

## IMPORTANT NOTICE

THIS DOCUMENT IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QIBS (AS DEFINED BELOW) OR (2) NON-U.S. PERSONS (AS DEFINED BELOW) LOCATED OUTSIDE OF THE UNITED STATES.

**IMPORTANT: You must read the following before continuing.** This notice applies to the offering memorandum dated September 8, 2023 (the “**Offering Memorandum**”) following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Memorandum. In accessing the Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from the Issuer (as defined in the Offering Memorandum), the Arranger and the Dealers (each as defined in the Offering Memorandum) as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES DISCUSSED IN THE ATTACHED OFFERING MEMORANDUM HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION. THE SECURITIES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATIONS (“**REGULATION S**”) UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE ATTACHED OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES OFFERED THEREUNDER.

In addition, the attached Offering Memorandum is not directed at, and may not be viewed by or distributed to (a) persons who are “retail investors” (as defined below); (b) persons in the United Kingdom (“**UK**”), except for persons who are not retail investors and who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 as amended (the “**Order**”), or (ii) are otherwise persons to whom the attached Offering Memorandum may be lawfully communicated; (c) persons in any Member State of the European Economic Area, except for persons who are not retail investors and who are “qualified investors” within the meaning of Article 2(e) of Regulation (EU) 2017/1129, as amended or superseded (the “**Prospectus Regulation**”); or (d) any other persons who are not persons to whom the attached Offering Memorandum may be otherwise lawfully communicated under the laws of any other jurisdiction.

As used in this disclaimer, a “retail investor” means a person who is (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; (iii) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “**EUWA**”); and/or (iv) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the “**FSMA**”) and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA (“**UK MiFIR**”).

The attached Offering Memorandum is also not addressed to “consumers” (*consumenten/ consommateurs*) within the meaning of the Belgian Code of Economic Law (*Wetboek van economisch recht/ Code de droit économique*), as amended.

**Confirmation of your representation:** In order to be eligible to view the attached Offering Memorandum or make an investment decision with respect to the securities being offered, prospective investors must be either (1) qualified institutional buyers (“**QIBs**”) (within the meaning of Rule 144A (“**Rule 144A**”) under the Securities Act) or (2) non-U.S. persons (as defined in Regulation S) located outside of the United States. The attached Offering Memorandum is being provided to you at your request and, by accessing the attached Offering Memorandum, you shall be deemed to have represented to the Issuer, the Arranger and the Dealers that (1) you consent to delivery of such Offering Memorandum by electronic transmission, (2) you are a person who is permitted under applicable law and regulation to receive the Offering Memorandum and (3) you and any customers you represent are either (a) QIBs or (b) non-U.S. persons located outside of the United States and any electronic mail address that you have provided and to which the Offering Memorandum may have been delivered is not located in the United States, its territories and possessions, any State of the United States or the District of Columbia.

You are reminded that the attached Offering Memorandum has been provided to you on the basis that you are a person into whose possession this Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver or disclose the contents of this Offering Memorandum to any other person.

The materials relating to the Programme (as defined in the Offering Memorandum) do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer, and the Arranger, the Dealer(s) or any of their respective affiliates is a licensed broker or dealer in the relevant jurisdiction, the offering shall be deemed to be made by the Arranger, the Dealer(s) or such affiliate on behalf of the Issuer in such jurisdiction.

The attached Offering Memorandum has been provided to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and, consequently, none of the Issuer, the Arranger, the Dealers, any person who controls any of them or any director, officer, employee or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Memorandum provided to you in electronic format and a hard copy version that may be available to you on request from the Arranger and/or the Dealers.



## **KBC Group NV**

*(incorporated with limited liability in Belgium)*

### **U.S.\$10,000,000,000 U.S. Medium Term Note Programme**

Under this U.S.\$10,000,000,000 U.S. Medium Term Note Programme (the “**Programme**”), KBC Group NV (the “**Issuer**”) may from time to time issue notes (the “**Notes**”) denominated in any currency agreed between the Issuer and the relevant Dealer(s) (as defined below). The aggregate nominal amount of Notes outstanding will not at any time exceed U.S.\$10,000,000,000 (or its equivalent in any other currencies). Any Notes issued under the Programme on or after the date of this Offering Memorandum (as defined below) are issued subject to the provisions herein. Notes to be issued under the Programme may comprise (i) unsubordinated Notes (“**Senior Notes**”) and (ii) Notes that are subordinated as described herein and have terms capable of qualifying as Tier 2 Capital (as defined herein) (the “**Subordinated Tier 2 Notes**”). The Notes will be issued in the Specified Denomination(s) specified in the applicable Pricing Supplement (as defined below).

The Notes may be issued on a continuing basis to the Dealers specified below 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 (each a “**Dealer**” and together the “**Dealers**”).

The Notes will be held by The Bank of New York Mellon, as CDI depository (the “**CDI Depository**”), through Euroclear Bank SA/NV (“**Euroclear**”) as a direct participant in the Securities Settlement System (as defined below). The CDI Depository will create certificated depository interests (“**CDIs**”) representing interests in the Notes, which will be issued to The Depository Trust Company or its nominee (“**DTC**”), and its direct (including Euroclear and Clearstream Banking S.A.) and indirect participants will record ownership of the beneficial interests in the CDIs on their books. Investors will receive CDIs representing interests in the Notes, as further described under “*Form of Notes – Depository Receipts*”. Notes represented by CDIs sold in reliance on Rule 144A (as defined below) will be represented by one or more global securities (each, a “**Rule 144A Certificated Depository Interest**”), and Notes represented by CDIs sold in offshore transactions in reliance on Regulation S (as defined below) will be represented by one or more global securities (each, a “**Regulation S Certificated Depository Interest**”). Unless otherwise stated in the applicable Pricing Supplement, the minimum specified denomination of CDIs offered and sold in reliance on Rule 144A will be U.S.\$200,000. References in this Offering Memorandum to “Notes” include CDIs representing interests in the Notes unless the context otherwise requires.

This offering memorandum (the “**Offering Memorandum**”) does not constitute a prospectus for the purposes of Article 6 of Regulation (EU) 2017/1129 (as amended, the “**Prospectus Regulation**”). Application may be made to the Irish Stock Exchange plc, trading as Euronext Dublin (“**Euronext Dublin**”), for a period of 12 months from the date of this Offering Memorandum for Notes issued under the Programme to be admitted to listing on its official list (the “**Official List**”) and trading on the Global Exchange Market of Euronext Dublin. This Offering Memorandum constitutes listing particulars for the purpose of such application and has been approved by Euronext Dublin. The Global Exchange Market is not a regulated market for the purpose 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 Notes that are not listed or request the listing of Notes on any other stock exchange or market.

This Offering Memorandum and any supplement hereto that may be published from time to time will be available on the website of Euronext Dublin (<https://live.euronext.com/>).

The Notes will be issued in dematerialized form in accordance with the provisions of the Belgian Companies and Associations Code (*Wetboek van Vennootschappen en Verenigingen/Code des Sociétés et des Associations*), as amended (the “**Belgian Companies and Associations Code**”) and will not be delivered in individually certificated form. The Notes will be represented exclusively by book entries in the records of the securities settlement system operated by the National Bank of Belgium (the “**NBB**”) or any successor thereto (the “**Securities Settlement System**”).

Information on the aggregate nominal amount of Notes, interest (if any) payable in respect of such Notes, the issue price of such Notes and other information that is applicable to each Tranche (as defined herein) of such Notes will be set out in a pricing supplement document (the “**Pricing Supplement**”). With respect to any Notes to be listed on Euronext Dublin, a Pricing Supplement will be delivered to Euronext Dublin on or before the date of issue of the Notes of such Tranche. Copies of the Pricing Supplement in relation to Notes to be listed on Euronext Dublin will be published on the website of the Issuer (<https://www.kbc.com/en/investor-relations/debt-issuance/kbc-group/us-mtn-programme.html>) and of Euronext Dublin (<https://live.euronext.com/>).

Notes issued under the Programme may be rated or unrated. When an issue of a certain Series (as defined herein) of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme (if any), and such rating may be specified in the applicable Pricing Supplement. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under Regulation (EC) No 1060/2009 on credit rating agencies, as amended (the “**CRA Regulation**”) and/or by a credit rating agency established in the United Kingdom (“**UK**”) and registered under Regulation (EC) No 1060/2009 on credit rating agencies as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “**EUWA**”) (the “**UK CRA Regulation**”) will be disclosed in the applicable Pricing Supplement. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

**The Notes will be offered in reliance on the exemption from registration provided by Rule 144A (“Rule 144A”) under the U.S. Securities Act of 1933, as amended (the “Securities Act”), only to qualified institutional buyers (“QIBs”) within the meaning of Rule 144A or outside the United States to non-U.S. persons (as such term is defined in Rule 902 under the Securities Act (a “non-U.S. person”)) pursuant to Regulation S (“Regulation S”) under the Securities Act.**

**Prospective investors should have regard to the factors described under the section headed “Risk Factors” in this Offering Memorandum, setting out certain risks in relation to Senior Notes and Subordinated Tier 2 Notes. In particular, holders of Senior Notes and Subordinated Tier 2 Notes may lose their investment if the Issuer were to become non-viable or the Notes were to be (in the case of the Subordinated Tier 2 Notes) written down and/or converted or (in the case of the Senior Notes) bailed-in. Moreover, Subordinated Tier 2 Notes include certain risks specific to the nature of such instruments, such as subordination, write-down/conversion features, increased illiquidity, conflicts of interest and redemption. See pages 12 to 49 for a description of the risk factors and pages 38 to 40 for a description of the risk factors specific to Subordinated Tier 2 Notes.**

**The Notes may not be a suitable investment for all investors. Accordingly, prospective investors in the Notes should decide for themselves whether they want to invest in the Notes and obtain advice from a financial intermediary in that respect, in which case the relevant intermediary will have to determine whether or not the Notes are a suitable investment for them.**

**The Notes are not intended to be offered, sold or otherwise made available, and will not be offered, sold or otherwise made available, by any Dealer to “consumers” (*consumenten / consommateurs*) within the meaning of the Belgian Code of Economic Law (*Wetboek van economisch recht / Code de droit économique*), as amended.**

*Arranger*

**BofA Securities**

*Dealers*

**BofA Securities**

**BNP PARIBAS**

**Deutsche Bank Securities**

**Goldman Sachs International**

**J.P. Morgan**

**KBC Bank NV**

**Morgan Stanley**

The date of this Offering Memorandum is September 8, 2023.

## IMPORTANT INFORMATION

### IMPORTANT NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This Offering Memorandum 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 has based these forward-looking statements on the current view of its management with respect to future events and financial performance. Although the Issuer believes that the expectations, estimates and projections reflected in its forward-looking statements are reasonable as of the date of this Offering Memorandum, if one or more of the risks or uncertainties materialize, including those identified below or which the Issuer has otherwise identified in this Offering Memorandum, or if any of the Issuer's underlying assumptions prove to be incomplete or inaccurate, the Issuer's actual results of operation may vary from those expected, estimated or predicted. Any forward-looking statements contained in this Offering Memorandum speak only as at the date of this Offering Memorandum. 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 the global economy in general and the strength of the economies of the countries in which the Issuer or the Issuer and its subsidiaries taken as a whole (the "**Group**") 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 or the Group;
- (vii) the effects of, and changes in, fiscal, monetary, trade and tax policies, financial and company 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 and/or the Group's business and practices in one or more of the countries in which the Issuer or the Group conducts operations;
- (xi) the adverse resolution of litigation and other contingencies; and
- (xii) the Issuer's and/or the Group'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 Offering Memorandum.

### **IMPORTANT INFORMATION RELATING TO THE USE OF THIS OFFERING MEMORANDUM**

This Offering Memorandum does not constitute a prospectus for the purposes of Article 6 of the Prospectus Regulation. Application will be made to Euronext Dublin, for a period of 12 months from the date of this Offering Memorandum for Notes issued under the Programme, to be admitted to the “Official List” and to trading on the Global Exchange Market of Euronext Dublin. This Offering Memorandum constitutes base listing particulars for the purpose of such application and has been approved by Euronext Dublin. The Global Exchange Market is not a regulated market for the purpose of MiFID II. The Issuer may also issue Notes under the Programme that are not listed or admitted to trading.

The Issuer accepts responsibility for the information contained in this Offering Memorandum. 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 Offering Memorandum is in accordance with the facts and does not omit anything likely to affect its import.

This Offering Memorandum is to be read in conjunction with any supplement hereto and all documents that are incorporated herein by reference (see “*Documents Incorporated by Reference*”). Unless specifically incorporated by reference into this Offering Memorandum, information contained on websites mentioned herein does not form part of this Offering Memorandum and has not been scrutinized or approved by Euronext Dublin.

No person has been authorized to give any information or to make any representation other than those contained in this Offering Memorandum in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorized by the Issuer or any of the Dealers or the Arranger. Neither the delivery of this Offering Memorandum nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Offering Memorandum has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Offering Memorandum has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Offering Memorandum and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Memorandum comes are required by the Issuer, the Arranger and the Dealers to inform themselves about and to observe any such restriction. None of the Dealers, the Arranger or the Issuer makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws.

The Notes have not been and will not be registered under the Securities Act or any U.S. State securities laws. and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in accordance with all applicable securities laws of any State of the United States or any other jurisdiction. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. Prospective investors should thus be aware that they may be required to bear the financial risks of an investment in the Notes for an indefinite period of time. For a description of certain restrictions on offers and sales of Notes and on distribution of this Offering Memorandum, see “*Plan of Distribution; Subscription and Sale*”.

**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II or (ii) a customer

within the meaning of Directive (EU) 2016/97 (as amended, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the EUWA or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the “**FSMA**”) and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA (“**UK MiFIR**”). Consequently, no key information document required by the PRIIPs Regulation as it forms part of UK domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

**PROHIBITION OF SALES TO CONSUMERS** – The Notes are not intended to be offered, sold or otherwise made available, and will not be offered, sold or otherwise made available, by any Dealer to any “consumer” (*consument / consommateur*) within the meaning of the Belgian Code of Economic Law (*Wetboek van economisch recht / Code de droit économique*), as amended.

**MiFID II PRODUCT GOVERNANCE / TARGET MARKET** – The Pricing Supplement in respect of the Notes will include a legend entitled “*MiFID II Product Governance*” that will outline the relevant target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration such target market assessment. However, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer’s target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID II Product Governance rules under EU Delegated Directive 2017/593, as amended (the “**MiFID II Product Governance Rules**”), any Dealer subscribing for any Notes is a manufacturer as defined in MiFID II in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID II Product Governance Rules.

**UK MiFIR PRODUCT GOVERNANCE / TARGET MARKET** – The Pricing Supplement in respect of any Notes may include a legend entitled “*UK MiFIR Product Governance*” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration such target market assessment. However, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK MiFIR Product Governance Rules**”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer’s target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

**SINGAPORE: SECTION 309B(1)(C) NOTIFICATION** – In connection with Section 309B of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), the Issuer has, unless otherwise specified before an offer of Notes, determined the classification of all Notes to be issued under the Programme as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

**BENCHMARK REGULATION** – Amounts payable under the Notes may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/1011, as amended (the “Benchmark Regulation”). If any such reference rate does constitute such a benchmark, the applicable Pricing Supplement will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority (“ESMA”) pursuant to Article 36 of the Benchmark Regulation. Not every reference rate will fall within the scope of the Benchmark Regulation. Transitional provisions in the Benchmark Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the applicable Pricing Supplement (or, if located outside the European Union, recognition, endorsement or equivalence). The registration status of any administrator under the Benchmark Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the Pricing Supplement to reflect any change in the registration status of the administrator.

This Offering Memorandum is a base listing particulars and therefore does not, without the applicable Pricing Supplement that has been duly completed and signed by the Issuer, constitute an offer of, or an invitation by or on behalf of the Issuer, the Arranger or any of the Dealers to subscribe for or purchase, any Notes.

To the fullest extent permitted by law, none of the Arranger, the Dealers or the Agents accept any responsibility for the contents of this Offering Memorandum or for any other statement, made or purported to be made by the Arranger, a Dealer or an Agent or on its behalf in connection with the Issuer or the issue and offering of the Notes. The Arranger, each Dealer and each Agent accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) that they might otherwise have in respect of this Offering Memorandum or any such statement. Neither this Offering Memorandum nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arranger or the Dealers that any recipient of this Offering Memorandum or any other financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Memorandum, and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Arranger or the Dealers undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Offering Memorandum or to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Arranger or the Dealers.

## U.S. INFORMATION

This Offering Memorandum is being provided on a confidential basis in the United States to a limited number of QIBs for informational use solely in connection with the consideration of the purchase of certain Notes or CDIs issued under the Programme. Its use for any other purpose in the United States is not authorized. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

Notes may be offered or sold within the United States only to QIBs in transactions exempt from registration under the Securities Act in reliance on Rule 144A or any other applicable exemption. Each U.S. purchaser of Notes is hereby notified that the offer and sale of any Notes to it may be being made in reliance upon the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A.



Each purchaser or holder of Notes represented by a CDI in the form of a Rule 144A Certificated Depositary Interest will be deemed, by its acceptance or purchase of any such Rule 144A Certificated Depositary Interest, to have made certain representations and agreements intended to restrict the resale or other transfer of such CDIs as set out in “*Plan of Distribution; Subscription and Sale*”. Unless otherwise stated, terms used in this paragraph have the meanings given to them in “*Form of Notes – Depositary Receipts*”.

The offer of the Notes has not been approved or disapproved by the U.S. Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Offering Memorandum or confirmed the accuracy or determined the adequacy of the information contained in this Offering Memorandum. Any representation to the contrary is unlawful and a criminal offence in the United States.

### **AVAILABLE INFORMATION**

To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are “restricted securities” within the meaning of the Securities Act, the Issuer has undertaken to furnish, upon the request of a holder of such Notes or any beneficial interest therein, including holders of CDIs, to such holder or to a prospective purchaser designated by them, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the Notes remain outstanding as “restricted securities” within the meaning of Rule 144(a)(3) of the Securities Act and the Issuer is neither a reporting company under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the “**Exchange Act**”) nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

### **SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES**

The Issuer is a corporation organized under the laws of the Kingdom of Belgium. All of the officers and directors of the Issuer named herein reside outside the United States and all or a substantial portion of the assets of the Issuer and of such officers and directors are located outside the United States. As a result, it may not be possible for investors to effect service of process outside the Kingdom of Belgium upon the Issuer or such persons, or to enforce judgments against them obtained in courts outside the Kingdom of Belgium predicated upon civil liabilities of the Issuer or such directors and officers under laws other than Belgian law, including any judgment predicated upon United States federal securities laws. There is doubt as to the enforceability in the Kingdom of Belgium in original actions or in actions for enforcement of judgments of United States courts of civil liabilities predicated solely upon the federal securities laws of the United States.

### **SUITABILITY OF INVESTMENT**

The Notes may not be a suitable investment for all investors. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Memorandum or any applicable supplement and all information contained in the applicable Pricing Supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where the currency for principal and/or interest payments is different from the potential investor’s currency;
- (iv) understand thoroughly the terms of the relevant Notes and be familiar with the behavior of any relevant indices, interest rates and financial markets; and

- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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) Notes are legal investments for it, (b) Notes can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

### **STABILIZATION**

In connection with the issue of any Tranche, the Dealer or Dealers (if any) named as the stabilizing manager(s) (the “**Stabilizing Manager(s)**”) (or any person acting on behalf of any Stabilizing Manager(s)) in the applicable Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager(s) (or any person acting on behalf of any Stabilizing Manager) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche and 60 days after the date of the allotment of the relevant Tranche. Any stabilization action or over-allotment must be conducted by the relevant Stabilizing Manager(s) (or any person acting on behalf of any Stabilizing Manager(s)) in accordance with all applicable laws and rules.

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The Group presents its consolidated financial information in euro, and references in this Offering Memorandum to “euro”, “EUR” and “€” are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

In this Offering Memorandum, unless otherwise specified or the context otherwise requires, references to “U.S. dollars”, “U.S.\$” and “\$” are to United States dollars.

### *Annual financial statements*

The Issuer’s audited consolidated financial statements as at and for the years ended December 31, 2022 (the “**2022 Financial Statements**”), December 31, 2021 (the “**2021 Financial Statements**”) and December 31, 2020 (the “**2020 Financial Statements**” and, together with the 2022 Financial Statements and the 2021 Financial Statements, the “**Annual Financial Statements**”) are each incorporated by reference in this Offering Memorandum and have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) and interpretations of these standards as adopted by the European Commission.

The Annual Financial Statements have been audited by PricewaterhouseCoopers Bedrijfsrevisoren BV (*erkende revisor/réviseur agréé*), with Damien Walgrave and Jeroen Bockaert as auditors in charge, as set forth in the auditor’s reports incorporated by reference in this Offering Memorandum.

### *Interim Financial Statements*

The Issuer’s unaudited consolidated interim financial statements as at and for the six-month periods ended June 30, 2023 and 2022 (the “**Interim Financial Statements**”) are incorporated by reference in this Offering Memorandum and have been prepared in accordance with IFRS as applicable to the preparation of interim financial statements and interpretations of these standards as adopted by the European Commission.

The Interim Financial Statements have been reviewed in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” applicable to review engagements by PricewaterhouseCoopers Bedrijfsrevisoren BV (*erkende revisor/réviseur agréé*), with Damien Walgrave and Jeroen Bockaert as auditors in charge, as set forth in the review report incorporated by reference in this Offering Memorandum.

### *Implementation of new and amended accounting policies*

IFRS 17 (Insurance Contracts) replaced IFRS 4 (Insurance Contracts) for the annual periods beginning on or after January 1, 2023. As the standard requires comparative figures for the annual reporting period immediately preceding the date of initial application, the transition date for IFRS 17 was January 1, 2022. On adoption, IFRS 17 impacted the measurement of insurance contracts and participating investment contracts.

For more information on the implementation of new and amended accounting policies, including the known impacts of introducing IFRS 17, see Note 1.1 to the Annual Financial Statements and the Interim Financial Statements.

### *Restatement of 2022 comparative financial information*

On April 18, 2023, the Group published restated comparative financial information (including quarterly financial information) for the year ended December 31, 2022 (the “**Restated 2022 Financial Information**”) to reflect the implementation of the new standard IFRS 17 *Insurance Contracts*. See “—Implementation of new and amended accounting policies” above.

As a result of the implementation of IFRS 17, the income statement of the Group, being an integrated bank-insurer, was updated in the Restated 2022 Financial Information to present the new line items introduced by IFRS 17 (e.g. insurance revenues, insurance finance income and expense and insurance service expenses). Other income

statement lines that were required by IFRS 4 have been excluded or presented differently. The changes had no impact on the Group's CET1 ratio, the Group's capital distribution policy or KBC Insurance's Solvency II ratio. See Note 6.10 to the 2022 Financial Statements for more information on the new accounting framework and the transition effects from the implementation of IFRS 17.

The full one-off net impact (after tax) on the Group's own equity of the transition to IFRS 17, including the reclassification of financial assets (IFRS 9) was €(673) million as at January 1, 2022, as a result of:

- *IFRS 17 transition*: The negative impact on equity (€(1,485) million before tax; €(1,102) million after tax) resulting from the transition to IFRS 17 was attributable to the life business, partly offset by non-life business.
  - *Life (impact of €(1,857) million before tax)*: This is measured mainly on the basis of the Building Block Approach (applicable mainly to long-term life insurance contracts), which results in an increase in insurance liabilities. Higher insurance liabilities are largely accounted for by the application of a different discount rate (under IFRS 4 liabilities were discounted using the higher guaranteed rate, whereas under IFRS 17 they are discounted using the lower current rate at transition).
  - *Non-life (impact of €372 million before tax)*: The decrease in insurance liabilities is mainly attributable to the use of the Premium Allocation Approach (applicable mainly to short-term non-life insurance contracts and reinsurance). The lower insurance liabilities are accounted for by a combination of the application of a best estimate under IFRS 17 and the impact of discounting (not applied under IFRS 4).
- *Reclassification of financial assets*: The first-time adoption of IFRS 17 also permits a reclassification of financial assets available to insurance companies in order to avoid an accounting mismatch between assets and liabilities. As a result, bonds in the amount of €5,234 million were transferred from "Financial assets at amortised cost" to "Financial assets at fair value through OCI" ("FVOCI"), whereas bonds transferred from FVOCI to Financial assets at amortised cost amounted to €2,235 million. This translated into a positive net impact after tax of €428 million on the Group's own equity. As a general principle, the Group decided to classify bonds used to hedge life insurance liabilities as FVOCI, and bonds used to hedge non-life insurance liabilities as amortised cost (90%) and FVOCI (10%).
- *Transfer of shares*: The first-time adoption of IFRS 17 also resulted in the elimination of "Financial assets at fair value – overlay approach", leading to a transfer of shares in the amount of €1,366 million to "Financial assets at fair value through OCI". The transfer does not have a net impact on equity, but it does result in a shift from "Retained earnings" (€(71) million, pertaining to impairment recognised in the past) and the "Revaluation reserve (FVPL equity instruments) – overlay approach" (€496 million) to the "Revaluation reserve (FVOCI equity instruments)".

The tables below present the Restated 2022 Financial Information for the Group's income statements for the six-month period ended June 30, 2022 and the year ended December 31, 2022 and balance sheet as at December 31, 2022. The tables as at and for the year ended December 31, 2022 and for the six months ended June 30, 2022 provided below are for reference only and may not be directly comparable to the information presented elsewhere as at and for the year ended December 31, 2022 and for the six months ended June 30, 2022. Except where indicated, information as at and for the year ended December 31, 2022, including under "Summary Financial Data", "Description of the Group—Business Units", "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations for the Year Ended December 31, 2022 Compared to the Year Ended December 31, 2021" and "Selected Statistical Data" does not reflect the Restated 2022 Financial Information. The comparative information for the six-month period ended June 30, 2022 provided in this Offering Memorandum, including under "Summary Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations for the Six Months Ended June 30, 2023 Compared to the Six Months Ended June 30, 2022" reflects the Restated 2022 Financial Information. All Restated 2022 Financial Information in this Offering Memorandum is unaudited.

(i) *Income statements*

	<b>For the six months ended June 30, 2022</b>		<b>For the six months ended June 30, 2022</b>
	<b>Previously reported (IFRS 4)</b>		<b>Restated (IFRS 17)</b>
	<i>(EUR million)</i>		<i>(EUR million)</i>
Net interest income .....	2,448	Net interest income .....	2,448
Earned insurance premiums (before reinsurance) .....	1,546	Insurance revenues before reinsurance .....	1,181
<i>Non-Life</i> .....	990	<i>Non-Life</i> .....	997
<i>Life</i> .....	556	<i>Life</i> .....	184
Technical insurance charges (before reinsurance) .....	(1,102)		
<i>Non-Life</i> .....	(571)		
<i>Life</i> .....	(531)		
Ceded reinsurance result .....	26		
Dividend income .....	28	Dividend income .....	28
Net result from financial instruments at fair value through profit or loss .....	233	Net result from financial instruments at fair value through profit or loss .....	127
Net fee and commission income .....	934	Net fee and commission income .....	1,112
Net realised result from debt instruments at fair value through OCI .....	(16)	Insurance finance income and expense .....	6
Other net income .....	144	Other net income .....	116
<b>Total income</b> .....	<b>4,239</b>	<b>Total income</b> .....	<b>5,020</b>
Operating expenses .....	(2,591)	Operating expenses (excluding directly attributable from insurance) .....	(2,339)
<i>Operating expenses without banking tax</i> .....	(1,983)	<i>Total operating expenses without banking and insurance tax</i> .....	(1,975)
<i>Banking tax</i> .....	(608)	<i>Total banking and insurance tax</i> .....	(608)
		<i>Minus: Operating expenses allocated to insurance service expenses</i> .....	244
		Insurance service expenses before reinsurance .....	(937)
		<i>Non-Life</i> .....	(872)
		<i>Life</i> .....	(65)
		Net result from reinsurance contracts held .....	10
<b>Total impairment</b> .....	<b>(50)</b>	<b>Total impairment</b> .....	<b>(48)</b>
Share in results of associated companies & joint ventures .....	(5)	Share in results of associated companies & joint ventures .....	(5)
<b>Results before tax</b> .....	<b>1,594</b>	<b>Results before tax</b> .....	<b>1,701</b>

Income tax expense .....	(325)
<b>Results after tax .....</b>	<b>1,269</b>

Income tax expense.....	(362)
<b>Results after tax .....</b>	<b>1,339</b>

	<b>For the year ended December 31, 2022</b>		<b>For the year ended December 31, 2022</b>
	<b>Previously reported (IFRS 4)</b>		<b>Restated (IFRS 17)</b>
	<i>(EUR million)</i>		<i>(EUR million)</i>
Net interest income .....	5,161	Net interest income .....	5,162
Earned insurance premiums (before reinsurance) .....	3,196	Insurance revenues before reinsurance .....	2,423
<i>Non-Life</i> .....	2,033	<i>Non-Life</i> .....	2,050
<i>Life</i> .....	1,163	<i>Life</i> .....	373
Technical insurance charges (before reinsurance) .....	(2,224)		
<i>Non-Life</i> .....	(1,153)		
<i>Life</i> .....	(1,071)		
Ceded reinsurance result .....	(2)		
Dividend income .....	59	Dividend income .....	59
Net result from financial instruments at fair value through profit or loss .....	406	Net result from financial instruments at fair value through profit or loss .....	252
Net fee and commission income .....	1,847	Net fee and commission income .....	2,218
Net realised result from debt instruments at fair value through OCI .....	(22)	Insurance finance income and expense .....	(96)
Other net income .....	40	Other net income .....	16
<b>Total income</b> .....	<b>8,463</b>	<b>Total income</b> .....	<b>10,035</b>
Operating expenses .....	(4,818)	Operating expenses (excluding directly attributable from insurance) .....	(4,327)
<i>Operating expenses without banking tax</i> .....	(4,172)	<i>Total operating expenses without banking and insurance tax</i> .....	(4,159)
<i>Banking tax</i> .....	(646)	<i>Total banking and insurance tax</i> .....	(646)
		<i>Minus: Operating expenses allocated to insurance service expenses</i> .....	478
		Insurance service expenses before reinsurance .....	(1,908)
		<i>Non-Life</i> .....	(1,733)
		<i>Life</i> .....	(174)
		Net result from reinsurance contracts held .....	(20)
<b>Total impairment</b> .....	<b>(284)</b>	Total impairment .....	<b>(282)</b>
Share in results of associated companies & joint ventures .....	(10)	Share in results of associated companies & joint ventures .....	(10)
<b>Results before tax</b> .....	<b>3,351</b>	<b>Results before tax</b> .....	<b>3,488</b>
Income tax expense .....	(608)	Income tax expense .....	(670)
<b>Results after tax</b> .....	<b>2,743</b>	<b>Results after tax</b> .....	<b>2,818</b>

## (ii) Balance sheet

	Previously reported		Restated
	(IFRS 4)	Change	(IFRS 17)
<b>As at December 31, 2022</b>			
<i>(EUR million)</i>			
<b>ASSETS</b>			
Cash, cash balances with central banks and other demand deposits with credit institutions.....	51,427	0	51,427
Financial assets.....	291,262	(422)	290,840
<i>Amortised cost</i> .....	255,444	(3,674)	251,770
<i>Fair value through OCI</i> .....	12,128	4,489	16,617
<i>Fair value through profit or loss</i> .....	23,147	(1,236)	21,911
<i>of which held for trading</i> .....	8,471	0	8,471
<i>Hedging derivatives</i> .....	542	0	542
Reinsurers' contract assets held <sup>(1)</sup> .....	192	(137)	55
Profit/loss on positions in portfolios hedged against interest rate risk .....	(4,335)	0	(4,335)
Tax assets .....	1,312	(137)	1,175
<i>Current tax assets</i> .....	174	0	174
<i>Deferred tax assets</i> .....	1,138	(137)	1,001
Non-current assets held for sale and disposal groups .....	8,054	0	8,054
Investments in associated companies and joint ventures .....	32	0	32
Property and equipment and investment property .	3,560	0	3,560
Goodwill and other intangible assets.....	2,331	0	2,331
Other assets.....	2,036	(630)	1,406
<b>Total assets</b> .....	<b>355,872</b>	<b>(1,327)</b>	<b>354,545</b>
<b>LIABILITIES AND EQUITY</b>			
Financial liabilities .....	312,735	24	312,759
<i>of which liabilities under investment contracts (IFRS 9 unit-linked life contracts)</i> .....	12,002	24	12,026
<i>Amortized cost</i> .....	289,854	31	289,885
<i>Fair value through profit or loss</i> .....	22,303	(6)	22,297
<i>of which held for trading</i> .....	9,096	0	9,096
<i>Hedging derivatives</i> .....	577	0	577
Insurance contract liabilities <sup>(2)</sup> .....	18,484	(2,326)	16,158
<i>Non-life</i> .....	4,154	(1,440)	2,714
<i>Life</i> .....	14,330	(886)	13,444
Profit/loss on positions in portfolios hedged against interest rate risk .....	(1,443)	0	(1,443)
Tax liabilities .....	283	179	462
<i>Current tax liabilities</i> .....	150	0	150
<i>Deferred tax liabilities</i> .....	133	179	312
Liabilities associated with disposal groups.....	2,020	0	2,020
Provisions for risks and charges .....	418	0	418
Other liabilities .....	2,568	(215)	2,353
<b>Total liabilities</b> .....	<b>335,065</b>	<b>(2,338)</b>	<b>332,727</b>
<b>Total equity</b> .....	<b>20,807</b>	<b>1,012</b>	<b>21,819</b>
Parent shareholders' equity .....	19,307	1,012	20,319
Additional tier-1 instruments included in equity ...	1,500	0	1,500
Minority interests .....	0	0	0
<b>Total liabilities and equity</b> .....	<b>355,872</b>	<b>(1,327)</b>	<b>354,545</b>

(1) Previously referred to as "Reinsurers' share in technical provisions, insurance" under IFRS 4.



- (2) Previously referred to as “Technical provisions, before reinsurance” under IFRS 4.

(iii) *Key performance indicators*

The implementation of IFRS 17 has impacted certain of the Group’s key ratios, as set out below. For a further discussion of these key ratios, see “—*Alternative performance measures*” below.

- **Combined ratio** was previously defined as technical insurance charges, including the internal cost of settling claims, divided by earned insurance premiums for the non-life business, plus operating expenses and insurance commissions, divided by written non-life insurance premiums. Following the implementation of IFRS 17, combined ratio is defined as claims and claims costs, divided by earned insurance premiums for the non-life business, plus operating expenses and insurance commissions, divided by earned insurance premiums for the non-life business. The following table presents the restated combined ratio for the six-month period ended June 30, 2023 and the year ended December 31, 2022.

	<b>Six months ended June 30, 2023</b>	<b>Year ended December 31, 2022</b>
	<i>(EUR million)</i>	
Claims and claims costs net of reinsurance (A) .....	558	1,080
+		
Costs other than claims and commissions (B) .....	326	602
/		
Net earned expected premiums received (C) .....	1,050	1,943
= (A+B) / (C)	84.2%	86.6%

- **Cost/income ratio** was previously defined as operating expenses divided by total income. Following the implementation of IFRS 17, cost/income ratio is defined as operating expenses (including operating expenses directly attributable to insurance but excluding banking and insurance tax) plus insurance commissions, divided by total income. The following table presents the restated cost/income ratio for the six-month period ended June 30, 2023 and the year ended December 31, 2022.

	<b>Six months ended June 30, 2023</b>	<b>Year ended December 31, 2022</b>
	<i>(EUR million)</i>	
Total operating expenses without banking and insurance tax (A).....	2,167	4,159
+		
Insurance commissions (B).....	159	308
/		
Total income (C).....	5,835	10,035
= (A+B) / (C)	39.9%	44.5%

- **Return on equity** was previously defined as result after tax, attributable to equity holders of the parent, minus coupon on the additional tier-1 instruments included in equity, divided by the average parent shareholders’ equity, excluding the revaluation reserve for FVOCI and for FVPL – overlay. Following the implementation of IFRS 17, return on equity is defined as result after tax, attributable to equity holders of the parent, minus coupon on the additional tier-1 instruments included in equity, divided by the average parent shareholders’ equity. The following table presents the restated return on equity for the six-month period ended June 30, 2023 and the year ended December 31, 2022.

	<b>Six months ended June 30, 2023</b>	<b>Year ended December 31, 2022</b>
	<i>(EUR million)</i>	
Result after tax, attributable to equity holders of the parent (A).....	1,848	2,818
-		
Coupon on the additional tier-1 instruments included in equity (B).....	(25)	(50)
/		
Average parent shareholders’ equity (C) .....	20,835	20,611
= (A-B) / (C)	17.5%	13.4%

### Unaudited information

Certain financial information in this Offering Memorandum is unaudited financial information that has been extracted without material adjustment from the Group's accounting records, which form the underlying basis of the Annual Financial Statements. In particular, the financial information included within "Selected Statistical Data", "Risk Management" and "Capital Management" is unaudited and has been extracted from the Group's financial and other information systems.

### Alternative performance measures

This Offering Memorandum includes certain alternative performance measures ("APMs") that are not defined or recognized under IFRS. Key financial ratios that are regulated by IFRS or other legislation (CRR/CRD) and non-financial data are not considered APMs. APMs should not be considered in isolation from, or as a substitute for, financial information presented in compliance with IFRS. APMs as reported by the Group may not be comparable to similarly titled amounts reported by other companies. The APMs discussed in this Offering Memorandum are used in the internal management of the Group, along with the most directly comparable IFRS financial measures, in evaluating operating performance. The Group's management believes that these APMs, when considered in conjunction with IFRS measures, accurately reflect the Group's economic performance and enhance investors' and management's overall understanding of the Group's performance.

Set forth below are the Group's APMs used in this Offering Memorandum and their respective definitions:

- **Basic and diluted earnings per share** gives insight into the amount of profit over a certain period that is attributable to one share (and, where applicable, including dilutive instruments). Information for the years ended December 31, 2021 and 2020 has not been restated for IFRS 17 and is not presented in the table below.

	<u>Six months ended</u> <u>June 30,</u> <u>2023</u>	<u>Year ended</u> <u>December 31,</u> <u>2022</u>
	<i>(EUR million)</i>	
Results after tax, attributable to equity holders of the parent (A).....	1,848	2,818
-		
Coupon on the additional tier-1 instruments included in equity (B).....	(25)	(50)
=		
Net result used to determine basic earnings per share .....	1,824	2,768
/		
Average number of ordinary shares less treasury shares (in millions) in the period (C) .....	417	417
or		
Average number of ordinary shares plus dilutive options less treasury shares in the period (D)....	417	417
Basic= (A-B)/(C) (in EUR)	4.37	6.64

- **Combined ratio** gives insight into the technical profitability of the non-life insurance business; more particularly the extent to which insurance premiums adequately cover claim payments and expenses. The combined ratio is defined net of reinsurance. The Group also uses the same methodology to calculate this ratio for each business unit. Information for the years ended December 31, 2021 and 2020 has not been restated for IFRS 17 and is not presented in the table below.

	Six months ended June 30,	Year ended December 31,
	2023	2022
	(EUR million)	
Non-life PAA – Claims and claim related costs net of reinsurance (A) .....	558	1,080
+		
Cost other than claims and commissions (B)	326	602
/		
Non-life PAA – Net earned expected premiums received (C) .....	1,050	1,943
= (A/B) + (C)	84%	87%

- **Cost/income ratio without banking and insurance tax** gives an impression of the relative cost efficiency (costs relative to income without banking and insurance tax, but including insurance commissions paid ) of the Group. This calculation aims to give a better idea of the relative cost efficiency of the pure business activities. Information for the years ended December 31, 2021 and 2020 has not been restated for IFRS 17 and is not presented in the table below.

	Six months ended June 30,		Year ended December 31,
	2023	2022	2022
	(EUR million)		
Total operating expenses without banking and insurance tax (A).....	2,167	1,975	4,159
+			
Insurance commissions paid (B).....	159	148	308
/			
Total income (C) .....	5,835	5,020	10,035
= (A) / (B)	40%	42%	45%

- **Coverage ratio** indicates the proportion of impaired loans that are covered by specific impairment charges. The numerator and denominator in the formula relate to all impaired loans. See “*Risk Management—Credit Risk—Credit risk exposure in the banking activities arising from lending and investing*”.

	Six months ended June 30,		Year ended December 31,		
	2023	2022	2022	2021	2020
	(EUR million) (Unaudited)				
Specific impairment on loans (A) .....	1,859	2,076	2,048	2,569	2,638
/					
Impaired loans (B) .....	4,039	4,278	4,350	5,454	5,902
= (A) / (B)	46%	49%	47%	47%	45%

- **Credit cost ratio** gives an idea of loan impairment charges recognized in the income statement for a specific period, relative to the total loan portfolio (as defined below). In the longer term, this ratio can provide an indication of the credit quality of the portfolio. The Group also uses the same methodology to calculate this ratio for each business unit.

	Six months ended June 30,		Year ended December 31,		
	2023 <sup>(1)</sup>	2022	2022	2021	2020
	(EUR million)				
Net changes in impairment for credit risks (A) .....	(43)	(6)	155	(329)	1,068
/					
Average loan portfolio (B).....	199,417	192,492	197,052	184,640	177,542
= (A) / (B)	(0.04)%	(0.01)%	0.08%	(0.18)%	0.60%

(1) The credit cost ratio for the six months ended June 30, 2023 does not include Ireland in the numerator and denominator given the sale of substantially all of KBC Bank Ireland's performing loan assets and its deposit book (which was finalized in February 2023).

- **Dividend payout ratio** gives an idea of the extent to which the Group distributes its annual profit (and, therefore, also indirectly the extent to which profits are used to strengthen the capital reserves).

	Six months ended June 30,		Year ended December 31,		
	2023	2022	2022	2021	2020
	(EUR million)				
Amount of dividend to be distributed (including interim dividend) (A) <sup>(1)</sup> .....	-	-	1,668	3,585	1,017
+	-	-			
Coupon on additional Tier 1 instruments included in equity (B).....	-	-	50	50	50
/	-	-			
Net result, group share (C).....	-	-	2,743	2,614	1,440
= (A+B) / C	-	-	63%	139%	74%

(1) When calculating the dividend payout ratio, the Group allocated €2 of the interim dividend paid in November 2021 (€3 per share entitled to dividend) to financial year 2020 and €1 to financial year 2021. This brings the total dividend for 2021 to €8.6 per share, of which €4.6 is an extraordinary dividend. If the Group had only included the ordinary dividend (of €4) in the calculation, the dividend payout ratio for 2021 would have been 66%.

- **Impaired loans ratio** indicates the proportion of impaired loans in the loan portfolio (as defined below) and, therefore, gives an idea of the creditworthiness of the portfolio. Impaired loans are loans where it is unlikely that the full contractual principal and interest will be repaid/paid. These loans have a Group default status of PD 10, PD 11 or PD 12. Where appropriate, the numerator in the formula may be limited to impaired loans that are more than 90 days past due (PD 11 + PD 12). See “*Risk Management—Credit Risk—Credit risk exposure in the banking activities arising from lending and investing*”. The Group also uses the same methodology to calculate this ratio for each business unit.

	Six months ended June 30,		Year ended December 31,		
	2023	2022	2022	2021	2020
	(EUR million) (Unaudited)				
Amount of impaired loans (A).....	4,039	4,278	4,350	5,454	5,902
/					
Total loan portfolio (B).....	201,246	196,596	205,720	188,400	180,891
= (A) / (B)	2.0%	2.2%	2.1%	2.9%	3.3%

- **Sales life (insurance)** comprises new business of guaranteed interest contracts, unit-linked investment contracts and hybrid contracts. Information for the years ended December 31, 2021 and 2020 has not been restated for IFRS 17 and is not presented in the table below.

	Six months ended June 30,		Year ended December 31,
	2023	2022	2022
	<i>(EUR million)</i>		
Guaranteed interest products (A) .....	466	470	989
+			
Unit-linked products (B) .....	676	435	968
+			
Hybrid products (C) .....	63	55	115
Total sales life = (A) + (B) + (C)	1,205	960	2,071

- **Liquidity coverage ratio (LCR)** gives an idea of the Bank's liquidity position in the short-term, more specifically the extent to which the Group is able to overcome liquidity difficulties over a one-month period. It is the average of the twelve end-of-month LCR figures.

	Six months ended June 30,		Year ended December 31,		
	2023	2022	2022	2021	2020
	<i>(EUR million)</i>				
Stock of high-quality liquid assets (A) .....	96,572	91,928	104,182	108,642	81,833
/					
Total net cash outflows over the next 30 calendar days (B) .....	62,882	60,820	66,332	65,399	55,714
= (A)/ (B)	152%	152%	158%	167%	147%

- **Loan portfolio** gives an idea of the magnitude of lending activities.

	Six months ended June 30,		Year ended December 31,		
	2023	2022	2022	2021	2020
	<i>(EUR million)</i>				
Loans and advances to customers (A) .....	182,005	168,984	178,053	159,728	159,621
+					
Reverse repos (not with central banks) (B) .....	590	782	785	719	3,295
+					
Debt instruments issued by corporates and by credit institutions and investment firms (banking) (C) .....	7,067	5,118	6,157	4,830	6,056
+					
Other exposures to credit institutions (D) .....	3,421	4,419	4,072	4,392	4,009
+					
Financial guarantees granted to clients (E) .....	10,125	9,554	10,222	9,040	7,919
+					
Impairment on loans (F) .....	2,546	2,460	2,636	2,581	3,703
-					
Insurance entities (G) .....	(1,964)	(2,031)	(1,997)	(2,077)	(2,198)
-					
Non-loan-related receivables (H) .....	(617)	(499)	(602)	(338)	(592)
+					
Other (I) .....	(1,931)	7,809	6,394	9,525	(923)
= (A) + (B) + (C)+(D)+(E)+(F)-(G)-(H)+(I)	201,242	196,596	205,720	188,400	180,891

- **Net interest margin** gives an idea of the net interest income of the banking activities (one of the most important sources of revenue for the Group) relative to the average total interest-bearing assets of the banking activities.

	Six months ended June 30,		Year ended December 31,		
	2023	2022	2022	2021	2020
	(EUR million) (Unaudited)				
Net interest income of the banking activities (A) .....	2,394	2,101	4,450	3,863	3,788
/					
Average interest-bearing assets of the banking activities <sup>(1)</sup> (B).....	229,335	218,548	224,014	211,020	203,616
= (A) / (B) x 360/number of calendar days	2.08%	1.91%	1.96%	1.81%	1.84%

(1) After elimination of all divestments and volatile short-term assets used for liquidity management purposes.

- **Net stable funding ratio (NSFR)** gives an idea of the Bank's structural liquidity position in the long-term, more specifically the extent to which the Group is able to overcome liquidity difficulties over a one-month period.

	Six months ended June 30,		Year ended December 31,		
	2023	2022	2022	2021	2020
	(EUR million)				
Available amount of stable funding (A)	218,374	209,271	214,374	218,124	209,932
/					
Required amount of stable funding (B)	150,098	153,767	150,697	147,731	143,901
= (A) / (B)	145%	136%	142%	148%	146%

- **Parent shareholders' equity per share** gives the carrying value of a KBC share, i.e. the value in euros represented by each share in the parent shareholders' equity of the Group. Information for the years ended December 31, 2021 and 2020 has not been restated for IFRS 17 and is not presented in the table below.

	Six months ended June 30,		Year ended December 31,
	2023	2022	2022
	(EUR million)		
Parent shareholders' equity (A) .....	21,352	19,398	20,319
/			
Number of ordinary shares less treasury shares (at period-end) (B) .....	417	417	417
= (A) / (B) (in EUR)	51.2	46.6	48.7

- **Return on equity** gives an idea of the relative profitability of the Group, more specifically the ratio of the net result to equity. Information for the years ended December 31, 2021 and 2020 has not been restated for IFRS 17 and is not presented in the table below.

	Six months ended June 30,		Year ended December 31,
	2023	2022	2022
	(EUR million)		
Result after tax, attributable to equity holders of the parent (A).....	1,848	1,339	2,818
-			
Coupon on the additional tier-1 instruments included in equity (B).....	(25)	(25)	(50)
/			

	<b>Six months ended</b>		<b>Year ended</b>
	<b>June 30,</b>		<b>December 31,</b>
	<b>2023</b>	<b>2022</b>	<b>2022</b>
	<i>(EUR million)</i>		
Average parent shareholders' equity, excluding the revaluation reserve for FVOCI and for FVPL – overlay (C).....	20,835	20,151	20,611
= (A-B) (annualized) / (C)	18%	13%	13%

- **Total assets under management (“AuM”)** comprise third-party assets and Group assets managed by the Group’s various asset management companies (including KBC Asset Management and ČSOB Asset Management), as well as assets under advisory management at KBC Bank. The assets, therefore, consist mainly of KBC investment funds and unit-linked insurance products, assets under discretionary and advisory management mandates of (mainly retail, private banking and institutional) clients, and certain Group assets. The size and development of total AuM are major factors behind net fee and commission income (generating entry and management fees) and hence account for a large part of any change in this income line. In that respect, the AuM of a fund that is not sold directly to clients but is instead invested in by another fund or via a discretionary/advisory management portfolio, are also included in the total AuM figure in view of the related work and any fee income linked to them.

	<b>Six months ended</b>		<b>Year ended</b>		
	<b>June 30,</b>		<b>December 31,</b>		
	<b>2023</b>	<b>2022</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<i>(EUR million)</i>				
	<i>(Unaudited)</i>				
Belgium Business Unit (A).....	200	190	184	216	195
+					
Czech Republic Business Unit (B) .....	17	14	15	14	11
+					
International Markets Business Unit (C).....	8	7	7	7	6
= (A) + (B) + (C)	225	211	206	236	212

### *Rounding*

Certain figures in this Offering Memorandum have been subject to rounding adjustments. Numbers in the tables of this Offering Memorandum as at and for the six months ended June 30, 2023 and 2022 and as at and for the years ended December 31, 2022, 2021 and 2020 have not been rounded for the purpose of conforming the sum of the numbers in a column or row of a table to the total figures given for that column or row. Accordingly, in certain instances, the sum of the numbers in a column or row of a table contained in this Offering Memorandum may not conform exactly to the total figure given for that column or row. Additionally, in certain instances, the figure “0” is used to indicate that a specific figure has been rounded to 0, whereas a dash indicates that there is no value for that column or row. Percentage change figures are not provided where one or both figures being compared have been rounded to 0.

### *Statistical data*

The statistical data included in this Offering Memorandum is not intended to comply with Regulation S-K, Industry Guide 3, Statistical Disclosure by Bank Holding Companies or subpart 1400 of Regulation S-K under the Securities Act applicable to offerings of securities by bank holding companies that are registered with the SEC.

### *Green or sustainable terminology*

When terminology such as “green” and “sustainable” is used in this Offering Memorandum, these terms do not suggest in any way that what is described is already (fully) aligned with the EU Taxonomy.

### *Market and industry data*

This Offering Memorandum contains information sourced from third parties, including market data, industry forecasts and other information. Such information has been accurately reproduced and, so far as the Issuer is aware and is able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading.

In particular, this Offering Memorandum contains information from Eurostat, the International Monetary Fund (“**IMF**”) and Macrobond Financial. Although the Issuer regards these sources as reliable, the information contained in them has not been independently verified. Therefore, the Issuer does not guarantee or assume any responsibility for the accuracy of the data, estimates, forecasts or other information taken from sources in the public domain. The Issuer also estimates certain market share statistics using both its internal data and industry data from other sources, including those listed above. This Offering Memorandum contains assessments of market data and information derived therefrom that could not be obtained from any independent sources. Such information is based on the Issuer’s own internal assessments and may therefore deviate from the assessments of competitors of the Group or future statistics by independent sources.



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## OVERVIEW OF THE PROGRAMME

*The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Memorandum and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. This overview must be read as an introduction to this Offering Memorandum. Any decision to invest in the Notes should be based on a consideration of this Offering Memorandum as a whole, including the documents incorporated by reference herein.*

Words and expressions defined in “Terms and Conditions of the Notes” shall have the same meanings in this overview.

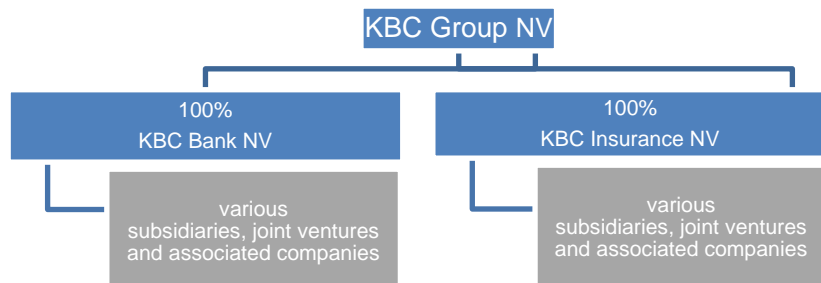
### Information relating to the Issuer

**Issuer:** KBC Group NV.

**Legal Entity Identifier (LEI) of the Issuer:** 213800X3Q9LSAKRUWY91.

**Description of the Issuer:** The Issuer is a mixed financial holding company, which has as its object the direct or indirect ownership and management of shareholdings in other companies, including but not restricted to credit institutions, insurance companies and other financial institutions. The Issuer also has as its object to provide support services for third parties, as mandatary or otherwise, in particular for companies in which the Issuer has an interest – either directly or indirectly.

A simplified chart of KBC Group’s legal structure is provided below:



**Principal activities of the Group:** The Issuer and its subsidiaries (the “Group”) are an integrated bank-insurance group, catering mainly for retail, private banking, small and medium-sized enterprises and mid-cap clients. Geographically, the Group focuses on its core markets of Belgium, the Czech Republic, the Slovak Republic, Hungary and Bulgaria. Elsewhere in the world, the Group is present, to a limited extent, in several other countries to support corporate clients from the Group’s core 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 its core markets, the Group is active in a large number of products and activities, ranging from the plain

vanilla deposit, credit, asset management and life and non-life insurance businesses to specialized 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 and leasing.

## Information relating to the Programme

<b>Description:</b>	U.S. Medium Term Note Programme.  Notes to be issued under the Programme may comprise (i) unsubordinated Notes (“ <b>Senior Notes</b> ”) and (ii) Notes that are subordinated as described herein and have terms capable of qualifying as Tier 2 Capital (as defined herein) (the “ <b>Subordinated Tier 2 Notes</b> ”).
<b>Arranger:</b>	BofA Securities, Inc.
<b>Dealers:</b>	BofA Securities, Inc. BNP Paribas Securities Corp. Deutsche Bank Securities Inc. Goldman Sachs International J.P. Morgan Securities LLC KBC Group NV Morgan Stanley & Co. LLC  The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Offering Memorandum to “ <b>Permanent Dealers</b> ” are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to “ <b>Dealers</b> ” are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
<b>CDI Depository, Custodian, Registrar and Transfer Agent:</b>	The Bank of New York Mellon
<b>Paying Agent:</b>	KBC Bank NV
<b>Agents:</b>	The CDI Depository, the Custodian, the Registrar, the Transfer Agent, the Paying Agent and the Calculation Agent
<b>Size:</b>	Up to U.S.\$10,000,000,000 (or its equivalent in any other currencies) aggregate nominal amount of Notes outstanding at any one time pursuant to the U.S. Medium Term Note Programme (the “ <b>Programme</b> ”).
<b>Distribution:</b>	The Notes will be distributed by way of a wholesale offering, on a syndicated or non-syndicated basis. The Notes will be issued in series (each a “ <b>Series</b> ”), whether or not issued on the same date, that (except in respect of the first payment of interest and their issue price) have identical terms on issue and are expressed to have the same series number. A “ <b>Tranche</b> ” means, in relation to a Series, those Notes of that Series that are identical in all respects.

The final terms and conditions for the Notes (or the relevant provisions thereof) will be completed in the pricing supplement (the “**Pricing Supplement**”).

**Currencies:** Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealers.

**Maturity:** Subject to compliance with all relevant laws (including the Applicable Banking Regulations), regulations and directives and unless previously redeemed or purchased and cancelled, each Note will have the maturity as specified in the applicable Pricing Supplement.

Unless otherwise permitted by the Applicable Banking Regulations, Subordinated Tier 2 Notes constituting Tier 2 Capital will have a minimum maturity of five years.

**Issue Price:** Notes may be issued at their nominal amount or at a discount or premium to their nominal amount.

**Form of Notes; Clearing and Settlement of Notes:** The Notes will be issued in dematerialized form in accordance with the Belgian Companies and Associations Code (*Wetboek van Vennootschappen en Verenigingen/Code des Sociétés et des Associations*), as amended. The Notes will be represented exclusively by book entry in the records of the clearing system operated by the National Bank of Belgium (“**NBB**”) or any successor thereto (the “**Securities Settlement System**”). The Notes will not be delivered in individually certificated form and may not be converted into bearer notes (*effecten aan toonder/titres au porteur*). Title to the Notes will pass by account transfer.

Interests in the Notes may be held only by eligible investors referred to in Article 4 of the Belgian Royal Decree of May 26, 1994 holding their securities in an exempt securities account with the Securities Settlement System or with a direct or indirect participant in such system, as further described in “*Taxation*” (“**Actual Eligible Investors**”).

On the issue date, the Notes will be held by The Bank of New York Mellon, as CDI Depositary, through Euroclear as a direct participant in the Securities Settlement System. The CDI Depositary will create CDIs representing interests in the Notes, which will be issued to DTC or its nominee, and its direct (including Euroclear and Clearstream, Luxembourg) and indirect participants will record ownership of the beneficial interests in the CDIs on their books. Investors will receive CDIs representing interests in the Notes, as further described under “*Form of Notes – Depositary Receipts*”.

**Form of CDIs; Clearing and Settlement of CDIs:** CDIs representing interests in the Notes will be admitted for clearance and settlement through DTC and through Euroclear and Clearstream, Luxembourg as direct participants in DTC.

Notes represented by CDIs sold in reliance on Rule 144A will be represented by Rule 144A Certificated Depositary Interests, and Notes represented by

CDIs sold in offshore transactions in reliance on Regulation S will be represented by Regulation S Certificated Depositary Interests.

Transfers of book-entry interests in CDIs representing interests in the Notes will be effected through the book-entry facilities of DTC and, in the case of the Notes sold pursuant to Regulation S, through Euroclear and Clearstream, Luxembourg as direct participants in DTC and their respective participants.

Interests in the CDIs may be held only by Actual Eligible Investors or by eligible investors referred to in Article 4 of the Belgian Royal Decree of May 26, 1994 who are capable of holding securities in an exempt securities account with the Securities Settlement System or with a direct or indirect participant in such system, as further described in “*Taxation*” (“**Potential Eligible Investors**”).

**Disclosure of Certain Information by the NBB:**

In principle, the NBB is bound by a duty of confidentiality. However, the NBB may, to the extent required by U.S. or international regulations or treaties or otherwise, disclose certain information relating to the identity of the holders of book entry interests in the Notes and the amount of interests held in the Securities Settlement System.

**Specified Denomination:**

Unless otherwise stated in the applicable Pricing Supplement, the minimum Specified Denomination of Notes and CDIs shall be at least (i) €100,000 (or its equivalent in any other currency) and (ii) in respect of Notes and CDIs offered and sold in reliance on Rule 144A, U.S.\$200,000 or, in each case, its approximate equivalent in any other currency, in either case with the option to permit integral multiples of €/U.S.\$1,000 in excess thereof.

**Status of Senior Notes:**

Senior Notes constitute direct, unconditional, senior and unsecured obligations of the Issuer and rank at all times (i) *pari passu*, without any preference among themselves, and with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, which will fall or be expressed to fall within the category of obligations described in Article 389/1, 1° of the Belgian Banking Law, but, in the event of insolvency, only to the extent permitted by laws relating to creditors’ rights, (ii) senior to Senior Non-Preferred Obligations of the Issuer and any obligations ranking *pari passu* with or junior to Senior Non-Preferred Obligations and (iii) junior to all present and future claims as may be preferred by laws of general application.

Subject to applicable law, if an order is made or an effective resolution is passed for the liquidation, dissolution or winding-up of the Issuer by reason of bankruptcy (*faillissement/faillite*), the Noteholders will have a right to payment under the Senior Notes (i) only after, and subject to, payment in full of any present and future claims as may be preferred by laws of general application and (ii) subject to such payment in full, in priority to holders of Senior Non-Preferred Obligations and other present and future claims otherwise ranking junior to Senior Notes.

Where:

“**Senior Non-Preferred Obligations**” means any obligations or other instruments issued by the Issuer which fall or are expressed to fall within the

category of obligations described in Article 389/1, 2° of the Belgian Banking Law.

**Status of Subordinated Tier 2 Notes:**

Subordinated Tier 2 Notes constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and shall at all times rank *pari passu* without any preference among themselves. The rights and claims of the Noteholders in respect of the Subordinated Tier 2 Notes are subordinated in the manner as set out below.

Subject to applicable law, in the event of an order being made, or an effective resolution being passed, for the liquidation, dissolution or winding-up of the Issuer by reason of bankruptcy (*faillissement/faillite*) or otherwise (except, in any such case, a solvent liquidation, dissolution or winding-up solely for the purposes of a reorganization, reconstruction or amalgamation of the Issuer or the substitution in place of the Issuer of a successor in business of the Issuer), the rights and claims of the holders of the Subordinated Tier 2 Notes against the Issuer in respect of or arising under (including any interest or damages awarded for breach of any obligation under) the Subordinated Tier 2 Notes shall, subject to any obligations which are mandatorily preferred by law, rank (a) junior to the claims of all Senior Creditors and of all Ordinary Subordinated Creditors of the Issuer, (b) *pari passu* with the claims of holders of all obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 2 Capital of the Issuer and (c) senior to (1) the claims of holders of all share and other equity capital of the Issuer (including preference shares, if any) and (2) the claims of holders of all obligations of the Issuer which constitute Tier 1 Capital of the Issuer.

Where:

“**Ordinary Subordinated Creditors**” means creditors of the Issuer whose claims are in respect of obligations which are subordinated to those of Senior Creditors or which otherwise rank, or are expressed to rank, junior to obligations owed by the Issuer to Senior Creditors, and which do not constitute Tier 1 Capital or Tier 2 Capital of the Issuer (including the Subordinated Tier 2 Notes).

“**Senior Creditors**” means creditors of the Issuer whose claims are in respect of obligations which are unsubordinated (including, for the avoidance of doubt, holders of Senior Notes) or which otherwise rank, or are expressed to rank, senior to obligations owed by the Issuer to Ordinary Subordinated Creditors and to obligations which constitute Tier 1 Capital or Tier 2 Capital of the Issuer (including the Subordinated Tier 2 Notes).

“**Tier 1 Capital**” and “**Tier 2 Capital**” have the respective meanings given to such terms in the Applicable Banking Regulations from time to time.

**Waiver of set-off:**

Subject to applicable law, no Senior Noteholder may exercise or claim any right of set-off, compensation, retention or netting in respect of any amount owed to it by the Issuer arising under or in connection with Senior Notes, and each Senior Noteholder shall, by virtue of its subscription, purchase or holding of any such Senior Note, be deemed to have waived all such rights of set-off, compensation, retention or netting.

No holder of any Subordinated Tier 2 Note may exercise or claim any right of set-off, compensation, retention or netting in respect of any amount owed to it by the Issuer arising under or in connection with Subordinated Tier 2 Notes, and each such Noteholder shall, by virtue of its subscription, purchase or holding of any such Subordinated Tier 2 Note, be deemed to have waived all such rights of set-off, compensation, retention and netting.

**Terms of the Notes:**

Notes (i) bear interest calculated by reference to a fixed rate of interest (such Note, a “**Fixed Rate Note**”), (ii) bear interest calculated by reference to a fixed rate of interest for an initial period and thereafter by reference to a fixed rate of interest recalculated on one or more dates specified in the Pricing Supplement and by reference to a mid-market swap rate or to one or more treasury rates, as adjusted for any applicable margin (such Note, a “**Fixed Rate Reset Note**”), (iii) bear interest by reference to one or more floating rates of interest (such Note, a “**Floating Rate Note**”) or (iv) are a combination of two or more of (i) to (iii) of the foregoing, as specified in the Pricing Supplement.

**Redemption:**

The applicable Pricing Supplement will specify the basis for calculating the redemption amounts payable. Notes will be redeemed either (i) at 100% of the Calculation Amount or (ii) at an amount per Calculation Amount specified in the applicable Pricing Supplement.

**Optional Redemption:**

The Pricing Supplement issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and, if so, the terms applicable to such redemption.

**Early Redemption:**

Except as provided in “*Optional Redemption*” above, Notes can be early redeemed at the option of the Issuer prior to their stated maturity for tax reasons if the Tax Call Option is specified as applicable in the applicable Pricing Supplement.

If so specified in the applicable Pricing Supplement, Notes may also be early redeemed, subject to certain conditions, (i) in respect of Subordinated Tier 2 Notes, upon the occurrence of a Capital Disqualification Event and (ii) in respect of Senior Notes, upon the occurrence of a Loss Absorption Disqualification Event.

**Events of Default**

Not applicable

**Substitution and Variation:**

In respect of any Series of Subordinated Tier 2 Notes, upon the occurrence of a Capital Disqualification Event, or in order to ensure the effectiveness and enforceability of Condition 16(c), the Issuer (in its sole discretion but subject to the provisions of Condition 6) may, without any requirement for the consent or approval of the Noteholders, either substitute all (but not some only) of the relevant Series of Subordinated Tier 2 Notes for, or vary the terms of all (but not some only) of the Subordinated Tier 2 Notes of such Series so that they remain or, as appropriate, become, Tier 2 Compliant Notes (and in either case may change the governing law of Condition 16(c) from Belgian law to English law).

In respect of any Series of Senior Notes where “Substitution and Variation” is specified to be applicable in the applicable Pricing Supplement, upon the occurrence of a Loss Absorption Disqualification Event, or in order to ensure the effectiveness and enforceability of Condition 16(c), the Issuer (in its sole discretion but subject to the provisions of Condition 7) may, without any requirement for the consent or approval of the Noteholders, either substitute all (but not some only) of the Senior Notes of such Series for, or vary the terms of all (but not some only) of the Senior Notes of such Series so that they remain or, as appropriate, become, Loss Absorption Compliant Notes (and in either case may change the governing law of Condition 16(c) from Belgian law to English law).

**Negative Pledge:**

None

**Ratings:**

Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the applicable Pricing Supplement.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

**Withholding Tax:**

All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of the Kingdom of Belgium, unless the withholding is required by law. In such event, the Issuer shall, subject to customary exceptions, pay such additional amounts on interest (but not on principal or any other amount) as shall result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding been required.

**Governing Law:**

The Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law, except that Condition 1, Condition 2, Condition 12(a), Condition 16(c) and Schedule 1 to the Conditions, and (in each case) any non-contractual obligations arising out of or in connection therewith, shall be governed by and construed in accordance with Belgian law.

The deposit agreement between, *inter alios*, the Issuer and the CDI Depositary dated on or about October 13, 2022 (the “**Deposit Agreement**”) and any CDIs shall be governed by, and construed in accordance with, the laws of the State of New York.

The Deed of Covenant and any non-contractual obligations arising out of or in connection with it are governed by, and shall be construed in accordance with, English law.

**Listing and Admission to Trading:**

Application will be made to Euronext Dublin, for a period of 12 months from the date of this Offering Memorandum for Notes issued under the Programme, to be admitted to the “Official List” and to trading on the Global Exchange Market of Euronext Dublin. The Global Exchange Market is not a regulated market for the purpose of MiFID II.



As specified in the applicable Pricing Supplement, a Series of Notes may be unlisted or may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer(s) in relation to the Series.

CDIs will not be listed or admitted to trading on any stock exchange.

**Selling Restrictions:**

There are restrictions on the offer, sale and transfer of the Notes. See “*Plan of Distribution; Subscription and Sale*” below.

The Notes have not been, and will not be, registered under the Securities Act or any state securities laws. Accordingly, the Notes may not be offered or sold except pursuant to an exemption from the registration requirements of the Securities Act and any applicable state securities laws. The Notes will be offered in reliance on Rule 144A and Regulation S.

The Issuer is a Category 2 Issuer for the purposes of Regulation S under the Securities Act.

## SUMMARY FINANCIAL DATA

The following tables include a summary of historical financial data for the Group on a consolidated basis as at and for each of (i) the six months ended June 30, 2023 and June 30, 2022, and (ii) the three years ended December 31, 2022, 2021 and 2020. The summary historical financial data is derived from:

- in the case of all financial data as at and for the six-month periods ended June 30, 2023 and June 30, 2022, the Interim Financial Statements, which are unaudited; and
- in the case of all financial data as at and for the years ended December 31, 2022, 2021 and 2020, the Annual Financial Statements.

The summary historical financial data presented in the tables below should be read in conjunction with, and is qualified in its entirety by reference to, the Interim Financial Statements and the Annual Financial Statements, which have been incorporated by reference in this Offering Memorandum. See “Documents Incorporated by Reference”. This information should also be read together with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Selected Statistical Data”.

### Consolidated Income Statement

	Six months ended June 30,	
	2023	2022 Restated <sup>(1)</sup>
	<i>(EUR million)</i> <i>(Unaudited)</i>	
Net interest income.....	2,731	2,448
Insurance revenues before reinsurance.....	1,297	1,181
<i>Non-life</i> .....	1,109	997
<i>Life</i> .....	188	184
Dividend income.....	37	28
Net result from financial instruments at fair value through profit or loss.....	206	127
Net fee and commission income.....	1,160	1,112
Insurance finance income and expense.....	(148)	6
Other net income.....	552	116
<b>Total income</b> .....	<b>5,835</b>	<b>5,020</b>
Operating expenses (excluding directly attributable from insurance).....	(2,520)	(2,339)
<i>Total operating expenses without banking and insurance tax</i> .....	(2,167)	(1,975)
<i>Total banking and insurance tax</i> .....	(622)	(608)
<i>Minus: Operating expenses allocated to insurance service expenses</i> .....	270	244
Insurance service expenses before reinsurance.....	(1,013)	(937)
<i>Non-life</i> .....	(876)	(872)
<i>Life</i> .....	(138)	(65)
Net result from reinsurance contracts held.....	(52)	10
Total impairment.....	18	(48)
Share in results of associated companies & joint ventures.....	(4)	(5)
<b>Result before tax</b> .....	<b>2,264</b>	<b>1,701</b>
Income tax expense.....	(416)	(362)
<b>Result after tax</b> .....	<b>1,848</b>	<b>1,339</b>

- (1) Comparative figures for the six months ended June 30, 2022 have been restated for the transition to IFRS 17 (Insurance Contracts). See “Presentation of Financial and Other Information—Restatement of 2022 comparative financial information”.

	Year ended December 31,		
	2022	2021	2020
	(EUR million)		
Net interest income.....	5,161	4,451	4,467
<i>Interest income</i> .....	11,226	6,320	6,264
<i>Interest expense</i> .....	(6,064)	(1,869)	(1,797)
Non-life insurance (before reinsurance).....	881	782	865
<i>Earned premiums</i> .....	2,033	1,885	1,777
<i>Technical charges</i> .....	(1,153)	(1,103)	(912)
Life insurance (before reinsurance).....	92	45	10
<i>Earned premiums</i> .....	1,163	1,196	1,223
<i>Technical charges</i> .....	(1,071)	(1,150)	(1,213)
Ceded reinsurance result .....	(2)	25	(20)
Dividend income .....	59	45	53
Net result from financial instruments at fair value through profit or loss .....	406		
<i>of which result on equity instruments (overlay approach)</i> .....	86	145	33
Net realized result from debt instruments at fair value through OCI .....	(22)	6	2
Net fee and commission income.....	1,847	1,836	1,609
<i>Fee and commission income</i> .....	2,804	2,692	2,365
<i>Fee and commission expense</i> .....	(957)	(856)	(755)
Other net income .....	40	223	176
<b>Total income</b> .....	<b>8,463</b>	<b>7,558</b>	<b>7,195</b>
Operating expenses .....	(4,818)	(4,396)	(4,156)
<i>Staff expenses</i> .....	(2,561)	(2,457)	(2,329)
<i>General administrative expenses</i> .....	(1,883)	(1,583)	(1,518)
<i>Depreciation and amortization of fixed assets</i> .....	(374)	(356)	(309)
Impairment .....	(284)	261	(1,182)
<i>on financial assets at amortized cost and at fair value through OCI</i> .....	(154)		
<i>on goodwill</i> .....	(5)	334	(1,074)
<i>other</i> .....	(125)	(7)	-
Share in results of associated companies and joint ventures .....	(10)	(5)	(11)
<b>Result before tax</b> .....	<b>3,351</b>	<b>3,418</b>	<b>1,847</b>
Income tax expense .....	(608)	(804)	(407)
Net post-tax result from discontinued operations .....	0	-	-
<b>Result after tax</b> .....	<b>2,743</b>	<b>2,614</b>	<b>1,440</b>
attributable to minority interests.....	0	-	-
<i>of which relating to discontinued operations</i> .....	0	-	-
<i>attributable to equity holders of the parent</i> .....	2,743	2,614	1,440
<i>of which relating to discontinued operations</i> .....	0	-	-

## Consolidated Balance Sheet

	As at June 30,	As at December 31,		
	2023 <sup>(1)</sup>	2022	2021	2020
		(EUR million)		
	(Unaudited)			
<b>ASSETS</b>				
Cash, cash balances with central banks and other demand deposits with credit institutions .....	53,830	51,427	40,653	24,583
Financial assets.....	308,991	291,262	281,658	286,386
Reinsurers' share in technical provisions, insurance <sup>(2)</sup> .....	90	192	191	145
Profit/loss on positions in portfolios hedged against interest rate risk .....	(3,747)	(4,335)	(436)	1,360
Tax assets .....	1,116	1,312	1,296	1,624
Non-current assets held for sale and disposal groups .....	5	8,054	10,001	19

	As at June 30, 2023 <sup>(1)</sup>	As at December 31,		
	2022	2021	2020	
Investments in associated companies and joint ventures .....	34	32	37	24
Property and equipment and investment property .....	3,576	3,560	3,568	3,691
Goodwill and other intangible assets .....	2,470	2,331	1,749	1,551
Other assets .....	1,713	2,036	1,630	1,361
<b>Total assets</b> .....	<b>368,077</b>	<b>355,872</b>	<b>340,346</b>	<b>320,743</b>
<b>LIABILITIES AND EQUITY</b>				
Financial liabilities .....	326,787	312,735	291,667	276,781
<i>Amortized cost</i> .....	303,949	289,854	268,387	254,053
<i>Fair value through profit or loss</i> .....	22,387	22,303	22,187	21,409
<i>of which held for trading</i> .....	8,338	9,096	7,271	7,157
Technical provisions, before reinsurance <sup>(3)</sup> .....	16,295	18,484	18,967	18,718
Profit/loss on positions in portfolios hedged against interest rate risk .....	(1,002)	(1,443)	(863)	99
Tax liabilities .....	433	283	435	498
Liabilities associated with disposal groups .....	-	2,020	4,262	-
Provisions for risks and charges .....	216	418	282	209
Other liabilities .....	2,496	2,568	2,520	2,908
<b>Total liabilities</b> .....	<b>345,224</b>	<b>335,065</b>	<b>317,269</b>	<b>299,214</b>
<b>Total equity</b> .....	<b>22,853</b>	<b>20,807</b>	<b>23,077</b>	<b>21,530</b>
Parent shareholders' equity .....	21,352	19,307	21,577	20,030
Additional tier-1 instruments included in equity ..	1,500	1,500	1,500	1,500
Minority interests .....	1	-	-	-
<b>Total liabilities and equity</b> .....	<b>368,077</b>	<b>355,872</b>	<b>340,346</b>	<b>320,743</b>

- (1) Figures as at June 30, 2023 are presented on the basis of IFRS 17 (Insurance Contracts), rather than IFRS 4. See “Presentation of Financial and Other Information—Restatement of 2022 comparative financial information” for a presentation of the comparative figures as at December 31, 2022 and further information.
- (2) Referred to as “Reinsurers’ contract assets held” under IFRS 17.
- (3) Referred to as “Insurance contract liabilities” under IFRS 17.

### Consolidated Cashflow Statement

	Six months ended June 30,		Year ended December 31,		
	2023	2022	2022	2021	2020
	<i>(Unaudited)</i>		<i>(EUR million)</i>		
Net cash from or used in operating activities .	3,923	29,403	11,766	14,043	26,369
Net cash from or used in investing activities ..	3,116	(2,538)	(4,960)	822	(7,253)
Net cash from or used in financing activities .	3,468	(3,319)	(3,382)	(448)	451
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>					
Net increase or decrease in cash and cash equivalents .....	10,508	23,546	3,424	14,417	19,566
Cash and cash equivalents at the beginning of the period .....	67,481	63,554	63,554	47,794	29,118
Effects of exchange rate changes on opening cash and cash equivalents .....	624	(120)	503	1,343	(891)
Cash and cash equivalents at the end of the period .....	78,613	86,980	67,481	63,554	47,794

## RISK FACTORS

*This section sets out risks that the Issuer believes are specific to it, the Group and/or the Notes and that are deemed to be material to investors for taking an informed investment decision in respect of Notes issued under the Programme. Any such factors may affect the Issuer's ability to fulfill its obligations under such Notes. All of these factors are contingencies that may or may not occur.*

*The Issuer believes that the factors described below represent the material risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to fulfill its obligations under any Notes may occur for other reasons that may not be considered material risks by the Issuer based on the information currently available to it or that it may not currently be able to anticipate.*

*Prospective investors should also read the detailed information set out elsewhere in this Offering Memorandum (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision and should consult with their own professional advisers.*

*The "Group" refers to KBC Group NV and its subsidiaries from time to time (including KBC Bank NV and KBC Insurance NV). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in "Terms and Conditions of the Notes". Any reference to any code, law, decree, regulation, directive or any implementing or other legislative measure refers to such code, law, decree, regulation, directive or implementing or other legislative measure as the same may be amended, supplemented, restated or replaced from time to time.*

### **RISKS RELATED TO THE MARKETS AND ECONOMIES IN WHICH THE GROUP OPERATES**

**Deterioration in the economic conditions in the markets in which the Group operates can have a material adverse effect on the Group's business, financial condition, results of operations and prospects.**

The financial services industry generally prospers in conditions of economic growth, stable geopolitics, capital markets that are transparent, liquid and buoyant, and positive investor sentiment. Each of the Group's operating segments is affected by general economic and geopolitical conditions, which can cause the Group's results of operations and financial position to fluctuate from year to year as well as on a long-term basis. The Group's performance is in particular significantly influenced by the general economic conditions of the countries in which it operates. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant factors affecting the Group's results of operations and financial condition—Macroeconomic conditions*" for more details on recent economic developments. The countries in which the Group operates are sensitive to disruptions in the regional and global economies, such as those stemming from the Russian invasion of Ukraine and the associated disruption of worldwide energy markets (see "*—The Group's business, financial condition and results of operations may be adversely affected by the Russian invasion of Ukraine and other geopolitical risks*" below), interference with the free flow of goods and services, as occurred during the COVID-19 pandemic (see "*—Actions taken during the COVID-19 pandemic continue to adversely impact and may further adversely impact the Group and its clients, counterparties, employees and third-party service providers, and could have a material adverse effect on the Group's business, financial condition, results of operations and prospects*" below), and other geopolitical events that may have a negative impact on the global financial markets.

Adverse economic developments have affected and will continue to affect the Group's business in a number of ways, including, among others, by affecting the income, wealth, liquidity and/or financial condition of the Group's clients, which, in turn, could reduce the Group's credit quality (resulting in increased impairment charges) and demand for the Group's financial products and services. In particular, borrowing levels are heavily dependent on client confidence, employment trends, the state of the economy, inflation and market interest rates. As such, the Group is exposed to the risk of weak economic and financial activity, volatility in interest rates and currency markets and a downturn in the financial markets in general.

The financial sector currently faces a number of challenges, including those that stem from the impact of the war in Ukraine, not only directly, but also indirectly, due to the resulting increase in energy and commodity prices and

supply-side shortages, which were already stressed following the COVID-19 pandemic. This has contributed to a surge in inflation, resulting in upward pressure on interest rates, volatility in financial markets, lower growth prospects and concerns regarding the creditworthiness of counterparties in the most exposed economic sectors. These risks affect global economies generally and European economies especially, including the Group's core markets. Higher inflation is a business risk for the Group, as increased operating costs and, in particular, salary costs, may not be fully compensated by an increase in revenues. In the first quarter of 2023, the banking sector in the United States and globally came under pressure following the failure of certain regional banks in the United States and the takeover of Credit Suisse Group AG by UBS Group AG in a government-brokered transaction, which were strongly influenced by macroeconomic conditions, including rising interest rates and tightening monetary policy. Such macroeconomic conditions, if continued, could result in further bank failures or a slowdown in economic growth and the potential for further volatility or recession in the markets in which the Group or its clients operate or globally.

As a result of various global macroeconomic trends, such as recession or reduced rates of growth, the Issuer may experience reductions in business activity, increased funding costs, decreased liquidity, decreased access to the wholesale funding markets, decreased asset values, additional credit impairment losses and lower profitability and revenues, which could have a material adverse effect on the Issuer's business, financial condition and results of operations. Accordingly, any or all of the conditions described above could continue to have a material adverse effect on the Group's business, financial condition, results of operations and prospects, and measures implemented by the Group might not be satisfactory to reduce any operational, credit, market or liquidity risks.

**The Group's business, financial condition and results of operations may be adversely affected by the Russian invasion of Ukraine and other geopolitical risks.**

On February 24, 2022, Russia launched a large-scale invasion of Ukraine, significantly amplifying already existing geopolitical tensions among Russia, Ukraine, Europe, the North Atlantic Treaty Organization (“NATO”) and the West. Following Russia's actions, various countries, including the United States, Canada, the United Kingdom, Germany and France, as well as the European Union, issued broad-ranging economic sanctions against Russia, which have subsequently been tightened on various occasions. Examples of such sanctions include a prohibition on doing business with certain Russian companies, large financial institutions, officials and oligarchs, as well as “sectoral” sanctions affecting specified types of transactions with named participants in certain industries and a commitment by certain countries and the European Union to remove selected Russian banks from the Society for Worldwide Interbank Financial Telecommunications (“SWIFT”), the electronic banking network that connects banks globally. Many Western companies have also announced the cessation of their Russian businesses and/or their unwillingness to retain interests in Russian assets or to continue dealings with Russian or related counterparties, even where such action is not required by current sanction regimes. The scope and scale of such economic sanctions and voluntary actions by companies remain subject to rapid and unpredictable change and may have considerable negative impacts on global macroeconomic conditions and on European economies and counterparties.

The conflict in Ukraine has impacted and is expected to continue to impact energy prices and energy supply in Europe, which is largely dependent on Russian natural gas and on crude oil, which has in turn had an impact on the economies of the countries in which the Group operates. In addition, the actions discussed above and the potential for a wider conflict could increase financial market volatility, cause severe negative effects on regional and global economic markets, industries, and companies and have a negative effect on the Group beyond its direct loan exposure to Russia, Ukraine and Belarus, which amounted to €24 million as at June 30, 2023, mainly concentrated in commercial exposures to Russian banks, which was fully covered by additional impairments in 2022. In addition, Russia has taken and may continue to take retaliatory actions and other countermeasures, including cyberattacks and espionage against other countries and companies around the world or cutting energy supply, which may negatively impact the Group or the countries in which it operates.

Moreover, existing concerns about market volatility, rising commodity prices, disruptions to supply chains, high rates of inflation and the risk of regional or global recessions or “stagflation” (i.e., recession or reduced rates of economic growth coupled with high rates of inflation), including as a result of the COVID-19 pandemic, have

been exacerbated by Russia's invasion of Ukraine. These emerging and compounding risks may impact not only retail clients, by increasing the cost of living and financial expenses due to increasing interest rates, but also corporate and small- and medium-sized enterprises ("SME") clients, which may suffer from supply chain issues and increasing commodity and energy prices. Any of the above factors may have a material adverse effect on the Belgian economy or the economies of the other countries in which the Group operates, the Group's clients and the Group's business, financial condition, results of operations and prospects.

While the Group continues to monitor the impact of the conflict in Ukraine on the Group's core markets, it is difficult to ascertain how long the conflict between Russia and Ukraine may last, or how severe its impacts may become. If the conflict is prolonged, escalates or expands (including if additional countries become involved), or if additional economic sanctions or other measures are imposed, or if inflation, volatility in commodity prices or disruptions to supply chains worsen, regional and global macroeconomic conditions and financial markets could be impacted more severely, which in turn could have a more severe effect on the Belgian economy or the economies of the other countries in which the Group operates, the Group's clients and the Group's business, financial condition, results of operations and prospects.

**The Group's business is sensitive to volatility in interest rates and to changes in the competitive environment affecting spreads on its lending and deposits.**

Changes in interest rate levels, yield curves and spreads affect the Group's lending and deposit spreads. An increase in interest rates could reduce the demand for credit, contribute to an increase in defaults by the Group's clients and could have an adverse impact on consumer spending and therefore overall economic growth, asset values and/or asset quality, which could have an adverse effect on the Group. Conversely, a reduction in the level of interest rates may adversely affect the Group through, among other things, a decrease in demand for deposits and an increase in competition in deposit-taking and lending to clients. The Group is exposed to changes in the spread between the interest rates payable by it on deposits or its wholesale funding costs, and the interest rates that it charges on loans to clients and other banks. Although both the interest rates payable by the Group on deposits, as well as the interest rates that it is able to charge on loans to clients and credit institutions, are in each case mainly floating rates or swapped into floating rates, there is a risk that the Group will not be able to re-price its floating rate assets and liabilities at the same time, giving rise to re-pricing gaps in the short or medium term. The Group may also be subject to intense competition for client deposits and experience pressure on deposit spreads. If the Group is unable to adjust the interest rate payable on deposits in line with the changes in market interest rates receivable by it on loans, or if the Group's monitoring procedures are unable to manage adequately the interest rate risk, its interest income could rise less or decline more than its interest expense, in which case the Group's business, financial condition, results of operations and prospects could be negatively affected.

Interest rates are sensitive to several factors that are out of the Group's control, including the fiscal and monetary policies of governments and central banks, as well as domestic and international political conditions. These conditions are subject to significant volatility and uncertainty as a result of persistent inflation and the Russia/Ukraine conflict. For example, after discontinuing net purchases under its pandemic response programmes, the ECB raised deposit rates from -0.5% to 2% in December 2022, further to 3.5% in June 2023 and 3.75% in August 2023. Other central banks, such as the United States Federal Reserve, also rapidly increased interest rates, and further increases are expected. Such increases occurred after a long period of low interest rates, and this rapid change is impacting global economies in a variety of ways and there is a material risk concerning the ability of corporates and individuals to adjust to a more restrictive monetary policy environment. Further increases to prevailing interest rates could influence not only the interest the Group receives on loans and investments but also the amount of interest it pays on deposits and its borrowings, which in turn could affect its ability to originate loans and obtain deposits, the fair value of its financial assets and liabilities and the average duration of its loan portfolio and other interest-earning assets. See "*—The Group's business, financial condition and results of operations may be adversely affected by the Russian invasion of Ukraine and other geopolitical risks*" above and "*—Actions taken during the COVID-19 pandemic continue to adversely impact and may further adversely impact the Group and its clients, counterparties, employees and third-party service providers, and could have a material adverse effect on the Group's business, financial condition, results of operations and prospects*" below.

**The Group's financial performance may be adversely affected by material fluctuations in foreign currency exchange rates.**

The Group has operations in a number of jurisdictions. As a result, the Group's operations are conducted in different currencies, including Bulgarian lev, Czech koruna and Hungarian forint, which must be translated into euro at the applicable exchange rates for inclusion in the Group's consolidated financial statements. Because the Group's consolidated financial statements are stated in euro, the translation effect of any material foreign currency fluctuations may have an adverse effect on the results of operations and financial position of the Group and may affect the comparability of its results between financial periods. The Group also has liabilities in currencies other than euro and trades currencies on behalf of its clients and for its own account, thus maintaining open currency positions. Adverse movements in foreign exchange rates may impact the Group and its clients negatively, particularly with respect to the Group's liabilities denominated in foreign currencies and its clients' open currency positions. Adverse currency movements may also impact the Group's deposit base and certain borrowers and the Group's exposure to its lenders. In the year ended December 31, 2022, the overall impact on the net result of fluctuations in the exchange rates of the Group's main non-euro currencies was, on balance, a positive impact of approximately €13 million, primarily due to the appreciation of the Czech koruna, partly offset by the depreciation of the Hungarian forint.

The Group generally hedges foreign exchange risks affecting its balance sheet. Material foreign exchange exposures in the ALM books of banking entities with a trading book are transferred via internal deals 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 insurance and other entities has to be hedged, if material. The Group's hedging policies, procedures and strategies may not succeed in effectively limiting its exposure to all types of market environments or all kinds of risks, and may prove ineffective for some risks that the Group was unable to identify or anticipate. In addition, non-euro-denominated equity holdings in the investment portfolio are not required to be hedged, as foreign exchange volatility is considered part of the investment return.

Fluctuations in foreign currency exchange rates, in particular if such fluctuations are unanticipated or sudden, may adversely affect the Group's cash flows as well as its balance sheet positions, and over the long term, its results of operations, and may have a material adverse effect on the Group's business, results of operations, capital ratios and financial position.

