notice has been delivered in the manner set out in Condition (9) prior to the Expiration Date shall become void).

The Exercise Notice will be deemed to have been delivered at such time it is personally delivered by the Warrant Holder at the KBC branch where the Warrant Holder holds its securities account.

**Any damage due to the Exercise Notice being sent outside the agreed Exercise Period cannot be recovered in any way from the Issuer save in case of gross negligence or wilful misconduct of the Issuer or its agents.**

b. Exercise Price, Entitlement and Actual Exercise Price

The Exercise Price for a Warrant of a given Series will be set by the Issuer on the relevant Issue Date based on the Share Value of the Underlying Share (and will hence be expressed by reference to an entire share or unit in the Underlying Share). The Issuer will also set an initial value for a Warrant of such Series, which is equal to the Issue Price excluding any hedging costs, commission and other costs related to the issuance of the Warrant) (the **Initial Warrant Value**). The Issuer will then determine the Entitlement in the Underlying Shares that can be acquired upon Exercise of such Warrant (by calculating the proportion of the Initial Warrant Value compared to the Issue Price on the Issue Date). The **Actual Exercise Price** is the actual proportion of the Exercise Price that needs to be paid by the Warrant Holder upon Exercise of a single Warrant for the acquisition of the Entitlement.

c. Physical Delivery of the Underlying Shares following Exercise

A Warrant entitles its Warrant Holder, upon due Exercise of such Warrant, to receive from the Issuer on the third Business Day following the Actual Exercise Date (in case of a Registered Warrant) or on the fifth Business Day following the Actual Exercise Date (in case of a Dematerialised Warrant) the Entitlement per Warrant subject to payment of the relevant Actual Exercise Price and any other sums payable in accordance with Condition (8)f. The method of delivery of the Entitlement is set out in the Applicable Final Terms.

Warrants of the same Series Exercised at the same time by the same Warrant Holder will be aggregated for the purpose of determining the aggregate Entitlements in respect of such Warrants. The exact aggregate Entitlements of the same Warrant Holder will be delivered without any rounding up or down to the nearest whole share or unit of the relevant Underlying Share.

A Warrant can only be Exercised by the Warrant Holder and the Issuer is only required to deliver the Entitlement to the Warrant Holder provided the Warrant Holder pays the full amount of Actual Exercise Price and any other sums payable and any other sums payable in accordance with Condition (8)f to the Issuer. In order to be able to pay such amounts, a Warrant Holder will need to dispose of a cash account held with KBC Bank credited with sufficient funds which can be debited by the Issuer on the Actual Exercise Date.

Following Exercise of a Warrant, all dividends relating to the relevant Underlying Shares to be delivered will be payable to the party that would be entitled to receive such dividends in accordance with market practice applicable to a sale of the Underlying Shares executed on the relevant Actual Exercise Date and to be delivered in the same manner as such relevant Underlying Shares. Any such dividends to be paid to a Warrant Holder will be paid to the account specified by the Warrant Holder in the relevant Exercise Notice as referred to in Condition (9)a.

The Conditions do not provide for a cash settlement of the Warrants following their Exercise, only for a physical delivery of the Entitlement to the Underlying Shares. Following Exercise of its Warrant and physical delivery of its Entitlement to the Underlying Shares, the investor will be exposed to fluctuations in the Share Value of the Underlying Share and will have to sell such Underlying Share in the open market in order to receive cash.

d. Settlement Disruption

If, following the Exercise of a Warrant, delivery of the Entitlement is not possible by reason of a Settlement Disruption Event having occurred and continuing prior to such Share Delivery Date, then the Share Delivery Date for such Warrant shall be postponed until the Business Day falling three (3) Business Days after the date in respect of which no such Settlement Disruption Event applies, provided

that the Issuer shall make all commercially reasonable efforts to satisfy its obligations in respect of the relevant Warrant by delivering the Entitlement using such other commercially reasonable manner as is available to it and in such event the Share Delivery Date shall be such day on which the Issuer is able to proceed with the delivery of the Entitlement in such other commercially reasonable manner. For the avoidance of doubt, where a Settlement Disruption Event affects some but not all of the Underlying Shares comprising the Entitlement, the Share Delivery Date for the Underlying Shares not affected by the Settlement Disruption Event will be the originally designated Share Delivery Date. In the event that a Settlement Disruption Event will result in the delivery on a Share Delivery Date of some but not all of the Underlying Shares comprising the Entitlement, the Calculation Agent shall determine the Actual Exercise Price to be paid by the relevant Warrant Holder in respect of that partial delivery.

For so long as delivery of the Entitlement is not possible by reason of a Settlement Disruption Event and it is not reasonably to be expected that the Issuer shall be able to satisfy its obligations in respect of the relevant Warrant by delivering the Entitlement using such other commercially reasonable manner as are available to it, then *in lieu* of physical delivery and notwithstanding any other provision hereof, the Issuer may also elect satisfy its obligations in respect of the relevant Warrant by payment to the relevant Warrant Holder of the Disruption Cash Settlement Price on the fifth (5<sup>th</sup>) Business Day following the date that notice of such election is given to the relevant Warrant Holder(s) in accordance with Condition (14)a. Payment of the Disruption Cash Settlement Price will be made in such manner as shall be notified to the relevant Warrant Holder(s) in accordance with (14)a.

The Calculation Agent shall give the Settlement Disruption Event Notice to the relevant Warrant Holder(s) in accordance with Condition (14)a as soon as practicable after that a Settlement Disruption Event has occurred. No Warrant Holder shall be entitled to any payment in respect of the relevant Warrant(s) in the event of any delay in the delivery of the Entitlement due to the occurrence of a Settlement Disruption Event and no liability in respect thereof shall attach to the Issuer.

e. Failure to Deliver

If “**Failure to Deliver**” is specified as applying in the Applicable Final Terms and, following the Exercise of relevant Warrant(s), the Calculation Agent establishes it is impossible to deliver, when due, some or all of the Underlying Shares comprising the Entitlement (the **Affected Shares**), where such failure to deliver is due to illiquidity in the market for the Underlying Shares (a **Failure to Deliver**), then

- (i) subject as provided elsewhere in these Conditions, any Underlying Shares which are not Affected Shares, will be delivered on the originally designated Share Delivery Date and the Calculation Agent shall determine the Actual Exercise Price to be paid by the relevant Warrant Holder(s) in respect of that partial delivery; and
- (ii) in respect of any Affected Shares, *in lieu of* physical delivery and notwithstanding any other provision hereof, the Issuer will satisfy its obligations in respect of the relevant Warrant(s) by payment to the relevant Warrant Holder(s) of the Failure to Deliver Settlement Price on the fifth (5<sup>th</sup>) Business Day following the date that notice of such election is given to the Warrant Holders in accordance with Condition (14)a.

The Calculation Agent shall give a Failure to Deliver Notice as soon as practicable to the Warrant Holders in accordance with Condition (14)a.

f. Costs and Expenses

In case of Exercise of a Warrant, an administrative cost will be due by the Warrant Holder (the **Exercise Costs**). Such Exercise Costs will be based on the tariffs applicable at the Actual Exercise Date and which are set out (and updated from time to time) in the tariff card published by the Issuer on the Issuer's website under page:

[https://kbc-pdf.kbc.be/vermogensopbouw/tarieven\\_effecten\\_nl.pdf](https://kbc-pdf.kbc.be/vermogensopbouw/tarieven_effecten_nl.pdf).

Furthermore, the Warrant Holder will be liable for any Exercise Expenses (as defined in Condition (9)a)) that would become due.

## **(9) Exercise Procedure**

### a. Exercise Notice

Warrants may only be Exercised by the delivery of a duly completed exercise notice (an **Exercise Notice**) in the form set out in the Warrant Agreement (copies of which form may be obtained from the Warrant Agent at the KBC Bank office where the cash account of the Warrant Holder is held (or at such other places as would be notified to the Warrant Holders in accordance with Condition (14)) to the Warrant Agent, in accordance with the provisions set out in Condition (8) and this Condition. The Exercise Notice cannot be delivered through the Electronic Platform (but contact details to obtain the Exercise Notice are available on the Electronic Platform).

The Exercise Notice shall:

- (i) specify the Series number of the Warrants and the number of Warrants being Exercised;
- (ii) specify the number of the Warrant Holder's cash account at KBC Bank to be debited with the Actual Exercise Price, Exercise Costs and Exercise Expenses in accordance with Condition (8)c;
- (iii) in case of Registered Warrants, irrevocably instruct the Warrant Agent to deregister on or before the Share Delivery Date the Warrants Register with the Warrants being Exercised;
- (iv) in case of Dematerialised Warrants, specify the number of the Warrant Holder's securities account at KBC Bank on which the Warrants are held that are being Exercised;
- (v) in case of Dematerialised Warrants, irrevocably instruct the Warrant Agent to debit on or before the Share Delivery Date the Warrant Holders' securities account with the Warrants being Exercised;
- (vi) irrevocably instruct the Issuer to debit on the Actual Exercise Date, the Actual Exercise Price, the Exercise Costs and the Exercise Expenses in respect of the Warrants that are being Exercised from the cash account of the Warrant Holder;
- (vii) include an undertaking to pay, in addition to the Actual Exercise Price and the Exercise Costs, all taxes, duties and/or expenses, as applicable, including, without limitation, any applicable depository charges, transaction or exercise charges, stamp duty, stamp duty reserve tax, issue, registrations, securities transfer and/or other taxes or duties arising from the Exercise of such Warrants and/or the delivery or transfer of the Entitlement pursuant to the terms of such Warrants (**Exercise Expenses**) and an authority to the Issuer to debit a specified account of the Warrant Holder at KBC Bank to pay such Actual Exercise Price, Exercise Costs and Exercise Expenses;

- (viii) specify the name and the number of the Warrant Holder's securities account with KBC Bank for the delivery of the Entitlement, or any dividends relating to the Entitlement, and the name and the number of the Warrant Holder's cash account with KBC Bank for any cash amount as a result of the occurrence of a Settlement Disruption Event or a Failure to Deliver and the Issuer electing to pay the Disruption Cash Settlement Price or Failure to Deliver Settlement Price, as applicable;
- (ix) certify, *inter alia*, that the beneficial owner of each Warrant being Exercised is not a U.S. Person; and
- (x) authorise the production of such certification in any applicable administrative or legal proceedings,

all as provided in the Warrant Agreement.

b. Verification of Exercise Notice and Warrant Holder

To Exercise Warrants, the Warrant Holder must duly complete an Exercise Notice and must own and be able to dispose of Warrants in the amount being Exercised, as reflected in the Warrants Register (in respect of Registered Warrants) or in its securities account with KBC Bank (in respect of Dematerialised Warrants) on the Actual Exercise Date. The Warrant Agent will, in accordance with its normal operating procedures, verify that each person Exercising such Warrants is the holder of the corresponding Warrants (either, by verifying the Warrants Register in case of Registered Warrants or by verifying, in case of Dematerialised Warrants, the securities account of such Warrant Holder at KBC Bank in which the Dematerialised Warrants are held as designated in the Exercise notice).

If the Exercise Notice is, in the determination of the Warrant Agent, improperly completed, or sufficient Warrants are not available as reflected in the Warrants Register or in the designated securities account on the Actual Exercise Date, the Exercise Notice will be treated as null and void and the Warrant Agent will inform the Warrant Holder, as soon as reasonably practicable, that a new duly completed Exercise Notice must be submitted if Exercise of the Warrant Holder's Warrants is still desired.

c. Notification to the Issuer

The Warrant Agent shall notify the Issuer in writing not later than the Actual Exercise Date of the effectiveness of the Exercise Notice, as well as the number of the cash account and securities account of the Warrant Holder.

d. Delivery of the Underlying Share

Subject to payment of the aggregate Actual Exercise Price(s) and payment of any Exercise Costs and Exercise Expenses with regard to the relevant Warrants and subject to Condition (8)c, the Issuer shall on the Share Delivery Date deliver, or procure the delivery of, the Entitlement for each duly Exercised Warrant pursuant to the details specified in the Exercise Notice to a securities account held with KBC Bank.

The Issuer may refuse to comply with an Exercise Notice and deliver the Entitlement of the Underlying Shares if the necessary amounts required to settle the aggregate amount of the Actual Exercise Price(s), the Exercise Expenses and the Exercise Costs, payable upon Exercise by the Warrant Holder are not available in the designated account with KBC Bank on the Actual Exercise Date. In such the Warrant Agent will inform the Warrant Holder of the missing amounts that must still be made available in the

designated account if Exercise of the Warrant Holder's Warrants is still desired or indicate that alternatively the Warrant Holder can Sell its Warrants in accordance with Condition (11) and (11)bis.

e. Determinations

Any determination as to whether an Exercise Notice is duly completed shall be made by the Warrant Agent, and shall be conclusive and binding on the Issuer, the Warrant Agent and the relevant Warrant Holder. Subject as set out below, any Exercise Notice so determined to be incomplete or not in proper form, shall be null and void.

If such Exercise Notice is subsequently corrected to the satisfaction of the Warrant Agent, it shall be deemed to be a new Exercise Notice submitted at the time such correction was delivered to the Warrant Agent. If any such corrected Exercise Notice is received after the Expiration Date specified in Condition (8)a, it shall still be accepted provided that the Warrant Agent receives such corrected Exercise Notice at the latest on the Business Day following the day of receipt by the Warrant Holder of the request by the Warrant Agent in accordance with Condition (9)b that a new Exercise Notice is to be submitted.

In the absence of negligence or wilful misconduct on its part, none of the Issuer or the Warrant Agent, shall be liable to any person (except to any Warrant Holder which is a consumer in Belgium) with respect to any action taken or omitted to be taken by it in connection with the determination whether the Exercise Notice was duly completed or the notification of such determination to a Warrant Holder. In respect of any Warrant Holder that is a consumer in Belgium, the Issuer shall be responsible for any action taken or omitted to be taken by it or its agents in connection with the determination whether the Exercise Notice was duly completed or the notification of such determination to a Warrant Holder, save in case of force majeure.

f. Exercise Risk

Exercise of the Warrants and delivery of the Entitlement to the Underlying Shares by the Issuer is subject to all applicable laws, regulations and practices in force on the relevant Actual Exercise Date and none of the Issuer, the Warrant Agent or the Calculation Agent shall incur any liability whatsoever if it is unable in case of force majeure to effect the transactions contemplated as a result of any such laws, regulations or practices. Notwithstanding such applicable laws, regulations and practices in force on the relevant Actual Exercise Date which would affect the Exercise of the Warrants and delivery of the Entitlement on the Actual Exercise Date, the Warrants will in such case however remain valid and exercisable on a later date until the Expiration Date. None of the Issuer, the Warrant Agent or the Calculation Agent shall under any circumstances, save in case of their gross negligence or wilful misconduct, be liable for any acts or defaults of the Securities Settlement System or any Securities Settlement System participant in relation to the performance of its duties in relation to the Warrants. Each of the Issuer, the Warrant Agent and the Calculation Agent however undertake to use all reasonable efforts in such case to assist the Warrant Holder(s) in recovering their losses from the Securities Settlement System or any Securities Settlement System participant.

g. Effect of Exercise Notice

Delivery of an Exercise Notice shall constitute an irrevocable election and undertaking by the Warrant Holder to Exercise the Warrant(s) specified herein, provided that the person Exercising and delivering such Exercise Notice is the person then appearing in the Share Register or the holder of the relevant securities account into which the relevant Warrant is held. If the person Exercising and delivering the Exercise Notice is not the person so appearing, such Exercise Notice shall for all purposes become null and void and shall be deemed not to have been so delivered.

After the delivery of an Exercise Notice (other than an Exercise Notice delivered after the Expiration Date), the Warrant Holder specified in such Exercise Notice may not otherwise transfer such Warrants. Notwithstanding this, if any Warrant Holder does so transfer or attempt to transfer such Warrants, the Warrant Holder will be liable to the Issuer for any losses, costs and expenses suffered or incurred by the Issuer including those suffered or incurred as a consequence thereof.

#### ***(10) Sale of Dematerialised Warrants in the open market***

Following dematerialisation in accordance with Condition (6), the Warrants may also be admitted to trading on and sold to a third party through the regulated market of Euronext Brussels. The market for the Warrants is a fixing market with the relevant sale prices being fixed twice a day.

A Warrant Holder wishing to sell its Registered Warrants through the regulated market of Euronext Brussels, will first need to contact its contact person on [kbcoptionplan@kbc.be](mailto:kbcoptionplan@kbc.be) or on another mail-address as mentioned on the Electronic Platform. The Issuer will provide the Warrant Holder with the required documentation. Per request of the Warrant Holder, the Warrants will be dematerialised in accordance with Condition (6) and will be booked on a securities account of such Warrant Holder at KBC Bank in order to sell to a third party through the regulated market of Euronext Brussels.

In case of a transfer of a Warrant by way of a stock exchange trade on Euronext Brussels, administrative cost will be due by the Warrant Holder as set out (and updated from time to time) in the tariff card published by the Issuer on the Issuer's website under page:

[https://kbc-pdf.kbc.be/vermogensopbouw/tarieven\\_effecten\\_nl.pdf](https://kbc-pdf.kbc.be/vermogensopbouw/tarieven_effecten_nl.pdf)).

#### ***(11) Sale of Dematerialised Warrants to the Issuer***

##### **a. Sale**

This Condition (11) is only applicable to Dematerialised Warrants.

Besides a sale of the Dematerialised Warrants in the open market (as set out in Condition (10) above), a Warrant Holder also has the right to offer its Dematerialised Warrants for sale to the Issuer in accordance with the terms of this Condition (11) and the Issuer has the right, without this being an obligation, to accept such offer (**Sale of a Warrant** or **Sale**).

Each of the Issuer or any person directly or indirectly connected with the Issuer may also, but is not obliged (except to the extent the Issuer acts as market-maker in respect of Dematerialised Warrants admitted to be traded on Euronext Brussels), at any time purchase Dematerialised Warrants at any price in the open market or otherwise (including, but without limitation, by tender or private transaction). Any Dematerialised Warrants so purchased may be held or resold or surrendered for cancellation.

The Issuer may agree to purchase the Dematerialised Warrants (without this being an obligation, except to the extent the Issuer acts as market-maker in respect of Dematerialised Warrants admitted to trading on Euronext Brussels) at the Sale Price indicatively mentioned on the website: [www.kbctop.com](http://www.kbctop.com) at such time as determined in accordance with the table set out in Condition (11)a(i). The Sale Price of the Dematerialised Warrants is subject to stock exchange fluctuations throughout the day. The Sale Price of the Dematerialised Warrants shall be formed and determined:

(a) for Warrants other than END Warrants, twice intra-day by KBC Bank, a first time at 9:00h (CET) in the morning and the second time at 12:00h (CET) noon, and posted on the Issuer's website at: [www.kbctop.com](http://www.kbctop.com) (x) for Warrants other than END Warrants, at 09:00h (CET) and 12:00h (CET) noon;



and (y) for END Warrants, on the Business Day after the Business Day on which the price was calculated, at 09:00h (CET);

(b) for END Warrants, once intra-day by KBC Bank, at or about 23:30 (CET). The applicable Sale Price shall depend on the time the Warrant Agent receives a duly completed Sale Notice, as further specified in the following section (11)a(i).

Such Sale Price will be based on KBC Bank's own pricing models. The Issuer shall ensure that at any time as long as Dematerialised Warrants are outstanding under the Programme in respect of which the Exercise Period has not lapsed, such Sale Price will continue to be posted.

A Warrant Holder can autonomously choose to sell its Dematerialised Warrants of a same Series to the Issuer, at once or in multiple transactions, on any Business Days during the Exercise Period (prior to the Expiration Date) by physically giving a Sale Notice to the Warrant Agent in his local KBC branch. The order can be made by the Warrant Holder on any Business Day during the opening hours of the local KBC branch. A Sale Notice for Dematerialised Warrants cannot be given through the Electronic Platform. The Warrant Agent shall have the right to make available other channels and/or media for delivery of the Sale Notice, which, in such case, will be specified on the Issuer's website at: [www.kbctop.com](http://www.kbctop.com).

(i) Determination of the Sale Price

A Sale Notice received by the Warrant Agent on any Business Day during the Exercise Period (prior to the Expiration Date) will be executed (if accepted by the Issuer) at the price posted on the website [www.kbctop.com](http://www.kbctop.com) at the following times:

(a) for Warrants other than END Warrants:

	<b>Time of receipt of Sale Notice</b>	<b>Sale Price at <a href="http://www.kbctop.com">www.kbctop.com</a></b>
1.	8.00h (CET) to 12.00h (CET)	Sale Price at 9.00h (CET) of the same Business Day
2.	12.00h (CET) to 16.00h (CET)	Sale Price at 12.00h (CET) of the same Business Day
3.	16.00h (CET) to 20.00 (CET)	Sale Price at 9.00h (CET) on the immediately following Business Day during the Sale Period

(b) for END Warrants:

	<b>Time of receipt of Sale Notice</b>	<b>Sale Price at <a href="http://www.kbctop.com">www.kbctop.com</a></b>
1.	9.00h (CET) to 16.00h (CET)	Sale Price calculated at or about 23:30 (CET) of the same Business Day, published at 9.00h (CET) on the immediately following Business Day during the Sale Period
2.	16.00h (CET) to 09.00h	Sale Price calculated at or about 23:30 CET

	(CET) (on the following Business Day)	(CET) on the immediately following Business Day during the Sale Period, published at 9.00h (CET) on the Business Day following the Business Day on which the Sale Price is calculated
--	---------------------------------------	---

(ii) Actual Sale Date

The Actual Sale Date is the Business Day on which the Sale Price is determined as in accordance with Condition (11)a(i) above.

**The Issuer expressly reserves the right to deviate from the aforementioned prices in the event of significant market fluctuations (for these purpose a 2,5% move of the Euro Stoxx 50 index will be deemed a significant market fluctuation).**

**Any damage due to the Sale Notice being received after the Expiration Date (i.e. at or after 15.00h (CET)) cannot be recovered in any way from the Issuer (save in case of gross negligence or wilful misconduct of the Issuer or its agents).**

b. Sale Notice

When the Warrant Holder wants to give the Sale Notice to the Warrant Agent, the Warrant Holder will need to have the following information available which shall be requested by the Warrant Agent:

- (i) the Series number of the relevant Warrant(s) and the number of the Dematerialised Warrants being Sold to the Issuer;
- (ii) the number of the Warrant Holder's securities account at KBC Bank to be debited with the Dematerialised Warrants being sold;
- (iii) the irrevocable instruction to the Warrant Agent to transfer on the Cash Settlement Date the Dematerialised Warrants to the designated account of the Warrant Agent as communicated to the Warrant Holder during call during which the Sale Notice is provided;
- (iv) the number of the Warrant Holder's cash account at KBC Bank or at another Securities Settlement System participant to be credited with the Sale Price of such Dematerialised Warrants being sold as determined in accordance with Condition (11)a.(i);
- (v) an undertaking to pay all taxes, duties and/or expenses, including any applicable depository charges, transaction or exercise charges, stamp duty, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties arising in connection with the Sale of such Dematerialised Warrants (**Sale Expenses**) and an authority to KBC Bank to deduct an amount in respect thereof from the Sale Price, as determined in accordance with Condition (11)a(i), due to such Warrant Holder and/or to debit any specified account of the Warrant Holder at KBC Bank in respect thereof and to pay such Sale Expenses, all as provided in the Warrant Agreement.

c. Verification of Sale Notice and Warrant Holder

To sell Dematerialised Warrants, the Warrant Holder must duly provide a Sale Notice and must own and be able to dispose of Dematerialised Warrants in the amount being Sold, as reflected in its securities account with KBC Bank on the Actual Sale Date. The Warrant Agent will, in accordance with its

normal operating procedures, verify that each person Selling such Dematerialised Warrants is the holder of the corresponding Dematerialised Warrants (by verifying the securities account of such Warrant Holder at KBC Bank in which the Dematerialised Warrants are held as designated in the Sale Notice).

If sufficient Dematerialised Warrants are not available as reflected in the designated securities account on the Actual Sale Date, the Sale Notice will be treated as null and void and the Warrant Agent will inform the Warrant Holder as soon as reasonably practicable that a new duly completed Sale Notice must be submitted if Sale of the Warrant Holder's Dematerialised Warrants to the Issuer is still desired.

d. Notification to the Issuer

The Warrant Agent shall notify the Issuer in writing not later than the Actual Sale Date of the effectiveness of the Sale Notice, as well as the number of the cash account and securities account of the Warrant Holder.

e. Payment of the Sale Price

In the case of a Sale of Dematerialised Warrants to the Issuer, the Sale Price as determined in accordance with Condition (11)a(i) shall be deposited in the specified account of the Warrant Holder as communicated by the Warrant Holder in the Sale Notice. The sum will be made available with value date three (3) Business Days after the Actual Sale Date (the **Cash Settlement Date**).

f. Sale Risk

Sale of the Dematerialised Warrants to the Issuer is subject to all applicable laws, regulations and practices in force on the relevant Actual Sale Date and none of the Issuer, the Warrant Agent or the Calculation Agent shall incur any liability whatsoever if it is unable in case of force majeure to effect the transactions contemplated as a result of any such laws, regulations or practices. Notwithstanding such applicable laws, regulations and practices in force on the relevant Actual Sale Date which would affect the Sale of the Dematerialised Warrants, the Dematerialised Warrants will in such case however remain valid and exercisable and can be Sold on a later date until the Expiration Date. None of the Issuer, the Warrant Agent or the Calculation Agent shall under any circumstances, save in case of their gross negligence or wilful misconduct, be liable for any acts or defaults of the Securities Settlement System or any Securities Settlement System participant in relation to the performance of its duties in relation to the Dematerialised Warrants. Each of the Issuer, the Warrant Agent and the Calculation Agent however undertake to use all reasonable efforts in such case to assist the Warrant Holder(s) in recovering their losses from the Securities Settlement System or any Securities Settlement System participant.

g. Effect of Sale Notice

Giving of a Sale Notice in a manner set forth in Condition (11)b shall constitute an irrevocable election and undertaking by the Warrant Holder to Sell the Dematerialised Warrants to the Issuer, provided that the person giving such Sale Notice is the Warrant Holder of the relevant Warrant. If the person giving the Sale Notice is not the person appearing, such Sale Notice shall for all purposes become null and void and shall be deemed not to have been so given.

After giving a Sale Notice, (other than a Sale Notice given after Exercise Period), the Warrant Holder may not otherwise transfer such Dematerialised Warrants. Notwithstanding this, if any Warrant Holder does so transfer or attempt to transfer such Dematerialised Warrants, the Warrant Holder will be liable to the Issuer for any losses, costs and expenses suffered or incurred by the Issuer including those suffered or incurred as a consequence thereof.

h. Costs

In case of sale of the Dematerialised Warrants to the Issuer, no additional costs will be due by the Warrant Holder. The Warrant Holder will however be liable for any Sale Expenses that would become due.

***(11)bis Sale of Registered Warrants to the Issuer***

a. Sale

This Condition (11)bis is only applicable to the Registered Warrants.

A Warrant Holder wishing to sell its Registered Warrants to the Issuer will need to use the Electronic Platform accessible by every Warrant Holder using an individualised user name and password.

A Warrant Holder has the right to offer its Registered Warrants for sale to the Issuer in accordance with the terms of this Condition (11)bis and the Issuer has the right, without this being an obligation, to accept such offer.

Any Registered Warrants so purchased may be held or resold or surrendered for cancellation.

The Issuer may agree to purchase the Registered Warrants (without this being an obligation) at the sale price indicatively mentioned on the website: [www.kbctop.com](http://www.kbctop.com) at such time as determined in accordance with the table set out in paragraph (a)(i) of this Condition (11)bis. The sale price of the Registered Warrants is subject to stock exchange fluctuations throughout the day. The sale price of the Registered Warrants shall be formed and determined (a) for Warrants other than END Warrants, twice intra-day by KBC Bank, a first time at 9:00h (CET) in the morning and the second time at 12:00h (CET) noon; or (b) for END Warrants, once intra-day by KBC Bank, at or about 23:30 CET (CET), and posted on the Issuer's website at: [www.kbctop.com](http://www.kbctop.com) (x) for Warrants other than END Warrants, at 09:00h (CET) and 12:00h (CET) noon; and (y) for END Warrants, on the Business Day after the Business Day on which the price was calculated, at 09:00h (CET). The applicable Sale Price shall depend on the time the Warrant Agent receives a duly completed Sale Notice, as further specified in the following section (11)a(i). Such sale price will be based on KBC Bank's own pricing models. The Issuer shall ensure that at any time as long as Registered Warrants are outstanding under the Programme in respect of which the Exercise Period has not lapsed, such sale price will continue to be posted.

A sale notice in relation to a Registered Warrant offered for sale to the Issuer through the Electronic Platform is deemed to be given at the time confirmed by the Electronic Platform (an **Electronic Sale Notice**).

(i) Determination of the sale price

An Electronic Sale Notice received by the Warrant Agent through the Electronic Platform on any Business Day during the Exercise Period (prior to the Expiration Date) will be executed (if accepted by the Issuer) at the price posted on the website [www.kbctop.com](http://www.kbctop.com) at the following times:

(a) for Warrants other than END Warrants:

	<b>Time of receipt of sale notice</b>	<b>sale price at <a href="http://www.kbctop.com">www.kbctop.com</a></b>
1.	8.00h (CET) to 12.00h (CET)	sale price at 9.00h (CET) of the same Business Day

2.	12.00h (CET) to 16.00h (CET)	sale price at 12.00h (CET) of the same Business Day
3.	16.00h (CET) to 20.00 (CET)	sale price at 9.00h (CET) on the immediately following Business Day during the sale period

(b) for END Warrants:

	<b>Time of receipt of Sale Notice</b>	<b>sale price at www.kbctop.com</b>
1.	9.00h (CET) to 16.00h (CET)	sale price calculated at or about 23:30 CET (CET) of the same Business Day, published at 9.00h (CET) on the immediately following Business Day during the sale period
2.	16.00h (CET) to 09.00h (CET) (on the following Business Day)	sale price calculated at or about 23:30 CET (CET) on the immediately following Business Day during the sale period, published at 9.00h (CET) on the Business Day following the Business Day on which the sale price is calculated

(ii) Actual sale date

The actual sale date of a Registered Warrant offered for sale to the Issuer through the Electronic Platform is the Business Day on which the sale price is determined as in accordance with paragraph (a)(i) above of this Condition (11)bis.

**The Issuer expressly reserves the right to deviate from the aforementioned prices in the event of significant market fluctuations (for these purpose a 2,5% move of the Euro Stoxx 50 index will be deemed a significant market fluctuation).**

**Any damage due to the sale notice being received after the Expiration Date (i.e. at or after 15.00h (CET)) cannot be recovered in any way from the Issuer (save in case of gross negligence or wilful misconduct of the Issuer or its agents).**

b. Payment of the sale price

In the case of a sale of Registered Warrants to the Issuer through the Electronic Platform, the sale price as determined in accordance with paragraph (a)(i) above of this Condition (11)bis shall be deposited in the specified account of the Warrant Holder as communicated by the Warrant Holder in the Electronic Sale Notice. The sum will be made available with value date three (3) Business Days after the actual sale date as determined in accordance with paragraph (a)(ii) above of this Condition (11)bis.

c. Sale Risk

Sale of the Registered Warrants to the Issuer through the Electronic Platform is subject to (i) all applicable laws, regulations and practices and (ii) the applicable user guidelines of the Electronic Platform, in each case, in force on the relevant the actual sale date of the Registered Warrants as determined in accordance with paragraph (a)(ii) above of this Condition (11)bis. None of the Issuer, the Warrant Agent or the Calculation Agent shall incur any liability whatsoever if it is unable in case of

force majeure to effect the transactions contemplated as a result of (i) any such laws, regulations or practices or (ii) any such user guidelines of the Electronic Platform. Notwithstanding (i) such laws, regulations or practices or (ii) such user guidelines of the Electronic Platform, in each case, in force on the relevant the actual sale date of the Registered Warrants as determined in accordance with paragraph (a)(ii) above of this Condition (11)bis, which would affect the Sale of the Registered Warrants, the Registered Warrants will in such case however remain valid and exercisable and can be sold on a later date until the Expiration Date.

None of the Issuer, the Warrant Agent or the Calculation Agent shall under any circumstances, save in case of their gross negligence or wilful misconduct, be liable for any acts or defaults of the Securities Settlement System or any Securities Settlement System participant in relation to the performance of its duties in relation to the Registered Warrants. Each of the Issuer, the Warrant Agent and the Calculation Agent however undertake to use all reasonable efforts in such case to assist the Warrant Holder(s) in recovering their losses from the Securities Settlement System or any Securities Settlement System participant.

d. Effect of Electronic Sale Notice

Giving of an Electronic Sale Notice using the Electronic Platform shall constitute an irrevocable election and undertaking by the Warrant Holder to sell the Registered Warrants to the Issuer, provided that the person giving such Electronic Sale Notice is the Warrant Holder of the relevant Registered Warrant. If the person giving the Electronic Sale Notice is not the person appearing, such Electronic Sale Notice shall for all purposes become null and void and shall be deemed not to have been so given.

After giving an Electronic Sale Notice, (other than an Electronic Sale Notice given after Exercise Period), the Warrant Holder may not otherwise transfer such Registered Warrants. Notwithstanding this, if any Warrant Holder does so transfer or attempt to transfer such Registered Warrants, the Warrant Holder will be liable to the Issuer for any losses, costs and expenses suffered or incurred by the Issuer including those suffered or incurred as a consequence thereof.

e. Costs

In case of sale of the Registered Warrants to the Issuer through the Electronic Platform, no additional costs will be due by the Warrant Holder.