**The Group operates in competitive markets, which could have an adverse effect on its business, financial condition, results of operations and prospects.**

The Group faces intense competition in all of its areas of operation (including, among others, retail banking, asset management and insurance), both in Belgium and the international markets in which it operates. Competition for client lending and deposits is affected by client demand, technological changes, the impact of consolidation in the banking industry, regulatory actions and other factors. The Group's competitors are principally commercial and investment banks, with increasing competition from online banks, fin-tech companies, Big Tech companies and e-commerce in general. The Group's ability to remain competitive also depends on its ability to anticipate and respond to rapid technological changes and evolving industry standards, and to allocate resources to the development of products and services that can be successfully marketed to clients. The Group might not be able to anticipate and respond to technological changes or to successfully introduce new products and services in line with ongoing market trends and client demands. The recurrence of a financial crisis could introduce additional competitive challenges, as during such crises many national governments seek to provide support in a variety of forms to banks organized in their jurisdictions. Depending on the level of government support and the financial strength of the banks in question, this support could strengthen the competitive position of these banks and intensify the competition faced by the Group.

Competition has further increased with the emergence of additional distribution channels such as internet and mobile telephone banking, digital banking and payment platforms. In recent years, Big Tech companies have challenged the traditional financial players by providing no-frills, no-hassle services and superior client experience. Clients have become accustomed to convenience, including the instant delivery of personal advice,



products and services anywhere at any time. These competitive pressures could result in increased pricing pressures on a number of the Group's products and services or in the loss of market share in one or more such markets. In addition, the widespread adoption of new technologies could require the Group to make substantial capital expenditures to modify or adapt existing products and services or develop new products and services. If the Group is unable to provide competitive product and service offerings and successfully respond to technological developments, it may fail to attract new clients or retain existing clients, experience decreases in its interest income and fee and commission income or lose market share, the occurrence of any of which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**Catastrophic events, terrorist acts, acts of war or hostilities, pandemic diseases, geopolitical, climate-related or other unpredictable events could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.**

Catastrophic events, terrorist acts, acts of war or hostilities, pandemic diseases (including COVID-19, as discussed below), geopolitical, climate-related or other unpredictable events and responses to those acts or events may create economic and political uncertainties, which could have a negative impact on the economic conditions in the countries where the Group operates and, more specifically, could interrupt the Group's business and result in substantial losses. Such events or acts, and losses resulting therefrom, are difficult to predict and may relate to property, financial assets, trading positions or key employees.

The outbreak in 2020 of a novel strain of coronavirus disease, COVID-19, created a global public-health crisis that had a significant adverse impact on global macroeconomic conditions and financial markets and the economic environments in which the Group operates. The COVID-19 pandemic and governmental responses to it had a severe impact on global economic and business conditions (including on some of the Group's clients), contributing to significant volatility in financial and commodities markets. If there are significant future outbreaks (including as a result of new variants that are resistant to vaccines), or other diseases emerge that give rise to similar effects, this could have a further adverse impact on the global economy and/or financial markets and, in turn, adversely impact the Group. The effects of the COVID-19 pandemic or any significant new outbreak may also have the effect of heightening many of the other risks described in this "*Risk Factors*" section.

In addition, such events or acts could have a material adverse impact on borrowers' credit quality or result in increased insurance claims, which could impact the Group's results. For example, unpredictable events, such as natural disasters, industrial explosions, terrorist attacks, and similar events may cause an unexpected and substantial increase in insurance claims under policies written by KBC Insurance NV ("**KBC Insurance**"), which may in turn cause it to incur substantial losses. Some types of natural disasters (such as tornadoes and floods) have been increasingly observed in recent years, including several devastating natural catastrophes that occurred in the countries in which the Group operates. For example, in June 2021, the most severe tornado in the Czech Republic on record destroyed several villages, leading to an estimated loss to the Group of €24 million before tax and before reinsurance at the end of the second quarter of 2021. In addition, in July 2021, Western Europe was hit by exceptional rainfall resulting in floods with a severe impact in Belgium and other countries, resulting in a gross loss of €110 million before tax and before reinsurance at December 31, 2021. In the first quarter of 2022, Belgium was severely impacted by flooding and storms, leading to an estimated loss to the Group of €107 million before reinsurance.

Unforeseen events can also lead to increased operating costs, such as higher insurance premiums and the need for additional back-up systems, as well as increased risk management and compliance costs. If the Group's business continuity plans do not address such events, cannot be implemented under the circumstances or are not effective, such losses may increase. Insurance coverage for certain risks may also be unavailable and thus increase the Group's risk. The Group's inability to effectively manage these risks could have a material adverse effect on its business, financial condition, results of operations and prospects.

### **The Group is exposed to market risk.**

Market risk 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 and equity or commodity prices). The Group is exposed to market risk in respect of both its trading and non-trading activities.

In respect of its non-trading activities (comprising the Group's banking activities, life insurance activities and other business operations), the Group is primarily exposed to interest rate risk, credit spread risk and equity price risk:

- *Interest rate risk* is the potential negative deviation from the expected value of a financial instrument or portfolio due to changes in the level or in the volatility of interest rates. The value of interest bearing positions will decrease when market interest rates increase and vice-versa, unless the position contains inherent protection against such decrease, such as a variable or floating interest rate mechanism. The Group estimates that, as at December 31, 2022, an increase of market interest rates by 10 basis points would lead to a decrease in the value of the Group's total portfolio by €32 million. See "*—The Group's business is sensitive to volatility in interest rates and to changes in the competitive environment affecting spreads on its lending and deposits*" below.
- *Credit spread risk* is the risk arising from changes in the level or in the volatility of credit spreads. The value of the Group's positions will decrease when credit spread increases, and vice-versa. This is mainly relevant for the Group's portfolio of sovereign and non-sovereign bonds. As at December 31, 2022, the total carrying value (i.e., the amount at which an asset or liability is recognized in the Group's accounts) of the Group's sovereign and non-sovereign bond portfolio combined was €67 billion. The Group estimates that an increase in credit spread of 100 basis points across the entire curve would lead to a negative economic impact of €2.8 billion on the value of both portfolios combined (excluding pension funds).
- *Equity risk* is the risk arising from changes in the level or in the volatility of equity prices. The total value of the Group's equity portfolio as at December 31, 2022 was €1.55 billion. The Group estimates that a 25% drop in equity prices would have a negative impact of €387 million on the value of this portfolio.

The Group is also exposed to market risks through the trading activities of its dealing rooms in Belgium, the Czech Republic, Slovakia, Bulgaria and Hungary, as well as via a minor presence in the United Kingdom and Southeast Asia. Market risk exposures in the trading book are measured by the historical value-at-risk ("**HVaR**") method, which is defined as an estimate of the amount of economic value that might be lost due to market risk over a defined holding period. The Group uses the historical simulation method, based on patterns of experience over the previous two years. The Group's HVaR estimate, calculated on the basis of a one-day holding period, was €7 million as at December 31, 2022, and varied between €6 million and €12 million during the year ended December 31, 2022.

### **RISKS RELATED TO THE GROUP'S OPERATIONS**

#### **The Group has significant client and counterparty credit risk exposure.**

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 either default risk (that party's insolvency, inability or lack of willingness to pay or perform) or country risk (events or measures taken by the political or monetary authorities of a particular country).

As a large and diverse financial organization, the Group is subject to a broad range of general credit risks. Through its banking operations in Belgium and in certain other jurisdictions, the Group engages in traditional banking businesses, including lending to retail, corporate and institutional clients. These activities expose the Group to

credit risk. The Group is also exposed to credit risk with respect to clients and third parties who owe the Group money, securities or other assets and who may not pay or perform their obligations, potentially leading to increased loan losses. These clients and third parties include borrowers of loans made to them by the Group, issuers whose securities the Group holds, trading counterparties, counterparties under swap, credit and other derivative contracts, clearing agents, exchanges, clearing houses 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 declines in asset values, operational failures or other reasons. For information on the Group's credit exposure, see "*Risk Management—Credit Risk*".

Within the financial services industry, the default of any one institution could lead to defaults by other institutions. Concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions because the commercial and financial soundness of many financial institutions may be closely related as a result of their credit, trading, clearing and other relationships. Even perceived lack of creditworthiness or questions about a counterparty's solvency may lead to market-wide liquidity problems and losses or defaults by the Group or by other institutions. This risk is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges. In particular, the recent failure of Silicon Valley Bank led to concerns about the solvency of other parties in the global financial services industry, causing volatility and contributing to the failure of other regional banks in the United States and the forced sale in Switzerland of Credit Suisse Group AG. The Group routinely executes a high volume of transactions with counterparties in the financial services industry and systemic risk could have a material adverse effect on the Group's ability to raise new funding and on its business, results of operations and financial position. Volatility in foreign exchange and fixed income markets could increase counterparty credit risk. Credit risk also includes the risk of losses due to a country's financial difficulties, the imposition of sanctions relating to or affecting a country, political decisions on nationalization and expropriation, or the downgrade or expected downgrade of a country's credit rating.

In addition, the Group is subject to the risk that its rights against third parties may not be enforceable in all circumstances. The deterioration or perceived deterioration in the credit quality of third parties whose securities or obligations the Group holds could result in losses and/or adversely affect its ability to rehypothecate or otherwise use those securities or obligations for liquidity purposes. A significant downgrade in the credit ratings of the Group's counterparties could also have a material adverse effect on the Group's income and risk weightings applied to the Group's assets, leading to increased capital requirements. While in many cases the Group is permitted to require additional collateral from counterparties that experience financial difficulty, disputes may arise as to the amount of collateral the Group is entitled to receive and the value of pledged assets. The Group may also be unable to realize or liquidate collateral held by it at prices sufficient to recover the full amount of the counterparty exposure.

If any of the events described above materialize, it could have a material adverse effect on the Group's business, results of operations and financial position.

**The Group is exposed to operational and compliance risks, which could result in financial loss, liability to clients, administrative fines, penalties and/or reputational damage.**

The Group is exposed to a large array of operational risks, which are defined as risk of loss resulting from inadequate or defective internal processes (including financial reporting and risk monitoring processes), people-related events (including the risk of fraud and other criminal acts carried out against the Group, misconduct or errors by employees, violations of internal instructions and policies and failure to document transactions properly or obtain proper authorization) or external events (including natural disasters or the failure of external systems), that could give rise to material losses in services to clients and to loss or liability to the Group. Such events may result in financial loss, liability to clients, administrative fines, penalties and/or reputational damages.

The nature of the Group's business inherently generates operational risks, as it is dependent on the Group's ability to process and report accurately and efficiently a high volume of complex transactions across numerous and

diverse products and services, in different currencies and subject to a number of different legal and regulatory regimes. The main operational risks of the Group are as follows:

- *Conduct and compliance risk*, which is the risk of non-conformity or sanctions due to the Group's failure (or the perceived failure) to comply with laws and regulations relating to integrity, and with internal policies and codes of conduct reflecting the institution's own values and codes of conduct in relation to the integrity of its activities. This also includes the current or prospective risk of losses arising from the inappropriate supply of financial services, including cases of willful or negligent misconduct. For example, the rapidly changing sanctions regimes imposed by the U.S., UK and EU in response to the ongoing war in Ukraine have required more intense focus on compliance, and compliance with rapidly evolving sanctions may strain the Group's internal control systems. See "*Risks related to the regulatory environment—The Group is subject to substantial regulation and regulatory oversight in the jurisdictions in which it operates, which could have an adverse effect on its business*" below.
- *Information security risk*, which are risks arising from the loss, misuse, unauthorized disclosure or modification, inaccessibility, inaccuracy and damage of information.
- *Information technology ("IT") risk*, which is the risk of losses resulting from misalignment between business and IT strategies, from the inability of IT to timely implement business and regulatory requirements, from unanticipated consequences stemming from the use of new technologies, or from unstable or unavailable IT services. See "*—The IT and other systems on which the Group depends for its day-to-day operations may fail for a variety of reasons that may be outside its control. The Group is also subject to the risk of infrastructure disruption, cyberattacks or other effects on such systems*" below.
- *Process risk*, which is the risk of losses caused by insufficient, badly designed or poorly implemented processes and processing controls and unintentional human errors or omissions during normal (transaction) processing. See "*—Weaknesses or failures in the Group's internal processes and procedures and other operational or reputational risks could have a negative impact on its business, financial condition, results of operations, or prospects, and could result in reputational damage*" below.
- *Outsourcing risk and third party risk*, which are risks stemming from problems regarding the continuity, integrity and/or quality of the activities outsourced to or partnered with third parties (whether or not within a group) or from the equipment or staff made available by these third parties. Outsourcing risk and third party risk include the risk of negative publicity caused by the activities of business partners over which the Group has limited or no control.
- *Model risk*, which is the risk of losses or the potential for adverse consequences arising from decisions based on incorrect or misused model outputs and model reports. A distinction is made between model errors and wrong application of the model (e.g., the use of outdated models).
- *Fraud risk*, which is the risk of deliberate abuse of procedures, systems, assets, products and/or services by one or more persons who intend to deceitfully or unlawfully benefit themselves or others.
- *Legal risk*, which includes the risk of losses caused by bad management of disputes, the inability of the Group to protect its intellectual property ("IP"), the failure to manage (non-)contractual obligations or the failure to timely and correctly detect, assess and implement legislation and regulations. See "*—The Group is, and may in the future be, subject to various legal proceedings, which could have a material adverse effect on its business, financial condition, results of operations and prospects, and could result in reputational damage*" below.
- *Business continuity risk*, which is the risk that business activities cannot be continued at an acceptable pre-defined level resulting from the lack of a strategic and tactical capability of the Group to plan for and respond to serious (business) disruptions, crises or disasters. See "*Risks related to the markets and economies in which the Group operates—Catastrophic events, terrorist acts, acts of war or hostilities,*

*pandemic diseases, geopolitical, climate-related or other unpredictable events could have a material adverse effect on the Group's business, financial condition, results of operations and prospects" above.*

- *Personal and physical security risk, which is the risk of losses arising from acts inconsistent with employment, health or safety laws or agreements, from personal injury claims, or from diversity and discrimination events.*

There can be no assurance that the risk controls, loss mitigation and other internal controls or actions in place at the Group will be effective in identifying and controlling each of the operational risks faced by it. Any weakness in these controls or actions could result in a material adverse impact on the Group's business, financial condition, results of operations or prospects, and could result in reputational damage (which could adversely affect the Group's ability to keep and attract clients, depositors and investors, as well as its relationships with regulators and the general public). Given the Group's high volume of transactions, errors in the recording and processing of transactions may be repeated or compounded before they are discovered and rectified, and there can be no assurance that risk assessments made in advance will adequately predict the occurrence, or estimate the costs, of these errors.

The failure of the Group to manage these risks could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**The IT and other systems on which the Group depends for its day-to-day operations may fail for a variety of reasons that may be outside its control. The Group is also subject to the risk of infrastructure disruption, cyberattacks or other effects on such systems.**

The Group's operations are dependent on its ability to process and monitor, on a daily basis, a large number of transactions, many of which are complex, across numerous and diverse markets, and in many currencies. The Group's financial, accounting, data processing or other operating systems and facilities may fail to operate properly or may become disabled due to, for example, a spike in transaction volume, failures of communications networks or incidents with third-party software, which may have an adverse effect on the Group's ability to process transactions or provide services. In addition, other factors which could cause the Group's operating systems to fail or not operate properly include a deterioration in the quality of IT development, support and operations processes. There can be no assurance that the Group's IT systems will function as planned. Any disruption in the Group's IT or other systems, whether as a result of internal or third party failure, may have a material adverse effect on its business, financial condition, results of operations or prospects.

Despite the contingency plans and facilities the Group has in place, its ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports the businesses and the countries in which it is located. This may include a disruption involving electrical, communications, transportation or other services used by the Group or third parties with which it conducts business, or a catastrophic event involving any location where the Group has a significant operational base.

Further, if the Group is not successful in implementing new systems, or adapting its current IT platform in line with the expected growth of its business, the Group may not be able to meet the expectations or changing demands of its clients. If the Group fails to effectively implement new IT systems or to adapt to new technological developments, it may incur substantial additional expenses or be unable to compete successfully, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's operations rely on the secure processing, storage and transmission of confidential and other information in its computer systems and networks. The Group's computer systems, software and networks may be vulnerable to unauthorized access or malicious hacking, computer viruses or other malicious code and other external attacks or internal breaches that could have a security impact. Like all financial institutions, the Group is regularly subject to cyberattacks and efforts to obtain sensitive information. The threat to the security of the Group's information held on clients from cyberattacks continues to increase, including as a result of the ongoing Russia and Ukraine war and the increased use and sophistication of artificial intelligence ("AI") applications.

Activists, rogue states and cyber-criminals are among those targeting computer systems. Risks to technology and cyber-security change rapidly and require continued focus and investment. Given the increasing sophistication and scope of potential cyberattacks, it is possible that future attacks may lead to significant breaches of security. Any such breaches may expose the Group to significant legal as well as reputational harm, which could have a material adverse effect on its business, financial condition, results of operations and prospects.

If one or more of such events occur, any one of them potentially could jeopardize the confidential and other information of the Group, its clients or its counterparties. The Group may be required to spend significant additional resources to modify its protective measures or to investigate and remediate vulnerabilities or other exposures. It may also be subject to litigation and financial losses, as well as reputational risks that are either not insured against or not fully covered through any insurance maintained by the Group. The occurrence of any of these events could materially and adversely affect the Group's business, financial condition, results of operations or prospects.

**The Group requires significant funding to service its indebtedness and relies on the credit and capital markets to meet a significant part of its funding needs.**

As at June 30, 2023, the Group's total indebtedness was €39,458 million. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and funding*" and "*Capitalization and Indebtedness*".

Future disruptions, uncertainty or volatility in the capital and credit markets, which were particularly volatile during certain periods in 2022 and in the first quarter of 2023, driven by geopolitical events, central banks' rapid tightening of monetary policy and volatility in the global banking sector, could limit the Group's ability to refinance maturing liabilities with long- or short-term funding and increase the Group's cost of funds (whether in the capital markets or via customer deposits). The availability of any additional financing the Group may need will depend on a variety of factors, such as market conditions, the availability of credit generally and to borrowers in the financial services industry specifically, the volume of trading activities, the Group's financial condition, its credit ratings and credit capacity, as well as the possibility that clients or lenders could develop a negative perception of the Group's financial prospects. In particular, the Group's access to funds may be impaired if regulatory authorities impose additional regulatory capital and liquidity requirements or rating agencies downgrade the Group's credit ratings.

In addition, like many banks, KBC Bank NV ("**KBC Bank**") relies on client deposits to meet a substantial portion of its funding requirements. Such deposits are subject to fluctuation due to certain factors outside the Group's control, such as any possible loss of confidence and competitive pressures, which could result in a significant outflow of deposits within a short period of time. In addition, increasing interest and inflation rates may trigger outflows from retail deposits or a shift from current and saving accounts to term deposits or other investment products. Any material decrease in the KBC Bank's deposits could have a negative impact on the Group's liquidity, which could, in turn, have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**The Group is subject to the risk that liquidity may not always be readily available.**

Liquidity risk is the risk that the Group will be unable to meet its liabilities and obligations as they fall due, without incurring higher-than-expected costs. This risk is inherent in banking operations and can be heightened by a number of enterprise-specific factors, including over-reliance on a particular source of funding (including, for example, short-term and overnight funding), changes in credit ratings or market-wide phenomena such as market dislocation and major disasters. The capital and credit markets experience volatility on a recurring basis. Rapid increases in interest rates or greater than expected impacts from monetary or fiscal policy and the actions and commercial soundness of other financial institutions have the potential to impact market liquidity. For a further discussion of macroeconomic conditions, see "*Risks related to the markets and economies in which the Group operates*" above.

Liquidity risk can be sub-divided into contingency liquidity risk, structural liquidity risk and operational liquidity risk:

- *Contingency liquidity risk* is the risk that the Group may not be able to attract additional funds or replace maturing liabilities under stressed market conditions. This risk, assessed on the basis of liquidity stress tests, relates to changes to the liquidity buffer of a bank under extreme stressed scenarios.
- *Structural liquidity risk* is the risk that the Group's long-term assets and liabilities might not be (re)financed on time or might only be refinanced at a higher-than-expected cost. Typically, for banking operations, funding sources generally have a shorter maturity than the assets that are funded, leading to a negative net liquidity gap in the shorter time buckets and a positive net liquidity gap in the longer-term buckets. This creates liquidity risk if the Group were to be unable to renew maturing short-term funding.
- *Operational liquidity risk* is the risk that the Group's operational liquidity management cannot ensure that a sufficient buffer is available at all times to deal with extreme liquidity events in which no wholesale funding can be rolled over.

If the Group fails to manage its contingency liquidity risk, structural liquidity risk or operational liquidity risk, the Group's internal sources of liquidity may prove to be insufficient and, in such case, the Group may not be able to successfully obtain additional financing on favorable terms or at all, which could have a material adverse effect on the Group's liquidity and prospects. Additionally, any liquidity constraints that arise in the funding market, or even a perception among market participants that a financial institution is experiencing greater liquidity risk, can cause significant damage to the institution's funding sources.

CRD IV (as defined below) requires the Group to meet targets set for the Basel III liquidity related ratios, comprising (i) the liquidity coverage ratio ("LCR"), which requires a bank to hold an adequate stock of unencumbered high-quality liquid assets ("HQLA") that can be converted into cash easily and immediately sold in private markets to meet its liquidity needs for a 30 calendar day liquidity stress scenario; and (ii) the net stable funding ratio ("NSFR") which is calculated as the ratio of an institution's amount of available stable funding over its amount of required stable funding. Any failure of the Group to meet the liquidity ratios could result in administrative actions or sanctions or it ultimately being subject to a resolution action.

In addition, recent adverse developments affecting the banking industry globally, including the failures of Silicon Valley Bank and Signature Bank in the United States and the forced sale in Switzerland of Credit Suisse Group AG and the related write-down of its Additional Tier 1 (AT1) instruments, have resulted in significant volatility in the financial markets. There can be no assurance that the banking industry will not be subject to further strain, particularly given that inflation rates remain high, economic activity remains somewhat muted and the major global central banks are continuing their tightening policies. These types of volatile conditions in the global financial markets could have a material adverse effect on the Group, including its ability to access capital and liquidity on acceptable financial terms, if at all. If the Group's funding sources become volatile or unavailable, including as a result of disruption in the capital markets, the Group's access to liquidity and cost of funding could be adversely affected as the Group would be required to utilize other, more expensive, sources to meet its funding needs, such as collateralized borrowing or asset sales. Any such developments could have a material adverse effect on the Group's business and results of operations. In addition, if the Group fails to anticipate or provide for unforeseen decreases or changes in funding sources, it could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

**The Group's borrowing costs and its access to the debt capital markets depend significantly on the Issuer's credit ratings.**

The credit ratings of the Issuer are important to maintain access to key markets and trading counterparties. The Issuer's credit ratings as of the date of this Offering Memorandum are A (Fitch), Baa1 (Moody's) and A- (Standard & Poor's).

The Issuer's credit ratings are subject to change and could be downgraded as a result of many factors, including the failure of the Group to successfully implement its strategies as well as factors outside of the Group's control. Any failure by the Issuer to maintain its credit ratings could adversely impact the competitive position of the Group, undermine confidence in 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. In connection with certain trading agreements, the Issuer might also be required, if its current ratings are not maintained, to provide additional collateral. In addition, a downgrade of the Issuer's credit ratings could also lead to a loss of clients and counterparties, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects or on the market price of the Notes. See also "*Risks relating to the Notes—Risks relating to the subscription of the Notes, the listing and settlement of the Notes and the market in the Notes—Credit ratings assigned to the Issuer or any Notes may not reflect all risks associated with an investment in the Notes and investors are exposed to the risks of a downgrade of any credit ratings assigned to the Issuer and/or the Notes*" below.

**The Group is exposed to changes in the fair value of its holdings of financial instruments.**

The Group's trading and fair value income was €206 million for the six months ended June 30, 2023 and €406 million for the year ended December 31, 2022, €145 million for the year ended December 31, 2021 and €33 million for the year ended December 31, 2020, with the sharp decrease in 2020 reflecting the outbreak of the COVID-19 pandemic in the first quarter of 2020, which initially resulted in collapsing stock markets, higher credit spreads and lower long-term interest rates. The fair value of financial instruments held by the Group, including bonds (government, corporate and mortgage), equity investments, investments in private equity and hedge funds, commodities and derivatives (including credit derivatives), is sensitive to the volatility of and correlations between various market variables, including interest rates, credit spreads, equity prices and foreign exchange rates. If the fair value of the Group's trading portfolio assets were to decline, the Group would be required to record fair value losses. In addition, the fair value of certain financial instruments is determined by using financial models incorporating assumptions, judgments and estimates that are inherently uncertain and may change over time or may ultimately be inaccurate. Moreover, market volatility and illiquidity could make it difficult to value certain of the Group's holdings. Any of these factors could require the Group to recognize fair value losses, which may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**The Group is exposed to insurance risk through KBC Insurance.**

KBC Insurance, a subsidiary of the Issuer, with insurance activities in Belgium, the Czech Republic, Hungary, Bulgaria and Slovakia, and KBC Group Re S.A., as the reinsurer, are exposed to risks related to economic (such as lapse rates, expenses) and non-economic (such as mortality, longevity, disability) parameters in the life insurance business and catastrophe and non-catastrophe risks in the non-life insurance business.

Technical insurance risks stem from uncertainty regarding the frequency and severity of insured losses. Changes in the frequency of the underlying risk factors may affect the level of liabilities of KBC Insurance and its realized technical income, which may have an adverse impact on the Group's business, financial condition, results of operations and prospects. KBC Insurance's insurance risk is linked to actual trends in life expectancy, mortality, disability, critical illness and other similar factors. For example, trends in mortality and critical illness affect life insurance. KBC Insurance undertakes ongoing actuarial assessments, which take into account the factors described above, for the purpose of calculating insurance obligations and relevant reserve adjustments. Such assessments involve estimates and assumptions, which are inherently uncertain, and include KBC Insurance's estimates of premiums to be received over the assumed life of the policy, the timing of the event covered by the insurance policy, the amount of benefits or claims to be paid under the policy and the investment returns on the assets purchased with the premiums received. Unpredictable events, such as natural disasters, industrial explosions, terrorist attacks, and similar events may cause an unexpected and substantial increase in insurance claims under policies written by KBC Insurance, which may in turn cause it to incur substantial losses. See "*—Catastrophic events, terrorist acts, acts of war or hostilities, pandemic diseases, geopolitical, climate-related or other unpredictable events could have a material adverse effect on the Group's business, financial condition, results of operations and prospects*".



While some of KBC Insurance's insurance risk is covered by reinsurance arrangements and KBC Insurance tries to balance its portfolio, it is exposed to the risk of a material decrease in the availability and amount of reinsurance and a material increase in the cost of reinsurance. Furthermore, KBC Insurance is subject to credit risk in relation to its current and future reinsurers as the insolvency or inability of reinsurers to meet their financial obligations could have an adverse effect on KBC Insurance's business, financial condition, results of operations or prospects. There is also a risk that KBC Insurance's reinsurance agreements may not be renewed, or renewed at less favorable terms.

The inability of KBC Insurance to successfully manage its insurance risks could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

### **The Group is exposed to risks related to climate change.**

The physical and transition risks of climate change are becoming ever more apparent and have the potential to pose a significant threat to the Group's business without a coordinated and timely response from governments and other stakeholders.

Climate change, and businesses' response to the emerging threats, are under increasing scrutiny by governments, regulators and the public alike. These include physical risks resulting from changing climate and weather patterns and extreme weather-related events, as well as transition risks resulting from the process of adjustment towards a lower carbon, climate-resilient or environmentally sustainable economy (including policy changes, legislative changes, technological progress and behavioral changes). Both transition risk and physical risk can have significant financial consequences, which can affect financial institutions, for example through loan defaults, investment losses, higher insurance settlements and disruptions to operations.

For example, there have been several devastating extreme weather events in the countries in which the Group operates in recent years, including a severe tornado in the Czech Republic in 2021 and exceptional flooding in Western Europe in 2021 and 2022. See "*Risks related to the markets and economies in which the Group operates—Catastrophic events, terrorist acts, acts of war or hostilities, pandemic diseases, geopolitical, climate-related or other unpredictable events could have a material adverse effect on the Group's business, financial condition, results of operations and prospects*" above. The occurrence of multiple natural catastrophic events in such a short period of time raises questions about their exceptionality and whether their likelihood is expected to increase, driven by climate change.

Governments and regulators may introduce increasingly stringent rules and policies designed to achieve targeted outcomes, which could increase compliance costs for the Group, drive asset impairments and result in regulatory fines or other action if the Group is unable to implement adequate reforms sufficiently quickly. See "*—The Group is subject to substantial regulation and regulatory oversight in the jurisdictions in which it operates, which could have an adverse effect on its business*" below. How the Group assesses and responds to these developments and challenges could increase the Group's costs of business, and a failure to identify and adapt the Group's business to meet new rules or evolving expectations, or any perception that the Group is under-performing relative to its peers or failing to meet the objectives under its sustainable strategy, could result in reputational damage and/or risk of legal claims.

### **The Group may incur further liabilities under its defined benefit retirement plans if the value of plan assets is not sufficient to cover potential obligations.**

The Group maintains a limited number of defined contribution and defined benefit pension schemes for past and current employees. In the year ended December 31, 2022, the Group made a cash contribution of approximately €94 million in respect of its defined benefit pension plan and approximately €21 million in respect of its defined contribution pension plan. The net IFRS asset value of the defined benefit plan was approximately €153 million as at December 31, 2022, and there was no asset or liability related to the defined contribution plan as at the same date.

Under the defined contribution plans, the Group's statutory or constructive obligation is limited to the amount that it agrees to contribute to the fund. The amount of the post-employment benefit to be received by the employee is determined by the amount of the contributions paid by the Group and the employee him or herself into the post-employment benefit plan, as well as by the investment returns arising from those contributions. The actuarial risk is therefore borne by the employee.

However, under the defined benefit plans, the Group's obligation is to provide the agreed benefits to current and former employees and, in substance, the actuarial risk and investment risk fall on the Group. This means that if, from an actuarial or investment viewpoint, things turn out worse than expected, the Group's obligation may be increased. In addition, in Belgium, defined contribution plans have a legally guaranteed minimum return and the actual return can be lower than the legally required return. These plans also have defined benefit plan features and the Group treats them as defined benefit plans.

Additional cash contributions may be required to the pension plans in excess of ordinary contributions, for example, as a result of changes in the underlying assumptions for the calculation of the pension obligations, which may lead to greater than expected estimated future obligations, or as a result of declines in the value of, and return from, the plan assets. If such additional contributions are significant, this could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**As a financial institution, the Group is exposed to risks related to money laundering, terrorist financing activities and sanctions violations, and compliance with anti-money laundering and anti-terrorism financing rules involves significant cost and effort.**

In general, the risk that banks will be subjected to, or used for, money laundering has increased worldwide. The risk of money laundering occurring is higher in emerging markets (including certain jurisdictions in Eastern Europe where the Group operates) due to, among other factors, high turnover of employees, the difficulty in consistently implementing related policies and technology systems, and the general business conditions in these countries compared to Belgium or other more developed markets where the Group operates.

The Group has implemented internal measures aimed at preventing it from being used as a conduit for money laundering or terrorist financing. However, such measures, procedures and compliance may not be completely effective. If the Group is associated with money laundering or terrorist financing, it could suffer serious damage to its reputation, which could affect its ability to maintain existing relationships, attract new business and provide services to its clients. The Group could also become subject to fines, sanctions and/or legal enforcement (including being added to any "blacklists" that would prohibit certain parties from engaging in transactions with the Group), which could materially adversely affect the Group's business, financial condition, results of operations and prospects.

In addition, the Group is required to comply with a number of international sanctions regimes, including those of the EU, the United Nations, the United States, the United Kingdom and a number of other countries. A wide range of countries, organizations and individuals may be subject to sanctions under these regimes. While the Group takes steps to screen transactions against sanctions lists, these procedures may not have been and may not always be effective or may require significant cost and effort, and the complexity of banking operations and evolving nature of sanctions (including extending the reach to a greater number of individuals or activities) may increase this risk, particularly following Russia's invasion of Ukraine. See "*—The Group's business, financial condition and results of operations may be adversely affected by the Russian invasion of Ukraine and other geopolitical risks*" above.

As a result, the risk of future incidents and allegations in relation to money laundering, terrorist financing and sanctions violations always exists for the Group. Any violation of anti-money laundering rules, anti-terrorism financing rules or sanctions regimes, or even the suggestion of such violations, may have severe legal and reputational consequences for the Group and may, as a result, materially and adversely affect the Group's business, financial condition, results of operations and prospects.

**The risk management methods used by the Group may be insufficient to cover unidentified, unanticipated, or incorrectly quantified risks, which could lead to material losses or material increases in liabilities.**

The Group devotes significant resources to develop risk management policies, procedures and assessment methods for its banking and other businesses. Like many other financial institutions, the Group increasingly relies on advanced mathematical, statistical and numerical models to support decision making, measure and manage risk, manage businesses and streamline processes. For these purposes, the Group uses credit risk models (including Probability of Default, Exposure at Default and Loss Given Default), an HVaR model, stress tests and other risk assessment methods. Nonetheless, the risk management techniques and strategies applied by the Group may not be fully effective in identifying and hedging risk exposure in all economic market environments or against all types of risk, including risks that the Group fails to identify or anticipate. Some of the qualitative tools and metrics used by the Group for managing risk are based upon the use of observed historical market behavior as well as future predictions. The Group applies statistical and other tools to these observations and predictions to arrive at quantifications of risk exposures. These tools and metrics may fail to predict or may incorrectly predict 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 necessarily take all risks into account and could prove insufficient. If asset prices move or losses on credit portfolios occur in a way that the Group's risk modeling has not anticipated, the Group may experience significant unexpected losses. Assets that are not traded on public trading markets, such as derivative contracts between banks, may be assigned values that are calculated by the Group using mathematical models. Monitoring the deterioration of assets like these can be difficult and may lead to losses that the Group has not anticipated. Unanticipated or incorrectly quantified risk exposures could result in material losses in the banking and asset management businesses of the Group.

Other risk management methods depend upon the evaluation of information regarding markets, clients or other matters that is publicly available or otherwise accessible. This information may not in all cases be accurate, up-to-date or properly evaluated. Management of operational, legal and regulatory risk requires, among other things, policies and procedures to properly record and verify a large number of transactions and events, and the Group's policies and procedures may not be fully effective.

The inability of the Group to successfully implement and adhere to effective risk management methods, including the inability to accurately assess the credit risk of its clients, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**The Group is, and may in the future be, subject to various legal proceedings, which could have a material adverse effect on its business, financial condition, results of operations and prospects, and could result in reputational damage.**

The Group is involved in a variety of claims, disputes, legal proceedings and governmental investigations in jurisdictions where it operates. See "*Description of the Group—Legal Proceedings*". The Group may also in the future become subject to various civil, administrative and arbitration proceedings with various parties, including clients, business partners, employees, or regulatory or tax authorities. Such claims, disputes and legal proceedings are subject to many uncertainties, and their outcomes and ultimate consequences are often difficult to predict, particularly in the earlier stages of a case or an investigation. These types of claims and proceedings may expose the Group to monetary damages, direct or indirect costs (including legal costs), direct or indirect financial loss, civil and criminal penalties, loss of licenses or authorizations, or damage to reputation, as well as the potential for regulatory restrictions on its businesses, any of which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

For example, KBC Investments Ltd (a wholly-owned subsidiary of KBC Bank) is currently involved in a dispute with Irving H. Picard, trustee for the liquidation of Bernard L. Madoff Investments Securities LLC and Bernard L. Madoff (the "**Trustee**"). On October 6, 2011, the Trustee sued KBC Investments Ltd before the Bankruptcy Court in New York to recover approximately U.S.\$110,000,000 that had been transferred from Madoff (via a feeder fund called Harley) to KBC entities. This claim is one of a number of claims made by the Trustee against several banks, hedge funds, feeder funds and investors. A lengthy litigation process was conducted on the basis

of preliminary objections in respect of the applicability of the Bankruptcy Code's 'safe harbor' and 'good faith defense' rules, as well as prudential limitations on U.S. courts' powers in international cases, to subsequent transferees (as is the case for KBC Investments Ltd). In June 2015, the Trustee stated his intention to amend the original claim, which led to an increase in the amount claimed to U.S.\$196,000,000. A court ruling dismissing the claim of the Trustee was issued on March 3, 2017. The Trustee appealed and the Court of Appeals for the Second Circuit reversed the dismissal on February 28, 2019. A petition filed on August 30, 2019 was denied by the U.S. Supreme Court on June 2, 2020. As a consequence, the merits of the case are being handled by the Bankruptcy Court. On August 30, 2021, in two other appeals by other defendants, the Court of Appeals for the Second Circuit reversed the burden of proof from an initial burden on the Trustee to adequately allege the defendant's lack of good faith to a burden on the defendant to prove its good faith. On August 1, 2022, the Bankruptcy Court judge issued a stipulation and order regarding the filing of an amended complaint and subsequent scheduling of proceedings. As a result, the Trustee amended his complaint on August 5, 2022 by reducing his claim to U.S.\$86,000,000, consisting of subsequent transfers received by KBC Investments Ltd from Harley (a feeder fund). Pursuant to the stipulation and order, the Group filed a motion to dismiss the amended complaint on November 18, 2022. On April 26, 2023 the Bankruptcy Court judge dismissed the motion. Accordingly, the procedure on the merits of the case continues. At the end of June 2023, the Group filed an answer to the amended complaint. The next step will be the preparation and submission of KBC Investments' initial disclosures. The procedure may still take several years.

The Group may also become subject to legal proceedings following a merger or acquisition. For example, following the merger between KBC Bank and Antwerpse Diamantbank NV ("**ADB**") on July 1, 2015, KBC Bank is now a party to a proceeding, both in its own name and in its capacity as legal successor to ADB. See "*Description of the Group—Legal Proceedings—Lazare Kaplan International Inc*".

Even though the Group believes it has appropriately provided for contingent obligations in respect of claims, litigation and other proceedings, the outcome of any such claim, litigation or proceeding may differ from management expectations and expose the Group to unexpected costs and losses, reputational and other non-financial consequences and diversion of management attention. Legal proceedings may also lead to negative media coverage and may adversely affect the Group's brand or public image, even if the proceedings resolve in the Group's favor.

Any of the above-mentioned factors could have a material adverse effect on the Group's business, financial condition, results of operations, liquidity and/or prospects.

### **The business operations of the Group's asset management companies are exposed to significant risks.**

The Group is subject to several risks related to the business operations of its asset management companies, including KBC Asset Management NV, KBC Fund Management Ltd and ČSOB Asset Management. As at June 30, 2023, the Group recorded €225 billion of assets under management, comprising third-party assets and group assets managed by the Group's various asset management companies, as well as assets under advisory management at KBC Bank. The assets, therefore, consist mainly of KBC Bank's investment funds and unit-linked insurance products, assets under discretionary and advisory management mandates of (mainly retail, private banking and institutional) clients, and certain group assets.

The business operations of the Group's asset management companies are subject to several risks, particularly financial risks and operational risks. There is a risk that the portfolio management services and the investment advisory services provided to the Group's clients will not be successful, which could result in clients losing all or parts of their initial investment. Such a scenario can result in financial losses, loss in reputation and potential litigation for the Group. Furthermore, the funds operated by the Group's asset management companies cover a wide range of sectors and markets that can be highly volatile, and any changes in international, national or local economic, political and other conditions may adversely affect its portfolio management services and investment advisory services. See "*Risks related to the markets and economies in which the Group operates*" above.

Investments, which are made on behalf of securities funds and discretionary portfolios managed by the Group's asset management companies, are subject to interest rate risk and currency risk. If the values of such fixed income securities vary inversely with changes in interest rates, the Group's asset management companies' cash flows, the fair value of their investments and their operating results could decrease when rates rise. In addition, currency risk could cause the value of investments in currencies other than euro to decrease regardless of the inherent value of the underlying investments. The utilization of hedging and risk management transactions may not be successful, which could subject the investment portfolio of the Group's asset management companies to increased risk or lower returns on investments and, in turn, cause a decrease in the fair value of their assets.

Furthermore, if any of the relevant permits or licenses expire or are withdrawn, such as KBC Asset Management's UCITS and MiFID II licenses, the Group may lose its ability to carry out its fund and portfolio management and investment advisory services, which could have a material adverse effect on its business.

Any misconduct by employees of the Group's asset management companies (or at the companies in which they have invested) could harm the Group by impairing its ability to attract and retain clients and subjecting it to significant legal liability and reputational harm. Further, any failure by the Group to deal appropriately with conflicts of interest in its portfolio management and investment advisory services could damage its reputation and adversely affect its business.

The realization of any of the foregoing risks and/or any disruption to the business operations of the Group's asset management companies could materially adversely affect the Group's business, financial condition, results of operations and prospects.

**In order to compete successfully, the Group is dependent on highly skilled individuals, and the Group may not be able to retain or recruit key talent.**

The Group's performance is largely dependent on the talents and efforts of highly skilled individuals, including senior management. The Group's continued ability to compete effectively in its businesses and to expand into new businesses and geographic areas depends on its ability to attract new employees and to retain and motivate its existing employees. This ability may be adversely affected by regulations affecting the manner in which the Group is permitted to remunerate its employees. Competition for key employees is intense both from within the financial services industry, including from other financial institutions, new competitors in the industry (such as online banks, fin-tech companies and Big Tech companies), hedge funds, private equity funds and venture capital funds, and, increasingly, from businesses outside the financial services industry. This may impact the Group's ability to take advantage of business opportunities or potential efficiencies. Any loss of the services of key employees, particularly to competitors, or the inability to attract and retain highly skilled personnel in the future or the need to replace any senior management as a result of failures or perceived failures in management of the Group could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

**The Group's accounting policies and methods are critical to how it reports its financial condition and results of operations. They require management to make estimates about matters that are uncertain.**

Accounting policies and methods are fundamental to how the Group records and reports its results of operations and financial condition. Management must exercise judgment in selecting and applying many of these accounting policies and methods so they comply with IFRS. Management has identified certain accounting policies in the notes to its financial statements as being critical because they require management's judgment to ascertain the value of assets and liabilities. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical accounting policies*" and the notes to the 2022 Financial Statements incorporated by reference into this Offering Memorandum.

The estimates and assumptions that the Group uses in preparing its financial statements are based on premises that management finds reasonable, but that are inherently uncertain and unpredictable. A variety of factors could affect the ultimate value that is obtained either when earning income, recognizing an expense, recovering an asset or

reducing a liability. Although the Group has established detailed policies and control procedures that are intended to ensure that these critical accounting estimates and assumptions are well controlled and applied consistently, there can be no assurance that these policies and procedures will always be effective. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. Because of the uncertainty surrounding the Group's estimates and assumptions pertaining to these matters, the Group cannot guarantee that it will not be required to make changes in accounting estimates or restate prior period financial statements in the future.

**The Group may be impacted by changes in accounting policies or accounting standards and the interpretation of such policies and standards.**

From time to time, the International Accounting Standards Board (the "IASB") changes the financial accounting and reporting standards that govern the preparation of the Group's financial statements. These changes can be difficult to predict and can materially impact how the Group records and reports its financial condition and results of operations. In some cases, the Group may be required to apply a new or revised standard, or alter the application of an existing standard, retroactively, rendering a restatement of prior period financial statements necessary. Further, changes may take place in the interpretation of, or differences of opinion may arise between the Group and competent authorities with regard to the application of, such standards. With effect from January 1, 2023, IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, replaced IFRS 4. While the adoption of IFRS 17 has not had a significant impact on the Group's classification of its insurance contracts, IFRS 17 established specific principles for the recognition and measurement of insurance contracts and reinsurance contracts held by the Group. On adoption, IFRS 17 changed the measurement and presentation of insurance contracts and participating investment contracts.

The full one-off net impact (after tax) on the Group's own equity of the transition to IFRS 17, including the reclassification of financial assets (IFRS 9) was €(673) million as at January 1, 2022.

Because of the uncertainty surrounding the Group's judgments and the estimates pertaining to these matters, the Group cannot guarantee that it will not be required to make changes in accounting estimates or restate prior period financial statements in the future.

See "*Presentation of Financial and Other Information—Implementation of new and amended accounting policies*".

Any future changes in the Group's accounting policies or applicable accounting standards could materially affect its reported financial condition and/or results of operations.

**Any merger and acquisition activity or change projects, including divestments, may be unsuccessful.**

The Group may seek to expand through mergers, acquisitions and joint ventures in the future and may seek to implement change projects in line with the Group's strategy, including divestments. Acquisitions could necessarily leave the Group exposed, at least to some degree, to any operational failings of the target company and potentially to overpaying for any such target. In addition, there can be no assurance that the Group will be able to identify future acquisition targets or that acquired businesses will be fully integrated into the Group or that expected cost savings and revenue generation opportunities will be realized. Therefore, the Group's future acquisitions may not achieve the initially defined goals and consequently may have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

In addition, from time to time, the Group considers portfolio optimizations including, but not limited to, divestment projects. For example, in 2021, the Group reached an agreement to dispose of substantially all of the non-performing mortgage loan portfolio of KBC Bank Ireland (which was finalized in February 2022) and an agreement relating to the sale of substantially all of KBC Bank Ireland's performing loan assets and its deposit book (which was finalized in February 2023), ultimately leading to the Issuer withdrawing from the Irish market.

While the Group was able to do so on commercially acceptable terms, in the future, should the Group elect to dispose certain of its assets, such sale may not necessarily be on commercially acceptable terms or may otherwise materially adversely affect the Group's business.

Furthermore, mergers, acquisitions and change projects, including divestments like the sale of the Group's Irish operations, may divert financial and management resources from the Group's core business, which could have an adverse effect on the Group's business, financial condition, results of operations or prospects. Further, the Group may not have the required experience to successfully execute and implement such complex transactions or projects.

Any of the foregoing could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

**Any impairment of goodwill and other intangible assets would have a negative effect on the Group's financial position and results of operations.**

The Group conducts impairment tests on goodwill and other intangible assets at least once per year or whenever there are indications of a possible impairment of any such assets. The outcome of any impairment test model depends, among other things, on key input data on macroeconomic factors and long-term growth assumptions.

Should economic conditions worsen beyond the Group's expectations, or should there be a change in regulatory conditions affecting the Group's assets, either in any of the markets in which the Group operates or in general, an impairment charge relating to goodwill and other intangible assets may need to be recognized, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

## **RISKS RELATED TO THE REGULATORY ENVIRONMENT**

**The Group is subject to substantial regulation and regulatory oversight in the jurisdictions in which it operates, which could have an adverse effect on its business.**

The Group's business activities are subject to substantial regulation and regulatory oversight in the jurisdictions in which it operates. This is particularly the case in the current market environment, which is experiencing increased levels of government and regulatory supervision, intervention and enforcement in the financial sector, which the Group expects to continue for the foreseeable future.

The Group is subject to supervision by the European Central Bank (the "ECB"), the National Bank of Belgium (the "NBB"), the Single Resolution Board (the "SRB") and Belgian regulations regarding, among other things, solvency and capital adequacy requirements, including capital ratios and liquidity rules. The Group is also subject to the supervision of local supervisory authorities in other countries in which the Group operates. The Group is also subject to EU regulations with direct applicability, such as the General Data Protection Regulation (EU) 2016/679 ("GDPR") requiring businesses to protect the personal data and privacy of EU citizens for transactions that occur within the EU, and EU directives which are implemented through local laws.

Recent regulatory and legislative developments applicable to credit institutions, such as KBC Bank NV, or insurance undertakings, such as KBC Insurance, may adversely impact the Group's business, financial condition, results of operation or prospects. A non-exhaustive overview of certain important regulatory and legislative developments, such as changes to the prudential requirements for credit institutions, capital adequacy rules and recovery and resolution mechanisms, is set out in the section entitled "*Banking and Insurance Regulation and Supervision*" of this Offering Memorandum. Compliance with such regulations has increased the Group's capital requirements, exposed it to additional costs and liabilities, diverted management attention and has affected how the Group conducts its business, including collateral management, and may, in the future, have other adverse impacts on its business, the products and services it offers and the value of its assets. Future changes in regulation, fiscal or other policies are unpredictable and beyond the Group's control and could materially adversely affect the Group's business, financial condition and results of operations.

In particular, environmental, social and governance (“ESG”) risks are high on the agenda of the regulators, leading to a number of regulations, directives, guidelines and disclosure requirements, including without limitation, Regulation (EU) 2020/852 (the “**Taxonomy Regulation**”), which introduces a classification framework for assessing whether activities are environmentally sustainable, Regulation (EU) 2019/2088 (the “**SFDR**”), introducing sustainability-related disclosure obligations for financial sector participants, and Directive (EU) 2022/2464 (the “**CSRD**”), which upon its implementation into Belgian law will introduce enhanced sustainability reporting requirements applicable to certain corporates, including the Issuer. Such new ESG-related regulations will be gradually implemented and enter into force over the coming years, with the main focus on strategy, governance, risk management and internal and external reporting. These must be gradually implemented and enter into force over the coming years, with the main focus on strategy, governance, risk management and internal and external reporting. While the Group is taking the necessary actions to implement and be compliant with all new regulations, there can be no assurance that the Group will be able to implement the necessary changes in a timely manner or with complete effectiveness. In addition, the Group expects that market participants, investors and society in general will increasingly judge financial institutions in general, and the Group in particular, on how well they adapt to climate change and other ESG related regulation. As a result, any failure (or perceived failure) by the Group to comply with such regulations could have a material adverse effect on the Group’s reputation and, in turn, its business, financial condition, results of operations and prospects.

Regulators are also increasingly focusing on operational resilience, inspired by the COVID-19 pandemic, the increasing number of cyber threats and the Russia-Ukraine conflict. The ECB has regularly announced that it will engage with institutions to ensure that operational disruptions are properly planned for, managed and mitigated. While the Group is working to further improve its key building blocks (such as business continuity management, cyber security and outsourcing risk management), additional steps may be needed to ensure operational resilience, and the Group may be required to make significant expenditures or modify its business practices in order to comply with the expectations of regulators in this regard.

Any failure by the Group to comply with existing or future laws and regulations could result in administrative actions or sanctions. Disputes with regulators are generally subject to many uncertainties, and their outcomes are often difficult to predict, particularly in the earlier stages of a case or investigation. Adverse regulatory action could result in reputational harm, fines, sanctions or restrictions or limitations on the Group’s operations, any of which could result in a material adverse effect on the Group’s business, financial condition, results of operations and prospects. In addition, any determination by local regulators or enforcement agencies that the Group has not acted in compliance with applicable local laws in a particular market, or any failure to develop effective working relationships with local regulators, could have a material adverse effect not only on the Group’s businesses in that market but also on its reputation generally. Furthermore, proceedings, investigations and other regulatory actions (or related civil lawsuits) could involve significant costs for the Group, require significant attention from the Group’s management and the Board of Directors, entail adverse reputational impacts and attract adverse media and political attention. Any of the foregoing may have a material adverse effect on the Group’s business, financial condition, results of operations and prospects.

As an organization consisting of various financial institutions, most operations in the Group are contingent upon licenses issued by financial regulators in the countries in which such financial institutions operate. Violations of the law, or rules and regulations, whether intentional or unintentional, may lead to the withdrawal or limitation of the Group’s licenses. Any breach of these or other regulations could adversely affect the Group’s business, financial condition, results of operations and prospects.

**The Group is, and will continue to be, subject to increased capital requirements and standards due to governmental or regulatory requirements and changes in perceived levels of adequate capitalization, and may need additional capital in the future, which capital may be difficult and/or costly to obtain.**

At the international level, a number of regulatory and supervisory initiatives have been implemented in recent years in order to increase the quantity and quality of capital, and raise liquidity levels in the banking sector. Among such initiatives are several specific measures proposed by the Basel Committee on Banking Supervision (the “**Basel Committee**”) and implemented by the European Union through Directive 2013/36/EU (the “**CRD IV**”)



and Regulation (EU) 575/2013 (the “**CRR I**”), and more recently by Directive (EU) 2019/878 amending the CRD IV (the “**CRD V**”) and Regulation (EU) 2019/876 amending the CRR (the “**CRR II**”). For further information on these measures, see “*Capital Management*”. As a bank-insurance group, the Group and certain Group entities are currently subject to the capital requirements and capital adequacy ratios imposed by the CRD IV, as amended (the “**Capital Requirements Directive**” or “**CRD**”) and the CRR I, as amended (the “**Capital Requirements Regulation**” or “**CRR**”), and certain Group entities are currently subject to the capital requirements and capital adequacy ratios imposed by Directive 2009/138/EC (“**Solvency II**”).

Solvency II includes requirements for the in-scope entities of the Group to keep adequate capital buffers (eligible own funds) to absorb the impact of adverse circumstances, including (but not limited to) deteriorated market conditions, counterparty defaults and specific risks linked to insurance policies. These solvency capital requirements are determined on the basis of the risk profiles and on the way in which such risks are managed. Distinction is made between the Solvency Capital Requirement (“**SCR**”) and the Minimum Capital Requirement (“**MCR**”), which are both calculated on a quarterly basis. If the SCR exceeds the eligible own funds, this is an early warning indicator to the supervisory authority and insurance company to better manage the risks. If the MCR exceeds the eligible own funds, this means the insurance company is technically insolvent.

The requirements of CRD include the requirement to put in place a capital conservation buffer and, in certain circumstances, a buffer for systemically important institutions, a systemic risk buffer and/or a countercyclical buffer which come on top of the minimum requirements. These additional requirements have been gradually phased in and have an impact on the Group and its operations, as they impose higher capital requirements. In addition, capital requirements will increase if economic conditions or trends in the financial markets worsen and, as such, further capital increases may be difficult or costly to achieve.

The Basel III post-crisis reforms (commonly referred to as Basel IV or Basel 3.1) have been partially implemented into the Capital Requirements Regulation and the Capital Requirements Directive by the CRD V and CRR II, and will be further transposed upon the adoption of the CRD VI and CRR III proposals, which form part of the 2021 EU Banking Package. Among the changes introduced by the CRR III proposal are new rules for the calculation of risk-weighted assets for credit risk, market risk, credit valuation adjustment (CVA) risk, operational risk, and for the calculation of the leverage ratio, as well as the introduction of a so-called output floor, which sets a lower limit to the capital requirements that are produced by institutions’ internal models calculated as a percentage of the own funds requirements that would apply on the basis of standardised approaches. The CRD VI proposal introduces, among other things, new rules on the management of ESG risks by credit institutions. On June 26, 2023, a provisional agreement was reached between the Council and the European Parliament on the CRD VI and CRR III proposals. The new rules of the CRR III are expected to apply from January 1, 2025, with certain elements of the regulation phasing in gradually, while the CRD VI would have to be transposed by member states by June 30, 2026. The changes introduced by the CRD VI and CRR III proposals may result in increased capital requirements for the Group, and further capital increases may be difficult or costly to achieve.

The capital requirements applicable to the Group may change over time, including as a result of the CRD VI and CRR III proposals, further implementing the Basel IV framework, which was released by the Basel Committee in December 2017. Implementation of any changes that impose more stringent requirements could lead to increased funding costs for the Group, and it may need to raise additional capital in the future. Such capital, whether in the form of debt financing, hybrid capital or additional equity, may not be available on attractive terms, or at all. The Group is unable to predict what regulatory requirements may be imposed in the future or accurately estimate the impact that any currently proposed regulatory changes may have on its business, the products and services that it offers and the values of its assets. For example, if the Group is required to make additional provisions, increase its reserves or capital, or exit or change certain businesses as a result of the initiatives to strengthen the capitalization of banks, this could adversely affect its results of operations, financial condition and prospects.

**The Group is exposed to the risk of changes in tax legislation and its interpretation and to increases in the rate of corporate and other taxes in the jurisdictions in which it operates.**

The Group's activities are subject to tax at various rates in the jurisdictions in which it operates, computed in accordance with local legislation and practice. Actions by the Belgian, Czech, Hungarian or other governments to increase tax rates or to impose additional taxes may reduce the Group's profitability. For example, the European Pillar 2 Directive introduces a minimum taxation of 15% and must be transposed into the national law of EU Member States by the end of 2023.

In Belgium, the Ministry of Finance is also preparing draft legislation which could significantly increase the Deposit Guarantee Fund contributions of banks for 2023 through 2025. It is expected that the reform would aim for a target amount of 1.8% of the covered deposits by July 2025, instead of the current level in Belgium of 1.4% of the covered deposits.

In the Czech Republic, for the period of 2023 through 2025, the government has introduced windfall taxes on potential excessive profits of large banks and energy companies. While the impact of such taxation is not expected to be significant, given the profits of the Czech banks belonging to the Group are stable and growing adequately, but not excessively, the windfall tax may result in additional tax liabilities for ČSOB and the Group. Windfall taxes are also applicable in Hungary, where a government decree has been adopted introducing an extra profit tax on banking and insurance companies.

In addition, revisions to tax legislation or to its interpretation may have an adverse effect on the Group's financial condition in the future. Such changes could have a material adverse effect on the Group's business, financial condition, results of operations or prospects. Further, there can be no assurance that any such change in tax legislation or the interpretation of tax legislation may not have a retroactive effect on the Group's business, financial condition, results of operations or prospects.

## **RISKS RELATING TO THE NOTES**

### **Risks relating to the Conditions**

*Noteholders may be required to absorb losses in the event the Issuer becomes non-viable or fails.*

Noteholders may lose their investment in case the Issuer were to become non-viable or fail. In such circumstances, resolution authorities may require Subordinated Tier 2 Notes to be written down or converted and Senior Notes to be bailed-in pursuant to Directive 2014/59/EU, as amended, Directive (EU) 2019/879 of May 20, 2019 (the "**BRRD**"), as implemented in the Belgian Law of April 25, 2014 on the legal status and supervision of credit institutions, as amended or replaced from time to time (the "**Belgian Banking Law**").

In addition to the write-down and conversion powers of eligible liabilities mentioned below, the BRRD and the Belgian Banking Law contain four resolution tools and powers, which may be used alone or in combination where the relevant resolution authority considers that a relevant entity meets the conditions for resolution specified in Article 244 §1 of the Belgian Banking Law, i.e. (a) a relevant entity is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such relevant entity within a reasonable timeframe, and (c) a resolution action is in the public interest. The four resolution tools and powers are: (i) sale of business, which enables resolution authorities to direct the sale of the relevant entity or the whole or part of its business on commercial terms; (ii) bridge institution, which enables resolution authorities to transfer all or part of the business of the relevant entity to a "bridge institution" (an entity created for this purpose that is wholly or partially under public control), which may limit the capacity of the relevant entity to meet its repayment obligations; (iii) asset separation, which enables resolution authorities to transfer impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximizing their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) bail-in, which gives resolution authorities the power to write down certain claims of unsecured creditors of a failing relevant entity (which write-down may result in the reduction of such claims to

zero) and to convert certain unsecured debt claims (including Senior Notes) to equity or other instruments of ownership (the “**bail-in power**”), which equity or other instruments could also be subject to any future cancellation, transfer or dilution.

*Write-down / conversion of tier 2 capital instruments, including Subordinated Tier 2 Notes.*

The BRRD requires the Resolution Authority to write down the principal amount of tier 2 capital instruments (including the Subordinated Tier 2 Notes) or to convert such principal amount into common equity tier 1 of the Issuer so as to ensure that the regulatory capital instruments (including the Subordinated Tier 2 Notes) fully absorb losses at the point of non-viability of the issuing institution or the Group. Accordingly, the Resolution Authority shall be required to write down or convert such capital instruments (including the Subordinated Tier 2 Notes) immediately before taking any resolution action, together with such resolution action or independently from any resolution action, if the Issuer or the Group were deemed to have reached the point of non-viability or require extra-ordinary public support.

An institution or the Group will be deemed to be no longer viable if (i) it is failing or likely to fail and (ii) there is no reasonable prospect that a private action would prevent the failure within a reasonable timeframe.

The resolution authorities have to exercise the write down and conversion powers in accordance with the priority of claims under normal insolvency proceedings, in a way that results in (i) common equity tier 1 instruments of the Issuer are reduced first in proportion to the losses and to the extent of their capacity; (ii) second the principal amount of additional tier one instruments is written down or converted into common equity tier 1 instruments or both, to the extent required or to the extent of the capacity of the relevant capital instruments; (iii) thereafter, to the extent required, the principal amount of tier 2 capital instruments (including Subordinated Tier 2 Notes) is written down (in principle on a permanent basis), converted into common equity tier 1, or a combination of the above.

More specifically, article 267/8, §1 of the Belgian Banking Law provides the order in which eligible liabilities should be converted or written down in case the Resolution Authority decides to apply the bail-in tool. Tier 2 capital instruments of the Issuer (including the Subordinated Tier 2 Notes) will only be converted or written down following conversion or write-down of the tier 1 capital instruments of the Issuer, but before all subordinated debt and other eligible liabilities of the Issuer that are not tier 1 or tier 2 capital instruments of the Issuer at the time of resolution.

In circumstances of financial distress (whether related to the economy or markets generally or events specific to the Group), there may be uncertainty as to the likelihood that resolution authorities could in the future decide to write down or convert Subordinated Tier 2 Notes into tier 1 instruments. Due to the uncertainty as to whether any such write down or conversion could occur, the trading price of the Subordinated Tier 2 Notes could drop significantly.

Any indication that the Issuer’s securities may run the risk of being required to absorb losses in the future is likely to have an adverse effect on the market price of the Subordinated Tier 2 Notes. Under such circumstances, investors may not be able to sell their Subordinated Tier 2 Notes at prices comparable to the prices of more conventional investments or at all.

Furthermore, the Resolution Authority has the power to suspend any payment or delivery obligation arising from a contract to which a credit institution is a party when the conditions set out in Article 244/2 of the Belgian Banking Law are met.

*Bail-in of senior debt and other eligible liabilities, including Senior Notes.*

Holders of Senior Notes are at risk of losing some or all of their investment (including outstanding principal and accrued but unpaid interest) upon exercise by the Resolution Authority of the “bail-in” resolution tool in circumstances where the Issuer is no longer viable. An institution will be deemed to be no longer viable if (i) it is

failing or likely to fail and (ii) there is no reasonable prospect that a private action would prevent the failure within a reasonable timeframe.

The Resolution Authority has the power to bail-in (i.e., write down, cancel or convert) senior debt such as the Senior Notes, after having written down or converted tier 1 capital instruments, tier 2 capital instruments (such as the Subordinated Tier 2 Notes) and subordinated debt which is not tier 1 or tier 2 capital.

The bail-in power enables the Resolution Authority to recapitalize a failed institution by allocating losses to its shareholders and unsecured creditors (including holders of Senior Notes) in a manner which is consistent with the hierarchy of claims in an insolvency of the relevant financial institution. The BRRD contains certain safeguards which provide that shareholders and creditors that are subject to any write down or conversion should in principle not incur greater losses than they would have incurred had the relevant financial institution been wound up under normal insolvency proceedings ('no creditor worse off' principle).

Importantly, certain liabilities of credit institutions will be excluded from the scope of the "bail-inable liabilities" and therefore not subject to bail-in. These include covered deposits, secured liabilities (including covered bonds) as well as certain debt with maturities of less than seven days and certain other liabilities. Certain other liabilities (including the Senior Notes) will be deemed "bail-inable liabilities" subject to the statutory bail-in powers.

BRRD specifies that governments will only be entitled to use public money to rescue credit institutions as a last resort and provided that a minimum of 8% of the own funds and total liabilities have been written down, converted or bailed in. Moreover, the resolution authorities will be entitled to first bail-in senior debt issued at the level of the Issuer (including the Senior Notes) before writing down or bailing in any tier 1, tier 2 capital instruments or senior debt issued at the level of KBC Bank NV.

#### *Impact of loss absorption.*

The determination that all or part of the principal amount of any series of Subordinated Tier 2 Notes and Senior Notes are subject to loss absorption (i.e., conversion or write-down) is likely to be inherently unpredictable and may depend on a number of factors which may be outside of the Group's control. This determination will also be made by the Resolution Authority and there may be many factors, including factors not directly related to the Group, which could result in such a determination. Because of this inherent uncertainty, it will be difficult to predict when, if at all, the exercise of any resolution tool may occur.

Accordingly, trading behavior in respect of the Subordinated Tier 2 Notes and potentially Senior Notes is not necessarily expected to follow the trading behavior associated with other types of securities. Potential investors in the Subordinated Tier 2 Notes and the Senior Notes should consider the risk that a Noteholder may lose all of its investment, including the principal amount plus any accrued and unpaid interest, if such statutory loss absorption measures are acted upon or that the Subordinated Tier 2 Notes or the Senior Notes may be converted into ordinary shares. Noteholders may have limited rights or no rights to challenge any decision to exercise such powers or to have that decision reviewed by a judicial or administrative process or otherwise.

#### ***As the Issuer is a holding company, the holders of Notes will be structurally subordinated to other creditors who hold debt instruments at the level of one or more of the subsidiaries of the Issuer.***

The Issuer is the financial holding company of the Group and has two important subsidiaries, KBC Bank NV and KBC Insurance NV. The main sources of operating funds for the Issuer are the dividends, distributions, interest payments and any advances it receives from its subsidiaries and the amounts raised through the issuance of debt instruments such as the Notes. The ability of the subsidiaries to make dividend and other payments to the Issuer may depend on their profitability and may be subject to certain legal or contractual restrictions. The extent to which the Issuer is able to receive such payments will, in turn, affect its ability to make payments on the Notes and any other debt instruments of the Issuer, which, in addition, may rank senior to the Notes. The Notes do not benefit from any guarantee from any of the subsidiaries.

Moreover, the holders of Notes will be structurally subordinated to other creditors who hold debt instruments at the level of one or more of the subsidiaries of the Issuer, including, without limitation, the contingent Tier 2 capital notes issued by KBC Bank NV. The subsidiaries of the Issuer generally hold more operational assets than the Issuer. If the assets of the Issuer's subsidiaries were to be realized, it is possible that, after such realization, insufficient assets would remain available for distribution to the Issuer in order to enable it to fulfill any payment obligations under the Notes. Please also refer to the risk factor entitled "*Noteholders may be required to absorb losses in the event the Issuer becomes non-viable or fails*".

***The Notes are subject to early redemption by the Issuer, subject to certain conditions.***

The Issuer may have an optional redemption right, in its sole and full discretion, in the circumstances and subject to the conditions set out in Condition 4(b) (*Redemption upon the occurrence of a Tax Event*), Condition 4(c) (*Redemption of Subordinated Tier 2 Notes following the occurrence of a Capital Disqualification Event*), Condition 4(d) (*Redemption at the Option of the Issuer*) and Condition 4(e) (*Redemption of Senior Notes following the occurrence of a Loss Absorption Disqualification Event*).

The Issuer's ability to redeem the Notes at its option may affect the market value of the Notes. In particular, during any period when the Issuer has the right to elect to redeem the Notes or the market anticipates that redemption might occur, such as when the Issuer's cost of borrowing is lower than the interest rate on the Notes, the market value of the Notes generally would not be expected to rise substantially above the redemption price.

If the Issuer redeems the Notes in any of the circumstances mentioned above, there is a risk that the Notes may be redeemed at times when the redemption proceeds are less than the current market value of the Notes or when prevailing interest rates may be relatively low, in which case Noteholders may only be able to reinvest the redemption proceeds in securities with a lower yield.

***The Issuer is not prohibited from issuing additional debt.***

There is no restriction on the amount of debt that the Issuer may issue, which may rank *pari passu* with, or, in the case of Subordinated Tier 2 Notes, senior to, the Notes. The issue of any such debt or securities may reduce the amount recoverable by investors upon an insolvency of the Issuer. If the Issuer's financial condition were to deteriorate, the holders could suffer direct and materially adverse consequences, including suspension of interest and reduction of interest and principal and, if the Issuer were liquidated (whether voluntarily or involuntarily), the holders could suffer loss of their entire investment.

***In certain instances the Noteholders may be bound by certain amendments to the Conditions to which they did not consent, which may result in less favorable terms of the Notes.***

Condition 12 (*Meetings of Noteholders and Modifications*) and Schedule 1 (*Provisions on Meetings of Noteholders*) to the Conditions contain provisions for Noteholders to consider matters affecting their interests generally, including modifications to the Conditions. These provisions permit defined majorities to bind all holders, including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority or, as the case may be, who did not sign the relevant written resolution or provide their electronic consents for the passing of the relevant resolution.

Further, Condition 12 (*Meetings of Noteholders and Modifications*) provides that the Issuer may, without the consent or approval of the Noteholders, make such amendments to the Conditions or the Agency Agreement which are of a formal, minor or technical nature or made to correct a manifest error or comply with mandatory provisions of law or such amendments to the Agency Agreement which are not prejudicial to the interests of the holders (except those changes in respect of which an increased quorum is required).

In addition, pursuant to Condition 3(j) (*Benchmark replacement*), if a Benchmark Event or a Benchmark Transition Event and its related Benchmark Replacement Date, as applicable, occurs, certain changes may be made to the interest calculation and related provisions of the Floating Rate Notes and the Fixed Rate Reset Notes,

as well as the Agency Agreement in the circumstances and as otherwise set out in such Condition, without the consent or approval of the Noteholders. Please also refer to the risk factor entitled “*Risks related to certain Notes linked to “benchmarks”*”.

Finally, if so specified in the Pricing Supplement, the Issuer will, subject to certain conditions, be entitled to substitute and/or vary the terms of the relevant Notes upon the occurrence and continuation of a Loss Absorption Disqualification Event (in accordance with Condition 7 (*Senior Notes–Substitution or variation following a Loss Absorption Disqualification Event*)) or a Capital Disqualification Event (in accordance with Condition 6 (*Subordinated Tier 2 Notes –Substitution or variation following a Capital Disqualification Event*)), as applicable, so as to ensure that they remain or become Eligible Liabilities Instruments or Qualifying Securities, as applicable. Please also refer to the risk factors entitled “*Substitution and variation of Senior Notes upon the occurrence of a Loss Absorption Disqualification Event*” and “*Substitution or variation of Subordinated Tier 2 Notes upon the occurrence of a Capital Disqualification Event*”.

Accordingly, there is a risk that the Conditions may be modified, waived or varied in circumstances where a holder does not agree to such modification, waiver or variation, which may adversely impact the rights of such holder. Such decisions may for example relate to a reduction of the amount to be paid by the Issuer upon redemption of the Notes, which would then impact the return an investor may receive on its Notes.

***Changes in law or the application, interpretation or administrative practice may affect the rights of Noteholders.***

As set out in Condition 16 (*Governing Law and Jurisdiction*), the Conditions are governed by, and construed in accordance with, English law, other than Condition 1, Condition 2, Condition 12(a), Condition 16(c) and Schedule 1 to the Conditions, which are governed by Belgian law. Such law is, in each case, as is in effect as of the date of this Offering Memorandum. Any change in law or in the official application, interpretation or administrative practice after the date of this Offering Memorandum may affect the enforceability of the Noteholders’ rights under the Conditions or render the exercise of such rights more difficult and, hence, materially adversely impact the value of any Notes affected by it. This may for example relate to the implementation of statutory resolution and loss-absorption tools. Please also refer to the risk factor entitled “*Noteholders may be required to absorb losses in the event the Issuer becomes non-viable or fails*”.

***There are no rights of set-off for Subordinated Tier 2 Notes and potentially Senior Notes.***

No holder of a Subordinated Tier 2 Note may exercise or claim any right of set-off, compensation, retention or netting in respect of any amount owed to it by the Issuer arising under or in connection with such Note, and each such Noteholder shall, by virtue of its subscription, purchase or holding of any such Note, be deemed to have waived all such rights of set-off, compensation, retention or netting. The same will be the case for holders of Senior Notes when the applicable Pricing Supplement in respect of Senior Notes specify that Condition 2(a)(ii) applies.

**Risks relating to particular Notes**

***Risks related to Senior Notes.***

***Substitution and variation of Senior Notes upon the occurrence of a Loss Absorption Disqualification Event.***

Pursuant to Condition 7 (*Senior Notes–Substitution or variation following a Loss Absorption Disqualification Event*), the Issuer has the option to specify in the Pricing Supplement in relation to Senior Notes that a Loss Absorption Disqualification Event Variation or Substitution is applicable. A Loss Absorption Disqualification Event Variation or Substitution would, if selected in the applicable Pricing Supplement, allow the Issuer in circumstances where a Loss Absorption Disqualification Event has occurred and is continuing or in order to ensure the effectiveness and enforceability of Condition 16(c), to elect either to (i) substitute all (but not some only) of such Series of Senior Notes or (ii) vary the terms of all (but not some only) of such Series of Senior Notes, so that

they become or remain Eligible Liabilities Instruments (and, in either case to change the governing law of Condition 16(c) from Belgian law to English law), subject to, and to the extent required at such date, the prior written approval of the Relevant Regulator and/or the Resolution Authority.

Eligible Liabilities Instruments are securities issued by the Issuer that have, *inter alia*, terms not materially less favorable to the Noteholders as a class than the terms of the Senior Notes as reasonably determined by the Issuer (provided that the Issuer shall have delivered a certificate to that effect to the Paying Agent), except in circumstances where the substitution or variation is in order to ensure the effectiveness and enforceability of Condition 16(c). Where the Issuer has determined that the terms of Eligible Liabilities Instruments to be issued are not materially less favorable to the Noteholders as a class, it is possible that these will not be as favorable to a particular Noteholder, given such Noteholder's individual circumstances. If any substitution or variation of any Notes were to be effected in order to address any actual or perceived ineffectiveness of Condition 16(c) regarding the Bail-in Power, such substitution or variation might not be viewed by the market as being equally favorable to Noteholders. In circumstances where the applicable Pricing Supplement in relation to Senior Notes specifies that Loss Absorption Disqualification Event Variation or Substitution is applicable, the Senior Notes are intended to qualify in full towards the Issuer's and/or the Group's minimum requirements for (i) own funds and eligible liabilities and/or (ii) loss absorbing capacity instruments under the applicable Loss Absorption Regulations. Given the current status and evolving nature of the legislation on this topic and the interpretation thereof, there is, nevertheless, uncertainty regarding the final substance of the applicable Loss Absorption Regulations. It is therefore possible that the Senior Notes will not be or will not remain eligible instruments for minimum requirements for own funds and eligible liabilities ("MREL").

*No events of default apply to Senior Notes allowing acceleration of payment, other than in a dissolution or liquidation.*

Condition 10 (*Enforcement*) provides that no events of default will apply allowing for acceleration of the Senior Notes if certain events occur. In such case, the Noteholders will not be able to accelerate the maturity of such Notes. Accordingly, if the Issuer fails to meet any obligations under the Senior Notes (including any failure to pay interest when due), investors will not have the right to accelerate payment of principal (other than in the event of the Issuer's dissolution or liquidation). Upon a payment default, the sole remedy available to holders of Senior Notes for recovery of amounts owing in respect of any payment of principal or interest on the Senior Notes will be the institution of dissolution or liquidation proceedings to the extent permitted under Belgian law. Notwithstanding the foregoing, the Issuer will not, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

#### ***Risks related to Subordinated Tier 2 Notes.***

*The Subordinated Tier 2 Notes are subordinated obligations.*

Condition 2(b) (*Status of the Subordinated Tier 2 Notes*) states that the Subordinated Tier 2 Notes are direct, unconditional, unsecured and subordinated obligations of the Issuer and shall, in the event of a dissolution, liquidation or winding-up of the Issuer (except, in any such case, a solvent liquidation, dissolution or winding-up solely for the purposes of a reorganization, reconstruction or amalgamation of the Issuer or the substitution in place of the Issuer of a successor in business of the Issuer), be subordinated in right of payment to the claims of Senior Creditors of the Issuer.

Therefore, if the Issuer were to be wound up, liquidated or dissolved, the liquidator would first apply assets of the Issuer to satisfy all rights and claims of such Senior Creditors. If the Issuer does not have sufficient assets to settle such claims in full, the claims of the holders of Subordinated Tier 2 Notes will not be met and, as a result, the holders will lose the entire amount of their investment in the Subordinated Tier 2 Notes. The Subordinated Tier 2 Notes will share equally in payment with other *pari passu* claims. If the Issuer does not have sufficient funds to make full payments on all of them, holders could lose all or part of their investment.

The Issuer may issue other obligations that rank or are expressed to rank senior to the Subordinated Tier 2 Notes or capital instruments that rank or are expressed to rank *pari passu* with the Subordinated Tier 2 Notes, in each case as regards the right to receive periodic payments on a liquidation or bankruptcy of the Issuer and the right to receive repayment of capital on a liquidation or bankruptcy of the Issuer. In the event of a liquidation or bankruptcy of the Issuer, the Issuer will be required to pay (i) its depositors and other unsubordinated creditors and (ii) subject as described in the paragraph that follows, its other subordinated creditors (other than the present or future claims of creditors that rank or are expressed to rank *pari passu* with or junior to the Subordinated Tier 2 Notes) in full before it can make any payments on the Subordinated Tier 2 Notes. If this occurs, the Issuer may not have enough assets remaining after these payments are made to pay amounts due under the Subordinated Tier 2 Notes.

According to Article 48(7) of the BRRD (as transposed into Belgian law by an amendment to Article 389/1 of the Belgian Banking Law), liabilities resulting from fully or partially recognized own funds instruments (within the meaning of the CRR, and including the Subordinated Tier 2 Notes) shall rank junior to all other liabilities. This entails that, regardless of their contractual ranking, liabilities that are no longer at least partially recognized as an own funds instrument for the purpose of the CRR shall rank senior to any liabilities fully or partially recognized as an own funds instrument. Accordingly, in the event of a liquidation or bankruptcy of the Issuer, the Issuer will, *inter alia*, be required to pay subordinated creditors of the Issuer, whose claims arise from liabilities that are no longer fully or partially recognized as an own funds instrument (within the meaning of the CRR, and which could include some series of Subordinated Tier 2 Notes if they are no longer so recognized) in full before it can make any payments on the Subordinated Tier 2 Notes which continue to be at least partially recognized as own fund instruments at the time of the opening of the liquidation or bankruptcy procedure.

In addition, in the event of a liquidation or bankruptcy of the Issuer, to the extent the Issuer has assets remaining after paying its creditors who rank senior to the Subordinated Tier 2 Notes, payments relating to holders of other obligations or capital instruments of the Issuer that rank or are expressed to rank *pari passu* with the Subordinated Tier 2 Notes may, if there are insufficient assets to satisfy the claims of all of the Issuer's *pari passu* creditors, further reduce the assets available to pay amounts due under the Subordinated Tier 2 Notes on a liquidation or bankruptcy of the Issuer.

*No events of default apply to Subordinated Tier 2 Notes allowing acceleration of payment, other than in dissolution or liquidation.*

The Conditions of the Subordinated Tier 2 Notes do not provide for events of default allowing for acceleration of the Subordinated Tier 2 Notes if certain events occur. Accordingly, if the Issuer fails to meet any obligations under the Subordinated Tier 2 Notes, including the payment of any interest, investors will not have the right to accelerate payment of principal, which shall only be due in the event of the Issuer's dissolution or liquidation. Upon a payment default, the sole remedy available to holders of Subordinated Tier 2 Notes for recovery of amounts owing in respect of any payment of principal or interest on the Subordinated Tier 2 Notes will be the institution of dissolution or liquidation proceedings to the extent permitted under Belgian law in order to enforce such payment.

Holders should further be aware that, in or prior to any such dissolution or liquidation scenario, the Resolution Authority could decide to write down the principal amount of the Subordinated Tier 2 Notes to zero or convert such principal amount into equity or tier 1 instruments. Please also refer to the risk factor entitled "*Noteholders may be required to absorb losses in the event the Issuer becomes non-viable or fails*" on pages 33 to 35 of this Offering Memorandum.

*Substitution or variation of Subordinated Tier 2 Notes upon the occurrence of a Capital Disqualification Event*

Pursuant to Condition 6 (*Subordinated Tier 2 Notes—Substitution or variation following a Capital Disqualification Event*), the Issuer has the option to specify in the Pricing Supplement in relation to Subordinated Tier 2 Notes that a Capital Disqualification Event Variation is applicable. A Capital Disqualification Event will apply if, as a result of a change to the regulatory classification, the Issuer would no longer be able to count the Subordinated Tier 2 Notes wholly or in part towards its tier 2 capital. A Capital Disqualification Event Variation would entitle the Issuer in such circumstances to vary the terms of such Subordinated Tier 2 Notes (subject to certain conditions)



in order to ensure that they remain or become Qualifying Securities (i.e., qualify again as tier 2 capital of the Issuer) or in order to ensure the effectiveness and enforceability of Condition 16(c). Importantly, the Issuer would in such circumstances be entitled (i) to substitute or vary, subject to the conditions set out in Condition 6 (*Subordinated Tier 2 Notes–Substitution or variation following a Capital Disqualification Event*), the terms of the Subordinated Tier 2 Notes without the consent of the holders of the Subordinated Tier 2 Notes or (ii) to substitute or vary the governing law of Condition 16(c) from Belgian law to English law. The Issuer would treat the investors as a class and the individual position of the Noteholders may be prejudiced, despite the conditions set out in Condition 6 (*Subordinated Tier 2 Notes–Substitution or variation following a Capital Disqualification Event*).

*There are no rights of set-off for Subordinated Tier 2 Notes and Senior Notes*

No holder of a Subordinated Tier 2 Note or a Senior Note may exercise or claim any right of set-off, compensation, retention or netting in respect of any amount owed to it by the Issuer arising under or in connection with such Note, and each such Noteholder shall, by virtue of its subscription, purchase or holding of any such Note, be deemed to have waived all such rights of set-off, netting, compensation or retention.

***Risks related to certain Notes linked to “benchmarks”.***

Reference Rates and indices, including interest rate benchmarks, such as the Euro Interbank Offered Rate (“**EURIBOR**”) and the Secured Overnight Financing Rate (“**SOFR**”), which are used to determine the amounts payable under financial instruments or the value of such financial instruments (“**Benchmarks**”), have, in recent years, been the subject of political and regulatory scrutiny as to how they are created and operated. This has resulted in regulatory reform and changes to existing Benchmarks, with further changes anticipated. These reforms and changes may cause a Benchmark to perform differently than it has done in the past, to be discontinued, or have other consequences which cannot be predicted. Any change in the performance of a Benchmark or its discontinuation, could have a material adverse effect on any Notes referencing or linked to such Benchmark.

Regulation (EU) 2016/1011 (the “**EU Benchmarks Regulation**”) applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. Among other things, it (i) requires benchmark administrators to be authorized or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognized or endorsed) and (ii) prevents certain uses by EU supervised entities (such as the Issuer) of benchmarks of administrators that are not authorized or registered (or, if non-EU based, not deemed equivalent or recognized or endorsed). Regulation (EU) 2016/1011 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “**UK Benchmarks Regulation**”) among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorised by the Financial Conduct Authority (the “**FCA**”) or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed).

The EU Benchmarks Regulation and/or the UK Benchmarks Regulation could have a material impact on any Notes linked to or referencing a benchmark in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the EU Benchmarks Regulation and/or the UK Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

More broadly, any of the national or international reforms, or the general increased regulatory scrutiny of Benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a Benchmark and complying with any such regulations or requirements.

The euro risk-free rate working group for the euro area has published a set of guiding principles and high-level recommendations for fallback provisions in, amongst other things, new euro-denominated cash products (including bonds) referencing EURIBOR. The guiding principles indicate, amongst other things, that continuing to reference EURIBOR in relevant contracts (without robust fallback provisions) may increase the risk to the euro area financial system. On May 11, 2021, the incumbent euro risk-free rate working group published its

recommendations on EURIBOR fallback trigger events and fallback rates the (“**May 2021 Recommendations**”), thereby completing its initial mandate. Following such completion, the structure and mandate of the euro risk-free rate working group was updated, and on March 2, 2022 the new euro risk-free rate working group published its work programme and updated terms of reference for 2022/23. On May 4, 2023, the new euro risk-free rate working group published a new guidance document on the application of the May 2021 Recommendations to corporate lending products.

Such factors may (without limitation) have the following effects on certain Benchmarks: (i) discouraging market participants from continuing to administer or contribute to the Benchmark; (ii) triggering changes in the rules or methodologies used in the Benchmark; or (iii) leading to the disappearance of the Benchmark. Any of the above changes or any other consequential changes as a result of national or international reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes referencing, linked to or otherwise dependent (in whole or in part) upon a Benchmark.

Any changes to the administration of a Benchmark or the emergence of alternatives to a Benchmark as a result of these reforms, may cause such Benchmark to perform differently than in the past or to be discontinued, or there could be other consequences which cannot be predicted. The potential discontinuation of a Benchmark or changes to its administration could require changes to the way in which the Rate of Interest is calculated in respect of any Notes referencing or linked to such Benchmark. Uncertainty as to the nature of alternative reference rates and as to potential changes to a Benchmark may adversely affect such Benchmark during the term of the relevant Notes, the return on the relevant Notes and the trading market for securities based on the same Benchmark. The development of alternatives to a Benchmark may result in Notes linked to or referencing such Benchmark performing differently than would otherwise have been the case if such alternatives to such Benchmark had not developed. Any such consequence could have a material adverse effect on the value of, and return on, any Notes referencing or linked to a Benchmark.

Condition 3(j) (*Benchmark replacement*) provides for certain fallback arrangements in the event that a Benchmark Event or Benchmark Transition Event occurs, for example, where a published Benchmark (including any page on which such Benchmark may be published (or any successor service)) becomes unavailable. The Benchmark Events also include the situation where the administrator of the relevant Reference Rate or Reset Reference Rate (as applicable) announces that the methodology to calculate such Reference Rate or Reset Reference Rate (as applicable) has materially changed. If a Benchmark Event or Benchmark Transition Event occurs, the Issuer may, after appointing and consulting with an Independent Adviser, determine a Successor Rate, Alternative Reference Rate or Benchmark Replacement to be used in place of the relevant Benchmark where that relevant Benchmark has been selected as the Reference Rate or Reset Reference Rate (as applicable) to determine the Rate of Interest. The use of any such Successor Rate, Alternative Reference Rate or Benchmark Replacement to determine the Rate of Interest may result in Notes linked to or referencing the relevant Benchmark performing differently (including paying a lower Rate of Interest) than they would if the relevant Benchmark were to continue to apply in its current form.

Furthermore, if a Successor Rate, Alternative Reference Rate or Benchmark Replacement for the relevant Benchmark is determined by the Issuer, the Conditions provide that the Issuer may vary the Conditions, as necessary, to ensure the proper operation of such Successor Rate, Alternative Reference Rate or Benchmark Replacement, without any requirement for consent or approval of the Noteholders. Please also refer to the risk factor entitled “*In certain instances the Noteholders may be bound by certain amendments to the Conditions to which they did not consent, which may result in less favorable terms of the Notes*”. No adjustments or amendments will be applied if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to result in a change in the regulatory classification of the Notes giving rise to a Capital Disqualification Event (in the case of Subordinated Tier 2 Notes) or a Loss Absorption Disqualification Event (in the case of Senior Notes).

If a Successor Rate or Alternative Reference Rate is determined by the Issuer, the Conditions also provide that an Adjustment Spread will be determined by the Issuer to be applied to such Successor Rate or Alternative Reference Rate. The aim of the Adjustment Spread is to reduce or eliminate, so far as is practicable, any economic prejudice or benefit (as the case may be) to Noteholders as a result of the replacement of the relevant Benchmark with the

Successor Rate or the Alternative Reference Rate. However, it is possible that the application of an Adjustment Spread will not reduce or eliminate economic prejudice to Noteholders.

In addition, if the relevant Benchmark is discontinued permanently and the Issuer, for any reason, is unable to determine the Successor Rate or Alternative Reference Rate, the Rate of Interest may revert to the Rate of Interest applicable as at the last preceding Interest Determination Date before the relevant Benchmark was discontinued and such Rate of Interest will continue to apply until maturity. This will result in the Floating Rate Notes, in effect, becoming Fixed Rate Notes.

Any such consequences could have a material adverse effect on the value of, and return on, any Notes to which the fallback arrangements are applicable. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could adversely affect the ability of the Issuer to meet its obligations under the Notes and could have a material adverse effect on the value or liquidity of, and the amount payable under, the Notes.

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

***Risks related to Fixed Rate Reset Notes.***

Fixed Rate Reset Notes will initially bear interest at the Initial Rate of Interest until (but excluding) the First Reset Date. On the First Reset Date, the Second Reset Date (if applicable) and each Subsequent Reset Date (if any) thereafter, the interest rate will be reset to the sum of the applicable Reset Reference Rate and the Margin or as determined by the Calculation Agent on the relevant Reset Determination Date (each such interest rate, a “**Subsequent Reset Rate**”). The Subsequent Reset Rate for any Reset Period could be less than the Initial Rate of Interest or the Subsequent Reset Rate for prior Reset Periods and could affect the market value of an investment in the Fixed Rate Reset Notes.

***Risks related to Fixed/Floating Rate Notes.***

Fixed/Floating Rate Notes may bear interest at a rate that will be converted from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The conversion of the interest rate will affect the secondary market and the market value of such Notes since the conversion will usually be effected when the new interest rate is likely to produce a lower overall cost of borrowing. If a fixed rate is converted to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favorable than then prevailing spreads on comparable Floating Rate Notes tied to the same Reference Rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If a floating rate to a fixed rate is converted, the fixed rate may be lower than then prevailing rates on its Notes.

***Risks related to Notes where a Minimum Rate of Interest and/or Maximum Rate of Interest applies.***

Notes where a Minimum Rate of Interest and/or Maximum Rate of Interest applies will be less exposed to the positive and negative performance or fluctuations of the underlying Reference Rate.

Notes where a Maximum Rate of Interest applies to a particular Interest Basis have an interest rate that is subject to a maximum specified rate. The maximum Interest Amount payable in respect of such Interest Basis will occur when the applicable formula leads to a Rate of Interest which is higher than the maximum specified rate, in which case the Rate of Interest will be limited to the Maximum Rate of Interest specified in the Pricing Supplement. Investors in such Notes will therefore not benefit from any increase in the relevant Reference Rate.