However, the Warrant Holder undertakes to pay all taxes, duties and/or expenses, including any applicable depository charges, transaction or exercise charges, stamp duty, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties arising in connection with the sale of Registered Warrants through the Electronic Platform, and it authorises KBC Bank to deduct an amount in respect thereof from the sale price, as determined in accordance with paragraph (a)(i) above of this Condition (11)bis, due to such Warrant Holder and/or to debit any specified account of the Warrant Holder at KBC Bank in respect thereof and to pay such taxes, duties and/or expenses, all as provided in the Warrant Agreement.

**(12) Illegality**

- a. In the case of a Warrant Holder who is not a consumer in Belgium, if the performance by the Issuer of its obligations under the Warrants or any arrangements made to hedge the Issuer's obligations under the Warrants has or will become unlawful, illegal or otherwise prohibited in whole or in part for any duly documented reason, including, without limitation, as a result of compliance with any applicable present or future law, rule, regulation, judgment, order or directive or with any requirement or request of any governmental, administrative, legislative or judicial authority or power, the Issuer may terminate and

cancel the Warrants held by Warrant Holders who are not consumers in Belgium by giving notice to such Warrant Holders in accordance with Condition (14)a.

- b. In the case of a Warrant Holder who is a consumer in Belgium, if the performance by the Issuer of its obligations under the Warrants has or will become unlawful, illegal or otherwise prohibited for any duly documented reason, including, without limitation, as a result of compliance with any applicable present or future law, rule, regulation, judgment, order or directive or with any requirement or request of any governmental, administrative, legislative or judicial authority or power, the Issuer may terminate and cancel the Warrants held by Warrant Holders who are consumers in Belgium by giving notice to such Warrant Holders in accordance with Condition (14)a.
- c. If the Issuer terminates and cancels the Warrants then the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Warrant Holder in respect of each Warrant held by such holder, which amount shall be the Fair Market Value of a Warrant notwithstanding such illegality plus, if already paid by or on behalf of the Warrant Holder (when such illegality occurs or is established after the initiation of the Exercise by the Warrant Holder), the Actual Exercise Price, the Exercise Cost and the Exercise Expenses, as determined by the Calculation Agent. Payment will be made in such manner as shall be notified to the Warrant Holders in accordance with Condition (14)a.

### ***(13) Agents, Determinations and Modifications***

#### **a. Warrant Agent**

The specified office of KBC Bank as initial Warrant Agent is as set out on the back of the Base Prospectus (or, in case of additional Warrant Agents appointed in respect of a specific Series, as set out in the Applicable Final Terms).

The Issuer reserves the right at any time to vary or terminate the appointment of the Warrant Agent and to appoint further or additional warrant agents, provided that no termination of appointment of the Warrant Agent shall become effective until a replacement Warrant Agent shall have been appointed and provided that, so long as any of the Warrants are listed on a stock exchange, there shall be a Warrant Agent having a specified office in each location required by the rules and regulations of the relevant stock exchange. Notice of any termination of appointment and of any changes in the specified office of the Warrant Agent will be given to Warrant Holders in accordance with Condition (14)a.

In acting under the Warrant Agreement, the Warrant Agent acts solely as agent of the Issuer and does not assume any obligation or duty to, or any relationship of agency or trust for or with, the Warrant Holders and any determinations and calculations made in respect of the Warrants by the Warrant Agent shall (save in the case of manifest error) be final, conclusive and binding on the Issuer and the Warrant Holder.

#### **b. Calculation Agent**

In relation to each issue of Warrants, the Calculation Agent (whether it be KBC Bank NV or another entity) acts solely and its sole discretion as agent of the Issuer and does not assume any obligation or duty to, or any relationship of agency or trust for or with, the Warrant Holders. All calculations and determinations made in respect of the Warrants by the Calculation Agent shall (save in the case of manifest error) be final, conclusive and binding on the Issuer and the Warrant Holder.

Whenever the Calculation Agent is required to act or exercise judgement, it will do so in good faith and in a commercially reasonable manner. The Calculation Agent shall, as soon as practicable after making any determination pursuant to these Conditions, notify the Issuer and the Warrant Holder of such determination. Any delay, deferral or forbearance by the Calculation Agent in the performance or exercise of any of its

obligations or its discretion under the Warrants including, without limitation, the giving of any notice by it to any person, shall not affect the validity or binding nature of any later performance or exercise of such obligation or discretion, and none of the Calculation Agent or the Issuer shall, in the absence of wilful misconduct and gross negligence, bear any liability in respect of, or consequent upon, any such delay, deferral or forbearance.

c. Determinations and calculations

Any determination made by the Issuer pursuant to these Conditions shall (save in the case of manifest error) be final, conclusive and binding on the Issuer and the Warrant Holders.

None of the Issuer, the Calculation Agent and the Warrant Agent shall have any responsibility to any person (except to any Warrant Holder which is a consumer in Belgium) for any errors or omissions in the calculation of any Entitlement, save in case of negligence or wilful misconduct. In case the Warrant Holder is a consumer in Belgium, the Issuer shall be responsible for any errors or omissions in the calculation of any Entitlement, save in case of force majeure.

d. Modifications

The Issuer may modify these Conditions and/or the Warrant Agreement without the consent of the Warrant Holders provided that (i) such modification is not materially prejudicial to the interests of the Warrant Holders as a whole; or (ii) such modification is of a formal, minor or technical nature or to correct a manifest or proven error, to cure, correct or supplement any defective provision contained herein and/or therein or to comply with mandatory provisions of the law; or (iii) such modification is made to correct an inconsistency between the final terms and the conditions of the Warrant issue (comprising these Conditions as completed by the relevant Final Terms) and the relevant term sheet relating to the Warrants.

Any such modification shall furthermore only be binding on the Warrant Holders if it allows the rights and obligations under the Warrants to be exercised and performed by the Warrant Holders in accordance with the initially agreed terms and contractual equilibrium.

Any such modification shall be binding on the Warrant Holders and a notice of any such modification will be given to the Warrant Holder in accordance with Condition (14)a as soon as practicable thereafter.

To the extent the Warrant Holder is a consumer in Belgium, any modification pursuant to this Condition 13(d) may not relate to an essential feature of the Warrants, unless: (a) in the case of the occurrence of (i) a force majeure event or (ii) an event which substantially alters the economics of the contract as initially agreed between the parties and which is not attributable to the Issuer, (b) any such modification does not create an obvious imbalance between the rights and obligations of the parties to the detriment of the Warrant Holder, and (c) the Issuer does not charge costs to the Warrant Holder for any such modification.

***(14) Notices and Addresses***

a. Notices

In order to receive any communication from, and execute any transaction with, the Issuer, the Warrant Holder will need to hold at all times a cash account with KBC Bank or with another Securities Settlement System participant.

(i) In respect of Registered Warrants

All notices to holders of Registered Warrants will be mailed by regular post or by fax to the holders at their respective addresses or fax numbers appearing in the Warrants Register. If sent by post,



notices will be deemed to have been given on the fourth Business Day (being a day other than a Saturday or a Sunday) after the date of mailing. If sent by fax, notices will be deemed to have been given upon receipt of a confirmation of the transmission.

(ii) In respect of Dematerialised Warrants

Notices to be given to the holders of Dematerialised Warrants shall be deemed to have been duly given to the relevant Warrant Holders if delivered to the Securities Settlement System for communication by it to the holders of the Dematerialised Warrants and shall be deemed to be given on the date immediately following the date of delivery.

So long as the Warrants are listed on any stock exchange or admitted to listing by any other relevant authority and if the rules of the exchange so require, any notice shall also be published in accordance with the rules and regulations of such stock exchange or other relevant authority.

Financial information in respect of the Warrants may also be made available by the Issuer on the website [www.kbctop.com](http://www.kbctop.com) (or such other website as may be communicated to the Warrant Holders in the future).

b. Addresses

Any notifications in relation to the offer, acceptance or Sale (other than a Sale on a stock exchange) of the Warrants by or to the Warrant Agent, the Issuer or the Warrant Holder shall be made via the webtool KBC ESOP Online (accessible with a username and a password).

Any notifications in relation to the Exercise, dematerialisation process and Sale of the Warrants on a stock exchange to the Warrant Agent or the Issuer by the Warrant Holder shall be made via an email sent to [kbcoptionplan@kbc.be](mailto:kbcoptionplan@kbc.be) or by phone (+ 32 2 429 96 00).

***(15) Expenses and Taxation***

A Warrant Holder must pay all Exercise Expenses and Sale Expenses relating to such Warrants as provided above (see Conditions (8)f and (11)h).

The Issuer shall deduct from amounts payable or from assets deliverable to Warrant Holders all Exercise Expenses and/or Sale Expenses not previously paid by, or deducted from amounts paid to Warrant Holders as the Calculation Agent shall in its sole and absolute discretion determine are attributable to the Warrants.

The Issuer shall not be liable for any Exercise Expenses, Sale Expenses or any other applicable costs and/or expenses that may arise in relation of Selling, Exercising or holding the Warrant by the Warrant Holders (except as provided otherwise in these Conditions in relation to unilateral modifications made to the terms of the Warrants or in case of cancellation of the Warrants) and the Warrant Holders shall be liable to bear such cost and/or expenses.

The Warrant Holder shall also be liable for any and all present, future, prospective, contingent or anticipated Taxes.

Warrant Holders should finally note that the original Issue Price of a Warrants may include certain commissions or fees charged by the Issuer and/or the Dealer(s) in respect of a Series of Warrants and the cost or expected cost of hedging the Issuer's obligations under the Warrants and may include a distribution fee payable to the distributor of the Warrants.

### ***(16) Entirety of the Conditions***

Should any one or more of the provisions contained in these Conditions be or become invalid, the validity of the remaining provisions shall not in any way be affected thereby.

### ***(17) Governing law and Jurisdiction***

#### **a. Applicable law**

The Warrants, the Warrant Agreement and all matters arising from or connected with the Warrants and the Warrant Agreement (and any non-contractual obligations arising out of or in connection with the Warrants) are governed by, and shall be construed in accordance with, Belgian law.

#### **b. Jurisdiction**

The courts of Brussels, Belgium (Dutch speaking chambers) are to have exclusive jurisdiction to settle any dispute, arising from or connected with the Warrants (including any disputes relating to any non-contractual obligations arising out of or in connection with the Warrants), without prejudice to any party's rights under article 624, 1°, 2° and 4°, of the Belgian Judicial Code and without restricting the competence of any court which is competent under article 624, 1°, 2° and 4°, of the Belgian Judicial Code.

### ***(18) Market Disruption***

If the Underlying Share of the Warrant is a listed financial instrument, the Warrant Holders are subject to the risk that a Market Disruption Event will occur.

If the Issuer or the Calculation Agent determines that a Market Disruption Event has occurred, a valuation in the relevant Underlying Share may consequentially be postponed or adjusted which may have an adverse effect on the value of such Warrant.

### ***(19) Events affecting the Underlying Share***

#### **a. Potential Adjustment Event**

Following the declaration by the Share Company of the terms of any Potential Adjustment Event, the Calculation Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the Underlying Shares and if so, will (i) either (A) make the corresponding adjustment, if any, to any one or more of the Entitlement and/or the Exercise Price (and/or the Actual Exercise Price) and/or any of the other terms of these Conditions and/or the Applicable Final Terms as the Calculation Agent determines appropriate to account for that diluting or concentrative effect (which adjustment may include, without limitation, adjustments to account for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Underlying Share) or (B) substitute the Underlying Share affected by the Potential Adjustment Event with a replacement share, which is as similar as possible to the Underlying Share, selected by the Calculation Agent and the Calculation Agent shall determine the adjustments, if any, to be made to these Conditions and/or the Applicable Final Terms to account for such substitution and (ii) determine the effective date of that adjustment or substitution, as the case may be. With respect to an adjustment pursuant to (i)(A) above, the Calculation Agent may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an options exchange to options on the Shares traded on that options exchange.

Upon the making of any such adjustment by the Calculation Agent, the Calculation Agent shall give notice as soon as practicable to the Warrant Holders in accordance with Condition (14)a, stating the adjustment to

the Entitlement and/or the Exercise Price (and/or the Actual Exercise Price) and/or any of the other terms of these Conditions and/or the Applicable Final Terms and giving brief details of the Potential Adjustment Event.

b. De-listing, Merger Events, Tender Offer, Insolvency and Nationalisation

If (x) a De-listing, Merger Event, Nationalisation, Insolvency and/or (y) if Tender Offer is specified as applying in the Applicable Final Terms, a Tender Offer occurs in relation to a Underlying Share, the Issuer may take the action described in (i) or (ii) below:

- (i) *in first instance*, require the Calculation Agent to determine the appropriate adjustment, if any, to be made to the Entitlement and/or the Exercise Price (and/or the Actual Exercise Price) and/or any of the other terms of these Conditions and/or the Applicable Final Terms to account for the De-listing, Merger Event, Insolvency, Tender Offer or Nationalisation, as the case may be, and determine the effective date of that adjustment. The relevant adjustment may (A) include, without limitation, the substitution of the Underlying Share the subject of the De-listing, Merger Event, Insolvency, Tender Offer or Nationalisation by a replacement share, which is as similar as possible to the Underlying Share, selected by the Calculation Agent and the Calculation Agent shall determine the adjustments, if any, to be made to these Conditions and/or the Applicable Final Terms to account for such substitution or (B) in the case of adjustments following a Merger Event or Tender Offer, include, without limitation, adjustments to account for changes in volatility, expected dividends, stock loan rate or liquidity relevant to the Underlying Shares or to the Warrants. The Calculation Agent may (but need not) determine the appropriate adjustment by reference to the adjustment in respect of the De-listing, Merger Event, Tender Offer or Nationalisation made by any options exchange to options on the Shares traded on that options exchange; or
- (ii) *if the adjustment under (i) would not reasonably result in a repair of the contractual equilibrium (in line with the initially agreed terms of the Warrants)*, cancel the Warrants by giving notice to Warrant Holders in accordance with Condition (14)a. If the Warrants are so cancelled the Issuer will pay an amount to each Warrant Holder in respect of each Warrant held by him which amount shall be the Fair Market Value of a Warrant taking into account the De-Listing, Merger Event, Insolvency, Tender Offer or Nationalisation, as the case may be, *plus*, if already paid, the Actual Exercise Price, the Exercise Cost and the Exercise Expenses, all as determined by the Calculation Agent. Payments will be made in such manner as shall be notified to the Warrant Holders in accordance with Condition (14)a.

c. Notice

Upon the occurrence of a De-listing, Merger Event, Insolvency, Nationalisation, or, if applicable, a Tender Offer, the Issuer shall give notice as soon as practicable to the Warrant Holders in accordance with Condition (14)a stating the occurrence of the De-listing, Merger Event, Tender Offer, Nationalisation or, as the case may be, Tender Offer, giving details thereof and the action proposed to be taken in relation thereto.

**(20) Additional Disruption Events**

If an Additional Disruption Event occurs, the Issuer may take the action described in (i) or (ii) below:

- (i) *in first instance*, require the Calculation Agent to determine the appropriate adjustment, if any, to be made to the Entitlement and/or the Exercise Price (and/or the Actual Exercise Price) and/or any of the other terms of these Conditions and/or the Applicable Final Terms to account for the Additional Disruption Event and determine the effective date of that adjustment; or

- (ii) *if the adjustment under (i) would not reasonably result in a repair of the contractual equilibrium (in line with the initially agreed terms of the Warrants)*, cancel the Warrants by giving notice to Warrant Holders in accordance with Condition (14)a. If the Warrants are so cancelled the Issuer will pay an amount to each Warrant Holder in respect of each Warrant held by him which amount shall be the Fair Market Value of a Warrant taking into account the Additional Disruption Event, as the case may be, *plus*, if already paid (when such Additional Disruption Event occurs after the initiation of the Exercise by the Warrant Holder), the Actual Exercise Price, the Exercise Cost and the Exercise Expenses, all as determined by the Calculation Agent. Payments will be made in such manner as shall be notified to the Warrant Holders in accordance with Condition (14)a.

Upon the occurrence of an Additional Disruption Event, the Issuer shall give notice as soon as practicable to the Warrant Holders in accordance with Condition (14)a stating the occurrence of the Additional Disruption Event, as the case may be, giving details thereof and the action proposed to be taken in relation thereto.

To the extent that the Warrant Holder is a consumer in Belgium, any adjustment pursuant this Condition (20) (*Additional Disruption Events*) may not relate to an essential feature of the Warrants, unless: (a) in the case of the occurrence of (i) a force majeure event or (ii) an event which substantially alters the economics of the contract as initially agreed between the parties and which is not attributable to the Issuer, (b) any such adjustment does not create an obvious imbalance between the rights and obligations of the parties to the detriment of the Warrant Holder, and (c) the Issuer does not charge costs to the Warrant Holder for any such adjustment.