**Risks related to the CDIs**

***Any payments made in respect of any CDIs, any actions to be taken by holders of CDIs and all communications with the Issuer will occur through DTC.***

On the issue date, if The Bank of New York Mellon has, after prior consultation with the Issuer and upon receipt of an instruction from the Issuer, consented to act as CDI Depository, Custodian, Registrar and Transfer Agent for the benefit of the registered holder(s) of the CDIs in respect of such Series, the Notes of each Series will be held by The Bank of New York Mellon, as CDI Depository, through Euroclear as a direct participant in the Securities Settlement System. The CDI Depository will create CDIs representing interests in the Notes, which will be issued to DTC or its nominee, and its direct (including Euroclear and Clearstream, Luxembourg) and indirect participants will record ownership of the beneficial interests in the CDIs on their books.

Holders of beneficial interests in any Notes represented by CDIs will not be considered holders of a Note under the Agency Agreement or the Deposit Agreement. After payment of any interest, principal, Additional Amounts or other amount to the CDI Depository, the Issuer will not have any responsibility or liability for the payment of such amount by the CDI Depository to DTC or by DTC to any holder of a beneficial interest in any Note represented by CDIs, including to Euroclear or Clearstream, Luxembourg as Participants in DTC. The CDI Depository will be the sole holder of any Notes of each Series, and each person owning a beneficial interest therein represented by a CDI must rely on the CDI Depository and on the procedures of DTC, Euroclear or Clearstream, Luxembourg, as participants in DTC (and if such person is not a participant in DTC or an accountholder in Euroclear or Clearstream, Luxembourg, on the procedures of the participant or accountholder through which such person holds such interest) with respect to the exercise of any rights of a holder of a Note.

Payments of principal and interest on, or any Additional Amounts and other amounts due in respect of, the Notes will be made to the CDI Depository (as holder of the Notes), which will in turn distribute payments to Cede & Co. (as nominee of DTC). Upon receipt of any payment from the CDI Depository, DTC will credit participants' accounts (including those of Euroclear and Clearstream, Luxembourg) with payment in amounts proportionate to their respective ownership of CDIs as shown on their records. The Issuer expects that payments by participants or indirect participants to owners of interests in CDIs held through such participants or indirect participants will be governed by standing customer instructions and customary practices, and will be the responsibility of such participants or indirect participants. None of the Issuer, the CDI Depository or any Paying Agent (as defined in "*Terms and Conditions of the Notes*") will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, the CDIs or for maintaining, supervising or reviewing any records relating to such CDIs. There can be no assurance that procedures implemented will be sufficient to enable holders of CDIs to receive any such payments or amounts on the same Business Day as such payments or amounts are made to the CDI Depository.

Unlike Noteholders, holders of the CDIs will not have the right under the Conditions to act upon solicitations by or on behalf of the Issuer for consents or requests by or on behalf of the Issuer for waivers or other actions from Noteholders. Instead, a holder of CDIs will be permitted to act only to the extent it has received appropriate proxies to do so from DTC and, if applicable, their participants and in accordance with the provisions of the Deposit Agreement. In addition, the CDI Depository may not be able to send voting instructions or carry out voting instructions in a timely manner. There can be no assurance that procedures implemented for the granting of such proxies, for receiving voting materials or any notices will be sufficient to enable holders of CDIs to vote on any requested actions in respect of the Notes on a timely basis. Furthermore, the CDI Depository will not be responsible for any failure to carry out any instructions to vote, for the manner in which any vote is cast or for the effect of any such vote. As a result, holders of CDIs may not be able to vote in a timely manner.

Similarly, where holders of the Notes are entitled to take enforcement action under Condition 10 of the Notes, holders of CDIs will be restricted to acting through DTC and the CDI Depository unless and until, pursuant to the terms of the Deed of Covenant, as of the Relevant Time (as defined below), the CDI Depository ceases to have rights under the Notes of such Series in accordance with the Conditions. At such Relevant Time, institutions that have accounts with DTC or its successors ("**DTC Participants**") shall automatically acquire at the Relevant Time, without the need for any further action on behalf of any person, against the Issuer all those rights that the DTC Participants would have had if immediately prior to the Relevant Time they held and beneficially owned a nominal amount of Notes of the relevant Series equal to the nominal amount of CDIs that the DTC Participants have credited to their securities account with DTC at the Relevant Time, save that any payment in respect of the Notes shall continue to be made to the CDI Depository as the holder of such Notes. "**Relevant Time**" means the time at

which the CDI Depository will have no further rights under the Notes of a Series upon the occurrence of a Relevant Event (as defined in the Deed of Covenant). Prior to the Relevant Time, the CDI Depository will have no obligation to enforce any provisions of the relevant Series of Notes and, after the Relevant Time, the CDI Depository will no longer have any rights to enforce any provisions of the relevant Series of Notes.

There can be no assurance that the procedures to be implemented by DTC, Euroclear, Clearstream, Luxembourg and the CDI Depository under such circumstances will be adequate to ensure the timely exercise of remedies under the Conditions. For a description of the CDIs, see “*Form of Notes – Depository Receipts*”.

None of the Issuer, the CDI Depository, the Paying Agent or any of their agents will have any responsibility for the performance by DTC or its participants or account holders of their respective obligations under the rules and procedures governing their operations.

***There may be no tax gross-up protection with respect to the CDIs.***

The Conditions provide that the Issuer will gross-up payments on the Notes in certain circumstances due to changes in Belgian law. However, the Issuer has not made any separate gross-up undertakings with respect to the CDIs, and investors holding CDIs are therefore exposed to changes in tax law that affect the CDIs, which could reduce the payments such investors receive in respect of their CDIs and adversely affect the market prices of the CDIs.

***Holders of CDIs may be required to absorb losses in the event the Issuer becomes non-viable or fails.***

Upon exercise by the Resolution Authority of the “bail-in” resolution tool in circumstances where the Issuer is no longer viable, as set out under “—*Risks relating to the Conditions—Noteholders may be required to absorb losses in the event the Issuer becomes non-viable or fails*” above, each holder of a CDI acknowledges and agrees that the exercise of any Bail-in Power by the Resolution Authority with respect to the Notes will not constitute a breach of, or default under, the terms of the Notes or, for the avoidance of doubt, under the terms of the CDIs. In addition, any payment, offering, right or benefit made available to Noteholders in accordance with the exercise of the bail-in power may not be made available to DTC or beneficial owners of CDIs.

***If the CDI Depository resigns or is removed, the Issuer or a court of competent jurisdiction, as applicable, may not be able to find a successor CDI Depository on a timely basis or at all, which could have adverse consequences on holders of CDIs.***

Pursuant to the Deposit Agreement, the CDI Depository may resign by giving written notice thereof to the Issuer and DTC not less than 120 days prior to the effective date of such resignation, subject to certain conditions set out in the Deposit Agreement. In addition, the CDI Depository may be removed by the Issuer (i) at any time upon not less than 90 days’ notice, or (ii) immediately for certain causes set out in the Deposit Agreement. If the CDI Depository resigns or is removed by the Issuer, or if a vacancy occurs in the office of the CDI Depository for any reason, including as a result of the CDI Depository being incapable of acting with respect to any CDI or certain insolvency events in respect of the CDI Depository, the Issuer or a court of competent jurisdiction, as applicable, may be unable to appoint a successor CDI Depository on a timely basis or at all. If no successor CDI Depository is found, holders of beneficial interests in any Notes represented by CDIs may be required to hold book-entry interests in the Notes themselves (as opposed to the CDIs). The Notes clear in dematerialized form in the Securities Settlement System, and interests in the Notes are held through participants in the Securities Settlement System, including Euroclear, and through other financial intermediaries that in turn hold the Notes through Euroclear or other participants in the Securities Settlement System. Interests in the Notes (not held in the form of CDIs) may not be held through DTC or direct and indirect participants in DTC. Such holding of interests in the Notes themselves (as opposed to the CDIs) may also require the implementation of transfer or other certification procedures to facilitate compliance with tax and securities laws. Holding interests in the Notes themselves (as opposed to the CDIs) may have adverse consequences on such holders, and may impact the liquidity, transferability and market price of the Notes.

## **Risks relating to the subscription of the Notes, the listing and settlement of the Notes and the market in the Notes**

*An active secondary market in respect of the Notes may never be established or may be illiquid and this could adversely affect the value at which investors could sell their Notes.*

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. This is likely to be particularly the case for Subordinated Tier 2 Notes given that they are designed for specific investment objectives and have been structured to meet the investment requirements of limited categories of investors.

In a similar vein, liquidity is likely to be very limited if the relevant Notes are not listed or no listing is obtained. The Issuer may, but is not obliged to, list an issue of Notes on a stock exchange or market.

In addition, recent regulatory actions by the SEC under Rule 15c2-11 of the Exchange Act may restrict the ability of brokers and dealers to publish quotations on the Notes on any interdealer quotation system or other quotation medium after January 3, 2023, which may materially adversely affect the liquidity and trading prices for the Notes.

Moreover, although pursuant to Condition 4(h) (*Purchases*) the Issuer and any of its subsidiaries can purchase Notes at any time, neither the Issuer nor any of its subsidiaries is obliged to do so. Purchases made by the Issuer or its subsidiaries could affect the liquidity of the secondary market of the Notes and thus the price and the conditions under which investors can negotiate these Notes on the secondary market. In the case of Subordinated Tier 2 Notes, purchases by the Issuer and its subsidiaries are subject to Condition 4(j) (*Conditions to Redemption and Purchase of Subordinated Tier 2 Notes*). Consequently, the Issuer and its subsidiaries will generally be prohibited from purchasing any Subordinated Tier 2 Notes and will not be able to act as market maker in respect of such securities.

*Hedging transactions may affect the market price, liquidity or value of Notes.*

In the ordinary course of its business, including, without limitation, in connection with its market-making activities (if any), the Issuer and/or any of its affiliates may effect transactions for its own account or for the account of its customers and hold long or short positions in the Reference Rate(s) or related derivatives. In addition, in connection with the offering of the Notes, the Issuer and/or any of its affiliates may enter into one or more hedging transactions with respect to the Reference Rate(s) or related derivatives. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by the Issuer and/or any of its affiliates, the Issuer and/or any of its affiliates may enter into transactions in the Reference Rate(s) or related derivatives which may affect the market price, liquidity or value of the Notes and which could be adverse to the interests of the relevant Noteholders.

*A Noteholder's actual return on Notes may be adversely impacted by transaction costs and/or fees.*

When Notes are purchased or sold, several types of incidental costs (including transaction fees and commissions) are incurred in addition to the current price of the security. These incidental costs may significantly reduce or even exclude the profit potential of the Notes which is initially determined to be received by potential investors of such Notes. For instance, credit institutions as a rule charge their clients for own commissions which are either fixed minimum commissions or pro-rata commissions depending on the order value. Noteholders must furthermore take into account that they may be charged for the brokerage fees, commissions and other fees and expenses of third parties which are involved in the execution of an order (third party costs). In addition to such costs directly related

to the purchase of securities (direct costs), holders must also take into account any follow-up costs (such as custody fees). The incurrence of any such costs and/or fees will impact the return an investor receives on its Notes.

*Credit ratings assigned to the Issuer or any Notes may not reflect all risks associated with an investment in the Notes and investors are exposed to the risks of a downgrade of any credit ratings assigned to the Issuer and/or the Notes.*

The Issuer has been and the Notes may be assigned a credit rating by one or more independent credit rating agencies, as will be stated in the applicable Pricing Supplement. One or more independent credit rating agencies may assign ratings to an issue of Notes and/or the Issuer, which, however, will not necessarily reflect all risks relating to an investment in the Notes.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes in the EEA, unless such ratings are issued by a credit rating agency established in the EEA and registered under the CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit ratings issued by third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use, for UK regulatory purposes, ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances. In the case of third country ratings, for a certain limited period of time, transitional relief accommodates continued use for regulatory purposes in the UK of existing pre-2021 ratings, provided the relevant conditions are satisfied.

If the status of the rating agency rating the Notes changes for the purposes of the CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Notes may have a different regulatory treatment, which may impact the value of the Notes and their liquidity in the secondary market.

In addition, it is possible that any rating of the Issuer and/or the Notes will not be maintained by the Issuer following the date of this Offering Memorandum or the date of the applicable Pricing Supplement, respectively. If any rating assigned to the Issuer and/or the Notes is revised lower, suspended, withdrawn or not maintained by the Issuer, the market value of the Notes may be negatively influenced.

Finally, any negative change in or withdrawal of a rating assigned to the Issuer could adversely affect the trading price of the Notes, including where this would lead to a negative change in or withdrawal of a credit rating assigned to such Notes. See “*Risks related to the Group’s operations—The Group’s borrowing costs and its access to the debt capital markets depend significantly on the Issuer’s credit ratings*” above.

*The value of Fixed Rate Notes may be adversely affected by movements in market interest rates.*

Investment in Fixed Rate Notes exposes the relevant investor to the risk that the price of such Fixed Rate Note falls as a result of changes in the current interest rate on the capital market (the “**Market Interest Rate**”). While the nominal rate of a security with a fixed interest rate is fixed for a specified period, the Market Interest Rate typically changes on a daily basis. As the Market Interest Rate changes, the price of such security is likely to change in the opposite direction. If the Market Interest Rate increases, the price of such security typically falls until the yield of such security is approximately equal to the Market Interest Rate. If the Market Interest Rate falls, the price of a security with a fixed compensation rate typically increases until the yield of such security is approximately equal to the Market Interest Rate. Investors should be aware that movements of the Market Interest Rate can adversely affect the price of Fixed Rate Notes and can lead to losses for the Noteholders if they sell such Fixed Rate Notes.

*Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates.*

The market value of securities issued at a substantial discount or premium to their nominal amount tends to fluctuate more in relation to general changes in interest rates than the price for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility compared to conventional interest-bearing securities with comparable maturities. This may have an impact on the ultimate return which an investor may receive on such Notes.

*The transfer of any Notes, any payments made in respect of any Notes and all communications with the Issuer will occur through the Securities Settlement System.*

A Noteholder must rely on the procedures of the Securities Settlement System for transfers of Notes and to receive payment under its Notes. Furthermore, pursuant to Condition 13 (*Notices*), notices to Noteholders shall be valid, among others, if delivered by or on behalf of the Issuer to the NBB (in its capacity as operator of the Securities Settlement System) for onward communication by it to the participants of the Securities Settlement System. It is expected that notices will in principle be disseminated to Noteholders in this way. A Noteholder will therefore also need to rely on the procedures of the Securities Settlement System to receive communications from the Issuer.

In addition, the CDI Depository shall be obligated to promptly forward to DTC or, based upon instructions received from DTC, to the persons owning any beneficial interest in the CDIs, such notices, communications and materials as required by the Deposit Agreement. There is no assurance that the persons owning any beneficial interest in the CDIs will receive any of these notices in time to enable them to carry out the relevant transactions or to enable DTC to deliver the instructions to the CDI Depository prior to the applicable cutoff date.

None of the Issuer or the Agents will have any responsibility or liability for the records relating to, or payments made in respect of, the Notes within, or any other improper functioning of, the Securities Settlement System and Noteholders should in such case make a claim against the Securities Settlement System through participants in the Securities Settlement System. Any such risk may adversely affect the rights and/or return on investment of a Noteholder, for example where the Noteholder would not receive a payment or notification in due time following a malfunction of the Securities Settlement System.

*The Paying Agent is not required to segregate amounts received by it in respect of Notes cleared through the Securities Settlement System.*

Conditions 5(a) (*Payment in euro*) and 5(b) (*Payment in other currencies*) and the Agency Agreement provide that the Paying Agent will debit the relevant account of the Issuer and use such funds to make the relevant payments to the holders under the Notes. The Agency Agreement provides that the Paying Agent will pay to the holders directly any amounts due in respect of the relevant Notes. However, the Paying Agent is not required to segregate any such amounts received by it in respect of the Notes.



### *Potential conflicts of interest*

The Issuer may from time to time be engaged in transactions which may affect the market price, liquidity or value of the Notes and which could be deemed to be adverse to the interests of the Noteholders.

Potential investors should be aware that the Agents, the Arranger, some of the Dealers and their respective affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer or its affiliates. In addition, in the ordinary course of their business activities, the Arranger, the Dealers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. The Arranger, the Dealers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. They might therefore have conflicts of interest which could have an adverse effect on the interests of the Noteholders.

Furthermore, potential investors should be aware that the Issuer is the parent company of KBC Bank NV, which may act as Dealer, and that the interests of KBC Bank NV and the Issuer may conflict with the interests of the holders of Notes. Moreover, the holders of Notes should be aware that KBC Bank NV, acting in whatever capacity, will not have any obligations vis-à-vis the holders of any Notes and, in particular, will not be obliged to protect the interests of the holders of any Notes.

Where the Issuer acts as Calculation Agent or the Calculation Agent is an affiliate of the Issuer (including KBC Bank NV), potential conflicts of interest may exist between the Calculation Agent and Noteholders, including with respect to certain determinations and judgements that the Calculation Agent may make pursuant to the Conditions (such as in the case of any applicable interest rate determination) which may influence the amount receivable under the Notes. Where any such determination or judgement is to be made, there is generally no or very limited room for discretion as the Conditions stipulate the objective parameters on the basis of which the Calculation Agent has to perform its calculations and tasks (such as, for example, determining a rate by computing a predetermined rate and a screen rate). The Conditions nevertheless provide that, in certain limited and exceptional cases, the Calculation Agent may have to determine certain rates in its sole discretion as fallback in the absence of any such objective parameters (see, for example, Condition 3(b) (*Interest on Fixed Rate Reset Notes*) and Condition 3(c)(iii)(A) (*Term Rate Floating Rate Notes*)). In such circumstances, the Calculation Agent is likely, but not required, to make use of methodologies and determinations which are available or customarily used in the market.

### **Risks relating to the status of investors**

*There may be no tax gross-up protection.*

Potential investors should be aware that if the Tax Call Option is specified as not applicable in the applicable Pricing Supplement, Condition 8 (*Taxation*) does not require the Issuer or any other person to gross up the net payments received by a Noteholder in relation to the Notes with the amounts withheld or deducted for tax purposes.

To the extent the Tax Call Option is specified as applicable in the applicable Pricing Supplement, Condition 8 (*Taxation*) provides that if any withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatever nature in respect of any payment of interest in respect of the Notes (but not principal or any other amount) is required to be made, the Issuer shall make such payment after such withholding or deduction has been made and will account to the relevant authorities for the amount so required to be withheld or deducted. However, no such additional amounts shall be payable in respect of any Notes in the circumstances defined in paragraphs (i), (ii), (iii) and (iv) of Condition 8 (*Taxation*).

In any case where no gross-up requirement applies to the Issuer, the Noteholders (and no other person) will be liable for, and be obliged to pay, any tax, duty, charge, withholding or other payment whatsoever as may arise as a result of, or in connection with, the ownership, transfer or payment in respect of the Notes. This could have a significant impact on the net amounts the investors will receive pursuant to the payments to be made under the Notes and could also materially adversely affect the value of such Notes.

*Taxation may have an impact on the return a Noteholder may receive on its Notes.*

Potential purchasers and sellers of the Notes should be aware that they may be required to pay taxes or documentary charges or duties in accordance with the laws and practices of the country where the Notes are transferred or other jurisdictions. In addition, payments of interest on the Notes (if any), or profits realized by a Noteholder upon the sale or repayment of its Notes, may be subject to taxation in the home jurisdiction of the potential investor or in other jurisdictions in which it is required to pay taxes.

Potential investors are advised not to rely solely upon the tax summary contained in this Offering Memorandum but to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, holding, sale and redemption of the Notes. Only such adviser is in a position to duly consider the specific situation of the potential investor. This risk factor should be read in connection with the taxation sections of this Offering Memorandum. Please refer to the section entitled "*Taxation*" of this Offering Memorandum.

*If an investor holds Notes which are not denominated in the investor's home currency, it will be exposed to movements in exchange rates adversely affecting the value of its holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes.*

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls (as some have done in the past). An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes. Exchange controls could adversely impact an applicable exchange rate or the ability of the Issuer to make payments in respect of the Notes, which may have an impact on the return an investor receives on its Notes.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents, which have previously been published or are published simultaneously with this Offering Memorandum and have been filed with the Belgian Financial Services and Markets Authority, shall be incorporated in, and form part of, this Offering Memorandum:

- (a) the audited consolidated annual financial statements of the Issuer as of and for the financial year ended December 31, 2020, together with the related auditors' report (available on [www.kbc.com/content/dam/kbcom/doc/investor-relations/Results/jvs-2020/jvs-2020-grp-en.pdf](http://www.kbc.com/content/dam/kbcom/doc/investor-relations/Results/jvs-2020/jvs-2020-grp-en.pdf));
- (b) the audited consolidated annual financial statements of the Issuer as of and for the financial year ended December 31, 2021, together with the related auditors' report (available on <https://www.kbc.com/content/dam/kbcom/doc/investor-relations/Results/jvs-2021/jvs-2021-grp-en.pdf>);
- (c) the audited consolidated annual financial statements of the Issuer as of and for the financial year ended December 31, 2022, together with the related auditors' report (available on <https://www.kbc.com/content/dam/kbcom/doc/investor-relations/Results/jvs-2022/jvs-2022-grp-en.pdf>);
- (d) the unaudited condensed consolidated financial statements of the Issuer as of and for the six-month period ended June 30, 2023, together with the related auditors' report (available on <https://www.kbc.com/content/dam/kbcom/doc/investor-relations/Results/2q2023/2q2023-quarterly-report-en.pdf>);and
- (e) the Terms and Conditions of the Notes contained in the previous base prospectus dated October 13, 2022.

Following the publication of this Offering Memorandum, a supplement may be prepared by the Issuer and approved by Euronext Dublin. 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 Offering Memorandum or in a document which is incorporated by reference in this Offering Memorandum. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Memorandum.

Copies of documents incorporated by reference in this Offering Memorandum can be obtained from the website of the Issuer (<https://www.kbc.com/en/investor-relations/debt-issuance/kbc-group/us-mtn-programme.html>). This Offering Memorandum and each document incorporated by reference may also be published on the website of Euronext Dublin (<https://live.euronext.com/>). The information on the website of the Issuer and on the website of Euronext Dublin does not form part of this Offering Memorandum, except to the extent that such information is explicitly incorporated by reference in this Offering Memorandum, and has not been scrutinized or approved by Euronext Dublin.

The table below sets out the relevant page references for (i) the audited consolidated statements for the financial years ended December 31, 2021 and December 31, 2022, respectively, as set out in the Issuer's Annual Reports and (ii) the unaudited condensed consolidated financial statements of the Issuer for the second quarter and first half of 2023. Information contained in the documents incorporated by reference other than information listed in the table below is for information purposes only, and does not form part of this Offering Memorandum. Such non-incorporated parts are either deemed not relevant for investors or are covered elsewhere in this Offering Memorandum.

**Audited consolidated annual financial statements of the Issuer as of and for the financial years ended December 31, 2021 and December 31, 2022\***

	Issuer's Annual Report for the financial year ended December 31, 2020	Issuer's Annual Report for the financial year ended December 31, 2021	Issuer's Annual Report for the financial year ended December 31, 2022
<i>Audited consolidated annual financial statements of the Issuer</i>			
report of the Board of Directors	page 6-164	page 6-185	page 6-179
income statement	page 165-166	page 189-190	page 182-183
balance sheet	page 169	page 193	page 186
statement of changes in equity	page 170	page 194	page 187
cash flow statement	page 171-172	page 195-196	page 188-189
notes to the financial statements	page 173-251	page 197-280	page 190-279
<i>Auditors' report</i>	page 252-257	page 281-287	page 280-288
<i>Additional information</i>			
ratios used	page 266-270	page 297-301	page 296-301

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

**Unaudited condensed consolidated financial statements of the Issuer as of and for the six-month period ended June 30, 2023\***

	Issuer's extended quarterly report for the second quarter of 2023
<i>Unaudited condensed consolidated financial statements of the Issuer as of and for the six- month period ended June 30, 2023</i>	
income statement	page 14
statement of comprehensive income	page 15
balance sheet	page 16
statement of changes in equity	page 17
cash flow statement	page 19
notes to the financial statements	pages 20-36
<i>Auditors' report</i>	pages 37-38

*Additional information*

ratios used

pages 40-63

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

## CAPITALIZATION AND INDEBTEDNESS

The following table sets forth the Issuer’s consolidated capitalization and indebtedness as at June 30, 2023. The table should be read in conjunction with “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and the Interim Financial Statements and the Annual Financial Statements, which have been incorporated by reference into this Offering Memorandum.

	<u>As at June 30, 2023</u>
	<i>(EUR million)</i>
	<i>(Unaudited)</i>
<b>Liabilities</b>	
Covered bonds.....	4,440
Other <sup>(1)</sup> .....	15,714
Non-convertible bonds <sup>(2)</sup> .....	16,515
Non-convertible subordinated liabilities.....	<u>2,789</u>
<b>Total indebtedness.....</b>	<b>39,458</b>
<b>Equity</b>	
Parent shareholders’ equity.....	21,352
Additional tier-1 instruments included in equity.....	1,500
Minority interest.....	<u>1</u>
<b>Total equity.....</b>	<b><u>22,853</u></b>
<b>Total capitalization and indebtedness.....</b>	<b><u><u>62,311</u></u></b>

(1) Including certificates of deposit and savings certificates.

(2) Excluding covered bonds.

On September 5, 2023, the Group issued €750 million undated deeply subordinated AT1 fixed rate resettable callable securities, the net proceeds of which will be used for the general corporate purposes and further enable the Group to optimize its capital structure and support its leverage ratio. Other than as for the aforementioned, there have been no material changes affecting the Issuer’s consolidated capitalization and indebtedness between June 30, 2023, and the date of this Offering Memorandum.

## USE OF PROCEEDS

The net proceeds from the Notes to be issued under the Programme will be used for general corporate purposes of the Group.

The net proceeds of the Subordinated Tier 2 Notes will strengthen the Issuer's capital base and are part of the Issuer's long-term funding, which the Issuer uses to fund and manage its activities and which it may on-lend to its subsidiaries. The Issuer may on-lend the proceeds of the Subordinated Tier 2 Notes to KBC Bank NV under a framework agreement which will also qualify at the level of KBC Bank NV as Tier 2 capital for regulatory capital purposes.

The net proceeds of the Senior Notes will strengthen the Issuer's MREL position and are part of the Issuer's long-term funding, which the Issuer uses to fund and manage its activities and which it may on-lend to its subsidiaries. The Issuer may, if it so elects, on-lend the proceeds of the Senior Notes to its subsidiaries on a senior non-preferred or subordinated basis in order for the relevant loan to be included as a minimum requirement for MREL under applicable regulations.

If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement.

## DESCRIPTION OF THE GROUP

### Overview

The Group is an integrated bank-insurance group, catering mainly to retail, private banking and SME clients. The Group's geographic focus is Europe, with Belgium, the Czech Republic, Slovakia, Hungary and Bulgaria as its "home" (or "core") markets. In addition to its core markets, the Group has a limited presence in a number of other countries, including in Europe, Southeast Asia and the United States, where its primary focus is to support the activities of its corporate clients in the core 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 core 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 to specialized activities such as, but not exclusively, payments services, dealing room activities (including money and debt market activities), brokerage and corporate finance, foreign trade finance, international cash management and leasing.

The Group is structured around three business units:

- *the Belgium Business Unit*, comprising the activities of KBC Bank NV and KBC Insurance NV and their Belgian subsidiaries, such as CBC Banque, KBC Asset Management, KBC Lease Group and KBC Securities;
- *the Czech Republic Business Unit*, comprising the activities of the ČSOB group in the Czech Republic (under the ČSOB Bank, Postal Savings Bank, ČSOB Stavební spořitelna and Patria Finance brands) and the insurer ČSOB Pojišťovna; and
- *the International Markets Business Unit*, comprising the activities conducted by ČSOB Bank and ČSOB Poist'ovňa in Slovakia, K&H Bank and K&H Insurance in Hungary, United Bulgarian Bank ("UBB") and DZI Insurance in Bulgaria and, until the end of 2021, KBC Bank Ireland plc ("**KBC Bank Ireland**"), which was sold on February 3, 2023 to Bank of Ireland.

In addition to its three business units, the Group also reports on "Group Centre", which comprises the results of the holding company, items that have not been allocated to the other business units and the results of companies to be divested (including, as from January 1, 2022, the Group's former business in Ireland).

As of December 31, 2022, the Group's client base consisted of approximately 13 million clients across its core markets. As at the same date, the Group had 1,215 staffed bank branches in its network. As of December 31, 2022, the Group employed approximately 42,000 employees, of which over 60% were located outside of Belgium.

As at June 30, 2023, the Group had total assets of €368.1 billion and total equity of €22.9 billion. For the six months ended June 30, 2023, the Group's net result was €1,848 million and for the years ended December 31, 2022, 2021 and 2020, the Group's net result was €2,743 million (€2,818 million restated to reflect the impact of IFRS 17), €2,614 million and €1,440 million, respectively. In the year ended December 31, 2022 (based on the pre-IFRS 17 figures), the Belgium Business Unit represented 64% of the Group's net result, the Czech Republic Business Unit represented 25% of the Group's net result, the International Markets Business Unit represented 16% of the Group's net result and the Group Centre accounted for (5)% of the Group's net result.

### History

The Group was incorporated on February 9, 1935 as the Kredietbank, and was subsequently renamed KBC Group NV on March 2, 2005. It was incorporated in Belgium, with a registered office at Havenlaan 2, 1080 Brussels, Belgium, and its registration number is 0403.227.515.



In 1998, Kredietbank merged with CERA Bank and ABB (Insurance) and the Group's unique "bancassurance" (bank-insurance) model was launched in Belgium. The following year, the Group embarked on its policy of expansion in Central and Eastern Europe with the acquisition of ČSOB in the Czech Republic and the Slovak Republic. Between 2000 and 2005, the Group continued to expand its position in the banking and insurance markets of Central and Eastern Europe by acquiring banks and insurance companies in Poland, Hungary, the Czech Republic and the Slovak Republic. During this time, the Group also began to gradually introduce the bancassurance model to its core markets in Central and Eastern Europe. In 2005, it merged with its parent company, Almanij, to create KBC Group NV, which benefited the Group by, among other things, giving it access to a network of European private banks. Between 2006 and 2008, the Group increased its presence in Central and Eastern Europe through further acquisitions in Bulgaria, Romania and Serbia. During this time, the Issuer also established a presence on the Russian banking market, which was subsequently sold in May 2013.

In 2008 and 2009, following the global financial crisis, the Group entered into capital transactions and guarantee agreements (the "state aid") with the government of Belgium and the Flemish regional government. The Group made its first partial repayment on these transactions in 2012. These transactions and agreements resulted in the Group entering a period of divestments and restructuring, which began in 2010 and ended in 2015 with the Group's final repayment to the Flemish regional government.

In 2009, the Group renewed its strategy to focus on core markets in Belgium, the Czech Republic, Slovakia, Hungary, Poland and Bulgaria. Between 2011 and 2013, this strategic plan was amended to include the sale of activities in Poland. In 2014, the Group announced an updated strategy and targets, and the Group updated its corporate sustainability strategy in 2016.

In 2017, the Group defined Ireland as a core market, acquired UBB and Interlease in Bulgaria and updated the Group's strategy, capital deployment plan and financial guidance through 2020. In 2019, the Group acquired the remaining part of ČMSS in the Czech Republic (subsequently renamed ČSOB Stavební spořitelna).

In 2020, the Group shifted its focus to digital transformation and enhancing the client experience by launching its "Differently: the Next Level" strategy. See "*Strategy*" below. During that same year, the Group expanded in Slovakia by acquiring OTP Banka Slovensko. The following year, the Group acquired NN's Bulgarian pension and life insurance businesses and signed an agreement to acquire the Bulgarian activities of Raiffeisen Bank International. Also in 2021, the Group reached an agreement to dispose of substantially all of the non-performing mortgage loan portfolio of KBC Bank Ireland (which was finalized in February 2022) and an agreement relating to the sale of substantially all of KBC Bank Ireland's performing loan assets and its deposit book. The latter agreement was finalized on February 3, 2023 and, as a result, the Group has effectively withdrawn from the Irish market.

## **Competitive Strengths**

The Group believes that the following key strengths differentiate it from its peers.

### ***The Group's integrated bank-insurance model***

The Group offers an integrated response to its clients' banking and insurance needs. The Group is also organized and managed in an integrated style. The Group's integrated model offers its clients the benefits of a comprehensive, one-stop, relevant and personalized financial service that allows them to choose from a wide, complementary and optimized range of products and services, which go beyond pure bank-insurance. For the Group, this model provides income and risk diversification, additional sales potential through intensive cooperation between the bank and insurance distribution channels, significant cost savings and synergies, and heightened interaction opportunities with, and a more complete understanding of, the Group's clients.

### ***The Group's digital approach***

Digital interaction with clients forms the basis of the Group's strategy, not only in terms of sales and advice, but also process and product development. In addition to a digital product range, therefore, the Group also offers its clients digital advice and develops all processes and products as if they had to be sold digitally. The Group believes artificial intelligence ("AI") and data analysis will play an increasingly important part in digital sales and advice. "Kate", the Group's personal digital assistant, is expected to feature prominently in this regard. In addition, through its own AI fintech DISCAI, a fully owned subsidiary, the Group is commercializing its innovative portfolio of AI applications developed in-house, starting with the launch of an AI application designed to combat money laundering.

The Group pays particular attention to the speed and simplicity with which it can serve its clients and takes this into account when adjusting its internal processes. To support this, the Group is fully engaged in introducing end-to-end straight-through processing into all of its commercial processes, making full use of all technological capabilities (such as AI). Experts remain available in the branches or call centres to deal with more complex questions or provide advice at important moments in clients' lives. The success of the digital approach means that the Group can free up more time to advise clients.

### ***The Group's strong geographical focus and focus on local responsiveness***

The Group focuses on its core markets of Belgium, the Czech Republic, Slovakia, Hungary and Bulgaria. As a result, the Group now operates in a mix of mature and growth markets, taking advantage in the latter case of the catch-up potential for financial services. The Group has a limited presence elsewhere in the world, primarily in the rest of Europe, the United States and Southeast Asia, where the Group's presence aims to support the activities of its corporate clients in the core markets.

The Group has built, and aims to continue building, sustainable relationships with local clients in its core markets. It therefore invests in getting to know and understand its local clients better, pick up signals effectively and respond to them proactively, offer tailored products and services, and focus on the sustainable development of the different communities in which the Group operates. Where relevant, the Group coordinates activities in its core markets to avoid duplicating efforts and to offer clients the best solutions.

### ***The Group's approach to sustainability***

As a financial institution, the Group is one of the driving forces behind the real economy and has a major direct and indirect impact on society. As a company that aims to support the transition to a more sustainable and climate-proof society, the Group has made sustainability integral to its overall business strategy and integrated it into the Group's day-to-day business operations and the products and services it provides. The Group's sustainability strategy, which is geared towards the local economy and society, consists of three cornerstones: encouraging responsible behavior on the part of all employees, increasing the Group's positive impact on society and limiting any adverse social impact the Group might have.

### ***The Group's shareholder structure***

A special feature of the Group's shareholder structure is the core shareholder syndicate consisting of Cera, KBC Ancora, MRBB and the other core shareholders, which together held approximately 41% of the Group's shares as at December 31, 2022. A shareholder agreement was concluded between these core shareholders that provides for a contractual shareholder syndicate. It sets out the rules for the syndicated shares, management of the syndicate, syndicate meetings, voting rights within the syndicate, preferential subscription rights in the event of the transfer of syndicated shares, withdrawal from the agreement, and the duration of the agreement. Apart from decisions on a limited number of reserved matters, the syndicate meeting may take decisions by a two-thirds majority vote, on the understanding that none of the shareholder groups can block a decision. The agreement was extended for a ten-year period with effect from December 1, 2014. The Group believes this shareholder structure provides stability to the Group, both in respect of the duration of the agreement and the decision-making mechanics.

## *Strategy*

The Group believes that its strategy – powered by its culture and with the contribution of its people – helps it earn, keep and grow trust day by day, with the goal of becoming the benchmark in the Group’s core markets. The Group’s strategy rests on four key principles:

- (i) **Client centricity:** the Group places its clients at the center of its work, striving to offer them a high-quality service and relevant solutions at all times;
- (ii) **Unique bank-insurance experience:** the Group strives to offer its clients a unique bank-insurance experience;
- (iii) **Sustainable growth:** the Group focuses on its long-term development and aims to achieve sustainable and profitable growth; and
- (iv) **Social responsibility:** the Group takes its responsibility towards society and local economies seriously and aims to reflect that in the Group’s everyday activities.

This strategy is being implemented within a strict risk, capital and liquidity management framework.

In recent years, the Group has taken large steps in the digital transformation of its business, both in itself and in the way it serves its clients and responds flexibly to their rapidly changing needs and expectations. In light of these fast-changing client expectations, the Group reassessed its “More of the same, but differently” strategy at the end of 2019 and identified where its focus should lie in the years ahead. With “Differently: the Next Level”, the Group is continuing down its chosen route while shifting up a gear.

### *Client centricity*

The Group always aims to put its clients first, and by implementing this new strategy it is taking its bank-insurance services and client experience to an even higher level.

Client expectations have shifted significantly in recent years, with efficient and user-friendly products and services becoming the norm, powered by technology. For that reason, the Group has been engaged for several years in the digitalisation of processes that allow simple, high-quality products to be brought to clients in a smooth and rapid manner. In recent years, the Group has been designing products, services and processes from a “digital-first” perspective, meaning that they were modified before being digitalised to make them simpler, more user-friendly and scalable and that they allow a fast and appropriate response to the questions and expectations of the Group’s clients. For clients who so choose, the Group will use the available data in an intelligent and appropriate manner, as it has seen that clients increasingly demand more proactive and personal products and services in addition to speed and simplicity. This is why the Group is transitioning from an omnichannel distribution model towards a digital-first distribution model. The “human factor” remains important in both models, and the Group’s staff and branches will remain at the disposal of clients. In a digital-first distribution model, digital interaction with clients will take priority. The Group therefore aims, over time, to provide all relevant commercial solutions via mobile applications. In addition to a digital product range, the Group intends to offer its clients digital advice and develop all processes and products as if they were sold digitally.

“Kate”, the Group’s personal digital assistant, plays an important role in digital sales and advisory for clients who so choose, enabling personalised and relevant solutions to be offered proactively. For example, clients can ask Kate questions regarding their basic financial transactions. They also receive regular discrete and proactive proposals at appropriate times in their mobile app to ensure maximum convenience. Clients are entirely free to choose whether or not to accept a proposal. If they do, the solution will be offered and processed completely digitally. While Kate initially focused on the mobile application for retail clients in Belgium and the Czech Republic, Kate was introduced in the other core countries of the Group in 2022 (in Bulgaria in February and in

Slovakia and Hungary in August). Kate for businesses (with a focus on SMEs) was launched in 2021 and is currently available in the Czech Republic and Belgium.

Employees in the branch network and contact centres continue to function as a beacon of trust for clients. Human interaction is particularly important in more complex services and solutions and in matters requiring emotional intelligence. The Group's employees also support, encourage and monitor the use of digital processes, assisted by artificial intelligence, data and data analysis.

To facilitate ease of use for clients and to be able to offer a growing number of possibilities via Kate, the Group will also adapt its internal processes, the way it supplies products and services, and how it organises itself internally, as needed. For instance, Kate automates certain administrative acts, helping both clients and employees save time. Kate also helps prepare for appointments, which again saves employees time. Employees can use this extra time to connect with clients.

### ***Unique “bank-insurance+” experience***

An important aspect of the Group's strategy in Belgium is its ability to leverage the cooperation between the Group's bank branches and insurance agencies in micro markets. The branches focus on bank and standard insurance products, and refer clients to the insurance agency in the same micro market for other insurance products. The insurance agencies sell the full range of insurance products and handle all claims, including those relating to policies taken out at a bank branch. Working together like this enables the Group to deliver a comprehensive product offering to its clients that is aligned with their needs.

The Group intends to gradually strengthen its bank-insurance model in a cost-effective manner in all of the Group's core markets. The roll-out of this model is expected to occur in several phases in the Group's various core markets.

The cooperation and interaction between the Group's bank and insurance businesses, and the Group's broad range of distribution channels (including tied agents, bank branches, contact centers, websites and mobile apps) help the Group to better understand its clients and, as a result, to offer more complete and relevant solutions to clients. Therefore, the Group believes that strengthening its bank-insurance model is a powerful way to become the benchmark in client-centricity and to secure long-term growth.

Besides offering traditional bank-insurance solutions (loans, insurance, investments and payments) to its retail, SME and corporate client segments, the Group also seeks to provide less traditional but often-used solutions. The “+” in “Bank-insurance +” refers to the broader “economic services” the Group is offering. These may include solutions that help clients save money (such as advising them to switch to a cheaper energy supplier), make money (such as the KBC Deals discounts offered in Belgium), simplify everyday payments (such as the ability to pay for parking automatically) or support business activities (such as the BrightAnalytics reporting tool). The Group aims to do this with full respect for the protection of clients' data and privacy.

### ***Sustainable growth***

The Group wants to secure its existence for the long term by building long-term relationships with clients. This is why the Group does not aim for high short-term returns that come with excessive risks, but rather focuses on sustainable and profitable growth in the long run. The Group respects solid risk, capital and liquidity boundaries in the way it does business. The Group believes stringent risk management is key to ensuring this sustainability.

### ***Social responsibility***

The Group creates trust not only by creating financial sustainability but also by meeting the expectations of its clients, employees, shareholders and society. Therefore, the Group aims to continuously build and re-earn client loyalty and preference, relentlessly build employee engagement and prove how the Group contributes positively to society, day by day.

To contribute positively to society, the Group strives to stimulate the local economy of all its core markets, prepare solutions today for the problems of tomorrow, develop innovative solutions to today's societal challenges and communicate as transparently as possible on socially sensitive issues.

Wherever possible, the Group aims to offer financial solutions that have a positive impact on society and the local economy. The Group also focuses on limiting any adverse impact it might have on society and encouraging responsible behavior on the part of its employees. The Group constantly pursues a balance, therefore, between healthy profitability and fulfilling its role as a socially responsible business.

## Business Units

The Group is structured around three business units, which focus on the Group's core markets. The Group's business units are the Belgium Business Unit, the Czech Republic Business Unit and the International Markets Business Unit. In addition to its three business units, the Group also reports on "Group Centre", which includes, among other things, costs related to the funding of the Group and other costs related to the holding of participating interests and the results of companies or activities earmarked for divestment or that are already in the process of being wound down.

The following tables set forth certain key financial information regarding the Group's business units for the periods indicated. As a result of the implementation of IFRS 17 as of January 1, 2023, the income statement of the Group has been updated to present the new line items introduced by IFRS 17. In the tables below, the financial information for the six months ended June 30, 2023 reflects the implementation of IFRS 17, while the financial information for the years ended December 31, 2022, 2021 and 2020 are based on the prior standards of IFRS 4. See "Presentation of Financial and Other Information—Implementation of new and amended accounting policies" and "Presentation of Financial and Other Information—Restatement of 2022 comparative financial information" for further information on the implementation of IFRS 17 and its impact on the Group's income statement.

	<b>Six months ended June 30, 2023</b>				
	<b>Belgium</b>	<b>Czech Republic</b>	<b>International Markets</b>	<b>Group Centre</b>	<b>Total</b>
	<i>(EUR million)</i> <i>(Unaudited)</i>				
Net result .....	874	461	298	215	1,848
Net interest income.....	1,627	633	575	(105)	2,731
Insurance revenues before reinsurance .....	792	271	228	6	1,297
Insurance service expenses before reinsurance .....	(617)	(200)	(196)	(1)	(1,013)
Net result from reinsurance contracts held .....	(37)	(9)	(10)	4	(52)
Net fee and commission income .....	760	162	241	(3)	1,160
Operating expenses (excl. directly attributable from insurance) .....	(1,394)	(452)	(523)	(151)	(2,520)
Impairment on loans.....	(30)	60	12	5	47

	<b>Year ended December 31, 2022</b>				
	<b>Belgium</b>	<b>Czech Republic</b>	<b>International Markets</b>	<b>Group Centre</b>	<b>Total</b>
	<i>(EUR million)</i>				
Net result .....	1,759	679	441	(135)	2,743
Net interest income.....	2,826	1,313	888	134	5,161
Technical insurance result <sup>(1)</sup> .....	479	289	205	(4)	970

<b>Year ended December 31, 2022</b>					
<b>Belgium</b>	<b>Czech Republic</b>	<b>International Markets</b>	<b>Group Centre</b>	<b>Total</b>	
<i>(EUR million)</i>					
Net fee and commission income .....	1,265	213	376	(6)	1,847
Operating expenses .....	(2,647)	(927)	(906)	(339)	(4,818)
Impairment on loans .....	(35)	(46)	(78)	5	(154)

(1) Technical insurance result is earned premiums less technical charges plus ceded insurance result.

<b>Year ended December 31, 2021</b>					
<b>Belgium</b>	<b>Czech Republic</b>	<b>International Markets</b>	<b>Group Centre</b>	<b>Total</b>	
<i>(EUR million)</i>					
Net result .....	1,997	697	127	(207)	2,614
Net interest income .....	2,533	972	962	(16)	4,451
Technical insurance result <sup>(1)</sup> .....	441	221	184	6	853
Net fee and commission income .....	1,320	214	305	(3)	1,836
Operating expenses .....	(2,436)	(803)	(1,048)	(109)	(4,396)
Impairment on loans .....	309	142	(110)	(7)	334

(1) Technical insurance result is earned premiums less technical charges plus ceded insurance result.

<b>Year ended December 31, 2020</b>					
<b>Belgium</b>	<b>Czech Republic</b>	<b>International Markets</b>	<b>Group Centre</b>	<b>Total</b>	
<i>(EUR million)</i>					
Net result .....	1,001	375	199	(135)	1,440
Net interest income .....	2,579	1,012	894	(18)	4,467
Technical insurance result <sup>(1)</sup> .....	487	188	170	10	855
Net fee and commission income .....	1,138	203	273	(4)	1,609
Operating expenses .....	(2,398)	(752)	(894)	(111)	(4,156)
Impairment on loans .....	(654)	(210)	(217)	7	(1,074)

(1) Technical insurance result is earned premiums less technical charges plus ceded insurance result.

### **Belgium Business Unit**

The Belgium Business Unit comprises the activities of KBC Bank NV and KBC Insurance NV, and their Belgian subsidiaries, such as CBC Banque, KBC Asset Management, KBC Lease Group and KBC Securities. As of December 31, 2022, the Group had a network of 420 bank branches and 298 insurance agencies in Belgium, comprising KBC Bank and KBC Insurance NV branches in Flanders, CBC Banque SA and CBC Assurances SA branches in Wallonia and KBC Brussels branches in the Brussels area. The branches focus on providing clients with a broad range of credit (including mortgage loans), deposit, investment fund and other asset management products, insurance products and other specialized financial banking products and services. KBC Bank's bricks-and-mortar networks in Belgium are supplemented by electronic channels, such as ATMs, telephones, the Internet (including a mobile banking app) and the Group's digital assistant, Kate. The Group served, based on its own estimates, approximately 3.8 million clients in Belgium as of December 31, 2022.

In the Group's financial reporting, the Belgium Business Unit also includes the foreign branches of KBC Bank. The foreign branches of KBC Bank are located mainly in Western Europe, Southeast Asia and the United States and focus on serving clients that already do business with KBC Bank's Belgian or Central and Eastern European

network. In recent years, many of the other (niche) activities of these branches have been scaled back, stopped or sold, and the Group has scaled down its purely international credit portfolio.

The Group considers itself to be an integrated bank-insurer. Certain shared and support services are organized at Group level, serving the entire Group, and not just the bank or insurance businesses separately. It is the Group's aim to continue to actively encourage the cross-selling of bank and insurance products. The success of the 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 and CBC Assurances, whereby the branches sell standard insurance products to retail clients and refer their clients to the insurance agents for non-standard products. Claims-handling is the responsibility of the insurance agents, the call center and the head office departments at KBC Insurance.

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 continue to grow and it is constantly developing new applications in these areas. That includes various mobile banking apps for smartphones and tablets, which are being continuously improved and expanded, and Kate, the Group's digital assistant.

With an increasing number of clients opting for digital channels, the Group is gradually aligning its distribution network with this changing client behavior.

The Group's strategy for the Belgium Business Unit is as follows:

- to continue pursuing its strategy of putting the interests of the client at the heart of all the products and services it develops and at the center of everything it does. The Group's focus is on a "digital first" approach with a human touch, and on investing in the seamless integration of the various distribution channels. The Group is working on the further digitalization of its banking, insurance and asset management services and exploiting new technologies and data to provide clients with more personalized and proactive solutions. Its digital assistant "Kate", launched in November 2020, is taking this to the next level;
- to support these activities, the Group is also fully engaged in introducing end-to-end straight-through processing into all commercial processes, making full use of all technological capabilities such as AI;
- to expand its service provision through own and other channels. The Group collaborates to this end with partners through "eco-systems" that enable it to offer clients comprehensive solutions. The Group is also integrating a range of selected partners into its own mobile app and making products and services available in the distribution channels of selected third parties;
- to grow bank-insurance further at CBC in specific market segments and to expand the accessibility in Wallonia, with a strong focus on "digital first with a human touch";
- to work tirelessly on the ongoing optimization of its bank-insurance model in Belgium; and
- to express its commitment to Belgian society by leading the way in the sustainability revolution. The Group strives to make its banking, insurance and asset management products more sustainable to create financial leverage in achieving global climate targets. It aims to be more than a provider of pure bank-insurance services—as a partner in the climate transition, it is working with other partners on developing housing, mobility and energy solutions. The Group also continues to focus on financial literacy, entrepreneurship and population ageing.

### ***Czech Republic Business Unit***

As in Belgium, the Group owns both a bank and an insurance company in the Czech Republic, which work together closely. On the banking side, the Group operates through the networks of ČSOB Bank, Postal Savings

Bank, ČSOB Stavební spořitelna and Patria Finance. The Group also sells insurance through various distribution channels, including a network of tied ČSOB insurance agents, ČSOB Pojišť'ovna agencies, ČSOB bank branches and multi-agents and individual brokers. As of December 31, 2022, the Group had a network of 201 bank branches in the Czech Republic, serving approximately 4.3 million clients.

The Group focuses on providing clients with a broad range of credit (including mortgage loans), deposit, investment fund and other asset management products, insurance products and other specialized financial products and services. As is the case in Belgium, the bricks-and-mortar network in the Czech Republic is supplemented by electronic channels, such as ATMs, telephone, the internet and the digital assistant, Kate.

The Group's bank-insurance concept has over the past few years been exported to the Czech Republic, as well as other Central and Eastern European entities (see "*—International Markets Business Unit*" below). In order to be able to do so, the Group has built up a second core market in Central and Eastern Europe in insurance. The Group has an insurance business in the Czech Republic and every Central and Eastern European core market. Unlike in Belgium, the Group's insurance companies in Central and Eastern Europe operate not only via tied agents (and bank branches) but also through other distribution channels, such as insurance brokers and multi-agents.

The Group's strategy for the Czech Republic Business Unit is as follows:

- to retain its benchmark position in banking and insurance services by offering its retail, SME and mid-cap clients a hassle-free, no-frills client experience;
- to use data and AI to offer personalized solutions proactively to its clients, including via "Kate", its personalized digital assistant;
- to continue the further digitalization of its services and to introduce new and innovative products and services, including open bank-insurance solutions aimed at boosting the financial well-being of its clients;
- to concentrate on rolling out straight-through processing and further simplifying products, head office, distribution model and branding, in order to enable it to operate even more cost-effectively;
- to further increase its client base and strengthen its market position, especially in insurance and investment services;
- to strengthen its business culture to be responsive, respectful and results-driven;
- to become the benchmark in advisory services in terms of climate change and sustainable lending and investments; and
- to express its social engagement by focusing on financial literacy, entrepreneurship, population ageing and cybersecurity.

### ***International Markets Business Unit***

The Group's International Markets Business Unit comprises the activities conducted by entities in the other (non-Czech) Central and Eastern European core markets, namely ČSOB and ČSOB Poist'ovna in Slovakia, K&H Bank and K&H Insurance in Hungary and UBB and DZI Insurance in Bulgaria. It also historically included KBC Bank Ireland, which was transferred to the Group Centre in 2022 in view of the pending sale transaction, which was completed on February 3, 2023. See "*—Group Centre—KBC Bank Ireland*" below.

At the end of November 2020, the Group completed the acquisition of 99.44% of the shares in OTP Banka Slovensko and, in October 2021, the company merged with ČSOB Bank in Slovakia. The Group also reached agreement with NN in February 2021 to acquire its Bulgarian pension and life insurance businesses, a move that



is expected to enable the Group to further consolidate its position in Bulgaria. That acquisition was completed in July 2021. In November 2021, the Group reached agreement on another acquisition in Bulgaria, to acquire Raiffeisenbank (Bulgaria). On July 7, 2022, the Issuer and Raiffeisen Bank International completed the deal. The acquisition, worth a total of €1,009 million paid in cash, reflects the quality of the Raiffeisen franchise in Bulgaria and the potential for synergies. Raiffeisenbank (Bulgaria) is one of Bulgaria's leading universal banks, offering a full range of banking, asset management, leasing and insurance services to individuals, SMEs and business customers. At the time of the acquisition, Raiffeisenbank (Bulgaria) had a network of 122 bank branches across the country complemented by a network of mobile banking advisors, external partners and credit intermediaries. Raiffeisenbank (Bulgaria) had 2,500 employees and served over 600,000 customers at the time of the acquisition. The integration of Raiffeisenbank (Bulgaria) into the Group's existing Bulgarian banking subsidiary, UBB, is proceeding, with the legal merger of the entities being registered on April 10, 2023.

As of December 31, 2022, the Group had a network of 110 bank branches in Slovakia, 195 in Hungary and 266 in Bulgaria, serving an estimated 0.8 million, 1.6 million and 2.4 million clients, respectively.

The Group's strategy for all countries in the International Markets Business Unit is as follows:

- to develop new and unique 'bank-insurance+' propositions;
- to continue digitally upgrading its distribution model in those countries;
- to drive up the volume of straight-through and scalable processing;
- to increase its capacity in relation to data and AI to enable the Group's businesses in these countries to proactively offer relevant and personalized solutions;
- to selectively expand activities with a view to securing a top-three position in banking and in insurance; and
- to implement a socially responsible approach in all countries, with a particular focus on environmental awareness, financial literacy, entrepreneurship and health.

In Hungary, the Group also aims to become the undisputed leader in the area of innovation. The Group aims to raise profitability by targeting income through vigorous client acquisition in all banking segments and through more intensive cross-selling. It also aims to expand its insurance activities substantially, primarily through sales at bank branches for life insurance and, for non-life insurance, via online tools, agents, traditional brokers and bank branches.

In Slovakia, the Group also aims to maintain robust growth in strategic products (including home loans, consumer finance, SME funding, leasing and insurance), partly through cross-selling to group clients and via digital channels. The Group's other priorities in Slovakia include the sale of funds and increased fee income.

In Bulgaria, the Group is focused on the merger between UBB and the acquired Raiffeisenbank (Bulgaria), with the aim to create the leading bank in Bulgaria, including in the area of digitalization and innovation, and to become the benchmark in bank-insurance in all segments. The Group's insurance business in Bulgaria, DZI, likewise aims to maintain its goal of growing faster than the market in both life and non-life insurance.

### ***Group Centre***

The Group's three business units are supplemented by the Group Centre. The Group Centre includes, among other things, costs related to the funding of the Group and other costs related to the holding of participating interests and the results of companies or activities earmarked for divestment or that are already in the process of being wound down (including, as of January 1, 2022, the Group's business in Ireland).

## *KBC Bank Ireland*

In the Group's financial reporting, KBC Bank Ireland was included in the International Markets Business Unit for the years ended December 31, 2020 and 2021. In 2022, KBC Bank Ireland was transferred to the Group Centre in view of the pending sale.

In August 2021, KBC Bank Ireland reached an agreement on the disposal of a non-performing mortgage loan portfolio of approximately €1.1 billion in a transaction financed by funds managed by CarVal Investors. This disposal was finalized in February 2022. In October 2021, KBC Bank Ireland confirmed that it had entered into a legally binding agreement with Bank of Ireland relating to the sale of substantially all of KBC Bank Ireland's performing loan assets and its deposit book to Bank of Ireland Group. As part of the transaction, Bank of Ireland Group also acquired a small non-performing mortgage loan portfolio. On February 3, 2023, KBC Bank Ireland closed the sale of substantially all of its assets and liabilities to Bank of Ireland.

## **Products and Services**

The Group offers a comprehensive range of deposit, credit, asset management, insurance and other financial services to its clients in each of its core markets in Belgium and Central Europe.

As a bank, the Group offers its clients a wide range of deposit and savings products, including, but not limited to, demand deposits, time deposits, savings accounts, certificates of deposits and other debt securities. The Group also offers various other investment opportunities, including investment funds, such as equity funds, fixed-income funds and balanced funds. Investment products also include green bonds and socially responsible funds, including ECO-themed funds and impact investing funds. The Group uses the money from the deposits of its clients to provide loans to individuals, businesses and public authorities and also holds a portfolio of investments, relating mostly to government bonds. Credit products the Group offers include, but are not limited to, mortgage loans, term loans, consumer credit, financial lease and current account advances. These also include green loans and loans to specific sectors and projects, such as the social profit sector and infrastructure projects.

As an insurer, the Group offers a wide range of life and non-life products. Non-life products include, but are not limited to, motor, property, accidents and legal assistance insurance. Life insurance products include, but are not limited to, unit-linked products and guaranteed interest rate products (both single and periodic premiums).

The Group also offers a variety of other services that are important to clients in their everyday lives, including, but not limited to, payments, cash management, securities, trade finance, leasing, factoring, brokerage, corporate finance, advisory services, money and capital market products and roadside assistance.

## **Competition**

All of the Group's operations face competition in the sectors they serve. Depending on the activity, competitors include other commercial banks, saving banks, loan institutions, consumer finance companies, investment banks, brokerage firms, insurance companies, specialized finance companies, asset managers, private banks, investment companies and fintech and e-commerce companies.

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

In Belgium, the Group is one of the top three financial institutions by market share, based on its own estimates and the latest available data at December 31, 2022. For certain products or activities, the Group estimates it has a leading position, such as in the area of investment funds. The Group's main competitors in Belgium are BNP Paribas Fortis, Belfius, ING, AG Insurance, Ethias and Crelan, although for certain products, services or markets, other financial institutions may also be important competitors. Based on its own estimates and the latest available

data at December 31, 2022, the Group estimates that its market share in Belgium was 20% for traditional banking products, 28% for investment funds, 12% for life insurance and 9% for non-life insurance.

In its Central and Eastern European core markets, the Group occupies significant positions in banking and insurance. In each of these countries, the Group competes against local financial institutions, as well as subsidiaries of other large foreign financial groups such as Erste Bank, Unicredit and others. Based on its own estimates and the latest available data at December 31, 2022, the Group estimates that its market share in the Czech Republic was 21% for traditional banking products, 24% for investment funds, 7% for life insurance and 9% for non-life insurance. Based on its own estimates and the latest available data at December 31, 2022, the Group estimates that its market share in Slovakia was 12% for traditional banking products, 7% for investment funds, 2% for life insurance and 5% for non-life insurance. Based on its own estimates and the latest available data at December 31, 2022, the Group estimates that its market share in Hungary was 11% for traditional banking products, 11% for investment funds, 3% for life insurance and 7% for non-life insurance. Based on its own estimates and the latest available data at December 31, 2022, the Group estimates that its market share in Bulgaria was 19% for traditional banking products, 13% for investment funds, 26% for life insurance and 12% for non-life insurance.

The Group operates a limited number of branches and subsidiaries in the rest of the world, primarily in Western Europe, Southeast Asia and the United States, which focus on serving customers that already do business with KBC Bank's Belgian or Central and Eastern European network. In the rest of the world, the Group faces competition from both local companies and international financial groups.

## Culture

The Group uses the acronym 'PEARL+' to define its culture and the way it behaves:

- *Performance*: “We strive for excellent results and do what we promise to do”;
- *Empowerment*: “We offer every employee the chance to develop their creativity and talent”;
- *Accountability*: “We meet our personal responsibility towards our clients, colleagues, shareholders and society”;
- *Responsiveness*: “We anticipate and respond proactively to the questions, suggestions, contributions and efforts of our clients, colleagues and management”; and
- *Local embeddedness*: “We view the diversity of our teams and of our clients in the different core markets as a strength and we stay close to our clients”.

Recently, the Group has further expanded on the strong corporate culture epitomized by “PEARL” by adding an extra dimension, a “+”. This means that it will increasingly focus on the joint development and smart deployment of solutions, initiatives and ideas within and throughout the Group (in such areas as HR, strategy, finance and retail products/services). The Group consistently seeks to further accelerate group-wide cooperation between the various countries and domains. This is intended to make it possible to work more efficiently, to respond more quickly to change and to leverage local talent/skills throughout the group.

The Group encourages all employees to behave in a responsive, respectful and results-driven way:

- *Respectful*: “We treat people as being equal, we are transparent, we appreciate people for what they do and who they are, we trust people”;
- *Responsive*: “We anticipate and respond to suggestions and questions spontaneously and positively”; and

- *Results-driven:* “We do what we promise, we meet our objectives, we deliver quality, and we do so on time and in a cost-effective manner”.

## **Employees**

As at December 31, 2022, the Group had, on a consolidated basis, 41,947 employees (39,288 expressed in full time equivalents), the large majority of whom were located in Belgium (largely employed by KBC Bank) and Central and Eastern Europe.

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 labor agreements in force.

## **Intellectual Property**

The Group holds various intellectual property rights, including trademarks. The Group is the owner of several trademark registrations, and believes the trademark “KBC” and variations thereof are of material significance to its operations. The KBC trademark is subject to national trademark registration in a number of countries, including Belgium, the Czech Republic, Slovakia, Hungary and Bulgaria. The Group’s intellectual property portfolio also includes numerous domain names for websites that it uses in its business, as well as several patents and pending patent applications.

## **Information Technology**

Robust information and communications technology (“ICT”) systems are extremely important in an increasingly digital world. The Group works to achieve highly secure and reliable ICT systems and robust data protection procedures by constantly monitoring its systems and digital environment.

Teleworking has long been well established at the Group, but it became the norm as a result of the COVID-19 pandemic. To enable its employees to access critical systems and data remotely, the Group has redoubled its commitment to cybersecurity and IT and developed additional guidelines.

The group-wide Competence Centre for Information Risk Management & Business Continuity (the “**Competence Centre**”) tracks all risks relating to data protection, cybercrime and operational IT. The Competence Centre informs and assists local entities, tests the Group’s defense mechanisms and provides training, cyber-awareness and reporting in the group. The Competence Centre includes an internationally recognized and certified group Cyber Expertise & Response Team.

The Global IT Committee serves as the governance structure to ensure alignment on information security and IT strategy across the group. Information security and IT risks are structurally reported to the Group Internal Control Committee, which supports the Group Executive Committee in the domain of strengthening the quality and effectiveness of the Group’s internal control system.

## **Real Property**

The Group’s principal executive offices are located in Brussels, Belgium. It also operates through a number of other offices and branches located throughout Europe and elsewhere internationally. As at December 31, 2022, the Group had, on a consolidated basis, €2,989 million of property and equipment, of which €1,373 million represented land and buildings, with the remainder representing IT and other equipment.

## **Insurance**

In order to protect the Group’s business against major financial losses arising from the risks in performing the Group’s activities and services, the Group carries insurance policies, which it believes are customary for the

industry, to cover certain risks associated with its activities and services. The Group has a broad-based insurance program that includes, among other things, directors' and officers' liability insurance, crime and civil liability insurance, property damage, business interruption and terrorism insurance, public liability insurance, employer liability insurance and various other liability and accident insurance policies.

## **Legal proceedings**

The Group is involved in legal proceedings in the ordinary course of its business. This section sets out material litigation to which the Group or any of its subsidiaries (or certain individuals in their capacity as current or former employees or officers of the Group or any of its companies) are party. It describes all claims in connection with these legal proceedings, 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 conviction 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 Group does not believe that the liabilities arising from these claims will adversely affect the Group's consolidated financial position or results, given the provisions that, where necessary, have been set aside for these disputes.

### ***Lazare Kaplan International Inc.***

Lazare Kaplan International Inc. ("**LKI**") is a U.S. based diamond company. Lazare Kaplan Belgium NV ("**LKB**") and, together with LKI, ("**LK**") is LKI's Belgian affiliate. Following the merger between KBC Bank and Antwerpse Diamantbank NV ("**ADB**") on July 1, 2015, 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 Company Court of Antwerp for payment of commercial invoices for an amount of (initially) approximately U.S.\$9 million. LKB launched separate proceedings for payment of commercial invoices for (initially) an amount of approximately U.S.\$38 million.

At the end of 2009, ADB terminated LK's credit facilities. After LK failed to repay the amount outstanding of U.S.\$45,000,000, ADB started proceedings before the Company 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 summarized 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 of approximately U.S.\$140 million by DD Manufacturing and other Daleyot entities in cooperation with ADB.

### Overview of Legal Proceedings

#### (a) Company Court of Antwerp, section Antwerp

On March 16, 2010, proceedings were initiated by ADB against LKI in order to recover the monies owed to it under the terminated credit facility (approximately U.S.\$45 million in principal). LKB voluntarily intervened in this proceeding and claimed an amount of U.S.\$350 million from ADB. LKI launched a

counterclaim of U.S.\$500 million against ADB (from which it claims any amount awarded to LKB must be deducted).

LKI and/or LKB started numerous satellite proceedings with the sole aim to delay the decision of the Company Court of Antwerp, section Antwerp regarding ADB's recovery claim (please also refer to the proceedings described below).

LKI and/or LKB were convicted for reckless and vexatious legal actions numerous times and were ordered to pay KBC Bank in damages for a total amount of €495,000 and legal expenses (including the legal representation costs) of €204,015.51 (including the amounts granted by the decisions described below).

All decisions (45) regarding these proceedings rejected LKI and/or LKB's claims and legal actions. Only three decisions were rendered in favor of LKI. The first was a decision of the United States Court of Appeals for the Second Circuit in 2013 whereby the RICO case was reversed and remanded back to the District Court on legal technical grounds. The second decision was the ruling of Court of Cassation dated December 19, 2019 which only partially annulled the Antwerp Court of Appeal decision of December 13, 2018 regarding the lack of reasoning in relation to the order of LKI and LKB to pay damages for vexatious reckless proceedings. The case was only sent to the Brussels Court of Appeal on this aspect. The third decision was the ruling of the Court of Cassation dated January 25, 2021 annulling the decision of the Antwerp Court of Appeals dated February 28, 2019 but only on technical legal grounds (see point (c) below).

As of the date of this Offering Memorandum, after over 13 years of litigation, neither the Company Court of Antwerp, section Antwerp, nor the Antwerp Court of Appeal have been able to decide on the merits of the case. On October 6, 2020, the Company Court of Antwerp ordered a briefing schedule inviting parties to take a position on the procedural objections invoked by LK regarding the handling of KBC Bank's claim by the Court.

On June 3, 2021, the Company Court of Antwerp, section Antwerp declared that it has jurisdiction to rule on all claims and dismissed the procedural objections invoked by LK. A court hearing was set for September 8, 2022.

However, LKB and LKI lodged separate appeals against the decision of June 3, 2021. The Antwerp Court of Appeal merged the two appeals and set June 15, 2023 as a hearing date to address the procedural objections raised by LK. However, on June 14, 2023, LKB filed a petition with the Court of Cassation to withdraw the case from the Antwerp Court of Appeal and to refer the case to another Dutch-speaking court of appeal in Belgium.

By decision of July 25, 2023, the Court of Cassation declared the LKB's petition not manifestly inadmissible and set the court hearing on the merits of this petition on September 28, 2023.

(b) Company Court of Antwerp, section Antwerp

On July 28, 2014, LK launched proceedings against ADB and certain Daleyot entities. This claim is aimed at having certain transactions of the Daleyot entities declared null and void or at least not opposable against LK.

LK also filed a damage claim against ADB for a provisional amount of U.S.\$60 million based on the alleged third party complicity of ADB. This case is still pending. The court postponed the case *sine die*.

(c) Company Court of Antwerp, section Antwerp

On December 10, 2014, LKB filed a proceeding against ADB and KBC Bank claiming an amount of approximately U.S.\$77 million, based on the allegedly wrongful grant and maintenance of credit facilities by ADB and KBC Bank to the Daleyot entities. In its last court brief, LK claims an additional amount of approximately U.S.\$5 million.

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

LKB appealed against the decision of February 7, 2017. On February 28, 2019, the Antwerp Court of Appeals dismissed LKB's appeal. LKB was ordered to pay the legal representation cost for the appeal proceedings of €18,000. On June 18, 2019, LKB initiated proceedings before the Court of Cassation against the decision of the Antwerp Court of Appeals dated February 28, 2019. On January 25, 2021, the Court of Cassation annulled the decision of the Antwerp Court of Appeals, but only on technical legal grounds relating to the Court of Appeals' assessment of the limitation period for LKB's liability claims. The case has been sent to the Ghent Court of Appeals.

LKI – which was not a party to the first instance proceedings – commenced third-party opposition proceedings against the decision of February 7, 2017 with the Company Court of Antwerp, section Antwerp. By decision of May 7, 2019, the Company Court dismissed the third-party opposition proceedings initiated by LKI. The court ordered LKI to pay the legal representation cost of €1,440.

(d) Criminal complaint

On October 13, 2016, LK filed a criminal complaint with the Investigating Magistrate at the Dutch speaking Court of First Instance of Brussels against KBC Bank. On April 9, 2019 LK filed an additional complaint with the same Investigating Magistrate against KBC Bank and certain of its (former) employees. The criminal complaints are based, *inter alia*, on: embezzlement, theft and money-laundering. On September 29, 2021, KBC Bank received notification that the chambers section of the Criminal Court of Brussels will decide on the closure of the criminal investigation and on the regulation of procedure (either dismissal of charges or referral to the criminal court). On November 16, 2021 the chambers section of the Criminal Court decided to postpone indefinitely the proceedings because of LKI and LKB's request for additional investigation.

***Bernard L. Madoff Investments Securities LLC and Bernard L. Madoff***

On October 6, 2011, Irving H. Picard, trustee for the substantively consolidated Securities Investor Protection Corporation Act (“SIPA”) liquidation of Bernard L. Madoff Investments Securities LLC and Bernard L. Madoff (the “Trustee”), sued KBC Investments Ltd before the bankruptcy court in New York to recover approximately U.S.\$110 million worth of transfers made to KBC entities. The basis for this claim were the subsequent transfers that the Group had received from Harley International, a Madoff feeder fund established under the laws of the Cayman Islands. This claim is one of a set made by the Trustee against several banks, hedge funds, feeder funds and investors. In addition to the issues addressed by the district court, briefings were held on the applicability of the Bankruptcy Code's ‘safe harbor’ and ‘good defenses’ rules to subsequent transferees (as is the case for the Group). The Group, together with numerous other defendants, filed motions for dismissal. District court Judge Jed Rakoff has made several intermediate rulings in this matter, the most important of which are the rulings on extraterritoriality and good faith defenses.

On April 27, 2014, Judge Rakoff issued an opinion and order regarding the ‘good faith’ standard and pleading burden to be applied in the Picard/SIPA proceeding based on sections 548(b) and 559(b) of the Bankruptcy Code. As such, the burden of proof that lies on Picard/SIPA is that the Group should have been aware of the fraud perpetrated by Madoff. On July 7, 2014, Judge Rakoff ruled that Picard/SIPA's reliance on section 550(a) does not allow for the recovery of subsequent transfers received abroad by a foreign transferee from a foreign transferor

(as is the case for KBC Investments Ltd.). Therefore, the Trustee's recovery claims have been dismissed to the extent that they seek to recover purely foreign transfers. In June 2015, the Trustee filed a petition against the Group to overturn the ruling that the claim fails on extraterritoriality grounds. In this petition, the Trustee also announced he would amend the original claim including the sum sought. The amount would be increased to U.S.\$196 million.

On November 21, 2016, Judge Bernstein issued a memorandum decision regarding claims to recover foreign subsequent transfers, including the transfers which the Trustee seeks to recover from the Group. In this memorandum decision, Judge Bernstein concluded that the Trustee's claims based on foreign transfers should be dismissed out of concern for international comity and ordered a dismissal of the action against the Group. On March 3, 2017, the Bankruptcy Court issued an appealed order denying the Trustee's request for leave to amend his complaint and dismissing the complaint. On March 16, 2017, the Trustee filed an appeal of dismissal, on September 27, 2017 the Second Circuit granted the Trustee's petition for a direct appeal, on January 10, 2018 the Trustee filed his opening brief in appeal to Second Circuit. Briefing in the appeal was completed on May 8, 2018, and the Second Circuit held oral argument on November 16, 2018.

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

In April 2019, a request for rehearing was denied.

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

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

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

On June 2, 2020, the U.S. Supreme Court denied the petition. Consequently, the merits of the case will be handled by the Bankruptcy Court.

On August 30, 2021, the Court of Appeals for the Second Circuit reversed the pleading standard of good faith from an initial burden for the plaintiff of proving lack of good faith on the part of the defendant to henceforth a burden for the defendant of proving his good faith.

On August 1, 2022, the Bankruptcy Court judge issued a stipulation and order regarding the filing of an amended complaint and subsequent scheduling of proceedings. As a result, the Trustee amended his complaint on August 5, 2022 by reducing his claim to U.S.\$86,000,000, consisting of subsequent transfers received by KBC Investments Ltd from Harley (a feeder fund). Pursuant to the stipulation and order, the Group filed a motion to dismiss the amended complaint on November 18, 2022. On April 26, 2023, the Bankruptcy Court judge dismissed the motion. Accordingly, the procedure on the merits of the case continues. At the end of June 2023, the Group filed an answer to the amended complaint. The next step will be the preparation and submission of KBC Investments' initial disclosures. The Group still believes, although the burden of proof has been increased, that it has good and credible defenses, including demonstrating its good faith. The procedure may still take several years.

#### ***ICEC-Holding, a.s.***

On February 17, 2023, ČSOB in the Czech Republic received an arbitral award in the arbitration proceedings against ICEC-HOLDING, a.s. ("ICEC"). ČSOB was being sued in the arbitration proceedings as the legal successor of Investiční a poštovní banka ("IPB"), whose business activities were acquired by ČSOB in 2000. The proceedings were initiated by ICEC in 2007. The plaintiff claims that IPB breached its contractual duties in 1999,



entitling ICEC to damages and a contractual penalty. The claim itself is not in any way related to ČSOB's business activities and is to be considered part of the IPB legacy. In the arbitral award handed down, the arbitration tribunal ordered ČSOB to pay ICEC an amount of CZK 3.7 billion, along with the costs of the proceedings in the amount of CZK 5.0 million, payable within 15 days of the delivery of the award. The plaintiff failed in the remainder of its claim and the arbitration tribunal ordered it to pay ČSOB the costs of the proceedings in the amount of CZK 17.4 million. On May 17, 2023, ICEC submitted a petition with the Prague Municipal Court seeking the annulment of the arbitral award. The Prague Municipal Court cannot decide on the merits of the case, and its assessment will be limited to some procedural requirements of the arbitral award and arbitration proceedings. The annulment proceedings may still take several years. In the meantime, the arbitral award remains legally binding and enforceable. If the Prague Municipal Court should decide to annul the arbitral award, depending on the legal basis of such a decision, the case (including the merits thereof) may be reviewed by either another arbitral tribunal or a court.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Overview

The Group is an integrated bank-insurance group, catering mainly to retail, private banking and SME clients. The Group's geographic focus is Europe, with Belgium, the Czech Republic, Slovakia, Hungary and Bulgaria as its "home" (or "core") markets. In addition to its core markets, the Group has a limited presence in a number of other countries, including in Europe, Southeast Asia and the United States, where its primary focus is to support the activities of its corporate clients in the core 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 core 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 to specialized activities such as, but not exclusively, payments services, dealing room activities (including money and debt market activities), brokerage and corporate finance, foreign trade finance, international cash management and leasing.

The Group is structured around three business units:

- *the Belgium Business Unit*, comprising the activities of KBC Bank NV and KBC Insurance NV and their Belgian subsidiaries, such as CBC Banque, KBC Asset Management, KBC Lease Group and KBC Securities;
- *the Czech Republic Business Unit*, comprising the activities of the ČSOB group in the Czech Republic (under the ČSOB Bank, Postal Savings Bank, ČSOB Stavební spořitelna and Patria Finance brands) and the insurer ČSOB Pojišť'ovna; and
- *the International Markets Business Unit*, comprising the activities conducted by ČSOB Bank and ČSOB Poist'ovna in Slovakia, K&H Bank and K&H Insurance in Hungary, UBB and DZI Insurance in Bulgaria and, until the end of 2021, KBC Bank Ireland, which was sold on February 3, 2023 to Bank of Ireland.

In addition to its three business units, the Group also reports on "Group Centre", which comprises the results of the holding company, items that have not been allocated to the other business units and the results of companies to be divested (including, as from January 1, 2022, the Group's former business in Ireland).

As of December 31, 2022, the Group's client base consisted of approximately 13 million clients across its core markets. As at the same date, the Group had 1,215 staffed bank branches in its network. As of December 31, 2022, the Group employed approximately 42,000 employees, of which over 60% were located outside of Belgium.

As at June 30, 2023, the Group had total assets of €368.1 billion and total equity of €22.9 billion. For the six months ended June 30, 2023, the Group's net result was €1,848 million and for the years ended December 31, 2022, 2021 and 2020, the Group's net result was €2,743 million (€2,818 million restated to reflect the impact of IFRS 17), €2,614 million and €1,440 million, respectively. In the year ended December 31, 2022 (based on the pre-IFRS 17 figures), the Belgium Business Unit represented 64% of the Group's net result, the Czech Republic Business Unit represented 25% of the Group's net result, the International Markets Business Unit represented 16% of the Group's net result and the Group Centre accounted for (5)% of the Group's net result.

### Significant Factors Affecting the Group's Results of Operations and Financial Condition

The Group's business, results of operations and financial position have been affected, and may continue to be affected, by various factors, the most significant of which are described below. The impact of these and other potential factors may vary significantly in the future, and many of these factors are outside the control of the Group.

## **Macroeconomic conditions**

The macroeconomic environment is the principal factor affecting the Group's financial condition and results of operations. In particular, macroeconomic developments affect demand for, and pricing of, the Group's products and services, as well as the quality of its assets. For example, investor sentiment directly impacts the Group's net fee and commission income, and GDP growth has an impact on the level of loans in each country. In addition, ECB decisions to support loan growth during difficult financial times can materially increase the Group's balance sheet, such as through participation in the third series of targeted longer-term refinancing operations ("TLTRO III"), which allowed the Group to attract funds from the ECB at a -100bps rate. Changes in currency exchange rates between the euro and the Czech koruna and the Hungarian forint also have an immediate impact on the Group's balance sheet and income statement. Furthermore, the Group's results of operations are affected by the level of provisioning for impaired loans, which are impacted by macroeconomic scenarios, including the COVID-19 pandemic and Russia's invasion of Ukraine, and the macroeconomic conditions of the markets in which the Group operates.

The following table sets forth certain data regarding the market conditions of the Group's core markets as at and for the year ended December 31, 2022.

	<b>Belgium</b>	<b>Czech Republic</b>	<b>Slovakia</b>	<b>Hungary</b>	<b>Bulgaria</b>
Change in GDP (real).....	3.1%	2.5%	1.5%	4.9%	3.5%
Inflation (average annual increase in consumer prices) .....	10.3%	14.8%	12.1%	15.3%	13.0%
Unemployment rate (% of the labor force at year-end; Eurostat definition, apart from Ireland) .....	5.5%	2.3%	5.8%	4.0%	4.0%
Government budget balance (% of GDP)	(4.0)%	(5.0)%	(6.2)%	(6.1)%	(2.5)%
Public debt (% of GDP) .....	105.0%	43.5%	62.0%	73.5%	23.0%

Source: Eurostat

Set out below is a summary of economic developments in the Group's core markets during the period under review. Unless otherwise indicated, the source for historical macroeconomic data set out below is Macrobond Financial.

### **Belgium**

As elsewhere, the pandemic and the exceptional measures taken in 2020 prompted an unprecedented fall in Belgian GDP that year. Midway through the year, economic activity was almost 15% lower than in the fourth quarter of 2019. The ensuing recovery in the third quarter of 2020, while robust, was far from complete. Moreover, the renewed surge in COVID-19 infections in the fourth quarter of 2020, and the measures taken as a consequence, led to a slight contraction in economic activity. The outcome was an annualized fall in real GDP in the year ended December 31, 2020 of 5.7%. As at December 31, 2020, there was still a shortfall of almost 5% compared with the GDP level as at December 31, 2019. Belgian inflation based on the European harmonized consumer price index was very low in 2020, averaging 0.4% across the year, due mainly to a steep year-on-year decline in energy prices. House prices continued to surge ahead in the year ended December 31, 2020, rising by 4.2% on an annual basis due to strong investment demand.

The Belgian economy experienced a solid recovery of 6.2% in the year ended December 31, 2021. Outpacing the euro area, economic activity exceeded the pre-pandemic level in the third quarter of 2021. Private consumption was the main driver of growth, underpinned by an improving pandemic situation and easing restrictions as the year progressed. In the second half of 2021, bottlenecks on the supply side of the economy increasingly hampered growth, with companies suffering from both supply problems and labor shortages. The fourth wave of COVID-19 also compelled the Belgian government to impose further measures towards the end of 2021. In the meantime, the energy and Ukraine crises initially clouded the 2022 growth outlook. Rising energy prices and supply chain

bottlenecks caused by COVID-19 drove Belgian inflation upwards to 7% as at December 31, 2021 according to the European Harmonised Index of Consumer Prices. In the first half of 2022, inflation rose further, to above 10% during the summer months. At 3.2%, the average inflation figure for the year ended December 31, 2021 as a whole was well above the level of 2020. The ten-year rate of Belgian linear bonds picked up overall from approximately -0.4% at the start of 2021 to 0.2% at the end of 2021. The yield spread with the corresponding German Bund rose from less than 20 basis points at the start of 2021 to 40 basis points at the end of 2021.

Despite the energy crises and war in Ukraine, the Belgian economy continued to grow in the year ended December 31, 2022, and overall, recorded an annual growth rate of 3.1%, driven by private consumption, which continue to grow despite a severe decline in consumer confidence since the beginning of the war in Ukraine in February 2022. During this same period, demand remained supported by the post-pandemic recovery, whereas wage indexation mitigated the impact of high inflation on real family incomes. The labor market performed well in 2022, although it declined as the year progressed. For the year ended December 31, 2022, the unemployment rate rose 5.1% compared to the previous year. The peak in energy prices caused Belgian inflation to rise to 13.1% in October 2022, which later fell to 10.2% towards the end of the year as energy inflation declined, according to the European Harmonised Index of Consumer Prices. The average inflation figure for the year ended December 31, 2022 was three times that of the 2021 figure.

### *Czech Republic*

The performance of the Czech economy in the year ended December 31, 2020 was heavily influenced by the COVID-19 pandemic. The growing restrictions on international trade disrupted supply chains, which until then had been functioning smoothly. Eventually, these issues forced domestic companies to cut or in some cases even cease production. The restrictions imposed in the face of the pandemic hit the service sector particularly hard (in particular the hospitality and tourism sector) and were the main driver of the economic recession in the first half of 2020. The gradual easing of the measures from the end of the second quarter of 2020 opened the way for a recovery in almost all sectors of the economy, leading to very dynamic economic growth as early as the third quarter of 2020. Unfortunately, the autumn wave of COVID-19 ushered in a second and third lockdown in the Czech Republic, which once again had an adverse impact mainly on the service sector. By contrast, the largest domestic sector – the manufacturing industry – proved to be largely immune to that wave of the pandemic. The Czech government introduced a number of measures to support affected companies and entrepreneurs, which negatively impacted the government budget. In addition, a moratorium was introduced for the repayment of bank loans, as well as a temporary moratorium on rent payments. The CNB also responded to the exceptional economic situation by cutting its main interest rate by 200 basis points, relaxing mortgage lending criteria and lowering the countercyclical capital buffer for the banking sector. These moves led to a substantial reduction in interest rates and yields on the bond markets in 2020, though they did rise again slightly in the fourth quarter. The Group's net interest income for the Czech Republic Business Unit decreased by 21% in 2020 compared to the prior year partly as a result of these interest rate cuts by the CNB. The negative impact of the COVID-19 pandemic was reflected in increased risk aversion, as well as in the weakening of the Czech koruna, which lost up to 10% of its value against the euro between February 2020 and April 2020. However, some of this depreciation reversed over the course of 2020.

The Czech Republic suffered two waves of the COVID-19 pandemic in the year ended December 31, 2021. The lockdown measures intended to counteract the waves of infection translated into a contraction of the Czech economy in the first quarter of 2021, which mainly impacted the service sector, with trade and tourism again being hit the hardest. Although the favorable development of industrial output in the first half of 2021 prevented more severe economic consequences, the industrial sector faced increasing problems with supply chains, international transport that suffered from more and more delays and became more expensive, and the surging prices of raw materials and energy. These bottlenecks peaked in the third quarter of 2021, prompting a significant decline in production in the automotive industry, which still accounted for approximately 10% of total GDP. Economic recovery in the year ended December 31, 2021 was accompanied by higher inflationary pressure, which prompted the CNB to intervene and raise its policy rate by 25 basis points to 0.50% as early as the end of June 2021. The CNB kept tightening its monetary policy at every subsequent policy meeting, resulting in a two-week repo rate of

3.75% at the end of December 2021. Inflationary pressure nevertheless continued its upward trend, leading to an inflation rate of 3.6% in 2021.

The war in Ukraine has led to further upward inflationary pressure, as oil and gas prices have skyrocketed. In the second half of 2022, rising energy prices and the related impact on consumer price inflation led to an increase in inflation, reaching nearly 18% in September 2022. Conversely, real wages in Czech households decreased by more than 8%, triggering a significant decrease in consumer confidence and a material negative contribution of household consumption to GDP dynamics in the second half of 2022, leading to a recession. The downward trend in household consumption was partially offset during the period by inventory buildup in the first half of the year and by an increase in foreign trade during the second half of the year. The unemployment rate remained stable at approximately 2.2% throughout the year while various labor sectors consistently reported labor shortages as a factor limiting production at the end of the year.

In response to high inflation, the CNB raised its key rate to 7% during the first half of 2022 and took a more cautious approach during the second half of the year, leaving the key rate unchanged. The CNB also used a small portion of its substantial foreign exchange reserves (approximately 60% of GDP at the start of 2022) to prevent a weakening of the Czech koruna.

#### *International Markets (Slovakia, Hungary and Bulgaria)*

The course of the pandemic was the biggest determinant of the macroeconomic performance of Slovakia, Hungary and Bulgaria in the year ended December 31, 2020. A significant downturn in the second quarter of 2020 as a result of the lockdowns was followed in the third quarter of 2020 by a pronounced economic recovery in the region. However, despite the strong figures posted in the third quarter of 2020, none of the regional economies entirely recovered from the downturn in the first half of the year. The performance in the fourth quarter of 2020 was much worse owing to the second wave of the COVID-19 pandemic and the policy responses to it. The majority of lockdown measures primarily impacted the demand side of the economy, especially the service sector, while the supply side fared better. This was important for the regional economies, where industry plays a crucial role. Consequently, industrial output remained relatively strong. The resilience of German industrial output and the new, less stringent pandemic measures during the second wave helped explain why the economies of Central Europe were less affected at that time.

In the year ended December 31, 2021, economic recovery following the COVID-19 impact in 2020 was the main determinant for Slovakia, Hungary and Bulgaria. In line with euro area developments, the first quarter of 2021 had a difficult start in the second wave of the pandemic. Both the Slovakian economy and the Bulgarian economy contracted in the first quarter of 2021. The Hungarian economy was an exception and showed positive growth. The second and third quarters of 2021 then saw positive quarterly growth figures for the Central European core markets in line with euro area developments, again followed by a weaker fourth quarter of 2021 on the back of the fourth wave of COVID-19 and the Omicron variant. The focus on specialist sectors, such as the automotive industry, rendered the markets in Central Europe more vulnerable to obstacles in international supply chains. As a result, the Russian-Ukrainian war has had a significant impact on these markets.

The surge in inflation in the years ended December 31, 2021 and December 31, 2022, was generally more substantial in the Central European economies than in the euro area. Tight labor markets and rising energy prices following the outbreak of the war in Ukraine have further driven prices upwards in 2022. Annual average inflation in Slovakia, Hungary and Bulgaria stood at 12.1%, 15.3% and 13.0%, respectively, with each above the euro-area figure of 8.4%. The National Bank of Hungary responded by significantly raising its base rate even further from 2.4% at the beginning of 2022 to 13% at the year's end. During the same period, the Hungarian forint experienced volatility and the resulting substantial depreciation of the exchange rate against the euro greatly contributed to the inflationary pressure. At the weakest period, the Hungarian forint stood at approximately 430 forints per euro. To support the forint in the fourth quarter of 2022, the National Bank of Hungary created additional interest rate facilities in addition to the traditional base rate which prompted a significant rise in the short-term money market interest rate. Given the strong depreciation of the Hungarian forint, which added to inflationary pressure, and

otherwise high and accelerating inflation, the Group expects a further tightening of monetary policy by the National Bank of Hungary, leading to further increases in the Budapest Interbank Offered Rate.

Bulgaria joined the European Exchange Rate Mechanism II (“ERM II”) system on July 10, 2020, a stepping stone on the way to the eventual introduction of the euro. During its membership of ERM II, Bulgaria will maintain the currency board for the lev against the euro, meaning it will not make use of the exchange rate fluctuation margin that is permitted under ERM II. Bulgarian economic growth also rebounded in 2021 in the wake of the impact of the COVID-19 pandemic in 2020. Annual average inflation rose in 2021, but to a lesser extent than in the other Central European core markets. The Bulgarian economy was adversely affected by the conflict in Ukraine and a low rate of vaccination, which rendered Bulgaria more vulnerable to the fourth wave of COVID-19 and the Omicron variant. Political uncertainty has also prevailed since mid-2021, with new parliamentary elections to be scheduled for later this year. However, in 2022, the Bulgarian economy’s growth rate was more or less in line with the euro area growth. In addition to high energy prices and the direct impact of the conflict in Ukraine, political instability was another factor that impacted growth as the resulting policy uncertainty degraded economic sentiment and the investment climate. In addition, the Bulgarian economy continues to face a consistently tight labor market, largely attributable to unfavourable demographic development, including an 11.5% decline in overall population between the 2011 and 2021 censuses, demographic aging, a decreasing share of the economically active population and an increasing dependency ratio.

### ***Effects of the war in Ukraine and the COVID-19 pandemic***

The outbreak of COVID-19 in the first quarter of 2020 triggered a sequence of market events that resulted in a significant deterioration in economic growth and economic outlook, and led to unprecedented policy responses by central banks and governments around the world as well as supply chain disruptions. As a result, the COVID-19 pandemic has had a significant impact on global macroeconomic conditions and financial markets and the economic environments in which the Group operates. See “*Risk Factors—Actions taken during the COVID-19 pandemic continue to adversely impact and may further adversely impact the Group its clients, counterparties, employees and third-party service providers, and could have a material adverse effect on the Group’s business, financial condition, results of operations and prospects*” for a further discussion of COVID-19 and its impact on the Group. While the Group’s capital position and liquidity position remained strong throughout the pandemic, global health crises like COVID-19 and geopolitical challenges like the war in Ukraine have significant implications for the global economy and hence the Group’s results of operations. See “*Risk Factors—The Group’s business, financial condition and results of operations may be adversely affected by the Russian invasion of Ukraine and other geopolitical risks*” and “*—Deterioration in the economic conditions in the markets in which the Group operates can have a material adverse effect on the Group’s business, financial condition, results of operations and prospects*”.

In 2022, the Group fully reversed the reserves still outstanding for the impact of the COVID-19 pandemic, which totalled €289 million at the year ended December 31, 2021. Although the Group’s direct net exposure to Ukraine, Belarus and Russia is very limited (approximately €29 million at the year ended December 31, 2022), the Group’s activities are indirectly impacted by the macroeconomic consequences of the war, including the impact of high oil and gas prices on inflation and economic growth and the spillover effects on the Group, its counterparties and clients. As a result, the Group set aside a reserve for geopolitical and emerging risks, totalling €429 million in the year ended December 31, 2022.

For a further discussion of the impact of the war in Ukraine and the COVID-19 pandemic on the Group, including an overview of the main impact of COVID-19 on the Group’s results of operations in the years ended December 31, 2022 and 2021, see Note 1.4 to the 2022 Financial Statements and the 2022 Financial Statements.

### ***Interest rates***

The Group earns interest from loans and other assets and pays interest to its depositors and other creditors. The Group’s results of operations are, therefore, dependent to a great extent on its net interest income. Net interest income represented 61.0% of the Group’s total income in the year ended December 31, 2022, as compared to

58.9% of the Group's total income in the year ended December 31, 2021 and 62.1% in the year ended December 31, 2020. The Group's net interest margin, which is the difference between the yield on its interest-bearing assets and the cost of its interest-bearing liabilities, varies according to prevailing interest rates and is a significant factor in determining the profitability of the Group. Reductions in interest rates or compression of the interest rate spread may result in a decrease in the amount of net interest income generated by the Group and its net interest margin. For a discussion of developments in interest rates, see "*Risk Factors—Risks related to the markets and economies in which the Group operates—The Group's business is sensitive to volatility in interest rates and to changes in the competitive environment affecting spreads on its lending and deposits.*"

The Group's net interest income is largely driven by a combination of lending and deposit volumes and margins and commercial transformation result, which is defined as the net interest income that is received by investing demand deposits from external customers, partly in a portfolio of long term bonds and partly in overnight cash deposits, after deducting interest paid to that external customer. Deposit margins are generally more sensitive to decreases in interest rates than lending margins because in periods when interest rates approach zero or become negative, the rates payable on some client deposits cannot decrease below zero. This limits the Group's ability to manage deposit margins. In addition, higher interest rates, in general, allow banks to achieve a higher transformation result, given they earn higher interest rates on long term bonds and overnight cash deposits, while the interest paid on current accounts and saving accounts remains limited. The Group's net interest income was €5,161 million in the year ended December 31, 2022, €4,451 million in the year ended December 31, 2021 and €4,467 million in the year ended December 31, 2020. The relatively lower levels of the Group's net interest income in both 2020 and 2021 was largely due to the low interest rate environment during those years.

### ***Effects of the regulatory environment***

The Group's business activities are subject to substantial regulation and regulatory oversight in the jurisdictions in which it operates. For a non-exhaustive overview of certain important regulatory and legislative developments, see "*Banking and Insurance Regulation and Supervision*". Compliance with such regulations has increased the Group's capital requirements, exposed it to additional costs and liabilities and may, in the future, have a material impact on its business, the products and services it offers and the value of its assets.

At the international level, a number of regulatory and supervisory initiatives have been implemented in recent years in order to increase the quantity and quality of capital, and raise liquidity levels in the banking sector. Among such initiatives are a number of specific measures proposed by the Basel Committee and implemented by the European Union through CRD IV. For further information on these measures, see "*Capital Management*". As a bank-insurance group, the Group and certain Group entities are currently subject to the capital requirements and capital adequacy ratios imposed by CRD IV and Solvency II.

The capital requirements applicable to the Group may change over time, including as a result of the new Basel IV framework, which was released by the Basel Committee in December 2017 and is expected to be implemented by January 1, 2025. Implementation of any changes that impose more stringent requirements could lead to increased funding costs for the Group, and it may need to raise additional capital in the future.

### ***Factors impacting KBC Insurance***

#### ***Claims experience***

The Group's financial results are affected by its claims experience, which may vary from the assumptions that the Group makes both when it designs and prices its insurance products and when it calculates its insurance contract liabilities. Claims experience varies over time and from one type of product to another, and may be impacted by specific events and changes in macroeconomic conditions, population demographics, mortality, morbidity and other factors.

The Group establishes liabilities to reflect future expected policyholder benefits and claims. The Group establishes these liabilities and prices its products based on many assumptions and estimates, including mortality and

morbidity rates, policyholder behavior, expected premiums, investment return, policy persistency, policyholder benefits to be paid and expenses to be incurred, as well as macroeconomic factors such as interest rates and inflation. If the net liabilities initially established for future policyholder claims and benefits prove insufficient, the Group must increase its net liabilities, which may have a material adverse effect on the Group's financial condition and results of operations

#### *Adverse weather and other unpredictable events*

During the period under review, adverse weather events in the countries in which the Group operates have resulted in increased insurance claims, which impacted the Group's results. For example, in June 2021, the most severe tornado in the Czech Republic on record destroyed several villages, leading to an estimated impact to the Group of €24 million before tax and before reinsurance at the end of the second quarter of 2021. In addition, in July 2021, Western Europe was hit by exceptional rainfall resulting in floods with a severe impact in Belgium and other countries. The gross loss at December 31, 2021 for KBC Insurance was €110 million before tax and before reinsurance (€87 million after reinsurance). In 2022, the Group's non-life technical result was negatively impacted by extreme weather conditions, including flooding and heavy storms (particularly, in Belgium, having a gross impact of €107 million or €53 million after reinsurance).

Further adverse weather events or other unpredictable events, such as natural disasters, industrial explosions, terrorist attacks, acts of war or hostilities, pandemics and similar events may cause an unexpected and substantial increase in insurance claims under policies written by KBC Insurance, which may in turn cause it to incur substantial losses. Some types of natural disasters (such as tornadoes and floods, as described above) have been increasingly observed in recent years. The occurrence of multiple natural catastrophic events in such a short period of time raises questions about their exceptionality and whether their likelihood is expected to increase driven by climate change. If the occurrence of such events continues to become more frequent, as a result of climate change or otherwise, the Group's financial condition and results of operations may be materially adversely affected.

#### **Recent Developments**

**On September 5, 2023**, the Group issued €750 million undated deeply subordinated AT1 fixed rate resettable callable securities, the net proceeds of which will be used for the general corporate purposes and further enable the Group to optimize its capital structure and support its leverage ratio.

#### **Results of Operations for the Six Months Ended June 30, 2023 Compared to the Six Months Ended June 30, 2022**

*The financial information of the Group as at and for the six months ended June 30, 2023 and the comparative information as at and for the six months ended June 30, 2022 discussed in this section has been extracted from the Interim Financial Statements, incorporated by reference in this Offering Memorandum and reflects the Restated 2022 Financial Information. Please see "Presentation of Financial and Other Information—Restatement of 2022 comparative financial information" for further information.*

The table below summarizes the Group's income statement for the six months ended June 30, 2023 and June 30, 2022.

	<b>Six months ended</b>		<b>% change</b>
	<b>June 30,</b>		
	<b>2023</b>	<b>2022</b>	
		<b>Restated<sup>(1)</sup></b>	
	<i>(EUR million)</i>		
	<i>(Unaudited)</i>		
Net interest income.....	2,731	2,448	11.5
Insurance revenues before reinsurance.....	1,297	1,181	9.8
<i>Non-life insurance (before reinsurance)</i> .....	1,109	997	11.2
<i>Life insurance (before reinsurance)</i> .....	188	184	2.0



	<b>Six months ended June 30,</b>		<b>% change</b>
	<b>2023</b>	<b>2022</b> <b>Restated<sup>(1)</sup></b>	
	<i>(EUR million)</i> <i>(Unaudited)</i>		
Dividend income .....	37	28	32.3
Net result from financial instruments at fair value through profit or loss .....	206	127	61.6
Net fee and commission income.....	1,160	1,112	4.3
Insurance finance income and expense .....	(148)	6	-
Net other income .....	552	116	376.5
<b>Total income</b> .....	<b>5,835</b>	<b>5,020</b>	<b>16.2</b>
<b>Operating expenses (excluding directly attr. from insurance)</b> .....	<b>(2,520)</b>	<b>(2,339)</b>	<b>7.7</b>
<i>Total operating expenses without banking and insurance tax...</i>	<i>(2,167)</i>	<i>(1,975)</i>	<i>9.7</i>
<i>Total banking and insurance tax .....</i>	<i>(622)</i>	<i>(608)</i>	<i>2.2</i>
<i>Minus: operating expenses allocated to insurance service expenses.....</i>	<i>270</i>	<i>244</i>	<i>10.3</i>
<b>Insurance service expenses before reinsurance</b> .....	<b>(1,013)</b>	<b>(937)</b>	<b>8.1</b>
<i>Non-life.....</i>	<i>(876)</i>	<i>(872)</i>	<i>0.4</i>
<i>Life .....</i>	<i>(138)</i>	<i>(65)</i>	<i>113.3</i>
<b>Net result from reinsurance contracts held.....</b>	<b>(52)</b>	<b>10</b>	<b>-</b>
<b>Impairment .....</b>	<b>18</b>	<b>(48)</b>	<b>-</b>
<b>Share in results of assoc. comp. &amp; joint ventures .....</b>	<b>(4)</b>	<b>(5)</b>	<b>(16.1)</b>
<b>Results before tax .....</b>	<b>2,264</b>	<b>1,701</b>	<b>33.1</b>
Income tax expense .....	(416)	(362)	14.9
<b>Results after tax .....</b>	<b>1,848</b>	<b>1,339</b>	<b>38.0</b>

(1) Comparative figures for 2022 have been restated for the transition to IFRS 17 (Insurance Contracts). See “Presentation of Financial and Other Information—Restatement of 2022 comparative financial information”.

### **Total Income**

Total income increased by €815 million, or 16.2%, from €5,020 million for the six months ended June 30, 2022 to €5,835 million for the six months ended June 30, 2023. The increase was primarily due to higher net interest income, insurance revenues, net fee and commission income and exceptionally higher net other income (due to a positive one-off impact of €405 million related to the sale of the loan and deposit portfolio of KBC Bank Ireland).

The Group’s total income consists of net interest income, insurance revenues before reinsurance, dividend income, net result from financial instruments at fair value through profit or loss, net fee and commission income, insurance finance income and expense, and net other income, each of which is discussed further below.

### *Net interest income*

The following table shows the components of the Group’s net interest income for the six months ended June 30, 2023 and June 30, 2022:

	<b>Six months ended June 30,</b>		<b>% change</b>
	<b>2023</b>	<b>2022</b> <b>Restated<sup>(1)</sup></b>	
	<i>(EUR million)</i> <i>(Unaudited)</i>		
Total .....	2,731	2,448	11.6

Interest income .....	9,380	4,856	93.2
Interest income on financial instruments calculated using the effective interest rate method			
<i>Financial assets at amortized cost</i> .....	4,895	3,350	46.1
<i>Financial assets at fair value through OCI</i> .....	173	189	(8.5)
<i>Hedging derivatives</i> .....	2,023	713	183.7
<i>Financial liabilities (negative interest rate)</i> .....	8	190	(95.8)
<i>Other</i> .....	1,118	46	2,330.4
Interest income on other financial instruments			
<i>Financial assets MFVPL other than held for trading</i> .....	26	16	62.5
<i>Financial assets held for trading</i> .....	1,138	352	223.3
<i>Of which economic hedges</i> .....	1,064	300	254.7
<i>Other financial assets at fair value through profit and loss</i> .....	0	0	-
Interest expense .....	(6,649)	(2,407)	176.2
Interest expense on financial instruments calculated using the effective interest rate method			
<i>Financial liabilities at amortized cost</i> .....	(3,091)	(617)	401.0
<i>Financial assets (negative interest rate)</i> .....	(1)	(77)	(98.7)
<i>Hedging derivatives</i> .....	(2,131)	(776)	174.6
<i>Other</i> .....	(2)	(1)	100.0
Interest expense on other financial instruments			
<i>Financial liabilities held for trading</i> .....	(1,395)	(924)	51.0
<i>Of which economic hedges</i> .....	(1,372)	(898)	52.8
<i>Other financial liabilities at fair value through profit or loss</i> .....	(32)	(11)	190.9
<i>Net interest expense relating to defined benefit plans</i> .....	3	(1)	-

(1) Comparative figures for 2022 have been restated for the transition to IFRS 17 (Insurance Contracts). See “Presentation of Financial and Other Information—Restatement of 2022 comparative financial information”.

Net interest income increased by €283 million, or 11.5%, from €2,448 million for the six months ended June 30, 2022 to €2,731 million for the six months ended June 30, 2023. The increase was primarily the result of the increase in commercial transformation result, the consolidation of Raiffeisenbank Bulgaria as of the third quarter of 2022 and increased term deposits at better margins.

#### *Insurance revenues before reinsurance*

Insurance revenues before reinsurance increased by €116 million, or 9.8%, from €1,181 million for the six months ended June 30, 2022 to €1,297 million for the six months ended June 30, 2023.

Non-life insurance results (before reinsurance) increased by €112 million, or 11.2%, from €997 million for the six months ended June 30, 2022 to €1,109 million for the six months ended June 30, 2023, as a result of higher insurance revenues which compensated for higher insurance service expenses.

Life insurance results (before reinsurance) increased by €4 million, or 2.2%, from €184 million for the six months ended June 30, 2022 to €188 million for the six months ended June 30, 2023 as a result of the higher volume of premiums and tariff increases.

#### *Dividend income*

Dividend income increased by €9 million, or 32.3%, from €28 million for the six months ended June 30, 2022 to €37 million for the six months ended June 30, 2023. The increase was primarily due to a one-off dividend of €6 million at KBC Insurance.

*Net result from financial instruments at fair value through profit or loss*

The following table shows the components of the Group's net result from financial instruments at fair value through profit or loss for the six months ended June 30, 2023 and June 30, 2022:

	<b>Six months ended June 30,</b>		<b>% change</b>
	<b>2023</b>	<b>2022 Restated<sup>(1)</sup></b>	
	<i>(EUR million)</i> <i>(Unaudited)</i>		
Total .....	206	127	61.6
<i>Total broken down by driver</i>			
Dealing room income .....	163	159	2.5
MTM asset liability management derivatives and other.....	(11)	(7)	57.1
Market value adjustments (xVA) .....	9	51	(82.4)
Result on investment backing unit-linked contracts – under IFRS17 .....	45	(76)	-

(1) Comparative figures for 2022 have been restated for the transition to IFRS 17 (Insurance Contracts). See “Presentation of Financial and Other Information—Restatement of 2022 comparative financial information”.

Net result from financial instruments at fair value through profit or loss increased by €79 million, or 61.6%, from €127 million for the six months ended June 30, 2022 to €206 million for the six months ended June 30, 2023. The increase was primarily related to: a higher result on investments backing unit-linked contracts under IFRS 17 in the first half of 2023, which experienced improved financial market conditions compared to the depressed market conditions in the first half of 2022; higher dealing room income in the first half of 2023 in Belgium which was partially offset by lower dealing room income in the Czech Republic and Hungary and a lower positive impact from market value adjustments during the period; and a slightly lower MTM asset liability management derivatives and other income in the first half of 2023, primarily in Belgium and the Czech Republic.

*Net fee and commission income*

The following table shows the components of the Group's net fee and commission income for the six months ended June 30, 2023 and June 30, 2022:

	<b>Six months ended June 30,</b>		<b>% change</b>
	<b>2023</b>	<b>2022 Restated<sup>(1)</sup></b>	
	<i>(EUR million)</i> <i>(Unaudited)</i>		
Total .....	1,160	1,112	4.3
Fee and commission income .....	1,468	1,393	5.4
Fee and commission expense .....	(308)	(281)	9.6
<i>Breakdown by type</i>			
Asset management services.....	615	616	(0.2)
<i>Fee and commission income</i> .....	643	655	(1.8)
<i>Fee and commission expense</i> .....	(28)	(39)	(28.2)
Banking services .....	524	479	9.4
<i>Fee and commission income</i> .....	797	713	11.8
<i>Fee and commission expense</i> .....	(273)	(234)	16.7
Other.....	21	18	16.7
<i>Fee and commission income</i> .....	28	25	12
<i>Fee and commission expense</i> .....	(7)	(7)	-

- (1) Comparative figures for 2022 have been restated for the transition to IFRS 17 (Insurance Contracts). See “Presentation of Financial and Other Information—Restatement of 2022 comparative financial information”.

Net fee and commission income increased by €48 million, or 4.3%, from €1,112 million for the six months ended June 30, 2022 to €1,160 million for the six months ended June 30, 2023. The increase was primarily due to higher fees for asset management activities (management fees and entry fees and banking fees, including the positive effect of the consolidation of Raiffeisenbank Bulgaria).

#### *Insurance finance income and expense*

Insurance finance income and expense increased by €154 million from an income of €6 million for the six months ended June 30, 2022 to an expense of €148 million for the six months ended June 30, 2023. The increase was primarily due to changes related to interest rate movements and stock market developments.

#### *Net other income*

The following table shows the components of the Group’s net other income for the six months ended June 30, 2023 and June 30, 2022:

	<b>Six months ended June 30,</b>		<b>% change</b>
	<b>2023</b>	<b>2022 Restated<sup>(1)</sup></b>	
	<i>(EUR million)</i> <i>(Unaudited)</i>		
Total .....	552	116	376.5
Of which gains or losses on			
Sale of financial assets measured at amortized cost .....	(6)	(10)	(40.0)
Sale of debt instruments at fair value through OCI .....	1	(38)	-
Repurchase of financial liabilities measured at amortized cost .....	0	(1)	-
Of which other, including: .....	558	165	238.2
Income from operational leasing activities .....	50	50	-
Income from VAB Group .....	21	28	(25.0)
Gain on sale real estate subsidiary at KBC Insurance .....	0	68	-
Legacy legal cases excluding ICEC-Holding .....	0	7	-
Legal file ICEC-Holding .....	(2)	0	-
Gain on sale Stone portfolio .....	405	0	-
Recuperation Belgian Banking taxes (including moratorium interests) .....	48	0	-

- (1) Comparative figures for 2022 have been restated for the transition to IFRS 17 (Insurance Contracts). See “Presentation of Financial and Other Information—Restatement of 2022 comparative financial information”.

Net other income increased by €436 million from €116 million for the six months ended June 30, 2022 to €552 million for the six months ended June 30, 2023. The increase was primarily due to the sale of the loan and deposit portfolio of KBC Bank Ireland (an impact of €405 million).

#### **Total operating expenses**

Total operating expenses increased by €181 million, or 7.7%, from €2,339 million for the six months ended June 30, 2022 to €2,520 million for the six months ended June 30, 2023. The increase was primarily due to the consolidation of Raiffeisenbank Bulgaria, wage drift and indexation of salaries, higher IT costs, facility expenses (energy) and higher banking taxes.

### *Insurance service expenses (before reinsurance)*

Insurance service expenses (before reinsurance) increased by €76 million, or 8.1%, from €937 million for the six months ended June 30, 2022 to €1,013 million for the six months ended June 30, 2023. The increase was primarily due to a reversal of loss component in the second quarter of 2022 for an amount of €80 million (before tax) on saving products in Belgium driven by increased interest rates. Non-life insurance service expenses (before reinsurance) increased from €872 million for the six months ended June 30, 2022 to €876 million for the six months ended June 30, 2023 while life insurance service expenses (before reinsurance) increased from €65 million for the six months ended June 30, 2022 to €138 million for the six months ended June 30, 2023.

### **Total impairment**

The following table shows the components of the Group's impairment for the six months ended June 30, 2023 and June 30, 2022:

	<b>Six months ended June 30,</b>		<b>% change</b>
	<b>2023</b>	<b>2022</b>	
		<b>Restated<sup>(1)</sup></b>	
	<i>(EUR million)</i>		
	<i>(Unaudited)</i>		
Total .....	18	(48)	-
Impairment on financial assets at AC and at FVOCI .....	47	6	683.3
By IFRS category			
<i>Impairment on financial assets at AC</i> .....	47	5	840.0
<i>Impairment on financial assets at FVOCI</i> .....	0	1	-
By product			
<i>Loans and advances</i> .....	30	10	200.0
<i>Debt securities</i> .....	2	1	100.0
<i>Off-balance-sheet commitments and financial guarantees</i> ..	15	(6)	-
By type			
<i>Stage 1 (12-month ECL)</i> .....	(47)	(9)	422.2
<i>Stage 2 (lifetime ECL)</i> .....	90	44	104.6
<i>Stage 3 (lifetime ECL)</i> .....	7	(33)	-
<i>Purchased or originated credit impaired assets</i> .....	(2)	3	-
Impairment on goodwill .....	0	0	-
<i>Impairment on other</i> .....	(29)	(54)	(46.3)
<i>Intangible fixed assets (other than goodwill)</i> .....	0	(23)	(100.0)
<i>Property and equipment (including investment property)</i> ..	(9)	(9)	-
<i>Associated companies and joint ventures</i> .....	0	0	-
<i>Other</i> .....	(20)	(22)	(9.1)

(1) Comparative figures for 2022 have been restated for the transition to IFRS 17 (Insurance Contracts). See "Presentation of Financial and Other Information—Restatement of 2022 comparative financial information".

### **Share in results of associate companies and joint ventures**

Share in the results of associate companies and joint ventures improved by €1 million (or 16.1%) from a loss of €5 million for the six months ended June 30, 2022 to €4 million for the six months ended June 30, 2023.

### **Results before tax**

Results before tax increased by €563 million, or 33.1%, from €1,701 million for the six months ended June 30, 2022 to €2,264 million for the six months ended June 30, 2023. The increase primarily reflects the aggregate of higher income and lower impairments, partly offset by higher operating expenses.

### *Income tax expense*

Income tax expense increased by €54 million, or 14.9%, from €362 million for the six months ended June 30, 2022 to €416 million for the six months ended June 30, 2023. The increase was primarily due to a higher result before tax.

### *Results after tax*

Results after tax increased by €509 million, or 38.0%, from €1,339 million for the six months ended June 30, 2022 to €1,848 million for the six months ended June 30, 2023. The increase primarily reflects the higher result before tax as explained above, partly offset by higher income tax expense.

### **Results of Operations for the Year Ended December 31, 2022 Compared to the Year Ended December 31, 2021**

*The financial information of the Group as at and for the year ended December 31, 2022 and the comparative information as at and for the year ended December 31, 2021 discussed in this section has been extracted from the 2022 Financial Statements, incorporated by reference in this Offering Memorandum.*

The table below summarizes the Group's income statement for the years ended December 31, 2022 and December 31, 2021.

	<b>Year ended December 31,</b>		<b>% change</b>
	<b>2022</b>	<b>2021</b>	
	<i>(EUR million)</i>		
Net interest income.....	5,161	4,451	16.0
Non-life insurance (before reinsurance).....	881	782	12.7
Life insurance (before reinsurance).....	92	45	104.4
Ceded reinsurance result .....	(2)	25	-
Dividend income .....	59	45	32.3
Net result from financial instruments at fair value through profit or loss .....	406	145	180.5
Net realized result from debt instruments at fair value through OCI .....	(22)	6	-
Net fee and commission income.....	1,847	1,836	0.6
Other net income .....	40	223	(81.9)
<b>Total income.....</b>	<b>8,463</b>	<b>7,558</b>	<b>12.0</b>
Staff expenses.....	(2,561)	(2,457)	4.2
General administrative expenses .....	(1,883)	(1,583)	19.0
Depreciation and amortization of fixed assets.....	(374)	(356)	5.1
Share in results of associated companies and joint ventures .....	(10)	(5)	100
<b>Total operating expenses.....</b>	<b>(4,818)</b>	<b>(4,396)</b>	<b>9.6</b>
Impairment on financial assets at amortized cost and at fair value through OCI.....	(154)	334	-
Impairment on goodwill .....	(5)	(7)	(32.7)
Impairment on other .....	(125)	(65)	91.9
<b>Total impairment .....</b>	<b>(284)</b>	<b>261</b>	<b>-</b>
<b>Results before tax .....</b>	<b>3,351</b>	<b>3,418</b>	<b>(2.0)</b>
Income tax expense .....	(608)	(804)	(24.4)
<b>Results after tax .....</b>	<b>2,743</b>	<b>2,614</b>	<b>4.9</b>

## Total Income

Total income increased by €905 million, or 12.0%, from €7,558 million for the year ended December 31, 2021 to €8,463 million for the year ended December 31, 2022. The increase was primarily due to higher net interest income, trading and fair value income and the technical insurance result.

The Group's total income consists of net interest income, technical insurance results (earned premiums less technical charges plus the ceded insurance result), dividend income, net result from financial instruments at fair value through profit or loss, net realized result from debt instruments at fair value through OCI, net fee and commission income and other net income, each of which is discussed further below.

## Net interest income

The following table shows the components of the Group's net interest income for the year ended December 31, 2022 and December 31, 2021:

	<b>Year ended December 31,</b>		<b>% change</b>
	<b>2022</b>	<b>2021</b>	
	<i>(EUR million)</i>		
Total .....	5,161	4,451	16.0
Interest income .....	11,226	6,320	77.6
Interest income on financial instruments calculated using the effective interest rate method			
<i>Financial assets at amortized cost</i> .....	7,973	4,797	66.2
<i>Financial assets at fair value through OCI</i> .....	251	286	(12.0)
<i>Hedging derivatives</i> .....	1,838	355	417.5
<i>Financial liabilities (negative interest rate)</i> .....	289	425	(32.1)
<i>Other</i> .....	130	25	421.6
Interest income on other financial instruments			
<i>Financial assets MFVPL other than held for trading</i> .....	35	24	41.8
<i>Financial assets held for trading</i> .....	710	407	74.3
<i>Of which economic hedges</i> .....	582	367	58.5
<i>Other financial assets at fair value through profit and loss</i> .....	-	-	-
Interest expense .....	(6,064)	(1,869)	224.5
Interest expense on financial instruments calculated using the effective interest rate method			
<i>Financial liabilities at amortized cost</i> .....	(2,320)	(534)	334.3
<i>Hedging derivatives</i> .....	(1,972)	(604)	226.7
<i>Financial assets (negative interest rate)</i> .....	(94)	(253)	(63.1)
<i>Other</i> .....	(5)	(7)	(20.7)
Interest expense on other financial instruments			
<i>Financial liabilities held for trading</i> .....	(1,639)	(459)	257.5
<i>Of which economic hedges</i> .....	(1,595)	(414)	284.8
<i>Other financial liabilities at fair value through profit or loss</i> .....	(33)	(11)	196.1
<i>Net interest expense relating to defined benefit plans</i> .....	(1)	(1)	(27.1)

Net interest income increased by €710 million, or 16.0%, from €4,451 million for the year ended December 31, 2021 to €5,161 million for the year ended December 31, 2022. The increase was primarily due to an improvement on reinvestment yields in all core countries, growth in loan and deposit volumes, higher income from funding, the consolidation of Raiffeisenbank Bulgaria (now renamed KBC Bank Bulgaria) since the third quarter of 2022 and a positive exchange rate effect. This was partly offset by the negative impact factors including pressure on credit margins in nearly all of the Group's core countries, the cancellation in the third quarter of negative interest charged on corporate and SME current accounts and the loss of a positive effect of ECB tiering at the end of July 2022,

which exempted part of credit institutions' excess liquidity holdings from negative remuneration at the rate applicable on the deposit facility.

#### *Non-life insurance (before reinsurance)*

Non-life insurance results (before reinsurance) increased by €99 million, or 12.7%, from €782 million for the year ended December 31, 2021 to €881 million for the year ended December 31, 2022. The increase was primarily due to higher premium income as compared to the prior year due to tariff and volume-driven growth, which was partly offset by the negative impact of lower ceded reinsurance result and higher technical charges.

#### *Life insurance (before reinsurance)*

Life insurance results (before reinsurance) increased by €47 million from €45 million for the year ended December 31, 2021 to €92 million for the year ended December 31, 2022. However, in compliance with IFRS, certain types of life insurance (i.e. unit-linked products) have been excluded from the figures for premiums and technical charges in the life insurance business. If the premium income from such products is included, premium income from the life insurance business totaled €2,085 million for the year ended December 31, 2022, representing a 6% increase compared to the year ended December 31, 2021. This increase can be credited mainly to unit-linked life insurance products in Belgium, sales of which increased as a result of the successful launch of structured products, mainly in the fourth quarter of 2022. For the Group as a whole, products offering guaranteed rates and unit-linked products accounted for 48% and 52%, respectively, of premium income from the life insurance business in the year ended December 31, 2022.

#### *Ceded reinsurance result*

Ceded reinsurance results decreased by €27 million from €25 million for the year ended December 31, 2021 to a negative €2 million for the year ended December 31, 2022. The decrease primarily reflected the bad weather conditions and a tornado in the Czech Republic in 2021.

Ceded reinsurance result includes the net amount of all actual or estimated amounts which, under contractual reinsurance arrangements, are recuperated, as well as the premiums paid for this reinsurance.

#### *Dividend income*

Dividend income increased by €15 million, or 32.3%, from €45 million for the year ended December 31, 2021 to €59 million for the year ended December 31, 2022. The increase was primarily due to the receipt of a liquidation dividend in Belgium.

#### *Net result from financial instruments at fair value through profit or loss*

The following table shows the components of the Group's net result from financial instruments at fair value through profit or loss for the years ended December 31, 2022 and December 31, 2021:

	<b>Year ended December 31,</b>		<b>% change</b>
	<b>2022</b>	<b>2021</b>	
	<i>(EUR million)</i>		
Total .....	406	145	180.5
Total broken down by driver			
Market value adjustments (MVA).....	80	67	19.9
Change in the value of derivatives used for asset/liability management purposes .....	(14)	(197)	92.7
Financial instruments to which the overlay approach is applied and other income .....	96	113	(15.3)
Dealing room.....	245	162	51.3



Net result from financial instruments at fair value through profit or loss increased by €261 million from €145 million for the year ended December 31, 2021 to €406 million for the year ended December 31, 2022. The increase primarily reflected the positive change in the market value of derivatives used for asset/liability management purposes and higher dealing room income.

*Net realized result from debt instruments at fair value through OCI*

Net realized result from debt instruments at fair value through OCI decreased by €28 million from €6 million for the year ended December 31, 2021 to negative €22 million in the year ended December 31, 2022. The decrease was primarily due to a realised loss in the year ended December 31, 2022 on the sale of low-yielding bonds.

*Net fee and commission income*

The following table shows the components of the Group's net fee and commission income for the year ended December 31, 2022 and December 31, 2021:

	<b>Year ended December 31,</b>		<b>% change</b>
	<b>2022</b>	<b>2021</b>	
	<i>(EUR million)</i>		
Total .....	1,847	1,836	0.6
Fee and commission income .....	2,804	2,692	4.2
Fee and commission expense .....	(957)	(856)	11.8
Breakdown by type			
Asset management services .....	1,175	1,196	(1.7)
<i>Fee and commission income</i> .....	1,230	1,274	(3.5)
<i>Fee and commission expense</i> .....	(54)	(78)	(30.1)
Banking services .....	1,021	950	7.5
<i>Fee and commission income</i> .....	1,489	1,330	12.0
<i>Fee and commission expense</i> .....	(468)	(380)	23.2
Distribution .....	(349)	(311)	12.4
<i>Fee and commission income</i> .....	85	87	(3.0)
<i>Fee and commission expense</i> .....	(434)	(398)	9.0

Net fee and commission income increased by €12 million, or 0.6%, from €1,836 million for the year ended December 31, 2021 to €1,847 million for the year ended December 31, 2022. The increase was primarily due to the positive impact of the consolidation of Raiffeisenbank Bulgaria and higher fees for banking services (particularly for payments). This was partly offset by lower fees for asset management services (i.e., lower entry fees) and higher distribution fees paid, mainly related to higher sales of insurance products.

*Other net income*

The following table shows the components of the Group's other net income for the year ended December 31, 2022 and December 31, 2021:

	<b>Year ended December 31,</b>		<b>% change</b>
	<b>2022</b>	<b>2021</b>	
	<i>(EUR million)</i>		
Total .....	40	223	(81.9)
Of which gains or losses on			
Sale of financial assets measured at amortized cost.....	(79)	6	-
Repurchase of financial liabilities measured at amortized cost .....	-	-	-
Other, including:.....	119	218	(45.2)
<i>Income from operational leasing activities</i> .....	106	98	7.9
<i>Income from VAB Group</i> .....	50	50	-
<i>Gain on sale of KBC Tower in Antwerp</i> .....	-	13	-
<i>Settlement of legal cases</i> .....	-	6	-
<i>Provisioning for tracker mortgage review</i> .....	-	(18)	-
<i>Badwill</i> .....	-	28	-
<i>Gain on sale of real estate subsidiary (KBC Vastgoed Nederland)</i> .....	68	-	-
<i>Arbitration proceedings against ICEC-Holding</i> .....	(149)	-	-

Other net income decreased by €183 million, or 81.9%, from €223 million for the year ended December 31, 2021 to €40 million for the year ended December 31, 2022. The decrease was primarily due to the a negative impact relating to the arbitral awarded delivered in the arbitration proceedings against ICEC-Holding in the Czech republic in February 2023 and the realized loss on the exceptional sale of low-yielding bonds in Belgium, the Czech Republic and Hungary.

#### ***Total operating expenses***

Total operating expenses increased by €422 million, or 9.6%, from €4,396 million for the year ended December 31, 2021 to €4,818 million for the year ended December 31, 2022. The increase was due, in part, to an extraordinary payment into the deposit guarantee fund on account of Sberbank Hungary and a new bank and insurance tax in Hungary during the period. Excluding the exceptional bank taxes, the impact of the consolidation of Raiffeisenbank Bulgaria (including the associated integration expenses and euro adoption costs), exchange rate effects and several one-off items (i.e., an additional profit bonus for staff and one-off expenses related to the sale of the Irish portfolios), operating expenses increased by approximately 5% during the year ended December 31, 2022, primarily due to wage drift and indexation, as well as higher IT costs.

#### ***Total impairment***

The following table shows the components of the Group's impairment for the year ended December 31, 2022 and December 31, 2021:

	<b>Year ended December 31,</b>		<b>% change</b>
	<b>2022</b>	<b>2021</b>	
	<i>(EUR million)</i>		
Total .....	(284)	261	-
Impairment on financial assets at AC and at FVOCI .....	(154)	334	-
By IFRS category			
<i>Financial assets at amortised cost</i> .....	(155)	330	-
<i>Financial assets at fair value through OCI</i> .....	1	4	(61.7)
By product			
<i>Loans and advances</i> .....	(177)	315	-
<i>Debt securities</i> .....	(2)	3	-
<i>Off-balance-sheet commitments and financial guarantees</i> .....	25	15	62.6
By type			
<i>Stage 1 (12-month ECL)</i> .....	5	74	(93.6)
<i>Stage 2 (lifetime ECL)</i> .....	(106)	449	-
<i>Stage 3 (lifetime ECL)</i> .....	(60)	(191)	(68.4)
<i>Purchased or originated credit impaired assets</i> .....	8	2	333.3
Impairment on goodwill .....	(5)	(7)	(32.7)
Impairment on other .....	(125)	(65)	91.9
Intangible fixed assets (other than goodwill) .....	(34)	(35)	(2.0)
Property and equipment (including investment property) .....	(18)	(17)	6.2
Associated companies and joint ventures.....	-	-	-
Other.....	(73)	(13)	453.2

#### *Impairment on financial assets at amortized cost and at fair value through OCI*

Impairment on financial assets at amortized cost and at fair value through OCI increased by €487 million, from a net reversal of €334 million for the year ended December 31, 2021 to a €154 million release for the year ended December 31, 2022. The year ended December 31, 2022 included the full reversal for the remaining provision for the COVID-19 pandemic (release of €255 million) and a net reversal of impairment on individual loans (release of €21 million), which was offset by additional one-off impairment charges related to the sale transactions in Ireland and a new reserve set aside to cover geopolitical and emerging risks in relation to the war in Ukraine and the impact on the Group's loan portfolio.

#### *Impairment on goodwill*

Impairment on goodwill decreased by €2 million, from €7 million for the year ended December 31, 2021 to €5 million for the year ended December 31, 2022. The decrease was primarily due to the impairment on the Ušetřeno participation in the Czech Republic for the year ended December 31, 2021, which was greater than the impairment on Skip Pay recorded in the year ended December 31, 2022.

#### *Impairment on other*

Impairment on other increased by €60 million, or 91.9%, from €65 million for the year ended December 31, 2021 to €125 million for the year ended December 31, 2022. For the year ended December 31, 2022, impairment on other related primarily to real estate, the impact of the interest rate cap in Hungary and one-off impairment charges on non-current assets in Ireland related to the sale transactions.

#### **Results before tax**

Results before tax decreased by €67 million, or 2.0%, from €3,418 million for the year ended December 31, 2021 to €3,351 million for the year ended December 31, 2022. The decrease primarily reflected the higher operating expenses and impairments, largely compensated by a higher total income.

### *Income tax expense*

Income tax expense decreased by €196 million, or 24.4%, from €804 million for the year ended December 31, 2021 to €608 million for the year ended December 31, 2022. The decrease was primarily due to one-off items related to the sale transactions in Ireland in both years. In addition to income tax, the Group pays special bank taxes which amounted to €646 million in the year ended December 31, 2022 compared to €525 million in 2021.

### *Results after tax*

Results after tax increased by €129 million, or 4.9%, from €2,614 million for the year ended December 31, 2021 to €2,743 million for the year ended December 31, 2022. The increase primarily reflected lower income tax expense, partly offset by the lower result before tax.

### **Results of Operations for the Year Ended December 31, 2021 Compared to the Year Ended December 31, 2020**

*The financial information of the Group as at and for the year ended December 31, 2021 and the comparative information as at and for the year ended December 31, 2020 discussed in this section has been extracted from the 2021 Financial Statements, incorporated by reference in this Offering Memorandum.*

The table below summarizes the Group's income statement for the years ended December 31, 2021 and December 31, 2020.

	<b>Year ended December 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>% change</b>
	<i>(EUR million)</i>		
Net interest income.....	4,451	4,467	(0.4)
Non-life insurance (before reinsurance).....	782	865	(9.6)
Life insurance (before reinsurance).....	45	10	350.0
Ceded reinsurance result .....	25	(20)	-
Dividend income .....	45	53	(15.1)
Net result from financial instruments at fair value through profit or loss .....	145	33	339.4
Net realized result from debt instruments at fair value through OCI .....	6	2	200.0
Net fee and commission income.....	1,836	1,609	14.1
Other net income .....	223	176	26.7
<b>Total income</b> .....	<b>7,558</b>	<b>7,195</b>	<b>5.0</b>
Staff expenses.....	(2,457)	(2,329)	5.5
General administrative expenses .....	(1,583)	(1,518)	4.3
Depreciation and amortization of fixed assets.....	(356)	(309)	15.2
Share in results of associated companies and joint ventures .....	(5)	(11)	(54.5)
<b>Total operating expenses</b> .....	<b>(4,396)</b>	<b>(4,156)</b>	<b>5.8</b>
Impairment on financial assets at amortized cost and at fair value through OCI.....	<b>334</b>	<b>(1,074)</b>	<b>(131.1)</b>
Impairment on goodwill .....	(7)	-	-
Impairment on other .....	(65)	(108)	(39.8)
<b>Total impairment</b> .....	<b>261</b>	<b>(1,182)</b>	<b>-</b>
<b>Results before tax</b> .....	<b>3,418</b>	<b>1,847</b>	<b>85.1</b>
Income tax expense .....	(804)	(407)	97.5
<b>Results after tax</b> .....	<b>2,614</b>	<b>1,440</b>	<b>81.5</b>

## Total Income

Total income increased by €363 million, or 5%, from €7,195 million for the year ended December 31, 2020 to €7,558 million for the year ended December 31, 2021. The increase was primarily due to higher results from net fee and commission income (which increased by €227 million, or 14.1%, from €1,609 million for the year ended December 31, 2020 to €1,836 million for the year ended December 31, 2021) and higher results from financial instruments at fair value through profit or loss (which increased by €112 million, from €33 million for the year ended December 31, 2020 to €145 million for the year ended December 31, 2021).

The Group's total income consists of net interest income, technical insurance results (earned premiums less technical charges plus the ceded insurance result), dividend income, net result from financial instruments at fair value through profit or loss, net realized result from debt instruments at fair value through OCI, net fee and commission income and other net income, each of which is discussed further below.

## Net interest income

The following table shows the components of the Group's net interest income for the year ended December 31, 2021 and December 31, 2020:

	<b>Year ended December 31,</b>		<b>% change</b>
	<b>2021</b>	<b>2020</b>	
	<i>(EUR million)</i>		
Total .....	4,451	4,467	(0.4)
Interest income .....	6,320	6,264	0.9
Interest income on financial instruments calculated using the effective interest rate method			
<i>Financial assets at amortized cost</i> .....	4,797	4,869	(1.5)
<i>Financial assets at fair value through OCI</i> .....	286	330	(13.3)
<i>Hedging derivatives</i> .....	355	377	(5.8)
<i>Financial liabilities (negative interest rate)</i> .....	425	222	91.4
<i>Other</i> .....	25	10	150.0
Interest income on other financial instruments			
<i>Financial assets MFVPL other than held for trading</i> .....	24	14	71.4
<i>Financial assets held for trading</i> .....	407	442	(7.9)
<i>Of which economic hedges</i> .....	367	398	(7.8)
<i>Other financial assets at fair value through profit and loss</i> .....	0	0	0
Interest expense .....	(1,869)	(1,797)	4
Interest expense on financial instruments calculated using the effective interest rate method			
<i>Financial liabilities at amortized cost</i> .....	(534)	(707)	(24.5)
<i>Hedging derivatives</i> .....	(604)	(632)	(4.4)
<i>Financial assets (negative interest rate)</i> .....	(253)	(79)	220.3
<i>Other</i> .....	(7)	(5)	40.0
Interest expense on other financial instruments			
<i>Financial liabilities held for trading</i> .....	(459)	(345)	33.0
<i>Of which economic hedges</i> .....	(414)	(313)	32.3
<i>Other financial liabilities at fair value through profit or loss</i> .....	(11)	(25)	(56.0)
<i>Net interest expense relating to defined benefit plans</i> .....	(1)	(3)	(66.7)

Net interest income decreased by €16 million, or 0.4%, from €4,467 million for the year ended December 31, 2020 to €4,451 million for the year ended December 31, 2021. The slight decrease was primarily due to the negative impact of a number of factors, including lower reinvestment yields in the euro countries, pressure on loan portfolio margins in virtually all countries and lower interest income from the insurer's bond portfolio (partly driven by a positive one-off item in the reference period) and was almost fully offset by lower funding costs

(including the effect of TLTRO III and ECB tiering, which exempts part of credit institutions' excess liquidity holdings (i.e. reserve holdings in excess of minimum reserve requirements) from negative remuneration at the rate applicable on the deposit facility), a larger loan portfolio, the consolidation of OTP Banka Slovensko, the more extensive charging of negative interest rates for certain current accounts held by business and SME clients, the higher positive effect of ALM foreign exchange swaps and the exchange rate effect.

#### *Non-life insurance (before reinsurance)*

Non-life insurance results (before reinsurance) decreased by €83 million, or 9.6%, from €865 million for the year ended December 31, 2020 to €782 million for the year ended December 31, 2021. The decrease was primarily due to the positive effect of the increase in premium income (an increase of 6.1%) being cancelled out by significantly higher technical charges (an increase of 21%). The latter was affected by the impact of the extreme weather conditions in the Czech Republic (tornado in June 2021) and, most notably in Belgium, which experienced heavy flooding during the summer of 2021. Gross claims related to these floods totaled €110 million in the year ended December 31, 2021; after reinsurance (of which the impact is included in ceded reinsurance result), the net amount was €87 million, €45 million of which was above the legal limit, which is the ceiling introduced in Belgian law on the intervention of insurers in the event of very large floods. The decrease in non-life insurance results also reflects that the claims submitted during the year ended December 31, 2020 were favorably affected by lower claims during the lockdowns.

#### *Life insurance (before reinsurance)*

Life insurance results (before reinsurance) increased by €35 million from €10 million for the year ended December 31, 2020 to €45 million for the year ended December 31, 2021. However, in compliance with IFRS, certain types of life insurance (i.e. unit-linked products) have been excluded from the figures for premiums and technical charges in the life insurance business. If the premium income from such products is included, premium income from the life insurance business totaled €1,964 million for the year ended December 31, 2021, representing a 1% decrease compared to the year ended December 31, 2020. This slight decrease can be credited mainly to unit-linked life insurance in Belgium and the Czech Republic, partially offset by Bulgaria (as a result of the consolidation of NN's life insurance business). For the Group as a whole, products offering guaranteed rates and unit-linked products accounted for 52% and 48%, respectively, of premium income from the life insurance business in the year ended December 31, 2021.

#### *Ceded reinsurance result*

Ceded reinsurance results increased by €45 million from a negative €20 million for the year ended December 31, 2020 to €25 million for the year ended December 31, 2021. The increase primarily reflected higher recoveries from significantly higher technical charges following the heavy flooding during the summer in Belgium in the year ended December 31, 2021.

Ceded reinsurance result includes the net amount of all actual or estimated amounts which, under contractual reinsurance arrangements, are recuperated, as well as the premiums paid for this reinsurance.

#### *Dividend income*

Dividend income decreased by €8 million, or 15.1%, from €53 million for the year ended December 31, 2020 to €45 million for the year ended December 31, 2021. The decrease was primarily due to lower dividend income in Belgium. In particular, in both the year ended December 31, 2021 and the year ended December 31, 2020, dividend income was low as companies kept dividend payments at a lower level in order to keep capital and liquidity buffers during the COVID-19 pandemic. In addition, some sectors, such as European banks, were not permitted to distribute capital for a certain period following an ECB decision.

*Net result from financial instruments at fair value through profit or loss*

The following table shows the components of the Group's net result from financial instruments at fair value through profit or loss for the years ended December 31, 2021 and December 31, 2020:

	<b>Year ended December 31,</b>		<b>% change</b>
	<b>2021</b>	<b>2020</b>	
	<i>(EUR million)</i>		
Total .....	145	33	339.4
Total broken down by driver			
Market value adjustments (MVA).....	67	13	415.4
Change in the value of derivatives used for asset/liability management purposes .....	(197)	(94)	109.6
Financial instruments to which the overlay approach is applied.....	104	(14)	-
<i>Gains or losses on sale</i> .....	123	116	6
<i>Impairment</i> .....	(20)	(131)	(84.7)
Dealing room and other.....	171	128	33.6

Net result from financial instruments at fair value through profit or loss increased by €112 million from €33 million for the year ended December 31, 2020 to €145 million for the year ended December 31, 2021. The increase primarily reflected the lower result in the year ended December 31, 2020, which was adversely affected during the first quarter of 2020 by the outbreak of the COVID-19 pandemic (which initially resulted in collapsing stock markets, higher credit spreads and lower long-term interest rates).

*Net realized result from debt instruments at fair value through OCI*

The net realized result from debt instruments at fair value through OCI was not material in the years ended December 31, 2021 and 2020.

*Net fee and commission income*

The following table shows the components of the Group's net fee and commission income for the year ended December 31, 2021 and December 31, 2020:

	<b>Year ended December 31,</b>		<b>% change</b>
	<b>2021</b>	<b>2020</b>	
	<i>(EUR million)</i>		
Total .....	1,836	1,609	14.1
Fee and commission income .....	2,692	2,365	13.8
Fee and commission expense .....	(856)	(755)	13.4
Breakdown by type			
Asset management services.....	1,196	1,022	17.0
<i>Fee and commission income</i> .....	1,274	1,081	17.9
<i>Fee and commission expense</i> .....	(78)	(59)	32.2
Banking services .....	950	875	8.6
<i>Fee and commission income</i> .....	1,330	1,205	10.4
<i>Fee and commission expense</i> .....	(380)	(330)	15.2
Distribution .....	(311)	(288)	8.0
<i>Fee and commission income</i> .....	87	78	11.5
<i>Fee and commission expense</i> .....	(398)	(366)	8.7

Net fee and commission income increased by €227 million, or 14.1%, from €1,609 million for the year ended December 31, 2020 to €1,836 million for the year ended December 31, 2021. The increase was primarily due to the increase in fees for asset management services (almost exclusively attributable to higher management fees)

and, to a slightly lesser extent, to an increase in fees for banking services (especially for payments), which were only partly offset by higher distribution fees, mainly for insurance products.

#### *Other net income*

The following table shows the components of the Group's other net income for the year ended December 31, 2021 and December 31, 2020:

	<b>Year ended</b>		<b>% change</b>
	<b>December 31,</b>		
	<b>2021</b>	<b>2020</b>	
	<i>(EUR million)</i>		
Total .....	223	176	26.7
Of which gains or losses on			
Sale of financial assets measured at amortized cost .....	6	11	(45.5)
Repurchase of financial liabilities measured at amortized cost .....	0	0	0
Other, including: .....	218	165	32.1
<i>Income from operational leasing activities</i> .....	98	<b>77</b>	27.3
<i>Income from VAB Group</i> .....	50	49	2.0
<i>Gain on sale of KBC Tower in Antwerp</i> .....	13	0	-
<i>Settlement of legal cases</i> .....	6	0	-
<i>Provisioning for tracker mortgage review</i> .....	(18)	(9)	100.0
<i>Badwill</i> .....	28	0	-

Other net income increased by €47 million, or 26.7%, from €176 million for the year ended December 31, 2020 to €223 million for the year ended December 31, 2021. The increase was primarily due to higher amount in one-off items for the year ended December 31, 2021. For the year ended December 31, 2021, the main positive one-off items in other net income included the recognition of badwill related to the acquisition of OTP Banka Slovensko and the gain on the sale of the KBC Tower in Antwerp, as well as an increase in the recurring other net income related to operational leasing activities. The main negative item was the additional costs related to the tracker mortgage review in Ireland. Provisioning for the tracker mortgage review concerns KBC Bank Ireland, which – like all major lenders in Ireland at the time – had offered tracker mortgages (mortgages with variable rates that move in relation to a reference interest rate during the specified period) between 2003 and 2008. In December 2015, the Central Bank of Ireland requested the Irish banking industry, including KBC Bank Ireland, to undertake a broad and wide-ranging examination of tracker mortgage related issues. The purpose of the tracker mortgage review was to identify cases where clients' contractual rights under the terms of their mortgage agreements had not been fully honored and/or lenders had not fully complied with the various requirements and standards regarding disclosure and transparency for the client. In situations where client detriment was identified from this examination, KBC Bank Ireland had to provide appropriate redress and compensation in line with the CBI "Principles for Redress". KBC Bank Ireland recognized a provision of €4 million in 2016 and €116 million in 2017 in respect of redress and compensation for clients identified as being impacted. In 2018, most of the clients affected duly received redress and compensation payments. In 2019, a provision of €23 million was recorded, including €14 million as a provision for a potential sanction. In 2020, a provision of €9 million was set aside, €4 million of which related to the sanction, and, in 2021, a provision of €18 million was recorded.

#### *Total operating expenses*

Total operating expenses increased by €240 million, or 5.8%, from €4,156 million for the year ended December 31, 2020 to €4,396 million for the year ended December 31, 2021. The increase was primarily due to exceptional and/or non-operating items, mainly the one-off costs related to the sale of the Group's operations in Ireland (€97 million) and changes in the scope of consolidation (€48 million related to OTP Banka Slovensko), and, to a lesser extent, the payment of an exceptional COVID-19-related bonus to staff and the positive effect of the reversal of a provision for expenses connected with the sale of the KBC Tower in Antwerp. Excluding these items, total operating expenses increased by approximately 1.5% (or 1%, if foreign exchange effects are also excluded),



primarily as a result of, among others, wage inflation, higher variable pay in relation to the low amount paid in 2020, lower numbers of full-time equivalents (“FTEs”) in several core markets and higher IT costs.

### **Total impairment**

The following table shows the components of the Group’s impairment for the year ended December 31, 2021 and December 31, 2020:

	<b>Year ended December 31,</b>		<b>% change</b>
	<b>2021</b>	<b>2020</b>	
	<i>(EUR million)</i>		
Total .....	261	(1,182)	-
Impairment on financial assets at AC and at FVOCI .....	334	(1,074)	-
Of which impairment on financial assets at AC .....	330	(1,069)	-
By product			
<i>Loans and advances</i> .....	315	(1,067)	-
<i>Debt securities</i> .....	(1)	0	-
<i>Off-balance-sheet commitments and financial     guarantees</i> .....	15	(2)	-
By type			
<i>Stage 1 (12-month ECL)</i> .....	70	(44)	-
<i>Stage 2 (lifetime ECL)</i> .....	449	(724)	-
<i>Stage 3 (lifetime ECL)</i> .....	(191)	(302)	(36.8)
<i>Purchased or originated credit impaired assets</i> .....	2	1	100.0
Of which impairment on financial assets at FVOCI.....	4	(5)	-
Debt securities .....	4	(5)	-
<i>Stage 1 (12-month ECL)</i> .....	3	(2)	-
<i>Stage 2 (lifetime ECL)</i> .....	0	(2)	-
<i>Stage 3 (lifetime ECL)</i> .....	0	0	-
Impairment on goodwill .....	(7)	0	-
Impairment on other .....	(65)	(108)	(39.8)
Intangible fixed assets (other than goodwill) .....	(35)	(64)	(45.3)
Property and equipment (including investment property) .....	(17)	(9)	88.9
Associated companies and joint ventures.....	0	0	-
Other.....	(13)	(35)	(62.9)

### **Impairment on financial assets at amortized cost and at fair value through OCI**

Impairment on financial assets at amortized cost and at fair value through OCI decreased by €1,408 million, from a €1,074 million addition for the year ended December 31, 2020 to a €334 million release for the year ended December 31, 2021. The decrease was primarily due to the impact of the COVID-19 pandemic in the year ended December 31, 2020, where impairment on financial assets increased to €783 million, calculated as the sum of €672 million based on expert-based calculations and €111 million through the ECL models with updated macroeconomic variables. In the year ended December 31, 2021, the Group’s calculation was able to decrease impairment on financial asset calculations by €494 million and as a result, the outstanding amount in collective impairment for the COVID-19 pandemic decreased to €289 million as at December 31, 2021.

### **Impairment on goodwill**

Impairment on goodwill decreased by €7 million, from zero for the year ended December 31, 2020 to a net reversal of €7 million for the year ended December 31, 2021. The decrease was primarily due to the impairment on the Ušetřeno participation in the Czech Republic for the year ended December 31, 2021.

### **Impairment on other**

Impairment on other decreased by €43 million, or 39.8%, from €108 million for the year ended December 31, 2020 to €65 million for the year ended December 31, 2021. For the year ended December 31, 2020, impairment

on other related primarily to impairment charges on software development projects and the accounting treatment for modification losses in the Group's various core markets due to payment moratoria schemes related to the COVID-19 pandemic. In the year ended December 31, 2021, impairment on other related primarily to the impairment of property and equipment and intangible assets (mainly in connection with the pending sale transactions in Ireland) and, to a lesser extent, additional modification losses.

### ***Results before tax***

Results before tax increased by €1,571 million, or 85.1%, from €1,847 million for the year ended December 31, 2020 to €3,418 million for the year ended December 31, 2021. The increase primarily reflected collective impairment recorded for the impact of the COVID-19 pandemic in the year ended December 31, 2020 (totaling €783 million, which the Group was able to decrease by €494 million in the year ended December 31, 2021).

### ***Income tax expense***

Income tax expense increased by €397 million, or 97.5%, from €407 million for the year ended December 31, 2020 to €804 million for the year ended December 31, 2021. The increase was primarily due to the higher result before tax and a one-off amount relating to the sale transactions in Ireland, relating to derecognition of deferred tax assets.

### ***Results after tax***

Results after tax increased by €1,174 million, or 81.5%, from €1,440 million for the year ended December 31, 2020 to €2,614 million for the year ended December 31, 2021. The increase primarily reflected the Group's higher results before tax, as discussed above, partly offset by higher income tax expense.

### **Results by Business Unit**

The Group is structured around three business units: the Belgium Business Unit, the Czech Republic Business Unit and the International Markets Business Unit. In addition to its three business units, the Group also reports on "Group Centre", comprising the results of the holding company, items that have not been allocated to the other business units, and the results of companies to be divested (including, as of January 1, 2022, the Group's business in Ireland). In the Group's financial reporting, KBC Bank Ireland was included in the International Markets Business Unit as at and for the years ended December 31, 2020, 2021 and 2022. For a further discussion of the Group's segment reporting, see Note 2 to the 2022 Financial Statements, 2021 Financial Statements and the 2020 Financial Statements.

The following tables set forth certain data for the Group's business units for the six-month periods ended June 30, 2023 and 2022 and the years ended December 31, 2022, 2021 and 2020:

Six months ended June 30, 2023

	Belgium Business Unit	Czech Republic Business Unit	International Markets Business Unit	Of which: Hungary	Slovakia (EUR million) (Unaudited)	Bulgaria	Group Centre	Of which: Ireland	KBC Group
Net interest income .....	1,627	633	575	257	129	189	(105)	37	2,731
Insurance revenues before reinsurance.....	792	271	228	93	46	89	6	0	1,297
<i>Non-life</i> .....	677	223	202	83	38	82	6	0	1,109
<i>Life</i> .....	114	47	26	10	8	7	0	0	188
Dividend income .....	34	0	1	0	0	1	2	0	37
Net result from financial instruments at fair value through profit or loss.....	18	75	62	47	6	9	50	(2)	206
Net fee and commission income .....	760	162	241	125	42	75	(3)	(1)	1,160
Insurance finance income and expense (for insurance contracts issued).....	(83)	(35)	(30)	(21)	(2)	(7)	0	0	(148)
Net other income.....	136	7	10	2	4	3	400	400	552
<b>TOTAL INCOME</b> .....	<b>3,284</b>	<b>1,114</b>	<b>1,088</b>	<b>503</b>	<b>225</b>	<b>359</b>	<b>350</b>	<b>435</b>	<b>5,835</b>
Operating expenses (excluding directly attributable OPEX (insurance)).....	(1,394)	(452)	(523)	(277)	(113)	(133)	(151)	(83)	(2,520)
<i>Total operating expenses without banking and     insurance tax</i> .....	(1,195)	(448)	(376)	(128)	(121)	(127)	(148)	(79)	(2,167)
<i>Total banking and insurance tax</i> .....	(353)	(59)	(205)	(181)	(4)	(20)	(4)	(4)	(622)
<i>Minus: Operating expenses allocated to     insurance service expenses</i> .....	154	55	58	33	12	14	1	0	270
Insurance service expenses before reinsurance.....	(617)	(200)	(196)	(96)	(38)	(61)	(1)	0	(1,013)
<i>Of which insurance commissions paid</i> .....	(105)	(28)	(25)	(6)	(4)	(15)	0	0	(159)
<i>Non-Life</i> .....	(519)	(174)	(182)	(90)	(33)	(58)	(1)	0	(876)
<i>Of which Non-life - Claim related expenses</i> .....	(330)	(100)	(92)	(39)	(20)	(32)	1	0	(521)
<i>Life</i> .....	(98)	(26)	(14)	(6)	(5)	(3)	0	0	(138)
Net result from reinsurance contracts held .....	(37)	(9)	(10)	(1)	(3)	(6)	4	0	(52)
Impairment.....	(28)	60	(8)	(13)	7	(2)	(5)	(7)	18
<i>Of which on financial assets at amortized cost     and at fair value through OCI</i> .....	(30)	60	12	6	8	(2)	5	4	47
Share in results of associated companies and joint ventures .....	(3)	-	-	-	-	-	-	0	(4)
<b>RESULT BEFORE TAX</b> .....	<b>1,204</b>	<b>512</b>	<b>351</b>	<b>115</b>	<b>79</b>	<b>157</b>	<b>197</b>	<b>344</b>	<b>2,264</b>
Income tax expense.....	(330)	(51)	(53)	(20)	(17)	(16)	18	(27)	(416)
Net post-tax result from discontinued operations ...	-	-	-	-	-	-	-	-	-
<b>RESULT AFTER TAX</b> .....	<b>874</b>	<b>461</b>	<b>298</b>	<b>95</b>	<b>62</b>	<b>141</b>	<b>215</b>	<b>318</b>	<b>1,848</b>
attributable to minority interests.....	-	-	-	-	-	-	-	-	-

<b>attributable to equity holders of the parent .....</b>	<b>875</b>	<b>461</b>	<b>298</b>	<b>95</b>	<b>62</b>	<b>141</b>	<b>215</b>	<b>318</b>	<b>1,848</b>
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Six months ended June 30, 2022

	Belgium Business Unit	Czech Republic Business Unit	International Markets Business Unit	Of which: Hungary	Slovakia Restated <sup>(1)</sup> (EUR million) (Unaudited)	Bulgaria	Group Centre	Of which: Ireland	KBC Group
Net interest income .....	1,312	666	380	192	114	74	90	127	2,448
Insurance revenues before reinsurance.....	738	231	205	82	42	81	7	0	1,181
<i>Non-life</i> .....	621	189	180	72	34	74	7	0	997
<i>Life</i> .....	117	42	25	9	9	7	0	0	184
Dividend income .....	25	1	0	0	0	0	2	0	28
Net result from financial instruments at fair value through profit or loss.....	64	77	5	10	16	(22)	(20)	(4)	127
Net fee and commission income.....	778	145	190	109	41	40	0	1	1,112
Insurance finance income and expense (for insurance contracts issued).....	(54)	13	48	21	7	20	0	0	6
Other net income .....	131	2	(6)	(9)	1	2	(11)	(7)	116
<b>TOTAL INCOME</b> .....	<b>2,994</b>	<b>1,135</b>	<b>822</b>	<b>405</b>	<b>221</b>	<b>196</b>	<b>68</b>	<b>118</b>	<b>5,020</b>
Operating expenses (excluding directly attributable OPEX (insurance)).....	(1,309)	(421)	(448)	(266)	(115)	(67)	(161)	(115)	(2,339)
<i>Total operating expenses without banking and insurance tax</i> .....	(1,098)	(413)	(307)	(115)	(122)	(70)	(157)	(109)	(1,975)
<i>Total banking and insurance tax</i> .....	(350)	(60)	(193)	(176)	(6)	(10)	(6)	(6)	(608)
<i>Minus: Operating expenses allocated to insurance service expenses</i> .....	139	53	52	25	14	13	1	0	244
Insurance service expenses before reinsurance.....	(584)	(179)	(173)	(78)	(34)	(61)	(1)	0	(937)
<i>Of which insurance commissions paid</i> .....	(95)	(20)	(32)	(15)	(3)	(14)	0	0	(148)
<i>Non-Life</i> .....	(567)	(149)	(155)	(71)	(28)	(55)	(1)	0	(872)
<i>Of which Non-life - Claim related expenses</i> .....	(386)	(85)	(79)	(31)	(16)	(33)	0	0	(549)
<i>Life</i> .....	(16)	(30)	(18)	(7)	(6)	(5)	0	0	(65)
Net result from reinsurance contracts held .....	41	(5)	(6)	(1)	(2)	(3)	(20)	0	10
Impairment.....	18	(1)	(39)	(21)	(5)	(13)	(27)	(23)	(48)
<i>Of which on financial assets at amortized cost and at fair value through OCI</i> .....	25	8	(24)	(7)	(5)	(13)	(2)	1	6
Share in results of associated companies and joint ventures.....	(4)	(1)	0	0	0	0	0	0	(5)
<b>RESULT BEFORE TAX</b> .....	<b>1,157</b>	<b>528</b>	<b>157</b>	<b>39</b>	<b>66</b>	<b>52</b>	<b>(140)</b>	<b>(21)</b>	<b>1,701</b>
Income tax expense.....	(273)	(86)	(35)	(15)	(15)	(6)	32	4	(362)
Net post-tax result from discontinued operations...	0	0	0	0	0	0	0	0	0

<b>RESULT AFTER TAX</b> .....	<b>884</b>	<b>443</b>	<b>122</b>	<b>24</b>	<b>51</b>	<b>47</b>	<b>(109)</b>	<b>(17)</b>	<b>1,339</b>
attributable to minority interests .....	0	0	0	0	0	0	0	0	0
<b>attributable to equity holders of the parent</b> .....	<b>884</b>	<b>443</b>	<b>122</b>	<b>24</b>	<b>51</b>	<b>47</b>	<b>(109)</b>	<b>(17)</b>	<b>1,339</b>

(1) Comparative figures for 2022 have been restated for the transition to IFRS 17 (Insurance Contracts). See “*Presentation of Financial and Other Information—Restatement of 2022 comparative financial information*”.

Year ended December 31, 2022

	Belgium Business Unit	Czech Republic Business Unit	International Markets Business Unit	Of which: Hungary	Slovakia (EUR million)	Bulgaria	Group Centre	Of which: Ireland	KBC Group
Net interest income .....	2,826	1,313	888	424	235	229	134	240	5,161
Non-life insurance (before reinsurance).....	488	208	174	57	37	80	11	0	881
<i>Earned premiums</i> .....	1,261	403	352	140	70	142	17	0	2,033
<i>Technical charges</i> .....	(774)	(195)	(178)	(83)	(33)	(62)	(7)	0	(1,153)
Life insurance (before reinsurance).....	(42)	90	44	11	13	20	(1)	0	92
<i>Earned premiums</i> .....	878	171	114	39	30	45	(1)	0	1,163
<i>Technical charges</i> .....	(920)	(82)	(70)	(28)	(17)	(25)	0	0	(1,071)
Ceded reinsurance result .....	33	(9)	(13)	(2)	(3)	(8)	(14)	0	(2)
Dividend income .....	54	1	1	0	0	1	4	0	59
Net result from financial instruments at fair value through profit or loss .....	142	152	118	77	41	1	(7)	(3)	406
Net realized result from debt instruments at fair value through OCI.....	(2)	(12)	(6)	(5)	0	0	(3)	0	(22)
Net fee and commission income.....	1,265	213	376	219	72	86	(6)	(2)	1,847
Other net income .....	226	(174)	(1)	(3)	(3)	5	(10)	(8)	40
<b>TOTAL INCOME</b> .....	<b>4,989</b>	<b>1,784</b>	<b>1,582</b>	<b>777</b>	<b>392</b>	<b>413</b>	<b>108</b>	<b>228</b>	<b>8,463</b>
Operating expenses <sup>a</sup> .....	(2,647)	(927)	(906)	(446)	(253)	(207)	(339)	(208)	(4,818)
Impairment.....	(46)	(61)	(152)	(97)	(21)	(34)	(24)	(18)	(284)
<i>on financial assets at amortized cost and at     fair value through OCI</i> .....	(35)	(46)	(78)	(29)	(19)	(30)	5	7	(154)
Share in results of associated companies and joint ventures.....	(9)	(1)	0	0	0	0	0	0	(10)
<b>RESULT BEFORE TAX</b> .....	<b>2,287</b>	<b>794</b>	<b>524</b>	<b>234</b>	<b>118</b>	<b>172</b>	<b>(254)</b>	<b>3</b>	<b>3,351</b>
Income tax expense.....	(529)	(115)	(83)	(38)	(28)	(17)	119	34	(608)
Net post-tax result from discontinued operations...	0	0	0	0	0	0	0	0	0
<b>RESULT AFTER TAX</b> .....	<b>1,759</b>	<b>679</b>	<b>441</b>	<b>195</b>	<b>90</b>	<b>155</b>	<b>(135)</b>	<b>37</b>	<b>2,743</b>
attributable to minority interests.....	0	0	0	0	0	0	0	0	0
<b>attributable to equity holders of the parent</b> .....	<b>1,759</b>	<b>679</b>	<b>441</b>	<b>195</b>	<b>90</b>	<b>155</b>	<b>(135)</b>	<b>37</b>	<b>2,743</b>
Of which non-cash expenses .....	(58)	(114)	(89)	(40)	(23)	(26)	(120)	(31)	(381)
<i>Depreciation and amortization of fixed assets</i> .....	(57)	(114)	(86)	(38)	(23)	(24)	(117)	(26)	(374)
<i>Other</i> .....	0	0	(4)	(2)	0	(2)	(3)	(4)	(7)
Acquisitions of non-current assets* .....	544	125	624	95	63	466	151	1	1,443

\* Non-current assets held for sale and disposal groups, investment property, property and equipment, investments in associated companies, and goodwill and other intangible assets.

Year ended December 31, 2021

	Belgium Business Unit	Czech Republic Business Unit	International Markets Business Unit	Of which: Hungary	Slovakia (EUR million)	Bulgaria	Ireland	Group Centre	KBC Group
Net interest income .....	2,533	972	962	311	229	141	282	(16)	4,451
Non-life insurance (before reinsurance).....	460	142	160	52	35	73	0	19	782
<i>Earned premiums</i> .....	1,197	337	336	143	62	132	0	15	1,885
<i>Technical charges</i> .....	(737)	(194)	(176)	(91)	(26)	(59)	0	4	(1,103)
Life insurance (before reinsurance).....	(55)	61	39	9	13	17	0	(1)	45
<i>Earned premiums</i> .....	903	182	111	40	31	39	0	(1)	1,196
<i>Technical charges</i> .....	(958)	(121)	(71)	(31)	(18)	(23)	0	0	(1,150)
Ceded reinsurance result.....	36	17	(16)	(2)	(7)	(7)	0	(12)	25
Dividend income .....	38	1	1	0	0	0	0	5	45
Net result from financial instruments at fair value through profit or loss.....	224	95	23	21	8	0	(5)	(198)	145
Net realized result from debt instruments at fair value through OCI.....	2	(4)	2	2	0	0	0	6	6
Net fee and commission income.....	1,320	214	305	198	71	39	(3)	(3)	1,836
Other net income .....	195	8	(7)	3	6	5	(21)	28	223
<b>TOTAL INCOME</b> .....	<b>4,754</b>	<b>1,506</b>	<b>1,469</b>	<b>592</b>	<b>356</b>	<b>268</b>	<b>253</b>	<b>(171)</b>	<b>7,558</b>
Operating expenses <sup>a</sup> .....	(2,436)	(803)	(1,048)	(335)	(260)	(140)	(313)	(109)	(4,396)
Impairment.....	303	126	(160)	9	15	(1)	(183)	(7)	261
<i>on financial assets at amortized cost and at fair value through OCI</i> .....	309	142	(110)	22	16	2	(149)	(7)	334
Share in results of associated companies and joint ventures.....	(3)	(3)	0	0	0	0	0	0	(5)
<b>RESULT BEFORE TAX</b> .....	<b>2,618</b>	<b>827</b>	<b>262</b>	<b>267</b>	<b>111</b>	<b>127</b>	<b>(243)</b>	<b>(288)</b>	<b>3,418</b>
Income tax expense.....	(621)	(129)	(135)	(40)	(26)	(13)	(55)	81	(804)
Net post-tax result from discontinued operations....	0	0	0	0	0	0	0	0	0
<b>RESULT AFTER TAX</b> .....	<b>1,997</b>	<b>697</b>	<b>127</b>	<b>226</b>	<b>85</b>	<b>114</b>	<b>(298)</b>	<b>(207)</b>	<b>2,614</b>
attributable to minority interests.....	0	0	0	0	0	0	0	0	0
<b>attributable to equity holders of the parent</b> .....	<b>1,997</b>	<b>697</b>	<b>127</b>	<b>226</b>	<b>85</b>	<b>114</b>	<b>(298)</b>	<b>(207)</b>	<b>2,614</b>
Of which non-cash expenses .....	(48)	(96)	(119)	(38)	(19)	(16)	(46)	(83)	(346)
<i>Depreciation and amortization of fixed assets</i> ..	(57)	(97)	(120)	(38)	(19)	(16)	(46)	(82)	(356)
<i>Other</i> .....	10	1	1	1	0	0	0	(2)	10
Acquisitions of non-current assets* .....	456	183	252	83	75	80	14	110	1,001

\* Non-current assets held for sale and disposal groups, investment property, property and equipment, investments in associated companies, and goodwill and other intangible assets.



Year ended December 31, 2020

	Belgium Business Unit	Czech Republic Business Unit	International Markets Business Unit	Of which: Hungary	Slovakia (EUR million)	Bulgaria	Ireland	Group Centre	KBC Group
Net interest income .....	2,579	1,012	894	262	202	144	286	(18)	4,467
Non-life insurance (before reinsurance).....	562	141	150	55	27	68	0	13	865
<i>Earned premiums</i> .....	1,141	302	321	143	52	126	0	12	1,777
<i>Technical charges</i> .....	(579)	(161)	(172)	(88)	(25)	(58)	0	0	(912)
Life insurance (before reinsurance).....	(63)	48	26	(1)	12	15	0	(1)	10
<i>Earned premiums</i> .....	913	206	105	35	34	36	0	0	1,223
<i>Technical charges</i> .....	(976)	(158)	(79)	(36)	(22)	(21)	0	0	(1,213)
Ceded reinsurance result.....	(12)	(1)	(5)	(3)	3	(5)	0	(2)	(20)
Dividend income .....	47	1	0	0	0	0	0	4	53
Net result from financial instruments at fair value through profit or loss.....	32	7	43	39	9	0	(4)	(51)	33
Net realized result from debt instruments at fair value through OCI.....	0	1	2	1	2	0	0	0	2
Net fee and commission income.....	1,138	203	273	191	58	28	(3)	(4)	1,609
Other net income .....	157	13	8	4	8	3	(9)	(1)	176
<b>TOTAL INCOME</b> .....	<b>4,438</b>	<b>1,425</b>	<b>1,391</b>	<b>548</b>	<b>320</b>	<b>253</b>	<b>269</b>	<b>(59)</b>	<b>7,195</b>
Operating expenses <sup>a</sup> .....	(2,398)	(752)	(894)	(323)	(204)	(139)	(228)	(111)	(4,156)
Impairment.....	(695)	(226)	(250)	(85)	(45)	(30)	(91)	(11)	(1,182)
<i>on financial assets at amortized cost and at     fair value through OCI</i> .....	(654)	(210)	(217)	(59)	(42)	(27)	(90)	7	(1,074)
Share in results of associated companies and joint ventures.....	(9)	(2)	0	0	0	0	0	0	(11)
<b>RESULT BEFORE TAX</b> .....	<b>1,335</b>	<b>446</b>	<b>247</b>	<b>140</b>	<b>71</b>	<b>84</b>	<b>(50)</b>	<b>(181)</b>	<b>1,847</b>
Income tax expense.....	(335)	(71)	(48)	(26)	(15)	(9)	2	46	(407)
Net post-tax result from discontinued operations....	0	0	0	0	0	0	0	0	0
<b>RESULT AFTER TAX</b> .....	<b>1,001</b>	<b>375</b>	<b>199</b>	<b>114</b>	<b>56</b>	<b>76</b>	<b>(48)</b>	<b>(135)</b>	<b>1,440</b>
attributable to minority interests.....	0	0	0	0	0	0	0	0	0
<b>attributable to equity holders of the parent</b> .....	<b>1,001</b>	<b>375</b>	<b>199</b>	<b>114</b>	<b>56</b>	<b>76</b>	<b>(48)</b>	<b>(135)</b>	<b>1,440</b>
Of which non-cash expenses .....	(52)	(85)	(96)	(35)	(17)	(15)	(29)	(76)	(310)
<i>Depreciation and amortization of fixed assets..</i>	(53)	(86)	(94)	(33)	(17)	(15)	(29)	(76)	(309)
<i>Other</i> .....	1	1	(2)	(2)	0	0	0	0	(1)
Acquisitions of non-current assets* .....	489	227	225	96	64	40	25	148	1,089

\* Non-current assets held for sale and disposal groups, investment property, property and equipment, investments in associated companies, and goodwill and other intangible assets.

### ***Belgium Business Unit***

Results after tax for the Belgium Business Unit decreased by €10 million, or 1.1%, from €884 million for the six months ended June 30, 2022 to €874 million for the six months ended June 30, 2023. The decrease was primarily due to higher operating expenses and impairments and lower reinsurance result, partly compensated by higher total income.

Results after tax for the Belgium Business Unit decreased by €238 million, or 11.9%, from €1,997 million for the year ended December 31, 2021 to €1,759 million for the year ended December 31, 2022.

Net interest income, which was €2,826 million in the year ended December 31, 2022, increased by 11.6% when compared to the year prior, principally due to higher reinvestment yields and loan volume growth, partly offset by lower margins on the loan portfolio.

Net fee and commission income for the year ended December 31, 2022 was €1,265 million, a decrease of 4.2% when compared to the prior year. This was primarily due to lower fees for asset management services (especially entry fees) and higher distribution fees.

The technical insurance results from the insurance activities in Belgium was €479 million in the year ended December 31, 2022. In the non-life segment, the Group saw growth in premium income due to tariff and volume growth. The Group's life insurance sales, including investment contracts without a discretionary participation feature, were €1.8 billion in the year ended December 31, 2022, an increase of 7% when compared to the year prior. This growth was due to unit-linked life insurance products.

The other income items for the year ended December 31, 2022 were comprised of dividends received on securities held in the Group's portfolios which were €54 million, trading and fair value income which was €142 million (a significant decrease compared to the prior year) and other net income which was €226 million and related mainly to the results of KBC Autolease and VAB and the realized gain on the sale of a real estate subsidiary of KBC Insurance, as well as miscellaneous smaller one-off items.

Costs in Belgium increased by 8.7% to €2,647 million in the year ended December 31, 2022. The increase was primarily due to inflation, wage indexation and higher ICT costs.

The Belgium Business Unit recorded a €35 million net loan impairment charge for the year ended December 31, 2022. This net loan impairment charge was primarily related to the reserve set aside to cover geopolitical and emerging risks, partly offset by a reversal of the remaining reserves set aside for the COVID-19 pandemic.

Results after tax for the Belgium Business Unit increased by €996 million, or 99.5%, from €1,001 million for the year ended December 31, 2020 to €1,997 million for the year ended December 31, 2021.

Net interest income was €2,533 million in the year ended December 31, 2021, a decrease of 2% when compared to the year prior. The decrease was primarily due to a lower reinvestment yields and lower interest income from the insurer's bond portfolio.

Net fee and commission income in the year ended December 31, 2021 was €1,320 million, an increase of 16% when compared to the year prior. This was primarily attributable to an increase in fees for asset management services (due to higher management fees) and, to a lesser extent, to an increase in fees for banking services (mainly for payments).

The technical insurance results from insurance activities in Belgium was €441 million for the year ended December 31, 2021. In the non-life segment, the positive impact of growth in premium income and the higher reinsurance result were offset by the significant increase in claims through the year ended December 31, 2021. The latter was partly due to the consequences of the heavy flooding during the period. Moreover, the COVID-19

lockdown measures had resulted in a relatively low level of claims the year before. The Group's life insurance sales, including investment contracts without a discretionary participation feature, were €1,626 million in the year ended December 31, 2021, a decrease of 2% when compared to the year prior. The decrease was primarily due to a slight decline in sales of unit-linked life insurance.

The other income items for the year ended December 31, 2021 comprised dividends received on securities held in the Group's portfolios (€38 million), trading and fair value income (€224 million, a significant increase compared to the year-earlier figure) and other net income (€195 million, relating mainly to the results of KBC Autolease and VAB, proceeds from the sale of certain bonds, and miscellaneous smaller one-off items such as the gain on the sale of the KBC Tower in Antwerp).

Costs in Belgium increased by 2% to €2,436 million in the year ended December 31, 2021. However, part of the increase was related to exceptional and/or non-operating items, such as higher bank taxes, the payment of an exceptional COVID-19-related bonus to staff and the reversal of a provision for expenses connected with the sale of the KBC Tower in Antwerp.

The Group recorded a net reversal of €309 million in loan loss impairments for the year ended December 31, 2021, as opposed to a net increase of €654 million in the year ended December 31, 2020. The high figure for the year ended December 31, 2020 was primarily due to the €413 million of collective impairments initially set aside in response to the COVID-19 pandemic. The Group was able to reverse €313 million of this amount in the year ended December 31, 2021. Impairment of assets other than loans was €6 million in the year ended December 31, 2021, as compared to €41 million a year earlier. This was primarily due to software and the accounting impact of payment moratoria schemes due to the COVID-19 pandemic.

### ***Czech Republic Business Unit***

Results after tax for the Czech Republic Business Unit increased by €18 million, or 4.1%, from €443 million for the six months ended June 30, 2022 to €461 million for the six months ended June 30, 2023. The increase was primarily due to lower impairments, partly offset by lower net interest income and higher operating expenses.

Results after tax for the Czech Republic Business Unit decreased by €18 million, or 2.6%, from €697 million for the year ended December 31, 2021 to €679 million for the year ended December 31, 2022.

Net interest income in the Czech Republic was €1,313 million in the year ended December 31, 2022, an increase of 35.1% when compared to the year prior. The increase was driven by higher reinvestment yields and loan volume growth, partly offset by lower margins on the Czech Republic Business Unit's loan portfolio.

Net fee and commission income was €213 million in the year ended December 31, 2022, decreasing by €1 million when compared to the prior year, primarily due to lower fees for asset management services and higher distribution fees for insurance products, which offset an increase in fees for banking services (including for payment transactions), and a 5% increase in the average exchange rate of the Czech koruna against the euro.

The technical insurance results from the insurance activities in the Czech Republic was €289 million in the year ended December 31, 2022, an increase of 31.4% when compared to the year prior. In the non-life segment, the Group saw growth in premium income, but also a reduction in technical charges partly due the bad weather conditions and the tornado in 2021. Sales of life insurance for the year ended December 31, 2022 were €171 million, 6% lower than the previous year, owing primarily to weaker sales of unit-linked life insurance products.

Other net income for the year ended December 31, 2022 was a loss of €174 million compared to profit of €8 million in the year ended December 31, 2021. The drop in net income items and sharp decline in other net income was mainly due to a negative impact relating to the arbitral award delivered in the arbitration proceeding against ICEC-Holding in the Czech Republic in February 2023. In accordance with IFRS, ČSOB was required to

provision the full amount of the arbitral award in its income statement for the year ended December 31, 2022, impacting the Group's income statement.

Costs increased by 15.5% to €927 million in the year December 31, 2022. The increase was primarily due to inflation, wage drift, higher ICT and marketing costs and a 5% increase in the average exchange rate of the Czech koruna against the euro.

Loan loss impairment charges were €46 million in the year ended December 31, 2022, compared to a net reversal of €142 million in the year ended December 31, 2021. This loan loss impairment charge was primarily due to the reserve set aside to cover geopolitical and emerging risks, partly offset by the reversal of the remaining reserve set aside for the COVID-19 pandemic.

Results after tax for the Czech Republic Business Unit increased by €322 million, or 86.0%, from €375 million for the year ended December 31, 2020 to €697 million for the year ended December 31, 2021.

Net interest income in the Czech Republic was €972 million in the year ended December 31, 2021, a decrease of 4% when compared to the year prior. The decrease was primarily due to lower reinvestment yields and pressure on loan portfolio margins (in particular, with respect to mortgage loans).

Net fee and commission income was €214 million in the year ended December 31, 2021, an increase of 5% when compared to the year prior. The increase was primarily due to higher fees for asset management services and banking services (such as payment transactions) and the positive exchange rate effect.

The technical insurance results from the insurance activities in the Czech Republic was €221 million in the year ended December 31, 2021, an increase of 18% when compared to the year prior. In the non-life segment, the Group saw growth in premium income and reinsurance result as well as an increase in technical charges, partly due to the consequences of extreme weather conditions, whereas in the year prior, the Group saw a relatively low level of claims due to the lockdowns. Sales of life insurance in the year ended December 31, 2021 were €182 million, a decrease of 12% compared to the prior year, owing primarily to weaker sales of unit-linked life-insurance products.

Other income items for the year ended December 31, 2021 primarily comprised trading and fair value income (€95 million, a significant increase compared to the year prior) and other net income (€8 million).

Costs increased by 7% or €51 million when compared to the year December 31, 2020 to €803 million in the year ended December 31, 2021. The increase was primarily due to effects of exceptional and/or non-operating items, such as higher bank taxes, the payment of an exceptional COVID-19-related bonus to staff and the exchange rate effect. Excluding these items, costs rose by approximately 2% over the same period.

In the year ended December 31, 2021, the Group recorded a net reversal of €142 million in loan loss impairment charges, as opposed to a net increase of €210 million in the year ended December 31, 2020. The amount for the year ended December 31, 2020 was higher partly due to collective impairments initially set aside for the COVID-19 pandemic. The Group was able to reverse €93 million of this amount in the year ended December 31, 2021. Impairment of assets other than loans was €16 million in both the years ended December 31, 2021 and 2020.

### ***International Markets Business Unit***

Results after tax for the International Markets Business Unit increased by €176 million from €122 million for the six months ended June 30, 2022 to €298 million for the six months ended June 30, 2023. The increase was primarily due to the consolidation of Raiffeisenbank Bulgaria and an increase in the total income in Hungary.

Results after tax for the International Markets Business Unit increased by €314 million from €127 million for the year ended December 31, 2021 to €441 million for the year ended December 31, 2022.

Net interest income for the International Markets Business Unit was €888 million in the year ended December 31, 2022, a decrease of 7.7% compared to December 31, 2021. This decrease was mainly related to the transfer of KBC Bank Ireland from the International Markets Business Unit as of January 1, 2022 and lower margins on the loan portfolio (most notably in Hungary), partly offset by the inclusion of KBC Bank Bulgaria in the International Markets Business Unit, higher reinvestment yields and organic loan volume growth in all countries.

Net fee and commission income was €376 million in the year ended December 31, 2022, which reflected an increase of 23.3%, primarily due to the consolidation of Raiffeisenbank Bulgaria (responsible for approximately half of the growth) and higher fees for banking services in Hungary, in particular.

The International Markets Business Unit's technical insurance results were €205 million for the year ended December 31, 2022, an increase of 12% compared to the prior year's figure. The increase was primarily due to growth in premium income combined with unchanged technical charges in the Group's non-life insurance business as well as increases in life insurance sales, particularly in Bulgaria.

In the year ended December 31, 2022, costs decreased by 13.5%, or by €142 million, to €906 million from €1,048 million when compared to the prior year. This decrease was mainly related to the transfer of KBC Bank Ireland from the International Markets Business Unit as of January 1, 2022, partly offset by the inclusion of KBC Bank Bulgaria in the International Markets Business Unit, higher bank taxes and higher staff and IT costs.

There was a €78 million loan loss impairment charge in the year ended December 31, 2022, compared with a charge of €110 million in the year ended December 31, 2021. For the year ended December 31, 2022, this loan impairment charge was primarily related to the collective reserve set aside to cover geopolitical and emerging risks and a net increase in impairment on individual loans, partly offset by a reversal of the remaining reserve set aside for the COVID-19 pandemic.

Results after tax for the International Markets Business Unit decreased by €72 million, or 36.2%, from €199 million for the year ended December 31, 2020 to €127 million for the year ended December 31, 2021.

Net interest income for the International Markets Business Unit as a whole was €962 million in the year ended December 31, 2021, an increase of 8% compared to December 31, 2020. This increase was due to the consolidation of OTP Banka Slovensko in Slovakia, growth in lending and a strong increase in reinvestment yields in the second half of the year in the Group's operations in Hungary.

Net fee and commission income was €305 million in the year ended December 31, 2021, which reflected a 12% increase, mainly attributable to higher fees for banking services in virtually all of the Group's countries of operations and due in part to the impact of changes in the scope of consolidation.

The International Markets Business Unit's technical insurance results were €184 million for the year ended December 31, 2021, an increase of 8% on the prior year's figure. In the non-life segment, the Group saw growth in premium income accompanied by a slight increase in technical charges (partly due to the lower level of claims during the lockdowns in the previous year) and a lower reinsurance result. Sales of life insurance, including investment contracts without a discretionary participation feature, were €156 million, an increase of 22% on the prior year's figure, owing primarily to the consolidation of NN's Bulgarian life insurance business. The other income items comprised trading and fair value income (€23 million) and other income (negative €7 million, which includes additional expenses connected with the tracker mortgage review in Ireland).