## 8. FORM OF FINAL TERMS

*Set out below is the form of Final Terms which will be completed for each Series of Warrants issued under the Programme. Text in this section appearing in italics does not form part of the Final Terms but denotes directions for completing the Final Terms.*

[Date]

**KBC Bank NV**

**Issue of [Number of Warrants]**

**[Title of Warrants] Warrants under the KBC Bank Warrants Programme**

### PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated [date] [and the supplement to the Base Prospectus dated [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**) as amended which includes the amendments made by Directive 2010/73/EU (the **2010 PD Amending Directive**) to the extent that such amendments have been implemented in a relevant Member State. This document constitutes the Final Terms of the Warrants described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Warrants is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. [A summary of the issue of the Warrants (which comprises the summary in the Base Prospectus as amended to reflect the provisions of these Final Terms) is annexed to these Final Terms.] Copies of the Base Prospectus [and the supplement to the Base Prospectus] are available free of charge to the public at the registered office of the Issuer [and on the website at [www.kbc.com](http://www.kbc.com).]

In case of any inconsistency between the Base Prospectus and the Final Terms, the Final Terms shall prevail.

### GENERAL DESCRIPTION OF THE WARRANTS

- |    |                                 |  |
|----|---------------------------------|--|
| 1. | END Warrants                    | [Yes/No]   |
| 2. | Series Number                   | [•]  |
| 3. | Number of Warrants being issued | [•]  |
| 4. | Issue Date                      | [•]  |
| 5. | Exercise Period                 | From (and including) [•] until (and including) [•] |
| 6. | Business Day Centre(s)          | [•]  |

7. Currency of the Warrant (of the Warrant Value, Initial Warrant Value, Exercise Price and Actual Exercise Price) [•]
8. Details of the Underlying Share to which the Warrants relate
- a. Identification code Underlying Share (if applicable) [*ISIN/other identification code*]
- b. Share Company (or fund) [\_\_\_\_\_]
- c. Exchange [\_\_\_\_\_]
- d. Related Exchange [\_\_\_\_\_]
- e. Currency [\_\_\_\_\_]
- f. Exchange Business Day [\_\_\_\_\_]
- g. Source for determining Value of the Underlying Share [\_\_\_\_\_]
9. Initial Warrant Value per Warrant [•]
10. Issue Price per Warrant [•] (including hedging costs, commission and other costs related to the issuance of the Warrant)
11. Exercise Price per Warrant [•] [subject to adjustment in accordance with Condition [16]]
12. Entitlement per Warrant [*fraction/number*] of the Underlying Share(s)
13. Actual Exercise Price per Warrant [•]
14. Method for delivery of the Entitlement [\_\_\_\_\_]
15. Details as to how the Entitlement will be evidenced [\_\_\_\_\_]
16. Details of the Warrant Agent (if not KBC [\_\_\_\_\_]

Bank NV)

17. Details of the Calculation Agent (if not KBC Bank NV)
18. Whether Failure to Deliver applies (as defined in Condition (8)e) *[Applicable/Non Applicable]*
19. Whether Tender Offer (as defined in Condition (19)b applies)
20. For the purpose of Condition (20) (Additional Disruption Events)
- (i) Details of any Additional Disruption Event *(specify each of the following which applies)*  
Change in Law  
Hedging Disruption  
Increased Cost of Hedging  
Increased Cost of Stock Borrow  
Insolvency  
Loss of Stock Borrow
- (ii) If Loss of Stock Borrow is applicable, the Maximum Loan Stock rate in respect of each relevant Underlying Share; and
- (iii) If Increased Cost of Stock Borrow is applicable, the Initial Loan Stock Rate in respect of each relevant Underlying Share
21. Valuation Date(s)
22. Valuation Time
23. ISIN Code

## DISTRIBUTION

24. (i) If Syndicated, give names and addresses of Dealers *Applicable/Not Applicable*  
*(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place*

*the issue without a firm commitment or on a “best efforts” basis if such entities are not the same as the dealers. Describe underwriting)*

(ii) Date of Subscription Agreement

25. If non-syndicated, name and address of the relevant Dealer
26. Details of any total commission and concession
27. Details of any addition selling restriction

Signed on behalf of the Issuer:

By: \_\_\_\_\_  
*Duly authorised*

By:  
*Duly authorised*

## **PART B – OTHER INFORMATION**

### **1. ADMISSION TO TRADING:**

- (i) Listing [Euronext Brussels/other (*specify*)/None]
- (ii) Admission to trading: [Application is expected to be made by the Issuer (or on its behalf) for the Warrant to be admitted to trading on [*specify relevant regulated market*] with effect from on or around [the Issue Date][●].] [Not Applicable.]

### **2. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE:**

[Save for any fees payable to the Dealer(s)(if any) so far as the Issuer is aware, no person involved in the issue of the Warrants has an interest material to the offer. The Dealer(s) and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and their affiliates in the ordinary course of business. - *Amend as appropriate if there are other interests*]

*[(When adding any other description, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]*

### **3. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES:**

- (i) [Reasons for the offer: [●]]  
*(See “Use of Proceeds” wording in Base Prospectus - if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)*



(ii) [Estimated net proceeds: [•]]  
*(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)*

(iii) [Estimated total expenses: [•]]  
*(Expenses such as hedging costs, commissions, ...are required to be broken down into each principal intended “use” and presented in order of priority of such “uses”.)*

4. **PERFORMANCE OF THE UNDERLYING SHARE, EXPLANATION OF THE EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING THE UNDERLYING SHARE]**

[The details of past and future performance and volatility of the Underlying Shares can be obtained on [insert relevant Bloomberg page].

[Need to include the name of [the/each] issuer of the underlying Share and the ISIN or other identification code]

[Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]

[(When adding any other description, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)][Not Applicable]

**[ANNEX TO THE FINAL TERMS  
SUMMARY OF THE WARRANTS]**

## **9. USE OF PROCEEDS**

The net proceeds from each issue of Warrants will be used by the Issuer for profit making or risk hedging purposes. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the Applicable Final Terms.

## 10. INFORMATION RELATING TO THE ISSUER<sup>6</sup>

*This section provides a description of the Issuer's business activities as well as certain financial information in respect of the Issuer*

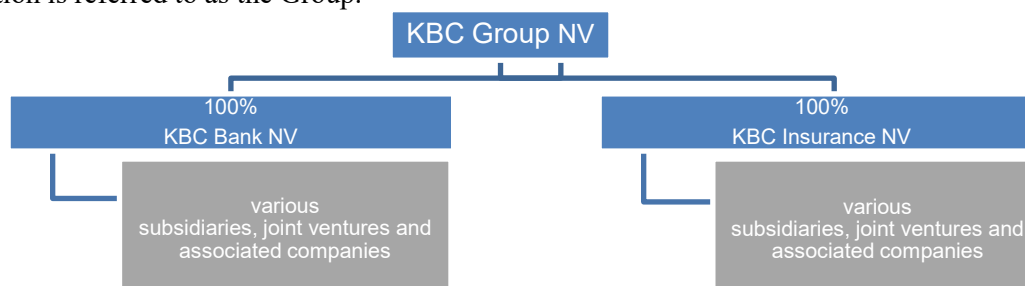
### 1. CREATION

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

As KBC Bank is a wholly-owned subsidiary of KBC Group NV, KBC Bank is indirectly controlled by the shareholders of KBC Group NV (in this Base Prospectus KBC Group NV together with its subsidiaries is referred to as KBC Group or KBC ).

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

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



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

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

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

<sup>6</sup> Any documentation referred to in this Base Prospectus, but not incorporated by reference, shall not be part of this Base Prospectus.

## 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.

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

- (i) KBC Group wants to build on its strengths and be among Europe's best-performing, retail focused financial institutions. It intends to achieve this aim by further strengthening its bank insurance business model for retail, small and medium-sized enterprises (SMEs) and mid-cap clients in its core markets in a highly cost-efficient way. The model has reached different stages of implementation in the different core countries. In Belgium, the bank and the insurance company already act as a single operational unit, achieving both commercial and non-commercial synergies. In its other Central European core countries (the Czech Republic, the Slovak Republic, Hungary and Bulgaria), KBC Group is targeting at least integrated distribution, so that commercial synergies can be realised as soon as possible. In Ireland, insurance products are offered through partnerships.
- (ii) Having both banking and insurance activities integrated within one group creates added value for both clients and KBC Group. Going forward, KBC Group will put further emphasis on the seamless fulfilment of client needs through its bank-insurance offering in the core countries, with the aim of creating sustainable, long-term client relationships and to diversify its income streams.
- (iii) KBC Group will focus on sustainable and profitable growth within a solid risk, capital and liquidity framework. Profitability should take priority over growth or increasing market shares. Risk management is already fully embedded in KBC Group's strategy and decision-making process and KBC Group wishes to secure the independence of the embedded risk framework through closer monitoring by the Group Chief Risk Officer (CRO) and by reporting to the Board of Directors of each business entity.
- (iv) In recent years, KBC Group has invested heavily in its various distribution channels, i.e. its bank branches and insurance agencies, client contact/service centres, websites and mobile apps. KBC Group wants to create added value for its clients by accurately meeting their needs in terms of financial products. Therefore, everything at KBC Group needs to be based on the client's needs and not on the banking or insurance products and services. That is why the different channels are accorded equal status at KBC Group and need to seamlessly complement and reinforce each other. Because KBC Group is strongly embedded in its local markets, and clients' needs are defined by their local environment, each core country will make the necessary changes and investments in its own way and at its own pace.
- (v) The seamless integration of the distribution channels creates a dynamic and client-driven distribution model. The client is at the centre of what KBC Group does. Everything starts from their needs. This is supported by a performance and client-driven corporate culture that will be implemented throughout the group, with the focus on building long-term client bank insurance relationships.
- (vi) KBC Group has no plans to expand beyond its current geographical footprint. In its core markets (Belgium, Ireland, the Czech Republic, Hungary, the Slovak Republic and Bulgaria), it will strengthen its bank-insurance presence through organic growth or through acquisitions, if attractive opportunities arise (and based on clear and strict financial criteria). As announced in February 2017,

KBC Group has named Ireland as one of its core markets, alongside Belgium, Bulgaria, the Czech Republic, Hungary and the Slovak Republic (see further).

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

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

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

\*\* Figures are based on SRB's approach to MREL as defined in the '2017 MREL Policy' published on 20 December 2017.

- (ix) Moreover, KBC Group aims to be one of the better capitalised financial institutions in Europe. Therefore as a starting position, it assesses each year the common equity tier 1 (CET1) ratios of a peer group of European banks active in the retail, SME, and corporate client segments and positions itself on the fully loaded median CET1 ratio of the peer group. KBC Group summarises this capital policy in its 'Own Capital Target', which on 31 December 2017 amounted to 14% CET1. On top of this, KBC Group wants to keep a flexible additional buffer of up to 2% CET1 for potential add-on mergers and acquisitions in its core markets. This buffer comes on top of the 'Own Capital Target'

of KBC Group, and all together forms the Reference Capital Position, which currently amounts to 16%. KBC Group reconfirmed its pay-out ratio policy (i.e. dividend + coupon paid on the outstanding Additional Tier 1 instruments) of at least 50% of consolidated profit, including an annual interim dividend of 1 euro per share paid in November of each accounting year as an advance on the total dividend. On top of the pay-out ratio of 50% of consolidated profit, each year, the Board of Directors will take a decision, at its discretion, on the distribution of the capital above the Reference Capital Position’.

- (x) The resolution plan for KBC Group is based on a Single Point of Entry (SPE) approach at the level of KBC Group NV. In this approach, bail-inable debt instruments positioned for loss absorption purposes are issued by KBC Group NV (i.e. top level). KBC Group NV down-streams the proceeds of these instruments to KBC Bank NV in the form of subordinated instruments. This means that losses will be transferred to the top level of the group and that, if resolution occurs, the group will be resolved as a whole. Hence, this approach safeguards the bank-insurance model in a resolution. Bail-in is identified as the preferred resolution tool. Bail-in implies a recapitalisation and stabilisation of the bank by writing down certain unsecured liabilities and issuing new shares to former creditors as compensation. The SPE approach at KBC Group level reflects KBC Group’s business model which relies heavily on integration, both commercially (e.g. banking and insurance) and organisationally (e.g. risk, finance, treasury, etc.). Debt instruments that are positioned for bail-in will be issued by KBC Group NV. This approach keeps the KBC Group intact in resolution and safeguards the bank-insurance model in going concern. It is crucial that there are adequate liabilities eligible for bail-in. This is measured by the minimum requirement for own funds and eligible liabilities (MREL). As at 30 June 2018, the MREL ratio based on instruments issued by KBC Group NV stood at 25.1% of risk weighted assets (‘point of entry’ view). Based on the broader SRB definition, which also includes eligible instruments of KBC Bank NV, the MREL ratio amounted to 26.4% (the ‘consolidated view’). The SRB requires KBC Group to achieve a ratio of 25.9% by 1 May 2019 using eligible instruments of both KBC Group NV and KBC Bank NV.
  
- (xi) Ireland has become one of KBC Group’s core markets, alongside Belgium, Czech Republic, Bulgaria, the Slovak Republic and Hungary. As a consequence, KBC Bank Ireland plc will strive to achieve at least a market share of 10% in retail and micro SME segments and will plan to develop bank-insurance similar to other core markets of the group. KBC Group will pursue a fully-fledged sustainable growth strategy based on the implementation of a ‘Digital First’ customer-centric strategy. KBC Bank Ireland plc will accelerate its efforts and investments in expertise and resources to evolve fully into a digital-first customer-centric bank, while continuing to carefully and efficiently manage its legacy portfolio. KBC Ireland will facilitate ‘always-on 24/7 accessibility’ in terms of distribution and service. It will further continue to attract retail and micro SME customers. The banking product offering will include day-to-day banking services, as well as access to credit and savings and investments. Recognising ever changing consumer trends, it will also cater for the new emerging digital savvy consumer in the future. Insurance products (life and non-life) are offered through partnerships and collaboration. KBC Bank Ireland plc will continue to cultivate its current relationships with insurance product providers. To digitalise and innovate faster, KBC Bank Ireland plc will intensify its collaboration with other Group entities and leverage proven innovations and learnings from other core markets of the Group. KBC Bank Ireland plc also has a unique business model with its integrated distribution model (with online and mobile supported by a contact centre and physical hubs), which can be an example for other Group core countries. Through its integrated distribution business model, KBC Bank Ireland plc will be given the support to innovate. Moreover, the Group’s new core banking system with an open architecture will allow KBC Bank Ireland plc to tap into opportunities offered by the fintech community and provide services from and to other market players, thus broadening the value proposition to its own customers and playing a frontrunner role for the KBC Group.

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

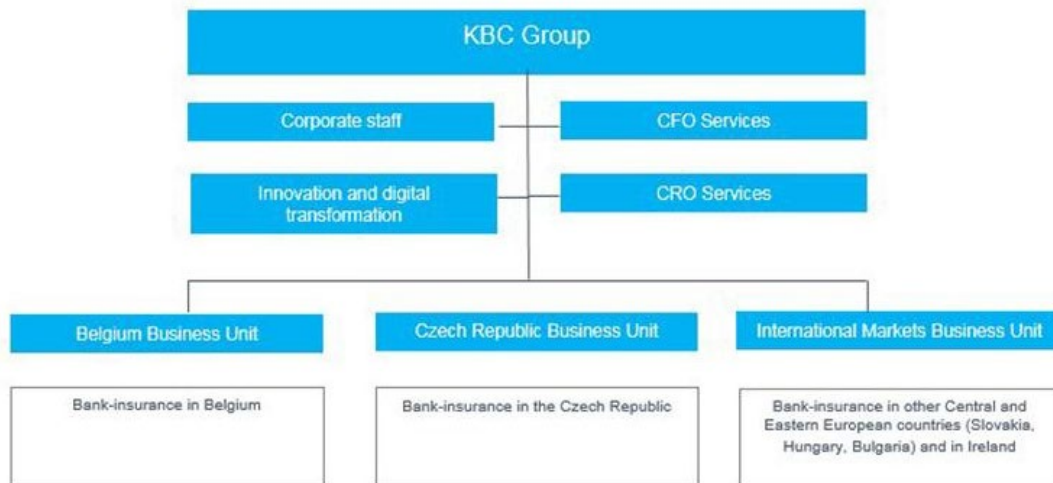
A definition of the above-mentioned ratios can be found in the glossaries of the Annual Reports of KBC Group and KBC Bank, on the website at [www.kbc.com](http://www.kbc.com).