In the year ended December 31, 2021, costs rose by 17%, or by €154 million, to €1,048 million when compared to the prior year. A significant factor of this increase was related to exceptional and/or non-operating items, such as one-off costs connected with the sale of the Group's operations in Ireland, as well as the changes in the scope of consolidation and the payment of an exceptional COVID-19-related bonus to staff, partly offset by the positive impact of changes in exchange rates and lower bank taxes.

There was a €110 million net increase in loan loss impairment charges in the year ended December 31, 2021, compared with a net increase of €217 million in the year ended December 31, 2020. The relatively high figure for the year ended December 31, 2020 was primarily due to collective impairments initially being set aside for the COVID-19 pandemic (€208 million), which the Group was able to reverse in part in the year ended December 31, 2021. However, the latter was more than offset by the one-off negative impact of the sale of the Group's operations in Ireland (€178 million). Impairment of assets other than loans were €50 million in year ended December 31, 2021, as opposed to €33 million the prior year. The figure for the year ended December 31, 2020 was primarily due to impairment charges on software and the accounting treatment of the various payment moratoria schemes related to the COVID-19 pandemic in the Group's core markets whereas in the year ended December 31, 2021, the net increase in loan loss impairment charges related primarily to impairment of property and equipment and intangible assets connected with the sale of the Group's operations in Ireland, and to a lesser extent because of modification losses.

### ***Group Centre***

Results after tax for the Group Centre increased by €324 million from a loss of €109 million for the six months ended June 30, 2022 to €215 million for the six months ended June 30, 2023. The increase was primarily due to the sale of the loan and deposit portfolio of KBC Ireland. On February 3, 2023, KBC Bank Ireland closed the sale of substantially all of its assets and liabilities to Bank of Ireland Group. The acquisition, for a total of €6.5 billion, involves €7.6 billion of performing mortgages, €0.1 billion of mainly performing commercial and consumer loans, €0.1 billion of non-performing mortgages and €1.8 billion of deposits. The transaction had an impact on the Group's profit and loss during the first quarter of 2023 which reflected a profit of €0.4 billion. Combined with the reduction of risk-weighted assets by approximately €4 billion, the Group's capital position improved in the first quarter of 2023.

Results after tax for the Group Centre increased by €71 million from a loss of €207 million for the year ended December 31, 2021 to a loss of €135 million for the year ended December 31, 2022. The increase was primarily due to, amongst others, the negative impact of the sale transactions in Ireland in the year ended December 31, 2021.

Results after tax for the Group Centre decreased by €72 million, or 53.3%, from a loss of €135 million for the year ended December 31, 2020 to a loss of €207 million for the year ended December 31, 2021. The decrease was primarily due to the recognition of €28 million of goodwill related to the acquisition of OTP Banka Slovensko in the year ended December 31, 2021, the negative impact of the sale transactions in Ireland in the year ended December 31, 2021, the results of the remaining Group companies scheduled for rundown, including the portfolio of the former Antwerp Diamond Bank and KBC Finance Ireland, and due in part to the lower value of derivatives used for asset/liability management purposes in the year ended December 31, 2020.

### **Financial Condition**

The following table summarizes the components of the Group's balance sheet data as at the dates indicated.

	As at		As at		
	June 30,		December 31,		
	2023 <sup>(1)</sup>	2022	2022	2021	2020
		Restated <sup>(1)</sup>	(EUR million)		
<b>ASSETS</b>	(Unaudited)				
Cash, cash balances with central banks and other demand deposits with credit institutions.....	53,830	51,427	51,427	40,653	24,583
Financial assets.....	308,991	290,840	291,262	281,658	286,386
Reinsurers' share in technical provisions, insurance <sup>(2)</sup> .....	90	55	192	191	145
Profit/loss on positions in portfolios hedged against interest rate risk .....	(3,747)	(4,335)	(4,335)	(436)	1,360
Tax assets .....	1,116	1,175	1,312	1,296	1,624
Non-current assets held for sale and disposal groups.....	5	8,054	8,054	10,001	19
Investments in associated companies and joint ventures.....	34	32	32	37	24
Property and equipment and investment property .....	3,576	3,560	3,560	3,568	3,691
Goodwill and other intangible assets.....	2,470	2,331	2,331	1,749	1,551
Other assets .....	1,713	1,406	2,036	1,630	1,361
<b>Total assets</b> .....	<b>368,077</b>	<b>354,545</b>	<b>355,872</b>	<b>340,346</b>	<b>320,743</b>
<b>LIABILITIES AND EQUITY</b>					
Financial liabilities .....	326,787	312,759	312,735	291,667	276,781
Technical provisions, before reinsurance <sup>(3)</sup> .....	16,295	16,158	18,484	18,967	18,718
Profit/loss on positions in portfolios hedged against interest rate risk .....	(1,002)	(1,443)	(1,443)	(863)	99
Tax liabilities.....	433	462	283	435	498
Liabilities associated with disposal groups.....	-	2,020	2,020	4,262	0
Provisions for risks and charges .....	216	418	418	282	209
Other liabilities.....	2,496	2,353	2,568	2,520	2,908
<b>Total liabilities</b> .....	<b>345,224</b>	<b>332,727</b>	<b>335,065</b>	<b>317,269</b>	<b>299,214</b>
Total equity .....	22,853	21,819	20,807	23,077	21,530
Parent shareholders' equity .....	21,352	20,319	19,307	21,577	20,030
Additional tier-1 instruments included in equity.....	1,500	1,500	1,500	1,500	1,500
<b>Total liabilities and equity</b> .....	<b>368,077</b>	<b>354,545</b>	<b>355,872</b>	<b>340,346</b>	<b>320,743</b>

(1) Figures as at June 30, 2023 and the restated figures as at December 31, 2022 are presented on the basis of IFRS 17 (Insurance Contracts), rather than IFRS 4. See “Presentation of Financial and Other Information—Restatement of 2022 comparative financial information”.

(2) Referred to as “Reinsurers’ contract assets held” under IFRS 17.

(3) Referred to as “Insurance contract liabilities” under IFRS 17.

### Assets

As at June 30, 2023, the Group’s total assets were €368,077 million, an increase of €13,532 million, or 3.8%, as compared to €354,545 million as at December 31, 2022, restated for the transition to IFRS 17. The increase was primarily due to higher reverse repos and to a lesser extent, higher loans and advances to customers and debt securities, partly offset by the closing of the sale of the Irish loan portfolios to Bank of Ireland Group.

As at December 31, 2022, the Group’s total assets were €355,872 million, an increase of €15,526 million, or 4.6%, as compared to €340,346 million as at December 31, 2021. The increase was primarily due to the acquisition of Raiffeisenban Bulgaria, higher cash balances with central banks and higher loans and advances to customers. These were cancelled out, in part, by a higher loss on positions in portfolios hedged against interest rate risk due to the substantial interest rate hikes in 2022.

As at December 31, 2021, the Group's total assets were €340,346 million, an increase of €19,603 million, or 6%, as compared to €320,743 million as at December 31, 2020. The increase was primarily due to an increase of cash, cash balances with central banks and other demand deposits with credit institutions (up €16,070 million, or 65% as compared to December 31, 2020, due primarily to higher balances at the National Bank of Belgium, European Central Bank and the Bank of England. Both the strong increase in non-current assets held for sale and disposal groups and the substantial decrease in financial assets relate to the transfer of the loan portfolio of KBC Ireland in connection with the upcoming sale (following the application of IFRS 5). Excluding this transfer from the Group's financial assets, the change in total assets between December 31, 2021 and December 31, 2020 was due to a strong increase in the loan portfolio (in all countries), partly offset by a decreasing bond portfolio (mainly in Belgium) following matured and sold positions which were not yet fully reinvested due to unfavorable market conditions.

### ***Liabilities***

As at June 30, 2023, the Group's total liabilities were €345,224 million, an increase of €12,497 million, or 3.8%, as compared to €332,727 million as at December 31, 2022. The increase was primarily due to higher repos, time deposits from customers, savings accounts, certificates of deposit and other issued bonds. This is partly offset by lower demand deposits from customers and partial repayment of the TLTRO III.

As at December 31, 2022, the Group's total liabilities were €335,065 million, an increase of €17,796 million, or 5.6%, as compared to total liabilities of €317,269 million as at December 31, 2021. The increase was primarily due to the acquisition of Raiffeisenbank Bulgaria and higher outstanding repos, demand deposits and time deposits. The increase was partly offset by a higher loss on positions in portfolios hedged against interest rate risk due to the substantial interest rate hikes in 2022 and lower positions in credit institutions and investment firms due to the repayment of part of the amount borrowed under TLTRO III.

As at December 31, 2021, the Group's total liabilities were €317,269 million, an increase of €18,055 million, or 6%, as compared to total liabilities of €299,214 million as at December 31, 2020. The increase was primarily due to an increase in financial liabilities, due primarily to strong client-driven deposit growth and a robust increase in non-maturity funding (primarily saving and deposit accounts) in all of the Group's core markets, and to a lesser extent, additional TLTRO III funding. The strong increase in liabilities associated with disposal groups (up €4,262 million as compared to December 31, 2020) related to the transfer of client deposits of KBC Bank Ireland in view of the upcoming sale (applying IFRS5).

### ***Equity***

As at June 30, 2023, the Group's total equity was €22,853 million, an increase of €1,955 million, or 9.4%, as compared to €20,898 million as at June 30, 2022.

As at December 31, 2022, the Group's total equity was €20,807 million, a decrease of €2,270 million, or 9.8%, as compared to €23,077 million as at December 31, 2021. The decrease was primarily due to a dividend payment (a decrease of €3.6 billion) and a decrease in the revaluation reserve on bonds (a decrease of €1.4 billion), partly offset by the net result of the year ended December 31, 2022 (an increase of €2.7 billion).

As at December 31, 2021, the Group's total equity was €23,077 million, an increase of €1,547 million, or 7%, as compared to €21,530 million as at December 31, 2020. The increase was primarily due to the inclusion of the annual profit (an increase of €2.6 billion), an increase in the revaluation reserves (an increase of €0.4 billion), the dividend payments in May and November 2021 (a decrease of €1.4 billion) and various smaller items.

### **Cash Flows**

The following table summarizes the Group's cash flow for the six-month periods ended June 30, 2023 and 2022 and the years ended December 31, 2022, 2021 and 2020.



	Six months ended		Year ended		
	June 30,		December 31,		
	2023	2022	2022	2021	2020
		<u>Restated</u> <sup>(1)</sup>			
	(EUR million)				
	(Unaudited)				
Net cash from or used in operating activities .....	3,923	28,754	11,766	14,043	26,369
Net cash from or used in investing activities .....	3,116	(1,889)	(4,960)	822	(7,253)
Net cash from or used in financing activities .....	3,468	(3,319)	(3,382)	(448)	451
Net increase or decrease in cash and cash equivalents .....	10,508	23,546	3,424	14,417	19,566
Cash and cash equivalents at the beginning of the period.....	67,481	63,554	63,554	47,794	29,118
Effects of exchange rate changes on opening cash and cash equivalents ..	624	(120)	503	1,343	(891)
Cash and cash equivalents at the end of the period.....	78,613	86,980	67,481	63,554	47,794

(1) Comparative figures for 2022 have been restated for the transition to IFRS 17 (Insurance Contracts). See “Presentation of Financial and Other Information—Restatement of 2022 comparative financial information”.

#### **Net cash from or used in operating activities**

Net cash from operating activities was €3,923 million in the six months ended June 30, 2023, compared to net cash from operating activities of €28,754 million in the six months ended June 30, 2022. This change was primarily due to the net cash from operating activities in the first half of 2023, which includes significant growth of time deposits and certificates of deposits, partially offset by a repayment of part of the amount borrowed under TLTRO III and an increasing mortgage and term loan portfolio.

Net cash from operating activities was €11,766 million in the year ended December 31, 2022, compared to €14,043 million in the year ended December 31, 2021. This change was primarily due to, amongst others, the partial repayment of TLTRO III in the year ended December 31, 2022 of €9.1 billion.

Net cash from operating activities was €14,043 million in the year ended December 31, 2021, compared to €26,369 million in the year ended December 31, 2020. This change was primarily due to the lower amount borrowed under TLTRO III, €2.5 billion in the year ended December 31, 2021 compared to €19.5 billion in the year ended December 31, 2020.

#### **Net cash from or used in investing activities**

Net cash from investing activities was €3,116 million in the six months ended June 30, 2023, compared to net cash used in investing activities of €1,889 million in the six months ended June 30, 2022. This change was primarily due to the cash proceeds from closing in the sale of KBC Bank Ireland, partly offset by additional investments in debt securities at amortized cost.

Net cash used in investing activities was €4,960 million in the year ended December 31, 2022, compared to net cash from investing activities of €822 million in the year ended December 31, 2021. This change was primarily due to the higher purchases of debt securities at amortized cost in the year ended December 31, 2022 compared to the year ended December 31, 2021.

Net cash from investing activities was €822 million in the year ended December 31, 2021, compared to net cash used in investing activities of €7,253 million in the year ended December 31, 2020. This change was primarily

due to higher investments in debt securities at amortized costs in the year ended December 31, 2020 and higher proceeds from the repayment of debt securities at amortized cost in the year ended December 31, 2021.

### *Net cash from or used in financing activities*

Net cash from financing activities was €3,468 million in the six months ended June 30, 2023, compared to €3,319 million used in the six months ended June 30, 2022. This change was primarily due to newly issued senior holdco instruments, higher outstanding covered bonds and a newly issued Tier-2 instrument in the first half of 2023, partly compensated by the dividend payment.

Net cash used in financing activities was €3,382 million in the year ended December 31, 2022, compared to net cash used in financing activities of €448 million in the year ended December 31, 2021. This change was primarily due to the higher dividend payout in the year ended December 31, 2022 compared to the year ended December 31, 2021.

Net cash used in financing activities was €448 million in the year ended December 31, 2021, compared to net cash from financing activities of €451 million in the year ended December 31, 2020. This change was primarily due to the €1.4 billion dividend pay-out in the year ended December 31, 2021 and lower issuances and repayments of promissory notes in 2021 compared to 2020, partly offset by higher proceeds from subordinated liabilities in 2021 compared to 2020.

### **Off-Balance Sheet Arrangements**

For a discussion of the Group's off-balance sheet commitments and financial guarantees given and received, see Notes 5.7.2 and 6.1 of the 2022 Financial Statements, the 2021 Financial Statements and the 2020 Financial Statements.

### **Liquidity and Funding**

The following discussion of the Group's liquidity, funding and capital requirements should be read in conjunction with "*Risk Management—Liquidity risk*".

The Group has a strong retail/mid-cap deposit base in its core markets, resulting in a stable funding mix. A significant portion of the funding is attracted from core client segments and markets. The following table shows the breakdown of the Group's funding sources as at December 31, 2022, 2021 and 2020 and June 30, 2023.

	<b>As at June 30, 2023</b>	<b>As at December 31,</b>		
		<b>2022</b>	<b>2021</b>	<b>2020</b>
		<i>(EUR million)</i>		
	<i>(Unaudited)</i>			
Net unsecured interbank funding.....	4.8%	7.2%	11.7%	11.7%
Net secured funding .....	(3.2)%	(3.2)%	(8.4)%	(10.0)%
Debt issues placed at institutional relations.....	22,763	18,108	18,959	17,042
Total equity .....	22,853	20,807	23,077	21,530
Certificates of deposit.....	5.4%	3.3%	2.4%	2.3%
Funding from retail customers.....	46.9%	48.7%	51.1%	46.6%

The Group's sources of funding are as follows:

- funding from customers, consisting of demand deposits, time deposits, savings deposits, other deposits, savings certificates and debt issues placed in the network. The majority of the funding from customers relates to private individuals and SMEs;

- debt issuances placed with institutional investors, mainly comprising covered bonds issues, tier-2 issues and the Group's senior debt;
- net unsecured interbank funding, including TLTRO funding (as further discussed below);
- net secured funding, which was negative as at December 31, 2022 and 2021 due to the fact that the Group carried out more reverse repo transactions than repo transactions;
- certificates of deposit; and
- total equity, including additional tier-1 (AT1) issues.

In November 2012, KBC Bank announced its €10 billion Belgian residential mortgage covered bonds program, and in 2020, this program was extended to €17.5 billion. This program gives KBC Bank access to the covered bond market, allowing it to diversify its funding structure and reduce the cost of long-term funding. In addition, in 2019, the Group borrowed €2.5 billion from the ECB under the targeted longer-term refinancing operations (TLTRO III), after having repaid all TLTRO II funding. Following the outbreak of the COVID-19 pandemic, in June 2020, the Group participated in TLTRO III for just under €19.5 billion. During 2021, the Group participated in TLTRO III once more for €2.5 billion to further strengthen its solid liquidity and funding position. In 2022, the Group made its first repayment of part of the amount borrowed under TLTRO III (€9.1 billion). In the first half of 2023, the Group made another partial repayment of the amount borrowed under the TLTRO III (€12.9 billion).

### **Capital Expenditures**

The Group's capital expenditures include software developed in-house, which amounted €719 million, €559 million and €386 million in the years ended December 31, 2022, 2021 and 2020, respectively, and software developed externally, €250 million, €263 million and €301 million in the years ended December 31, 2022, 2021 and 2020, respectively. However, overall capital expenditures are not a material part of the Group's expenses.

### **Critical Accounting Policies and Estimates**

When preparing the consolidated financial statements and applying the Group's accounting policies, management is required to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Some degree of uncertainty is inherent in almost all amounts reported. The estimates are based on the experience and assumptions that the Group's management believes are reasonable at the time the financial statements are being prepared.

The Group's significant accounting policies are described in Note 1.2 to the 2022 Financial Statements, the 2021 Financial Statements and the 2020 Financial Statements.

Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant areas of estimation uncertainty, and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are found in, but not limited to, Notes 1.4, 3.3, 3.7, 3.10, 4.2, 4.4-4.8, 5.2, 5.5-5.7, 5.9, 6.1 and 6.10 of the 2022 Financial Statements and Notes 1.3, 3.3, 3.7, 3.10, 4.2, 4.4-4.8, 5.2, 5.5-5.7, 5.9 and 6.1 the 2021 Financial Statements and the 2020 Financial Statements.

## SELECTED STATISTICAL DATA

The information below should be read in conjunction with the Issuer’s financial statements and accompanying notes incorporated by reference in this Offering Circular, as well as with “*Selected Financial and Other Information*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*”. The information included in this section has not been derived from the Financial Statements. This information has been derived from the Issuer’s accounting records and has not been audited. In this section, the term “**domestic**” refers to all KBC lending, deposit and other business booked within its Belgian operations. The term “**foreign**” refers to all other operations of KBC, and the term “**Group**” refers to domestic and foreign operations together.

### DISTRIBUTION OF ASSETS, LIABILITIES AND SHAREHOLDERS’ EQUITY; INTEREST RATES AND INTEREST DIFFERENTIAL

#### Average balance sheet information and information on interest rates

The following tables set forth the average balances of the Issuer’s interest-earning assets and interest-bearing liabilities, other assets and liabilities, the interest generated from such assets and liabilities and average return rate for each period presented. Average balances have been calculated on the basis of quarterly data. In each of the tables below, loans and deposits are presented excluding debt securities and this presentation differs from the presentation in the balance sheet and income statements in the Financial Statements. Average balances for the years ended December 31, 2022, 2021 and 2020 and for the six months ended June 30, 2023 include non-performing loans and are presented net of any provisions for credit losses.

(in millions of EUR)	Six months ended June 30, 2023								
	Group			Domestic			Foreign		
	Average Balance	Interest	Average interest rate (in %)	Average Balance	Interest	Average interest rate (in %)	Average Balance	Interest	Average interest rate (in %)
<b>Interest Bearing Assets</b>									
Interest bearing financial assets .....	327,038	9,367	5.7%	205,589	5,456	5.3%	121,450	3,911	6.4%
<i>Amortized cost, including cash balances with central banks and other demand deposits with credit institutions</i> .....	308,108	6,007	3.9%	190,854	3,084	3.2%	117,254	2,923	5.0%
<i>Fair value through OCI</i> .....	14,464	173	2.4%	11,977	139	2.3%	2,487	33	2.7%
<i>Fair value through profit or loss</i> .....	3,956	1,164	58.8%	2,338	732	62.6%	1,618	431	53.3%
<i>Hedging derivatives</i> .....	511	2,023	-	421	1,501	-	90	523	-
Other assets .....	1,783	5	0.6%	1,183	0	0.0%	600	5	1.7%
Net yield on Interest Bearing Assets .....	328,821	2,731	1.7%	206,771	1,374	1.3%	122,050	1,357	2.2%
<b>Total Interest Bearing Assets</b> .....	<b>328,821</b>	<b>9,372</b>	<b>5.7%</b>	<b>206,771</b>	<b>5,456</b>	<b>5.3%</b>	<b>122,050</b>	<b>3,916</b>	<b>6.4%</b>
<b>Interest Bearing Liabilities</b>									
Interest bearing financial liabilities .....	293,556	6,642	4.5%	200,051	4,086	4.1%	93,505	2,556	5.5%
<i>Amortized cost</i> .....	289,619	3,084	2.1%	198,223	1,643	1.7%	91,397	1,440	3.2%
<i>Fair value through profit or loss</i> .....	3,391	1,427	84.2%	1,384	848	122.5%	2,007	579	57.7%
<i>Hedging derivatives</i> .....	545	2,131	-	444	1,595	-	101	537	-
Other liabilities .....	2,805	(1)	(0.1)%	1,731	(3)	(0.4)%	1,074	2	0.4%
<b>Total Interest Bearing Liabilities</b> .....	<b>296,361</b>	<b>6,641</b>	<b>4.5%</b>	<b>201,782</b>	<b>4,082</b>	<b>4.0%</b>	<b>94,579</b>	<b>2,559</b>	<b>5.4%</b>
<b>Year ended December 31, 2022</b>									
(in millions of EUR)	Group			Domestic			Foreign		
	Average Balance	Interest	Average interest rate (in %)	Average Balance	Interest	Average interest rate (in %)	Average Balance	Interest	Average interest rate (in %)
<b>Interest Bearing Assets</b>									
Interest bearing financial assets .....	325,752	10,840	3.3%	209,270	4,849	2.3%	116,482	5,992	5.1%
<i>Amortized cost, including cash balances with central banks and other demand deposits with credit institutions</i> .....	308,055	8,007	2.6%	195,727	3,268	1.7%	112,327	4,739	4.2%
<i>Fair value through OCI</i> .....	13,149	251	1.9%	10,697	204	1.9%	2,452	47	1.9%
<i>Fair value through profit or loss</i> .....	4,067	744	18.3%	2,459	103	4.2%	1,608	641	39.9%
<i>Hedging derivatives</i> .....	480	1,838	-	385	1,274	-	95	564	-
Other assets .....	2,154	3	0.1%	1,385	0	0.0%	769	3	0.3%
Net yield on Interest Bearing Assets .....	327,906	5,161	1.6%	210,655	2,656	1.3%	117,251	2,505	2.1%
<b>Total Interest Bearing Assets</b> .....	<b>327,906</b>	<b>10,843</b>	<b>3.3%</b>	<b>210,655</b>	<b>4,849</b>	<b>2.3%</b>	<b>117,251</b>	<b>5,994</b>	<b>5.1%</b>
<b>Interest Bearing Liabilities</b>									
Interest bearing financial liabilities .....	297,589	5,675	1.9%	211,035	2,190	1.0%	86,554	3,486	4.0%
<i>Amortized cost</i> .....	293,602	2,031	0.7%	208,768	231	0.1%	84,835	1,801	2.1%
<i>Fair value through profit or loss</i> .....	3,210	1,672	52.1%	1,597	642	40.2%	1,614	1,030	63.8%

(in millions of EUR)	Year ended December 31, 2022								
	Group			Domestic			Foreign		
	Average Balance	Interest	Average interest rate (in %)	Average Balance	Interest	Average interest rate (in %)	Average Balance	Interest	Average interest rate (in %)
Hedging derivatives.....	776	1,972	-	671	1,317	-	106	655	-
Other liabilities.....	2,770	6	0.2%	1,792	3	0.2%	978	4	0.4%
<b>Total Interest Bearing Liabilities.....</b>	<b>300,360</b>	<b>5,682</b>	<b>1.9%</b>	<b>212,828</b>	<b>2,192</b>	<b>1.0%</b>	<b>87,532</b>	<b>3,489</b>	<b>4.0%</b>

(in millions of EUR)	Year ended December 31, 2021								
	Group			Domestic			Foreign		
	Average Balance	Interest	Average interest rate (in %)	Average Balance	Interest	Average interest rate (in %)	Average Balance	Interest	Average interest rate (in %)
<b>Interest Bearing Assets</b>									
Interest bearing financial assets.....	317,237	5,639	1.8%	208,894	3,211	1.5%	108,343	2,428	2.2%
<i>Amortized cost, including cash balances with central banks and other demand deposits with credit institutions.....</i>	296,063	4,569	1.5%	192,154	2,424	1.3%	103,909	2,145	2.1%
<i>Fair value through OCI.....</i>	16,485	286	1.7%	13,419	227	1.7%	3,066	59	1.9%
<i>Fair value through profit or loss.....</i>	4,493	430	9.6%	3,169	325	10.3%	1,324	104	7.9%
<i>Hedging derivatives.....</i>	197	355	-	153	235	-	45	120	-
Other assets.....	1,682	-	0.0%	1,153	-	0.0%	547	-	0.0%
Net yield on Interest Bearing Assets.....	318,919	4,451	1.4%	210,029	2,525	1.2%	108,889	1,927	1.8%
<b>Total Interest Bearing Assets.....</b>	<b>318,919</b>	<b>5,639</b>	<b>1.8%</b>	<b>210,029</b>	<b>3,211</b>	<b>1.5%</b>	<b>108,889</b>	<b>2,428</b>	<b>2.2%</b>
<b>Interest Bearing Liabilities</b>									
Interest bearing financial liabilities.....	287,012	1,180	0.4%	208,966	682	0.3%	78,046	498	0.6%
<i>Amortized cost.....</i>	282,648	109	0.0%	206,277	(129)	(0.1)%	76,371	238	0.3%
<i>Fair value through profit or loss.....</i>	3,271	468	14.3%	1,652	379	22.9%	1,619	88	5.5%
<i>Hedging derivatives.....</i>	1,093	604	-	1,037	432	-	56	172	-
Other liabilities.....	2,781	8	0.3%	1,924	5	0.2%	857	3	0.4%
<b>Total Interest Bearing Liabilities.....</b>	<b>289,793</b>	<b>1,188</b>	<b>0.4%</b>	<b>210,891</b>	<b>686</b>	<b>0.3%</b>	<b>78,903</b>	<b>502</b>	<b>0.6%</b>

(in millions of EUR)	Year ended December 31, 2020								
	Group			Domestic			Foreign		
	Average Balance	Interest	Average interest rate (in %)	Average Balance	Interest	Average interest rate (in %)	Average Balance	Interest	Average interest rate (in %)
<b>Interest Bearing Assets</b>									
Interest bearing financial assets.....	279,594	5,958	2.1%	180,260	3,655	2.0%	99,333	2,303	2.3%
<i>Amortized cost, including cash balances with central banks and other demand deposits with credit institutions.....</i>	257,020	4,798	1.9%	161,676	2,736	1.7%	95,344	2,062	2.2%
<i>Fair value through OCI.....</i>	18,501	330	1.8%	15,126	262	1.7%	3,376	68	2.0%
<i>Fair value through profit or loss.....</i>	3,886	456	11.7%	3,330	350	10.5%	556	104	18.6%
<i>Hedging derivatives.....</i>	186	377	-	129	307	-	58	70	-
Other assets.....	1,652	2	0.1%	1,264	2	0.2%	388	0	0.0%
Net yield on Interest Bearing Assets.....	281,246	4,467	1.6%	181,524	2,515	1.4%	99,722	1,952	2.0%
<b>Total Interest Bearing Assets.....</b>	<b>281,246</b>	<b>5,960</b>	<b>2.1%</b>	<b>181,524</b>	<b>3,657</b>	<b>2.0%</b>	<b>99,722</b>	<b>2,303</b>	<b>2.3%</b>
<b>Interest Bearing Liabilities</b>									
Interest bearing financial liabilities.....	250,521	1,485	0.6%	181,059	1,138	0.6%	69,462	347	0.5%
<i>Amortized cost.....</i>	245,601	484	0.2%	178,483	307	0.2%	67,118	177	0.3%
<i>Fair value through profit or loss.....</i>	3,565	368	10.3%	1,322	261	19.8%	2,243	107	4.8%
<i>Hedging derivatives.....</i>	1,355	632	46.7%	1,254	570	45.4%	101	63	62.0%
Other liabilities.....	2,928	8	0.3%	2,178	4	0.2%	750	4	0.5%
<b>Total Interest Bearing Liabilities.....</b>	<b>253,449</b>	<b>1,493</b>	<b>0.6%</b>	<b>183,237</b>	<b>1,142</b>	<b>0.6%</b>	<b>70,212</b>	<b>351</b>	<b>0.5%</b>

## Changes in interest income; volume and rate analysis

The following tables set forth the effect of changes in the Issuer's interest income and interest expense resulting from fluctuations in the average volumes and average yield rate for each year presented and for the six months ended June 30, 2023.

(in millions of EUR)	Six months ended June 30, 2023 compared to six months ended June 30, 2022								
	Group			Domestic			Foreign		
	Increase (decrease) due to change in:			Increase (decrease) due to change in:			Increase (decrease) due to change in:		
	Average volume	Interest rate	Net change	Average volume	Interest rate	Net change	Average volume	Interest rate	Net change

<b>Interest Bearing Assets</b>									
Interest bearing financial assets .....	2,792	2.9%	4,779	(1,777)	3.3%	3,390	4,569	2.1%	1,389
<i>Amortized cost, including cash</i>									
<i>balances with central banks and other</i>									
<i>demand deposits with credit institutions</i>	2,662	1.7%	2,627	(2,062)	1.9%	1,791	4,724	1.3%	836
<i>Fair value through OCI</i> .....	388	0.6%	45	448	0.5%	36	-60	0.8%	9
<i>Fair value through profit or loss</i> .....	(371)	-	796	(276)	-	601	(95)	-	195
<i>Hedging derivatives</i> .....	114	-	1,311	114	-	962	-	-	348
Other assets .....	(263)	0.5%	4	(127)	0.0%	0	(136)	1.4%	4
Net yield on Interest Bearing Assets	2,529	0.2%	283	(1,904)	0.1%	52	4,433	0.3%	231
<b>Total Interest Bearing Assets</b> .....	<b>2,529</b>	<b>2.9%</b>	<b>4,783</b>	<b>(1,904)</b>	<b>3.3%</b>	<b>3,390</b>	<b>4,433</b>	<b>2.1%</b>	<b>1,393</b>

<b>Interest Bearing Liabilities</b>									
Interest bearing financial liabilities .....	10,577	1.5%	4,495	2,069	0.7%	1,508	8,508	3.4%	2,987
<i>Amortized cost</i> .....	10,954	0.7%	1,923	2,491	0.2%	360	8,463	1.8%	1,563
<i>Fair value through profit or loss</i> .....	(61)	37.8%	1,204	(56)	17.3%	263	(5)	58.4%	941
<i>Hedging derivatives</i> .....	(316)	-	1,368	(366)	-	885	50	-	483
Other liabilities .....	(11)	(0.1)%	(2)	(132)	(0.1)%	(2)	121	0.0%	0
<b>Total Interest Bearing Liabilities</b> .....	<b>10,566</b>	<b>1.5%</b>	<b>4,494</b>	<b>1,937</b>	<b>0.7%</b>	<b>1,506</b>	<b>8,629</b>	<b>3.4%</b>	<b>2,988</b>

**Year ended December 31, 2022 compared to year ended December 31, 2021**

(in millions of EUR)	Group			Domestic			Foreign		
	Increase (decrease) due to change in:			Increase (decrease) due to change in:			Increase (decrease) due to change in:		
	Average volume	Average Interest rate	Net change	Average volume	Average Interest rate	Net change	Average volume	Average Interest rate	Net change
<b>Interest Bearing Assets</b>									
Interest bearing financial assets .....	8,515	1.6%	5,201	375	0.8%	1,638	8,139	2.9%	3,564
<i>Amortized cost, including cash</i>									
<i>balances with central banks and other</i>									
<i>demand deposits with credit institutions</i>	11,992	1.1%	3,438	3,573	0.4%	844	8,419	2.2%	2,594
<i>Fair value through OCI</i> .....	(3,335)	0.2%	-34	(2,721)	0.2%	(22)	(614)	0.0%	(12)
<i>Fair value through profit or loss</i> .....	(425)	8.7%	315	(710)	(6.1)%	(222)	284	32.0%	537
<i>Hedging derivatives</i> .....	283	-	1,483	233	-	1,039	50	-	444
Other assets .....	473	0.1%	3	250	0.0%	0	222	0.3%	3
Net yield on Interest Bearing Assets	8,987	0.2%	710	625	0.1%	132	8,362	0.4%	579
<b>Total Interest Bearing Assets</b> .....	<b>8,987</b>	<b>1.5%</b>	<b>5,204</b>	<b>625</b>	<b>0.8%</b>	<b>1,638</b>	<b>8,362</b>	<b>2.9%</b>	<b>3,566</b>
<b>Interest Bearing Liabilities</b>									
Interest bearing financial liabilities .....	10,577	1.5%	4,495	2,069	0.7%	1,508	8,508	3.4%	2,987
<i>Amortized cost</i> .....	10,954	0.7%	1,923	2,491	0.2%	360	8,463	1.8%	1,563
<i>Fair value through profit or loss</i> .....	(61)	37.8%	1,204	(56)	17.3%	263	(5)	58.4%	941
<i>Hedging derivatives</i> .....	(316)	-	1,368	(366)	-	885	50	-	483
Other liabilities .....	(11)	(0.1)%	(2)	(132)	(0.1)%	(2)	121	0.0%	0
<b>Total Interest Bearing Liabilities</b> .....	<b>10,566</b>	<b>1.5%</b>	<b>4,494</b>	<b>1,937</b>	<b>0.7%</b>	<b>1,506</b>	<b>8,629</b>	<b>3.4%</b>	<b>2,988</b>

**Year ended December 31, 2021 compared to year ended December 31, 2020**

(in millions of EUR)	Group			Domestic			Foreign		
	Increase (decrease) due to change in:			Increase (decrease) due to change in:			Increase (decrease) due to change in:		
	Average volume	Average Interest rate	Net change	Average volume	Average Interest rate	Net change	Average volume	Average Interest rate	Net change
<b>Interest Bearing Assets</b>									
Interest bearing financial assets .....	37,643	(0.4)%	(319)	28,634	(0.5)%	(444)	9,010	(0.1)%	125
<i>Amortized cost, including cash</i>									
<i>balances with central banks and other</i>									
<i>demand deposits with credit institutions</i>	39,042	(0.3)%	(229)	30,478	(0.4)%	(312)	8,564	(0.1)%	83
<i>Fair value through OCI</i> .....	(2,017)	0.0%	(44)	(1,707)	0.0%	(35)	(310)	(0.1)%	(10)
<i>Fair value through profit or loss</i> .....	607	(2.1)%	(24)	(161)	(0.2)%	(25)	768	(10.7)%	1
<i>Hedging derivatives</i> .....	11	-	(22)	24	-	(72)	(13)	-	50
Other assets .....	30	(0.1)%	(2)	(128)	(0.2)%	(2)	158	0.0%	0
Net yield on Interest Bearing Assets	37,673	(0.2)%	(16)	28,505	(0.2)%	10	9,168	(0.2)%	(26)
<b>Total Interest Bearing Assets</b> .....	<b>37,673</b>	<b>(0.4)%</b>	<b>(321)</b>	<b>28,505</b>	<b>(0.5)%</b>	<b>(446)</b>	<b>9,168</b>	<b>(0.1)%</b>	<b>125</b>
<b>Interest Bearing Liabilities</b>									
Interest bearing financial liabilities .....	36,491	(0.2)%	(305)	27,907	(0.3)%	(456)	8,584	0.1%	151
<i>Amortized cost</i> .....	37,048	(0.2)%	(376)	27,795	(0.2)%	(436)	9,253	0.0%	61
<i>Fair value through profit or loss</i> .....	(294)	4.0%	99	330	3.2%	118	(625)	0.7%	(19)
<i>Hedging derivatives</i> .....	(262)	-	(29)	(218)	-	(138)	(45)	-	109
Other liabilities .....	(147)	0.0%	0	(254)	0.0%	0	107	(0.1)%	(1)
<b>Total Interest Bearing Liabilities</b> .....	<b>36,344</b>	<b>(0.2)%</b>	<b>(305)</b>	<b>27,653</b>	<b>(0.3)%</b>	<b>(456)</b>	<b>8,691</b>	<b>0.1%</b>	<b>150</b>

## Portfolio of debt securities

The following tables set forth information regarding the Issuer's portfolio of debt securities at the dates presented, together with information regarding when the instruments comprising the investment portfolio are due to mature.

(in millions of EUR)	As at June 30,		As at December 31,		
	2023	2022	2021	2020	
<b>Debt securities, held by</b>					
KBC Bank .....	29,764	27,169	26,518	31,217	
CSOB CZ.....	13,262	11,987	10,202	8,869	
KBC Insurance .....	12,913	13,915	15,474	15,700	
Other .....	11,207	10,790	10,498	11,389	
<b>Total Investment Debt Securities.....</b>	<b>67,146</b>	<b>63,860</b>	<b>62,692</b>	<b>67,174</b>	

## Portfolio of debt securities by maturity date

The following tables set forth information regarding when the instruments comprising the Issuer's portfolio of debt securities are due to mature and where in the Group they are held, as at the dates presented.

(in millions of EUR)	< 1 year	1-5 years	5-10 years	> 10 years	Total
As at June 30, 2023 .....	7,098	22,341	28,793	8,965	67,197
As at December 31, 2022 .....	6,329	23,597	25,930	8,147	64,003
As at December 31, 2021 .....	8,298	23,468	22,308	7,993	62,067
As at December 31, 2020 .....	8,205	26,245	22,359	8,655	65,464

(in millions of EUR)	As at June 30,		As at December 31,		
	2023	2022	2021	2020	
KBC insurance conso <sup>(1)</sup> .....	14,887	15,772	16,968	16,649	
KBC bank .....	29,988	27,383	26,441	31,490	
CSOB CZ.....	12,760	11,604	10,002	8,291	
Others (UBB + CBC + CSOB SK + K&H + KBC CF + CMSS + DZI) <sup>(2)</sup> .....	9,562	9,244	8,657	9,035	

(1) The figure as at June 30, 2023 reflects the new valuation method under IFRS 17 (Insurance Contracts) and therefore may not be directly comparable to the information presented as at December 31, 2022, 2021 and 2020. Comparative figures have not been restated for the transition to IFRS 17 (Insurance Contracts).

(2) KBC Credit Investments was liquidated in 2020.

## Loan portfolio by industry and geography

The following tables set forth a breakdown of the Issuer's loan portfolio by industry and geography as at June 30, 2023.

(in millions of EUR)	As at June 30, 2023							
	Belgium Business Unit <sup>(1)</sup>	Czech Republic Business Unit	International Markets Business Unit			Group Centre <sup>(2)</sup>		Total
			Slovakia	Hungary	Bulgaria	Ireland	Other	
Agriculture, farming, fishing .....	4,044	592	46	497	525	-	-	5,704
Oil, gas & other fuels .....	359	610	247	526	73	-	30	1,845
Electricity .....	2,098	279	451	494	285	-	91	3,698
Water .....	488	72	101	42	10	-	-	712
Chemicals.....	2,253	158	62	175	201	-	-	2,849
Metals.....	2,250	568	83	122	366	-	-	3,388
Machinery & heavy equipment.....	1,154	619	33	30	47	-	-	1,883
IT .....	290	92	14	9	21	-	-	426
Electrotechnics .....	676	251	22	68	114	-	-	1,131
Automotive.....	2,758	1,625	308	282	341	-	-	5,314
Shipping .....	1,434	13	1	4	26	-	-	1,478
Aviation.....	144	70	0	76	16	-	6	312
Food producers.....	2,664	197	71	336	284	-	-	3,552
Beverages .....	345	250	29	40	62	-	-	726
Tobacco.....	0	-	-	-	0	-	-	0
Textile & apparel .....	665	119	12	18	51	-	-	864
Timber & wooden furniture .....	582	174	32	21	75	-	-	885
Paper & pulp .....	566	112	3	14	46	-	-	741
Media.....	164	188	29	4	14	-	5	405
Building & construction.....	6,050	1,646	272	548	411	-	99	9,027

As at June 30, 2023								
(in millions of EUR)	Belgium Business Unit <sup>(1)</sup>	Czech Republic Business Unit	International Markets Business Unit			Group Centre <sup>(2)</sup>		Total
			Slovakia	Hungary	Bulgaria	Ireland	Other	
Distribution .....	11,151	2,586	540	549	1,711	-	343	16,880
Traders.....	734	72	23	28	18	-	-	875
Horeca .....	1,173	151	18	58	90	-	-	1,489
Telecom.....	241	119	27	10	43	-	-	440
Consumer products .....	257	26	8	19	23	-	-	332
Finance and insurance.....	9,762	549	273	718	315	-	734	12,351
Real estate .....	9,207	2,738	636	455	226	-	-	13,261
Services .....	16,509	1,986	1,653	505	387	-	15	21,056
Authorities.....	4,582	402	229	58	66	-	-	5,337
Private persons .....	45,858	23,213	6,884	2,769	3,963	-	-	82,687
Sector unknown.....	1,520	69	6	0	2	-	-	1,597
<b>Total .....</b>	<b>129,980</b>	<b>39,545</b>	<b>12,112</b>	<b>8,474</b>	<b>9,810</b>	<b>-</b>	<b>1,324</b>	<b>201,246</b>

- (1) Belgium Business Unit also includes the small network of KBC Bank branches established in the rest of Europe, the US and Southeast Asia.
- (2) Group Centre comprises activities that have not been allocated to other business Units and companies to be divested.

The following tables set forth a breakdown of the Issuer's loan portfolio by industry and geography as at December 31, 2022.

As at December 31, 2022								
(in millions of EUR)	Belgium Business Unit <sup>(1)</sup>	Czech Republic Business Unit	International Markets Business Unit			Group Centre <sup>(2)</sup>		Total
			Slovakia	Hungary	Bulgaria	Ireland	Other	
Agriculture, farming, fishing .....	4,125	568	51	415	254	-	257	5,672
Oil, gas & other fuels.....	453	726	79	393	35	-	81	1,767
Electricity.....	1,961	242	440	447	146	-	175	3,412
Water.....	359	70	118	39	9	-	6	601
Chemicals.....	2,274	166	61	207	167	-	56	2,931
Metals.....	2,188	555	70	103	223	-	102	3,241
Machinery & heavy equipment .....	1,168	549	36	34	19	-	28	1,833
IT.....	318	81	11	7	15	-	5	439
Electrotechnics.....	672	216	24	67	72	-	45	1,096
Automotive .....	2,716	1,583	292	229	161	-	136	5,117
Shipping .....	1,453	13	1	4	17	-	11	1,500
Aviation .....	156	75	0	76	14	-	9	330
Food producers .....	2,487	177	67	314	253	-	168	3,465
Beverages .....	432	247	28	19	50	-	8	784
Tobacco.....	0	-	-	-	0	-	0	0
Textile & apparel.....	711	132	9	17	36	-	18	922
Timber & wooden furniture.....	560	162	34	21	23	-	57	857
Paper & pulp.....	556	113	4	14	37	-	7	731
Media .....	155	258	30	5	14	-	7	468
Building & construction .....	6,048	1,483	259	401	208	-	309	8,709
Distribution .....	11,176	2,593	573	424	880	-	1,143	16,789
Traders .....	790	58	19	26	10	-	6	909
Horeca.....	1,159	131	17	58	25	-	71	1,462
Telecom .....	221	120	32	11	12	-	5	400
Consumer products .....	181	23	11	14	24	-	1	255
Finance and insurance.....	9,420	452	264	606	84	9	1,216	12,051
Real estate .....	9,182	2,451	589	474	82	4	170	12,953
Services.....	15,949	1,955	1,512	448	167	41	221	20,294
Authorities .....	5,507	449	215	57	54	-	6	6,287
Private persons .....	45,139	22,577	6,693	2,569	1,978	8,079	1,767	88,802
Sector unknown .....	1,555	69	9	9	-	-	2	1,644
<b>Total .....</b>	<b>129,071</b>	<b>38,295</b>	<b>11,549</b>	<b>7,509</b>	<b>5,070</b>	<b>8,132</b>	<b>6,093</b>	<b>205,719</b>

- (1) Belgium Business Unit also includes the small network of KBC Bank branches established in the rest of Europe, the US and Southeast Asia.
- (2) Group Centre comprises activities that have not been allocated to other business Units and companies to be divested. As a result of the sale to Bank of Ireland Group of substantially all of KBC Bank Ireland's performing loan assets, its deposit book, and a small portfolio of non-performing mortgages (NPEs), the loan portfolio of KBC Bank Ireland was included in Group Centre as of December 31, 2022.

The following tables set forth a breakdown of the Issuer's loan portfolio by industry and geography as at December 31, 2021.

As at December 31, 2021								
(in millions of EUR)	Belgium Business Unit <sup>(1)</sup>	Czech Republic Business Unit	International Markets Business Unit			Group Centre <sup>(2)</sup>	Total	
			Slovakia	Hungary	Bulgaria			
Agriculture, farming, fishing .....	4,056	520	54	333	204	-	-	5,166
Oil, gas & other fuels.....	275	684	49	37	78	-	43	1,166



As at December 31, 2021

(in millions of EUR)	Belgium Business Unit <sup>(1)</sup>	Czech Republic Business Unit	International Markets Business Unit				Group Centre <sup>(2)</sup>	Total
			Slovakia	Hungary	Bulgaria	Ireland		
Electricity.....	1,794	234	321	357	95	-	119	2,921
Water.....	242	87	115	52	4	-	4	504
Chemicals.....	1,901	160	77	202	141	-	-	2,482
Metals.....	1,777	497	84	92	176	-	-	2,626
Machinery & heavy equipment.....	1,113	452	43	33	24	-	-	1,665
IT.....	202	91	10	5	20	-	-	328
Electrotechnics.....	609	197	26	44	56	-	-	931
Automotive.....	2,503	1,436	271	218	126	-	-	4,553
Shipping.....	1,284	10	1	5	14	-	-	1,314
Aviation.....	147	77	-	79	9	-	9	322
Food producers.....	2,657	158	66	252	191	-	-	3,325
Beverages.....	407	277	24	19	55	-	-	783
Tobacco.....	-	-	-	-	-	-	-	-
Textile & apparel.....	672	130	12	19	30	-	-	863
Timber & wooden furniture.....	560	160	32	22	24	-	-	797
Paper & pulp.....	349	85	8	9	29	-	-	480
Media.....	144	270	33	10	15	-	5	477
Building & construction.....	5,610	1,327	251	324	226	-	107	7,845
Distribution.....	10,007	2,268	498	425	667	-	346	14,212
Traders.....	785	66	22	23	41	-	-	937
Horeca.....	1,134	134	19	56	32	-	-	1,375
Telecom.....	170	173	34	14	11	-	-	403
Consumer products.....	247	14	7	15	22	-	-	305
Finance and insurance.....	8,725	361	259	534	80	21	1,300	11,280
Real estate.....	8,259	2,131	554	412	91	4	-	11,450
Services.....	15,616	1,882	1,348	414	160	53	17	19,488
Authorities.....	4,471	467	196	64	48	-	-	5,247
Private persons.....	42,294	21,011	5,759	2,581	1,652	10,426	-	83,723
Sector unknown.....	1,342	77	10	-	-	-	-	1,430
<b>Total.....</b>	<b>119,353</b>	<b>35,436</b>	<b>10,183</b>	<b>6,651</b>	<b>4,322</b>	<b>10,504</b>	<b>1,950</b>	<b>188,400</b>

- (1) Belgium Business Unit also includes the small network of KBC Bank branches established in the rest of Europe, the US and Southeast Asia.
- (2) Group Centre comprises activities that have not been allocated to other business Units and companies to be divested.

The following tables set forth a breakdown of the Issuer's loan portfolio by industry and geography as at December 31, 2020.

As at December 31, 2020

(in millions of EUR)	Belgium Business Unit <sup>(1)</sup>	Czech Republic Business Unit	International Markets Business Unit				Group Centre <sup>(2)</sup>	Total
			Slovakia	Hungary	Bulgaria	Ireland		
Agriculture, farming, fishing.....	3,941	478	63	285	191	-	-	4,957
Oil, gas & other fuels.....	286	467	53	79	48	-	40	973
Electricity.....	1,757	271	308	300	61	-	123	2,820
Water.....	247	74	121	53	11	-	4	510
Chemicals.....	1,977	167	65	182	118	-	2	2,511
Metals.....	1,694	468	102	86	154	-	-	2,503
Machinery & heavy equipment.....	1,032	501	35	39	20	-	-	1,629
IT.....	227	67	14	4	12	-	-	324
Electrotechnics.....	571	169	24	50	48	-	-	862
Automotive.....	2,554	1,364	275	135	123	-	-	4,451
Shipping.....	1,120	11	1	3	11	-	-	1,147
Aviation.....	165	35	-	80	10	-	11	302
Food producers.....	2,520	164	82	216	201	-	-	3,183
Beverages.....	371	236	24	12	61	-	-	704
Tobacco.....	-	-	-	-	-	-	-	-
Textile & apparel.....	577	127	12	11	28	-	-	756
Timber & wooden furniture.....	474	159	30	21	22	-	-	706
Paper & pulp.....	274	59	8	13	27	-	-	381
Media.....	252	231	29	5	20	-	5	541
Building & construction.....	5,030	1,142	242	259	180	-	113	6,965
Distribution.....	8,945	1,783	441	412	547	-	348	12,477
Traders.....	735	69	25	21	29	-	-	879
Horeca.....	1,095	148	22	53	36	-	-	1,354
Telecom.....	166	116	46	12	8	-	-	348
Consumer products.....	203	15	8	13	11	-	-	250
Finance and insurance.....	10,758	341	299	338	121	14	2,569	14,439
Real estate.....	8,186	2,056	548	467	90	4	-	11,350
Services.....	15,526	1,850	1,390	449	153	64	16	19,448
Authorities.....	4,574	437	191	68	49	-	-	5,320
Private persons.....	39,537	18,746	5,454	2,192	1,505	10,262	-	77,695
Sector unknown.....	1,047	53	6	-	-	-	-	1,106
<b>Total.....</b>	<b>115,840</b>	<b>31,806</b>	<b>9,916</b>	<b>5,858</b>	<b>3,896</b>	<b>10,343</b>	<b>3,232</b>	<b>180,891</b>

- (1) Belgium Business Unit also includes the small network of KBC Bank branches established in the rest of Europe, the US and Southeast Asia.
- (2) Group Centre comprises activities that have not been allocated to other business Units and companies to be divested.

## Maturities of loans

The following table sets forth maturities of the Issuer's loans as at June 30, 2023:

<b>Total, EUR million</b>	<b>As at June 30, 2023</b>					<b>Total</b>
	<b>On demand</b>	<b>&lt; 3 months</b>	<b>3 months – 1 year</b>	<b>1 year – 5 years</b>	<b>&gt; 5 years</b>	
Total loans to central banks.....	70	519	-	-	4	593
Total loans to credit institutions and financial corporates .....	1,810	2,183	1,039	3,772	1,418	10,223
Total loans to the public .....	6,693	12,416	19,155	70,059	80,528	188,850

<b>KBC/CBC, EUR million</b>	<b>As at June 30, 2023</b>					<b>Total</b>
	<b>On demand</b>	<b>&lt; 3 months</b>	<b>3 months – 1 year</b>	<b>1 year – 5 years</b>	<b>&gt; 5 years</b>	
Total loans to central banks.....	26	375	-	-	-	401
Total loans to credit institutions and financial corporates .....	431	1,487	795	2,371	345	2,436
Total loans to the public .....	4,252	4,486	11,057	40,501	46,201	106,498

<b>Other, EUR million</b>	<b>As at June 30, 2023</b>					<b>Total</b>
	<b>On demand</b>	<b>&lt; 3 months</b>	<b>3 months – 1 year</b>	<b>1 year – 5 years</b>	<b>&gt; 5 years</b>	
Total loans to central banks.....	44	145	-	-	4	192
Total loans to credit institutions and financial corporates .....	1,379	696	244	1,401	1,074	7,787
Total loans to the public .....	2,441	7,930	8,098	29,557	34,326	82,352

The following table sets forth maturities of the Issuer's loans as at December 31, 2022:

<b>Total, EUR million</b>	<b>As at December 31, 2022</b>					<b>Total</b>
	<b>On demand</b>	<b>&lt; 3 months</b>	<b>3 months – 1 year</b>	<b>1 year – 5 years</b>	<b>&gt; 5 years</b>	
Total loans to central banks.....	45,935	2,215	-	-	-	48,150
Total loans to credit institutions and financial corporates .....	1,051	2,433	1,110	3,410	1,274	9,278
Total loans to the public .....	6,349	13,114	18,752	69,674	106,253	214,142

<b>KBC/CBC, EUR million</b>	<b>As at December 31, 2022</b>					<b>Total</b>
	<b>On demand</b>	<b>&lt; 3 months</b>	<b>3 months – 1 year</b>	<b>1 year – 5 years</b>	<b>&gt; 5 years</b>	
Total loans to central banks.....	34	134	-	-	-	168
Total loans to credit institutions and financial corporates .....	(4,271)	1,481	849	2,352	330	742
Total loans to the public .....	4,239	5,625	11,626	42,252	55,393	119,136

<b>Other, EUR million</b>	<b>As at December 31, 2022</b>					<b>Total</b>
	<b>On demand</b>	<b>&lt; 3 months</b>	<b>3 months – 1 year</b>	<b>1 year – 5 years</b>	<b>&gt; 5 years</b>	
Total loans to central banks.....	45,901	2,081	-	-	-	47,982
Total loans to credit institutions and financial corporates .....	5,322	952	261	1,058	943	8,536
Total loans to the public .....	2,110	7,488	7,126	27,422	50,859	95,006

The following table sets forth maturities of the Issuer's loans as at December 31, 2021:

<b>Total, EUR million</b>	<b>As at December 31, 2021</b>					<b>Total</b>
	<b>On demand</b>	<b>&lt; 3 months</b>	<b>3 months – 1 year</b>	<b>1 year – 5 years</b>	<b>&gt; 5 years</b>	
Total loans to central banks.....	36,385	3,135	-	-	-	39,521
Total loans to credit institutions and financial corporates .....	918	1,873	2,025	2,191	1,026	8,034
Total loans to the public .....	5,779	10,369	16,227	61,855	93,051	187,281

<b>KBC/CBC, EUR million</b>	<b>As at December 31, 2021</b>					<b>Total</b>
	<b>On demand</b>	<b>&lt; 3 months</b>	<b>3 months – 1 year</b>	<b>1 year – 5 years</b>	<b>&gt; 5 years</b>	
Total loans to central banks.....	16	126	-	-	-	143
Total loans to credit institutions and financial corporates .....	584	1,748	1,875	1,417	750	6,373
Total loans to the public .....	4,496	3,392	9,232	34,843	45,811	97,773

<b>Other, EUR million</b>	<b>As at December 31, 2021</b>					<b>Total</b>
	<b>On demand</b>	<b>&lt; 3 months</b>	<b>3 months – 1 year</b>	<b>1 year – 5 years</b>	<b>&gt; 5 years</b>	
Total loans to central banks <sup>(1)</sup> .....	36,369	3,009	-	-	-	39,378
Total loans to credit institutions and financial corporates .....	335	126	150	775	277	1,662
Total loans to the public .....	1,284	6,978	6,995	27,013	47,240	89,508

- (1) The significant increase in loans to central banks (€36,369 million as at December 31, 2021 compared to €492 million as at December 31, 2020) reflects the impact of guidance published by the EBA during 2021, stating that cash at central banks should be treated as loans to central banks.

The following table sets forth maturities of the Issuer's loans as at December 31, 2020:

<b>Total, EUR million</b>	<b>As at December 31, 2020</b>					<b>Total</b>
	<b>On demand</b>	<b>&lt; 3 months</b>	<b>3 months – 1 year</b>	<b>1 year – 5 years</b>	<b>&gt; 5 years</b>	
Total loans to central banks.....	1,206	1,826	-	-	-	3,032
Total loans to credit institutions and financial corporates .....	1,058	1,770	1,450	2,433	915	7,626
Total loans to the public .....	5,821	5,903	14,900	55,710	83,060	165,394

<b>KBC/CBC, EUR million</b>	<b>As at December 31, 2020</b>					<b>Total</b>
	<b>On demand</b>	<b>&lt; 3 months</b>	<b>3 months – 1 year</b>	<b>1 year – 5 years</b>	<b>&gt; 5 years</b>	
Total loans to central banks.....	714	622	-	-	-	1,337
Total loans to credit institutions and financial corporates .....	726	1,364	1,311	1,779	620	5,799
Total loans to the public .....	4,250	2,974	9,040	32,748	41,821	90,833

<b>Other, EUR million</b>	<b>As at December 31, 2020</b>					<b>Total</b>
	<b>On demand</b>	<b>&lt; 3 months</b>	<b>3 months – 1 year</b>	<b>1 year – 5 years</b>	<b>&gt; 5 years</b>	
Total loans to central banks.....	492	1,204	-	-	-	1,696
Total loans to credit institutions and financial corporates .....	332	407	139	654	295	1,826
Total loans to the public .....	1,570	2,929	5,860	22,962	41,239	74,560

### Impairment of financial assets

As from January 1, 2018, the Group has been required to apply IFRS 9 *Financial Instruments*, except for hedge accounting transactions which the Group continues to account for in accordance with IAS 39. See Note 1.2 to the 2022 Financial Statements under the heading “*Financial Assets*”.

For a classification of the Issuer's expected credit loss (“ECL”) allowances and credit exposure by stage as at June 30, 2023, see Note 4.2 to the Interim Financial Statements, and for a classification as at December 31, 2022, 2021 and 2020, see Note 4.2 to the 2022 Financial Statements, 2021 Financial Statements and 2020 Financial Statements.

### Movements in allowances for expected credit losses

For reconciliation of the Issuer's ECL allowances for the years ended December 31, 2022, 2021 and 2020, see Note 4.2.2 to the 2022 Financial Statements, 2021 Financial Statements and 2020 Financial Statements.

## Past due loans

For the Issuer's past due loans as at December 31, 2022, 2021 and 2020, see "Risk Management—Capital Risk—Forbearance measures". Similar data as at June 30, 2023 is not available.

## Forborne loans

For the Issuer's forborne loans as at December 31, 2022, 2021 and 2020, see "Risk Management—Capital Risk—Forbearance measures". Similar data as at June 30, 2023 is not available.

## Deposits

The following tables set forth information regarding the maturities for the Issuer's deposits and borrowings from the public as at June 30, 2023 and as at December 31, 2022, 2021 and 2020:

Deposits from the public	Maturity of deposits as at June 30, 2023					
	On demand	<3 months	3 months – 1 year	1 year – 5 years	> 5 years	Total
KBC/CBC	115,830	7,482	3,499	266	88	127,165
Others	56,244	16,559	4,914	236	1	77,953
<b>TOTAL</b>	<b>172,073</b>	<b>24,041</b>	<b>8,413</b>	<b>502</b>	<b>89</b>	<b>205,118</b>

Deposits from the public	Maturity of deposits as at December 31, 2022					
	On demand	<3 months	3 months – 1 year	1 year – 5 years	> 5 years	Total
KBC/CBC	121,836	2,703	1,154	347	96	126,136
Others	59,685	14,562	4,249	251	2	78,750
<b>TOTAL</b>	<b>181,521</b>	<b>17,265</b>	<b>5,404</b>	<b>598</b>	<b>98</b>	<b>204,886</b>

Deposits from the public	Maturity of deposits as at December 31, 2021					
	On demand	<3 months	3 months – 1 year	1 year – 5 years	> 5 years	Total
KBC/CBC	118,782	871	224	301	43	120,222
Others	58,994	10,402	2,004	377	2	71,779
<b>TOTAL</b>	<b>177,776</b>	<b>11,272</b>	<b>2,228</b>	<b>679</b>	<b>46</b>	<b>192,000</b>

Deposits from the public	Maturity of deposits as at December 31, 2020					
	On demand	<3 months	3 months – 1 year	1 year – 5 years	> 5 years	Total
KBC/CBC	108,750	794	588	322	192	110,646
Others	54,874	9,014	1,447	580	51	65,967
<b>TOTAL</b>	<b>163,624</b>	<b>9,808</b>	<b>2,035</b>	<b>902</b>	<b>243</b>	<b>176,612</b>

## Return on equity and assets

The following table sets out the Issuer's return on assets, return on equity, dividend payout ratio and equity to assets ratio as at the dates and for the periods presented.

(in millions of EUR)	As at and for the six months ended June 30,		As at and for the year ended December 31,			
	2023	2022 (IFRS 17)	2022 (IFRS 4)		2021	2020
			2022	2021		
Return on assets <sup>(1)</sup>	1.0%	0.8%	0.8%	0.8%	0.8%	0.5%
Return on equity <sup>(2)</sup>	18%	13%	13%	13%	13%	8%
Dividend payout ratio <sup>(3)</sup>	-	-	63%	139%	139%	74%
Cost/income ratio <sup>(4)</sup>	43%	51%	57%	58%	58%	58%
Combined ratio <sup>(5)</sup>	84%	87%	89%	89%	89%	85%
Equity to assets ratio <sup>(6)</sup>	6.2%	6.2%	5.8%	6.8%	6.8%	6.7%

- (1) Result after tax on average total assets, where average total assets is calculated as the sum of the position at the beginning of the period and the position at the end of the period, divided by two.

- (2) Result after tax, attributable to equity holders of the parent minus coupon on the additional tier-1 instruments included in equity divided by Average parent shareholders' equity, excluding the revaluation reserve for FVOCI and for FVPL – overlay.
- (3) Amount of dividend to be distributed (including interim dividend) + coupon on additional tier-1 instruments included in equity divided by Net result, group share.
- (4) Operating expenses dividend by Total income.
- (5) Technical insurance charges, including the internal cost of settling claims divided by Earned insurance premiums + Operating expenses of the insurer divided by Written insurance premiums.
- (6) Total equity divided by total assets.

## RISK MANAGEMENT

### Overview

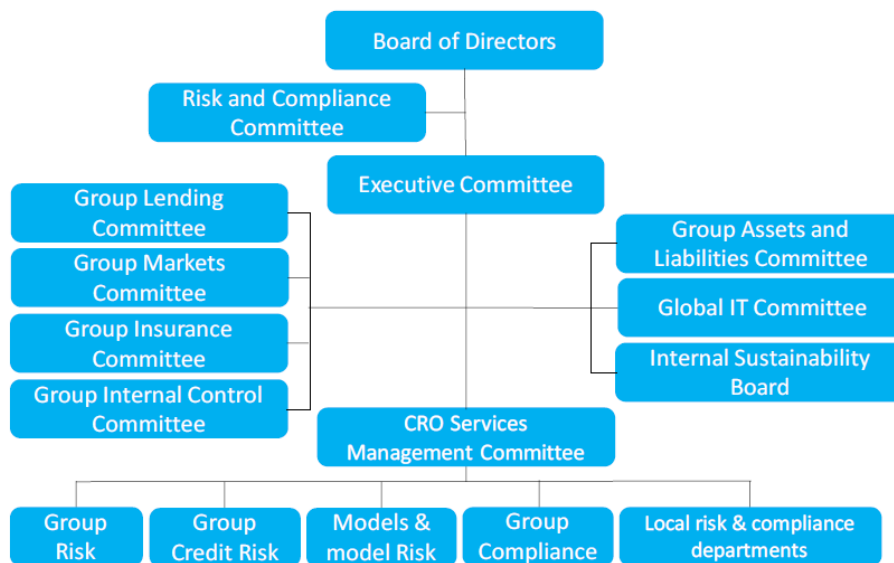
As a financial institution, the Group is exposed to risks that are typical for the financial sector, including both financial risks (e.g., credit risk, market risk and insurance risks) and non-financial risks (e.g., operational risks, compliance risks and business risks). The Group's integrated financial conglomerate business model makes some of those risks more prominent, requiring additional processes to adequately manage them.

The Group has a solid risk governance and management system in place with regularly updated risk frameworks and policies that consider internal and external developments and new regulatory requirements, including a clearly defined risk appetite for each risk type, a mature product approval process and a deeply embedded risk culture throughout its three lines of defense.

### Risk governance

The main elements in the Group's risk governance model are as follows:

- The Board of Directors, assisted by the Risk & Compliance Committee (“**RCC**”), which decides on the risk appetite and defines the risk strategy each year and supervises the risk exposure in relation to the risk appetite. It is also responsible for the promotion of a sound and consistent Group-wide risk culture, based on a full understanding of the risks the Group faces and how they are managed, as well as the Group risk appetite.
- The Executive Committee, supported by activity-based risk committees, is the senior management level committee responsible for integrating risk management with risk appetite, strategy and performance goal setting.
- The CRO Services Management Committee and activity-based risk committees are mandated by the Executive Committee.
- Risk-aware business people act as the first line of defense for conducting sound risk management. This involves allocating sufficient priority and capacity to risk topics, making sure that the quality of self-assessments is adequate, and performing the right controls in the right manner.
- An independent risk function that comprises the Group Chief Risk Officer (“**Group CRO**”), local CROs, local risk functions and the Group risk functions. The risk function acts as (part of) the second line of defense. The risk function develops, imposes and monitors consistent implementation of the Risk Management Framework, describing the processes, methods and tools to identify, measure and report on risks. The third line of defense (internal audit) gives reasonable assurance to the Board of Directors that the overall internal control environment is effective and that effective policies and processes are in place and applied consistently throughout the Group.



The Group's relevant risk management bodies are as follows:

- *Risk & Compliance Committee*
  - Advises the Board of Directors on the Group risk appetite, the monitoring of risk exposure compared to the Group risk appetite and the supervision of the implementation, efficiency and effectiveness of the KBC Risk Management Framework;
  - Reviews whether the prices of liabilities and assets and of categories of off-balance sheet products offered to clients fully take into account the institution's business model and risk appetite;
  - Examines, without prejudice to the tasks of the Remuneration Committee, whether incentives provided by the remuneration system take into consideration risk, capital, liquidity and the likelihood and timing of earnings; and
  - Issues periodic opinions on the quality, capacity and skills of the risk function.
- *Executive Committee*
  - Makes proposals to the Board of Directors about risk appetite – including the risk strategy – and the KBC Risk Management Framework;
  - Makes proposals to the Risk & Compliance Committee about the assessment of the quality capacity and skills of the risk function;
  - Decides on further cascading of the Group's risk appetite through the organization by allocating capital and defining local targets and limits and by approving limit changes and overruns within its delegation;
  - Monitors the Group's major risk exposure to ensure conformity with the risk appetite;
  - Decides on the risk-type-specific risk management frameworks and monitors their implementation throughout the Group;

- Acts as the leading risk committee, covering material issues that are channeled via its supporting committees; and
- Forms, extended with relevant parties, the Group Crisis Committee in group-wide crisis situations.
- *Risk committees*
  - The CRO Services Management Committee supports the Executive Committee in assessing the adequacy of, and compliance with, the KBC Risk Management Framework and defines and implements the vision, mission and strategy for the CRO Services of the Group. The CRO Services Management Committee convened on eight occasions during 2022;
  - The activity-based Group Risk Committees (for lending (GLC – convened on twelve occasions), markets (GMC – convened on thirteen occasions) and insurance (GIC – convened on five occasions), respectively) support the Executive Committee in integrated risk monitoring for these activities at the Group level; and
  - The Group Internal Control Committee (“GICC”) supports the Executive Committee in monitoring and strengthening the quality and effectiveness of the Group’s internal control system. The GICC convened on five occasions during 2022.
- *Business committees*
  - The Group ALCO handles matters related to ALM and liquidity risk;
  - The Global IT Committee handles matters related to information technology and information security risk; and
  - The Internal Sustainability Board handles matters related to Environmental, Social and Governance (“ESG”) risks.

To strengthen the voice of the risk function and ensure that the decision-making bodies of the business entities are appropriately challenged on matters of risk management and receiving expert advice, the Group has deployed independent Chief Risk Officers (“CROs”) throughout the Group. Close collaboration with the business is assured as each CRO takes part in their local decision-making processes and, if necessary, can exercise a right of veto.

For each main risk type, a Risk Competence Center has been assigned at the Group level. Most of these competence centers are extended virtual teams made up of Group and local experts working together.

### ***Three Lines of Defense Model (3 LOD model)***

The three lines of defense concept is used to further improve the Internal Control System within the Group. The roles and responsibilities of the different parties within this concept are highlighted below.

#### ***First line of defense: business entities***

The business operations side is fully responsible for all the risks in its area of activity and for ensuring that effective controls are in place. In so doing, it ensures that the right controls are performed in the right way, that self-



assessment of the business side is of a sufficiently high standard, that there is adequate awareness of risk and that sufficient priority/capacity is allocated to risk themes.

#### *Second line of defense: the risk function*

Independent of the business side, the second-line risk and control functions formulate their own opinion regarding the risks the Group faces. This allows them to oversee the control environment and the risks taken without taking over primary responsibility from the first line. In this regard, the second-line functions are tasked with identifying, measuring and reporting risks. To ensure that the risk function is respected, the CROs have a veto right, which can be exercised in the various committees where important decisions are made. The second-line risk and control functions also support the consistent implementation of, among others, the risk policy and the risk framework throughout the Group, and supervise their application.

Compliance is an independent function within the Group, characterised by its specific status (as provided for by law and regulations and described in the Compliance Charter), its place in the organisation chart (hierarchically under the CRO with a functional reporting line to the President of the Executive Committee) and the associated reporting lines (reporting to the RCC and even to the Board in certain cases). Its prime objective is to prevent the Group from running a compliance risk or from incurring loss or damage – regardless of its nature – due to non-compliance with applicable laws, regulations or internal rules that fall either within the scope of the compliance function or within the areas assigned to it by the Executive Committee. As a result, the compliance function devotes particular attention to adherence to the integrity policy.

The actuarial function is an independent function that ensures additional quality control by providing expert technical actuarial advice to the Board, the RCC and the Executive Committee of the Group, and to KBC Insurance and all reinsurance and insurance entities within the Group. Such advice covers the calculation of the technical provisions for insurance liabilities, the reinsurance policy and underwriting risk.

#### *Third line of defense: internal audit*

The third line of defense (internal audit) gives reasonable assurance to the Board of Directors that the overall internal control environment is effective, and that policies and processes are in place, effective and consistently applied throughout the Group.

#### ***Components of sound risk management***

Risk management refers to the coordinated set of activities to proactively identify and manage the many risks that can affect the Group in its ability to achieve its objectives and in order to support the realization of its strategy.

The KBC Risk Management Framework sets strict governance and clear rules and procedures on how risk management should be performed throughout the Group. It also refers to a set of minimum standards and risk methods, processes and tools that all entities and risk-type-specific risk management frameworks must adhere to, for which Group Risk is primarily responsible.

#### *Risk identification*

Risk identification is the process of systematically and proactively discovering, recognizing, assessing and describing risks, both within and outside the Group, that could negatively impact the Group's strategic objectives today and in the future. In addition to possible sources of risk, it also identifies their potential consequences and materiality for the Group. Risk identification ensures that the Group's risk management covers all material risks to which it is exposed. For this purpose, robust processes have been set up that cover risk identification from different perspectives, including the Risk Scan, the Climate Risk Impact Map, the New and Active Products Process (“NAPP”) and risk signals.

The Risk Scan is a strategic Group-wide exercise aimed at identifying and assessing top financial and non-financial risks, being the risks that can significantly impact the Group's business model. The identified top risks are used as input for the yearly financial planning process and for several risk management exercises, including risk appetite setting and stress testing.

The Climate Risk Impact Map is a yearly risk identification process aiming to identify, for different time horizons and different climate scenarios, the most material climate risk drivers, both physical and transition risks, impacting the Group's businesses and portfolios.

The NAPP is a Group-wide, highly formalized process to identify and mitigate all risks related to new and existing products and services which may negatively impact the client and/or the Group. Within the Group, no products, processes and/or services can be created, purchased, changed or sold without approval in line with NAPP governance. The risk department also conducts periodic assessments of the impact of the expanded and/or updated product and service offering on the Group's risk profile. In 2022, the process was improved to reflect new ESG-related requirements for products subject to MiFID. Additional monitoring and reporting was also put in place to allow for a closer follow-up of risk-mitigating action plans.

The internal and external environment are scanned on a continuous basis and using all possible sources of information to detect events or changes that might impact the Group, either directly or indirectly. Risk signals are collected at all levels of the organization (Group and local) and provide a summary of the identified risks and their potential impact for the Group. Where possible, remedial actions are proposed. The Group Executive Committee and the Risk & Compliance Committee/Board of Directors receive periodic updates through clear and comprehensive internal risk reporting (including the 'Integrated Risk Report' ("IRR")) on risk signals considered material, allowing them to take timely action if and as needed.

#### *Risk measurement*

The Group defines risk measurement as 'the action to come to a quantitative expression of a risk, or a combination of risks, on a portfolio of instruments/exposures via a model'.

Risk measurement aims to quantify the various risks to which the Group is exposed. Once risks have been identified, certain attributes can be assessed, such as impact, probability of occurrence and size of exposure, with the help of risk measures. These measures allow risks to be monitored over time and help to assess the impact of risk management actions. Risk measures are designed to measure a specific risk or multiple risks at the same time and can be either internally developed or imposed by the regulator (including the calculation method used). An overview of the risk measures in use in the Group (both regulatory and internally defined) is provided in the integrated and risk-type-specific frameworks.

#### *Setting and cascading risk appetite*

The Group's tolerance for risk is captured via the notion of "risk appetite", which helps the Group to better understand and manage risks by explicitly expressing (both qualitatively and quantitatively) how much and what kind of risk it wants to take and within which boundaries it should be managed.

The ability to accept risk (risk-taking capacity) is limited by financial constraints (including available capital, liquidity, borrowing capacity and earnings-generating capacity), non-financial constraints (including strategic ability, skills and legal constraints) and regulatory restrictions (including regulatory floors on capital and liquidity ratios). The Group's willingness to accept risk depends on the interests of the various stakeholders. A key component in defining risk appetite is therefore an understanding of the expectations of the organization's key stakeholders.

The Group's risk appetite is set out in the "risk appetite statement" ("RAS"), which is decided at both Group and local level. The RAS reflects the view of the Board of Directors and top management on risk-taking in general and on the acceptable level and composition of risks, ensuring coherence with the desired return. The statement

is built on risk appetite objectives that are directly linked to the corporate strategy and provides a qualitative description of the Group's risk landscape. The high-level risk appetite objectives are further detailed in a set of qualitative and quantitative statements for each of the different risk types. The long-term risk appetite is expressed as being "high", "medium" or "low" and is monitored based on a set of risk measures for which risk thresholds are defined. Finally, risk appetite is translated into risk-type-specific Group limits/targets, which are further cascaded down to the entities.

Although risk appetite is expressed on a three-year horizon, specific risks such as climate risk will impact the Group mostly in the medium to longer term. As of 2022, the risk appetite statement therefore also signals potential climate change challenges beyond three years, to trigger and steer the strategic debate on whether, for example, more mitigating actions are needed.

#### *Risk analysis, reporting and follow-up*

Risk analysis and reporting aim to provide transparency on risk-taking by providing management with a comprehensive, forward-looking and ex-post view on how the risk profile evolved and in which context the Group operates.

Internal and external reports are prepared for the various stakeholders. As management is expected to take relevant action based on the risk analysis and risk reporting, it is essential that the proposed actions are tailored to the relevant stakeholders.

#### *Stress testing*

Stress testing is an important process that supports the decision-making process by simulating the potential negative impact of specific events and/or movements in risk factors on the Group's financial condition. Stress tests range from plausible to exceptional and even extreme events or scenarios. In addition to all regulatory imposed stress tests, the Group actively uses internal stress testing as a key risk management tool.

### **Credit risk**

Credit risk is the risk related to non-payment or non-performance by a contracting party due to that party's insolvency or lack of willingness to pay or perform, or due to events or measures taken by the political or monetary authorities of a particular country.

The Group manages credit risk using strict governance rules and procedures set out in the KBC Credit Risk Management Framework (the "**CRMF**"), designed by the Credit Risk Competence Center found within the Group Credit Risk Department (the "**GCRD**"). The GCRD ensures the adequacy of the CRMF as well as compliance with legal and regulatory requirements via Group-wide credit risk standards. This is done in close cooperation with the Group's local CROs and local risk departments, which are responsible for the local implementation of the Group's CRMF. Business entities are consulted for those areas of the CRMF that impact business processes and/or governance.

The CRMF is reviewed annually to ensure its relevance and efficacy. It contains a clear delineation of responsibilities and accountabilities at both the local and Group level, between the business (including credit departments), credit risk departments and internal audit. The Group makes credit decisions based on independent advice and acceptance and review processes that consider client knowledge and model-generated output. Material credit decisions are advised and taken at the Group level within the GCRD.

A number of Group-wide building blocks are defined to ensure proper management of credit risk:

- *Risk identification:* A vital part of the credit risk identification process is to capture credit risk signals at both the transactional and portfolio level. The Group scans both the internal and external environment for events or developments that have already occurred or could occur and which directly or indirectly

have or could have a significant impact on the Group's credit quality. Risk signals provide an overview of the identified risk and outline the possible impact for the Group and, if possible, propose remedial actions.

The appropriate risk management committees are informed periodically of the relevant signals or observations with material risk signals reported to the Executive Committee. The Group also performs thematic and sectoral deep dives to gain further insights into credit risk. New and upcoming prudential (capital) credit risk regulation, product or client-specific regulation and legislation is followed up at the Group or local level to ensure that amended or new regulations are promptly implemented in policy and instructions.

The Group uses a specific risk identification process as its leading process to identify emerging credit risks that could lead to impairment. The main objective in doing so is to have a reliable estimate of impairment for the current quarter at an early stage and thus manage any risks. It is part of the quarterly reporting round on loan and bond impairment. Another specific process is the Climate Risk Impact Map, which identifies the climate risk drivers that are the most material for credit risk, both in banking and insurance (investment) activities.

- *Risk measurement:* Credit risk measurement involves a quantitative expression of a credit risk on a portfolio of instruments and exposures by applying a model or methodology. A minimum Group-wide set of credit risk measurements is defined and can be complemented with local measures. Central to this methodology is the risk class, with a ranking being made based on the Probability of Default (the "PD") and the Loss Given Default ("LGD"). The LGD is the estimated loss that would be incurred if an obligor were to default. In order to determine the risk class, the Group has developed various rating models for measuring how creditworthy borrowers are and for estimating the expected loss of various types of transactions. The Group uses the same internal rating scale throughout the Group and has a number of uniform rating models in place with other models having been designed for specific geographic markets or types of transactions.

The output generated by these models is used to split the non-defaulted loan portfolio into internal rating classes ranging from 1 (lowest risk) to 9 (highest risk) for the PD and assign a PD 10 to PD 12 to a defaulted obligor, with PD 12 being 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 collateral. PD 11 class obligors are those that are more than 90 days past due (in arrears or overdrawn), but that do not meet PD 12 criteria. PD 10 class obligors are those for which there is reason to believe that they are unlikely to pay on time, but that do not meet the criteria for PD 11 or PD 12. 'Defaulted' status is fully aligned with the 'non-performing' and 'impaired' status and obligors in PD classes 10, 11 and 12 are therefore referred to as 'defaulted' and 'impaired'. The 'performing' status is fully aligned with 'non-defaulted' and 'non-impaired' statuses.

Impairment losses are recorded according to IFRS 9 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 significant increase in credit risk and a corresponding shift from Stage 1 to Stage 2. The Group uses specific collective IFRS 9 models for this purpose, except for material defaulted borrowers who are assessed individually to estimate ECL. Together with PD and exposure at default (ED), measures such as 'expected loss' and 'loss given default' form the basis for calculating the regulatory capital requirements for the Group's credit risk as it has opted to use the Internal Ratings Based ("IRB") approach. By the end of 2022, the main Group entities and some smaller entities had adopted the IRB Advanced approach, apart from United Bulgarian Bank ("UBB") and KBC Bank Bulgaria in Bulgaria, which use the standardized approach, and ČSOB in Slovakia, which uses the IRB Foundation approach. The Group's non-material entities will continue to adopt the standardized approach.

- *Setting and cascading risk appetite:* The KBC Risk Appetite Statement makes explicit the amount of credit risk the Group is able and willing to accept in pursuit of its strategic objectives. The Credit Risk Competence Centre is responsible for proposing the credit risk appetite objectives in line with the corporate strategy, the underpinning methodology and the credit risk profile. Credit risk appetite is made tangible by assigning credit risk limits and early warning levels to a limited set of credit risk (signal) indicators, which are valid for one year.

Primary credit risk limits are decided by the Board of Directors or the Executive Committee. These entail limits on Expected Loss (“EL”), Stressed Credit Loss and RWA, and, for new home loan production, Loan-to-Value (“LTV”) and Debt-Service-To-Income (“DSTI”). These limits are supplemented by a portfolio limit system (“PLS”) framework to constrain concentration risk on counterparty groups or authorities and other credit risk limits set at Group or local level that include sector and activity limits and limits on risks, such as counterparty credit risk for professional transactions or issuer risk.

By introducing a safety margin when defining these limits and by installing clear escalation rules in case of limit breaches, they support business to stay a safe distance from positions that may bring the Group into recovery or even resolution mode. Besides the limits defined in the Risk Appetite Statement, the risk playing field is also determined by Group-wide risk boundaries defined in Credit Risk Standards, which aim to align risk management of specific credit-risk related topics throughout the Group by defining restrictions and/or recommendations.

- *Risk analysis, monitoring, reporting and follow up:* The credit portfolio is analyzed on a continuous basis. In addition to portfolio analyses performed by business, the local and Group credit risk departments analyze the credit risk profile of the loan portfolio in order to obtain an independent view of the evolution of credit risk. Results of the analyses are reported to the appropriate risk committees. Once credit risks have been identified, measured, monitored and reported, it is the responsibility of both line management and the risk committees to respond, i.e. to keep or bring risks in line with the risk appetite. Corrective action plans can be taken to avoid (further) credit risk, reduce it (mitigation), transfer the risk or accept it.
- *Stress testing:* Stress testing is a core component of sound credit risk management and is performed at local and Group level.

#### *Credit risk exposure in the banking activities arising from lending and investing*

Credit risk arises in both the banking and insurance activities of the Group. With respect to banking activities, the main source of credit risk is KBC Bank’s loan portfolio. It includes all the loans and guarantees that KBC Bank has granted to individuals, companies, governments and banks. Debt securities are included in the investment portfolio if they are issued by companies or banks. Government bonds are not included in the investment portfolio. Furthermore, the table does not take into account the credit risk related to the trading book (issuer risk) and the counterparty credit risk related to derivative transactions, which are described separately below.

<b>Loan and investment portfolio, banking</b>	<b>As at June 30,</b>		<b>As at December 31,</b>	
	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>A: Total loan portfolio</b>				
<b>Total loan portfolio</b> (in billions of EUR)				
Amount outstanding and undrawn.....	255	259	237	225
Amount outstanding .....	201	206	188	181
<b>Loan portfolio breakdown by business unit</b> (as a % of the outstanding portfolio) <sup>1</sup>				
Belgium <sup>2</sup> .....	65%	63%	63%	64%
Czech Republic .....	20%	19%	19%	18%
International Markets (including Ireland as at December 31, 2020 and 2021) <sup>8</sup> .....	15%	14%	17%	17%
Group Centre (including Ireland as at December 31, 2022 and June 30, 2023) <sup>8</sup> .....	1%	5%	1%	2%
Total .....	100%	100%	100%	100%

**Loan portfolio breakdown by counterparty sector** (as a % of the outstanding portfolio)<sup>1</sup>

Private individuals.....	41%	43%	44%	43%
Finance and insurance .....	6%	6%	6%	8%
Governments .....	3%	3%	3%	3%
Corporates .....	50%	48%	47%	46%
<i>Services</i> .....	11%	10%	10%	11%
<i>Distribution</i> .....	8%	8%	8%	7%
<i>Real estate</i> .....	7%	6%	6%	6%
<i>Building and construction</i> .....	5%	4%	4%	4%
<i>Agriculture, farming, fishing</i> .....	3%	3%	3%	3%
<i>Automotive</i> .....	3%	2%	2%	2%
<i>Other (sectors &lt; 2%)</i> .....	14%	14%	14%	13%
Total <sup>1</sup> .....	100%	100%	100%	100%

**Loan and investment portfolio, banking**

**Loan portfolio breakdown by region** (as a % of the outstanding portfolio)<sup>1,3</sup>

	As at June 30,	As at December 31,		
	2023	2022	2021	2020
Core markets .....	-	-	89%	87%
<i>Belgium</i> .....	55%	53%	54%	53%
<i>Czech Republic</i> .....	19%	18%	18%	17%
<i>Ireland</i> .....	-	-	6%	6%
<i>Slovakia</i> .....	6%	6%	6%	6%
<i>Hungary</i> .....	4%	4%	4%	3%
<i>Bulgaria</i> .....	5%	5%	2%	2%
Rest of Western Europe.....	8%	11%	7%	9%
Rest of Central and Eastern Europe.....	0%	0%	0%	0%
North America.....	2%	1%	1%	1%
Asia .....	1%	1%	1%	1%
Other .....	1%	1%	1%	2%
Total .....	100%	100%	100%	100%

**Loan portfolio breakdown by risk class** (as a % of the outstanding portfolio, based on internal rating scale)<sup>1</sup>

Unimpaired

<i>PD 1 (lowest risk, default probability ranging from 0.00% up to, but not including, 0.10%)</i> .....	24%	25%	25%	26%
<i>PD 2 (0.10% - 0.20%)</i> .....	14%	13%	13%	12%
<i>PD 3 (0.20% - 0.40%)</i> .....	14%	13%	17%	15%
<i>PD 4 (0.40% - 0.80%)</i> .....	17%	18%	13%	13%
<i>PD 5 (0.80% - 1.60%)</i> .....	13%	15%	13%	13%
<i>PD 6 (1.60% - 3.20%)</i> .....	8%	8%	8%	9%
<i>PD 7 (3.20% - 6.40%)</i> .....	4%	4%	4%	5%
<i>PD 8 (6.40% - 12.80%)</i> .....	2%	1%	2%	2%
<i>PD 9 (highest risk, ≥ 12.80%)</i> .....	1%	1%	1%	1%
<i>Unrated</i> .....	0%	0%	1%	1%

Impaired

<i>PD 10</i> .....	1%	1.0%	1.4%	1.5%
<i>PD 11</i> .....	0%	0.3%	0.6%	0.6%
<i>PD 12</i> .....	1%	0.8%	1.0%	1.2%
Total .....	100%	100%	100%	100%

**Loan portfolio breakdown by IFRS 9 ECL Stage<sup>4</sup>** (as a % of the outstanding portfolio)<sup>1,7</sup>

Stage 1 (no significant increase in credit risk since initial recognition) .....	80%	78%	83%	85%
Stage 2 (significant increase in credit risk since initial recognition - not credit impaired) incl. POCI5 .....	64%	20%	14%	12%
Stage 3 (significant increase in credit risk since initial recognition - credit impaired) incl. POCI5 .....	2%	2%	3%	3%
Total .....	100%	100%	100%	100%

	As at June 30,	As at December 31,		
	2023	2022	2021	2020
<b>B: Impaired loan portfolio</b>				
<b>Impaired loans</b> (PD 10 + 11 + 12; in millions of EUR or %)				
Impaired loans <sup>6</sup> .....	4,039	4,350	5,454	5,902
<i>Of which more than 90 days past due</i> .....	2,091	2,289	2,884	3,220
<b>Impaired loans by business unit</b> (as a % of the impaired loan portfolio) <sup>1</sup>				

Belgium <sup>2</sup> .....	55%	57%	48%	45%
Czech Republic .....	19%	15%	12%	12%
International Markets (including Ireland as at December 31, 2020 and 2021) <sup>8</sup> .....	15%	13%	32%	35%
Ireland <sup>8</sup> .....	-	-	23%	24%
Slovakia.....	6%	3%	3%	4%
Hungary.....	4%	3%	3%	2%
Bulgaria.....	5%	6%	4%	5%
Group Centre (including Ireland as at December 31, 2022 and June 30, 2023) <sup>8</sup> .....	-	15%	8%	8%
Total .....	100%	100%	100%	100%

	As at June 30,	As at December 31,		
	2023	2022	2021	2020
<b>B: Impaired loan portfolio</b>				
<b>Impaired loans by sector</b> (as a % of the impaired loan portfolio) <sup>1</sup>				
Private individuals.....	17%	21%	34%	35%
Distribution .....	19%	19%	16%	18%
Services .....	11%	11%	11%	10%
Real estate .....	10%	10%	9%	9%
Building and construction .....	8%	7%	5%	4%
Automotive.....	9%	5%	4%	3%
Agriculture, farming, fishing.....	4%	4%	3%	2%
Machinery & heavy equipment .....	1%	3%	3%	2%
Hotels, bars & restaurants .....	2%	2%	3%	2%
Other (sectors < 2%) .....	19%	18%	13%	14%
Total .....	100%	100%	100%	100%
<b>Loan loss impairment</b> (in millions of EUR)				
Impairment for Stage 1 portfolio.....	179	134	127	191
Impairment for Stage 2 portfolio, incl. POCI5 (cured).....	587	694	559	998
Impairment for Stage 3 portfolio, incl. POCI5 (still impaired).....	1,859	2,048	2,569	2,638
<i>Of which impairment for impaired loans that are more than 90 days past due</i> .....	1,459	1,547	1,905	2,044
<b>Credit cost ratio</b>				
Belgium Business Unit <sup>2</sup> .....	0.05%	0.03%	(0.26)%	0.57%
Czech Republic Business Unit .....	(0.30)%	0.13%	(0.42)%	0.67%
International Markets Business Unit (including Ireland as at December 31, 2020 and 2021) <sup>8</sup> .....	(0.08)%	0.31%	0.36%	0.78%
Ireland <sup>8</sup> .....	-	-	1.43%	0.88%
Slovakia.....	(0.13)%	0.17%	(0.16)%	0.50%
Hungary.....	(0.16)%	0.42%	(0.34)%	1.05%
Bulgaria.....	0.05%	0.43%	(0.06)%	0.73%
Group Centre (including Ireland as at December 31, 2022 and and June 30, 2023) <sup>8</sup> .....	(0.23)%	(0.04)%	0.28%	(0.23)%
Total .....	(0.04)%	0.08%	(0.18)%	0.60%
<b>Impaired loans ratio</b>				
Belgium Business Unit <sup>2</sup> .....	2.0%	1.9%	2.2%	2.3%
Czech Republic Business Unit .....	1.4%	1.7%	1.8%	2.3%
International Markets Business Unit (including Ireland as at December 31, 2020 and 2021) <sup>8</sup> .....	1.7%	1.9%	5.7%	6.9%
Ireland <sup>8</sup> .....	-	-	12.0%	13.9%
Slovakia.....	-	1.2%	1.6%	2.3%
Hungary.....	-	2.0%	2.1%	1.9%
Bulgaria.....	-	2.8%	5.3%	7.7%
Group Centre (including Ireland as at December 31, 2022 and June 30, 2023) <sup>8</sup> .....	31.0%	6.6%	21.5%	13.9%
Total .....	2.0%	2.1%	2.9%	3.3%
<i>Of which more than 90 days past due</i> .....	1.0%	1.1%	1.5%	1.8%
<b>Coverage ratio</b>				
Loan loss impairment / impaired loans.....	46%	47%	47%	45%
<i>Of which more than 90 days past due</i> .....	70%	68%	66%	64%
Loan loss impairment / impaired loans (excl. mortgage loans).....	49.3%	50%	51%	52%

*Of which more than 90 days past due* ..... 73% 71% 73% 75%

- 1 Unaudited figures.
- 2 Also includes the small network of KBC Bank branches established in the rest of Europe, the US and Southeast Asia (with a total outstanding portfolio of €7 billion at year-end 2022).
- 3 A more detailed breakdown by country is available in the Issuer's quarterly reports (at [www.kbc.com](http://www.kbc.com)).
- 4 For more information on stages, see Note 1.2 of the 'Consolidated financial statements' section.
- 5 Purchased or originated credit impaired assets; gross amounts, as opposed to net amounts in the accounting treatment.
- 6 Figures differ from those appearing in Note 4.2 of the 'Consolidated financial statements' section, due to differences in scope. The €1,104 million decrease between 2022 and 2021 breaks down as follows: decrease of €1,025 million in Ireland (largely due to the sale of the largest part of the non-performing portfolio), decrease of €98 million in the Belgium Business Unit, increase of €4 million in the Czech Republic, decrease of €32 million in Slovakia, increase of €42 million in Bulgaria (€118 million of which due to the consolidation of Raiffeisenbank Bulgaria), increase of €11 million in Hungary, and decrease of €6 million for the rest.
- 7 Figures as at December 31, 2021 before impact of the overlay approach (for more information, see Note 4.2.1 of the 'Consolidated financial statements' section).
- 8 As a result of the sale to Bank of Ireland Group of substantially all of KBC Bank Ireland's performing loan assets, its deposit book, and a small portfolio of non-performing mortgages (NPEs), the loan portfolio of KBC Bank Ireland was transferred from the International Markets Business Unit to the Group Centre as of January 1, 2022 (without retroactive restatement).

### *Acquisition of Raiffeisenbank Bulgaria and sale of the remaining Irish portfolio*

Two major scope events occurred in 2022. In 2022, the Group finalised the acquisition of Raiffeisenbank Bulgaria (meanwhile renamed KBC Bank Bulgaria). Consequently, the loan portfolio of that entity is included in the 2022 Group portfolio figures in this section. The table below provides selected data for KBC Bank Bulgaria separately.

In 2022, KBC Bank Ireland finalised the sale of a portfolio of non-performing mortgage loans. This is already reflected in the Group portfolio figures in this section. KBC Bank Ireland also entered into a legally binding agreement regarding the sale of substantially all of its performing loans and the remaining portfolio of non-performing mortgage loans. As at December 31, 2022, the latter agreement had not yet been finalised. Consequently, these loans remained included in the 2022 Group portfolio figures in this section. The transactions were finalised in February 2023. The table below provides selected data for this portfolio.

	<b>Remaining KBC Bank Ireland portfolio (pending sale)</b>	<b>Newly acquired Raiffeisenba nk Bulgaria (now KBC Bank Bulgaria)</b>
<b>Loan and investment portfolio 31-12-2022</b>		
Total loan portfolio (amount outstanding; in billions of EUR) <sup>1</sup> .....	8,132	4,526
Breakdown by counterparty sector (as a % of the outstanding portfolio).....		
Retail .....	99%	39%
<i>Of which mortgages</i> .....	98%	19%
SME .....	1%	16%
Corporations .....	0%	45%
Breakdown by country (as a % of the outstanding portfolio) .....		
<i>Ireland</i> .....	10.0%	0%
<i>Bulgaria</i> .....	0%	93%
<i>Other</i> .....	0%	7%
Impaired loans (PD 10 + 11 + 12; in millions of EUR).....	230	118
Credit cost ratio .....	(0.07)%	(0.03)%
Impaired loans ratio.....	2.8%	2.6%
Coverage ratio .....	55%	64%

- 1 Unaudited figures.

### *Forbearance measures*

Forbearance measures consist of concessions towards a borrower facing, or about to face, financial difficulties. They may involve lowering or postponing interest or fee payments, extending the term of the loan to ease the



repayment schedule, capitalizing arrears, declaring a moratorium (temporary principal and/or interest payment holidays) or providing debt forgiveness.

A client with a loan qualifying as forborne will in general be assigned a PD class that is worse than before the forbearance measure was granted, given the increased risk of default. When that is the case, the client's unlikelihood to pay is also assessed (according to specific "unlikely to pay" criteria). In accordance with IFRS 9 requirements, a facility tagged as "forborne" is allocated to Stage 2, if the client/facility is classified as "non-defaulted", or to Stage 3, if the client/facility is classified as "defaulted".

The Group applies criteria that are consistent with the corresponding EBA standards to move forborne exposures from "defaulted" to "non-defaulted" status and to remove the forbearance status. If a client/facility has been assigned 'defaulted' status (before or at the time forbearance measures are granted), the client/forborne facility (depending on whether defaulted status is assigned at client or facility level) must remain defaulted for at least one year. Only upon strict conditions can the client/facility be reclassified as 'non-defaulted'. A forborne facility with a 'non-defaulted' status will be tagged as 'forborne' for at least two years after the forbearance measure has been granted, or after the client/facility becomes non-defaulted, and can only be removed when strict extra criteria have been met (including non-defaulted and regular payments). As a forbearance measure constitutes an objective indicator (i.e. impairment trigger) that requires assessing whether impairment is needed, all forbearance measures are subject to an impairment test.

On-balance-sheet exposures with forbearance measures: gross carrying value	Movements						Closing balance
	Opening balance	Loans which have become forborne	Loans which are no longer considered to be forborne	Repayments	Write-offs	Other <sup>1</sup>	
<b>2022</b>							
Total .....	3,681	668	(1,088)	(436)	(16)	129	2,939
Of which KBC Bank Ireland.....	16	0	0	(6)	0	0	11
<b>2021</b>							
Total .....	4,158	1,692	(371)	(670)	(28)	(1,100)	3,681
Of which KBC Bank Ireland.....	1,417	76	0	(251)	0	(1,226)	16
<b>2020</b>							
Total .....	3,075	1,912	(535)	(355)	(31)	92	4,158
Of which KBC Bank Ireland.....	1,668	92	(222)	(128)	(0)	7	1,417

On-balance-sheet exposures with forbearance measures: impairment	Movements						Closing balance
	Opening balance	Existing impairment on loans which have become forborne	Decrease in impairment because loans are no longer forborne	Increase in impairment on forborne loans	Decrease in impairment on forborne loans	Other <sup>2</sup>	
<b>2022</b>							
Total .....	445	197	(171)	52	(118)	22	428
Of which KBC Bank Ireland.....	15	0	0	0	(6)	0	9
<b>2021</b>							
Total .....	645	154	(68)	266	(164)	(388)	445
Of which KBC Bank Ireland	251	23	0	170	(69)	(360)	15
<b>2020</b>							
Total .....	516	156	(95)	169	(82)	(18)	645
Of which KBC Bank Ireland.....	224	13	(30)	66	(20)	(2)	251

1 Includes foreign-exchange effects for loans granted in currencies other than the local currency, changes in the drawn/undrawn portion of facilities, increases in the gross carrying value of existing forborne loans and additions or disposals through business combinations. For Ireland: the planned sale of loans at KBC Ireland resulted in a shift to the 'Non-current assets held for sale and disposal groups' balance sheet item because we consider all IFRS 5 conditions to have been met.

2 Includes the use of impairment in respect of write-offs and additions or disposals through business combinations.

**Forborne loans** **Breakdown by PD class**  
(as a % of the entity's portfolio of forborne loans)

	As a % of the outstanding portfolio	PD 1-8	PD 9	PD 10 (impaired, less than 90 days past due)	PD 11-12 (impaired, 90 days and more past due)
<b>30-6-2023</b>					
Total .....	1%	32%	13%	41%	14%
<i>Of which KBC Bank Ireland...</i>	-	-	-	-	-
By client segment <sup>1</sup>					
Private individuals <sup>2</sup> .....	1%	62%	3%	27%	8%
SMEs .....	2%	30%	15%	39%	16%
Corporations <sup>3</sup> .....	1%	16%	18%	50%	16%
<b>31-12-2022</b>					
Total .....	2%	39%	15%	33%	13%
<i>Of which KBC Bank Ireland...</i>	4%	0%	49%	29%	22%
By client segment <sup>1</sup>					
Private individuals <sup>2</sup> .....	1%	45%	17%	26%	12%
SMEs .....	2%	44%	11%	34%	12%
Corporations <sup>3</sup> .....	2%	31%	16%	37%	16%
<b>31-12-2021</b>					
Total .....	3%	39%	12%	33%	16%
<i>Of which KBC Bank Ireland...</i>	12%	0%	25%	41%	34%
By client segment <sup>1</sup>					
Private individuals <sup>2</sup> .....	2%	21%	18%	35%	25%
SMEs .....	3%	57%	8%	27%	8%
Corporations <sup>3</sup> .....	3%	44%	9%	35%	13%
<b>31-12-2020</b>					
Total .....	2%	32%	13%	38%	18%
<i>Of which KBC Bank Ireland...</i>	14%	0%	25%	43%	32%
By client segment <sup>1</sup>					
Private individuals <sup>2</sup> .....	2%	13%	20%	39%	28%
SMEs .....	3%	54%	9%	28%	10%
Corporations <sup>3</sup> .....	2%	39%	6%	45%	10%

1 Unaudited.

2 95% of the forbore loans total relates to mortgage loans in 2021 (97% in 2020).

3 27% of the forbore loans relates to commercial real estate loans in 2021 (22% in 2020).

A financial contract is past due when a counterparty fails to make a payment when it is contractually due. In case of factoring, a purchased receivable is past due when the invoice debtor fails to make payment on the due date of an undisputed invoice. There are defaulted (or non-performing loans (“NPL”)) exposures that are not past due, but also exposures (less than 90 days) past due that are non-defaulted (in other words, performing).

The tables below set forth the Group’s credit quality of performing and non-performing exposures by past due days. Similar data as at June 30, 2023 is not available.

	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
	Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted	
<i>(EUR million)</i>												
<b>31-12-2022</b>												
<b>Cash balances at central banks and other demand deposits</b>	<b>50,061</b>	<b>50,061</b>										
<b>Loans and advances</b>	<b>201,458</b>	<b>200,895</b>	<b>562</b>	<b>3,866</b>	<b>1,988</b>	<b>185</b>	<b>212</b>	<b>194</b>	<b>489</b>	<b>142</b>	<b>656</b>	<b>3,866</b>
Central banks	20,516	20,516										
General governments	7,455	7,371	84	42	8	31	1		1	1	1	42
Credit institutions	3,711	3,711		32	18	3	10					32
Other financial corporations	6,151	6,151	0	75	4	1	6	0	52	1	11	75
Non-financial corporations	77,130	76,755	375	2,932	1,542	95	131	115	357	118	575	2,932
<i>Of which SMEs</i>	36,362	36,314	48	1,354	662	48	82	75	234	73	180	1,354
Households	86,495	86,392	104	784	416	54	64	79	79	22	69	784
<b>Debt securities</b>	<b>47,910</b>	<b>47,910</b>		<b>8</b>	<b>8</b>							<b>8</b>
Central banks	526	526										
General governments	41,748	41,748										
Credit institutions	4,184	4,184		7	7							7
Other financial corporations	915	915										
Non-financial corporations	538	538		1	1							1
<b>Off-balance-sheet exposures</b>	<b>59,254</b>			<b>178</b>								<b>178</b>
Central banks												
General governments	1,759											
Credit institutions	2,691			4								4
Other financial corporations	4,999											
Non-financial corporations	42,210			167								167
Households	7,595			7								7
<b>Total</b>	<b>358,683</b>	<b>298,866</b>	<b>562</b>	<b>4,051</b>	<b>1,996</b>	<b>185</b>	<b>212</b>	<b>194</b>	<b>489</b>	<b>142</b>	<b>656</b>	<b>4,051</b>

	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								Of which defaulted
	Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days	Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years			
(EUR million)												
<b>31-12-2021</b>												
<b>Cash balances at central banks and other demand deposits</b>	<b>39,457</b>	<b>39,457</b>	-	-	-	-	-	-	-	-	-	
<b>Loans and advances</b>	<b>190,530</b>	<b>190,034</b>	<b>496</b>	<b>3,927</b>	<b>1,942</b>	<b>208</b>	<b>155</b>	<b>303</b>	<b>413</b>	<b>157</b>	<b>749</b>	<b>3,927</b>
Central banks	27,409	27,409	-	-	-	-	-	-	-	-	-	-
General governments	5,932	5,845	87	3	1	-	-	1	1	-	1	3
Credit institutions	5,544	5,544	-	14	-	14	-	-	-	-	-	14
Other financial corporations	4,836	4,829	7	68	2	1	-	11	41	-	12	68
Non-financial corporations	68,078	67,769	309	3,082	1,566	147	96	221	289	120	644	3,082
<i>Of which SMEs</i>	33,365	33,329	36	1,478	649	140	59	126	214	71	220	1,478
Households	78,731	78,638	93	760	373	46	60	69	82	37	93	760
<b>Debt securities</b>	<b>44,956</b>	<b>44,956</b>	-	<b>1</b>	-	-	-	-	<b>1</b>	-	-	<b>1</b>
Central banks	131	131	-	-	-	-	-	-	-	-	-	-
General governments	40,122	40,122	-	-	-	-	-	-	-	-	-	-
Credit institutions	3,235	3,235	-	-	-	-	-	-	-	-	-	-
Other financial corporations	925	925	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	543	543	-	1	-	-	-	-	1	-	-	1
<b>Off-balance-sheet exposures</b>	<b>54,246</b>			<b>197</b>								<b>197</b>
Central banks	-			-								-
General governments	1,398			-								-
Credit institutions	2,912			-								-
Other financial corporations	5,072			-								-
Non-financial corporations	35,960			190								190
Households	8,903			7								7
<b>Total</b>	<b>329,189</b>	<b>274,447</b>	<b>496</b>	<b>4,126</b>	<b>1,942</b>	<b>208</b>	<b>155</b>	<b>303</b>	<b>415</b>	<b>157</b>	<b>749</b>	<b>4,126</b>

	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
	Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days	Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted		
<b>31-12-2020</b>	<i>(EUR million)</i>											
<b>Loans and advances</b>	<b>214,840</b>	<b>214,457</b>	<b>383</b>	<b>5,350</b>	<b>2,419</b>	<b>196</b>	<b>335</b>	<b>409</b>	<b>564</b>	<b>227</b>	<b>1,200</b>	<b>5,350</b>
Central banks	47,983	47,983	-	-	-	-	-	-	-	-	-	-
Central governments	5,996	5,995	1	4	1	1	-	-	1	-	1	4
Credit institutions	9,374	9,374	-	28	-	27	-	-	-	-	-	28
Other financial corporations	5,308	5,308	1	76	10	4	11	35	4	-	13	76
Non-financial corporations	64,167	63,938	229	3,040	1,448	77	200	201	318	110	687	3,040
<i>Of which SMEs</i>	32,843	32,800	43	1,402	568	60	104	127	223	68	252	1,402
Households	82,011	81,858	153	2,202	960	88	124	173	242	116	500	2,202
<b>Debt securities</b>	<b>49,344</b>	<b>49,344</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>2</b>	<b>3</b>
Central banks	314	314	-	-	-	-	-	-	-	-	-	-
General governments	43,287	43,287	-	-	-	-	-	-	-	-	-	-
Credit institutions	3,941	3,941	-	-	-	-	-	-	-	-	-	-
Other financial corporations	1,315	1,315	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	486	486	-	3	-	-	-	-	1	-	2	3
<b>Off-balance-sheet exposures</b>	<b>49,916</b>			<b>209</b>								<b>209</b>
Central banks	-			-								-
General governments	1,426			-								-
Credit institutions	2,449			-								-
Other financial corporations	4,822			-								-
Non-financial corporations	33,868			203								203
Households	7,352			6								6
<b>Total</b>	<b>314,101</b>	<b>263,801</b>	<b>383</b>	<b>5,563</b>	<b>2,419</b>	<b>196</b>	<b>335</b>	<b>409</b>	<b>566</b>	<b>227</b>	<b>1,202</b>	<b>5,563</b>

### Other credit risks in the banking activities

*Trading book securities.* These securities carry an issuer risk (potential loss should the issuer default). The Group measures exposure to this type of risk on the basis of the market value of the securities. Issuer risk is curtailed through the use of limits both per issuer and per rating category.

*Government securities in the investment portfolio of banking entities.* The Group measures exposure to governments in terms of nominal value and book value. Such exposure relates mainly to EU states. The Group has put in place limiting caps for both non-core and core market sovereign bond exposure.

*Counterparty credit risk of derivatives transactions.* The amounts shown in the table below are the Group's pre-settlement risks, which are measured using the internal model method for interest rate and foreign exchange derivatives in the Belgium Business Unit. For inflation, equity and commodity derivatives, pre-settlement risks are calculated as the sum of the (positive) current replacement value ("mark-to-market" value) of a transaction and the applicable add-on. This calculation is also used for measuring pre-settlement risks for interest rate and foreign exchange derivatives in the other business units.

The Group aims to curtail risks by setting limits per counterparty. The Group also uses close-out netting and collateral techniques. Financial collateral is only taken into account if the assets concerned are considered eligible risk mitigants for regulatory capital calculations.

	<b>As at December 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Other credit exposure, banking</b>	<i>(EUR billion)</i>		
Issuer risk <sup>1</sup> .....	0.03	0.02	0.02
Counterparty credit risk of derivatives transactions <sup>2</sup> .....	3.9	4.4	5.0

1 Excluding a nominative list of central governments, and all exposure to EU institutions and multilateral development banks.

2 After deduction of collateral received and netting benefits.

### Credit risk exposure in insurance activities

For insurance activities, credit exposure exists primarily in the investment portfolio and towards reinsurance companies. The Group has guidelines in place for the purpose of controlling credit risk within the investment portfolio with regard to, for instance, portfolio composition and ratings. The table below shows the market value of the investment portfolio of the insurance entities broken down by asset type under Solvency II.

	<b>As at June 30,</b>	<b>As at December 31,</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Investment portfolio of KBC group insurance entities</b> <sup>1</sup>	<i>(EUR million, market value)</i>			
<b>Per asset type (Solvency II)</b>				
Securities.....	16,413	16,444	20,102	20,466
<i>Bonds and alike</i> .....	16,159	15,278	18,791	19,230
<i>Shares</i> .....	1,194	1,097	1,290	1,231
<i>Derivatives</i> .....	60	69	21	5
Loans and mortgages.....	1,963	2,153	2,806	3,074
<i>Loans and mortgages to clients</i> .....	891	1,780	2,299	2,506
<i>Loans to banks</i> .....	377	374	507	568
Property and equipment and investment property.....	175	309	305	315
Unit-linked investments <sup>2</sup> .....	13,614	12,771	14,620	13,831
Investments in associated companies.....	307	295	292	242
Other investments.....	7	8	12	12
Total.....	32,857	31,981	38,137	37,939

1 The total carrying value amounted to €36,317 million at year-end 2020, €37,018 million at year-end 2021 and €32,897 million at year-end 2022. Figures differ from those appearing in Note 4.1 of the 'Consolidated financial statements' section, due to asset class reporting under Solvency II.

- 2 Representing the assets side of unit-linked (class 23) products and completely balanced on the liabilities side. No credit risk involved for KBC Insurance.

The table below provides more details of the bond and other fixed-income security components of the portfolio. Similar data as at June 30, 2023 is not available.

Investment portfolio of KBC group insurance entities <sup>1</sup> Details for bonds and other fixed-income securities	As at December 31,		
	2022	2021	2020
By external rating <sup>2</sup>			
Investment grade .....	99%	99%	99%
Non-investment grade .....	1%	1%	1%
Unrated.....	0%	0%	0%
By sector <sup>2</sup>			
Governments .....	65%	66%	65%
Financial <sup>3</sup> .....	24%	23%	23%
Other .....	11%	11%	13%
By remaining term to maturity <sup>2</sup>			
Not more than 1 year.....	9%	8%	8%
Between 1 and 3 years.....	18%	18%	16%
Between 3 and 5 years.....	17%	15%	16%
Between 5 and 10 years.....	29%	29%	30%
More than 10 years.....	27%	29%	30%

1 The total carrying value amounted to €36,317 million at year-end 2020, €37,018 million at year-end 2021 and €32,897 million at year-end 2022. Figures differ from those appearing in Note 4.1 of the 'Consolidated financial statements' section, due to asset class reporting under Solvency II.

2 Excluding investments for unit-linked life insurance. In certain cases, based on extrapolations and estimates.

3 Including covered bonds and non-bank financial companies.

The Group is also exposed to credit risk in respect of reinsurance companies, since they could default on their commitments under reinsurance contracts concluded with the Group. The Group measures this particular type of credit risk by means of a nominal approach (the maximum loss) and expected loss ("EL"), among other techniques. Name concentration limits apply. Probability of default and expected loss is calculated using internal or external ratings. The Group determines the exposure at default ("EAD") by adding up the net loss reserves and the premiums, and the loss given default ("LGD") percentage is fixed at 50%.

Credit exposure to (re)insurance companies by risk class <sup>1</sup> : EAD and EL <sup>2</sup>	As at December 31,					
	2022		2021		2020	
	EAD	EL	EAD	EL	EAD	EL
	<i>(EUR million)</i>					
AAA up to and including A- .....	171	0.1	196	0.1	232	0.1
BBB+ up to and including BB- ...	17	0.0	9	0.0	21	0.0
Below BB-.....	0	0.0	0	0.0	0	0.0
Unrated.....	0	0.0	0	0.0	0	0.0
Total .....	188	0.1	205	0.1	253	0.1

1 Based on internal ratings.

2 EAD figures are audited, whereas EL figures are unaudited.

#### Structured credit exposure (banking and insurance portfolios)

The total net portfolio (i.e., excluding de-risked positions) of structured credit products amounted to €0.18 billion at December 31, 2022 and consisted primarily of European residential mortgage-backed securities ("RMBS"). It was down €0.04 billion on its level at December 31, 2021 due to redemptions. No new investments were made in 2022 or 2021.

### *Regulatory capital*

The regulatory capital requirements for credit risk increased from €7,213 million at December 31, 2021 to €7,571 million at December 31, 2022, driven largely by the acquisition of Raiffeisenbank Bulgaria, volume growth and asset quality changes of portfolios in the core markets.

### **Market risk in non-trading activities**

Market risk is the risk related to changes in the level or in the volatility of market prices. The process of managing the Group's structural exposure to market risks in the non-trading activities includes interest rate risk, gap risk, basis risk, option risk (such as prepayment risk), currency risk, equity price risk, real estate price risk, credit spread risk and inflation risk. The Group defines structural exposure as all exposure inherent in its commercial activity or in its long-term positions (banking and insurance). Trading activities are therefore not included. This process is also known as Asset/Liability Management ("ALM").

### *Managing market risk in non-trading activities*

The management of ALM risk is the responsibility of the Executive Committee, supported by the CRO Services Management Committee and the ALCO. The Executive Committee decides on the non-trading market risk framework, which sets out specific risk guidance.

With the risk function, the ALM Council, chaired by the Treasury CRO, aims to establish, facilitate, promote and support the solid and efficient integration of all tasks assigned to the local and Group risk departments that are accountable for monitoring non-trading market risk. The Council acts as a management meeting of the Group-wide Extended Competence Center for ALM and Liquidity Risk.

A number of Group-wide building blocks are defined to ensure proper management of non-trading market risk:

- *Risk identification:* Market risk related to non-trading exposures arises from:
  - Mismatches in the banking activities linked to the branch network's acquisition of working funds and the use of those funds for lending, among other things;
  - Mismatches in the insurance activities between liabilities in the non-life and life businesses and the cover for these liabilities present in the investment portfolios held for this purpose;
  - The risks associated with holding an investment portfolio for the purpose of reinvesting shareholders' equity (the strategic position); and
  - The structural currency exposure stemming from activities abroad such as investments in foreign currency, results posted at branches or subsidiaries abroad and foreign exchange risk linked to the currency mismatch between the insurer's liabilities and investments.

The Group uses the following tools in the risk identification process for market risk related to non-trading: the NAPP, the risk scan, the risk and signal and early warning process, the parameter reviews and materiality assessments based on in-depth analysis and deep dives.

- *Risk measurements:* The Group Risk and the local risk departments measure ALM risks and flag current and future risk positions. A common rulebook, which is used to supplement the framework for technical aspects, and a shared Group measurement infrastructure aim to ensure that these risks are measured consistently throughout the Group. The Group's shared measurement infrastructure includes a broad range of risk measurement methods such as: (i) BPV for interest rate risk; (ii) gap analysis for interest rate risk, gap risk and inflation risk; (iii) economic sensitivities for currency risk, equity price risk and



real estate price risk; and (iv) net interest income simulations over a multi-year period which are used in budgeting and in risk processes.

- *Setting risk appetite:* Limits cover all material risks faced by the ALM function: interest rate risk, equity risk, real estate risk and foreign exchange risk for the consolidated entities are approved by the Board of Directors and limits for each local entity are approved by the Executive Committee.

The treasury departments, acting as the first line of defense, measure and manage interest rate risk on a playing field defined by the risk appetite and the limits. They take into account measurement of prepayment and other option risks in the banking book and manage a balanced investment portfolio. Management of the positions implies that the treasury function uses derivatives to hedge against imbalances, due to interest rate and foreign exchange risks. To avoid the profit and loss volatility that would result from the different accounting treatment of balance sheet investment items and derivatives, hedge accounting techniques are widely applied.

- *Risk analysis, response and follow-up:* Besides regulatory required reporting, structural reporting to the ALCO is performed. The reporting process includes a sign-off process to ensure data accuracy.
- *Stress testing:* A balanced stress testing program is prepared on a yearly basis and reported on a quarterly basis. This includes the back-testing of prepayments; net interest income simulations performed under a variety of market scenarios for interest rate risk and to measure basis risk; and capital sensitivities arising from banking book positions that impact available regulatory capital (e.g., fair value through other comprehensive income) are used for spread risk, interest rate risk and equity risk.

#### *Interest rate risk and gap risk*

The main technique used to measure interest rate risks is the 10 BPV method, which 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 swap curve (negative figures indicate a decrease in the value of the portfolio). The Group also uses other techniques, such as gap analysis, the duration approach, scenario analysis and stress testing (both from a regulatory capital perspective and from a net income perspective).

The following table sets forth the impact of a parallel 10 basis point increase in the swap curve for the Group's impact on value.

<b>Impact of a parallel 10-basis-point increase in the swap<sup>1</sup> curve for the KBC group, impact on value<sup>2</sup></b>	<b>As at June 30,</b>	<b>As at December 31,</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
		<i>(EUR million)</i>		
Banking .....	(46)	(36)	(69)	(64)
Insurance .....	8	4	24	29
Total .....	(38)	(32)	(45)	(35)

1 In accordance with market standards, sensitivity figures are based on a risk-free curve (swap curve).

2 Full market value, regardless of accounting classification or impairment rules.

The Group manages the ALM interest rate positions of the banking entities through a system of market-oriented internal pricing for products with a fixed maturity date, and through a replicating portfolio technique for products without a fixed maturity date (e.g., current and savings accounts). KBC Bank takes interest rate positions mainly through government bonds, with a view to generating interest income, both in a bond portfolio used for reinvesting equity and also in a bond portfolio financed with short-term funds.

The following table sets forth KBC Bank's exposure to interest rate risk in terms of 10 BPV.

<b>Swap BPV (10 basis points) of the ALM book, banking activities*</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
		<i>(EUR million)</i>	
Average for 1Q.....	(75)	(65)	(77)

Average for 2Q.....	(66)	(64)	(72)
Average for 3Q.....	(70)	(60)	(76)
Average for 4Q.....	(36)	(69)	(64)
As at December 31.....	(36)	(69)	(64)
Maximum in year.....	(75)	(69)	(77)
Minimum in year.....	(36)	(60)	(64)

\* Unaudited figures, except for those 'As at December 31'.

In line with European Banking Authority guidelines, the Group conducts an outlier stress test at regular intervals by applying six different scenarios to the banking books (material currencies). The worst-case scenario is set off against tier-1 capital. For the banking book at Group level, this risk came to -3% of tier-1 capital at year-end 2022. This is well below the 15% threshold, which is monitored by the European Central Bank.

The following table shows the interest sensitivity gap of the ALM banking book. To determine the sensitivity gap, the Group breaks down the carrying value of assets (positive amount) and liabilities (negative amount) according to either the contractual repricing date or the maturity date, whichever is earlier, in order to obtain the length of time for which interest rates are fixed. The Group includes derivative financial instruments, mainly to reduce exposure to interest rate movements, on the basis of their notional amount and repricing date.

Interest sensitivity gap of the ALM book (including derivatives), banking activities	≤ 1 month	1-3 months	3-12 months	1-5 years	5-10 years	> 10 years	Non-Interest bearing	Total
30-6-2023 .....	16,748	(11,919)	246	2,827	5,457	1650	(15,009)	0
31-12-2022 .....	(24,177)	11,472	(10,910)	7,621	6,314	21	9,659	0
31-12-2021 .....	1,745	(12,310)	(8,919)	5,529	5,687	1,104	7,164	0
31-12-2020 .....	17,408	(26,418)	(668)	3,781	4,692	1,003	201	0

The interest sensitivity gap shows the Group's overall position in interest rate risk. Generally, assets reprice over a longer term than liabilities, which means that the Group's net interest income benefits from a normal (upward-sloping) yield curve. The economic value of KBC Bank is sensitive primarily to movements at the long-term end of the yield curve. An analysis of net interest income is performed by measuring the impact of different interest rate scenarios over a three-year period.

Where the Group's insurance activities are concerned, the fixed-income investments for the non-life reserves are invested with the aim of matching the projected payout patterns for claims, based on extensive actuarial analysis. The non-unit-linked life activities (class 21) combine a guaranteed interest rate with a discretionary participation feature ("DPF") fixed by the insurer. The main risks to which the insurer is exposed as a result of such activities are a low interest rate risk (the risk that return on investments will drop below the guaranteed level) and the risk that the investment return will not be sufficient to give clients a competitive profit-sharing rate. The risk of low interest rates is managed via a cashflow-matching policy, which is applied to that portion of the life insurance portfolios covered by fixed-income securities. Unit-linked life insurance investments (class 23) are not dealt with here, as this activity does not entail any market risk for the Group.

The table below summarizes the exposure to interest rate risk in the Group's life insurance activities as at December 31, 2022 and 2021. Similar data as at June 30, 2023 is not available. The life insurance assets and liabilities relating to business offering guaranteed rates are grouped according to the expected timing of cashflows.

Expected cashflows (not discounted), life insurance activities	0-1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
	(EUR million)						
<b>31-12-2022</b>							
Fixed-income assets backing liabilities, guaranteed component .....	1,233	1,489	855	1,048	844	8,738	14,208
Equity.....							929
Property.....							112
Other (no maturity).....							95
Liabilities, guaranteed component.....	1,367	1,202	807	882	834	9,474	14,566
Difference in time-sensitive expected cashflows	(134)	288	48	166	11	(737)	(358)
Mean duration of assets .....							6.66 years
Mean duration of liabilities.....							8.76 years

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Fixed-income assets backing liabilities, guaranteed component .....	1,371	1,281	1,385	847	1,044	8,856	14,784
Equity .....							987
Property .....							171
Other (no maturity) .....							152
Liabilities, guaranteed component .....	1,758	748	1,223	840	895	9,859	15,323
Difference in time-sensitive expected cashflows .....	(387)	534	162	7	148	(1,003)	(539)
Mean duration of assets .....							6.97 years
Mean duration of liabilities .....							9.93 years

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Fixed-income assets backing liabilities, guaranteed component .....	1,384	1,010	1,488	1,370	820	8,674	14,746
Equity .....							915
Property .....							177
Other (no maturity) .....							52
Liabilities, guaranteed component .....	1,732	905	759	1,242	853	10,067	15,559
Difference in time-sensitive expected cashflows .....	(349)	105	728	128	(33)	(1,392)	(813)
Mean duration of assets .....							7.71 years
Mean duration of liabilities .....							10.33 years

\* 2020 figures have been restated to account for IFRS 17, resulting in a change in the time buckets for the expected timing of cashflows compared to the previous report.

As mentioned above, the main interest rate risk for KBC Insurance is a downside one. The Group adopts a liability-driven ALM approach focused on mitigating the interest rate risk in accordance with its risk appetite. For the remaining interest rate risk, the Group adheres to a policy that takes into account the possible negative consequences of a sustained decline in interest rates and has built up adequate supplementary reserves.

Breakdown of the reserves for non-unit-linked life insurance by guaranteed interest rate, insurance activities	As at December 31,		
	2022	2021	2020
5.00% and higher .....	3%	3%	3%
More than 4.25% up to and including 4.99% .....	7%	7%	8%
More than 3.50% up to and including 4.25% .....	4%	4%	4%
More than 3.00% up to and including 3.50% .....	9%	9%	10%
More than 2.50% up to and including 3.00% .....	3%	3%	3%
2.50% and lower .....	72%	71%	70%
0.00% .....	2%	2%	2%
Total .....	100%	100%	100%

**Credit spread risk**

The Group manages the credit spread risk for, *inter alia*, the sovereign portfolio by monitoring the extent to which the value of the sovereign bonds would change if credit spreads were to go up by 100 basis points across the entire curve. This economic sensitivity is illustrated in the table below.

**Exposure to sovereign bonds at year-end 2021, carrying value<sup>1</sup>**

	At amortized cost	At fair value through other comprehensive income (FVOCI)	Held for trading	Total	For comparison purposes: total at year-end 2021	Economic impact of +100 basis points <sup>3</sup>
<i>(EUR million)</i>						
<b>KBC core markets</b>						
Belgium .....	8,750	1,840	230	10,820	13,020	(553)
Czech Republic .....	11,316	1,126	1,159	13,601	12,481	(626)
Hungary .....	2,362	161	99	2,621	3,085	(77)
Slovakia .....	3,334	265	17	3,615	3,689	(173)
Bulgaria .....	1,795	530	28	2,353	1,722	(84)
<b>Other countries</b>						
France .....	4,463	1,032	25	5,520	6,546	(231)
Spain .....	2,023	558	0	2,581	2,717	(78)
Ireland .....	1,016	204	0	1,220	1,356	(53)
Poland .....	875	180	9	1,065	1,335	(27)
Italy .....	268	908	0	1,176	1,286	(36)
US .....	1,558	15	0	1,573	1,319	(55)
Rest <sup>2</sup> .....	6,461	1,316	100	7,876	5,951	(379)

<b>Total carrying value</b> .....	44,219	8,135	1,667	54,021	54,507	-
<b>Total nominal value</b> .....	44,953	8,772	1,812	55,537	52,796	-

- 1 The table excludes exposure to some supranational entities not considered as sovereign, such as the European Investment Bank and the European Investment Fund. No material impairment on the government bonds in portfolio.
- 2 Sum of countries whose individual exposure is less than €1 billion at year-end 2022.
- 3 Theoretical economic impact in fair value terms of a parallel 100-basis-point upward shift in the spread over the entire maturity structure. Only a portion of this impact is reflected in profit or loss and/or equity. Figures relate to non-trading positions in sovereign bonds for the banking and insurance businesses (impact on trading book exposure was quite limited and amounted to €14 million, including supranational bonds, at year-end 2022).

In addition to the sovereign portfolio, the Group holds a non-sovereign bond portfolio (including banks, corporations and supranational bodies). The sensitivity of the value of this banking book portfolio to a 100-basis-point change in the credit spread is shown in the following table. Similar data as at June 30, 2023 is not available.

<b>Exposure to non-sovereign bonds at year-end, by rating: economic impact of +100 basis points</b>	<b>As at December 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
		<i>(EUR million)</i>	
Bonds rated AAA .....	(108)	(125)	(204)
Bonds rated AA+, AA, AA- .....	(115)	(133)	(155)
Bonds rated A+, A, A- .....	(109)	(126)	(112)
Bonds rated BBB+, BBB, BBB- .....	(34)	(46)	(61)
Non-investment grade and non-rated bonds .....	(21)	(31)	(40)
Total carrying value (excluding trading portfolio) .....	11,505	10,703	12,440

#### *Equity risk*

The Group's main exposure to equity risk is within its insurance business, where the ALM strategies are based on a risk-return evaluation, taking into account the market risk attached to open equity positions. A large part of the equity portfolio is held as an economic hedge for long-term liabilities. Apart from the insurance entities, smaller equity portfolios are also held by other Group entities, such as KBC Bank and KBC Asset Management. More information on total non-trading equity exposures is set forth below. Similar data as at June 30, 2023 is not available.

Equity portfolio of the KBC group	Banking activities			Insurance activities			Group		
	31-12-2022	31-12-2021	31-12-2020	31-12-2022	31-12-2021	31-12-2020	31-12-2022	31-12-2021	31-12-2020
	<i>(breakdown by sector, in %, unless otherwise indicated)</i>								
Financials.....	69%	68%	56%	20%	17%	16%	27%	25%	23%
Consumer non-cyclical.....	0%	0%	1%	11%	11%	12%	9%	10%	10%
Communication .....	0%	0%	0%	3%	2%	4%	2%	1%	3%
Energy .....	0%	0%	0%	0%	0%	1%	0%	0%	1%
Industrials .....	12%	10%	5%	42%	41%	37%	38%	36%	32%
Utilities .....	0%	0%	0%	0%	0%	2%	0%	0%	2%
Consumer cyclical .....	4%	4%	4%	21%	25%	19%	19%	22%	16%
Materials .....	0%	0%	0%	2%	2%	4%	2%	2%	3%
Other and not specified .....	14%	17%	34%	1%	1%	6%	3%	3%	11%
Total.....	100%	100%	100%	100%	100%	100%	100%	100%	100%
In billions of EUR .....	0.22	0.26	0.27	1.33%	1.46	1.32	1.55	1.72 *	1.58
of which unlisted .....	0.21	0.26	0.22	0.14	0.15	0.05	0.35	0.41	0.27

\* The main reason for the difference with 'Equity instruments' in Note 4.1 of the 'Consolidated financial statements' section is that shares in the trading book are excluded above, but included in the table in Note 4.1.

	Year ended December 31,		
	2022	2021	2020
<b>Impact of a 25% drop in equity prices, impact on value</b>		<i>(EUR million)</i>	
Banking activities .....	(55)	(64)	(66)
Insurance activities .....	(333)	(366)	(329)
Total .....	(387)	(429)	(395)

Non-trading equity exposure	Net realized gains (in income statement)			Net unrealized gains on year-end exposure (in equity)		
	31-12-2022	31-12-2021	31-12-2020	31-12-2022	31-12-2021	31-12-2020
	<i>(EUR million)</i>					
Banking activities .....	-	-	-	12	29	12
Insurance activities .....	176	123	116	199	555	337
Total .....	176	123	116	211	584	349

### *Real estate risk*

The Group's real estate businesses hold a limited real estate investment portfolio. KBC Insurance also holds a diversified real estate portfolio, which is held as an investment for non-life reserves and long-term life activities. The real estate exposure is viewed as a long-term hedge against inflation risks and as a way of optimizing the risk/return profile of these portfolios. The table below provides an overview of the sensitivity of economic value to fluctuations in the property markets. Similar data as at June 30, 2023 is not available.

	Year ended December 31,		
	2022	2021	2020
<b>Impact of a 25% drop in real estate prices, impact on value</b>		<i>(EUR million)</i>	
Bank portfolios .....	(94)	(97)	(98)
Insurance portfolios .....	(78)	(94)	(93)
Total .....	(172)	(191)	(191)

### *Inflation risk*

Inflation can impact a financial company indirectly in many ways, for instance via changes in interest rates or operational costs. Inflation in general therefore is not easily quantifiable as a market risk concept. However, certain financial products or instruments have a direct link with inflation and their value is directly impacted by a change in market expectations. KBC Bank uses indexed bonds as an opportunity to diversify its asset portfolio. At KBC Insurance, it relates specifically to workmen's compensation insurance, where particularly in the case of permanent or long-term disabilities an annuity benefit is paid to the insured person (with the annuity being linked to inflation by law). KBC Insurance partly mitigates the risks by investing in inflation-linked bonds so that any increase in liabilities arising from mounting inflation is offset by an increase in the value of the bonds. However, these liabilities are long-dated and significantly exceed the investment horizon of such index-linked bonds. Therefore, KBC Insurance complements its inflation hedging program by investing in real estate and shares, as these assets are traditionally correlated with inflation and do not have a maturity date.

The banking business held a €600 million portfolio of indexed bonds as at December 31, 2022. For the insurance activities, the undiscounted value of the inflation-sensitive cashflows was estimated at €515 million as at December 31, 2022, against which a €452 million portfolio of indexed bonds and €28.7 million in direct and indirect real estate were held.

### *Foreign exchange risk*

The Group pursues a prudent policy with respect to its structural currency exposure. Material foreign exchange exposures in the ALM books of banking entities with a trading book are transferred via internal deals 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 insurance and other entities has to be hedged, if material. However, non-

euro-denominated equity holdings in the investment portfolio are not required to be hedged, as foreign exchange volatility is considered part of the investment return.

The Group focuses on stabilizing its common equity ratio against foreign exchange fluctuations, which has improved its capacity to cushion external shocks and is beneficial to all stakeholders. This implies a reduction in hedging of participations. To ensure consistency between banking and insurance entities, strategic insurance participations are no longer hedged either, as they do not affect the common equity ratio of the Group under the Danish compromise.

Impact of a 10% decrease in currency value*	Banking			Insurance		
	31-12-2022	31-12-2021	31-12-2020	31-12-2022	31-12-2021	31-12-2020
CZK.....	(231)	(243)	(232)	(31)	(30)	(18)
HUF.....	(100)	(107)	(95)	(7)	(5)	(5)
BGN.....	(96)	(42)	(41)	(17)	(19)	(10)
USD.....	(1)	3	(2)	(47)	(56)	(36)

\* Exposure for currencies where the impact exceeds €10 million in Banking or Insurance.

### *Hedge accounting*

Assets and liabilities management uses derivatives to mitigate interest rate and foreign exchange risks. The aim of hedge accounting is to reduce the volatility in the income statement resulting from the use of these derivatives. The Group has decided not to apply hedge accounting to credit and equity risks. When the necessary criteria are met, it is applied to remove the accounting mismatch between the hedging instrument and the hedged item.

### *Capital sensitivity to market movements*

Available capital is impacted when the market is stressed. Stress can be triggered by a number of market parameters, including by swap rates or bond spreads that increase or by equity prices that fall. The Group uses this capital sensitivity as a common denominator to measure the vulnerability of the banking book to different market risk shocks. Common equity tier-1 (“CET1”) capital is sensitive to a parallel increase in bond spreads. This sensitivity is caused by investments in sovereign and corporate bonds whose spread component has not been hedged. The loss in available capital in the event of a fall in equity prices is caused primarily by positions in pension funds that would be hit by such a shock.

CET1 sensitivity to main market drivers (under Danish compromise), KBC group (as % points of CET1 ratio), IFRS impact caused by:	As at June 30,		As at December 31,	
	2023	2022	2021	2020
+100-basis-point parallel shift in interest rates.....	(0.1)%	(0.1)%	0.3%	0.3%
+100-basis-point parallel shift in spread.....	(0.1)%	(0.1)%	(0.2)%	(0.2)%
-25% in equity prices.....	(0.1)%	(0.1)%	(0.3)%	(0.3)%

### *Regulatory capital*

Regulatory capital for non-trading market activities totaled €22 million in 2022. It is used to cover foreign exchange exposures only, as the Group does not have any commodity exposures. In line with regulations, other types of non-trading market risk are covered through pillar 2 assessments.

### **Non-financial risk**

The Group’s non-financial risks include operational risk, compliance risk, reputational risk, business risk and strategic risk.

### **Operational risk**

Operational risk is the risk of inadequate or failed internal processes, people and systems or arising from sudden man-made or natural external events.

## *Managing operational risk*

The Extended Competence Center for Operational Risk, which consists of risk experts at both the Group and local levels, works with other expert functions covering the nine operational sub-types: information technology risk, information security risk, business continuity risk, process risk, outsourcing and third-party risk, model risk, legal risk, fraud risk and personal and physical security risk. The Group's approach is aligned with the Basel requirements for Operational Resilience and the EU Digital Operational Resilience Act (“**DORA**”).

A number of Group-wide building blocks are defined to ensure adequate management of operational risks:

- *Risk identification:* Identifying operational risks involves following up on legislation, as well as using the New and Active Products Process (“**NAPP**”), the Climate Risk Impact Map indicating the climate risks that might materialise and potentially impact operational risk, performing risk scans to identify and analyze risks, analyzing key risk indicators, performing independent control monitoring activities, root cause analysis of near misses and losses and other risk events. A structured, process-based repository of Group Key Risks and related mitigating Group Key Control Objectives (“**GKCs**”) is in place to set top-down minimum standards for the risk and control environment. Self-assessments are performed by the first line of defense. GKCs are defined for all Group-wide end-to-end processes and are designed to manage key operational risk types. A review process is in place to keep the repository in line with new or emerging operational risk types. Entities translate these GKCs into their operational process environment and supplement them with additional, local operational controls, if necessary. Dynamic trigger-based risk assessments are in place, based on the continuous screening of both internal and external risk events.
- *Risk measurement:* Unified Group metrics and scales are in place to define and support not only the underpinning of the risk profile of an entity, but also individual operational risk levels in the processes. Group-wide tools are used by the three lines of defense to support the core activities of operational risk management. The Group-wide automated data-driven risk measurement of processes, resulting in Internal Control Statement process scores, is determined based on the following indicators:
  - the control maturity reflecting the effectiveness of Group Key Controls and the Zero Tolerance ‘Blacklisted Companies’;
  - the number of outstanding action plans and audit recommendations (incl. risk acceptances);
  - losses (and legal claims);
  - process-specific indicators for outsourcing and the NAPP.
- *Setting and cascading risk appetite:* The risk appetite for operational risk overall and for the nine operational risk sub-types individually are set in line with the overall requirements as defined in the Enterprise Risk Management Framework.
- *Risk analysis, reporting and follow-up:* A uniform approach, strongly based on first line of defense accountability (business side) and challenges by the second line of defense (risk, fraud, legal and other experts) and assurance by the third line of defense (internal audit), is in place with risk-based follow-up at both local and Group level. Minimum standards for the operational risk management reporting process are defined. Structural reporting to the Group Internal Control Committee (“**GICC**”) is performed on a quarterly basis. Regular reporting and follow-up is presented in the Integrated Risk Report (“**IRR**”) which is brought to the Executive Committee, the Risk & Compliance Committee and the Board of Directors. The quality of the internal control environment and related risk profile is reported to the Group’s senior management and to the NBB, the FSMA and the ECB via the annual Internal Control Statement.



- *Stress testing:* Operational risk scenarios or potential events are considered in the context of risk-type-specific or integrated stress tests.

The Group has paid particular attention to the following four sub-risk types in recent years.

#### *Information risk management*

Information risk management encompasses the risks of information security, IT and business continuity management, the last of these including crisis management. Information security risk is one of the most material risks that financial institutions like the Group face.

The mission of the Group's Competence Center for Information Risk Management (the "**IRM**") is to help protect the Group against threats to data and information, such as loss of integrity, loss of confidentiality and unplanned availability. It supports local risk teams acting as the first line of defence for information risk management. The IRM includes the internationally recognized and certified Group Cyber Emergency and Response Team (the "**CERT**").

Information security and IT risks are structurally reported to the GICC and the Global IT Committee ("**GITCO**"). The GICC supports the Executive Committee in strengthening the quality and efficacy of the Group's internal control system. The GITCO serves as the governance structure to ensure alignment on Information Security and IT strategy across the Group.

A number of Group-wide building blocks are defined to ensure adequate management of information risks throughout the Group:

- *Risk identification:* Involves regular follow-up and analysis of applicable laws and regulations, as well as managing the Group's Information Risk Management Policy and Control framework. In addition, the Group performs regular proactive scanning of the environment in order to identify any external or internal events that could negatively impact it in a direct or indirect way. These are also known as risk signals and are reported to the Risk & Compliance Committee, which informs the Board of Directors, via the Integrated Risk Report and to the Group Internal Control Committee via the Operational Core and Compliance Report. Within the NAPP, all information security and IT-related risks are to be identified and analyzed by the first line of defense, advised by the second line of defense and discussed as part of the NAPP approval.
- *Risk measurement:* The entities' risk profiles, as well as their Internal Control Statement ("**ICS**") scores, for the Information Security, Information Technology and Business Continuity Management processes are determined based on the following indicators:
  - The 'maturity indicator' measures the effectiveness of the Group Key Controls;
  - The 'risk indicator' measures the timely mitigation of outstanding risks as identified by the first, second and third lines of defense and caused by deficiencies in the Group's control environment; and
  - For the information security process, a 'new requirements' indicator is also added which measures the progress on the implementation of additional controls required to anticipate future risks.

Metrics have been defined at the Group Key Control level to underpin control effectiveness with facts and figures. Examples include, but are not limited to, asset management statistics, employee phishing, campaign click rate, websites vulnerability patching speeds and other metrics related to threats to the Group's clients and companies.

- *Setting and cascading risk appetite:* The risk appetite for IT, Information Security and BCM risk is set in line with the overall requirements as defined in our Enterprise Risk Management Framework and is overseen by the GICC and is approved by the Executive Committee and the Board of Directors.
- *Risk analysis, reporting and follow-up:* Information Security and IT risks are assessed by the three lines of defence and continuously monitored via a Group-wide detailed risk assessment tool. The status of Information Risk Management is regularly reported to internal as well as external stakeholders.
- *Stress testing:* Stress testing enables the Group's entities to deal with local cyber crises and handle major incidents. To ensure that Information Security and IT risks are effectively controlled, a number of challenges are performed throughout the Group on a regular basis, such as ethical hacking exercises, technical Cyber Resilience and Readiness Testing, detailed investigations, employee phishing tests, crisis simulations and other incident drills.

#### *Outsourcing risk management*

Regulatory requirements regarding follow-up, measurement and reporting of outsourcing risk have increased over the years. As contracting external service providers is an essential part of operational processes and intra-group outsourcing is an important aspect of the Group's strategy, the need to focus on outsourcing risk remains a key element of the Group-wide risk management at the Group.

To ensure robust management of its outsourcing processes and risks, the Group has put in place a Group-wide outsourcing framework, which comprises a Group-wide outsourcing policy and Group-wide outsourcing risk standards. Both policy and standards are supported by the first and second lines of defence guidance to ensure a standardised approach, in compliance with the EBA Guidelines on Outsourcing, throughout the whole of the Group.

Key control objectives are in place to adequately mitigate risks arising from either external or internal outsourcing during the full life cycle of a service provider, from selection and pre-contractual stages to renewal, termination and exit strategies. Qualitative risk governance of the Group's outsourced activities is ensured by regular risk assessments, their frequency being defined by the criticality of the outsourced activity.

#### *Model risk management*

The Group's data-driven strategy is powered by an expanding set of advanced models. AI-based models are becoming increasingly common across business domains (banking, insurance, asset management).

In line with the internal model risk management standards, all such models are centrally inventoried on a dedicated platform, periodically assessed for their risks and labelled accordingly. This labelling takes into account model uncertainty, model impact and materiality as well as the strength and maturity of controls applied to the model. The resulting labels allow the Group to manage its model risk profile, define priorities and establish action plans.

#### *Business continuity management (including crisis management)*

The Group has a business continuity management process in place to ensure the availability of critical services at all times. This ensures that regular business impact analysis is performed and recovery time objectives are defined and implemented.

The business continuity management process focuses on both prevention and response. Crisis prevention focuses on reducing the probability of a crisis, while crisis response focuses on the effective and efficient handling of a crisis should one occur. To facilitate this, practical scenarios called runbooks are available on how to handle an ongoing crisis.

## **Compliance risk**

Compliance risk is the risk of non-conformity or sanctions due to failure to comply with laws and regulations presenting an integrity dimension, and with internal policies and codes of conduct reflecting the institution's own values, as defined in the Group Compliance Framework. Compliance risk includes conduct risk, which is the current or prospective risk of losses arising from inappropriate supply of products and services, including cases of willful or negligent misconduct.

The role of the Compliance function is:

- to provide advice from an independent viewpoint on the interpretation of laws and regulations pertaining to the relevant domains under its purview, such as through the provision of procedures and instructions, tailored training courses, daily advice and independent opinions in the New and Active Products Process, information on new regulatory developments to the governance bodies and support of Group strategy, and the implementation of legal and regulatory requirements by the various businesses concerned; and
- to carry out risk-based monitoring to ensure the adequacy of the Group's internal control system, which allows it to verify whether legal and regulatory requirements are being correctly implemented in the compliance domains and to test the effectiveness and efficiency of the controls performed by the first line of defense.

Since 2020, the Group has invested significant efforts in scaling and future-proofing the features of the compliance function. This has been achieved by simplifying processes, fostering Group-wide cooperation among the teams and through automation and AI. A first step in these investments was to develop a common integrated platform to enhance the management of money laundering in relation to both 'Know Your Customer' and transaction features of the business. The platform has been rolled out at KBC Bank in Belgium, ČSOB in the Czech Republic, UBB in Bulgaria and K&H in Hungary. The Group Fraud Management has also been developed and material progress was made to meet full maturity between 2023 and 2024 (depending on the business line), while benefitting at the same time from developments in AI.

The values and key requirements are set out in detail in the KBC Compliance Framework which includes the Group's Charter, Integrity Policy, Group Compliance Rules and the Compliance Monitoring Programme. These requirements and values are complemented by a content-based strategy and by backward and forward-looking, qualitative and quantitative key risk and performance indicators that better underpin the risk profile of the organization and reflect the Group's aim of conforming to the applicable laws and regulations.

## ***Reputational risk***

Reputational risk is the risk arising from the loss of confidence by or negative perception on the part of stakeholders, such as KBC employees and representatives, clients and non-clients, shareholders, investors, financial analysts, rating agencies and the local community in which it operates, be it accurate or not, that can adversely affect a company's ability to maintain existing or establish new business and client relationships or affects its ability to have continued access to sources of funding.

Reputation is a valuable asset to the financial services industry, which largely relies on trust. Reputational risk is typically a secondary or derivative risk since it is usually connected to – and materializes together with – another risk. To manage reputational risk, the Group remains focused on sustainable and profitable growth and promotes a strong corporate culture that encourages responsible behavior, including social and environmental responsibilities. The Reputational Risk Management Framework describes how the Group manages its reputational risks, supported by specialist units, including Group Communication, Investor Relations and Group Compliance, to ensure proactive and reactive management of reputational risk.

### ***Business environment and strategic risks***

Business environment risk is the risk arising from changes in external factors such as the macroeconomic environment, regulations, client behavior, the competitive landscape, climate and socio-demographic environment, that impact the demand for and/or profitability of the Group's products and services. Strategic risk is the risk caused by not taking a strategic decision, by taking a strategic decision that does not have the intended effect or by not adequately implementing strategic decisions.

To prepare for and adequately address changes in the external environment and manage strategic risk, the Group has developed robust processes that identify both risks and opportunities and translate them into strategy and innovation roadmaps which are regularly reviewed.

Business environment risks are assessed as part of the strategic planning process, which starts with a risk scan that identifies the top financial and non-financial risks. These risks are quantified both in likely scenarios and in several stress scenarios. Exposure to the identified business environment risks is also monitored on an ongoing basis by means of risk signals which are reported to top management (e.g., risks emerging from the Russian-Ukrainian conflict and the ensuing energy and other supply-side disruptions were quickly picked up via risk signals and translated into action plans).

### **Market risk in trading activities**

Market risk is 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, such as interest rates, exchange rates and equity or commodity prices. The Group's market risk in trading activities comes from the mismatch that occurs between the portfolio arising from the Group's client transactions and the market-standard hedges carried out in the financial markets.

#### *Managing market risk*

The Group's Competence Center for Trading Market Risk (the "CCTMR") is primarily responsible for defining the Trading Market Risk Management Framework (the "TMRMF"). The TMRMF elaborates on specific suitable measures, methods, tools, the control processes to be implanted, organizational aspects, IT systems, matters regarding information and communication and the associated governance for market risk in the Group's trading books. The focus on the Group's trading activities has historically centered on interest rate instruments, while activity on the foreign exchange markets and in relation to equity has traditionally been limited. The trading activities are carried out by the Group's dealing rooms in Belgium, the Czech Republic, Hungary, Bulgaria and Slovakia as well as through a minor presence in the United Kingdom, Singapore and Hong Kong. Wherever practicable, the residual trading positions of the Group's foreign entities are systematically transferred to KBC Bank, centrally managing the Group's trading activity both from a business and risk management perspective. Consequently, KBC Bank holds approximately 98% of the trading-book-related regulatory capital of the Group.

A number of Group-wide building blocks are defined to ensure proper management of market risks:

- *Risk identification:* The risk function analyzes, among others, the results of value and risk calculations, market developments, industry trends, new modelling insights and changes in regulations and draws up advice for the Group Markets Committee ("GMC") with a view to changing or refining measurement methods, limits, hedging methods or positions. Furthermore, before a new or changed dealing room product or activity can be introduced, the risk function screens whether the risk aspects are correctly and sufficiently covered and provides risk advice that includes powers of veto and is part of the NAPP.
- *Risk measurement:* Ownership of the definitions used for the Group-wide measurement of trading market risk lies with the risk function. The Group measures risk via a number of parameters including nominal positions, concentrations, BPV, the so-called 'greeks' and scenario analysis. However, the primary tool the Group uses for measuring and monitoring market risk exposures in the trading book is the HVaR

method. VaR is defined as an estimate of the amount of economic value that might be lost on a given portfolio due to market risk over a defined holding period, with a given confidence level. The Group uses the historical simulation method, which does not have to rely on assumptions regarding the distribution of price fluctuations or correlations, but is based on patterns of experience over the previous two years. The Group's HVaR model is used for both Management HVaR and for the calculation of regulatory capital. Regulatory HVaR is calculated using the relevant CRD IV standards (99% one-sided confidence interval, ten-day holding period). Management HVaR uses the same standards, except that a one-day holding period is used, as this is more intuitive for senior management and is also in line with income statement reporting, day-to-day management, stop losses and back-testing.

- *Setting and cascading risk appetite:* The risk appetite for market risk in trading activities is set in line with the overall requirements as defined in the Group's overarching risk management framework and is overseen by the GMC via a risk limit framework consisting of a hierarchy of limits and early warning indicators. These are defined down to desk level and, in addition to HVaR, include a series of secondary limits, with equity concentration limits, FX concentration limits and basis-point-value limits for interest rate risk and basis risk. The specific risk associated with a particular issuer or country is also subject to concentration limits. There are also scenario analysis limits and, where deemed appropriate, stress scenario limits involving multiple shifts of underlying risk factors.
- *Risk analysis, monitoring, reporting and follow-up:* In addition to the more proactive elements described under "Risk identification" above, this involves compiling the necessary external and internal reports, issuing advice on business proposals, and monitoring and advising on the risks attached to the positions. The Group monitors and follows up the risks attached to the positions on a daily basis by means of the risk limit framework. Another important aspect of this building block is prudent valuation. The Group performs a daily independent middle-office valuation of front-office positions. Whenever the independent nature or the reliability of the valuation process is not guaranteed, the Group performs a monthly parameter review. Where applicable, it makes adjustments to the fair value to reflect close-out costs, mark-to-model-related value adjustments, counterparty risk and liquidity risk. Risk monitoring is also carried out via internal assessments and a large variety of controls, including parameter reviews, daily reconciliation processes, analyses of the material impact of proxies and other periodic controls to ensure sound risk management. The GMC, which meets every four weeks, receives an extensive Core Report as well as periodic and ad hoc memos and reports. The GMC also receives a bi-weekly dashboard whose frequency is increased (up to daily, if needed) depending on market circumstances. The Executive Committee ratifies the minutes of the GMC meetings and also receives market-risk-related information and risk signals in its monthly Integrated Risk Report.
- *Stress testing:* In addition to the risk limit framework, the Group conducts extensive stress tests on its positions on a weekly basis. Whereas the HVaR model captures potential losses under normal market conditions, stress tests show the impact of exceptional circumstances and events with a low degree of probability. The historical and hypothetical stress-test scenarios incorporate both market risk and the liquidity aspects of disruptions in the market. The stress tests are discussed at GMC meetings to enable the members to gain an insight into potential weaknesses in the positions held by the Group. During 2022, the Group's review of the stress tests (as regards their mix and checking that they remain up-to-date and relevant) resulted in the recalibration of the tenor basis shifts and the crosscurrency basis shifts used in the Group's interest rate hypothetical stress tests, with no other changes deemed necessary.

#### *Risk analysis and quantification*

The table below shows the Management HVaR for the residual trading position at all the dealings rooms of the Group that can be modelled by HVaR.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
		<i>(EUR million)</i>	
Average for 1Q.....	8	8	6
Average for 2Q.....	9	8	9

Average for 3Q.....	10	7	9
Average for 4Q.....	9	7	9
As at December 31 .....	7	7	8
Maximum in year .....	12	11	11
Minimum in year.....	6	4	4

A breakdown of the risk factors for trading (averaged over the full year) in the Group's HVaR model is shown in the table below. The equity risk stems from the equity desk, as well as from KBC Securities.

	<u>Average for 2022</u>	<u>Average for 2021</u>	<u>Average for 2020</u>	<u>Average for 2019</u>
		<i>(EUR million)</i>		
Interest rate risk.....	8.6	7.6	7.9	7.0
FX risk.....	1.3	1.1	1.1	0.8
FX options risk.....	0.3	0.2	0.7	0.5
Equity risk.....	0.8	0.9	1.0	0.7
Diversification effect.....	(2.1)	(2.3)	(2.5)	(2.0)
Total HVaR.....	8.9	7.5	8.2	7.0

The Group tests the reliability of the VaR model daily via a back-test, which compares the one-day VaR figure to daily income statement figures. This is done at the top level and can be reviewed in detail at the different entities, desks and even to trader account level.

### *Regulatory Capital*

The majority of regulatory capital requirements are calculated using the Group's Approved Internal Model which uses stressed value at risk ("SVaR") in addition to HVaR, one of the CRD III Regulatory Capital charges that came 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. Business lines not included in the internal model calculations are measured according to the Standardized approach.

### **Liquidity risk**

Liquidity risk is the risk that an organization will be unable to meet its liabilities and obligations as they come due, without incurring higher-than-expected costs.

### *Managing liquidity risk*

The principal objective of the Group's liquidity management is to be able to fund the Group and to enable the core business activities of the Group to continue to generate revenue, even under adverse circumstances.

To carry out this objective, the Group and Local Treasury act as the first line of defense and are responsible for the Group's overall liquidity and funding management. The Group Treasury function monitors and steers the liquidity profile on a daily basis and sets the policies and steering mechanisms for funding management, including intra-Group funding and funds transfer pricing. These policies ensure that local management has an incentive to work towards a sound funding profile. The Group Treasury function also monitors its collateral on a Group-wide basis. The Risk function is the second line of defense. Given the specifics of the Treasury domain, and in support of the Group CRO, a dedicated Treasury CRO was appointed who is accountable for the Treasury activities. The Group-wide Extended Competence Center for ALM and Liquidity Risk is in turn responsible for establishing the principles for liquidity risk management, which are laid out in a Group-wide Liquidity Risk Management Framework that defines the risk playing field.

A number of Group-wide building blocks are defined to ensure proper risk management:

- *Risk identification:* The NAPP process, the risk scan, stress testing and materiality assessments are important tools used for risk identification. An annual assessment of key risk drivers impacting liquidity is performed as well. Where relevant, risk signals are presented in Treasury Risk Reports and Integrated Risk Reports.
- *Risk measurement:* Identified liquidity risks are measured by means of both regulatory metrics such as the Liquidity Coverage Ratio (“LCR”) and the Net Stable Funding Ratio (“NSFR”), and internal metrics on, for example, the funding mix and concentration, the composition of the liquid asset buffer and the liquidity gap term structure. In the maturity analysis table below, the Group’s structural liquidity risk is illustrated by grouping the assets and liabilities according to the remaining term to maturity (using the contractual maturity date). The difference between the cash inflows and outflows is referred to as the ‘net funding gap’.
- *Setting and cascading risk appetite:* The Board of Directors sets the overall risk appetite objective for liquidity in close cooperation with the Executive Committee. The ALCO then translates this risk appetite for liquidity into liquidity risk measures and sets the limits for these measures.
- *Risk analysis, reporting and follow-up:* To mitigate day-to-day liquidity risk, Group-wide trends in funding liquidity and funding needs are monitored continuously by the Group Treasury function. A Liquidity Contingency Plan drafted by the Group Treasury function is in place to address possible liquidity crisis situations and is tested at least annually.
- *Stress testing:* Liquidity stress tests assess the Group’s liquidity contingency risk by measuring how the liquidity buffer of the Group’s bank and insurance entities changes under extreme stressed scenarios. This buffer is based on assumptions regarding liquidity outflows and liquidity inflows resulting from actions to increase liquidity. The liquidity buffer must be sufficient to cover liquidity needs over (i) a period that is required to restore market confidence in the Group following a KBC-specific event, (ii) a period that is required for markets to stabilize after a general market event and (iii) a combined scenario, which takes a KBC-specific event and a general market event into account. This information is fed into the Liquidity Contingency Plan.

Moreover, the Group has an Internal Liquidity Adequacy Assessment Process (“ILAAP”) in place to ensure it has robust strategies, policies, processes and systems for identifying, measuring, managing and monitoring liquidity risk and funding positions over all appropriate time horizons, in order to maintain adequate levels of liquidity buffers.

#### Maturity analysis

In the maturity analysis table below, the Group’s structural liquidity risk is illustrated by grouping the assets and liabilities according to the remaining term to maturity, using the contractual maturity date. Similar data as at June 30, 2023 is not available.

Liquidity risk (excluding intercompany deals)*	<= 1 month	1-3 months	3-12 months	1-5 years	>5 years	On demand	Not defined	Total
	<i>(EUR billion)</i>							
<b>As at December 31, 2022</b>								
Total inflows .....	6	12	20	82	115	53	34	322
Total outflows .....	38	20	29	24	5	178	29	322
Professional funding .....	6	0	20	5	0	4	0	36
Customer funding .....	19	9	8	12	3	174	0	226
Debt certificates .....	8	11	1	7	1	0	0	28
Other .....	4	0	0	0	0	0	29	33
Liquidity gap (excl. undrawn commitments) .....	(32)	(8)	(9)	58	111	(125)	5	0
Undrawn commitments .....	-	-	-	-	-	-	(47)	(47)
Financial guarantees .....	-	-	-	-	-	-	(11)	(11)
Net funding gap (incl. undrawn commitments) .....	(32)	(8)	(9)	58	111	(125)	(53)	(58)

**As at December 31, 2021**

Total inflows .....	7	10	23	75	101	43	44	303
Total outflows .....	20	19	10	41	4	178	31	303
Professional funding .....	7	1	3	24	0	6	0	41
Customer funding .....	5	11	3	10	2	172	0	203
Debt certificates .....	4	7	4	6	2	0	0	24
Other .....	4	0	0	0	0	0	31	35
Liquidity gap (excl. undrawn commitments).....	(13)	(9)	13	34	96	(135)	13	0
Undrawn commitments .....	-	-	-	-	-	-	(43)	(43)
Financial guarantees.....	-	-	-	-	-	-	(10)	(10)
Net funding gap (incl. undrawn commitments).....	(13)	(9)	13	34	96	(135)	(41)	(54)
<b>As at December 31, 2020</b>								
Total inflows .....	38	9	22	75	95	8	38	284
Total outflows .....	44	16	10	23	5	161	25	284
Professional funding .....	28	3	3	1	0	3	0	38
Customer funding .....	6	8	5	12	2	158	0	192
Debt certificates .....	6	5	3	9	3	0	0	26
Other .....	4	0	0	0	0	0	25	29
Liquidity gap (excl. undrawn commitments).....	(6)	(7)	12	52	90	(153)	13	0
Undrawn commitments .....	-	-	-	-	-	-	(40)	(40)
Financial guarantees.....	-	-	-	-	-	-	(10)	(10)
Net funding gap (incl. undrawn commitments).....	(6)	(7)	12	52	90	(153)	(37)	(50)

\* Cashflows exclude interest rate flows consistent with internal and regulatory liquidity reporting. Inflows/outflows that arise from margin calls posted/received for mark-to-market positions in derivatives are reported in the 'Not defined' bucket. 'Professional funding' includes all deposits from credit institutions and investment firms, as well as all repos. Instruments are classified on the basis of their first callable date. Some instruments are reported at fair value (on a discounted basis), whereas others are reported on an undiscounted basis (in order to reconcile them with Note 4.1 of the 'Consolidated financial statements' section). Due to the uncertain nature of the maturity profile of undrawn commitments and financial guarantees, these instruments are reported in the 'Not defined' bucket. The 'Other' category under 'Total outflows' contains own equity, short positions, provisions for risks and charges, tax liabilities and other liabilities. Figures in the consolidated balance sheet differ from the ones shown here. This is because the planned sale of the activities of KBC Bank Ireland resulted in a shift to the 'Non-current assets held for sale and disposal groups' and 'Liabilities associated with disposal groups' balance sheet items as we consider all IFRS 5 conditions to have been met, while the funding mix shows the economic positions including KBC Ireland at year-end.

This structural liquidity gap does not include the concept of a Liquid Asset Buffer (i.e. the fact that the Group can monetise its liquid bonds at all times via repo or pledging). Rather, cash generating capacity from bonds is only visible in the above table at final maturity of the bond. As a result, the net funding gaps shown in the first buckets in the above table are an overestimation of the risk as, in practice, the Group would monetise its Liquid Asset Buffer (€96 billion at end of year 2022, of which €49 billion was unencumbered central bank eligible assets and the remainder cash and withdrawable Central Bank receivables) to address these net outflows.

## Technical insurance risks

Technical insurance risks stem from uncertainty about the frequency and severity of losses. The Group manages these risks through appropriate underwriting, pricing, claims reserving, reinsurance and claims policies of line management and through independent insurance risk management.

### *Managing technical insurance risk*

The Insurance Risk Competence Center develops and implements a Group-wide framework for managing insurance risks and is primarily responsible for identifying and classifying all insurance risks that may be triggered. It is also responsible for providing support for local implementation and for the functional direction of the insurance risk management process of the insurance subsidiaries.

Part of the risk identification process consists of reliably classifying all insurance risks that may be triggered by reinsurance contracts. Under the Solvency II directive, insurance activities are split up into three main categories, namely Life, Non-Life and Health, each sub-divided into catastrophe and non-catastrophe risks.

A number of Group-wide building blocks are defined to ensure proper management of technical insurance risk:

- **Risk identification:** The Group is able to identify and analyze material insurance risks by analyzing new merging risks, concentration or accumulation risks, NAPP analysis and developing early warning signals. In addition, the Group performs deep dives to gain further insights into the technical insurance and a whole range of subjects, with special attention paid to the adequacy the technical provisions.



- *Risk measurement:* Technical insurance risk is measured by means of regulatory measures, such as Solvency Capital Requirement (“**SCR**”) and the Best Estimate valuation of insurance liabilities, as well as internal measures on, for example, economic profitability of insurance portfolios and non-life capital requirements based on internal stochastic models. These measures for insurance risk are used consistently throughout the Group.
- *Setting and cascading risk appetite:* The risk appetite for technical insurance risk is set in line with the overall requirements as defined in the Group’s Enterprise Risk Management Framework, is overseen by the GIC and is approved by the Executive Committee and the Board of Directors. At the GIC, the defined limits are reviewed and reported. The insurance risk limits are determined and set at Group level and further cascaded to the local entities. The necessary compliance checks are conducted.
- *Risk analysis, monitoring, reporting and follow-up:* If the risk profile is not in line with the risk appetite, the reason has to be identified and analyzed (e.g., which lines of business are contributing to the deviating risk profile) and the outcome and corrective action must be discussed at the GIC. Breaches at Group level are subject to the approval of the Executive Committee/Board of Directors. Regular reporting and follow-up of the risk measurements is presented in the Insurance Integrated Risk Report (“**IIRR**”), which is submitted to the Group Insurance Committee on a quarterly basis. In addition, relevant risk signals are reported to the Risk & Compliance Committee and Board of Directors on a regular basis as part of the regular Group Integrated Risk Report.
- *Stress testing:* Internal and external stress tests and sensitivity analyses are performed and the outcome of these tests is reported in the annual Own Risk and Solvency Assessment (“**ORSA**”) report.

#### *Reinsurance*

The Group’s insurance portfolios are protected against the impact of large claims or accumulation of losses by limits per policy, diversification of the portfolio across product lines and geographical regions and by reinsurance. The Group’s reinsurance programs can be divided into three main groups: property insurance, liability insurance and personal insurance. Most of the Group’s reinsurance contracts are concluded on a non-proportional basis, which provides specific cover against the impact of large loss events.

The Group’s independent insurance risk function is responsible for:

- Advising on the restructuring of the reinsurance program during annual negotiations;
- Informing management on a quarterly basis of the top natural catastrophe claims and how these were managed and mitigated; and
- Conducting ad hoc analyses and deep dives following risk signals or management requests to analyze possible trends in natural catastrophe events.

#### *Adequacy of technical provisions*

The Group Risk function regularly carries out in-depth analyses and deep dives that confirm that there is a high degree of probability that the life and non-life technical provisions at the subsidiary level are adequate.

First, Liability Adequacy Tests are conducted that meet local and IFRS requirements for technical provisions. Starting from the Best Estimate model, calculations are made using a discount rate that is set for each insurance entity based on local macroeconomic conditions and regulations.

Then, loss triangles are developed that show claims settlement figures in the non-life business over the past few years:

- the claims-settlement figures incorporate all amounts that can be allocated to individual claims, including the Incurred But Not Reported (“**IBNR**”) and Incurred But Not Enough Reserved (“**IBNER**”) provisions, and the external claims handling expenses, but do not include internal claims settlement expenses and provisions for amounts expected to be recovered; and
- all provisions for claims to be paid at the close of 2022 have been included and are before reinsurance, adjusted to eliminate intercompany amounts related to KBC Group Re, the Group’s own reinsurance company. This makes it possible to first pool the reinsurance risks internally and then, in a subsequent stage, go to the reinsurance market.

### **Climate-related and other ESG risks**

Climate-related and other ESG risks are the risks of environmental, social or governance factors, either current or prospective, that impact the Group either directly or indirectly via its counterparties and exposures. Environmental risk is the risk arising from climate change (climate risk) or from other environmental degradation such as biodiversity loss, scarcity of fresh water, pollution (of air, water and soil) and waste. Social risk is the risk arising from changing expectations about relationships with employees, suppliers, clients and communities, such as labour and workforce considerations, human rights and poverty, community impact and client relationships. Governance risk is the risk arising from changing expectations about corporate governance, anti-corruption and anti-bribery measures and transparency.

Climate-related and other ESG-related risks play an increasingly prominent role in the Group’s stress testing scenarios and sensitivity analyses and ESG risks are being gradually embedded in the KBC Risk Management Framework and in the Group’s risk management processes. ESG risks are identified in the Group’s risk taxonomy but not defined as a separate risk type. Instead, they are considered as key drivers of the external environment which manifest themselves through each of the other traditional risk areas such as credit risk, technical insurance risk, market risk, operational risk and reputational risk. As such, the Group does not consider ESG as a standalone risk type.

#### *Managing ESG risk*

The Group uses a variety of approaches to identify ESG risks, including internally developed strategic sectoral projects or white papers, accounting for sustainability and climate-related policies when deciding on new products or services, and client dialogues to better understand how business clients deal with sustainability challenges in order to better support them.

The Group has also worked with external parties on a series of methodologies to strengthen its ability to identify, measure and analyze climate-related risks for its lending and investment activities. These methodologies provide further insights into the impact of climate change on the Group’s business model, as well as the impact of its activities on the environment. Integrating these methodologies enables the Group to gradually improve credit underwriting and investment policies and support it in engaging with its clients.

## CAPITAL MANAGEMENT

Capital management is a key management process relating to all decisions on the level and composition of the Group's capital. It aims to achieve the best possible balance between regulatory requirements, rating agencies' views, market expectations and management ambitions.

### Solvency at KBC Group level

#### *Solvency reporting*

The Group reports the solvency of the Group, KBC Bank and KBC Insurance based on IFRS data and according to the rules imposed by the regulator. For the Group, this implies that it calculates its solvency ratios based on the Capital Requirements Regulation/Capital Requirement Directive (“**CRR/CRD**”).

CRR/CRD implements the Basel rules in Europe and is updated from time to time. When new requirements are implemented, a transitional period may be allowed during which these rules are gradually phased in. The Group currently makes use of transitional measures for Tier-2 instruments issued under third-country law that do not apply a contractual bail-in recognition clause and of the IFRS9 transitional measures (applied from the second quarter of 2020). The latter makes it possible to add back a portion of the increased impairment charges to common equity capital (CET1) when provisions unexpectedly rise due to a worsening macroeconomic outlook during the transition period until December 31, 2024.

Based on CRR/CRD, profit can be included in CET1 capital only after the profit appropriation decision has been made by the final decision-making body. For the KBC Group, this is the General Meeting of Shareholders. The ECB can allow the inclusion of interim or annual profit in CET1 capital before the decision by the General Meeting of Shareholders. In that case, the foreseeable dividend must be deducted from the profit that is included in CET1. As the Group's dividend policy of ‘at least 50% of the consolidated profit of the accounting year’ does not include a maximum, the ECB requires the use of a 100% pay-out to determine the foreseeable dividend as long as there is no final dividend decision. Consequently, the Group no longer requests ECB approval to include interim or annual profit in CET1 capital before the decision by the General Meeting of Shareholders. As such, the annual profit for 2022 and the final dividend of €3.0 per share for 2022 are recognized in the fully loaded CET1 figures for December 31, 2022, but not in the transitional CET1 figures for the same date pending formal approval by the General Meeting which was held and granted on May 4, 2023. The Group re-submitted the December 31, 2022 transitional figures to the ECB after the formal approval at the General Meeting. After having received EBC approval, the Board of Directors decided to distribute €1.3 billion in the form of a share buyback starting as soon as possible and ending by August 2024. As such, €1.3 billion will be deducted from the fully loaded and transitional CET1 ratio as of the third quarter of 2023.

The general rule under CRR/CRD for insurance participations is that an insurance participation is deducted from common equity at Group level, unless the competent authority grants permission to apply a risk weighting instead (known as the “**Danish compromise**”). Since September of 2020, the revised CRR/CRD requires the use of the equity method, unless the competent authority allows institutions to apply a different method. The Group has received the ECB's approval to continue using a historical carrying value of €2,469 million for risk weighting, after having deconsolidated KBC Insurance from the Group figures.

#### *Solvency requirements*

The minimum solvency ratios required under CRR/CRD are 4.5% for the common equity tier-1 (“**CET1**”) ratio, 6% for the tier-1 capital ratio and 8% for the total capital ratio (i.e. pillar 1 minimum ratios). In addition, CRR/CRD requires a capital conservation buffer of 2.5%.

As a result of its supervisory review and evaluation process (“**SREP**”), the competent supervisory authority (in the Group's case, the ECB) can require that higher minimum ratios be maintained (under the Bank for International Settlements (“**BIS**”) pillar 2 framework and requirements) because, for instance, not all risks are

properly reflected in the regulatory pillar 1 calculations. Following the SREP cycle of 2022, the ECB formally notified the Group that the pillar 2 requirement (“**P2R**”) would remain unchanged at 1.86%. The pillar 2 guidance (“**P2G**”) remained unchanged at 1% CET1.

The overall capital requirement for the Group is not only determined by the ECB, but also by the decisions of the local competent authorities in its core markets. The most recently announced countercyclical buffer rates by the countries where the Group’s relevant credit exposures are located correspond to a countercyclical buffer at KBC Group level of 0.75%, up from 0.45% in 2021, as authorities in the Czech Republic, Slovakia, Bulgaria and Hungary have decided to increase the countercyclical capital buffers.

For Belgian systemic financial institutions, including the Group, the NBB had already announced its systemic capital buffers at an earlier date. For the Group, this means that an additional capital buffer of 1.5% of CET1 is required.

On May 1, 2022, the NBB introduced a sectoral systemic risk buffer. It replaces the former risk-weighted assets (“**RWA**”) add-on for exposures secured by residential real estate in Belgium and is to be held by all banks that apply the Internal Ratings-Based approach (“**IRB**”). The amount of the CET1 capital buffer corresponds to 9% of the RWA for exposures secured by residential real estate in Belgium, which corresponds to 0.19% of total RWA for the Group consolidated.

Altogether, this brings the fully loaded CET1 requirement (under the Danish compromise) to 11.30%, with an additional P2G of 1%. If the P2R split according to Article 104a of Capital Requirement Directive V were applied, the overall fully loaded CET1 requirement (under the Danish compromise) would be 10.49% instead of 11.30%.

On August 31, 2023, the NBB announced the set CCyB rate for Belgian exposures at 0.5% as from April 1, 2024 and at 1.0% starting from October 1, 2024. Combined with the limited changes of CCyB rates in other countries where KBC has credit exposure, this will increase the Group’s CCyB from 0.75% to 1.25%.

On August 31, 2023, the NBB announced a lower sectoral systemic risk buffer in Belgium from 9.0% to 6.0% as from April 1, 2024. This will reduce the systemic risk buffer of the Group from 0.19% to 0.12%.

The data above reflect the situation on December 31, 2022, without taking into account changes, if any, communicated after that date.

The Group aims to be one of the better capitalized financial institutions in Europe. As a consequence, the dividend policy of the Group is tailored to that aim. Each year, the Board of Directors will decide at its discretion on the total dividend based on an assessment of risks, forward-looking profitability and strategic opportunities. The dividend policy prescribes (i) a pay-out ratio (i.e. dividend and AT1 coupon) of at least 50% of the consolidated profit for the accounting year and (ii) an interim dividend of €1 per share in November of each accounting year as an advance on the total dividend.

On top of the pay-out ratio of at least 50% of consolidated profit, each year (when announcing the full-year results) the Board of Directors will make a decision at its discretion on the distribution of the capital above a 15.0% fully loaded CET1 ratio, the so-called ‘surplus capital’. This surplus capital can be distributed in the form of a cash dividend, a share buy-back or a combination of both.

For the year ended December 31, 2022, a total gross dividend of €4 per share was proposed to the General Meeting of Shareholders (of which an interim dividend of €1 per share was already paid in November 2022 and the remaining €3 per share was paid in May 2023). After closing the sale of substantially all of KBC Bank Ireland’s performing loan assets and liabilities to Bank of Ireland Group and having received the approval of the ECB for its distribution of amounts above the fully loaded CET1 ratio of 15%, the Board of Directors decided to distribute €1.3 billion surplus capital in the form of a share buyback in line with the announced capital deployment plan for financial year 2022. The share buyback will start as soon as possible and end by August 2024. The shares will be bought back under the conditions specified in the authorization granted by the General Meeting in May 2022. In

line with the Group's general dividend policy, the Group will also pay out an interim dividend of €1 per share in November 2023 as an advance on the total dividend for the financial year 2023.

### *Solvency figures under CRR/CRD*

A summary calculation of the Group's solvency ratios under the Danish compromise method is given in the table below, including a breakdown of the deductions and filters applicable to the Group. The intention to distribute surplus capital either through a share buyback or through an additional extraordinary dividend is not reflected in the solvency figures as at December 31, 2022.

	As at June 30,		As at December 31,					
	2023		2022		2021		2020	
	Fully loaded	Transitional	Fully loaded	Transitional	Fully loaded	Transitional	Fully loaded	Transitional
	<i>(EUR million)</i>							
<b>Total regulatory capital, after profit appropriation<sup>1</sup> .....</b>	<b>21,772</b>	<b>21,009</b>	<b>20,100</b>	<b>18,742</b>	<b>19,445</b>	<b>20,732</b>	<b>21,627</b>	<b>21,856</b>
<b>Tier-1 capital .....</b>	<b>19,465</b>	<b>18,558</b>	<b>18,318</b>	<b>16,974</b>	<b>17,724</b>	<b>18,997</b>	<b>19,448</b>	<b>19,941</b>
<b>Common equity<sup>2,6</sup> .....</b>	<b>17,965</b>	<b>17,058</b>	<b>16,818</b>	<b>15,474</b>	<b>16,224</b>	<b>17,497</b>	<b>17,948</b>	<b>18,441</b>
Parent shareholders' equity (after deconsolidating KBC Insurance) .....	20,481	19,026	19,623	16,982	20,049	17,708	18,688	18,688
Intangible fixed assets, incl. deferred tax impact (-) .....	(639)	(639)	(609)	(609)	(539)	(539)	(568)	(568)
Goodwill on consolidation, incl. deferred tax impact (-) .....	(1,200)	-(1,200)	(1,178)	(1,178)	(746)	(746)	9734	(734)
Minority interests .....	1	1	0	0	0	0	0	0
Hedging reserve, cashflow hedges (-) ..	832	832	936	936	1,108	1,108	1,294	1,294
Valuation differences in financial liabilities at fair value – own credit risk (-) .....	(36)	(36)	(40)	(40)	(16)	(16)	(13)	(13)
Value adjustment due to requirements for prudent valuation (-) <sup>3</sup>	(25)	(25)	(31)	(31)	(28)	(28)	(25)	(25)
Dividend pay-out (-) ..	(899)	(417)	(1,252)	0	(3,168)	0	(183)	(183)
Coupon on AT1 instruments (-) .....	0	0	(12)	(12)	(12)	(12)	(12)	(12)
Deduction with regard to financing provided to shareholders (-) .....	(12)	(12)	(57)	(57)	(57)	(57)	(57)	(57)
Deduction with regard to irrevocable payment commitments (-) .....	(56)	(56)	(90)	(90)	(72)	(72)	(58)	(58)
Deduction with regard to NPL backstops (-) <sup>4</sup> .....	(90)	(90)	(158)	(158)	(68)	(68)	(11)	(11)
Deduction with regard to pension plan assets (-) .....	(123)	(123)	(143)	(143)	0	0	0	0
Other direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount) .....	(132)	(132)	0	0	0	0	0	0
IRB provision shortfall (-) .....	0	0	0	0	0	(31)	0	0
Deferred tax assets on losses carried forward (-) .....	(137)	(137)	(172)	(172)	(227)	(227)	(373)	(373)
Transitional adjustments to CET1	0	66	0	46	0	477	0	493

	As at June 30,		As at December 31,					
	2023		2022		2021		2020	
	Fully loaded	Transitional	Fully loaded	Transitional	Fully loaded	Transitional	Fully loaded	Transitional
Limit on deferred tax assets from timing differences relying on future profitability and significant participations in financial entities (-) ..	0	0	0	0	0	0	0	0
<b>Additional going concern capital</b> .....	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>
Grandfathered innovative hybrid tier-1 instruments .....	0	0	0	0	0	0	0	0
Grandfathered non-innovative hybrid tier-1 instruments .....	0	0	0	0	0	0	0	0
CRR-compliant AT1 instruments .....	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Minority interests to be included in additional going concern capital .....	0	0	0	0	0	0	0	0
<b>Tier-2 capital</b> .....	<b>2,307</b>	<b>2,452</b>	<b>1,782</b>	<b>1,767</b>	<b>1,721</b>	<b>1,735</b>	<b>2,178</b>	<b>1,914</b>
IRB provision excess (+)	312	359	284	136	224	493	427	427
Transitional adjustments to Tier-2 capital .....	0	- 81	0	(46)	0	(493)	0	(264)
Subordinated liabilities issued by KBC Group .....	1,996	2,174	1,498	1,677	1,439	1,678	1,678	1,678
Subordinated liabilities issued by subsidiaries of KBC Group .....	1,996	2,174	0	0	57	57	73	73
Subordinated loans to non-consolidated financial sector entities (-) .....	0	0	0	0	0	0	0	0
Minority interests to be included in tier-2 capital .....	0	0	0	0	0	0	0	0
<b>Total weighted risk volume</b> .....	<b>108,945</b>	<b>108,909</b>	<b>109,981</b>	<b>109,966</b>	<b>104,646</b>	<b>104,362</b>	<b>102,111</b>	<b>101,843</b>
Banking .....	99,272	99,236	100,300	100,285	95,120	94,836	92,903	92,635
Credit risk .....	84,490	84,454	85,003	84,988	80,971	80,687	78,785	78,518
IRB Advanced approach .....	64,895	64,895	65,411	65,411	67,321	67,321	63,339	63,339
IRB Foundation approach .....	3,046	3,046	2,913	2,913	2,561	2,561	2,681	2,681
Standardized approach .....	11,849	11,849	11,124	11,134	7,378	7,408	7,270	7,313
Counterparty credit risk .....	2,744	2,744	2,720	2,720	3,065	3,065	2,884	2,884
Other assets .....	1,956	1,920	2,834	2,809	646	333	2,612	2,302
Market risk <sup>5</sup> .....	2,616	2,616	3,132	3,132	2,665	2,665	2,716	2,716
Operational risk .....	12,166	12,166	12,166	12,166	11,484	11,484	11,401	11,401
Insurance .....	9,133	9,133	9,133	9,133	9,133	9,133	9,133	9,133
Holding-company activities .....	554	554	562	562	396	396	66	66
<b>Elimination of intercompany transactions</b> .....	<b>(15)</b>	<b>(15)</b>	<b>(14)</b>	<b>(14)</b>	<b>(4)</b>	<b>(4)</b>	<b>9</b>	<b>9</b>
<b>Solvency ratios</b> .....	<b>(15)</b>	<b>(15)</b>	<b>(14)</b>	<b>(14)</b>	<b>(4)</b>	<b>(4)</b>	<b>9</b>	<b>9</b>
Common equity ratio (or CET1 ratio) .....	16.49%	15.66%	15.3%	14.1%	15.5%	16.8%	17.6%	18.1%
Tier-1 ratio .....	17.87%	17.04%	16.7%	15.4%	16.9%	18.2%	19.0%	19.6%
Total capital ratio .....	19.98%	19.29%	18.3%	17.0%	18.6%	19.9%	21.2%	21.5%

1. The difference between the fully loaded and the transitional figure as at December 31, 2022 is explained by the net result for 2022 (€2,641 million under the Danish compromise method), the proposed final dividend (-€1,252 million), the impact of the IFRS9

- transitional measures and IRB excess/shortfall (+€148 million) and the grandfathered tier-2 subordinated debt instruments (-€179 million).
- Audited figures (excluding 'IRB provision shortfall', 'Value adjustment due to requirements for prudent valuation' and 'Deduction with regard to NPL backstops').
  - CRR ensures that prudent valuation is reflected in the calculation of available capital. This means that the fair value of all assets measured at fair value and impacting the available capital (by means of fair value changes in P&L or equity) need to be brought back to their prudent value. The difference between the fair value and the prudent value (also called the 'additional value adjustment' or AVA) must be deducted from the CET1 ratio.
  - NPL backstops refer to the ECB minimum coverage expectations on non-performing loans, applicable as of December 31, 2020. For exposures defaulted after April 1, 2018 but originated before April 26, 2019, the Group voluntarily deducts from CET1 any shortfalls versus supervisory expectations.
  - The multiplier of HVAR and SVAR used for the calculation of market risk is equal to 3.5.
  - In 2020, the Group made a change in accounting policy for intangible assets. Following the requirements of IAS8, the changes in accounting policy have been applied retrospectively (as if the new accounting policy had always been applied). Consequently, parent shareholders' equity has been retrospectively restated (decrease of €143 million), as well as intangible fixed assets, including deferred tax impact (€143 million less deducted). There was no impact on the CET1 ratio.