### 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 Base 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 GROUP

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

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

#### *Network*

##### **Network (as at 31 December 2017)**

Bank branches in Belgium	659
Bank branches in Central and Eastern Europe (Czech Republic, Slovak Republic, Hungary and Bulgaria)	835
Bank branches in the rest of the world (incl. rep. offices)	27*

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

#### *Income Statement*

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

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

Highlights of the consolidated income statement KBC Bank (in millions of EUR)	Full year 2016	Full year 2017	First half 2017	First half 2018
Net interest income	3,635	3,546	1,762	1,989
Dividend income	27	20	15	18
Net result from financial instruments at fair value through profit or loss	551	860	443	86
Net realised result from available-for-sale assets	134	114	50	-
Net realised result from debt instruments at fair value through other comprehensive income	-	-	-	8
Net fee and commission income	1,753	2,023	1,017	1,050
Other net income	140	25	82	83

TOTAL INCOME	6,240	6,588	3,368	3,233
Operating expenses	-3,399	-3,568	-1,893	-2,001
Impairment	-145	44	67	57
Share in results of associated companies and joint-ventures	23	8	6	8
RESULT BEFORE TAX	2,719	3,073	1,549	1,297
Income tax expense	-525	-891	-273	-262
RESULT AFTER TAX	2,195	2,182	1,276	1,035
Attributable to minority interest	169	179	89	88
Attributable to equity holders of the parent	2,026	2,003	1,187	947

### ***Balance Sheet***

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

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

Highlights of the consolidated balance sheet, KBC Bank (in millions of EUR)	31-12-2016	31-12-2017	30-06-2018
Total assets	239,333	256,322	266,379
Loans and advances to customers (excluding reverse repos*)	131,528	139,090	143,277
Securities (equity and debt instruments)	52,180	47,995	45,390
Deposits from customers and debt securities (excluding repos**)	178,388	194,257	193,862
Risk weighted assets (Basel III, fully loaded)	78,482	83,117	83,624
Total equity	14,158	15,656	15,724
of which parent shareholders' equity	12,568	14,083	13,115

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

## 5. RATINGS OF KBC BANK NV

---

<b>Long-term credit ratings (as at 9 March 2018)</b>	
Fitch	A+
Moody's	A1
Standard and Poor's	A+

---

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

Each such credit rating agency is established in the European Union and is registered under 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.<sup>7</sup>

---

<sup>7</sup> 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>)

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

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

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

## 7. GENERAL DESCRIPTION OF ACTIVITIES OF KBC BANK GROUP

The 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, the Group has important and (in some cases) even leading positions.<sup>8</sup> The Group is also present in other countries where the primary focus is on supporting the corporate clients of the home markets.

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

## 8. PRINCIPAL MARKETS AND ACTIVITIES

### Activities in Belgium

<b>Market position of the bank network in Belgium, end 2017</b>
---

<sup>8</sup> Source: KBC Bank NV.

Market share (own KBC Bank estimates)	Banking products* 20% Investment funds 33%
Bank branches	659

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

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

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

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

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

The Group's aim in Belgium is:

- to focus on an omnichannel approach and invest in the seamless integration of the different distribution channels (bank branches, insurance agencies of KBC Insurance, regional advisory centres, websites and mobile apps). KBC Group is also investing specifically in the further digital development of its banking and insurance services. Where necessary, KBC Group will collaborate with partners through 'eco-systems' which enable it to offer its clients comprehensive solutions;
- to exploit the potential in Brussels more efficiently via the separate new brand, KBC Brussels, which reflects the capital's specific cosmopolitan character and is designed to better meet the needs of the people living there;
- to expand bank-insurance services at CBC Banque in specific market segments and to expand its

presence and accessibility in Wallonia;

- to work on the ongoing optimisation of the bank-insurance model in Belgium;
- to continue the pursuit of becoming the reference bank for SME's and mid-cap enterprises based on thorough knowledge of the client and a personal approach; and
- that its commitment to Belgian society is reflected in initiatives in areas including environmental protection, financial literacy, entrepreneurship and demographic ageing, as well as in KBC Group's active participation in the mobility debate.

## Activities in Central and Eastern Europe

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

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

\*\* CSOB Bank branches+ Postal Savings Bank financial centers + Era branches.

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

In its four home countries, the Group caters to over five million customers. This customer base, along with KBC Group's insurance customers in the region (via KBC Insurance NV subsidiaries), make KBC Group one of the larger financial groups in the Central and Eastern European region. The Group companies focus on providing clients with a broad area of credit (including mortgage loans), deposit, investment fund and other asset management products, insurance products (in co-operation with KBC Insurance NV's subsidiaries in each country) and other specialised financial banking products and services. As is the case in Belgium, the Group's bricks-and-mortar networks in Central and Eastern Europe are supplemented by electronic channels, such as ATMs, telephone and the Internet.

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

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

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

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

- in relation to the Czech Republic Business Unit:
  - to move from largely channel-centric solutions to solutions that are client-centric and are based on an integrated model that brings together clients, third parties and the Group's bank-insurer;
  - to offer new products and services to add value for clients and to further enhance client satisfaction, taking use of digital opportunities and taking account of new trends, shifting client behaviour and new regulations;
  - to continue to concentrate on simplifying products, IT capabilities, organisation, the bank distribution network, the head office and branding in order to achieve even greater cost efficiency;
  - to expand the bank-insurance activities through steps like introducing a progressive and flexible pricing model, developing combined banking and insurance products, and strengthening the insurance sales teams;
  - to keep expanding in traditionally strong fields, such as lending to businesses and providing home loans. The Group also wants to advance in areas – for example in relation to SME and consumer loans – where it has yet to tap its full potential; and
  - its social commitment is expressed in the focus on environmental awareness, financial literacy, entrepreneurship and demographic ageing;
- in relation to the International Markets Business Unit (excluding Ireland):
  - to move from a branch-oriented distribution model to an omnichannel model;
  - to target income growth in Hungary through vigorous client acquisition in all banking segments and through more intensive cross-selling, in order to raise market share and profitability, and to simplify products and processes;
  - to maintain robust growth in strategic products in the Slovak Republic (e.g., home loans, consumer finance, SME funding and leasing), partly through cross-selling to ČSOB group clients. As is the case in Hungary, simplifying products and processes is another key focus;
  - to focus in Bulgaria on substantially increasing the share of the lending market in all segments, while applying a strict risk framework. The acquisition of United Bulgarian Bank fits this strategy perfectly; and
  - to implement a socially responsible approach in all relevant countries, with a particular focus on environmental awareness, financial literacy, entrepreneurship and health.

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

With these acquisitions, KBC Group aims to become the reference in bank-insurance in Bulgaria – a country with strong macroeconomic fundamentals and attractive opportunities for the further development of



financial services. This also results in the Issuer now being active in leasing, asset management and factoring in Bulgaria, enabling the Group to offer its clients a full range of financial services there.

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

### **Activities in the rest of the world**

A number of companies belonging to the Group are also active in, or have outlets in, countries outside the home markets, among which KBC Bank, which has a network of foreign branches and KBC Bank Ireland. See also the list of main companies (under Section 7 – “Main companies which are subsidiaries of the Group or in which it has significant holdings as of 31 December 2017”) or the full list in the 2017 annual report of KBC Bank.

The loan portfolio of KBC Bank Ireland plc stood at approximately EUR 12 billion as at the end of June 2018, approximately 90% of which relates to mortgage loans. At the end of June 2018, approximately 36% (EUR 4.4 billion) of the total Irish loan portfolio was impaired (of which EUR 2.3 billion more than 90 days past due). For the impaired loans, approximately EUR 1.9 billion impairments have been booked. The Group estimates its share of the Irish retail market in 2017 at 8%. It caters for around 0.3 million clients there. KBC Bank Ireland has sixteen branches (hubs) in Ireland, next to its digital channels. A full profit and loss scheme for Ireland is available in KBC Bank's segment reporting<sup>9</sup>.

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

As regards the Group's strategy in Ireland, please refer to section 2 ‘KBC GROUP STRATEGY’.

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

In the Group's financial reporting, KBC Bank Ireland is included in the International Markets Business Unit, while the foreign branches of KBC Bank are part of the Belgium Business Unit. The three business units (Belgium, Czech Republic and International Markets) are supplemented by the group centre (the Group Centre). The Group Centre includes the operational costs of the holding activities of the group, certain capital and liquidity management related costs, costs related to the holding of participations and the results of

---

<sup>9</sup> Segment reporting based on the management structure in the Financial Statements of the annual and semi-annual reports, available on [www.kbc.com](http://www.kbc.com).

the remaining companies or activities earmarked for divestment or in run-down. It also includes results related to the legacy businesses (collateralised debt obligations (“CDOs”)), divestment results; both immaterial since 2015) and the valuation of own credit risk.

## **9. COMPETITION**

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

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

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

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

In its Central and Eastern European home markets, the Group is one of the important financial groups, occupying significant positions in banking. In this respect, the Group competes, in each of these countries, against local financial institutions, as well as subsidiaries of other large foreign financial groups (such as Erste Bank, Unicredit and others).

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

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

## **10. STAFF**

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

## **11. RISK MANAGEMENT**

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

Risk management in KBC Group is effected group-wide. As a consequence, the risk management for KBC Bank is embedded in KBC Group risk management and cannot be seen separately from it. A description of the risk management is available in the 2017 Risk Report, which is available on the website at [www.kbc.com](http://www.kbc.com)<sup>10</sup>.

## **Risk governance**

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

- Credit risk is the potential negative deviation from the expected value of a financial instrument arising from the non-payment or non-performance by a contracting party (for instance, a borrower), due to that party’s insolvency, inability or lack of willingness to pay or perform, or to events or measures taken by the political or monetary authorities of a particular country (country risk). Credit risk thus encompasses default risk and country risk, but also includes migration risk which is the risk for adverse changes in credit ratings.
- Market risk in trading activities is defined as the potential negative deviation from the expected value of a financial instrument (or portfolio of such instruments) due to changes in the level or in the volatility of market prices, e.g. interest rates, exchange rates, equity or commodity prices. The interest rate, foreign exchange and equity risks of the non-trading positions in the banking book are all included in ALM exposure.
- Market risk in non-trading activities (also known as Asset and Liability Management) is the process of managing the Group’s structural exposure to market risks. These risks include interest rate risk, equity risk, real estate risk, foreign exchange risk and inflation risk.
- Liquidity risk is the risk that an organisation will be unable to meet its payment obligations as they come due, without incurring unacceptable losses. The principal objective of the Group’s liquidity management is to be able to fund such needs and to enable the core business activities of the Group to continue to generate revenue, even under adverse circumstances.
- Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, human error or from sudden external events, whether man-made or natural. Operational risks exclude business, strategic and reputational risks.

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

## **Credit risk**

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

---

<sup>10</sup> [www.kbc.com/en/risk-reports](http://www.kbc.com/en/risk-reports).

## Loan & investment portfolio:

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

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

	31 Decembe r 2014	31 Decembe r 2015	31 Decembe r 2016	31 Decembe r 2017	30 June 2018
Total loan portfolio (in billions of euro)					
Portfolio outstanding + undrawn	166	174	181	191	207
Portfolio outstanding	139	143	148	154	167
Loan portfolio breakdown by business unit (as a % of the portfolio of credit outstanding)					
Belgium	64%	65%	65%	63%	65%
Czech Republic	14%	14%	15%	16%	15%
International Markets	18%	18%	17%	18%	17%
Group Centre (IFRS 5 scope)	4%	3%	3%	3%	2%
Total	100%	100%	100%	100%	100%
Loan portfolio breakdown by counterparty sector (as a % of the portfolio of credit outstanding)					
Non-financial services	11%	11%	12%	12%	11%
Retail and wholesale trade	8%	8%	8%	8%	7%
Real estate (risk)	7%	7%	7%	7%	7%
Construction	4%	4%	4%	4%	4%
Impaired loans (in millions of euro or %)					
Amount outstanding	13,692	12,305	10,583	9,186	9,175
Stage 3 loan impairments	5,709	5,517	4,874	4,039	4,403

Credit cost ratio, per business unit					
Belgium	0.23%	0.19%	0.12%	0.09%	0.08%
Czech Republic	0.18%	0.18%	0.11%	0.02%	-0.03%
International Markets	1.06%	0.32%	-0.16%	-0.74%	-0.71%
Group Centre	1.17%	0.54%	0.67%	0.40%	-0.93%
Total	0.42%	0.23%	0.09%	-0.06%	-0.10%
Impaired loans that are more than 90 days past due (PD 11 + 12; in millions of euro or %)					
Impaired loans that are more than 90 days past due	7,676	6,936	5,711	5,242	5,348
Stage 3 loan impairments	4,384	4,183	3,603	3,361	3,621
Ratio of impaired loans that are more than 90 days past due, per business unit					
Belgium	2.2%	2.2%	1.7%	1.4%	1.2%
Czech Republic	2.9%	2.5%	1.9%	1.6%	1.5%
International Markets	19.0%	16.0%	13.4%	11.3%	11.5%
Group Centre	6.3%	6.1%	5.8%	7.3%	8.9%
Total	5.5%	4.8%	3.9%	3.4%	3.2%
Cover ratio (Stage 3 loan loss impairment)/(impaired loans)					
Total	42%	45%	46%	44%	48%
Total, excluding mortgage loans	51%	53%	54%	54%	57%

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

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

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

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

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

### **Other credit risks**

As mentioned above, the loan portfolio clearly constitutes the main source of credit risk for the KBC Bank Group. However, a number of activities that are excluded from the credit portfolio figures also contain an element of credit risk, such as short-term commercial transactions (this activity involves export or import finance (documentary credit, pre-export and post-import finance, etc.) and mainly entails exposure to financial institutions. Risks associated with this activity are managed by setting limits per financial institution and per country or group of countries), the counterparty risk of inter-professional transactions (refers to placements and the pre-settlement risk of derivatives), trading book securities – issuer risk (refers to the potential loss on default by the issuer of the trading securities) and the government securities in the investment portfolio of banking entities. Information on these risks can be found in the 2017 annual report of KBC Bank.

### **Structured credit exposure KBC Group (CDOs and other ABS)**

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

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

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

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

Average of 1Q 2015	-63
Average of 2Q 2015	-46
Average of 3Q 2015	-33
Average of 4Q 2015	-30
As at 31 December 2015	-30
Average of 1Q 2016	-24
Average of 2Q 2016	-35
Average of 3Q 2016	-50
Average of 4Q 2016	-83
As at 31 December 2016	-83
Average of 1Q 2017	-79
Average of 2Q 2017	-74
Average of 3Q 2017	-73
Average of 4Q 2017	-76
As at 31 December 2017	-76
Average of 1Q18	-75
Average of 2Q18	-64
Average of 3Q18	-61
Average of 4Q18	-65
As at 31 December 2018	-65

**Market risk management**

The Group is exposed to market risk via the trading books of its dealing rooms in Belgium, the Czech Republic, the Slovak Republic and Hungary, as well as via a minor presence in the UK and Asia. Limited trading activities are also carried out at the recently acquired United Bulgarian Bank (UBB) in Bulgaria (regulatory capital charges for market risk amounted to EUR 3 million at the end of 2018).

For the sake of completeness, it should be mentioned that, although the remaining three legacy business lines (i.e. reverse mortgages, insurance derivatives and fund derivatives) have effectively been wound down, they still attract some market risk capital charges by virtue of the current regulatory framework (accounting for about 1% of the total regulatory capital charges for market risk set out in the table at the end of this section).

The dealing rooms, with the dealing room in Belgium accounting for the largest part of the limits and risks,

focus on trading in interest rate instruments, while activity on the foreign exchange markets has traditionally been limited. All dealing rooms focus on providing customer service in money and capital market products and on funding the bank activities.

The principal tool we use for measuring and monitoring market risk exposures in the trading book is the Historical Value-at-Risk (HVaR) method. The table below shows the evolution of management HVaR ( 99% confidence interval, one-day holding period, historical simulation) during 2017 and 2018 for the linear and non-linear exposure of all the dealing rooms of KBC Group. More details are available in the 2018 annual report of KBC Bank.

Market risk (Management HVaR) (in millions of EUR)		
	2018	2017
Average for 1Q	6	6
Average for 2Q	5	8
Average for 3Q	5	8
Average for 4Q	5	7
As at 31 December	6	6
Maximum in year	7	11
Minimum in year	4	5

### Regulatory capital charges for market risk

As shown in the table below, in 2018 approximately 80% of the regulatory capital requirements were calculated using Approved Internal Models (AIMs). However, this percentage increases to about 90% if the capital requirements for FX risk in the banking book is removed (calculated via the Standardised approach and included in this table following regulatory requirements but not related to our dealing room activities). During 2018, the AIM based regulatory capital requirements constituted the sum of the regulatory capital requirements calculated using the AIMs of KBC Bank NV in Belgium and ČSOB in the Czech Republic (authorized by their respective regulators). The two AIMs are also used for the calculation of Stressed VaR (SVaR), which is one of the CRD III Regulatory Capital charges that entered into effect at year-end 2011. The calculation of an SVaR measure is based on the normal VaR calculations and follows the same methodological assumptions, but is constructed as if the relevant market factors were experiencing a period of stress. The period of stress is calibrated at least once a year (checked monthly to ensure the period is still valid) by determining which 250-day period between 2006 and the (then) present day produces the severest losses for the relevant positions.

The resulting capital requirements for trading risk at year-end 2017 and 2018 are shown in the table below. It shows the regulatory capital requirements by risk type, as assessed by the internal model. The regulatory capital requirements for the trading risk of local KBC entities (where, for reasons of materiality, approval was not sought from the regulator to use an internal model for capital calculations), as well as the business lines not included in the VaR calculations, are measured according to the Standardised approach and likewise shown by risk type.

Trading regulatory capital requirements by risk type (in millions of EUR)		Interest rate risk	Equity risk	FX risk	Commodity risk	Total
31-12-2018						
Market risks assessed by internal model	HVaR	46	7	4	–	58
	SVaR	99	46	8	–	153
Market risks assessed by the Standardised approach		22	5	18	0	45



Total		167	58	30	0	256
31-12-2017						
Market risks assessed by internal model	HVaR	77	3	5	–	85
	SVaR	129	7	14	–	151
Market risks assessed by the Standardised approach		18	6	9	0	33
Total		225	16	28	0	269

## 12. 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 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 (**CRD**) and, where applicable, Regulation (EU) n° 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms (**CRR**, and together with CRD, **CRD IV**) and Directive 2014/59 of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (**BRRD**). CRD IV applies in Belgium since 1 January 2014, subject to certain requirements being phased in over a number of years, as set out therein. BRRD has formally been transposed into Belgian Law by amending the 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 10 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/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, 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 bail-in tool also applies to existing debt instruments. The resolution authority is also empowered (and in certain circumstances required) to write down or convert capital instruments (such as Common Equity Tier 1-, Additional Tier 1- and Tier 2-instruments), before or together with the use of any resolution tools, if it determines that a credit institution becomes non-viable, that the conditions for the exercise of the resolution powers are fulfilled and/or that a credit institution has asked for public support.

The applicability of the resolution tools and measures to credit institutions that are part of a cross-border group are regulated by the Royal Decree of 26 December 2015 amending the 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 April 2018 by the Board of Directors of KBC Group NV, KBC Bank and KBC Insurance NV and has been sent to the NBB.

KBC Bank also has a Corporate Governance Charter which is published on [www.kbc.com](http://www.kbc.com).

### **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 payment of dividends by Belgian credit institutions is not limited by Belgian banking regulations, except indirectly through capital adequacy and solvency requirements when capital ratios fall below certain thresholds. The pay-out is further limited by the general provisions of Belgian company law.

The minimum solvency ratios required under CRD IV/CRR are 4.5% for the common equity tier-1 (**CET1**) ratio, 6.0% for the tier-1 capital ratio and 8.0% for the total capital ratio (i.e., the pillar 1 minimum ratios). As a result of its supervisory review and evaluation process (**SREP**), the competent supervisory authority (in KBC Group's case, the ECB) can require KBC Group to maintain higher minimum ratios (i.e., the pillar 2 requirements which in 2016 have been split by the ECB in a pillar 2 requirement and a pillar 2 guidance) because, for instance, not all risks are properly reflected in the regulatory pillar 1 calculations. On top of this, a number of additional buffers have to be put in place, including a capital conservation buffer of 2.5% (to be phased in between 2016 and 2019), a buffer for systemically important banks (**O-SII buffer**, to be determined by the national competent authority) and a countercyclical buffer in times of credit growth (between 0% and 2.5%, likewise to be determined by the national competent authority). These buffers need to be met using CET1 capital, the strongest form of capital.

In the context of its supervisory authority, the ECB requires KBC Group to maintain (i) a pillar 2 requirement (P2R) of 1.75% CET1 and (ii) a pillar 2 guidance (P2G) of 1.0% CET1.

The capital requirement for KBC Group is not only determined by the ECB but also by decisions of the various local competent authorities in KBC Group's core markets. The Czech and Slovak competent authorities require a countercyclical buffer requirement of 1.25% on relevant credit exposures in their jurisdiction, which corresponds with an additional CET1 requirement at Group level of 0.35%. The NBB requires an additional capital buffer for other systemically important banks of 1.5% in 2018.

The capital conservation buffer currently stands at 1.875% for 2018, and will increase to 2.50% in 2019. These buffers come on top of the minimum CET1 requirement of 4.5% under pillar 1. Altogether, this brings the fully loaded CET1 requirement (under the Danish compromise<sup>11</sup>) to 10.60% with an additional 1% pillar 2 guidance.

Furthermore, since part of the requirements are gradually built up by 2019, the relevant requirement (under the Danish compromise) for 2018 on a phased in basis is at a lower level, i.e., 9.875% CET1.

The following table provides an overview of the phased in CET1 requirement for 2018 and the fully loaded CET1 requirement:

KBC Group	2018	Fully loaded
-----------	------	--------------

<sup>11</sup> The Danish compromise deals with the treatment of insurance holdings within conglomerates for the purpose of calculating the CRR capital ratios.

KBC Group	2018	Fully loaded
Pillar 1 minimum requirement (P1 min)	4.50%	4.50%
Pillar 2 requirement (P2R)	1.75%	1.75%
Conservation buffer	1.875%	2.50%
O-SII buffer	1.50%	1.50%
Countercyclical buffer	0.25%	0.35%
Overall capital requirement (OCR) = MDA threshold*	9.875%	10.60%

\*Maximum Distributable Amount under CRD IV

KBC Group clearly exceeds these targets: on 30 June 2018, the fully loaded CET1 ratio for KBC Group came to 15.8%, (16.3% at 31 December 2017) which represented a capital buffer of EUR 14,175 million relative to the minimum requirement of 10.60%. The leverage ratio (Basel III, fully loaded) stood at 6% (6.1% at 31 December 2017) relative to the minimum requirement of 3%.

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 that is inherent in it. The solvency ratios also takes into account market risk with respect to the bank's trading book (including interest rate and foreign currency exposure) and operational risk in the calculation of the weighted risk. On top of the capital requirements defined by the solvency ratios, the regulation imposes a capital conservation buffer and in certain cases a systemic risk buffer and/or a countercyclical buffer.

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

### 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 8) or, for legal entities, a fine of a minimum of EUR 500 and a maximum of EUR 200,000 (to be increased with the additional penalty or, in other words, to be multiplied by 8).

### **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.

### **KBC Asset Management**

As from June 2005, the status of KBC Asset Management has been changed from “*investment firm*” to a “*management company of undertakings for collective investment in transferable securities (UCITS)*” (**UCITS-management company**). Its activities are, inter alia, the management of UCITS and the management of portfolios of investments in accordance with mandates given by investors on a discretionary, client-by-client basis. KBC Asset Management is subject to detailed, comprehensive regulation in Belgium, supervised by the FSMA.

The UCITS-management company regime in Belgium is governed by the Law of 3 August 2012 regarding collective investment undertakings that comply with the conditions of Directive 2009/65/EC and the undertakings for the investment in receivables (the **Law of 3 August 2012**). The Law of 3 August 2012 implements European Directive 2001/107/EC of 21 January 2002 relating to UCITS, as amended from time to time. The Law of 3 August 2012 regulates management companies and sets forth the conditions under which UCITS-management companies may operate in Belgium; furthermore, it defines the regulatory and supervisory powers of the FSMA.

The regulatory framework concerning supervision on UCITS-management companies is mostly similar to the regulation applicable to investment firms. The Law of 3 August 2012 contains, inter alia, the following principles:

- certain minimum paid-up capital requirements and rules relating to changes affecting capital structure;
- obligation for management companies to carry out their activities in the interests of their clients or of the UCITS they manage (e.g. creation of Chinese walls);
- obligation to provide, on a periodical basis, a detailed financial statement to the FSMA;
- supervision by the FSMA; and
- subjection to the control of the statutory auditor.

### **13. 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 the Group being under an obligation or entitlement that is material to KBC Bank's ability to meet its obligations to Warrant Holders.

### **14. RECENT EVENTS**

Information about recent events in relation to the Issuer can be found in the following sections: "KBC GROUP STRATEGY" (pages 109 to 112), "MANAGEMENT STRUCTURE" (page 113), "SHORT PRESENTATION OF KBC BANK GROUP" (page 114), "GENERAL DESCRIPTION OF ACTIVITIES OF KBC BANK GROUP" (pages 114 to 116), "PRINCIPAL MARKETS AND ACTIVITIES" (pages 117 to 121), "RISK MANAGEMENT" (pages 122 to 129), "BANKING SUPERVISION AND REGULATION" (pages 129 to 136) and "LITIGATION" (pages 143 to 149).

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](http://www.kbc.com). For the avoidance of doubt, the information available on the KBC website, [www.kbc.com](http://www.kbc.com), shall not be incorporated by reference in, or form part of, this Base Prospectus, unless otherwise specified in the "Documents Incorporated By Reference" section.

### **15. TREND INFORMATION**

The main sources for this section are the European Banking Authority, 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.

Loan growth in the Eurozone is strengthening. Looking forward, enhanced economic governance and the banking union, which still needs to be completed, significantly strengthened the Eurozone architecture and



offer a more stable banking sector environment than in the pre-crisis years. Amid a benign macroeconomic environment – despite significant emerging risks – profitability continues to improve, but significant challenges remain to enhance cost efficiency in a competitive environment and to withstand ongoing pressure on revenue growth. At the same time new technologies trigger new challenges to business models. Banks with a large customer and diversified income base are likely best suited to cope with these challenges.

### **General economic environment and risks**

After a volatile end to 2018, the global economy is on more tentative footing at the start of 2019. Weaker sentiment indicators globally and more jittery financial markets suggest waning confidence may put downward pressure on future growth prospects. In the United States, real gross domestic product (GDP) growth accelerated significantly in 2018. This was driven by strong private consumption, which was underpinned by improving labour market conditions. Moreover, business spending remained strong and fiscal stimulus provided an extra boost to private and government spending. However, the growth pace will likely decline in the coming years, reflecting the late-cyclical state of the US economy, fading effects of fiscal stimulus, tighter credit conditions due to Federal Reserve System (“Fed”) policy and tightness of the United States labour market. Given the increased headwinds in the US in the context of heightened global uncertainties, the Fed has switched towards a more cautious monetary policy strategy. The peak of the rate hiking cycle will likely be reached in 2019.

2018, and in particular the second half of the year, was disappointing for the European economy. Real GDP growth decelerated markedly compared to the high growth results reported in 2017. External factors such as increased uncertainties due to Brexit and the US-China trade war and the momentum deterioration in the global manufacturing sector partly caused the growth slowdown. However, the European economy also faced some internal struggles. Due to a new emission testing procedure in the automobile sector, car production in Q3 was negatively impacted. Albeit a disruption shared across the EU, the problems were particularly pronounced in Germany. Although temporary, the impact is lingering on and is set to feed through into 2019 as well. Social tensions in France and fiscal policy uncertainty in Italy were also growth hampering factors. The outlook isn’t all negative though. There are still several elements that suggest a small rebound in the second half of 2019. The euro area labour market is still doing well and the relatively low inflationary environment will be an underpinning factor. Nevertheless, the average annual GDP growth figure for 2019 will again show a deceleration.

Headline inflation in the euro area again fell at the end of 2018 after reaching a multi-year peak at 2.2% in October. Oil price developments were an important determinant. Meanwhile, core inflation remained stubbornly low around 1%. Although wage growth indicators have been rising, this doesn’t seem to have seeped through into overall inflation yet. This persistent shortfall from its inflation target explains the rather dovish stance of the ECB and its very gradual monetary policy normalisation plans with a first rate hike at the earliest after the summer of 2019. The combination of a dovish central bank, disappointing economic data, sticky core inflation, flight to quality capital flows, scarcity of German benchmark bonds and a continued presence of excess liquidity in the euro area will delay and slow down the normalisation of the term premium on euro area bond markets.

In the short term, the factors that were supportive for the US Dollar are fading now that the Fed has taken a more cautious stance. In the medium to long run, expectations of an ECB rate hike and the consequences of late-cyclical fiscal stimulus (twin deficits) in the US will lead to an appreciation of the Euro against the US Dollar.

## **16. 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 and Article 524bis of the Belgian Companies Code, the Board of Directors of KBC Bank has conferred powers on the Executive Committee to perform the acts referred to in Article 522 of the Belgian Companies Code and Article 18 of the Articles of Association of KBC Bank. However, this transfer of powers relates neither to the definition of general policy, nor to the powers which are reserved to the Board of Directors by law. The Board of Directors is responsible for the supervision of the Executive Committee. KBC Bank is not aware of any potential conflicts of interest between the duties to KBC Bank of the Members of the Board of Directors of KBC Bank detailed below and their private interests or other duties.

As at the date of this Base Prospectus, the members of the Board of Directors of KBC Bank are the following:

Name and business address	Position	Expiry date of current term of office	External offices
LEYSEN Thomas KBC Bank NV Havenlaan 2 1080 Brussel	Chairman	2019	Chairman of the Board of Directors of Corelio NV Non-executive Director of Booischoot NV Chairman of the Board of Directors of KBC Verzekeringen NV Chairman of the Board of Directors of KBC Group NV Chairman of the Board of Directors of Mediahuis NV
HOLLOWS John CSOB Ceskoslovenska obchodni banka Radlicka 333/150 Praha 5 150 57 Czech Republic	Executive Director	2021	Executive Director of KBC Verzekeringen NV Member of the Executive Committee of KBC Groep NV CEO (non-director) of Ceskoslovenska Obchodni Banka a.s. (CR)
PEPELIER Luc KBC Bank NV Havenlaan 2 1080 Brussel	Executive Director	2021	Executive Director of KBC Verzekeringen NV Member of the Executive Committee of KBC Groep NV Chairman of the Board of Directors of K&H Bank Zrt. Chairman of the Supervisory Board of K&H Biztosito Zrt. Chairman of the Board of Directors of Start it Fund NV Chairman of the Board of Directors of KBC Asset Management NV Member of the Management Board of KBC Bank NV, Dublin Branch

			<p>Chairman of the Board of Directors of KBC Bank Ireland plc</p> <p>Chairman of the Board of Directors of KBC Securities NV</p> <p>Chairman of the Supervisory Board of Ceskoslovenska Obchodna Bank a.s. (SR)</p> <p>Chairman of the Supervisory Board of United Bulgarian Bank AD</p> <p>Member of the Management Board of CSOB Poistovna a.s.</p> <p>Chairman of the Supervisory Board of DZI General Insurance JSC</p> <p>Chairman of the Supervisory Board of DZI Life Insurance JSC</p>
<p>THIJS Johan</p> <p>KBC Bank NV</p> <p>Havenlaan 2</p> <p>1080 Brussel</p>	<p>Executive Director/CEO</p>	2021	<p>Executive Director/CEO of KBC Verzekeringen NV</p> <p>Chairman of the Board of Directors of Febelfin</p> <p>Executive Director/CEO of KBC Group NV</p> <p>Non-executive Director of VOKA</p> <p>Non-executive Director of European Banking Federation</p> <p>Non-executive Director of Museum Nicolaas Rockox</p> <p>Non-executive Director of Gent Festival van Vlaanderen</p>
<p>VAN RIJSSEGHEM Christine</p> <p>KBC Bank NV</p> <p>Havenlaan 2</p> <p>1080 Brussel</p>	<p>Executive Director</p>	2022	<p>Executive Director KBC Group NV</p> <p>Executive Director KBC Verzekeringen NV</p> <p>Non-executive Director of K&amp;H Bank Zrt</p> <p>Non-executive Director of KBC Bank Ireland plc</p> <p>Member of the Supervisory Board of Ceskoslovenska Obchodni Banka a.s. (CR)</p> <p>Member of the Management Board of KBC Bank NV, Dublin Branch</p> <p>Member of the Supervisory Board of United Bulgarian Bank AD</p>
<p>ARISS Nabil</p> <p>16 Chiddingstone street</p> <p>London SW6 3TG</p> <p>United Kingdom</p>	<p>Non-executive Director</p>	2022	<p>Executive Director AF Law</p>
<p>DEPICKERE Franky Cera-KBC Ancora</p> <p>Muntstraat 1</p> <p>3000 Leuven</p>	<p>Non-executive Director</p>	2019	<p>Executive Director of Cera CVBA</p> <p>Executive Director of Cera Beheersmaatschappij NV</p> <p>Non-executive Director of BRS Microfinance Coop CVBA</p> <p>Non-executive Director of CBC Banque SA</p> <p>Non-executive Director of KBC Group NV</p> <p>Non-executive Director of KBC Verzekeringen NV</p> <p>Executive Director of Almancora Beheersmaatschappij NV</p>

<p>CALLEWAERT Katelijn Cera Beheersmaatschappij Muntstraat 1 3000 Leuven</p>	<p>Non-executive Director</p>	<p>2021</p>	<p>Non-executive Director of International Raiffeisen Union e.V. Non-executive Director of Euro Pool System International BV Member of the Supervisory Board of Ceskoslovenska Obchodni Banka a.s. (CR) Executive Director of KBC Ancora Comm.VA Executive Director of Cera Beheersmaatschappij NV Member of the Executive Committee of Cera CVBA Non-executive Director of KBC Group NV Non-executive Director of KBC Verzekeringen NV Executive Director of Almancora Beheersmaatschappij NV</p>
<p>DE BECKER Sonja MRBB CVBA Diestsevest 40 3000 Leuven</p>	<p>Non-executive Director</p>	<p>2020</p>	<p>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 Directors of SBB Accountants en Belastingconsulenten BV CVBA Non-executive Director of Agri Investment Fund CVBA Non-executive Director of KBC Group NV Non-executive Director of KBC Verzekeringen NV Executive Director of SBB Bedrijfsdiensten CVBA Non-executive Director of BB-Patrim CVBA Chairman of the Board of Directors of Boerenbond</p>
<p>WITTEMANS Marc MRBB cvba Diestsevest 40 3000 Leuven</p>	<p>Non-executive Director</p>	<p>2022</p>	<p>Non-executive Director of KBC Group NV Chairman of the Board of Directors of Arda Immo NV Non-executive Director of Acerta CVBA Non-executive Director of Acerta Consult CVBA Non-executive Director of SBB Accountants en Belastingconsulenten BV CVBA Executive Director/CEO of M.R.B.B. CVBA - Maatschappij voor Roerend Bezit van de Boerenbond Non-executive Director of Agri Investment Fund CVBA Chairman of the Board of Directors of Aktiefinvest CVBA Non-executive Director of KBC Verzekeringen NV Non-executive Director Acerta Public NV Non-executive Director of Shéhérazade Développement CVBA Non-executive Director of AVEVE NV – Aanden verkoopvennootschap van de Belgische</p>