The following table sets forth the Group's solvency at Group level under the deduction method.

	As at June 30,		2022		As at December 31,		2020	
	Fully loaded	Transitional	Fully loaded	Transitional	Fully loaded	Transitional	Fully loaded	Transitional
	<i>(EUR million)</i>							
Common equity.....	17,965	16,310	16,056	14,574	15,392	16,744	17,282	17,775
Total weighted risk volume.....	104,356	104,076	105,114	104,752	99,603	99,518	97,481	97,214
Common equity ratio ...	16.6%	15.7%	15.3%	13.9%	15.5%	16.8%	17.7%	18.3%

### Maximum Distributable Amount

Amounts for distribution (dividend payments, payments related to additional tier-1 instruments or variable remuneration) are limited when the combined buffer requirements described above are breached. This limitation is referred to as Maximum Distributable Amount ("MDA") thresholds. The table below provides an overview of the Group's buffers compared to these thresholds, both on a transitional basis (i.e. transitional figures relative to the regulatory targets that apply on the reporting date) and on a fully loaded basis (i.e. fully loaded figures relative to the regulatory targets that will apply going forward).

In line with the revised CRR/CRD, the ECB allows banks to satisfy the P2R with additional tier-1 instruments (up to 1.5/8) and tier-2 instruments (up to 2/8) based on the same relative weights as allowed for meeting the 8% Pillar 1 requirement.

	As at June 30,		2022		As at December 31,		2020	
	Fully loaded	Transitional	Fully loaded	Transitional	Fully loaded	Transitional	Fully loaded	Transitional
CET1 Pillar 1 minimum .....	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Pillar 2 requirement to be satisfied with CET1 .....	1.05%	1.05%	1.05%	1.05%	1.05%	0.98%	0.98%	0.98%
Capital conservation buffer .....	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Buffer for systemically important institutions (O-SII) ..	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Systemic Risk Buffer (SRyB) ..	0.21%	0.21%	0.19%	0.19%	-	-	-	-
Entity-specific countercyclical buffer.....	0.78%	0.66%	0.75%	0.40%	0.45%	0.17%	0.20%	0.17%
<b>Overall Capital Requirement (OCR) - with P2R split under CRD Art. 104a(4).....</b>	<b>10.54%</b>	<b>10.41%</b>	<b>10.49%</b>	<b>10.14%</b>	<b>10.00%</b>	<b>9.66%</b>	<b>9.68%</b>	<b>9.65%</b>
Pillar 2 requirement that can be satisfied with AT1 & T2 .....	0.81%	0.81%	0.81%	0.81%	0.81%	0.77%	0.77%	0.77%
<b>Overall Capital Requirement (OCR)<sup>1</sup> (A), no P2R split .....</b>	<b>11.35%</b>	<b>11.22%</b>	<b>11.30%</b>	<b>10.95%</b>	<b>10.81%</b>	<b>10.42%</b>	<b>10.45%</b>	<b>10.42%</b>
CET1 used to satisfy shortfall in AT1 bucket (B).....	0.12%	0.12%	0.14%	0.14%	0.07%	0.06%	0.03%	0.03%
CET1 used to satisfy shortfall in T2 bucket (C) <sup>2</sup> .....	(0.12)%	(0.25)%	0.38%	0.39%	0.36%	0.34%	(0.13)%	0.12%
<b>CET1 requirement for MDA (A+B+C).....</b>	<b>11.36%</b>	<b>11.10%</b>	<b>11.82%</b>	<b>11.48%</b>	<b>11.23%</b>	<b>10.82%</b>	<b>10.35%</b>	<b>10.57%</b>
CET1 capital (in millions of EUR) .....	17,965	17,058	16,818	15,474	16,224	17,497	17,948	18,441

	As at June 30,		As at December 31,					
	2023		2022		2021		2020	
	Fully loaded	Transitional	Fully loaded	Transitional	Fully loaded	Transitional	Fully loaded	Transitional
CET1 buffer (= buffer compared to MDA) (in millions of EUR) .....	5,591	4,969	3,820	2,846	4,470	6,203	7,382	7,681

1. A negative figure relates to a surplus above the pillar 1 bucket for these instruments, which is available to partly satisfy the pillar 2 requirement.
2. The fully loaded T2 capital excludes the T2 instruments grandfathered under CRR2; these T2 instruments are included in the actual (transitional) T2 capital for the period of grandfathering, in line with CRR2 and the COREP 3.0 reporting framework (introduced as from 2Q2021 reporting).

### **CRR quick fix**

In the context of the COVID-19 pandemic, the EU amended the CRR, applicable as from June 27, 2020 (so-called ‘CRR quick fix’). The table below provides an overview of the main temporary measures, whether the Group applies the measure and their impact as at December 31, 2022.

	Reference to CRR	Applied by KBC (Y/N)	Impact on CET1 capital	Impact on RWA (EUR million)	Impact on CET1 ratio
Filter for FVOCI gains/losses on government exposures	Art. 468	No	-	-	-
IFRS9 transitional measure .....	Art. 473a	Yes	46	(15)	0.04%
Sovereigns under Standardized Approach .....	Art. 500a	Yes	0	(545)	0.08%
Outliers in Market risk VaR models .....	Art. 500c	No	-	-	-

### **Solvency figures under the FICOD**

As a financial conglomerate, the Group also has to disclose its solvency position as calculated in accordance with the Financial Conglomerate Directive (2002/87/EC) (“**FICOD**”). In line with this directive, available capital is calculated on the basis of the consolidated position of the Group and the eligible items recognized as such under the prevailing sectoral rules, which are CRD for the banking business and Solvency II for the insurance business. The resulting available capital is to be compared with a capital requirement expressed as a risk-weighted asset amount. For this latter figure, the capital requirements for the insurance business (based on Solvency II) are multiplied by 12.5 to obtain a risk-weighted asset equivalent (instead of the 370% risk weighting applied to the equity value in the insurance company under the Danish compromise). The Group is required to satisfy the Pillar 1 requirements. No Pillar 2 requirements and no management target have been defined at the level of the FICOD ratio.

The following table sets forth the Group’s solvency at the Group level under the FICOD method.

	As at June 30,		As at December 31,					
	2023		2022		2021		2020	
	Fully loaded	Transitional	Fully loaded	Transitional	Fully loaded	Transitional	Fully loaded	Transitional
	<i>(EUR million)</i>							
Common equity..	19,272	18,674	17,873	17,405	17,861	19,369	18,843	19,336
Total weighted risk volume.....	125,001	124,965	123,755	123,740	120,873	120,589	114,783	114,515
Common equity ratio .....	15.4%	14.9%	14.4%	14.1%	14.8%	16.1%	16.4%	16.9%

### **Leverage ratio**

CRR/CRD requires credit institutions to calculate, report and monitor their leverage ratios. The leverage ratio is a supplementary non-risk-based measure to contain the build-up of leverage (i.e. create a backstop on the degree to which a banking firm can leverage its capital base). It is calculated as a percentage of tier-1 capital relative to the total on- and off-balance-sheet exposure (non-risk-weighted). Existing and expected changes in regulation relating to the leverage ratio will be monitored and potential impacts will be assessed.



The leverage ratio is determined and monitored within the quarterly closing process and included in the periodic management reports of the Finance and Credit Risk departments. This monitoring covers both the position of the Group itself (taking the risk appetite into account) as well as benchmarking in terms of relevant peers. All of the above processes are part of the Group's ICAAP (described later in this section).

At June 30, 2023, the Group's fully loaded leverage ratio increased compared to December 31, 2022, mainly due to the increase in CET1.

At December 31, 2022, the fully loaded leverage ratio slightly decreased compared to December 31, 2021, mainly due to higher total assets driven by short-term money market and repo opportunities, but partly offset by higher Tier 1 capital mainly driven by the inclusion of 2022 profits. As from April 1, 2022, Central Bank exposures are no longer excluded from the leverage ratio exposure amount in the transitional calculation, causing a decrease in the transitional leverage ratio exposure amount.

At December 31, 2021, the Group's fully loaded leverage ratio at Group level stood at 5.4% as compared to 6.4% at December 31, 2020. The year-on-year decrease was mainly due to lower tier-1 capital following the deduction of the €3 interim dividend per share in the third quarter of 2021 and €7.60 closing dividend per share in the fourth quarter of 2021. Additionally, total assets increased, driven by short-term money market and repo opportunities. The higher transitional ratio (in comparison with the fully loaded ratio) reflected the exclusion of Central Bank exposures (CRR Art. 500b; applied as from the end of September 2021 onwards).

The leverage ratio is a supplementary non-risk-based measure to create a 'backstop' in addition to the risk-based ratios. The latter form a constraint for the Group, i.e. a breach of own funds requirements would occur well before the 3% regulatory leverage ratio requirement is reached (no Pillar 2 requirement has been defined by the competent authority at the level of the leverage ratio). Therefore, management focus is primarily on the risk-based ratios. Nevertheless, management has also defined a management target for the leverage ratio of at least 4.5%, which is well above the regulatory requirement of 3%. Furthermore, the absolute size of the balance sheet is also monitored from other perspectives (e.g., in the context of MREL requirements).

The following table sets forth the Group's leverage ratio at Group level under the Danish compromise method.

	As at June 30,		As at December 31,					
	2023		2022		2021		2020	
	Fully loaded	Transitional	Fully loaded	Transitional	Fully loaded	Transitional	Fully loaded	Transitional
	<i>(EUR million)</i>							
Tier-1 capital.....	19,465	18,558	18,318	16,974	17,724	18,997	19,448	19,941
Total exposure.....	358,696	358,778	346,481	346,538	326,792	292,363	303,069	303,696
Total assets.....	368,077	368,077	355,872	355,872	340,346	340,346	320,743	320,743
Deconsolidation of KBC								
Insurance.....	(29,816)	(29,816)	(30,267)	(30,267)	(34,026)	(34,026)	(32,972)	(32,972)
Transitional adjustment.....	-	81	-	57	-	617	-	628
Adjustment for derivatives.....	(374)	(374)	(3,032)	(3,032)	(1,656)	(1,656)	(4,158)	(4,158)
Adjustment for regulatory corrections in determining tier-1 capital.....	(2,312)	(2,312)	(2,347)	(2,347)	(1,665)	(1,696)	(1,825)	(1,825)
Adjustment for securities financing transaction exposures..	1,673	1,673	813	813	1,016	1,016	830	830
Central Bank exposures.....	-	-	-	-	-	(35,014)	-	-
Off-balance-sheet exposures.....	21,449	21,449	25,442	25,442	22,776	22,776	20,451	20,451
Leverage ratio.....	5.4%	5.2%	5.3%	4.9%	5.4%	6.5%	6.4%	6.6%

#### **Minimum requirement for own funds and eligible liabilities ("MREL")**

Besides the ECB and NBB, which supervise the Group on a going concern basis, the Group is also subject to requirements set by the Single Resolution Board ("SRB"). The SRB is developing resolution plans for the major banks in the euro area, based on information received from the banks concerned. This plan will describe how the resolution authorities will approach the resolution of a bank that is failing (or likely to fail) in a way that protects its critical functions, government funds and financial stability. It takes account of the specific features of the bank

and is tailor-made. A key feature of the resolution plan is deciding at which level the competent resolution authorities will intervene. A choice has to be made between a single resolution authority that resolves the Group as a whole (Single Point of Entry or “SPE”) or different authorities that separately resolve those parts of the Group that fall within their jurisdiction (Multiple Point of Entry or “MPE”).

The resolution plan for the Group is based on a SPE approach at Group level, with ‘bail-in’ as the primary resolution tool. Bail-in implies a recapitalization and stabilization of the bank by writing down certain unsecured liabilities or converting them into shares. The SPE approach at Group level reflects the Group’s business model, which relies heavily on integration, both commercially (e.g., banking and insurance) and operationally (e.g., risk, finance, treasury, ICT, etc.). Debt instruments that are positioned for bail-in are issued by the Group. This approach keeps the Group intact in resolution and safeguards the bank-insurance model from a going concern perspective.

It is crucial that there are adequate liabilities eligible for bail-in and loss absorption. This is measured by the minimum requirement for own funds and eligible liabilities (“MREL”). The SRB defines the minimum MREL level for the Group.

In the second quarter of 2023, the SRB formally communicated to the Group the final updated MREL targets for January 1, 2024, expressed as a percentage of Risk-Weighted Assets (“RWA”) and Leverage Ratio Exposure Amount (“LRE”):

- 27.91% of RWA as from January 1, 2024 with an intermediate target of 26.55% as from January 1, 2022. The Combined Buffer Requirement (“CBR”).
- 7.38% of LRE as from January 1, 2024, with an intermediate target of 7.34% of LRE as from January 1, 2022.

As at June 30, 2023, the MREL ratio stood at 32.2% as a percentage of RWA (as opposed to 27.5% as at December 31, 2022, 27.7% as at December 31, 2021 and 27.9% as at December 31, 2020) and at 9.8% as a percentage of LRE (as opposed to 8.7% as at December 31, 2022, 9.9% as at December 31, 2021 and 9.3% as at December 31, 2020). The MREL ratio as a percentage of LRE at June 30, 2023 increased, compared to December 31, 2022, due to the increase in the available MREL driven by the issuance of senior HoldCo instruments.

The binding subordinated MREL targets are:

- 18.97% of RWA as from January 1, 2024 with an intermediate target of 13.50% as from January 1, 2022. The Combined Buffer Requirement needs to be held on top of this and amounts to 4.59% as at December 31, 2022 and 4.94% as from the third quarter of 2023 (Conservation Buffer (2.5%) + O-SII Buffer (1.5%) + systemic risk buffer (0.19%) + Countercyclical Buffer (0.40% for December 2022 and 0.75% as from the fourth quarter of 2023)).
- 7.38% of LRE as from January 1, 2024 with an intermediate target of 6.19% as from January 1, 2022.

To ensure that the Group’s senior debt is eligible for the subordinated MREL target (i.e. to make sure that no excluded liabilities ranking *pari passu* with or junior to the senior debt are present in the Group), the Issuer was transformed into a “clean holding company” as from June 2022, which mainly carries out financing activities and group-wide control activities and functions. The clean holding company facilitates the “Single Point of Entry” strategy, in the event of resolution of the Issuer. Consequently, the Group’s entire MREL stack is considered subordinated.

The following table sets out the Group’s MREL in a hybrid view.

	As at June 30,	As at December 31,		
	2023	2022	2021	2020
	<i>(EUR million)</i>			
Own funds and eligible liabilities (transitional).....	35,033	30,269	28,923	28,376
CET1 capital (consolidated, CRR/CRD, Danish compromise method).....	17,058	15,474	17,497	18,441
AT1 instruments (consolidated, CRR/CRD).....	1,500	1,500	1,500	1,500
T2 instruments (consolidated, CRR/CRD).....	2,452	1,767	1,735	1,914
Subordinated liabilities (issued by KBC Group NV but not included in AT1 & T2).....	7	6	753	2
Senior debt (issued by KBC Group NV, nominal amount, remaining maturity > 1 year).....	14,018	11,522	7,437	6,519
Risk-Weighted Assets (RWA).....	108,909	109,966	104,362	101,843
MREL as a % of RWA.....	32.2%	27.5%	27.7%	27.9%
Leverage Ratio Exposure Amount (LRE).....	358,778	346,538	292,363	303,696
MREL as a % of LRE.....	9.8%	8.7%	9.9%	9.3%

### Solvency of KBC Bank and KBC Insurance separately

The tables below present the solvency information for KBC Bank and KBC Insurance, separately. As is the case for the Issuer, the solvency of KBC Bank is calculated based on CRR/CRD. The solvency of KBC Insurance is calculated on the basis of Solvency II.

#### KBC Bank

	As at June 30,		As at December 31,					
	2023		2022		2021		2020	
	Transitional	Fully loaded	Transitional	Fully loaded	Transitional	Fully loaded	Transitional	Fully loaded
	<i>(EUR million)</i>							
Total regulatory capital, after profit appropriation.....	17,887	18,813	17,164	17,516	18,318	17,963	17,792	18,021
Tier-1 capital.....	15,435	16,327	15,202	15,749	16,415	16,209	15,585	16,078
Of which common equity.....	13,935	14,827	13,702	14,249	14,915	14,709	14,085	14,578
Tier-2 capital.....	2,452	2,486	1,962	1,768	1,903	1,754	2,206	1,942
Total weighted risks.....	99,236	99,272	100,300	100,285	95,120	94,836	92,903	92,635
Common equity ratio.....	14.0%	14.9%	13.7%	14.2%	15.7%	15.5%	15.2%	15.7%
Tier-1 ratio.....	15.6%	16.5%	15.2%	15.7%	17.3%	17.1%	16.8%	17.4%
Total capital ratio.....	18.0%	19.0%	17.1%	17.5%	19.3%	18.9%	19.2%	19.5%

#### KBC Insurance

	As at June 30,	As at December 31,		
	2023	2022	2021	2020
	<i>(EUR million)</i>			
Own funds.....	4,143	3,721	4,075	3,868
Tier-1.....	3,642	3,220	3,574	3,368
IFRS parent shareholders' equity.....	3,344	2,157	3,991	3,815
Dividend pay-out.....	(139)	(309)	(525)	0
Deduction of intangible assets and goodwill (after tax).....	(195)	(194)	(194)	(136)
Valuation differences (after tax).....	436	1,410	267	(383)
Volatility adjustment.....	132	150	43	89
Other.....	63	6	(8)	(16)
Tier-2.....	501	501	500	500
Subordinated liabilities.....	501	501	500	500
Solvency capital requirement (SCR).....	2,015	1,833	2,029	1,744
Solvency II ratio.....	206%	203%	201%	222%

#### ICAAP and ORSA

The ultimate accountability for proper and sound capital management and planning at the Group lies with the Board of Directors and the Executive Committee. The Group's Internal Capital Adequacy Assessment Process ("ICAAP") is governed by the ICAAP policy, owned by the Board of Directors, which describes the management and assessment of the Group's capital adequacy. It is set up in line with the ECB's ICAAP guidelines and

documents and the Group’s ICAAP architecture (e.g., ICAAP objectives, underlying processes and responsibilities). Points of reference are the Group’s corporate strategy and risk appetite, which are the anchors of an iterative, continuous ICAAP based on, for instance, risk appetite setting, forward-looking assessments and monitoring. The starting point is the continuous identification of all the material risks (e.g., ESG risks) the Group is or may be exposed to, such that they can be managed appropriately and taken into account in ICAAP and capital planning.

For this purpose, the Group also has an internal economic capital model in place to complement the existing regulatory capital models. This model is subject to an extensive use test. It is, for example, used to measure risk-adjusted performance, to underpin and set risk limits and to assess capital adequacy. It is complemented by a framework for assessing earnings that aims to reveal vulnerabilities in terms of the longer-term sustainability of the business model.

The breakdown of the Group’s internal capital per risk type is provided in the following table:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Credit risk and counterparty risk.....	58%	54%	56%
Interest rate risk and spread risk (banking book).....	8%	13%	13%
Market risk (trading book) .....	2%	2%	2%
Operational risk .....	8%	8%	8%
Risk related to the insurance entity .....	16%	17%	15%
Pension risk .....	7%	7%	6%
<b>Total .....</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

A key process in which the Group’s ICAAP is deeply embedded is the Alignment of Planning Cycles (“**APC**”). This yearly process aims to create an integrated three-year plan in which the strategy, finance, treasury and risk perspectives are collectively taken into account. In the APC, the capital adequacy of the Group and its entities, according to both the regulatory and the internal view (internal economic capital model), is projected in forward-looking base case and adverse scenarios. The risk appetite of the Group is also set and cascaded in the APC by setting risk limits at Group and entity level.

In addition to the integrated approach at Group level, KBC Insurance and its insurance and reinsurance subsidiaries conduct an Own Risk and Solvency Assessment (“**ORSA**”) on an annual basis, in accordance with Solvency II requirements. The ORSA process, described in the ORSA policy, draws to a large extent on the same ‘core processes’ as the ICAAP and includes APC, risk appetite setting and ongoing business, risk and capital management processes.

Once a year, the ICAAP and ORSA processes generate comprehensive reports, which are presented to both top management and the supervisory bodies before being submitted to the ECB and NBB. These reports allow the Board of Directors to make a statement on the ability of the Group and its entities to maintain adequate capitalisation going forward in view of the corporate strategy and business model and of the current and expected development of the Group’s risk profile under various scenarios, in addition to the effectiveness of the Group’s risk and control environment and governance. In the last three years, these reports included an assessment of the impact of the COVID-19 pandemic and the Russian invasion of Ukraine on the Group’s capital adequacy, both under likely and more adverse assumptions, which confirmed the Group’s solid capital position.

### ***Stress testing***

Stress testing is an important risk management tool that adds value both to strategic processes and to day-to-day risk management. As such, stress testing is an integral part of the risk management framework, and an important building block of the Group’s ICAAP and ORSA.

The Group defines stress testing as a management decision-supporting process that encompasses various techniques which are used to evaluate the potential negative impact on the Group’s (financial) condition, caused by specific event(s) and/or movement(s) in risk factors ranging from plausible to extreme, exceptional or implausible.

As such, it assists in identifying sources of vulnerability and hence in assessing whether the Group's capital is adequate to cover the risks it faces. That is why the APC also includes sensitivities to critical assumptions used in the base case plan. In addition, APC is complemented by a dedicated integrated stress test that is run in parallel. These sensitivities and stress tests are designed to provide assurance that:

- the decisions regarding the financial plan and regarding risk appetite and limit setting are not only founded on a base case, but that they also take account of the impact of more severe macroeconomic and financial market assumptions; and
- the levels of capital and liquidity at Group level remain acceptable under severe conditions.

The resulting capital ratios are compared to internal and regulatory capital targets.

Even more severe scenarios and sensitivities are calculated in the context of the recovery plan. These scenarios focus on events that lead to a breach of the regulatory capital requirements. As such, the recovery plan provides another insight into key vulnerabilities of the Group and the mitigating actions that management could implement should the defined stress materialize.

Numerous other stress tests are run within the Group that provide valuable information for assessing its capital adequacy. They include reverse stress tests, regulatory stress tests, ad hoc integrated and risk-type or portfolio-specific stress tests at Group and local level. Relevant stress test impacts are valuable inputs for defining sensitivities in APC planning.

## BANKING AND INSURANCE REGULATION AND SUPERVISION

### Banking Regulation and Supervision

#### *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 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 authorizations 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 and statutory ratios and the carrying out of supervisory reviews (including stress tests) for credit institutions.

Since November 2014, the ECB holds certain supervisory responsibilities which were previously handled by the National Bank of Belgium (“**NBB**”) pursuant to Council Regulation (EU) No 1024/2013 of October 15, 2013 conferring specific tasks on the ECB concerning policies relating to the prudential supervision of credit institutions (“**Single Supervision Mechanism**” or “**SSM**”). Pursuant to Regulation (EU) n° 468/2014 of April 16, 2014 establishing a framework for cooperation within the SSM between the ECB and national competent authorities, a joint supervisory team has been established for the prudential supervision of KBC Bank (and of the Issuer). 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 Belgian Financial Services and Markets Authority (the “**Belgian 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 (as implemented through legislation adopted in each Member State, including Belgium) and regulations have had and will continue to have a significant impact on the regulation of the banking business in the EU. The general objective of these EU directives and regulations is to promote the realization of a unified internal market for banking services and to improve standards of prudential supervision and market efficiency through harmonization 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 Law of April 25, 2014 on the legal status and supervision of credit institutions (the “**Belgian Banking Law**”). The Belgian Banking Law implements various EU directives, including, without limitation:

- Directive 2013/36/EU of the European Parliament and of the Council of June 26, 2013, as amended by Directive (EU) 2019/878 of May 20, 2019, and as may be further amended or replaced from time to time (“**CRD**”) and, where applicable, Regulation (EU) n° 575/2013 of the European Parliament and of the Council of June 26, 2013, as amended by Regulation (EU) 2019/876 of May 20, 2019, and as may be further amended or replaced from time to time (“**CRR**”, and together with CRD, the “**CRD Package**”), implementing the revised regulatory framework of Basel III in the European Union; and
- Directive 2014/59 of May 15, 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms, as amended by Directive (EU) 2019/879 of May 20, 2019<sup>1</sup> and as may be further amended or replaced from time to time (“**BRRD**”) by setting up a new recovery and resolution regime for credit institutions which introduced certain tools and powers with a view to addressing

<sup>1</sup> Directive (EU) 2019/879 has been transposed by the Belgian Law of July 11, 2021, transposing Directive 2019/878 of the European Parliament and of the Council of May 20, 2019, Directive 2019/879 of the European Parliament and of the Council of May 20, 2019, Directive 2019/2034 of the European Parliament and the Council of November 27, 2019, Directive 2019/2177 of the European Parliament and of the Council of December 19, 2019, Directive 2021/338 of the European Parliament and of the Council of February 16, 2021 and laying down various provisions.

banking crises pre-emptively in order to safeguard financial stability and minimize taxpayers' exposure to losses.

The CRD Package has applied in Belgium since January 1, 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 Belgian Banking Law with effect from July 16, 2016<sup>2</sup>.

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

#### *Supervision of credit institutions*

All Belgian credit institutions must obtain a license from the ECB before they may commence operations. In order to obtain a license and maintain it, each credit institution must fulfill numerous conditions, including certain minimum paid-up capital requirements.

In addition, any shareholder acquiring, individually or acting in concert with another person or persons, a 'qualifying holding' in the credit institution (i.e. a direct or indirect holding which represents 10% or more of the capital or the voting rights or which makes it possible to exercise a significant influence over the management of that institution) must be of "fit and proper" character to ensure proper and prudent management of the credit institution. Prior notification to the NBB and non-opposition by the ECB is required each time a person decides to acquire a qualifying holding in a credit institution or to further increase such qualifying holding as a result of which the proportion of the voting rights or of the capital held would reach or exceed 20%, 30% or 50%, or so that the credit institution would become its subsidiary. If the ECB considers that the participation of a shareholder in a credit institution jeopardizes its sound and prudent management, it may suspend the voting rights attached to this participation and, if necessary, request that the shareholder transfers its participation in the credit institution to a third party.

Furthermore, a shareholder who decides to dispose, directly or indirectly, of a qualifying holding or to reduce it so that the proportion of the voting rights or of the capital held would fall below 10%, 20%, 30% or 50% or so that the credit institution would cease to be its subsidiary must notify the ECB and NBB 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 a holding or increasing its holding (directly or indirectly, individually, or acting in concert with third parties) to 5% or more of the voting rights or of the capital without acquiring a qualifying holding, must notify the ECB and NBB thereof within 10 working days. The same shall apply to a shareholder who no longer holds, directly or indirectly, more than 5% of the voting rights or capital in a credit institution.

The same provisions apply to the acquisition and disposal of holdings in the Issuer.

The Belgian Banking Law requires credit institutions to provide detailed periodic financial information to the ECB and, under certain circumstances, the Belgian 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

<sup>2</sup> The amendments to Directive 2014/59 by Directive 2019/879 have been transposed by the Belgian Law of July 11, 2021, transposing Directive 2019/878 of the European Parliament and of the Council of May 20, 2019, Directive 2019/879 of the European Parliament and of the Council of May 20, 2019, Directive 2019/2034 of the European Parliament and the Council of November 27, 2019, Directive 2019/2177 of the European Parliament and of the Council of December 19, 2019, Directive 2021/338 of the European Parliament and of the Council of February 16, 2021 and laying down various provisions.

supervision, the ECB may require that all information with respect to the organization, 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 organization, the accounting and the internal control mechanisms of a credit institution. In addition, the ECB may conduct on-site inspections (with or without the assistance of NBB staff). The comprehensive supervision of credit institutions is also exercised through statutory auditors who cooperate with the supervisor in its prudential supervision. A credit institution selects its statutory auditor from the list of auditors or audit firms accredited by the NBB. Within the context of the European System of Central Banks, the NBB issues certain recommendations regarding monetary controls.

The Belgian Banking Law has introduced a prohibition in principle on proprietary trading as from January 1, 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.

#### *Bank governance*

The Belgian Banking Law also puts a lot of emphasis on the solid and efficient organization of credit institutions and introduces to that effect a dual governance structure at management level, specialized 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 Belgian 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 strategy and general and risk policy, which is entrusted to the Board of Directors. In accordance with the Belgian Banking Law, KBC Bank has an Executive Committee of which each member is also a member of the Board of Directors.

Pursuant to the Belgian 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 organization of the business.

As required by the Belgian Banking Law and the Governance Manual, the KBC Group Internal Governance Memorandum (the "**Governance Memorandum**") sets out the corporate governance policy applying to the Issuer 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 Belgian Banking Law and the Governance Manual. The most recent version of the Governance Memorandum was approved on December 16, 2021 by the Board of Directors of the Issuer, KBC Bank and KBC Insurance.

KBC Bank also has a separate Corporate Governance Charter which is published on [www.kbc.com](http://www.kbc.com). This Corporate Governance Charter is not incorporated by reference into and does not form part of this Offering Memorandum and has not been scrutinized or approved by the Belgian FSMA or Euronext Dublin.

#### *Solvency supervision*

Capital requirements and capital adequacy ratios are provided for in the CRR, transposing the Basel III regulation into European law. The CRR requires that credit institutions must comply with several minimum solvency ratios. These ratios are defined as common equity tier 1 capital, tier 1 capital and total capital divided by risk-weighted



assets. Risk weighted assets for credit risk 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 and counterparty risk with respect to the bank’s trading book (including interest rate and foreign currency exposure), operational risk, credit valuation adjustment risk and settlement risk in the calculation of the risk-weighted assets. On top of the capital requirements defined by the solvency ratios, the CRR imposes a combined buffer requirement (see below).

Solvency is also limited by the leverage ratio, which compares tier 1 capital to the total exposure measure (non-risk weighted).

The minimum solvency ratios required under CRD/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**”) or its examination of internal approaches, the competent supervisory authority (in the Issuer’s case, the ECB):

- (A) can require the Issuer to maintain higher minimum ratios (i.e., the pillar 2 requirements which in 2016 have been split by the ECB into a pillar 2 requirement and a pillar 2 guidance) because, for instance, not all risks are properly reflected in the regulatory pillar 1 calculations; and
- (B) can take other measures such as imposing the reservation of distributable profits in whole or in part, requiring that variable remuneration be limited to a percentage of the profits and requiring the Issuer to limit the risk associated with certain activities or products or with its organization, where appropriate by imposing the total or partial transfer of its business or network.

On top of this, a number of additional buffers have to be put in place, including a capital conservation buffer of 2.5%, a buffer for systemically important banks (“**O-SII buffer**”, to be determined by the national competent authority), a systemic risk buffer to address systemic risks of a long-term, non-cyclical nature (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). The national competent authority of the Issuer is the NBB.

The following table provides an overview of the fully loaded CET1 ratio requirement at the level of the Issuer as at December 31, 2022:

Pillar 1 minimum requirement (P1 min)	4.50%
Pillar 2 requirement (P2R)	1.05%
Capital conservation buffer (CCB)	2.50%
O-SII buffer	1.50%
Systemic risk buffer (SyRB)	0.19%
Countercyclical buffer (CCyB) <sup>(1)</sup>	0.75%
Overall capital requirement (OCR)	10.49%
CET1 requirement for MDA <sup>(2)</sup>	11.82%

(1) The fully loaded countercyclical buffer of the Issuer takes into account all known buffer rates announced by the national authority as at December 31, 2022.

(2) Maximum Distributable Amount under Directive (EU) 2019/878. The 1.5% Pillar 1 minimum requirement for additional tier-1 capital and the 2% Pillar 1 minimum requirement for tier-2 capital and the part of the Pillar 2 requirement that can be satisfied with additional tier 1 capital and with tier 2 capital are not completely filled-up with additional tier-1, respectively tier-2 instruments. The shortfall is satisfied with CET1 capital.

The Issuer clearly exceeds these targets: on December 31, 2022, the fully loaded CET1 ratio for the Issuer came to 15.3% (15.5% at December 31, 2021), which represented a capital buffer of €3,820 million relative to the fully loaded CET1 requirement for MDA of 11.8%. The leverage ratio (Basel III, fully loaded) stood at 5.3% (5.4% at December 31, 2021) relative to the minimum requirement of 3%.

The payment of dividends by Belgian credit institutions is not limited by Belgian banking regulations, except indirectly through capital adequacy and solvency requirements when capital ratios fall below certain thresholds. The pay-out is further limited by the general provisions of Belgian company law. Share buybacks may only be performed if the prior permission of the competent supervisory authority has been obtained.

#### *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 tier 1 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 (amended by Directive EU 2018/843) and as may be further amended or replaced from time to time of the European Parliament and of the Council of May 20, 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, by the Law of September 18, 2017 on the prevention of money laundering, terrorist financing and on the limitation of the use of cash (as amended, the “**Law of September 18, 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 September 18, 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 by Directive (EU) 2015/849. 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 €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 Financial Intelligence 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 €26 and a maximum of €100,000 (to be multiplied by 8) or, for legal entities, a fine of a minimum of €500 and a maximum of €200,000 (to be increased with the additional penalty or, in other words, to be multiplied by 8).

#### *Consolidated supervision – supplementary supervision*

The Issuer has been approved by the ECB as a mixed financial holding company. To the extent and in the manner provided for in Book 2, Title III, Chapter IV, Sections II and IV of the Belgian Banking Law and their implementing decrees and regulations, the Issuer is subject to supervision on the basis of its consolidated position.

KBC Bank is subject to consolidated supervision by the ECB on the basis of the consolidated financial situation of the Issuer, which covers among other things solvency as described above, pursuant to Articles 165 and following of the Belgian Banking Law. As a subsidiary of a Belgian mixed financial holding company (the Issuer) 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 November 16, 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 Belgian 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 Belgian Banking Law.

#### *KBC Asset Management*

As from June 2005, the status of KBC Asset Management NV, a direct subsidiary of KBC Bank, has been changed from an “investment firm” to a “management company of undertakings for collective investment in transferable securities” (“UCITS”) (a “**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 Belgian FSMA.

The UCITS-management company regime in Belgium is governed by the Law of August 3, 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 August 3, 2012**”). The Law of August 3, 2012 implements various European Directives. It 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 Belgian FSMA.

The regulatory framework concerning supervision of UCITS-management companies is mostly similar to the regulation applicable to investment firms. The Law of August 3, 2012 contains, *inter alia*, the following principles:

- (i) certain minimum paid-up capital requirements and rules relating to changes affecting capital structure;
- (ii) 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);
- (iii) obligation to provide, on a periodical basis, a detailed financial statement to the Belgian FSMA;
- (iv) supervision by the Belgian FSMA; and
- (v) subjection to the control of the statutory auditor.

#### *Bank recovery and resolution*

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

##### Preparation and prevention

The Issuer has to draw up a Group recovery plan, setting out the measures that would be taken to stabilize the Group as a whole or each credit institution in the Group if it is in a difficult financial situation, and which seek to address or remove the causes of difficulties and to restore the financial position of the Group or credit institution, having regard also to the financial situation of other Group entities to restore their financial position in the event of a significant deterioration to their financial position. This Group recovery plan must, in principle, be updated at least annually or after a change to the legal or organizational structure of the institution, its business or its financial situation, which could have a material effect on, or necessitate a change to, the Group recovery plan. In its review of the recovery plan, the ECB pays particular attention to the appropriateness of the capital and financing

structure of the credit institutions, of the Group, and of Group entities in relation to the degree of complexity of their organizational structure and their risk profile.

The Single Resolution Board (“**SRB**”) 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. The resolution college of the NBB (the “**Resolution College**”) has the same powers with regard to the non-significant Belgian credit institutions. If the SRB or the Resolution College identifies material impediments to resolvability during the course of this planning process, it can require a credit institution to take appropriate measures, including changes to corporate and legal structures.

#### Early intervention

The ECB/NBB disposes 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 Belgian Banking Law or the CRD Package), 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 or the transfer of all or part of the network, and finally, to revoke the license of the credit institution.

#### Resolution

Pursuant to Regulation (EU) No 806/2014 of the European Parliament and of the Council of July 15, 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, as amended by Regulation (EU) 2019/877 of May 20, 2019 and as may be further amended or replaced from time to time (the “**Single Resolution Mechanism**” or “**SRM**”), the Single Resolution Mechanism entered into force on August 19, 2014 and applies to credit institutions which fall under the supervision of the ECB. It established the SRB, a resolution decision-making authority replacing national resolution authorities (such as the Resolution College) for resolution decisions with regard to significant credit institutions. The SRB is responsible since January 1, 2016 for vetting resolution plans and carrying out any resolution in cooperation with the national resolution authorities (the SRB together with the Resolution College are hereinafter referred to as the “**Resolution Authority**”).

The Issuer and KBC Bank NV are within the scope of the Single Resolution Mechanism.

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.

The fourth resolution tool, i.e. the bail-in tool, entered into force on January 1, 2016. It was implemented into Belgian law through the Royal Decree of December 18, 2015 amending the Belgian Banking Law. Bail-in is a mechanism to write down bail-inable liabilities as defined in the Belgian Banking Law or to convert bail-inable liabilities into equity, as a means of restoring the institution’s capital position. The Resolution Authority is also empowered (and in certain circumstances required) to write down or convert capital instruments (such as common equity tier 1, additional tier 1 and tier 2 instruments) and eligible liabilities, before or together with the use of any resolution tools.

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 December 26, 2015 amending the Belgian Banking Law, which entered into force on January 1, 2016.

## **Insurance supervision and regulation**

### *Introduction*

KBC Insurance NV, an insurance company governed by the laws of Belgium, is subject to detailed, comprehensive regulation in Belgium, and is supervised by the NBB.

Since the implementation on April 1, 2011 of the “Twin Peaks Act”, the powers relating to prudential supervision have been transferred from the *Commissie voor het Bank-, Financie- en Assurantiewezen/ Commission bancaire, financière et des assurances* (“**CBFA**”) (now the Belgian FSMA) to the NBB. The remaining supervisory powers previously exercised by the CBFA are now exercised by the Belgian FSMA. This autonomous public agency is in charge of supervision with regard to conduct of business rules and financial services providers (intermediaries).

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

### *Supervision and regulation in Belgium*

The insurance regime in Belgium is governed by the Law of 13 March 2016 on the legal status and supervision of insurance and reinsurance undertakings (the “**Insurance Supervision Law**”), and the (general) Insurance Act of April 4, 2014 (the “**Insurance Act**”).

The Insurance Supervision Law, among other things, implements the European legislation on EU Directive 2009/138/EC of November 25, 2009 (Solvency II). It sets forth the conditions under which insurance companies may operate in Belgium and defines the regulatory and supervisory powers of the NBB.

The Insurance Act, among other things, implements European legislation such as the consumer related aspects provided in Solvency II. It sets forth the conditions under which insurance companies may operate on the Belgian insurance market and defines the regulatory and supervisory powers of the Belgian FSMA.

The regulatory framework is applicable to insurance companies in some respects similar to the regulation applicable to banks in Belgium.

### *Supervision of insurance companies*

All Belgian insurance companies must obtain a license from the NBB before they commence operations. In order to obtain a license and maintain it, each insurance company must fulfill numerous conditions, including certain minimum capital requirements. This requires the calculation of best estimate cash flows, raised with a risk margin, corresponding to what were previously known as “technical reserves”. In addition, a Solvency Capital Requirement (“**SCR**”) and a Minimum Capital Requirement (“**MCR**”) should be calculated and respected. The SCR is the capital an insurer needs to limit the default risk to less than 0.5% in the next twelve months.

In addition, any shareholders holding (directly or indirectly, acting alone or in concert with third parties) a substantial stake in the company (in general, this means 10% or more of the capital or the voting rights) must be of “fit and proper” character to ensure proper and prudent management of the insurance company.

Moreover, any shareholder wishing to increase such substantial stake to a 20%, 30% or 50% capital or voting interest or to any stake that allows him to exercise control over the company, must disclose this to the NBB. If the NBB considers that the influence of such a shareholder in an insurance company jeopardizes its sound and prudent management, it may suspend the voting rights attached to this participation. Furthermore, a shareholder who wishes to sell his participation or a part thereof, which sale would result in his shareholding dropping below any of the above-mentioned thresholds, must notify the NBB thereof. The Belgian insurance company itself is obliged to notify the NBB of any such transfer when it becomes aware of it.

The Insurance Supervision Law requires insurance companies to provide detailed periodic financial information to the NBB and the public (i.e. through the Solvency and Financial Conditions Reporting (“**SFCR**”) and the Regular Supervisory Reporting (“**RSR**”). The NBB also supervises the enforcement of laws and regulations with respect to the accounting principles applicable to insurance companies.

Pursuant to the Insurance Supervision Law, the NBB may, in order to exercise its prudential supervision, require that all information with respect to the financial position and the transactions of an insurance company be provided to it, either by the insurance company itself or by its affiliated companies. The NBB may supplement these communications by on-site inspections. The NBB also exercises its comprehensive supervision of insurance companies through statutory auditors who collaborate with the NBB in its prudential supervision. An insurance company selects its statutory auditors from among the list of auditors or audit firms accredited by the NBB.

If an insurance company does not comply with the capital requirements, the NBB may restrict or prohibit the company’s free use of its assets. If an insurance company no longer meets the SCR, the NBB must require that a recovery plan be prepared. If an insurance company no longer meets the MCR, its authorizations should be withdrawn.

In general, if the NBB finds that an insurance company is not operating in accordance with the provisions of the Insurance Supervision Law, the decrees and regulations implementing the Insurance Supervision Law or the directly applicable European regulations, that its management policy or its financial position is likely to prevent it from honoring its commitments or that its administrative and accounting procedures or internal control systems present deficiencies, it will set a deadline by which the situation must be rectified. If the situation has not been rectified by the deadline, the NBB has the power to appoint a special commissioner to replace management, to prohibit or limit certain activities, to dispose of all or part of its activities, and to order the replacement of the Board of Directors and management, failing which it will itself appoint a provisional manager.

### *Insurance governance*

The Insurance Supervision Law puts a lot of emphasis on the solid and efficient organization of insurance companies and introduces to that effect a dual governance structure at management level, specialized advisory committees within the Board of Directors (Audit Committee, Risk Committee and Remuneration Committee), independent control functions, and sound remuneration policies.

The Insurance Supervision Law makes a fundamental distinction between the management of insurance activities, which is the competence of the Executive Committee, and the supervision of management and the definition of the insurance company’s general and risk policy, which is entrusted to the Board of Directors. KBC Insurance has an Executive Committee of which each member is also a member of the Board of Directors.

Pursuant to the Insurance Supervision Law, the members of the Executive Committee need to permanently have the required professional reliability and appropriate experience. The same goes for the responsible persons of the independent control functions. The fit and proper standards have been further elaborated by the NBB in the Circular of September 18, 2018 and the Manual on Assessment of Fitness and Propriety.

The Circular of July 5, 2016 regarding the prudential expectations of the NBB with respect to the governance system of the insurance and reinsurance sector, as amended in September 2018 and May 2020 (the “**Overarching**

**circular on system of governance**”) contains recommendations to assure the autonomy of the insurance function, the organization of the independent control functions and the proper governance of the insurance company.

As required by the Insurance Supervision Law and the Overarching circular on system of governance, the Group has a Governance Memorandum, which sets out the corporate governance policy applying to the Issuer and its subsidiaries and of which the Governance Memorandum of KBC Insurance, although a separate document, forms part. The corporate governance policy of an insurance company must meet the principles set out in the Insurance Supervision Law and the Overarching circular on system of governance. The most recent version of the Governance Memorandum was approved on December 15, 2022 by the Board of Directors of the Issuer, KBC Bank NV and KBC Insurance NV. The public part of the governance memorandum of KBC Insurance (SFCR) is updated annually and published on [www.kbc.com](http://www.kbc.com). The governance memorandum of KBC Insurance is not incorporated by reference into and does not form part of this Offering Memorandum and has not been scrutinized or approved by the Belgian FSMA or Euronext Dublin.

#### *Money laundering*

Belgian insurance companies are also subject to the Law of September 18, 2017 referred to above.

## **BOARD OF DIRECTORS AND GROUP MANAGEMENT**

### **Corporate governance**

The Belgian Banking Law and the Insurance Supervision Law, of which certain provisions also apply to (mixed) financial holding companies, make a fundamental distinction between the management of the activities of the Group, which is within the competence of the Executive Committee, and the supervision of management and the definition of the institution's general policy and strategy, which is entrusted to the Board of Directors. According to these laws, the Group has an Executive Committee of which at least three members are also members of the Board of Directors.

The members of the Executive Committee and the Board of Directors need to permanently have the required professional reliability and appropriate experience. The same goes for the responsible persons of the independent control functions. The fit and proper standards have been further elaborated by the NBB in a Circular of December 20, 2022 and the manual on the assessment of suitability (fit & proper).

Furthermore, in its capacity as a listed company, the Group uses the Belgian Corporate Governance Code 2020 (the “**Code**”) as a reference code. The Code seeks to ensure transparency in the area of corporate governance through the publication of information in the Corporate Governance Charter and the Corporate Governance Statement.

The Corporate Governance Charter sets out the main aspects of the policy of the Group in the area of corporate governance, such as the governance structure, the internal regulations of the Board of Directors, its advisory committees and the Executive Committee, and other important topics.

The Corporate Governance Statement is published in the annual report and contains more factual information about the corporate governance of the Group, including a description of the composition and functioning of the Board, relevant events during the year, provisions of the Code which may be waived, the remuneration report and a description of the main features of the internal control and risk management systems.

### **Board of Directors**

The Issuer's Board of Directors has the power to determine the Group's general policy and strategy and to perform all acts which, by law, are reserved specifically for it. The Board of Directors is also responsible for supervising the Executive Committee. Pursuant to Article 24 of the Belgian Banking Law, the Issuer's Board of Directors has set up an Executive Committee which has the power to perform all acts that are necessary or useful in achieving the Issuer's object, apart from those powers invested in the Board of Directors pursuant to the Belgian Banking Law and article 20 of the Issuer's articles of association.

The Board of Directors does not include any legal persons among its members and its Chairman may not be a member of the Executive Committee. A mandate is no longer than four years. Directors can be re-elected when their term expires. The mandate of non-executive directors comes to an end at the date of the annual meeting following the day on which they reach the age of 70, save for exceptional situations. The mandate of executive directors ends at the end of the month when they reach the Belgian statutory retirement age, save for exceptional situations.

The Board of Directors meets at least ten times a year and decides by simple majority. The activities of the Board are governed by the Belgian Companies and Associations Code, the Belgian Banking Law, the Insurance Supervision Law and the articles of association of the Issuer. To the extent these laws and regulations apply to the Issuer, the Issuer complies with the laws and regulations of Belgium regarding corporate governance.

As at the date of this Offering Memorandum, the members of the Board of Directors are as follows:



<b>Name</b>	<b>Born</b>	<b>Elected/ Appointed</b>	<b>Position</b>
Philippe Vlerick	1955	March 2, 2005	Deputy Chairman
Johan Thijs	1965	May 3, 2012	Executive Director, CEO
Luc Popelier	1964	May 6, 2021	Executive Director, CFO
Christine Van Rijssseghem	1962	April 30, 2014	Executive Director, CRO
Alain Bostoën	1970	November 12, 2014	Non-executive Director
Erik Clinck	1961	May 7, 2020	Non-executive Director
Sonja De Becker	1967	May 4, 2016	Non-executive Director
Marc De Ceuster	1962	May 4, 2023	Non-executive Director
Franky Depickere	1959	September 15, 2006	Non-executive Director
Frank Donck	1965	April 24, 2003	Non-executive Director
Liesbet Okkerse	1978	May 7, 2020	Non-executive Director
Theodoros Roussis	1954	June 26, 1997	Non-executive Director
Raf Sels	1973	May 4, 2023	Non-executive Director
Koenraad Debackere	1961	May 2, 2019	Independent Director / Chairman
Vladimira Papirnik	1956	May 3, 2012	Independent Director
Alicia Reyes Revuelta	1972	May 5, 2022	Independent Director

### *Philippe Vlerick*

Mr Vlerick started his career at BIC Carpets from 1981 to 1986 as Executive Director, from 1986 to 1995 as CEO and to present as Chairman. After joining the Board of UCO Textiles in 1991, he delisted the company, diversified and internationalized its activities and still serves today as its Executive Chairman. In 1992, he founded the Vlerick Group, which acts as an active and long term investor in listed companies, private equity and real estate. He is Chairman of Pentahold, Smartphoto and Raymond Uco Denim, a Director of BMT, Concordia and LVD, and an Independent Director of Besix, Exmar and Oxurion. He serves as Chairman of the Festival van Vlaanderen, of the Belgo-Indian Chamber of Commerce and Industry and of the Stichting Professor Vlerick. Mr Vlerick holds a Bachelor degree in Philosophy and a Master of Law degree from the University of Leuven, a Master in Management degree from the Vlerick Business School and an MBA from Indiana University.

### *Johan Thijs*

Mr Thijs joined the Group in 1988, working in Product Development & Actuary, Life & Non-life at ABB Insurance. In 1995, he became the head of the non-life department, Limburg regional office, of ABB Insurance. In 1998, he became the regional manager of Limburg and Eastern Belgium for KBC Insurance. In 2001, he became the Senior General Manager of non-life insurance for KBC Insurance. He became a member of the Management Committee of the Belgium Business Unit in 2006. In 2009, he became the CEO of the Belgium Business Unit and a member of the Executive Committee of KBC Group. He has been the Group Chief Executive Officer since 2012. Mr Thijs holds a Master's Degree in Sciences (Applied Mathematics) and in Actuarial Sciences from Katholieke Universiteit Leuven.

### *Luc Popelier*

Mr Popelier joined the Group in 1988, working in various commercial functions in corporate banking at Kredietbank. In 1995, he became Associate Director of Credit Risk Management at Warburg Dillon Read in London. In 1996, he became the Director of Corporate Finance, Leveraged Finance Group for SBC Warburg. Mr Popelier became Executive Director of Corporate Finance for KBC Securities in 1999, General Manager of the Strategy and Expansion Division for the Group in 2002, and General Manager of the Trade Finance Division for KBC Bank in 2008. In 2009, he became a member of the Executive Committee of KBC Asset Management, a member of the Executive Committee of the Group and CEO of the market activities of the Merchant Banking Business Unit. In 2011, he became Group Chief Financial Officer before becoming CEO of the International Markets Business Unit of the Group in 2017 and returning to the role of Group Chief Financial Officer in 2021.

Mr Popelier holds a Master's Degree in Applied Economics from Universitaire Faculteiten Sint-Ignatius Antwerpen.

*Christine Van Rijseghem*

Ms Van Rijseghem joined the Group in 1987 as part of the University Graduates Team in Kredietbank. In 1988, she joined the Central Department of Foreign Entities for Kredietbank, working in risk management and control. She became the head of the Central Department of Foreign Entities including international acquisition strategy in 1992 and the head of the Credit Department of Irish Intercontinental Bank (a KBC subsidiary) in 1994. She became the CEO of KBC France (a KBC branch) in 1996, the CEO of KBC London (a KBC branch) in 1999, the Senior General Manager of Securities and Derivatives Processing Directorate in 2000 and the Senior General Manager of Group Finance in 2003. In 2014, she became a member of the Executive Committee of the Group and Chief Risk Officer of the Group. Ms Van Rijseghem holds a Master's Degree in Law from the University of Ghent and an MBA in Financial Sciences from Vlerick School.

*Alain Bostoën*

Mr Bostoën served as a non-executive director of Krefima from 1997 to 2002 and non-executive director of KBC Lease Holding from 2003 to 2010. He has served as a non-executive director of the Group since 2010 and of KBC Bank and KBC Insurance since 2012. He is CEO of Christeyns Group and a director of Algimo & Agrobos. Mr Bostoën holds a Master's Degree in Law from the University of Ghent and an MBA from Vlerick Management School.

*Erik Clinck*

Between 1996 and 2018, Mr Clinck was as an auditor partner at KPMG in Belgium where he was accredited by the Belgian Financial Services and Markets Authority and the National Bank of Belgium to audit financial institutions, investment funds, insurance companies, pension funds and listed companies. He is a member of the Board of Directors and Chairman of the Audit Committee of the Thomas More College of Higher Education and chairs the Consultation Committee for Audit Committee Chairmen of the KU Leuven Association. He sits as an independent member on the Audit Committee of Groep Stad Antwerpen and on the Finance Committee of the Jesuits European Low Countries. As Executive Director at Enactus Belgium and Marie-Elisabeth Belpaire and sitting on the Advisory Board of Boost for Talent and les Amis du Farming for Climate, he is focused on putting the ESG principles into practice. He is a member of the Board of Directors and external director of Cera Beheersmaatschappij and Chairman of its Audit Committee since November 29, 2019. Mr Clinck holds Master's Degrees in Applied Economics from the University of Antwerp and in Internal Audit and Corporate Governance from Aix-Marseille Graduate School of Management.

*Sonja De Becker*

Ms De Becker started her career as a legal adviser at the Boerenbond (farmers' union) in 1990. From 1997 to 1999, she was head of environmental consulting at SBB Bedrijfsdiensten in Leuven, before returning to the Boerenbond to take up the post of Deputy General Secretary. Ms De Becker worked at the Boerenbond as Deputy General Secretary from 1999 to 2001, as General Secretary from 2001 to 2013 and as Vice-president from 2013 to 2015. From December 1, 2015 until May 1, 2022, she was President of the Boerenbond. She is President of MRBB, Agri Investment Fund, SBB Accountants & Advisors and Arvesta. Ms De Becker holds a Master's degree in Law from Katholieke Universiteit Leuven.

*Marc De Ceuster*

Mr De Ceuster is a Professor of Financial Economics at the University of Antwerp. He lectures in the areas of Financial Economics, Derivative Financial Products and Risk Management and has written for several international journals. From 2001 to 2005, he was part-time Director of Risk Management at Deloitte before serving on the policy committee of the University of Antwerp Management School until 2008. From 2009 to

2015, he represented the Flemish Regional Government in the capacity of an observer on the Board of Directors and then as a director of KBC Group (and a member of the Audit Committee and Risk & Compliance Committee). From 2018 to 2019, he was an independent director of Arkea Direct Bank. At the end of 2019, he joined the Board of Directors of Almancora Beheersmaatschappij as an independent director, where he was first Chairman of the Audit Committee before becoming Chairman of the Board of Directors, the Remuneration Committee and the Nomination Committee. Mr De Ceuster holds a PhD in Applied Economics and a Master's Degree in Law from the University of Antwerp.

#### *Franky Depickere*

Following a short period at Gemeentekrediet bank, Mr Depickere joined the CERA group in 1982, where he spent more than 17 years. Among other things, he was an internal audit inspector at CERA Bank, financial director of CERA Lease Factors Autolease, chairman of the board of Nédée België-Luxemburg, a subsidiary of CERA Bank, a member of the Management Committee of CERA Investment Bank, and finally a Managing Director at KBC Securities. He became Managing Director and Chairman of the Management Committee of F. van Lanschot Bankiers België NV in 1999, as well as group director of F.van Lanschot Bankiers Nederland. From 2005, he was also a member of the Strategic Committee of F. van Lanschot Bankiers Nederland. He has been a member of Cera's Day-to-Day Management Committee and Chief Executive Officer of Cera Société de gestion and Almancora Société de gestion since September 15, 2006. As Chief Executive Officer of Cera, a co-operative with some 400,000 members, he has a particular interest in ESG issues. Mr Depickere holds a Master's degree in commercial and financial sciences from the University of Antwerp (UFSIA) and a Master's degree in company financial management from the VLEKHO Business School.

#### *Frank Donck*

Mr Donck started his career as investment manager for Investco NV (later KBC Private Equity NV). He has been the managing director of the family-owned investment company 3D NV since 1998. He currently serves as chairman of Atenor NV and Barco NV, and as independent director of Elia Group NV and Luxempart SA. He also holds board mandates in several privately owned companies. Mr Donck is vice-chairman of the Vlerick Business School. He is also a member of Belgium's Corporate Governance Commission. Mr Donck holds a Master of Law Degree from the University of Ghent and a Master in Financial Management from the Vlerick Business School.

#### *Liesbet Okkerse*

Ms Okkerse started her academic career in 2000 at the University of Antwerp as a researcher and assistant, before becoming a lecturer and postdoctoral researcher in 2006. In 2009, she began working for the municipality of Zoersel, initially as a financial expert before taking up the position of financial director in 2010. She has been a member of the Board of Directors of Cera Beheersmaatschappij since April 29, 2016 and a member of the Board of Directors of Almancora Beheersmaatschappij since November 25, 2016. Ms Okkerse holds a PhD in Applied Economics from the University of Antwerp.

#### *Theodoros Roussis*

Mr Roussis currently serves as CEO of Ravago SA in Luxembourg and previously served as Director of Almanij from 1994 to 1997. He holds a Master degree in Biochemistry from the University of Athens and in Food Biochemistry from the University of Seville.

#### *Raf Sels*

Mr Sels started his career as a consultant in an accounting firm and joined SBB Accountants & Advisors in 1996, where he first held a number of commercial positions before becoming COO in 2011 and rising to the position of CEO in 2016. Since 2022, he has been CEO and Managing Director of Maatschappij voor Roerend Bezit van de Boerenbond (MRBB) BV. He is also a member of the boards of directors of several companies belonging to the

MRBB group. He holds a Bachelor's Degree in Business Management Accountancy & Tax from the Provinciaal Hoger Handelsinstituut Hasselt and is also a Certified Tax Accountant ITAA. He has also completed many additional management and financial training programmes.

*Koenraad Debackere*

Mr Debackere has been a professor of technology and innovation at the Faculty of Economics and Business at KU Leuven since 1995. As part of his academic duties, he is involved with KU Leuven R&D, the technology transfer organization of the university. He has held visiting positions at various European universities and business schools. Between 2005 and 2020, he was the general manager and a board member of KU Leuven as well as of Associatie KU Leuven, the network of KU Leuven and five university colleges. He has held directorships at technology start-ups and scale-up companies in the areas of ICT, materials and health technology. He has been a director at national and international public research and innovation organizations, as well as the investment funds Gemma Frisius Fonds NV, Essenscia Innovation Fund NV and LRM NV. He was an independent board member and a member of the Audit and Risk & Compliance Committees of KBC Insurance NV between 2005 and 2017. He is member or chair of international scientific advisory boards in the areas of innovative technology development, intellectual property management and policy, and product innovation management. Since 2021 he has been elected a member of the Royal Flemish Academy of Belgium for Science and the Arts, Class Science and Technology. Mr Debackere holds degrees in Electrical Engineering (M.Sc.) and Management Sciences & Business (M.Sc. & Ph.D.). He studied at the University of Ghent and MIT.

*Vladimira Papirnik*

Ms Papirnik was a finance lawyer at the Hopkins & Sutter law firm in Chicago from 1982 to 1989 and a partner in Hopkins & Sutter from 1989 to 1995. In 1996, she joined the law firm of Squire Sanders as a partner, serving as managing partner of the Prague office of Squire Sanders from 1996 to 2011. From 2011 to June 2017, she was senior partner at Squire Patton Boggs (formerly Squire Sanders) in both Prague and Chicago, focusing her international business practice on banking, project finance and corporate law, specifically mergers and acquisitions, and corporate governance. She retired in July 2017. From 1999 to 2008, she served as a member of the Board of Directors and Executive Committee of the American Chamber of Commerce in Czech Republic. She was also a member of the Board of Trustees of the International School of Prague and head of its corporate governance committee for four years, and a member of the Board of Trustees of the CMC School of Business for three years. Ms Papirnik holds a Juris Doctor degree from Northwestern University and combined Bachelor's and Master's degrees in German and German Literature from Northwestern University.

*Alicia Reyes Revuelta*

After working as an associate in derivatives at Deutsche Bank, Ms Reyes Revuelta became CIO/CFO at Telvent, a venture capital fund focused on TMT, and then country manager for Spain and Portugal at Bear Stearns. Between 2006 and 2014, she worked for Barclays Capital in various senior positions. Ms Reyes Revuelta then became a partner at Olympo Capital, a private equity firm, after which she moved to Wells Fargo Securities in 2015, where she became the CEO for EMEA until 2020. She is currently an independent Board Member of Ferrovial and Banco Sabadell and she is a Fellow Professor in the Institute of Finance and Technology MSc program on Digital Banking at the Faculty of Civil Engineering (University College London). She is also a Trustee at Fareshare, the largest charity in the UK fighting hunger, and co-founder of '10 Million Women', a social enterprise to help disadvantaged women access the labor market. Ms Reyes Revuelta holds a dual degree in Law, Economics and Business Administration and a PhD in Quantitative Methods and Financial Markets from ICADE in Madrid.

The following table sets out further information with respect to each member of the Board of Directors:

<b>Name and business address</b>	<b>Position</b>	<b>Expiry date mandate</b>	<b>External mandates</b>
VLERICK Philippe Ronsevaalstraat 2 8510 Bellegem Belgium	Deputy Chairman	2025	<p>Executive Director of Raymond Uco denim Private</p> <p>Non-executive Director of Vlerick Business School</p> <p>Non-executive Director of B.M.T. NV</p> <p>Non-executive Director of KBC Verzekeringen NV</p> <p>Chairman of the Board of Directors and Executive Director of Midelco NV</p> <p>Chairman of the Board of Directors of Belgian International Carpet C°</p> <p>Non-executive Director of Arteveld bvba</p> <p>Chairman of the Board of Directors Vobis Finance NV</p> <p>Executive Director of CECAN Invest NV</p> <p>Non-executive Director of De Robaertbeek NV</p> <p>Non-executive Director of BESIX Group NV</p> <p>Non-executive Director of Concordia Textiles NV</p> <p>Non-executive Director of Exmar NV</p> <p>Non-executive Director of LVD Company NV</p> <p>Chairman of the Board of Directors of Point NV</p> <p>Chairman of the Board of Directors of Smartphoto Group NV</p> <p>Chairman of the Board of Directors of Vlerick Investeringsmaatschappij CVBA</p> <p>Chairman of the Board of Directors of UCO NV</p> <p>Non-executive Director of Oxurion NV</p> <p>Non-executive Director of Mediahuis NV</p> <p>Chairman of the Board of Directors of Vlerick Vastgoed NV</p> <p>Chairman of the Board of Directors of Pentahold NV</p> <p>Executive Director of Cecan NV</p> <p>Non-executive Director of Bareldam SA</p>

<b>Name and business address</b>	<b>Position</b>	<b>Expiry date mandate</b>	<b>External mandates</b>
<b>THIJS Johan</b> KBC Group NV Havenlaan 2 1080 Brussels Belgium	Executive Director (CEO)	2024	Non-executive Director of KBC Global Services NV
			Executive Director and CEO of KBC Verzekeringen NV
			Chairman of the Board of Directors of Febelfin
			Executive Director and CEO of KBC Bank NV
			Non-executive Director of VOKA
			Non-executive Director of European Banking Federation
			Non-executive Director of Museum Nicolaas Rockox
			Non-executive Director of BVB – Belgische Vereniging van Banken
			Non-executive Director of Discai NV
			Member of the Management Board of KBC Global Services NV
<b>POPELIER Luc</b> KBC Group NV Havenlaan 2 1080 Brussels Belgium	Executive Director (CFO)	2025	Executive Director of KBC Verzekeringen NV
			Executive Director of KBC Bank NV
			Non-executive Director of KBC Securities NV
			Non-executive Director of KBC Focus Fund NV
			Member of the Management Board of KBC Global Services NV
			Executive Director of KBC Bank NV
<b>VAN RIJSSEGHEM Christine</b> KBC Group NV Havenlaan 2 1080 Brussels Belgium	Executive Director (CRO)	2026	Executive Director of KBC Verzekeringen NV
			Non-executive Director of Ceskoslovenska Obchodni Banka a.s. (CR)
			Non-executive Director of K&H Bank Zrt.
			Non-executive Director of KBC Bank Ireland Plc.
			Member of the Supervisory Board of KBC Bank NV, Dublin Branch
			Non-executive Director of United Bulgarian Bank AD
			Member of the Management Board of KBC Global Services NV
			Non-executive Director in Women in Finance vzw

<b>Name and business address</b>	<b>Position</b>	<b>Expiry date mandate</b>	<b>External mandates</b>
BOSTOEN Alain Coupure 126 9000 Gent Belgium	Non-executive Director	2027	<p>Non-executive Director in De Warande vzw</p> <p>Executive Director of Quatorze Juillet BVBA</p> <p>Executive Director of ALGIMO NV</p> <p>Executive Director of Christeyns Group NV</p> <p>Non-executive Director of KBC Verzekeringen NV</p> <p>Non-executive Director of AGROBOS NV</p> <p>Non-executive Director of KBC Global Services NV</p>
CLINCK Erik KBC Group NV Havenlaan 2 1080 Brussels Belgium	Non-executive Director	2024	<p>Non-executive Director of Cera Beheersmaatschappij NV</p> <p>Executive Director of Priel 18</p> <p>Non-executive Director of KBC Verzekeringen NV</p> <p>Non-executive Director of Van Breda Risk and Benefits NV</p> <p>Non-executive Director of KBC Global Services NV</p>
DE BECKER Sonja MRBB Diestsevest 32/5b 3000 Leuven Belgium	Non-executive Director	2024	<p>Non-executive Director of KBC Bank NV</p> <p>Chairman of the Board of Directors of M.R.B.B. CVBA – Maatschappij voor Roerend Bezit van de Boerenbond</p> <p>Chairman of the Board of Directors of Aktiefinvest CVBA</p> <p>Non-executive Director of Acerta BV</p> <p>Non-executive Director of Agri Investment Fund CVBA</p> <p>Non-executive Director of KBC Verzekeringen NV</p> <p>Chairman of the Board of Directors of SBB Accountants en Adviseurs BV</p> <p>Chairman of the Board of Directors of SBB Bedrijfsdiensten BV</p> <p>Chairman of Arvesta BV</p> <p>Non-executive Director of KBC Global Services NV</p> <p>Non-executive Director of SBB vzw</p> <p>Non-executive Director of K&amp;H Bank Zrt</p>

<b>Name and business address</b>	<b>Position</b>	<b>Expiry date mandate</b>	<b>External mandates</b>
DE CEUSTER Marc University of Antwerp Prinsstraat 13 2000 Antwerpen Belgium	Non-executive Director	2027	Chairman of the Board of Directors of Almancora Beheersmaatschappij NV  Executive Director of Fintrac BV  Non-executive Director of KBC Bank NV  Non-executive Director of KBC Verzekeringen NV  Non-executive Director of KBC Global Services NV
DEPICKERE Franky KBC Group NV Havenlaan 2 1080 Brussels Belgium	Non-executive Director	2027	Executive Director of Almancora Beheers-maatschappij NV  Executive Director of Cera cvba  Executive Director of Cera Beheersmaatschappij NV  Non-executive Director of KBC Bank NV  Non-executive Director of BRS Microfinance Coop cvba  Non-executive Director of KBC Verzekeringen NV  Member of the Supervisory Board of Ceskoslovenska Obchodni Banka a.s. (CR)  Executive Director of KBC Ancora NV  Non-executive Director of Euro Pool System International BV  Non-executive Director of United Bulgarian Bank AD  Non-executive Director of CBC Banque SA  Non-executive Director of KBC Global Services NV
DONCK Frank KBC Group NV Havenlaan 2 1080 Brussels Belgium	Non-executive Director	2027	Executive Director and CEO of 3D NV  Non-executive Director of Anfra BV  Executive Director and CEO of TRIS NV  Executive Director of Ibervest NV  Director of Iberint SA  Director of Iberis BV  Non-executive Director of Anchorage NV



<b>Name and business address</b>	<b>Position</b>	<b>Expiry date mandate</b>	<b>External mandates</b>
			Executive Director of Huon & Kauri NV
			Non-executive Director of Winge Golf NV
			Non-executive Director of KBC Verzekeringen NV
			Non-executive Director of Elia Group NV
			Non-executive Director of Group Ter Wyndt BV
			Non-executive Director of Ter Wyndt cvba
			Executive Director of 3D Private Investerings NV
			Chairman of the Board of Directors of BARCO NV
			Non-executive Director of Academie Vastgoedontwikkeling NV
			Non-executive Director of Bowinvest NV
			Non-executive Director of 3D Real Estate NV
			Chairman of the Board of Directors of Atenor NV
			Non-executive Director of Tasco NV
			Non-executive Director of 3D Land NV
			Non-executive Director of ForAtenor NV
			Non-executive Director of Markizaat NV
			Non-executive Director of Luxempart SA
			Executive Director of 3D Skywalkers BV
			Non-executive Director of Imdona BV
			Non-executive Director of Mado NV
			Non-executive Director of Immobiliën Donck NV
			Non-executive Director of KBC Global Services NV
			Non-executive Director of Golfzicht BV
			Non-executive Director of Commissie Corporate Governance

<b>Name and business address</b>	<b>Position</b>	<b>Expiry date mandate</b>	<b>External mandates</b>
OKKERSE Liesbet KBC Group NV Havenlaan 2 1080 Brussels Belgium	Non-executive Director	2024	Non-executive Director of KBC Bank NV Non-executive Director of KBC Verzekeringen NV Non-executive Director of Almancora Beheersmaatschappij NV Non-executive Director Cera Beheersmaatschappij NV Non-executive Director of KBC Global Services NV
ROUSSIS Theodoros KBC Group NV Havenlaan 2 1080 Brussels Belgium	Non-executive Director	2024	Executive Director of Ravago SA Executive Director of Asphalia NV Non-executive Director of KBC Verzekeringen NV Non-executive Director of KBC Global Services NV Non-executive Director of Pentahold NV
SELS Raf KBC Group NV Havenlaan 2 1080 Brussels Belgium	Non-executive Director	2027	CEO and Managing Director of Maatschappij voor Roerend Bezit van de Boerenbond (MRBB) BV Executive Director of SVV gecertificeerde accountants en adviseurs BV Executive Director of SBB Bedrijfsdiensten BV Non-executive director of Arvesta BV Non-executive Director of Acerta BV Non-executive director of Agri Investment Fund Non-executive director of Aktiefinvest CVBA Non-executive director of Arda Immo BV Non-executive Director of KBC Verzekeringen NV Non-executive Director of KBC Global Services NV
DEBACKERE Koenraad Oude Markt 13 3000 Leuven Belgium	Independent Director	2027	Non-executive Director of KBC Bank NV Non-executive Director of KBC Verzekeringen NV Non-executive Director of KBC Global Services NV

<u>Name and business address</u>	<u>Position</u>	<u>Expiry date mandate</u>	<u>External mandates</u>
			Non-executive Director of Umicore NV Non-executive Director of Holding Wetenschapspark Waterschei NV Non-executive Director of Mo-Thor NV
PAPIRNIK Vladimira KBC Group NV Havenlaan 2 1080 Brussels Belgium	Independent Director	2024	Non-executive Director KBC Bank Non-executive Director of KBC Global Services NV
REYES REVUELTA Alicia KBC Group NV Havenlaan 2 1080 Brussels Belgium	Independent Director	2026	Non-executive director of Banco Sabadell S.A. Non-executive director of Ferrovial S.A. Non-executive director of KBC Bank NV Non- executive director of KBC Global Services NV

### **Audit Committee**

The Audit Committee has been set up by the Board of Directors in accordance with the Belgian Banking Law 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 manner of functioning, are extensively dealt with in the corporate governance charter of the Issuer (the “**Corporate Governance Charter**”), which is published on [www.kbc.com](http://www.kbc.com). The Corporate Governance Charter is not incorporated by reference into and does not form part of this Offering Memorandum and has not been scrutinized or approved by the Belgian FSMA or Euronext Dublin.

The members of the Issuer’s Audit Committee are:

- (i) Marc De Ceuster (chair)
- (ii) Alicia Reyes Revuelta (independent director)
- (iii) Vladimira Papirnik (independent director)

### **Risk & Compliance Committee**

The Risk & Compliance Committee has been set up by the Board of Directors in accordance with the Belgian Banking Law and has an advisory role. The Risk & 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 & Compliance Committee, as well as its way of functioning, are extensively dealt with in the Corporate Governance Charter, which is available on [www.kbc.com](http://www.kbc.com). The Corporate Governance Charter is not incorporated by reference into and does not form part of this Offering Memorandum and has not been scrutinized or approved by the Belgian FSMA or Euronext Dublin.

The members of the Issuer's Risk & Compliance Committee are:

- (i) Franky Depickere (chair)
- (ii) Frank Donck
- (iii) Sonja De Becker
- (iv) Vladimira Papirnik (independent director)

#### **Nomination Committee**

The Nomination Committee has been set up by the Board of Directors in accordance with the Belgian Banking Law and has an advisory role. The Nomination Committee, among other things, provides advice to the Board of Directors about the selection of suitable candidate members for the Board of Directors, its advisory committees, and the Executive Committee of the Issuer.

The powers and composition of the Nomination Committee, as well as its way of functioning, are extensively dealt with in the Corporate Governance Charter, which is available on [www.kbc.com](http://www.kbc.com). The Corporate Governance Charter is not incorporated by reference into and does not form part of this Offering Memorandum and has not been scrutinized or approved by the Belgian FSMA or Euronext Dublin.

The members of the Issuer's Nomination Committee are:

- (i) Koenraad Debackere (chair) (independent director)
- (ii) Franky Depickere
- (iii) Philippe Vlerick
- (iv) Sonja De Becker
- (v) Vladimira Papirnik (independent director)

#### **Remuneration Committee**

The Remuneration Committee has been set up by the Board of Directors in accordance with the Belgian Banking Law and has an advisory role. The Remuneration Committee, among other things, provides advice to the Board of Directors on the remuneration policy that the Board of Directors has to draw up and on any amendment to that policy.

The powers and composition of the Remuneration Committee, as well as its way of functioning, are extensively dealt with in the Corporate Governance Charter, which is available on [www.kbc.com](http://www.kbc.com). The Corporate Governance Charter is not incorporated by reference into and does not form part of this Offering Memorandum and has not been scrutinized or approved by the Belgian FSMA or Euronext Dublin.

The members of the Issuer's Remuneration Committee are:

- (i) Koenraad Debackere (chair) (independent director)
- (ii) Alicia Reyes Revuelta (independent director)
- (iii) Philippe Vlerick

## Executive Committee

The Executive Committee is empowered to perform all acts that are necessary or useful in achieving the Issuer's object, apart from those powers invested in the Board of Directors (Article 7:110 of the Belgian Companies and Associations Code, Article 212 *juncto* Article 24 of the Belgian Banking Law and Article 443 *juncto* Article 45 of the Insurance Supervision Law).

The Executive Committee exercises such powers autonomously, but always within the framework of the strategy adopted by the Board of Directors. The Executive Committee consists of seven members appointed by the Board of Directors.

As at the date of this Offering Memorandum, the members of the Executive Committee are as follows:

<b>Name</b>	<b>Elected/ Appointed</b>	<b>Position</b>
Johan Thijs	2009	CEO (Chief Executive Officer)
Luc Popelier	2009	CFO (Chief Financial Officer)
Christine Van Rijseghem	2014	CRO (Chief Risk Officer)
David Moucheron	2021	CEO Belgium Business Unit
Aleš Blažek	2022	CEO Czech Republic Business Unit
Peter Andronov	2021	CEO International Markets Business Unit
Erik Luts	2017	CIO (Chief Innovation Officer)

### *Johan Thijs*

See biography under “—*Board of Directors*” above.

### *Luc Popelier*

See biography under “—*Board of Directors*” above.

### *Christine Van Rijseghem*

See biography under “—*Board of Directors*” above.

### *David Moucheron*

Mr Moucheron started his career as a lawyer with de Bandt, van Hecke & Lagae (now Linklaters) in Brussels, working there between 1996 and 1999, before moving to McKinsey & Company to work as a consultant from 2000 to 2005. Between 2006 and 2008, he was Secretary to the Executive Committee and Chief of Staff of Fortis Group (now BNP Paribas Fortis). He became CEO of bpost bank (Brussels) in 2009 and remained in that position until he moved to the KBC Group in 2015 to take up the post of CEO of CBC Banque & Assurance. He has been CEO of K&H Bank and KBC's Country Manager for Hungary since 2017. He became a member of the group Executive Committee and CEO of the Belgium Business Unit in 2021. Mr Moucheron holds a Master's Degree in Law from the Université Catholique de Louvain, a Master's Degree in Tax Law from the EHSAL School of Business and an LL.M. from the Columbia Law School.

### *Aleš Blažek*

Mr Blažek started his professional career as an associate at the Prague office of White & Case, working primarily in the areas of M&A, Banking and Finance and Restructuring. From 2000 until 2003, he worked as Chief Legal Counsel for Citibank Czech Republic. He then became General Counsel for Citigroup CEE Region before being

appointed Deputy General Counsel for Citigroup EMEA in London, covering corporate and investment banking businesses in Europe, the Middle East and Africa. In 2007, he joined GE Capital Global Banking in London to become a member of the senior executive team in the capacity of General Counsel for GE Capital consumer businesses in Europe. In 2011, he was promoted to General Counsel for GE Capital International, London, with responsibility for legal services in all GE Capital businesses in Europe, the Middle East and Asia. He joined ČSOB in Prague in the Czech Republic Business Unit of KBC Group in 2014 as Head of the Legal Department. In April 2019, he became Head of Data and Strategy at ČSOB. In 2021, he was appointed CEO of KBC Bank Ireland. In 2022, was appointed a Chief Executive Officer and Chairman of the Board of ČSOB Czech Republic and became a member of the Executive Committee of KBC Group. Mr Blažek holds a Master's Degree in Law from the Charles University Law School in Prague.

#### *Peter Andronov*

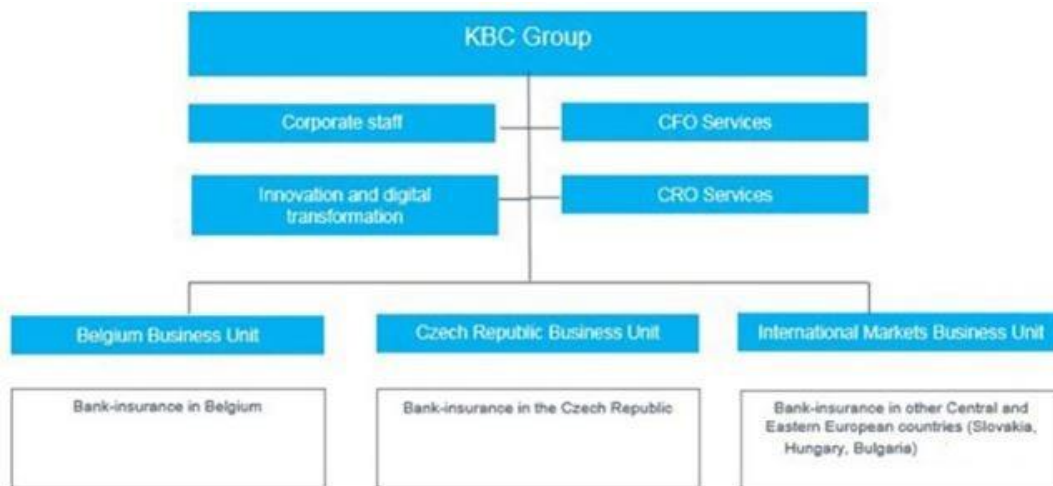
After working as an analyst in a number of commercial banks between 1994 and 1997, Mr Andronov moved to the Bulgaria National Bank, where he held various positions from 1997 to 2007 and eventually became the Head of the Banking Supervision Department. Between 2005 and 2007, he headed up the Basel II project for Bulgaria and was also a member of the Committee of European Banking Supervisors (CEBS) and the ECB's Banking Supervision Committee. He was appointed CRO of CIBANK in 2007 and CEO in 2008. He has been KBC's Country Manager for Bulgaria since 2011 and CEO of United Bulgarian Bank (UBB) since 2017. He became a member of the group Executive Committee and CEO of the International Markets Business Unit in 2021. Mr Andronov also has an extensive academic background. Mr Andronov holds a Master's Degree in Finance from the University of National and World Economy in Sofia (Bulgaria).

#### *Erik Luts*

Between 1985 and 1988, Mr Luts held various positions, including at the University of Leuven, teaching at a technical college and working as an after-sales representative for an Apple dealer. He began his career with Kredietbank/KBC Group in 1988 as Computer Literacy and Self-Study Training Manager and was promoted to Payments and E-Banking Product Manager in 1991. At that time, he was also made a member of the Management Committee for Isabel, the main supplier of multi-bank services for business users in Belgium set up in 1995 on the initiative of four large banks, including Kredietbank/KBC. In 1996, he was appointed ICT Manager for the branch network, then General Manager, ICT Development, and in 2003, General Manager of the ICT Data Centre. From 2004 to 2006, he was a Member of the Management Committee of Nova Ljubljanska banka (NLB), KBC's banking subsidiary in Slovenia, where he was responsible for ICT and preparing NLB for the introduction of the euro. He returned to Belgium in 2006 in the role of General Manager, Training, Education & Recruitment. He was Senior General Manager, HR, Facility Services and Financial Reporting at the Belgium Business Unit of the Group from 2008 to 2013. He has been Senior General Manager, Direct Channels and Support at that business unit since 2013 and was appointed Chief Innovation Officer for the Group in 2016. Mr Luts holds a Master's Degree in Pedagogy from the University of Leuven.

### **Management structure**

The Group's strategic choices are fully reflected in the Group structure, which consists, as at the date of this Offering Memorandum, of a number of business units and support services and which are presented in simplified form as follows:



The management structure of the Group comprises:

- (i) the three business units, which focus on local business and are expected to contribute to sustainable profit and growth:
  - (A) Belgium;
  - (B) Czech Republic; and
  - (C) International, which encompasses the other core markets in Central and Eastern Europe (the Slovak Republic, Hungary and Bulgaria);
- (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 center for strategic know-how and best practices in corporate organization and communication) and ‘Innovation and digital transformation’.

Each business unit is headed by a Chief Executive Officer, and these CEOs, together with the Group CEO, the Chief Risk Officer, the Chief Innovation Officer and the Chief Financial Officer of the Group, constitute the Executive Committee.

### **Conflicts of interest policy**

*Conflicts of interest on the part of members of the Executive Committee or Board of Directors and Intragroup conflicts of interest*

The policy related to these conflicts of interest can be found in the Corporate Governance Charter of the Issuer.

The information regarding conflicts of interest that took place in the course of each year is mentioned in the Corporate Governance Statement in the annual reports of the Issuer.

The Issuer is not aware of any potential conflicts of interests between the obligations which a director or any member of the Executive Committee has with respect to the Issuer and the personal interests and/or other obligations of that director or member of the Executive Committee.

*Other conflicts of interest*

The information related to the policy of other conflicts of interest (e.g. intragroup conflicts of interest and conflicts of interest between shareholders/employees/clients and the Issuer) is set out in the Corporate Governance Charter.





## SHARE CAPITAL AND OWNERSHIP STRUCTURE

### Share capital

As at the date of the Offering Memorandum, the share capital of the Issuer consists of 417,169,414 ordinary shares with no nominal value. All ordinary shares carry voting rights and each share represents one vote. The shares are listed on Euronext Brussels.

Recent capital increase: In December 2022, the Issuer increased its capital by issuing 285,822 new shares following the capital increase reserved for staff.

Authorization to increase capital: the General Meeting of Shareholders authorized the Board of Directors to increase, in one or more steps, the share capital, including by issuing subordinated or unsubordinated convertible bonds or subscription rights, whether or not linked to subordinated or unsubordinated bonds, that could lead to increases in capital. This authorization is valid until May 12, 2028 and may be renewed. The authorization has been granted (i) for an amount of €146,000,000, whereby the Board of Directors is entitled – in the Issuer’s interest – to restrict or suspend the preferential subscription rights of existing shareholders and (ii) for an amount of €554,000,000, without the Board of Directors having the power to restrict or suspend the preferential subscription rights. Consequently, when taking into account the accounting par value of a share in the Issuer at the end of December 2022 (€3.51), the Board of Directors of the Issuer is authorized to still issue up to a maximum of 199,430,199 new shares of which up to 41,595,441 shares can be issued with the possibility for the Board of Directors to restrict or suspend the preferential subscription rights of the existing shareholders.

Additional tier 1 capital instruments: as at December 31, 2022 and June 30, 2023, the Issuer’s total equity also included additional Tier-1 (AT1) instruments for a total consideration of €1.5 billion.

### Dividends

The Issuer’s dividend policy comprises:

- (i) a pay-out ratio (i.e. dividend + AT1 coupon) of at least 50% of consolidated profit for the financial year; and
- (ii) an interim dividend of €1 per share (payable in November of the financial year) as an advance on the total dividend for the financial year

In addition, the following applies from 2022: on top of the payment ratio of 50% of the consolidated profit, the Board of Directors decides every year (when announcing the annual results) at its own discretion on the payment made to the shareholders of the capital exceeding a 15.0% fully loaded common equity ratio (the ‘surplus capital’). This may occur in the form of a cash dividend, a share buy-back, or a combination of both.

Dividend in respect of 2022: the General Meeting of the issuer of May 4, 2023 approved a gross total dividend of €4.0 per share, comprising an interim dividend of €1 paid in November 2022, and a final dividend of €3 paid in May 2023. In addition, and in line with the capital allocation plan for 2022, the Group (after having received the approval of the ECB) will pay out a surplus capital in the form of a share buyback worth €1.3 billion and an interim cash dividend of €1 per share in November 2023.

### Major shareholders

The shareholder structure shown in the table below is based on the notifications received under the transparency rules until the date of this Offering Memorandum or, if they are more recent, disclosures made under the Law of April 1, 2007 on public takeover bids or other available information. The number of shares stated in the notifications and other disclosures (situation as at the date of this Offering Memorandum and hence in the table

below) may differ from the current number in possession, as a change in number of shares held does not always give rise to a new notification or disclosure.