FALQUE Daniel KBC Bank NV Havenlaan 2 1080 Brussels	Executive Director	2020	Boerenbond Non-executive Director of AVEVE NV – Aan- en verkoopvennootschap van de Belgische Boerenbond Member of the Supervisory Board of Ceskoslovenska Obchodni Banka a.s. (CR) Non-executive Director of CBC Banque SA Executive Director of KBC Verzekeringen NV Member of the Executive Committee of KBC Group NV Non-executive Director of BVB Non-executive Director of Union Wallonne des Entreprises ASBL
MAGNUSSON Bo KBC Bank NV Havenlaan 2 1080 Brussels	Non-executive Director	2020	Chairman of the Board of Directors of Carnegie Holding AB Chairman of the Board of Directors of Carnegie Investment Bank AB Chairman of the Board of Directors of SBAB AB Chairman of the Board of Directors of Sveriges Sakerstallda obligationer AB Non-executive Director of Bmag AB Chairman of the Board of Directors of Rikshem AB Chairman of the Board of Directors of Rikshem Intressenter AB
NONNEMAN Walter Universiteit Antwerpen Prinsstraat 13 2000 Antwerpen	Non-executive Director	2021	Non-executive Director of Cera Beheersmaatschappij NV Non-executive Director of KBC Group NV Non-executive Director of KBC Verzekeringen NV Non-executive Director of Fluxys NV
VANHOVE Matthieu Cera Muntstraat 1 3000 Leuven	Non-executive Director	2021	Non-executive Director of BRS Microfinance Coop CVBA Non-executive Director of KBC Group NV Non-executive Director of KBC Verzekeringen NV Non-executive Director Cera Beheersmaatschappij NV
LUTS Erik KBC Bank NV Havenlaan 2 1080 Brussels	Executive Director	2021	Executive Director of Ambassadors Club Slovenia in Belgium ASBL Non-executive Director of De Bremberg VZW Non-executive Director of Thanksys NV Non-executive Director of Joyn International NV Non-executive Director of KBC Start it Fund NV Non-executive Director of Storesquare NV Executive Director of KBC Verzekeringen NV Member of the Executive Committee of KBC Group NV Non-executive Director of Isabel NV Non-executive Director of Belgian Mobile Wallet ID NV

			Non-executive Director of Bancontact Company NV
SCHEERLINCK Hendrik KBC Bank NV Havenlaan 2 1080 Brussels	Executive Director	2021	Executive Director of KBC Group NV Executive Director of KBC Verzekeringen NV Non-executive Director of KBC Credit Investments NV

## 17. MEMBERS OF 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](http://www.kbc.com).

The members of the Audit Committee of KBC Bank are:

- Marc Wittemans (chairman);
- Nabil Ariss (independent director); and
- Bo Magnusson (independent director).

## 18. 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](http://www.kbc.com).

The members of the Risk and Compliance Committee of KBC Bank are:

- Franky Depickere (chairman);
- Nabil Ariss (independent director); and
- Bo Magnusson (independent director).

## 19. STATUTORY AUDITOR

On 27 April 2016, PricewaterhouseCoopers Bedrijfsrevisoren CVBA (*erkend revisor/réviseur agréé*), represented by R. Jeanquart and G. 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 2016-2018. The financial statements of KBC Bank have been audited in accordance with International Standards on Auditing

by PwC for the financial years ended 31 December 2016 and 31 December 2017 and resulted in an unqualified audit opinion.

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

The report of the auditor of KBC Bank on (i) the audited consolidated annual financial statements of KBC Bank and its consolidated subsidiaries for the financial years ended 31 December 2016 and 31 December 2017 and (ii) the unaudited consolidated interim financial statements of KBC Bank and its consolidated subsidiaries for the first six months ended 30 June 2017 and 30 June 2018 are incorporated by reference in this Base Prospectus, with the consent of the auditor.

## 20. LITIGATION

This section sets out material litigation to which KBC Bank or any of its companies (or certain individuals in their capacity as current or former employees or officers of KBC Bank or any of its companies) are party. It describes all claims, quantified or not, that could lead to the impairment of the company's reputation or to a sanction by an external regulator or governmental authority, or that could present a risk of criminal prosecution for the company, the members of the board or the management.

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.

### Other litigation

- (i) In March 2000, the Belgian State, Finance Department, summoned Rebeo (currently Almafın Real Estate Services) and Trustimmo, two former subsidiaries of former Almafın, now KBC Real Estate, a Belgian subsidiary of KBC Bank, before the civil court in Brussels, together with four former directors of Broeckdal Vastgoedmaatschappij (a real estate company), for not paying approximately EUR 16.7 million in taxes due by Broeckdal Vastgoedmaatschappij. In November 1995, this company had been converted into a cash company and sold to Mubavi België (currently BeZetVe), a subsidiary of Mubavi Nederland (a Dutch real estate investment group). According to the Belgian State, Finance Department, Mubavi België did not make real investments and failed to file proper tax returns. A criminal investigation has been conducted. However Broeckdal Vastgoedmaatschappij contested the tax claims and in December 2002 commenced a lawsuit before the civil court in Antwerp against the Belgian State, Finance Department.

On 9 May 2014 the civil court in Antwerp decided that Broeckdal Vastgoedmaatschappij NV, which was no longer represented as it was dissolved and liquidated, implicitly renounced its claim in refuting the taxation.

On 22 February 2017, the Belgian State reactivated the civil lawsuit which was pending in Brussels between itself, Rebeo, Trustimmo and the four former members of the board and which had been suspended pending a final judgment in the tax lawsuit in Antwerp.

The civil lawsuit pending in Brussels has been suspended pending a final judgement in the tax lawsuit in Antwerp. An adjusted provision of EUR 28.4 million (at 30 June 2018) has been reserved to cover the potential impact of liability with respect to these actions.

In July 2003, Broeckdal Vastgoedmaatschappij, Mubavi België and Mubavi Nederland summoned KBC Bank, KB Consult, Rebeo and Trustimmo before the commercial court in Brussels in order to

indemnify them against all damages the former would suffer if the tax claims were approved by the court in Antwerp. In March 2005, Mubavi Nederland was declared bankrupt by the court of 's-Hertogenbosch in the Netherlands.

In November 2005, KBC Bank, KB Consult, Rebeo and Trustimmo and the four former directors of Broeckdal Vastgoedmaatschappij summoned the auditor of Broeckdal Vastgoedmaatschappij, Deloitte & Touche, before the civil court in Brussels in order to indemnify them for any amount they should be ordered to pay as a result of the aforementioned claims. In November 2008 Mubavi België (currently BeZetVe) was also declared bankrupt by the commercial court in Antwerp.

On 2 November 2010 Broeckdal Vastgoedmaatschappij was declared dissolved by the commercial court in Antwerp and the liquidation of the company was closed by judgment of 13 September 2011 by the same court.

- (ii) In 2009, KBC Bank and subsidiaries such as K&H Bank and ČSOB SK received numerous complaints about CDO notes issued by KBC Financial Products that were sold to private banking and corporate clients and which have now been downgraded. Such clients have been asking for their notes to be bought back at their original value.

In 2010, KBC Bank decided to examine all CDO related files with respect to private banking and retail clients on a case-by-case basis and to settle the disputes as much as possible out of court.

In Belgium settlements were reached with clients in KBC Bank Private Banking and Retail Banking. As a result of complaints, some Corporate Banking files were also examined. Subsequently negotiations started in the files where a decision to propose a settlement was taken and in a limited number of files settlements were reached. Only a few lawsuits are on-going. In nine cases the courts rendered judgments in favour of KBC Bank. At this stage one case is pending in first instance, two cases are still pending in degree of appeal. In June 2018 the highest court (Cassation) refuted the appeal of a corporate.

In Hungary a marketing brochure was used which could be misinterpreted as a guarantee on a secondary market and contained a possibly misleading comparison with state bonds. In more than 94% of the files, a settlement has been reached. A limited number of clients started a lawsuit. Most of the lawsuits were terminated by a settlement out of court; a few remaining court cases were lost and settled. All court proceedings are finished.

On 10 December 2009, the Hungarian Competition Authority (HCA) passed a resolution whereby K&H was ordered to pay a fine of HUF 40,000,000 (approximately EUR 150,000) based on the violation of the Hungarian Act on the prohibition of unfair and restrictive market practices in relation to K&H's trade in CDO bonds. The appeal filed by K&H against the HCA resolution was rejected by the Budapest Metropolitan Court. K&H Bank submitted a revision claim before the Supreme Court which approved in May 2012 the second level decision.

In ČSOB SK a similar approach as in Belgium was followed and in all cases of CDO investments with Private Banking and Retail clients, settlements were reached. No lawsuit in respect of CDO investments is pending.

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)**

#### ***Commercial Court of Antwerp, section Antwerp***<sup>12</sup>

Proceedings were initiated by ADB against LKI in order to recover the monies owed to it under the terminated credit facility (approximately USD 45 million in principal). LKB voluntarily intervened in this proceeding and claimed an amount of USD 350 million from ADB. LKI launched a counterclaim of USD 500 million against ADB (from which it claims any amount awarded to LKB must be deducted).

On 23 January 2014, LK appealed a decision of the Commercial Court of 23 October 2013 in which a briefing round was scheduled. On 15 July 2016 LKI issued a summons against Ernst & Young to intervene in these appeal proceedings before the Antwerp Court of Appeals and to indemnify LKI in case LKI would be ordered to pay the amounts claimed by KBC Bank. On 24 October 2016, the Court of Appeals declared the appeal of LKI and LKB inadmissible given the fact that the decision of the Commercial Court regarding the briefing round was not susceptible to appeal in the first place. Furthermore, the Court granted KBC Bank’s counterclaim for damages for reckless and vexatious appeal and ordered LKI and LKB jointly to pay an amount of EUR 5,000 in damages to KBC Bank.

LK filed an appeal with the Court of Cassation against this judgment of the Antwerp Court of Appeals. On 14 September 2017, the Court of Cassation dismissed the appeal. Moreover, the Court decided that LK’s appeal was reckless and vexatious and ordered LK to pay EUR 10,000 in damages.

---

<sup>12</sup> All Belgian Commercial Court were recently reformed into Company Courts.

As a result of the judgment of 24 October 2016 of the Antwerp Court of Appeals, the case was again brought before the Commercial Court of Antwerp, section Antwerp. KBC Bank then took procedural measures to reactivate the case.

By decision of 2 January 2017, the Commercial Court postponed its decision to set a briefing schedule and a hearing date to 30 March 2017. However, LK appealed this decision with the Antwerp Court of Appeals. This appeal was scheduled for an introductory hearing before the Antwerp Court of Appeals on 18 September 2017. A briefing round and a hearing for 16 November 2017 were scheduled. However, the case before the Court of Appeals was suspended given the proceedings started by LK before the Court of Cassation to have the case withdrawn from the Court of Appeals.

On 30 March 2017, the Commercial Court set a briefing schedule and a hearing date on 12 December 2017. LK also appealed this decision. This appeal was scheduled for an introductory hearing before the Antwerp Court of Appeals on 2 October 2017. On 26 October 2017, the Court of Appeals set a briefing round and a hearing for 16 November 2017. However, the case before the Court of Appeals also was suspended given the proceedings started by LK before the Court of Cassation to have the case withdrawn from the Court of Appeals.

On 16 November 2017, 7 December 2017, 11 December 2017 and 21 February 2018 LK filed twenty-two separate petitions with the Court of Cassation to have the case withdrawn from both the Commercial Court of Antwerp and the Antwerp Court of Appeals in this case and all satellite cases. After having considered that twenty petitions were not manifestly inadmissible, the Court of Cassation scheduled hearings on the merits for these twenty cases on 22 February 2018. During this hearing the Public Prosecutor ('Advocaat-Generaal') asked the Court of Cassation to reject all petitions and to condemn LK for reckless and vexatious appeal.

By judgments of 29 March 2018, the Court of Cassation rejected the twenty admissible requests. KBC Bank was granted compensation of EUR 10,000 per petition for reckless and vexatious appeal. LK was also condemned to a fine of EUR 2,500 per petition to the Belgian State for using judicial proceedings only for manifestly delaying and unlawful purposes. The two remaining cases were heard by the Court of Cassation on 19 April 2018. By judgments of the same day the Court of Cassation decided those two petitions were clearly inadmissible and LK was dismissed.

After the cassation proceedings the case was brought again before the Antwerp Court of Appeals. The case was heard on 16 November 2018. By judgment of 13 December 2018, the Antwerp Court of Appeals declared all appeals initiated by LK inadmissible.

In addition, the Court decided that the appeals were reckless and vexatious and ordered LK to pay damages of EUR 100,000 to KBC Bank. Finally, LK was ordered to pay a fine of EUR 2,500 as well as the legal costs of KBC Bank (EUR 1,440).

The case will be brought again before the Company Court of Antwerp, section Antwerp (formerly the Commercial Court of Antwerp, section Antwerp).

### ***Commercial Court of Antwerp, section Antwerp***

LK launched proceedings against ADB and certain Daleyot entities. This claim is aimed at having certain transactions of the Daleyot entities declared null and void or at least not opposable against LK.

LK also filed a damage claim against ADB for a provisional amount of USD 60 million based on the alleged third party complicity of ADB. This case is still pending. The court postponed the case sine die.

#### ***Commercial Court of Antwerp, section Antwerp***

On 10 December 2014, LKB filed a proceeding against ADB and KBC Bank claiming an amount of approximately 77 million USD, based on the allegedly wrongful grant and maintenance of credit facilities by ADB and KBC Bank to the Daleyot entities. In its last court brief LKB claimed an additional amount of approximately 5 million USD.

By decision of 7 February 2017 the Commercial Court dismissed LK's claims. Moreover, the court decided that the proceedings initiated by LK were reckless and vexatious and ordered LK to pay EUR 250,000 in damages, as well as the maximum indemnity for legal expenses allowed, being EUR 72,000.

LKB appealed against the decision of 7 February 2017. This appeal is still pending before the Antwerp Court of Appeals. The case was heard on 10 January 2019. Parties are waiting for the decision of the Antwerp Court of Appeals. LKB, however, tries to reopen the debates in an attempt to also postpone the decision of the Antwerp Court of Appeals.

LKI – which was not a party to the first instance proceedings – commenced third-party opposition proceedings against the same decision with the Commercial Court of Antwerp, section Antwerp (recently reformed into the Company Court of Antwerp, section Antwerp). These proceedings are still pending. Parties are exchanging briefs and a court hearing is set for 9 April 2019.

#### ***Commercial Court of Antwerp, section Antwerp***

LKB initiated proceedings against KBC Bank claiming that the bank acted as de facto director of the bankrupted Daleyot entities. LKB filed a damage claim against KBC Bank for a provisional amount of USD 90 million. Moreover, LKB contests KBC Bank's claim and preferential position in the bankruptcy proceedings of DD Manufacturing and KT Collections (which are Daleyot entities). The liquidators of both bankrupted companies were also involved in these proceedings, so that the decisions to be taken by the Commercial Court could be declared binding on them. By decision of 14 February 2018, the Commercial Court dismissed LKB's claim and ordered LKB to pay an indemnity for legal expenses, being EUR 18,000. This decision cannot be appealed and is therefore final.

#### ***Court of First Instance of Antwerp, section Antwerp***

Proceedings launched by LK against KBC Bank, ADB and Erez Daleyot, his wife and certain Daleyot entities. This claim was aimed at having the security interests granted in favour of either KBC Bank or ADB declared null and void or at least not opposable against LK. LK also filed claims against ADB for a provisional amount of USD 120 million and against both ADB and KBC Bank for a provisional amount of USD 60 million based on the alleged third-party complicity of ADB. By decision of 18 January 2018, the Court dismissed LK's claim. Moreover, the Court decided that the proceedings initiated by LK were reckless and vexatious and ordered LK to pay a compensation of EUR 30,000, as well as the maximum indemnity for legal expenses allowed, being EUR 33,000. This decision is final since LK did not file a timely notice of appeal.

#### ***Criminal complaint***

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

Although this investigation started on initiative of LK, it follows its own course and will be submitted at the end of it to the chambers section of the criminal court for a judgment (either dismissal of charges or referral to the criminal court).

**(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.

Following the remand, and in accordance with the Court of Appeals's order, the District Court ruled that the parties were to engage in limited discovery related to the contested forum selection clauses. This included both document discovery and limited depositions. This limited discovery was completed by April 2016. The District Court stayed LKI's discovery related to the merits of the complaint, which is still in effect.

On 14 and 15 February 2017, an evidentiary hearing took place to determine which of the two disputed forum selection clauses applied. After the hearing, the parties submitted proposed findings of fact for the District Court to rule on. In addition, shortly after the hearing, LKI moved to strike the testimony of one of KBC Bank's witnesses and filed a motion for sanctions against KBC Bank alleging nondisclosure of an agreement related to the relationship between KBC Bank and ADB (KBC Bank disclosed the agreement years ago, and the District Court considered the agreement in making its findings of fact).

On 30 June 2017, the District Court issued its Findings of Facts and denied LKI's motion to strike the testimony of KBC Bank's witness. The District Court's Findings of Fact rejected all of the facts that supported LKI's arguments and agreed with KBC Bank's description of those facts.

On 14 July 2017, LKI filed a motion for reconsideration in connection with the District Court's Findings of Fact. The District Court denied this motion on 16 August 2017.

The District Court allowed LKI to file a motion for leave to amend its complaint on 8 September 2017. By order dated 25 September 2017, the District Court granted LKI's motion for leave to file an amended complaint which was filed on 26 September 2017. The District Court set a briefing schedule with regard to the motion to dismiss and the motion for sanctions. At the end of December 2017, all briefs were exchanged and parties are awaiting a judgement. On 28 March 2018, LKI's 'motion for sanctions' was dismissed.

By Opinion and Order of 29 August 2018, the District Court granted KBC Bank / ADB's motion to dismiss, ruling that the case must be heard in Belgium. This ruling is based on an analysis of the forum selection clauses and a forum non conveniens analysis.

On 27 September 2018, LKI filed a notice of appeal against the Opinion and Order of 29 August 2018. The case is now pending before the US Court of Appeals (Second Circuit).

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. By Letter of 2 October 2018, KBC opposed this request. Parties are waiting for a decision of the District Court on the requested pre-motion conference.

## 11. TAXATION

**This section provides a general description of the main Belgian tax aspects of acquiring, holding and/or disposing of the Warrants. 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 the Belgian tax treatment related to or resulting from any of the above-mentioned transactions.**

**This general description is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date. Potential investors should appreciate that, as a result of changing law or practice, the tax consequences may be otherwise than as stated below.**

**Potential investors are recommended to consult their tax or other advisers and to make any assessment regarding the purchase of the Warrants on the basis of their own particular situation.**

### *General*

For the purposes of the below summary, (i) a Belgian resident individual is an individual subject to Belgian personal income tax (i.e., an individual who has his domicile in Belgium or has his seat of wealth in Belgium, or a person assimilated to a Belgian resident), (ii) a Belgian resident corporation is a legal entity subject to Belgian corporate income tax (i.e., a company that has its registered or principal office in Belgium), and (iii) a Belgian resident legal entity is a legal entity subject to Belgian legal entities tax (i.e., an entity other than a legal entity subject to corporate income tax having its registered or principal office in Belgium). A non-resident is a person who is not a Belgian resident.

### *Income tax regime applicable to Belgian resident individuals*

The purchase of the Warrants by a Belgian resident individual is in principle not subject to Belgian personal income tax. Any capital gains realized by the relevant individual upon the transfer of the Warrants, the Exercise of the Warrants and/or upon the transfer of the Underlying Shares are, as a matter of principle, not subject to Belgian personal income tax provided that the transaction concerned falls within the scope of the exemption for normal management of the relevant individual's private estate. Any capital losses realized by the individual upon the transfer of the Warrants, the Exercise of the Warrants and/or upon the transfer of the Underlying Shares are generally not tax deductible.

Different rules apply to Belgian resident individuals holding the Warrants and/or the Underlying Shares as a professional investment.

### *Income tax regime applicable to Belgian resident corporations*

The purchase, or Exercise, of the Warrants by a Belgian resident corporation does in principle not give rise to any Belgian corporate income tax.

Any capital gains realized by a Belgian resident corporation upon the transfer of the Warrants will be taxable at the ordinary corporate income tax rate of, as a rule, 29.58% (with a reduced rate of 20.40% applying to the first tranche of EUR100,000 of taxable income of qualifying small corporations) to be reduced to 25% (and 20%) as from assessment year 2021 for taxable periods starting at the earliest on 1 January 2020. Any capital losses realized upon the transfer of the Warrants are, as a matter of principle, tax deductible.

### *Income tax regime applicable to Belgian resident legal entities*

Any capital gains realized by Belgian resident legal entities on the Warrants are as a rule not subject to Belgian legal entities tax. Any capital losses realized on the Warrants are as a rule not tax deductible.

### *Income tax regime applicable to non-residents*

Capital gains realized on the Warrants by a non-resident investor that has not acquired the Warrants in connection with a business conducted in Belgium through a fixed base in Belgium are generally not subject to Belgian income tax

provided that, for investors that are individuals, the realization of these capital gains fits within the scope of the normal management of the investor's private estate. Conversely, capital losses realized by non-residents upon the disposal of the Warrants are generally not tax deductible for Belgian tax purposes.

### ***Tax on stock exchange transactions and tax on repurchase transactions***

A tax on stock exchange transactions (*taks op de beursverrichtingen/taxe sur les opérations de bourse*) will be levied on the purchase and sale of Warrants on the secondary market if entered into or settled in Belgium through a professional intermediary. The tax is due at a rate of 0.35 per cent. on each purchase and sale separately, with a maximum amount of Euro 1,600 per transaction and per party and collected by the professional intermediary. No tax will be due on the issuance of the Warrants (primary market).

Transactions that are entered into or carried out by an intermediary that is not established in Belgium are considered to be entered into or carried out in Belgium if the order to execute the transaction is directly or indirectly given by either a natural person that has its habitual residence in Belgium or by a legal entity on behalf of its registered office or establishment in Belgium. In such a scenario, foreign intermediaries have the possibility to appoint a Belgian tax representative that is responsible for collecting the stock exchange tax due and for paying it to the Belgian treasury on behalf of clients that fall within one of the aforementioned categories (provided that these clients do not qualify as exempt persons for stock exchange tax purposes – see below). If no such permanent representative is appointed, the relevant parties themselves are, as a general rule, responsible for the filing of a stock exchange tax return and for the timely payment of the amount of stock exchange tax due.

No tax on stock exchange transactions will however be payable by exempt persons acting for their own account including investors who are not Belgian residents, provided they deliver an affidavit to the financial intermediary in Belgium confirming their non-resident status and certain Belgian institutional investors as defined in article 126.1 2° of the Code of miscellaneous duties and taxes (*wetboek diverse rechten en taksen/code des droits et taxes divers*).

It should be noted that the European Commission has published a proposal for a Directive for a common financial transactions tax (the **FTT**). The proposal 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 proposal is still subject to negotiation between the participating Member States and therefore may be changed at any time.

### ***Exchange of information – Common Reporting Standard***

The exchange of information is governed by the Common Reporting Standard (**CRS**).

On 29 October 2018, 104 jurisdictions have signed the multilateral competent authority agreement (“**MCAA**”), which is a multilateral framework agreement to automatically exchange financial and personal information, with the subsequent bilateral exchanges coming into effect between those signatories that file the subsequent notifications.

About 100 jurisdictions committed to exchange information either by September 2017, September 2018, September 2019 or September 2020. Under CRS, financial institutions resident in a CRS country are required to report, according to a due diligence standard, financial information with respect to reportable accounts, which includes interest, dividends, account balance or value, income from certain insurance products, sales proceeds from financial assets and other income generated with respect to assets held in the account or payments made with respect to the account. Reportable accounts include accounts held by individuals and entities (which include trusts and foundations) with fiscal residence in another CRS country. The standard includes a requirement to look through passive entities to report on the relevant controlling persons.

On 9 December 2014, EU Member States adopted Directive 2014/107/EU on administrative cooperation in direct taxation (the “**DAC2**”), which provides for mandatory automatic exchange of financial information as foreseen in CRS. DAC2 amends the previous Directive on administrative cooperation in direct taxation, Directive 2011/16/EU and replaces the EC Council Directive 2003/48/EC on the taxation of savings income (commonly referred to as the “**Savings Directive**”).

The first mandatory automatic exchange of financial information by EU Member States as foreseen in DAC2 had to take place at the latest as of 30 September 2017, except with regard to Austria. The mandatory automatic exchange of financial information by Austria will at the latest take place as of 30 September 2018.

The Belgian government has implemented said Directive 2014/107/EU, respectively the Common Reporting Standard, per the law of 16 December 2015 regarding the exchange of information on financial accounts by Belgian financial institutions and by the Belgian tax administration, in the context of an automatic exchange of information on an international level and for tax purposes (the “**Law of 16 December 2015**”).

As a result of the Law of 16 December 2015, the mandatory automatic exchange of information applies in Belgium (i) as of income year 2016 (first information exchange in 2017) towards the EU Member States , (ii) since 1 July 2014 (first information exchange in 2016) towards the US and (iii), with respect to any other non-EU States that have signed the MCAA, as of the respective date determined by Royal Decree.

Investors who are in any doubt as to their position should consult their professional advisers.



## 12. INDEX OF DEFINED TERMS

- (to) Sell, 78
- €, 72
- 2010 PD Amending Directive, 102
- Actual Exercise Date, 70, 83
- Actual Exercise Price, 83
- ADB, 145
- Additional Disruption Event, 70
- Affected Shares, 85
- Affiliate, 71
- Agent, 71
- Applicable Final Terms, 68
- Banking Law, 37
- Base Prospectus, 1
- Belgian Code of Economic Law, 71
- Belgian Prospectus Law, 1
- BRRD, 36
- Business Day, 71
- Business Day Centre, 71
- Calculation Agency Agreement, 68
- Calculation Agent, 71
- Cash Settlement Date, 91
- CDOs, 123
- Change in Law, 71
- Conditions, 68
- Control, 71
- CRD, 36
- CRD IV, 36
- CRR, 36
- Daleyot, 146
- Dealer(s), 72
- De-listing, 72
- Dematerialisation Notice, 81
- Dematerialised Warrants, 79
- Disrupted Day, 72
- Disruption Cash Settlement Price, 72
- Electronic Platform, 80
- END Warrant, 72
- Entitlement, 72
- EUR, 72
- Euro, 72
- Exchange, 72
- Exchange Business Day, 72
- Exercise, 82
- Exercise Cost, 72
- Exercise Expenses, 86
- Exercise Notice, 85
- Exercise of Warrant, 82
- Exercise Period, 73
- Exercise Price, 73
- Expiration Date, 73
- Failure to Deliver, 85
- Failure to Deliver Notice, 73
- Failure to Deliver Settlement Price, 73
- Fair Market Value, 73
- Final Terms, 68
- Financial Services and Markets Act, 64
- First Entity, 71
- FSMA, 1
- Gulfdiam, 146
- Hedging Disruption, 73
- Hedging Shares, 73
- Increased Cost of Hedging, 73
- Increased Cost of Stock Borrow, 74
- Independent Source, 62
- Initial Stock Loan Rate, 74
- Initial Warrant Value, 83
- Insolvency Filing, 74
- Intrinsic Value, 74
- Issue Date, 74
- Issue Price, 74
- Issuer, 68
- KBC Bank, 74
- KBC Bank Group, 74
- KBC Group, 74
- KBC Group or KBC, 109
- Law of 3 August 2012, 136
- LGD, 43
- LKB, 145
- LKI, 145
- Loss of Stock Borrow, 74
- Market Disruption Event, 74
- Merger Date, 75
- Merger Event, 75
- Nationalisation, 75
- NBB, 109
- Net Asset Value, 75
- offer to the public, 63
- PD, 43
- Potential Adjustment Event, 75
- Programme, 68
- Prospectus Directive, 4
- RD 62, 81
- Registered Warrants, 79
- Related Exchange, 77
- Relevant Member State, 4
- Sale, 89
- Sale Expenses, 91
- Sale of Warrant, 89

**Sale Price, 77**  
**Schedule Closing Time, 77**  
**Scheduled Trading Day, 77**  
**Securities Act, 77**  
**Securities Settlement System, 3, 78**  
**Series, 68**  
**Settlement Disruption Event, 78**  
**Share Company, 78**  
**Share Currency, 60**  
**Share Delivery Date, 78**  
**Share Value, 78**  
**SICAV, 78**  
**Single Resolution Mechanism or SRM, 37**  
**Single Supervision Mechanism or SSM, 37**  
**Specified Currency, 60**  
**Taxes, 78**

**Tender Offer, 78**  
**Time Value, 78**  
**Trading Price, 78**  
**U.S. Person, 79**  
**UCITS-management company, 136**  
**Underlying Share, 79**  
**Valuation Date, 79**  
**Valuation Time, 79**  
**VaR, 43**  
**Warrant Agent, 79**  
**Warrant Agreement, 68**  
**Warrant Holder, 79**  
**Warrant Value, 79**  
**Warrants, 68**  
**Warrants Register, 79**

### 13. GENERAL INFORMATION

#### Authorisation

The establishment of the Programme and the issue of Warrants have been duly authorised by resolutions of the Issuer's Executive Committee (*directiecomité/comité de direction*) dated 9 June 2015 (decision Nr. 97).

#### Listing and admission to trading of Warrants on Euronext Brussels

The English version of this Base Prospectus has been approved by the FSMA on 26 February 2019 in its capacity as competent authority under Article 23 of the Belgian Prospectus Law to approve this document as a base prospectus. Application has also been made to Euronext Brussels for the Warrants to be listed on Euronext Brussels. Application may also be made for the Warrants to be admitted to trading on Euronext Brussels following their dematerialisation. Euronext Brussels' regulated market is a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments.

#### Documents Available

So long as any of the Warrants do not reach the relevant Expiration Date, copies of the following documents will be available during normal business hours at the specified office of the Warrant Agent (where applicable, with an English translation thereof):

- (i) the constitutional documents of the Issuer;
- (ii) the Warrant Agreement;
- (iii) any future prospectuses, base prospectuses, information memoranda and supplements including Final Terms relating to Warrants which are listed on Euronext Brussels or offered in a Member State of the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive (whether or not listed on Euronext Brussels).

For the period of 12 months following the date of this Base Prospectus, copies and, where appropriate, English translations of the following documents will be available on the website at [www.kbc.com](http://www.kbc.com) and during normal business hours at the specified office of the Issuer:

- (i) a copy of this Base Prospectus;
- (ii) the audited annual non-consolidated financial statements of the Issuer for each of the two financial years ended on 31 December 2016 and 31 December 2017, in each case together with the auditor reports in connection therewith;
- (iii) the semi-annual financial statements of the Issuer for the half year ended 30 June 2017; and
- (iv) the semi-annual financial statements of the Issuer for the half year ended 30 June 2018;

Copies of each Final Terms (together with the relevant Base Prospectus) relating to Warrants which are either admitted to trading on any other regulated market in the European Economic Area or offered in any other Member State of the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will be available for viewing in accordance with Article 14(2) of the Prospectus Directive and the rules and regulations of the relevant regulated market.

### **Conditions for determining Price**

The Exercise Price, the Initial Warrant Value, the Entitlement and the Actual Exercise Price, and the Issue Price of Warrants to be issued under the Programme will be determined by the Issuer at the time of issue in accordance with prevailing market conditions.

### **Securities Settlement System**

Upon the choice of the Warrant Holder, the form of a Registered Warrant can be changed by a dematerialisation process potentially with a view of trading the relevant Warrant on Euronext Brussels. For this purposes, the Issuer will enter into a framework dematerialisation agreement with Euroclear SA/NV which will allow for the Warrants to be represented exclusively by book entries in the records of Euroclear SA/NV (or any successor Securities Settlement System) and held by the Warrant Holder through its securities account with the Securities Settlement System or with a direct or indirect participant in the Securities Settlement System.

The address of the Securities Settlement System is Euroclear SA/NV, Koning Albert II Laan, 1, 1210 Brussels, Belgium.

### **Significant or Material Change**

There has been:

- (a) no significant change in the financial or trading position of the Issuer or the KBC Bank Group since 30 June 2018; and
- (b) no material adverse change in the financial position, business or prospects of the Issuer since 31 December 2017.

**THE ISSUER**

**KBC Bank NV**  
Havenlaan 2  
B-1080 Brussels  
Belgium  
RPR 0462.920.226

**LISTING AGENT**

**KBC Bank NV**  
Havenlaan 2  
B-1080 Brussels  
Belgium  
RPR 0462.920.226

**WARRANT AGENT**

**KBC Bank NV**  
  
Havenlaan 2  
B-1080 Brussels  
Belgium  
RPR 0462.920.226

**LEGAL ADVISER**

*as to Belgian law*

**Allen & Overy (Belgium) LLP**  
Avenue de Tervueren 268 A  
1150 Brussels  
Belgium

**STATUTORY AUDITOR**

*To the Issuer*

**PricewaterhouseCoopers Bedrijfsrevisoren  
CVBA**

Woluwedal 18  
B-1932 Sint-Stevens-Woluwe  
Belgium