The shareholder structure of the Group (based on notifications as at June 30, 2023) is set out in the table below:

	Number of voting rights at the time of disclosure	% of the current number of voting rights
KBC Ancora	77,516,380	18.58%
Cera	15,555,143	3.73%
MRBB	47,887,696	11.48%
Other core shareholders	30,945,409	7.42%
Subtotal for core shareholders	171,904,628	41.21%
Total	417,169,414	100.0%

Core shareholders: According to the notifications received under the transparency rules until the date of this Offering Memorandum, the core shareholders own 41.21% of the Issuer's shares between them. The current core shareholders of the Issuer are MRBB, Cera, KBC Ancora and a group of legal entities and individuals referred to as 'Other core shareholders'. A shareholder agreement was concluded between these core shareholders in order to ensure shareholder stability and guarantee the continuity of the Group, as well as to support and coordinate the Group's general policy. To this end, the core shareholders act in concert at the General Meeting of Shareholders of the Issuer and are represented on its Board of Directors. The current shareholder agreement entered into force on December 1, 2014, for a period of ten years.

Notifications received under the transparency rules are available on [www.kbc.com](http://www.kbc.com). These notifications are not incorporated by reference into and do not form part of this Offering Memorandum and have not been scrutinized or approved by the Belgian FSMA or Euronext Dublin.

## TERMS AND CONDITIONS OF THE NOTES

*The following (excluding italicized paragraphs) is the text of the terms and conditions that, subject to completion with the provisions of the applicable Pricing Supplement, shall be applicable to the Notes. All capitalized terms that are not defined in these Conditions will have the meanings given to them in the applicable Pricing Supplement. References in the Conditions to “Notes” are to the Notes of one Series only, not to all Notes that may be issued under the Programme. Investors will receive CDIs representing interests in the Notes, as further described under “Form of Notes – Depositary Receipts”.*

The Notes are issued subject to a paying agency agreement (the “**Agency Agreement**”) dated October 13, 2022 between KBC Group NV (the “**Issuer**”) and KBC Bank NV as paying agent (the “**Paying Agent**”, which expression shall include any successor paying agent). The calculation agent for the time being (if any) is referred to below as the “**Calculation Agent**”. The Notes will be subject to a service contract for the issuance of fixed income securities (the “**Clearing Agreement**”) dated October 12, 2022 between the Issuer, the Paying Agent and the National Bank of Belgium (the “**NBB**”). The Noteholders (as defined below) are deemed to have notice of all of the provisions of the Agency Agreement and the Clearing Agreement applicable to them.

For the purpose of these terms and conditions (the “**Conditions**”), a “**Series**” means a series of Notes comprising one or more Tranches, whether or not issued on the same date, that (except in respect of the first payment of interest and their issue price) have identical terms on issue and are expressed to have the same series number. “**Tranche**” means, in relation to a Series, those Notes of that Series that are identical in all respects.

Copies of the Agency Agreement and the Clearing Agreement are, and the applicable Pricing Supplement, upon issue, will be, (i) available for inspection free of charge during normal business hours by the holders at the specified office of the Paying Agent and (ii) may be provided by email to a Noteholder requesting a copy, in each case upon such Noteholder providing satisfactory proof of a holding of Notes, and subject to the Paying Agent being supplied by the Issuer with electronic copies. If the Notes are admitted to trading on the Global Exchange Market of the Irish Stock Exchange plc, trading as Euronext Dublin (“**Euronext Dublin**”), the applicable Pricing Supplement will be published on the website of the Issuer (<https://www.kbc.com/en/investor-relations/debt-issuance/kbc-group/us-mtn-programme.html>) and the website of Euronext Dublin (<https://live.euronext.com/>).

The final terms for the Notes (or the relevant provisions thereof) are set out in the Pricing Supplement and complete these Conditions. References to the “**applicable Pricing Supplement**” are to the Pricing Supplement (or the relevant provisions thereof) and expressions defined or used in the applicable Pricing Supplement shall have the same meanings in these Conditions, unless the context otherwise requires or unless otherwise stated.

On the issue date, the Notes will be held by The Bank of New York Mellon, as CDI depositary (the “**CDI Depositary**”), through Euroclear as a direct participant in the Securities Settlement System. The CDI Depositary will create certificated depositary interests (“**CDIs**”) representing interests in the Notes, which will be issued to The Depository Trust Company (“**DTC**”) or its nominee, and its direct (including Euroclear and Clearstream, Luxembourg) and indirect participants will record ownership of the beneficial interests in the CDIs on their books. Investors will receive CDIs representing interests in the Notes, as further described under “*Form of Notes – Depositary Receipts*”.

### **1 Form, Denomination and Title**

The Notes will be issued in dematerialized form in accordance with the Belgian Companies and Associations Code (*Wetboek van Venootschappen en Verenigingen/Code des Sociétés et des Associations*), as amended. The Notes will be represented exclusively by book entry in the records of the securities settlement system operated by the NBB or any successor thereto (the “**Securities Settlement System**”). The Notes can be held by their holders through participants in the Securities Settlement System, including SIX SIS, Clearstream Banking Frankfurt, Iberclear, Euroclear France SA, Euronext Securities Milan, LuxCSD and Euronext Securities Porto and through other financial intermediaries which in turn hold the Notes through SIX SIS, Clearstream Banking Frankfurt, Iberclear, Euroclear

France SA, Euronext Securities Milan, LuxCSD and Euronext Securities Porto or other participants in the Securities Settlement System. The Notes are accepted for clearance through the Securities Settlement System, and are accordingly subject to the applicable Belgian clearing regulations, including the Belgian Law of August 6, 1993 on transactions in certain securities, its implementing Belgian Royal Decrees of May 26, 1994 and June 14, 1994 (each as amended or re-enacted or as their application is modified by other provisions from time to time) and the rules of the Securities Settlement System and its annexes, as issued or modified by the NBB from time to time (the laws, decrees and rules mentioned in this Condition 1 being referred to herein as the “**Securities Settlement System Regulations**”). Title to the Notes will pass by account transfer. The Notes cannot be physically delivered and may not be converted into bearer notes (*effecten aan toonder/titres au porteur*).

If at any time the Notes are transferred to another clearing system, not operated or not exclusively operated by the NBB, these provisions shall apply *mutatis mutandis* to such successor clearing system and successor clearing system operator or any additional clearing system and additional clearing system operator (any such clearing system, an “**Alternative Clearing System**”).

Noteholders are entitled to exercise the rights they have, including voting rights, making requests, giving consents, and other associative rights (as defined for the purposes of the Belgian Companies and Associations Code) upon submission of an affidavit drawn up by the NBB, SIX SIS, Clearstream Banking Frankfurt, Iberclear, Euroclear France SA, Euronext Securities Milan, LuxCSD and Euronext Securities Porto or any other participant duly licensed in Belgium to keep dematerialized securities accounts showing such holder’s position in the Notes (or the position held by the financial institution through which such holder’s Notes are held with the NBB, SIX SIS, Clearstream Banking Frankfurt, Iberclear, Euroclear France SA, Euronext Securities Milan, LuxCSD and Euronext Securities Porto or such other participant, in which case an affidavit drawn up by that financial institution will also be required).

The Notes are issued in the Specified Denomination(s) specified in the applicable Pricing Supplement. The minimum Specified Denomination of the Notes shall be at least (i) €100,000 (or its equivalent in any other currency) and (ii) U.S.\$200,000 (or its equivalent in any other currency) in respect of Notes sold in reliance on Rule 144A under the Securities Act (each as defined below), in either case with the option to permit integral multiples of €/U.S.\$1,000 in excess thereof. The Notes have no maximum Specified Denomination.

The Notes (i) bear interest calculated by reference to a fixed rate of interest (such Note, a “**Fixed Rate Note**”), (ii) bear interest calculated by reference to a fixed rate of interest for an initial period and thereafter by reference to a fixed rate of interest recalculated on one or more dates specified in the Pricing Supplement and by reference to a mid-market swap rate (such Note, a “**Fixed Rate Reset Note**”), (iii) bear interest by reference to one or more floating rates of interest (such Note, a “**Floating Rate Note**”) or (iv) are a combination of two or more of (i) to (iii) of the foregoing, as specified in the Pricing Supplement.

In addition, the Pricing Supplement of the Notes will specify that the rights of Noteholders with regard to payments under the Notes will either be (i) senior in the manner described in Condition 2(a) (*Status of the Senior Notes*) (“**Senior Notes**”) or (ii) subordinated in the manner described under Condition 2(b) (*Status of the Subordinated Tier 2 Notes*) below with a fixed redemption date and with terms capable of qualifying as Tier 2 Capital (the “**Subordinated Tier 2 Notes**”). The term “**Tier 2 Capital**” has the meaning given in the Applicable Banking Regulations (as defined in Condition 2(b) (*Status of the Subordinated Tier 2 Notes*)).

In these Conditions, “**Noteholder**” and “**holder**” mean, in respect of any Note, the holder from time to time of the Notes as determined by reference to the records of the relevant clearing systems or financial intermediaries and the affidavits referred to in this Condition 1 and capitalized terms have the meanings

given to them in the applicable Pricing Supplement, the absence of any such term indicating that such term is not applicable to the Notes.

In these Conditions, any reference to any code, law, decree, regulation, directive or any implementing or other legislative measure shall be construed as a reference to such code, law, decree, regulation, directive or implementing or other legislative measure as the same may be amended, supplemented, restated or replaced from time to time.

## 2 Status of the Notes

### (a) *Status of the Senior Notes*

#### (i) *Status*

The Senior Notes (being any Series of the Notes in respect of which the Pricing Supplement specify their status as Senior) constitute direct, unconditional, senior and unsecured (*chirografaïre/chirographaires*) obligations of the Issuer and shall at all times rank:

- (A) *pari passu*, without any preference among themselves, and with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, which will fall or are expressed to fall within the category of obligations described in Article 389/1, 1° of the Belgian Banking Law, but, in the event of insolvency, only to the extent permitted by laws relating to creditors' rights;
- (B) senior to Senior Non-Preferred Obligations of the Issuer and any obligations ranking *pari passu* with or junior to Senior Non-Preferred Obligations; and
- (C) junior to all present and future claims as may be preferred by laws of general application.

Subject to applicable law, if an order is made or an effective resolution is passed for the liquidation, dissolution or winding-up of the Issuer by reason of bankruptcy (*faillissement/faillite*), the Noteholders will have a right to payment under the Senior Notes (including for any interest and for damages awarded for breach of any obligations under these Conditions):

- (A) only after, and subject to, payment in full of any present and future claims as may be preferred by laws of general application; and
- (B) subject to such payment in full, in priority to holders of Senior Non-Preferred Obligations and other present and future claims otherwise ranking junior to the Senior Notes.

“**Senior Non-Preferred Obligations**” means any obligations or other instruments issued by the Issuer which fall or are expressed to fall within the category of obligations described in Article 389/1, 2° of the Belgian Banking Law.

#### (ii) *Waiver of set-off*

Subject to applicable law, no holder of any such Senior Notes (“**Senior Noteholders**”) may exercise or claim any right of set-off, compensation, retention or netting in respect of any amount owed to it by the Issuer arising under or in connection with Senior Notes, and each Senior Noteholder shall, by virtue of its subscription, purchase or holding of any such Senior Note, be deemed to have waived all such rights of set-off,

compensation, retention or netting. Notwithstanding the preceding sentence, if any amounts owing to any Senior Noteholder by the Issuer are discharged by set-off, compensation, retention or netting, such Senior Noteholder shall, unless such payment is prohibited by law, immediately pay an amount equal to the amount of such discharge to the Issuer or, in the event of its winding-up or administration, the liquidator or administrator, as appropriate, of the Issuer for the payment to creditors of the Issuer in respect of amounts owing to them by the Issuer and accordingly any such discharge shall be deemed not to have taken place.

(b) *Status of the Subordinated Tier 2 Notes*

(i) *Status*

The Subordinated Tier 2 Notes (being any Series of the Notes the Pricing Supplement in respect of which specify their status as Subordinated Tier 2) constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and shall at all times rank *pari passu* without any preference among themselves. The rights and claims of the Noteholders in respect of the Subordinated Tier 2 Notes are subordinated in the manner provided in Condition 2(b)(ii) (*Subordination*) below.

(ii) *Subordination*

Subject to applicable law, in the event of an order being made, or an effective resolution being passed, for the liquidation, dissolution or winding-up of the Issuer by reason of bankruptcy (*faillissement/faillite*) or otherwise (except, in any such case, a solvent liquidation, dissolution or winding-up solely for the purposes of a reorganization, reconstruction or amalgamation of the Issuer or the substitution in place of the Issuer of a successor in business of the Issuer), the rights and claims of the holders of the Subordinated Tier 2 Notes against the Issuer in respect of or arising under (including any interest or damages awarded for breach of any obligation under) the Subordinated Tier 2 Notes shall, subject to any obligations which are mandatorily preferred by law, rank (a) junior to the claims of all Senior Creditors and of all Ordinary Subordinated Creditors of the Issuer, (b) *pari passu* with the claims of holders of all obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 2 Capital of the Issuer and (c) senior to (1) the claims of holders of all share and other equity capital (including preference shares, if any) of the Issuer and (2) the claims of holders of all obligations of the Issuer which constitute Tier 1 Capital of the Issuer.

For the purposes of these Conditions:

“**Applicable Banking Regulations**” means, at any time, the laws, regulations, rules, guidelines and policies of the Relevant Regulator, or of the European Parliament and Council then in effect in Belgium, relating to capital adequacy and applicable to the Issuer at such time (and, for the avoidance of doubt, including as at the Issue Date the rules contained in, or implementing, CRD).

“**Belgian Banking Law**” means the Belgian Law of April 25, 2014 on the legal status and supervision of credit institutions and stockbroking firms, as amended or replaced from time to time.

“**BRRD**” means Directive 2014/59/EU of the European Parliament and of the Council of May 15, 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms, as amended by Directive (EU) 2019/879 of May 20, 2019, and amending

Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council, as amended or replaced from time to time.

“**Capital Requirements Directive**” means Directive 2013/36/EU of the European Parliament and of the Council of June 26, 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, as amended or replaced from time to time.

“**Capital Requirements Regulation**” means Regulation (EU) n° 575/2013 of the European Parliament and of the Council of June 26, 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) n° 648/2012, as amended or replaced from time to time.

“**CRD**” means, taken together, (i) the Capital Requirements Directive, (ii) the Capital Requirements Regulation and (iii) any Future Capital Instruments Regulations.

“**Future Capital Instruments Regulations**” means any further Applicable Banking Regulations that come into effect after the Issue Date and which prescribe (alone or in conjunction with any other rules or regulations) the requirements to be fulfilled by financial instruments for their inclusion in the regulatory capital of the Issuer to the extent required by (i) the Capital Requirements Regulation or (ii) the Capital Requirements Directive.

“**Ordinary Subordinated Creditors**” means creditors of the Issuer whose claims are in respect of obligations which are subordinated to those of Senior Creditors or which otherwise rank, or are expressed to rank, junior to obligations owed by the Issuer to Senior Creditors, and which do not constitute Tier 1 Capital or Tier 2 Capital of the Issuer.

“**Relevant Regulator**” means the National Bank of Belgium, the European Central Bank or any successor or replacement entity having primary responsibility for the prudential oversight and supervision of the Issuer.

“**Senior Creditors**” means creditors of the Issuer whose claims are in respect of obligations which are unsubordinated (including, for the avoidance of doubt, holders of Senior Notes) or which otherwise rank, or are expressed to rank, senior to obligations owed by the Issuer to Ordinary Subordinated Creditors and to obligations which constitute Tier 1 Capital or Tier 2 Capital of the Issuer (including the Subordinated Tier 2 Notes).

“**Tier 1 Capital**” and “**Tier 2 Capital**” have the respective meanings given to such terms in the Applicable Banking Regulations from time to time.

(iii) *Waiver of set-off*

Subject to applicable law, no holder of a Subordinated Tier 2 Note may exercise or claim any right of set-off, compensation, retention or netting in respect of any amount owed to it by the Issuer arising under or in connection with the Subordinated Tier 2 Notes and each holder of a Subordinated Tier 2 Note shall, by virtue of its subscription, purchase or holding of any Subordinated Tier 2 Note, be deemed to have waived all such rights of set-off, compensation, retention and netting. Notwithstanding the preceding sentence, if any amounts owing to any holder of a Subordinated Tier 2 Note

by the Issuer are discharged by set-off, compensation, retention or netting, such holder of a Subordinated Tier 2 Note shall, unless such payment is prohibited by law, immediately pay an amount equal to the amount of such discharge to the Issuer or, in the event of its winding-up or administration, the liquidator or administrator, as appropriate, of the Issuer for the payment to creditors of the Issuer in respect of amounts owing to them by the Issuer and accordingly any such discharge shall be deemed not to have taken place.

### 3 Interest and other calculations

(a) *Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rates *per annum* (expressed as a percentage) equal to the Rate of Interest(s), such interest being payable, subject as provided herein, in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with this Condition 3.

(b) *Interest on Fixed Rate Reset Notes*

Each Fixed Rate Reset Note bears interest on its outstanding nominal amount, subject to Condition 3(j) (*Benchmark replacement*):

- (i) from and including the Interest Commencement Date, specified in the applicable Pricing Supplement, up to but excluding the First Reset Date at the Initial Rate of Interest;
- (ii) from and including the First Reset Date up to but excluding the first Subsequent Reset Date or, if no Subsequent Reset Date is specified in the applicable Pricing Supplement, the Maturity Date at the First Reset Rate of Interest; and
- (iii) for each Subsequent Reset Period thereafter (if any), at the relevant Subsequent Reset Rate of Interest,

payable, subject as provided herein, in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 3(f) (*Calculations*).

In these Conditions:

“**CMT Rate**” means (subject to Condition 3(j) (*Benchmark replacement*), if applicable), in relation to a Reset Period and the Reset Determination Date in relation to such Reset Period, the rate determined by the Calculation Agent, and expressed as a percentage, equal to:

- (i) if the Reuters T7051 Page is specified in the applicable Pricing Supplement as the Designated CMT Reuters Page:
  - a. the yield for United States Treasury securities at “constant maturity” having the Designated CMT Maturity Index specified in the applicable Pricing Supplement as published in H.15 under the caption “Treasury Constant Maturities”, as the yield is displayed on Reuters (or any successor service) on page FRBCMT (or any other page as may replace the specified page on that service or successor service) (“**T7051 Page**”), on such Reset Determination Date; or



- b. if the rate referred to in paragraph ‘a.’ does not so appear on the T7051 Page by 4:00 p.m. (New York City time) on the relevant Reset Determination Date, the percentage equal to the yield for United States Treasury securities at “constant maturity” having the particular Designated CMT Maturity Index and for such Reset Determination Date as published in H.15 under the caption “Treasury Constant Maturities”; or
- c. if the rate referred to in paragraph ‘b.’ does not so appear in H.15 by 4:30 p.m. (New York City time) on the relevant Reset Determination Date, the rate on such Reset Determination Date for the period of the particular Designated CMT Maturity Index as may then be published by either the Board of Governors of the Federal Reserve System or the United States Department of the Treasury that the Calculation Agent determines to be comparable to the rate which would otherwise have been published in H.15; or
- d. if the rate referred to in paragraph ‘c.’ is not so published, the rate on such Reset Determination Date calculated by the Calculation Agent as a yield to maturity based on the arithmetic mean of the secondary market bid prices at approximately 5:00 p.m. (New York City time) on that Reset Determination Date of three leading primary United States government securities dealers in The City of New York (which may include the agents or their affiliates) (each, a “**Reference Dealer**”), selected by the Calculation Agent (after consultation with the Issuer) from five Reference Dealers so selected by the Calculation Agent and eliminating the highest quotation, or, in the event of equality, one of the highest, and the lowest quotation or, in the event of equality, one of the lowest, for United States Treasury securities with an original maturity equal to the particular Designated CMT Maturity Index, a remaining term to maturity no more than one year shorter than that Designated CMT Maturity Index and in a principal amount that is representative for a single transaction in the securities in that market at that time; or
- e. if fewer than five but more than two of the prices referred to in paragraph ‘d.’ are provided as requested, the rate on such Reset Determination Date calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained and neither the highest nor the lowest of the quotations shall be eliminated; or
- f. if fewer than three prices referred to in paragraph ‘d.’ are provided as requested, the rate on such Reset Determination Date calculated by the Calculation Agent as a yield to maturity based on the arithmetic mean of the secondary market bid prices as of approximately 5:00 p.m. (New York City time) on that Reset Determination Date of three Reference Dealers selected by the Calculation Agent (after consultation with the Issuer) from five Reference Dealers so selected by the Calculation Agent and eliminating the highest quotation or, in the event of equality, one of the highest and the lowest quotation or, in the event of equality, one of the lowest, for United States Treasury securities with an original maturity greater than the particular Designated CMT Maturity Index, a remaining term to maturity closest to that Designated CMT Maturity Index and in a principal amount that is representative for a single transaction in the securities in that market at that time; or
- g. if fewer than five but more than two prices referred to in paragraph ‘f.’ are provided as requested, the rate on such Reset Determination Date calculated



- f. if fewer than three prices referred to in paragraph ‘d.’ are provided as requested, the rate on such Reset Determination Date calculated by the Calculation Agent as a yield to maturity based on the arithmetic mean of the secondary market bid prices as of approximately 5:00 p.m. (New York City time) on that Reset Determination Date of three Reference Dealers selected by the Calculation Agent (after consultation with the Issuer) from five Reference Dealers so selected by the Calculation Agent and eliminating the highest quotation or, in the event of equality, one of the highest and the lowest quotation or, in the event of equality, one of the lowest, for United States Treasury securities with an original maturity greater than the particular Designated CMT Maturity Index, a remaining term to maturity closest to that Designated CMT Maturity Index and in a principal amount that is representative for a single transaction in the securities in that market at the time; or
- g. if fewer than five but more than two prices referred to in paragraph ‘f.’ are provided as requested, the rate on such Reset Determination Date calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained and neither the highest or the lowest of the quotations will be eliminated; or
- h. if fewer than three prices referred to in paragraph ‘f.’ are provided as requested, the CMT Rate determined as at the previous Reset Determination Date (or, if there is no previous Reset Determination Date, the rate determined by subtracting the Margin from the Initial Rate of Interest),

and, in each case, if two United States Treasury securities with an original maturity greater than the Designated CMT Maturity Index specified in the applicable Pricing Supplement have remaining terms to maturity equally close to the particular Designated CMT Maturity Index, the quotes for the United States Treasury security with the shorter original remaining term to maturity will be used;

“**Designated CMT Maturity Index**” means the original period to maturity of the U.S. Treasury securities (being 1, 2, 3, 5, 7, 10, 20 or 30 years or such other period) specified in the applicable Pricing Supplement with respect to which the CMT Rate will be calculated;

“**First Reset Date**” means the date specified as such in the Pricing Supplement;

“**First Reset Period**” means the period from and including the First Reset Date up to but excluding the Second Reset Date or, if no such Second Reset Date is specified in the Pricing Supplement, the Maturity Date;

“**First Reset Rate of Interest**” means the rate of interest per annum (which rate, if not calculated on the basis of a Reset Reference Rate with the same frequency of payments as the Notes, shall be converted in accordance with market convention to a rate with the frequency with which scheduled interest payments are payable on the Fixed Rate Reset Notes or, if market convention is for the Reset Reference Rate first to be so converted, the Reset Reference Rate for the purposes of determining the First Reset Rate of Interest shall be the Reset Reference Rate as so converted without any further such conversion) as determined by the Calculation Agent on the relevant Reset Determination Date corresponding to the First Reset Period as the sum of the relevant Reset Reference Rate plus the relevant Margin;

“**H.15**” means the daily statistical release designated as H.15, or any successor publication, published by the Board of Governors of the Federal Reserve System at <http://www.federalreserve.gov/releases/H15> or any successor site or publication;

“**Initial Rate of Interest**” means the initial rate of interest per annum specified in the Pricing Supplement;

“**Margin**” means the margin (expressed as a percentage) in relation to the relevant Reset Period specified as such in the Pricing Supplement;

“**Mid-Swap Floating Leg Benchmark Rate**” means (subject to Condition 3(j), if applicable) the reference rate specified as such in the applicable Pricing Supplement or, if no such reference rate is so specified:

- (i) if the Specified Currency is euro, the EURIBOR rate for the Mid-Swap Maturity (calculated on an Actual/360 day count basis);
- (ii) if the Specified Currency is pounds sterling, the overnight SONIA rate compounded for the Mid-Swap Maturity (calculated on an Actual/365 day count basis);
- (iii) if the Specified Currency is U.S. dollars, the overnight SOFR rate compounded for the Mid-Swap Maturity (calculated on an Actual/360 day count basis); or
- (iv) if the Specified Currency is a currency other than euro, pounds sterling or U.S. dollars, the reference rate customary for determining the mid-swap floating leg for swaps in the relevant Specified Currency at such time (calculated on such day count basis as is then customary for floating rate payments in the Specified Currency as determined by the Calculation Agent);

“**Mid-Swap Quotations**” means (subject to Condition 3(j), if applicable), for any Reset Period the arithmetic mean of the bid and offered rates for the fixed leg payable with a frequency equivalent to the Fixed Leg Swap Payment Frequency specified in the relevant Pricing Supplement during the relevant Reset Period (calculated on the basis of the Fixed Leg Swap Payment Frequency Day Count Fraction specified in the applicable Pricing Supplement) of a fixed-for-floating interest rate swap transaction in the Specified Currency which transaction (i) has a term commencing on the relevant Reset Date which is equal to that of the relevant Swap Rate Period; (ii) is in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market and (iii) has a floating leg based on the Mid-Swap Floating Leg Benchmark Rate for the Mid-Swap Maturity (as specified in the applicable Pricing Supplement) (calculated on the day count basis specified for such Mid-Swap Floating Leg Benchmark Rate);

“**Mid-Swap Rate**” means in respect of a Reset Period, (i) the applicable semi-annual or annualized (as specified in the applicable Pricing Supplement) mid swap rate for swap transactions in the Specified Currency (commencing on the relevant Reset Date and with a maturity equal to that of the relevant Swap Rate Period specified in the Pricing Supplement) as displayed on the Relevant Screen Page at 11.00 a.m. (in the principal financial center of the Specified Currency) on the relevant Reset Determination Date or (ii) if such rate is not displayed on the Relevant Screen Page at such time and date, the relevant Reset Reference Bank Rate;

“**Reference Bond Rate**” means, with respect to any Reset Period and related Reset Determination Date, the gross redemption yield in respect of the Reset Reference Bond expressed as a percentage and calculated by the Calculation Agent in accordance with generally accepted market practice at such time (as determined by the Issuer following consultation with

an investment bank or financial institution of international repute determined to be appropriate by the Issuer (which, for the avoidance of doubt, could be the Calculation Agent)) on an annual or semi-annual (as the case may be) compounding basis (rounded up (if necessary) to four decimal places), assuming a price for the Reset Reference Bond (expressed as a percentage of its principal amount) equal to the Reset Reference Bond Yield for such Reset Determination Date;

**“Reference Government Bond Dealer”** means each of five banks selected by the Issuer (following, where practicable, consultation with an investment bank or financial institution of international repute determined to be appropriate by the Issuer, which, for avoidance of doubt, could be the Calculation Agent), or the affiliates of such banks, which are (i) primary government securities dealers, and their respective successors, or (ii) market makers in pricing corporate bond issues;

**“Reference Government Bond Dealer Quotations”** means, with respect to each Reference Government Bond Dealer and any Reset Determination Date, the arithmetic average (as quoted by the relevant Reference Government Bond Dealer), of the bid and offered yields for the Reset Reference Bond (expressed in each case as a percentage of its principal amount) as at the Reset Determination Time on such Reset Determination Date and, if relevant, on a dealing basis for settlement that is customarily used at such time and quoted in writing to the Calculation Agent by such Reference Government Bond Dealer;

**“Reset Determination Date”** means, in respect of a Reset Period, (a) each date specified as such in the Pricing Supplement or, if none is so specified, (b) (i) if the Specified Currency is Sterling or Renminbi, the first Business Day of such Reset Period, (ii) if the Specified Currency is Euro, the day falling two Business Days prior to the first day of such Reset Period, (iii) if the Specified Currency is U.S. dollars, the day falling two U.S. Government Securities Business Days prior to the first day of such Reset Period (iv) for any other Specified Currency, the day falling two Business Days in the principal financial center for such Specified Currency prior to the first day of such Reset Period;

**“Reset Date”** means the First Reset Date and each Subsequent Reset Date specified as such in the applicable Pricing Supplement (as applicable);

**“Reset Period”** means the First Reset Period or a Subsequent Reset Period, as the case may be;

**“Reset Reference Bank Rate”** means the percentage rate determined on the basis of the Mid-Swap Quotations provided by the Reset Reference Banks to the Calculation Agent at or around 11:00 a.m. in the principal financial center of the Specified Currency on the relevant Reset Determination Date and, rounded, if necessary, to the nearest 0.001% (0.0005% being rounded upwards). If at least four quotations are provided, the Reset Reference Bank Rate will be the rounded arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two or three quotations are provided, the Reset Reference Bank Rate will be the rounded arithmetic mean of the quotations provided. If only one quotation is provided, the Reset Reference Bank Rate will be the rounded quotation provided. If no quotations are provided, the Reset Reference Bank Rate will be (i) in the case of each Reset Period other than the Reset Period commencing on the First Reset Date, the Mid-Swap Rate in respect of the immediately preceding Reset Period or, (ii) in the case of the Reset Period commencing on the First Reset Date, an amount equal to the Initial Rate of Interest less the Margin;

“**Reset Reference Banks**” means five leading swap dealers in the principal interbank market relating to the Specified Currency selected by the Calculation Agent in its discretion after consultation with the Issuer;

“**Reset Reference Bond**” means for any Reset Period a government security or securities issued by the government of the state responsible for issuing the Specified Currency (which, if the Specified Currency is euro, shall be Germany) selected by the Issuer (after consultation with an investment bank or financial institution of international repute determined to be appropriate by the Issuer, which, for avoidance of doubt, could be the Calculation Agent) as having the nearest actual or interpolated maturity comparable with the relevant Reset Period and that (in the opinion of the Issuer) would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issuances of corporate debt securities denominated in the Specified Currency and of a comparable maturity to the relevant Reset Period;

“**Reset Reference Bond Yield**” means, with respect to any Reset Determination Date:

- (i) the arithmetic average (as determined by the Calculation Agent) of the Reference Government Bond Dealer Quotations for such Reset Determination Date, after excluding the highest and lowest such Reference Government Bond Dealer Quotations; or
- (ii) if fewer than five but more than one such Reference Government Bond Dealer Quotations are received, the arithmetic average (as determined by the Calculation Agent) of all such quotations; or
- (iii) if only one Reference Government Bond Dealer Quotation is received, such quotation; or
- (iv) if no Reference Government Bond Dealer Quotations are received, in the case of the First Reset Rate of Interest, an amount equal to the Initial Rate of Interest less the Margin and, in the case of any Subsequent Reset Rate of Interest, the Reset Reference Rate as at the last preceding Reset Date;

“**Reset Reference Rate**” means one of (i) the Mid-Swap Rate, (ii) the Reference Bond Rate, or (iii) the CMT Rate, as specified in the applicable Pricing Supplement;

“**Second Reset Date**” means the date specified as such in the Pricing Supplement;

“**SOFR**” means the Secured Overnight Financing Rate;

“**SONIA**” means the Sterling Overnight Index Average;

“**Subsequent Reset Date**” means the date or dates specified in the applicable Pricing Supplement;

“**Subsequent Reset Period**” means the period from and including the first Subsequent Reset Date to but excluding the next Subsequent Reset Date (or, if none, the Maturity Date), and each successive period from (and including) a Subsequent Reset Date to (but excluding) the next succeeding Subsequent Reset Date (or, if none, the Maturity Date);

“**Subsequent Reset Rate of Interest**” means, in respect of any Subsequent Reset Period, the rate of interest (which rate, if not calculated on the basis of a Reset Reference Rate with the same frequency of payments as the Notes, shall be converted in accordance with market convention to a rate with the frequency with which scheduled interest payments are payable on

the Fixed Rate Reset Notes or, if market convention is for the Reset Reference Rate first to be so converted, the Reset Reference Rate for the purposes of determining the Subsequent Reset Rate of Interest shall be the Reset Reference Rate as so converted without any further such conversion) determined by the Calculation Agent on the relevant Reset Determination Date corresponding to such Subsequent Reset Period as the sum of the relevant Reset Reference Rate plus the relevant Margin;

“**Swap Rate Period**” means the period specified as such in the Pricing Supplement; and

“**U.S. Government Securities Business Day**” means any day except for a Saturday, Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

(c) *Interest on Floating Rate Notes*

(i) *Interest Payment Dates*

Each Floating Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 3(f) (*Calculations*). Such Interest Payment Date(s) is/are either specified in the Pricing Supplement as Specified Interest Payment Dates or, if Specified Interest Payment Date(s) is/are specified in the Pricing Supplement as not applicable, “**Interest Payment Date**” shall mean each date which falls the number of months or other period specified in the Pricing Supplement as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Business Day Convention*

If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is:

- (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless, except in relation to the Maturity Date or any applicable date for early redemption, it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen;
- (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day;
- (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless, except in relation to the Maturity Date or any applicable date for early redemption, it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day; or
- (D) the Preceding Business Day Convention,

such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest for Floating Rate Notes*

The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified in the Pricing Supplement and the provisions below relating to either Term Rate, SOFR - Non-Index Determination, or SOFR – Index Determination shall apply, depending upon which is specified in the Pricing Supplement.<sup>3</sup>

(A) Term Rate Floating Rate Notes

(1) Where the Pricing Supplement specifies that Rate of Interest is Term Rate, the Rate of Interest for each Interest Accrual Period will, subject as provided in this Condition 3(c)(iii)(A), Condition 3(e) (*Margin, Maximum Rate of Interest, Minimum Rates of Interest, Callable Amounts and Rounding*) and Condition 3(j) (*Benchmark replacement*), be either:

- (i) the offered quotation; or
- (ii) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at the Relevant Time on the Interest Determination Date in question as determined by the Calculation Agent.

(2) If the Reference Rate is specified in the applicable Pricing Supplement to be EURIBOR, where:

- (i) five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations; or
- (ii) the Relevant Screen Page is not available or if Condition 3(c)(iii)(A)(1)(i) above applies and no such offered quotation appears on the Relevant Screen Page or if Condition 3(c)(iii)(A)(1)(ii) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request the principal Eurozone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at the Relevant Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such

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<sup>3</sup> *Note to LL:* Given that the Issuer has an EMTN programme, we don't foresee the Issuer issuing any GBP FLT notes under this programme. The Issuer has confirmed this point.



Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent.

- (iii) If paragraph (ii) above applies, the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered at the Relevant Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the Eurozone inter-bank market or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which at the Relevant Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Bank suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in the Eurozone inter-bank market provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).
- (3) If the Reference Rate is Constant Maturity Swap (“CMS”) and no quotation appears on the Relevant Screen Page at the Relevant Time on the relevant Interest Determination Date, then the Rate of Interest will be determined on the basis of the mid-market annual swap rate quotations provided by five leading swap dealers in the European inter-bank market at approximately the Relevant Time on the relevant Interest Determination Date. The Calculation Agent will select the five swap dealers in its sole discretion and will request each of those dealers to provide a quotation of its rate in accordance with market practice. If at least three quotations are provided, the Rate of Interest for the relevant Interest Period will be the arithmetic mean of the quotations, eliminating the highest and lowest quotations or, in the event, of equality, one of the highest and one of

the lowest quotations. If fewer than three quotations are provided, the Calculation Agent will determine the Rate of Interest in its sole discretion.

(B) SOFR Non-Index Determination Floating Rate Notes

(1) Where the Pricing Supplement specifies that Rate of Interest is SOFR – Non-Index Determination, the Rate of Interest for each Interest Accrual Period will, subject as provided in this Condition 3(c)(iii)(B), Condition 3(e) (*Margin, Maximum Rate of Interest, Minimum Rates of Interest, Callable Amounts and Rounding*) and Condition 3(j) (*Benchmark replacement*), be determined pursuant to either:

- (i) where the applicable Pricing Supplement specifies Compounded Daily SOFR as applicable, the provisions of Condition 3(c)(iii)(B)(2); or
- (ii) where the applicable Pricing Supplement specifies Weighted Average SOFR as applicable, the provisions of Condition 3(c)(iii)(B)(3).

(2) *Compounded Daily SOFR*

Where this paragraph (2) applies, the Rate of Interest for each Interest Accrual Period will, subject as provided in this Condition 3(c)(iii)(B)(2), Condition 3(e) (*Margin, Maximum Rate of Interest, Minimum Rates of Interest, Callable Amounts and Rounding*) and Condition 3(j) (*Benchmark replacement*), be Compounded Daily SOFR with respect to such Interest Accrual Period, all as determined by the Calculation Agent.

“**Compounded Daily SOFR**” means, with respect to an Interest Accrual Period, the rate of return of a daily compound interest investment as calculated by the Calculation Agent as at the relevant Interest Determination Date in accordance with the following formula (and the resulting percentage will be rounded if necessary to the nearest fifth decimal place, with 0.00005 being rounded upwards):

$$\left[ \prod_{i=1}^{d_o} \left( 1 + \frac{SOFR_i \times n_i}{D} \right) - 1 \right] \times \frac{D}{d}$$

where:

“*d*” is the number of calendar days in:

- (i) where “Lag” or “Lock-out” is specified as the Observation Method in the applicable Pricing Supplement, the relevant Interest Accrual Period; or
- (ii) where “Observation Shift” is specified as the Observation Method in the applicable Pricing Supplement, the relevant Observation Period;

“**D**” is the number specified as such in the applicable Pricing Supplement (or, if no such number is specified, 360);

“*do*” means:

- (i) where “Lag” or “Lock-out” is specified as the Observation Method in the applicable Pricing Supplement, the number of U.S. Government Securities Business Days in the relevant Interest Accrual Period; or
- (ii) where “Observation Shift” is specified as the Observation Method in the applicable Pricing Supplement, the number of U.S. Government Securities Business Days in the relevant Observation Period;

“*i*” is a series of whole numbers from one to “*do*”, each representing the relevant U.S. Government Securities Business Day in chronological order from, and including, the first U.S. Government Securities Business Day in:

- (i) where “Lag” or “Lock-out” is specified as the Observation Method in the applicable Pricing Supplement, the relevant Interest Accrual Period; or
- (ii) where “Observation Shift” is specified as the Observation Method in the applicable Pricing Supplement, the relevant Observation Period;

“**Lock-out Period**” means the period from (and including) the day following the Interest Determination Date to (but excluding) the corresponding Interest Payment Date;

“**New York Fed’s Website**” means the website of the Federal Reserve Bank of New York (or a successor administrator of SOFR) or any successor source;

“*ni*” for any U.S. Government Securities Business Day “*i*”, means the number of calendar days from (and including) such U.S. Government Securities Business Day “*i*” up to (but excluding) the following U.S. Government Securities Business Day;

“**Observation Period**” means the period from (and including) the date falling “*p*” U.S. Government Securities Business Days prior to the first day of the relevant Interest Accrual Period to (but excluding) the date falling “*p*” U.S. Government Securities Business Days prior to (A) (in the case of an Interest Period) the Interest Payment Date for such Interest Period or (B) (in the case of any other Interest Accrual Period) the date on which the relevant payment of interest falls due;

“*p*” means:

- (i) where “Lag” is specified as the Observation Method in the applicable Pricing Supplement, the number of U.S. Government Securities Business Days specified as the “Lag

Period” in the applicable Pricing Supplement (or, if no such number is so specified, five U.S. Government Securities Business Days);

- (ii) where “Lock-out” is specified as the Observation Method in the applicable Pricing Supplement, zero U.S. Government Securities Business Days; or
- (iii) where “Observation Shift” is specified as the Observation Method in the applicable Pricing Supplement, the number of U.S. Government Securities Business Days specified as the “Observation Shift Period” in the applicable Pricing Supplement (or, if no such number is specified, five U.S. Government Securities Business Days);

**“Reference Day”** means each U.S. Government Securities Business Day in the relevant Interest Accrual Period, other than any U.S. Government Securities Business Day in the Lock-out Period;

**“SOFR”** in respect of any U.S. Government Securities Business Day (“USBD<sub>x</sub>”), is a reference rate equal to the daily Secured Overnight Financing Rate as provided by the Federal Reserve Bank of New York, as the administrator of such rate (or any successor administrator of such rate) on the New York Fed’s Website, in each case at or around 3.00 p.m. (New York City time) on the U.S. Government Securities Business Day immediately following such USBD<sub>x</sub>;

**“SOFR<sub>i</sub>”** means the SOFR for:

- (i) where “Lag” is specified as the Observation Method in the applicable Pricing Supplement, the U.S. Government Securities Business Day falling “p” U.S. Government Securities Business Days prior to the relevant U.S. Government Securities Business Day “i”;
- (ii) where “Lock-out” is specified as the Observation Method in the applicable Pricing Supplement:
  - (I) in respect of each U.S. Government Securities Business Day “i” that is a Reference Day, the SOFR in respect of the U.S. Government Securities Business Day immediately preceding such Reference Day; or
  - (II) in respect of each U.S. Government Securities Business Day “i” that is not a Reference Day (being a U.S. Government Securities Business Day in the Lock-out Period), the SOFR in respect of the U.S. Government Securities Business Day immediately preceding the last Reference Day of the relevant Interest Accrual Period (such last Reference Day coinciding with the Interest Determination Date); or

- (iii) where “Observation Shift” is specified as the Observation Method in the applicable Pricing Supplement, the relevant U.S. Government Securities Business Day “?”; and

“**U.S. Government Securities Business Day**” means any day except for a Saturday, Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

(3) *Weighted Average SOFR*

Where this paragraph (3) applies, the Rate of Interest for an Interest Accrual Period the Rate of Interest for each Interest Accrual Period will, subject as provided in this Condition 3(c)(iii)(B)(3), Condition 3(e) (*Margin, Maximum Rate of Interest, Minimum Rates of Interest, Callable Amounts and Rounding*) and Condition 3(j) (*Benchmark replacement*), be Weighted Average SOFR with respect to such Interest Accrual Period, all as determined by the Calculation Agent as of the Interest Determination Date (and rounded, if necessary, to the fifth decimal place, with 0.000005 being rounded upwards), where:

“**Weighted Average SOFR**” means:

- (a) where “Lag” is specified as the Observation Method in the applicable Pricing Supplement, the arithmetic mean of the SOFR in effect for each calendar day during the relevant Observation Period, calculated by multiplying each relevant SOFR by the number of calendar days such rate is in effect, determining the sum of such products and dividing such sum by the number of calendar days in the relevant Observation Period. For these purposes, the SOFR in effect for any calendar day which is not a U.S. Government Securities Business Day shall be deemed to be the SOFR in effect for the U.S. Government Securities Business Day immediately preceding such calendar day; and
- (b) where “Lock-out” is specified as the Observation Method in the applicable Pricing Supplement, the arithmetic mean of the SOFR in effect for each calendar day during the relevant Interest Accrual Period, calculated by multiplying each relevant SOFR by the number of days such rate is in effect, determining the sum of such products and dividing such sum by the number of calendar days in the relevant Interest Accrual Period, provided however that for any calendar day of such Interest Accrual Period falling in the Lock-out Period, the relevant SOFR for each day during that Lock-out Period will be deemed to be the SOFR in effect for the Reference Day immediately preceding the first day of such Lock-out Period. For these purposes, the SOFR in effect for any calendar day which is not a U.S. Government Securities Business Day shall, subject to the

proviso above, be deemed to be the SOFR in effect for the U.S. Government Securities Business Day immediately preceding such calendar day.

Defined terms used in this paragraph (3) and not otherwise defined herein have the meanings given to them in paragraph (2) above of this Condition 3(c)(iii)(B).

(4) *SOFR Unavailable*

Subject to Condition 3(j) (*Benchmark replacement*), if, where any Rate of Interest is to be calculated pursuant to this Condition 3(c)(iii)(B), in respect of any U.S. Government Securities Business Day in respect of which an applicable SOFR is required to be determined, such SOFR is not available, such SOFR shall be the SOFR for the first preceding U.S. Government Securities Business Day in respect of which the SOFR was published on the New York Fed's Website.

In the event that the Rate of Interest cannot be determined in accordance with the foregoing provisions of this Condition 3(c)(iii)(B) but without prejudice to Condition 3(j) (*Benchmark replacement*), the Rate of Interest shall be:

- (a) that determined as at the last preceding Interest Determination Date on which the Rate of Interest was so determined (though substituting, where a different Margin, Maximum Rate of Interest and/or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin, Maximum Rate of Interest and/or Minimum Rate of Interest (as the case may be) relating to the relevant Interest Accrual Period, in place of the Margin, Maximum Rate of Interest and/or Minimum Rate of Interest (as applicable) relating to that last preceding Interest Accrual Period); or
- (b) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to the Notes for the first scheduled Interest Period had the Notes been in issue for a period equal in duration to the first scheduled Interest Period but ending on (and excluding) the Interest Commencement Date (applying the Margin and, if applicable, any Maximum Rate of Interest and/or Minimum Rate of Interest, applicable to the first scheduled Interest Period),

in each case as determined by the Calculation Agent.

(C) SOFR Index Determination Floating Rate Notes

- (1) Where the Pricing Supplement specifies that Rate of Interest is SOFR –Index Determination, the Rate of Interest for each Interest Accrual Period will, subject as provided in this Condition

3(c)(iii)(C), Condition 3(e) (*Margin, Maximum Rate of Interest, Minimum Rates of Interest, Callable Amounts and Rounding*) and Condition 3(j) (*Benchmark replacement*), be the Compounded SOFR with respect to such Interest Accrual Period.

“**Compounded SOFR**” means, with respect to an Interest Accrual Period, the rate (expressed as a percentage and rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) determined by the Calculation Agent in accordance with the following formula:

$$\left( \frac{\text{SOFR Index}_{\text{End}}}{\text{SOFR Index}_{\text{Start}}} - 1 \right) \times \frac{360}{d_c}$$

where:

“ **$d_c$** ” is the number of calendar days from (and including) the day in relation to which SOFR Index<sub>Start</sub> is determined to (but excluding) the day in relation to which SOFR Index<sub>End</sub> is determined;

“**Relevant Number**” is the number specified as such in the applicable Pricing Supplement (or, if no such number is specified, five);

“**SOFR**” means the daily Secured Overnight Financing Rate as provided by the SOFR Administrator on the SOFR Administrator’s Website;

“**SOFR Administrator**” means the Federal Reserve Bank of New York (or a successor administrator of SOFR);

“**SOFR Administrator’s Website**” means the website of the SOFR Administrator, or any successor source;

“**SOFR Index**”, with respect to any U.S. Government Securities Business Day, means the SOFR index value as published by the SOFR Administrator as such index value appears on the SOFR Administrator’s Website at or around 3.00 p.m. (New York time) on such U.S. Government Securities Business Day (the “**SOFR Determination Time**”);

“**SOFR Index<sub>Start</sub>**”, with respect to an Interest Accrual Period, is the SOFR Index value for the day which is the Relevant Number of U.S. Government Securities Business Days preceding the first day of such Interest Accrual Period;

“**SOFR Index<sub>End</sub>**”, with respect to an Interest Accrual Period, is the SOFR Index value for the day which is the Relevant Number of U.S. Government Securities Business Days preceding (A) the Interest Payment Date for such Interest Accrual Period, or (B) such other date on which the relevant payment of interest falls due (but which by its definition or the operation of the relevant provisions is excluded from such Interest Accrual Period); and

“**U.S. Government Securities Business Day**” means any day except for a Saturday, Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

- (2) Subject to Condition 3(j) (*Benchmark replacement*), if, as at any relevant SOFR Determination Time, the relevant SOFR Index is not published or displayed on the SOFR Administrator’s Website by the SOFR Administrator, the Compounded SOFR for the applicable Interest Accrual Period for which the relevant SOFR Index is not available shall be “Compounded Daily SOFR” determined in accordance with Condition 3(c)(iii)(B)(2) above as if SOFR – Index Determination were specified in the applicable Pricing Supplement as not being applicable, and for these purposes: (i) the “Observation Method” shall be deemed to be “Observation Shift” and (ii) the “Observation Shift Period” shall be deemed to be equal to the Relevant Number of U.S. Government Securities Business Days, as if such alternative elections had been made in the applicable Pricing Supplement.

(d) *Accrual of Interest*

Interest (if any) shall cease to accrue on each Note (or in the case of the redemption of part only of a Note, that part only of such Note) on the due date for redemption thereof unless payment of principal is improperly withheld or refused or unless default is otherwise made in respect of payment, in which event, interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 3 to (but excluding) the Relevant Date (as defined in Condition 4(m) (*Definitions*)).

(e) *Margin, Maximum Rate of Interest, Minimum Rates of Interest, Callable Amounts and Rounding*

- (i) If any Margin is specified in the Pricing Supplement (either (A) generally, (B) in relation to one or more Interest Accrual Periods or (C) in relation to one or more Reset Periods), an adjustment shall, unless the relevant Margin has already been taken into account in determining such Rate of Interest, be made to all Rates of Interest, in the case of (A), or the Rates of Interest for the specified Interest Accrual Periods or Reset Periods, in the case of (B) or (C), calculated, in each case, in accordance with Condition 3(b) (*Interest on Fixed Rate Reset Notes*) above by adding (if a positive number) or subtracting (if a negative number) the absolute value of such Margin subject always (in the case of Floating Rate Notes only) to the next paragraph.
- (ii) If any Maximum Rate of Interest or Minimum Rate of Interest or Callable Amount is specified in the Pricing Supplement in relation to one or more Interest Accrual Periods, then any Rate of Interest or Callable Amount shall be subject to such maximum or minimum, as the case may be.
- (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (A) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (B) all figures shall be rounded to seven significant figures (with halves being rounded up) and (C) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of Yen, which shall be rounded down to the nearest Yen. For these purposes “**unit**” means the lowest amount of such currency that is available as legal tender in the country of such currency.
- (iv) Unless otherwise stated in the applicable Pricing Supplement the Minimum Rate of Interest shall be deemed to be zero.



(f) *Calculations*

The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified in the Pricing Supplement and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be applied to the period for which interest is required to be calculated.

(g) *Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts and Optional Redemption Amounts*

The Calculation Agent shall as soon as practicable on each Interest Determination Date, Reset Determination Date or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period (or, if determining the First Reset Rate of Interest or a Subsequent Reset Rate of Interest in respect of Fixed Rate Reset Notes, the Interest Amount for each Interest Accrual Period falling within the relevant Reset Period), calculate the Final Redemption Amount(s), Early Redemption Amount or Optional Redemption Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount(s), Early Redemption Amount or Optional Redemption Amount to be notified to the Paying Agent, the Issuer, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange or admitted to listing by another relevant authority and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date is subject to adjustment pursuant to Condition 3(c)(iii) (*Rate of Interest for Floating Rate Notes*), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding on all parties.

(h) *Definitions*

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

“**Business Day**” means a day other than a Saturday or Sunday on which:

- (i) the Securities Settlement System is operating;

- (ii) commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in Belgium and in each Additional Business Center specified in the applicable Pricing Supplement; and
- (iii) either (1) in relation to any sum payable in a Specified Currency other than euro, commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial center of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Wellington, respectively), or (2) in relation to any sum payable in euro, the Trans-European Automated Real-Time Gross Settlement Express Transfer (T2) System or any successor thereto (the “**T2 System**”) is open.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the “**Calculation Period**”):

- (i) if “**Actual/365**” or “**Actual/Actual**” or “**Actual/Actual – ISDA**” is specified in the Pricing Supplement, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if “**Actual/365 (Fixed)**” is specified in the Pricing Supplement, the actual number of days in the Calculation Period divided by 365;
- (iii) if “**Actual/360**” is specified in the Pricing Supplement, the actual number of days in the Calculation Period divided by 360;
- (iv) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified in the Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y1**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y2**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M1**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M2**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D1” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

- (v) if “30E/360” or “Eurobond Basis” is specified in the Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y1” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D1” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30;

- (vi) if “30E/360 (ISDA)” is specified in the Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y1” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D1**” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

“**D2**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30; and

- (vii) if “**Actual/Actual ICMA**” is specified in the Pricing Supplement:
- (A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in such Calculation Period divided by the product of:
- (x) the number of days in such Determination Period; and
  - (y) the number of Determination Periods normally ending in any year; or
- (B) if the Calculation Period is longer than one Determination Period, the sum of:
- (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (i) the number of days in such Determination Period and (ii) the number of Determination Periods normally ending in any year; and
  - (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (i) the number of days in such Determination Period and (ii) the number of Determination Periods normally ending in any year;

where:

“**Determination Period**” means the period from and including a Determination Date (as specified in the Pricing Supplement) in any year to but excluding the next Determination Date; and

“**Determination Date**” means the date specified as such in the Pricing Supplement or, if specified as not applicable in the Pricing Supplement, the Interest Payment Date.

“**Euro**” means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

“**Eurozone**” means the region comprised of member states of the European Union that adopt or have adopted the single currency in accordance with the Treaty establishing the European Community, as amended.

“**Interest Accrual Period**” means (i) each Interest Period and (ii) any other period (if any) in respect of which interest is to be calculated, being the period from (and including) the first day of such period to (but excluding) the day on which the relevant payment of interest falls due (which, if the Notes become due and payable in accordance with Condition 10, shall be the date on which the Notes become due and payable).

“**Interest Amount**” means:

- (i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified in the Pricing Supplement, shall mean the Fixed Coupon Amount or Broken Amount specified in the Pricing Supplement as being payable on the Interest Payment Date on which the Interest Period of which such Interest Accrual Period forms part ends; and
- (ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

“**Interest Basis**” means the interest basis specified in the Pricing Supplement.

“**Interest Commencement Date**” means the Issue Date or such other date as may be specified in the Pricing Supplement.

“**Interest Determination Date**” means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the Pricing Supplement or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling, (ii) the day falling two Business Days for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor Euro (iii) if the Specified Currency is Euro or if the specified Relevant Screen Page is a EURIBOR rate, the second day on which the T2 System is open prior to the start of such Interest Accrual Period; (iv) if the specified Relevant Screen Page is a CMS rate, the second day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in Frankfurt prior to the start of such Interest Accrual Period; and (v) if the Rate of Interest is to be determined by reference to SOFR, the first U.S. Government Securities Business Day falling after the last day of the relevant Observation Period.

“**Interest Period**” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date unless otherwise specified in the Pricing Supplement.

“**Rate of Interest**” means the rate of interest payable from time to time in respect of the Notes and that is either specified or calculated in accordance with the provisions in the Pricing Supplement.

“**Reference Banks**” means in the case of a determination of EURIBOR, the principal Eurozone office of four major banks in the Eurozone inter-bank market, in each case selected by the Calculation Agent.

“**Reference Rate**” means the rate specified as such in the Pricing Supplement.

“**Relevant Screen Page**” means such page, section, caption, column or other part of a particular information service as may be specified in the Pricing Supplement (or any successor or replacement page, section, caption, column or other part of a particular information service).

“**Relevant Time**” means if the Reference Rate is EURIBOR, 11.00 a.m. (Brussels time), if the Reference Rate is CMS, 11.00 a.m. (Frankfurt time) or as otherwise specified in the Pricing Supplement.

“**Specified Currency**” means the currency specified in the Pricing Supplement or, if none is specified, the currency in which the Notes are denominated.

“**TARGET System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as T2) System or any successor thereto.

(i) *Calculation Agent*

The Issuer shall procure that there shall at all times be one or more Calculation Agents appointed if provision is made for them in the Pricing Supplement and for so long as any Note is outstanding. Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or Reset Period or to calculate any Interest Amount, Final Redemption Amount(s), Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money or swap market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

(j) *Benchmark replacement*

If the applicable Pricing Supplement specifies that the provisions of Condition 3(j)(A) are applicable then the provisions of Condition 3(j)(A) apply, together with the other provisions of this Condition 3(j) (other than Condition 3(j)(B)).

If the applicable Pricing Supplement specifies that the provisions of Condition 3(j)(B) are applicable then the provisions of Condition 3(j)(B) apply, together with the other provisions of this Condition 3(j) (other than Condition 3(j)(A)).

(A) Without prejudice to the other provisions in this Condition 3, if the Issuer determines that a Benchmark Event occurs in relation to the relevant Reference Rate or Mid-Swap Rate (as applicable) specified in the applicable Pricing Supplement when any Rate of Interest (or the relevant component part thereof) remains to be determined by reference to such Reference Rate or Mid-Swap Rate (as applicable), then the following provisions shall apply to the relevant Notes:

- (i) the Issuer shall use reasonable endeavors, as soon as reasonably practicable, to appoint an Independent Adviser to advise the Issuer in determining (without any requirement for the consent or approval of the Noteholders) (A) a Successor Rate or, failing which, an Alternative Reference Rate, for purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes and (B) in either case, an Adjustment Spread;
- (ii) if the Issuer is unable to appoint an Independent Adviser prior to the IA Determination Cut-Off Date, the Issuer (acting in good faith and in a commercially reasonable manner) may still determine (A) a Successor Rate or, failing which, an Alternative Reference Rate and (B) in either case, an Adjustment Spread in accordance with this Condition 3(j);
- (iii) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with paragraphs (i) or (ii) above, such Successor Rate or, failing which, Alternative Reference Rate (as applicable) shall be the Reference Rate or Mid-Swap Rate (as applicable) for each of the future Interest Periods or Reset Periods (as applicable) (subject to the

subsequent operation of, and to adjustment as provided in, this Condition 3(j));

- (iv) the Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or Alternative Reference Rate (as applicable). If the Issuer, following consultation with the Independent Adviser, is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread;
- (v) if the Issuer, following consultation with the Independent Adviser (if any), determines a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) in accordance with the above provisions, the Issuer may (without any requirement for the consent or approval of the Noteholders) also specify changes to these Conditions and/or the Agency Agreement in order to ensure the proper operation of such Successor Rate or Alternative Reference Rate (as applicable) and, in either case, the applicable Adjustment Spread, including, but not limited to, (A) the Day Count Fraction, Relevant Screen Page, Business Day Convention, Business Days, Interest Determination Date, Reset Determination Date and/or the definition of Reference Rate or Mid-Swap Rate applicable to the Notes and (B) the method for determining the fallback rate in relation to the Notes. For the avoidance of doubt, the Paying Agent and any other agents party to the Agency Agreement shall, at the direction and expense of the Issuer, effect such consequential amendments to the Agency Agreement and these Conditions as may be required in order to give effect to the application of this Condition 3(j). No consent shall be required from the Noteholders in connection with determining or giving effect to the Successor Rate or Alternative Reference Rate (as applicable) or such other changes, including for the execution of any documents or other steps to be taken by the Paying Agent and any other agents party to the Agency Agreement (if required or useful); and
- (vi) the Issuer shall promptly, following the determination of any Successor Rate or Alternative Reference Rate (as applicable) and, in either case, the applicable Adjustment Spread, give notice thereof to the Paying Agent, the Calculation Agent and, in accordance with Condition 13 (*Notices*), the Noteholders. Such notice shall specify the effective date(s) for such Successor Rate or Alternative Reference Rate (as applicable), the applicable Adjustment Spread and any consequential changes made to the Agency Agreement and these Conditions (if any).

For the purposes of this Condition 3(j)(A):

“**Adjustment Spread**” means either (a) a spread (which may be positive, negative or zero) or (b) a formula or methodology for calculating a spread, in each case to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and is the spread, formula or methodology which:

- (i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Reference Rate or Mid-Swap Rate (as applicable) with the Successor Rate by any Relevant Nominating Body; or

- (ii) in the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Issuer, following consultation with the Independent Adviser (if any) determines is customarily applied to the relevant Successor Rate or Alternative Reference Rate (as applicable) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Reference Rate or Mid-Swap Rate (as applicable); or
- (iii) if the Issuer determines that no such spread is customarily applied, the Issuer, following consultation with the Independent Adviser (if any), determines is recognized or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Reference Rate or Mid-Swap Rate (as applicable), where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as applicable).

“**Alternative Reference Rate**” means the rate that the Issuer determines has replaced the relevant Reference Rate or Mid-Swap Rate (as applicable) and is customarily applied in the international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in respect of bonds denominated in the Specified Currency of the Notes and of a comparable duration to the relevant Interest Period or Reset Period (as applicable), or, if the Issuer determines that there is no such rate, such other rate as the Issuer determines in its discretion is most comparable to the relevant Reference Rate or Mid-Swap Rate (as applicable).

“**Benchmark Event**” means:

- (i) a public statement by the administrator of the relevant Reference Rate or Mid-Swap Rate (as applicable) stating that, in the view of such administrator, the methodology to calculate such Reference Rate or Mid-Swap Rate (as applicable) has materially changed;
- (ii) the relevant Reference Rate or Mid-Swap Rate (as applicable) ceasing to be published for a period of at least five Business Days or ceasing to exist; or
- (iii) a public statement by the administrator of the relevant Reference Rate or Mid-Swap Rate (as applicable) stating that it has ceased or that it will cease to publish the relevant Reference Rate or Mid-Swap Rate (as applicable), permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the relevant Reference Rate or Mid-Swap Rate (as applicable)); or
- (iv) a public statement by the supervisor of the administrator of the relevant Reference Rate or Mid-Swap Rate (as applicable) stating that the relevant Reference Rate or Mid-Swap Rate (as applicable) has been or will be permanently or indefinitely discontinued; or
- (v) a public statement by the supervisor or the administrator of the relevant Reference Rate or Mid-Swap Rate (as applicable) that means that the relevant Reference Rate or Mid-Swap Rate (as applicable) will be prohibited from being used or that its use will be subject to restrictions or adverse consequences; or
- (vi) the making of a public statement by the supervisor of the administrator of the relevant Reference Rate or Mid-Swap Rate (as applicable) that the relevant Reference Rate or Mid-Swap Rate (as applicable) is or will be (or is or will be deemed by such supervisor to be) no longer representative of its relevant underlying market; or



- (vii) it has become unlawful for the Paying Agent, the Calculation Agent or any other agents party to the Agency Agreement to calculate any payments due to be made to any Noteholders using the relevant Reference Rate or Mid-Swap Rate (as applicable),

provided that the Benchmark Event shall be deemed to occur (a) in the case of sub-paragraphs (iii) and (iv) above, on the date of the cessation of publication of the Reference Rate or Mid-Swap Rate (as applicable) or the discontinuation of the Reference Rate or Mid-Swap Rate (as applicable), (b) in the case of sub-paragraph (v) above, on the date of the prohibition of the use of the Reference Rate or Mid-Swap Rate (as applicable) and (c) in the case of sub-paragraph (vi) above, on the date with effect from which the relevant Reference Rate or Mid-Swap Rate (as applicable) will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying market and which is specified in the relevant public statement, and, in each case, not the date of the relevant public statement.

**“IA Determination Cut-Off Date”** means no later than five Business Days prior to the relevant Interest Determination Date or Reset Determination Date (as applicable) relating to the next succeeding Interest Period or Reset Period (as applicable).

**“Independent Adviser”** means an independent financial institution of international repute or other independent financial adviser experienced in the international debt capital markets, in each case selected and appointed by the Issuer at its own expense.

**“Relevant Nominating Body”** means, in respect of a Reference Rate or Mid-Swap Rate:

- (i) the central bank for the currency to which the Reference Rate or Mid-Swap Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate or Mid-Swap Rate; or
- (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (A) the central bank for the currency to which the Reference Rate or Mid-Swap Rate relates, (B) any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate or Mid-Swap Rate, (C) a group of the aforementioned central banks or other supervisory authorities or (D) the Financial Stability Board or any part thereof.

**“Successor Rate”** means the rate that the Issuer determines is a successor to, or replacement of, the Reference Rate or Mid-Swap Rate (as applicable) which is formally recommended by any Relevant Nominating Body.

- (B) Without prejudice to the other provisions in this Condition 3, if the Issuer determines that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred in relation to an Original Reference Rate at any time when any Rate of Interest (or the relevant component part thereof) remains to be determined by reference to such Original Reference Rate, then the following provisions shall apply to the relevant Notes:

- (i) the Issuer shall use reasonable endeavors to appoint and consult with an Independent Adviser, as soon as reasonably practicable, with a view to the Issuer determining (without any requirement for the consent or approval of the Noteholders) the Benchmark Replacement which will replace such Original Reference Rate for all purposes relating to the Notes in respect of all determinations on such date and for all determinations on all subsequent dates (subject to any subsequent application of this Condition 3(j)(B) with respect to such Benchmark Replacement) and any Benchmark Replacement Conforming Changes;

- (ii) any Benchmark Replacement so determined by the Issuer shall have effect for any subsequent determination of any relevant Rate of Interest (subject to any further application of this Condition 3(j)(B) with respect to such Benchmark Replacement), subject, if any associated Benchmark Replacement Conforming Changes are required in connection therewith, to such Benchmark Replacement Conforming Changes becoming effective in accordance with the following provisions;
- (iii) if, notwithstanding the Issuer's reasonable endeavors, the Issuer is unable to appoint and consult with an Independent Adviser in accordance with the foregoing paragraph, the Issuer shall nevertheless be entitled, acting in good faith and in a commercially reasonable manner, to make any and all determinations expressed to be made by the Issuer pursuant to this Condition 3(j)(B), notwithstanding that such determinations are not made following consultation with an Independent Adviser. If, however, the Issuer is unable to determine a Benchmark Replacement in accordance with this Condition 3(j)(B), the provisions of Condition 3(j)(G) below shall apply;
- (iv) if the Issuer, following consultation with the Independent Adviser (if appointed), considers it is necessary to make Benchmark Replacement Conforming Changes, the Issuer shall, in consultation with the Independent Adviser (if appointed), determine the terms of such Benchmark Replacement Conforming Changes, and (subject to Condition 3(j)(C) and Condition 3(j)(E) below) shall, subject to giving notice in accordance with Condition 13 (*Notices*) (but without any requirement for the consent or approval of Noteholders), vary these Conditions and/or the Agency Agreement to give effect to such Benchmark Replacement Conforming Changes with effect from the date specified in such notice;
- (v) for the avoidance of doubt, the Paying Agent and any other agents party to the Agency Agreement shall, at the direction and expense of the Issuer, effect such consequential amendments to the Agency Agreement and these Conditions as may be required in order to give effect to the application of this Condition 3(j)(B);
- (vi) in connection with any such variation in accordance with this Condition 3(j)(B), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading; and
- (vii) As used in this Condition 3(j)(B):

“**Benchmark Replacement**” means the first alternative set forth in the order below that can be determined by the Issuer as of the Benchmark Replacement Date:

- (i) the sum of: (a) the alternate rate of interest that has been selected or recommended by the Relevant Governmental Body as the replacement for the Original Reference Rate for the applicable Corresponding Tenor and (b) the Benchmark Replacement Adjustment;
- (ii) the sum of: (a) the ISDA Fallback Rate and (b) the Benchmark Replacement Adjustment; or
- (iii) the sum of: (a) the alternate rate of interest that has been selected by the Issuer as the replacement for the Original Reference Rate for the applicable Corresponding Tenor giving due consideration to any industry-accepted rate of interest as a replacement for the then-current benchmark for U.S. dollar-denominated floating rate notes at such time and (b) the Benchmark Replacement Adjustment;

**“Benchmark Replacement Adjustment”** means the first alternative set forth in the order below that can be determined by the Issuer as of the Benchmark Replacement Date:

- (i) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;
- (ii) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or
- (iii) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current benchmark with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated floating rate notes at such time;

**“Benchmark Replacement Conforming Changes”** means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to any Interest Period, Interest Accrual Period, the timing and frequency of determining rates and making payments of interest, rounding of amounts or tenors, and other administrative matters) that the Issuer (in consultation with the Independent Adviser, if appointed) decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Issuer decides that adoption of any portion of such market practice is not administratively feasible or if the Issuer determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the Issuer (in consultation with the Independent Adviser, if appointed) determines is reasonably necessary);

**“Benchmark Replacement Date”** means the earliest to occur of the following events with respect to the Original Reference Rate (including the daily published component used in the calculation thereof):

- (i) in the case of clause (i) or (ii) of the definition of “Benchmark Transition Event”, the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of the Original Reference Rate permanently or indefinitely ceases to provide the Original Reference Rate (or such component); or
- (ii) in the case of clause (iii) of the definition of “Benchmark Transition Event,” the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event that gives rise to the Benchmark Replacement Date occurs on the same day as, but earlier than the customary or scheduled time for publication of the relevant reference rate in accordance with the then-prevailing operational procedures of the administrator of such reference rate or, as the case may be, of the other relevant information service publishing such reference rate, on, the relevant Interest Determination Date, the Benchmark Replacement Date will be deemed to have occurred prior to such time for such determination;

**“Benchmark Transition Event”** means the occurrence of one or more of the following events with respect to the Original Reference Rate (including the daily published component used in the calculation thereof):

- (i) a public statement or publication of information by or on behalf of the administrator of the Original Reference Rate (or such component) announcing that such administrator has ceased or will cease to provide the Original Reference Rate (or such component), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Original Reference Rate (or such component); or
- (ii) a public statement or publication of information by the regulatory supervisor for the administrator of the Original Reference Rate (or such component), the central bank for the currency of the Original Reference Rate (or such component), an insolvency official with jurisdiction over the administrator for the Original Reference Rate (or such component), a resolution authority with jurisdiction over the administrator for the Original Reference Rate (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Original Reference Rate, which states that the administrator of the Original Reference Rate (or such component) has ceased or will cease to provide the Original Reference Rate (or such component) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Original Reference Rate (or such component); or
- (iii) a public statement or publication of information by the regulatory supervisor for the administrator of the Original Reference Rate announcing that the Original Reference Rate is no longer representative;

“**Corresponding Tenor**” means, with respect to a Benchmark Replacement, a tenor (including overnight) having approximately the same length (disregarding business day adjustment) as the applicable tenor for the Original Reference Rate;

“**Independent Adviser**” means an independent financial institution of international repute or an independent adviser of recognized standing with appropriate expertise appointed by the Issuer at its own expense;

“**ISDA Definitions**” means the latest version of the 2021 ISDA Interest Rate Derivatives Definitions as published by the International Swaps and Derivatives Association, Inc. (ISDA) as at the Issue Date of the first Tranche of the Notes, or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest derivatives published from time to time;

“**ISDA Fallback Adjustment**” means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Original Reference Rate;

“**ISDA Fallback Rate**” means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Original Reference Rate for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

“**Original Reference Rate**” means SOFR (provided that if, following one or more Benchmark Transition Events, SOFR (or any benchmark used in any Benchmark Replacement which has replaced it (the “**Replacement Benchmark**”)) has been replaced by a (or a further) Replacement Benchmark and a Benchmark Transition Event subsequently occurs in respect of such Replacement Benchmark, the term “Original Reference Rate” shall be deemed to include any such Replacement Benchmark);

“**Relevant Governmental Body**” means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto; and

“**Unadjusted Benchmark Replacement**” means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

- (C) The determination of:
- (i) any Successor Rate or Alternative Reference Rate (as applicable) and, in either case, the applicable Adjustment Spread and any other related changes to the Notes under Condition 3(j)(A); or
  - (ii) any Benchmark Replacement or Benchmark Replacement Conforming Changes under Condition 3(j)(B)
- shall be made in accordance with the relevant Applicable Banking Regulations and/or the applicable Loss Absorption Regulations (if applicable).
- (D) An Independent Adviser appointed pursuant to this Condition 3(j) shall act in good faith as an expert and (in the absence of bad faith or fraud) shall have no liability whatsoever to the Paying Agent, the Calculation Agent or the Noteholders for any advice given to the Issuer in connection with any determination made by the Issuer pursuant to this Condition 3(j).
- (E) Notwithstanding any other provision in this Condition 3(j), no Successor Rate or Alternative Reference Rate (as applicable) and, in either case, the applicable Adjustment Spread, or Benchmark Replacement will be adopted, and no other amendments to the Conditions or Benchmark Replacement Conforming Changes will be made pursuant to this Condition 3(j), if, and to the extent that, in the determination of the Issuer, the same could reasonably be expected either to:
- (i) prejudice the qualification of (i) Subordinated Tier 2 Notes as Tier 2 Capital or (ii) Senior Notes as eligible liabilities or loss absorbing capacity instruments, in each case for the purposes of any Applicable Banking Regulations and/or Loss Absorption Regulations, as applicable; or
  - (ii) (with respect to Senior Notes only) result in the relevant Relevant Regulator treating the relevant Interest Payment Date or the Reset Date, as the case may be, as the effective maturity date of the Notes, rather than the relevant Maturity Date specified in the applicable Pricing Supplement.
- (F) Without prejudice to the obligations of the Issuer under this Condition 3(j), the Reference Rate, Mid-Swap Rate or the Original Reference Rate (as applicable) and the other provisions in this Condition 3 will continue to apply unless and until the Calculation Agent has been notified of the Successor Rate or Alternative Reference Rate (as applicable), the applicable Adjustment Spread or the Benchmark Replacement and any consequential changes made to the Agency Agreement and the Conditions (if any) or any Benchmark Replacement Conforming Changes.
- (G) If, following the occurrence of:
- (i) a Benchmark Event; or
  - (ii) a Benchmark Transition Event (and its related Benchmark Replacement Date),

in respect of the Reference Rate, Reset Reference Rate or Original Reference Rate (as applicable), on the immediately following Interest Determination Date or Reset Determination Date (as applicable):

- (a) (in the case of (i) above) no Successor Rate or Alternative Rate (as applicable) is determined pursuant to Condition 3(j)(A) or (as the case may be) a Successor Rate or Alternative Rate (as applicable) is determined, but no Adjustment Spread is determined pursuant to Condition 3(j)(A); or
- (b) (in the case of (ii) above) no Benchmark Replacement is determined in accordance with Condition 3(j)(B),

then the current Reference Rate, Reset Reference Rate, or Original Reference Rate (as applicable) will continue to apply for the purposes of determining the Rate of Interest on such Interest Determination Date or Reset Determination Date (as the case may be), with the effect that the fallback provisions provided in Condition 3(c)(iii)(A), Condition 3(c)(iii)(B) or Condition 3(c)(iii)(C), as applicable, will continue to apply to such determination.

In such circumstances, the Issuer will be entitled (but not obliged), at any time thereafter, to elect to re-apply the provisions of this Condition 3(j), *mutatis mutandis*, on one or more occasions until:

- (x) (in the case of (i) above) a Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread and any consequential changes made to the Conditions; or
- (y) (in the case of (ii) above) the Benchmark Replacement and any Benchmark Replacement Conforming Changes,

have been determined and notified in accordance with this Condition 3(j) (and, until such determination and notification (if any), the fallback provisions provided in Condition 3(c)(iii)(A), Condition 3(c)(iii)(B), or Condition 3(c)(iii)(C), as applicable, will continue to apply).

*The Issuer's intention is that, in circumstances where the Issuer has been unable to determine (as applicable) (i) a Successor Rate or Alternative Rate (as applicable) and (in either case) the Adjustment Spread or (ii) the Benchmark Replacement pursuant this Condition 3(j), it will elect to re-apply such provisions if and when, in its sole determination, there have been such subsequent developments (whether in applicable law, market practice or otherwise) as would enable the Issuer successfully to apply such provisions and determine (as applicable) (a) a Successor Rate or Alternative Rate (as applicable) and (in either case) the applicable Adjustment Spread and the applicable consequential changes to the Conditions (if any) or (b) the Benchmark Replacement and the applicable Benchmark Replacement Conforming Changes (if any).*

- (H) If the Issuer anticipates that a Benchmark Event or a Benchmark Transition Event, as applicable, will or may occur, nothing in these Conditions shall prevent the Issuer (in its sole discretion) from taking, prior to the occurrence of such Benchmark Event or a Benchmark Transition Event, such actions as it considers expedient in order to prepare for applying the provisions of this Condition 3(j) (including, without limitation, appointing and consulting with an Independent Adviser, and seeking to identify any Successor Rate, Alternative Rate, Adjustment Spread, any consequential changes made to the Conditions, Benchmark Replacement and/or Benchmark Replacement Conforming Changes, as applicable), provided that no Successor Rate, Alternative Rate, Adjustment Spread, consequential changes to the Conditions, Benchmark Replacement and/or Benchmark Replacement Conforming Changes will take effect until the relevant

Benchmark Event, or the relevant Benchmark Transition Event and its related Benchmark Replacement Date, as applicable, has occurred.

#### 4 Redemption, Purchase and Options

(a) *Final Redemption*

Unless previously redeemed or purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified in the Pricing Supplement at its Final Redemption Amount (which is its nominal amount, unless otherwise provided in the Pricing Supplement).

Unless otherwise permitted by the Applicable Banking Regulations, Subordinated Tier 2 Notes constituting Tier 2 Capital will have a minimum maturity of five years.

(b) *Redemption upon the occurrence of a Tax Event*

If the Tax Call Option is specified as applicable in the Pricing Supplement, the Issuer may, at its option and (subject, (i) in the case of Subordinated Tier 2 Notes, to Condition 4(j) (*Conditions to Redemption and Purchase of Subordinated Tier 2 Notes*) or (ii) in the case of Senior Notes, to Condition 4(k) (*Additional conditions to redemption or purchase of Senior Notes prior to their Maturity Date*), having given not less than 15 nor more than 45 days' notice to the holders in accordance with Condition 13 (*Notices*) (which notice shall, subject as provided in Condition 4(j) (*Conditions to Redemption and Purchase of Subordinated Tier 2 Notes*) and Condition 4(k) (*Additional conditions to redemption or purchase of Senior Notes prior to their Maturity Date*), be irrevocable), redeem all, but not some only, of the Notes outstanding on (if the Notes are Floating Rate Notes) the next Interest Payment Date or (if the Notes are not Floating Rate Notes) at any time, at the Early Redemption Amount, together with any accrued but unpaid interest up to (but excluding) the date fixed for redemption and any additional amounts payable in accordance with Condition 8 (*Taxation*), if, at any time, a Tax Event has occurred, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which (i) the Issuer would be obliged to pay any additional amounts in case of a Tax Gross-up Event, and (ii) a payment in respect of the Notes would not be deductible by the Issuer for Belgian corporate income tax purposes or such deduction would be reduced in case of a Tax Deductibility Event, in each case, were a payment in respect of the Notes then due.

The Issuer shall deliver to the Paying Agent an opinion of an independent legal advisers of recognized standing to the effect that a Tax Event exists.

A "**Tax Event**" shall be deemed to have occurred if as a result of a Tax Law Change:

- (A) in making payments under the Notes, the Issuer has or will on or before the next Interest Payment Date or the Maturity Date (as applicable) become obliged to pay additional amounts in respect of interest on the Notes (but not principal or any other amount) as provided or referred to in Condition 8 (*Taxation*) (and such obligation cannot be avoided by the Issuer taking reasonable measures available to it) (a "**Tax Gross-up Event**"); or
- (B) on the next Interest Payment Date or the Maturity Date any payments by the Issuer in respect of the Notes ceases (or will cease) to be deductible by the Issuer for Belgian corporate income tax purposes or such deductibility is reduced (a "**Tax Deductibility Event**").

In these Conditions, a "**Tax Law Change**" means any change or proposed change in, or amendment or proposed amendment to, the laws or regulations of Belgium, including any treaty to which Belgium is a party, or any change in the application or official interpretation of such

laws or regulations, including a decision of any court, or any interpretation or pronouncement by any relevant tax authority, which change or amendment (x) (subject to (y)) becomes, or would become, effective on or after the Issue Date, or (y) in the case of a change or proposed change in law, if such change is enacted (or, in the case of a proposed change, is expected to be enacted) on or after the Issue Date.

(c) *Redemption of Subordinated Tier 2 Notes following the occurrence of a Capital Disqualification Event*

If Capital Disqualification Event is specified as applicable in the Pricing Supplement, the Issuer may at its option but subject to Condition 4(j) (*Conditions to Redemption and Purchase of Subordinated Tier 2 Notes*), having given not less than 15 nor more than 45 days' notice in accordance with Condition 13 (*Notices*), redeem all but not some only of the Subordinated Tier 2 Notes at any time at the Early Redemption Amount, together (if applicable) with any accrued but unpaid interest up to (but excluding) the date fixed for redemption if a Capital Disqualification Event has occurred and is continuing.

In these Conditions:

A “**Capital Disqualification Event**” will occur if at any time the Issuer determines that as a result of a change (or prospective future change which the Relevant Regulator considers to be sufficiently certain) to the regulatory classification of the relevant Series of Subordinated Tier 2 Notes, in any such case becoming effective on or after the Issue Date of the last Tranche of Notes, such Subordinated Tier 2 Notes cease (or would cease) to be included, in whole or in part, in, or count towards the Tier 2 Capital of the Issuer (other than (i) as a result of any applicable limitation on the amount of such capital that the Issuer can count towards its capital requirements as applicable to the Issuer; or (ii) in accordance with any requirement under Applicable Banking Regulations for the recognition of such Subordinated Tier 2 Notes as part of the Tier 2 Capital of the Issuer to be amortised in the final five years to maturity of such Subordinated Tier 2 Notes).

“**Group**” means KBC Group NV and its subsidiaries from time to time.

(d) *Redemption at the Option of the Issuer*

If the Issuer Call Option is specified as applicable in the Pricing Supplement, the Issuer may at its option (subject, (i) in the case of Subordinated Tier 2 Notes, to Condition 4(j) (*Conditions to Redemption and Purchase of Subordinated Tier 2 Notes*) and (ii) in the case of Senior Notes, to Condition 4(k) (*Additional conditions to redemption or purchase of Senior Notes prior to their Maturity Date*)), on giving not less than 15 nor more than 45 days' irrevocable notice to the holders (or such other notice period as may be specified in the Pricing Supplement), redeem all or, if so provided, some only of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount specified in the Pricing Supplement (which may be the Early Redemption Amount (as described in Condition 4(f) (*Early Redemption Amounts*) below)), together with interest accrued to the date fixed for redemption. In the case of a redemption of Notes in part, any such redemption must, if so specified in the Pricing Supplement, relate to Notes of a nominal amount at least equal to the Minimum Callable Amount to be redeemed specified in the Pricing Supplement and no greater than the Maximum Callable Amount to be redeemed specified in the Pricing Supplement.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 4.



(e) *Redemption of Senior Notes following the occurrence of a Loss Absorption Disqualification Event*

If, in the case of Senior Notes, “Loss Absorption Disqualification Event” is specified as applicable in the Pricing Supplement, then the relevant Senior Notes may be redeemed at the option of the Issuer (but subject to Condition 4(k) (*Additional conditions to redemption or purchase of Senior Notes prior to their Maturity Date*)) in whole, but not in part, on (if the Notes are Floating Rate Notes) the next Interest Payment Date or (if the Notes are not Floating Rate Notes) at any time, on giving not less than the minimum period nor more than the maximum period of notice specified in the applicable Pricing Supplement to the holders in accordance with Condition 13 (*Notices*) (which notice shall be irrevocable), if the Issuer determines that a Loss Absorption Disqualification Event has occurred and is continuing.

Upon the expiration of such notice, the Issuer shall be bound to redeem such Notes at their Early Redemption Amount (as determined in accordance with Condition 4(f) (*Early Redemption Amounts*) below) together (if applicable) with any accrued but unpaid interest up to (but excluding) the date fixed for redemption.

As used in this Condition 4(e), a “**Loss Absorption Disqualification Event**” shall be deemed to have occurred if:

- (i) at the time that any Loss Absorption Regulation becomes effective, and as a result of such Loss Absorption Regulation becoming so effective, in each case with respect to the Issuer and/or the Group, the Notes do not or (in the opinion of the Issuer or the Relevant Regulator) are likely not to qualify in full towards the Issuer’s and/or the Group’s minimum requirements for (A) own funds and eligible liabilities and/or (B) loss absorbing capacity instruments; or
- (ii) as a result of any amendment to, or change in, any Loss Absorption Regulation, or any change in the application or official interpretation of any Loss Absorption Regulation, in any such case becoming effective on or after the Issue Date of the last Tranche of the Notes, the Notes are or (in the opinion of the Issuer or the Relevant Regulator) are likely to be fully or partially excluded from the Issuer’s and/or the Group’s minimum requirements for (A) own funds and eligible liabilities and/or (B) loss absorbing capacity instruments,

in each case as such minimum requirements are applicable to the Issuer and/or the Group and determined in accordance with, and pursuant to, the relevant Loss Absorption Regulations; *provided that* in the case of (i) and (ii) above, a Loss Absorption Disqualification Event shall not occur where the exclusion of the Notes from the relevant minimum requirement(s) (a) is reasonably foreseeable at the Issue Date of the last Tranche of Notes or (b) is due to the remaining maturity of the Notes being less than any period prescribed by the applicable Loss Absorption Regulations effective as at the Issue Date of the last Tranche of the Notes or (c) is due to any restriction on the amount of liabilities that can count towards the Issuer’s and/or the Group’s minimum requirements for (A) own funds and eligible liabilities and/or (B) loss absorbing capacity instruments or (d) is as a result of the relevant Notes being bought back by or on behalf of the Issuer or a buy back of the relevant Notes which is funded by or on behalf of the Issuer or (e) is due to the relevant Senior Notes not meeting any requirement in relation to their ranking upon insolvency of the Issuer.

“**Loss Absorption Regulations**” means, at any time, the laws, regulations, requirements, guidelines, rules, standards and policies relating to minimum requirements for own funds and eligible liabilities and/or loss absorbing capacity instruments of the Kingdom of Belgium, the Relevant Regulator, the Resolution Authority, the Financial Stability Board and/or of the

European Parliament or of the Council of the European Union then in effect in the Kingdom of Belgium including, without limitation to the generality of the foregoing, any delegated or implementing acts (such as regulatory technical standards) adopted by the European Commission and any regulations, requirements, guidelines, rules, standards and policies relating to minimum requirements for own funds and eligible liabilities and/or loss absorbing capacity instruments adopted by the Relevant Regulator and/or the Resolution Authority from time to time (whether or not such regulations, requirements, guidelines, rules, standards or policies are applied generally or specifically to the Issuer or to the Group).

“**Resolution Authority**” means the Single Resolution Board (SRB) (established pursuant to the Regulation 806/2014 of the European Parliament and the Council of July 15, 2014 relating to the Single Resolution Mechanism) and, where relevant, the resolution college of the National Bank of Belgium (within the meaning of Article 21<sup>ter</sup> of the Act of 22 February 1998 establishing the organic statute of the National Bank of Belgium) or any successor or replacement entity having responsibility for the recovery and resolution of the Issuer.

(f) *Early Redemption Amounts*

The Early Redemption Amount payable in respect of any Note, upon redemption of such Note pursuant to Condition 4(b) (*Redemption upon the occurrence of a Tax Event*), Condition 4(c) (*Redemption of Subordinated Tier 2 Notes following the occurrence of a Capital Disqualification Event*), Condition 4(d) (*Redemption at the Option of the Issuer*) or Condition 4(e) (*Redemption of Senior Notes following the occurrence of a Loss Absorption Disqualification Event*) shall be the Final Redemption Amount(s) unless otherwise specified in the Pricing Supplement.

(g) *Directors' Certificate*

Prior to the publication of any notice of redemption pursuant to this Condition 4 (other than redemption at the option of the Issuer pursuant to Condition 4(d) (*Redemption at the Option of the Issuer*)), the Issuer shall deliver to the Paying Agent and the CDI Depositary a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, including (in the case of a Tax Event, a Capital Disqualification Event or a Loss Absorption Disqualification Event (as applicable)) that a Tax Event (as defined in Condition 4(b) (*Redemption upon the occurrence of a Tax Event*) above), a Capital Disqualification Event (as defined in Condition 4(c) (*Redemption of Subordinated Tier 2 Notes following the occurrence of a Capital Disqualification Event*) above) or a Loss Absorption Disqualification Event (as defined in Condition 4(e) (*Redemption of Senior Notes following the occurrence of a Loss Absorption Disqualification Event*) above) exists.

(h) *Purchases*

The Issuer or any of its subsidiaries may, but is not obliged to, purchase Notes in the open market or otherwise at any price. Any Notes so purchased or otherwise acquired may, at the Issuer's discretion, be held or resold or, at the option of the Issuer, surrendered to the Paying Agent for cancellation.

This Condition 4(h) shall apply in the case of Senior Notes or Subordinated Tier 2 Notes to the extent such purchases of Senior Notes or Subordinated Tier 2 Notes are not prohibited by the applicable Loss Absorption Regulations and/or Applicable Banking Regulations, as applicable, and subject to the conditions set out in Condition 4(j) (*Conditions to Redemption and Purchase of Subordinated Tier 2 Notes*).

(i) *Cancellation*

All Notes which are redeemed or purchased by or on behalf of the Issuer or otherwise acquired as aforesaid and surrendered to the Paying Agent for cancellation will forthwith be cancelled. All Notes so cancelled cannot be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

(j) *Conditions to Redemption and Purchase of Subordinated Tier 2 Notes*

Any optional redemption of Subordinated Tier 2 Notes pursuant to Condition 4(b) (*Redemption upon the occurrence of a Tax Event*), Condition 4(c) (*Redemption of Subordinated Tier 2 Notes following the occurrence of a Capital Disqualification Event*) or Condition 4(d) (*Redemption at the Option of the Issuer*) and any purchase of Subordinated Tier 2 Notes pursuant to Condition 4(h) (*Purchases*) is subject to the following conditions (in each case only if and to the extent then required by Applicable Banking Regulations):

- (i) compliance with any conditions prescribed under Applicable Banking Regulations and/or the applicable Loss Absorption Regulations, including the prior approval of the Relevant Regulator (if required);
- (ii) in respect of any redemption of the relevant Subordinated Tier 2 Notes proposed to be made prior to the fifth anniversary of the Issue Date, (a) in the case of redemption following the occurrence of a Tax Event, the Issuer having demonstrated to the satisfaction of the Relevant Regulator that (A) the Tax Law Change was not reasonably foreseeable as at the Issue Date of the last Tranche of the Notes and (B) the Tax Law Change is material or (b) in the case of redemption following the occurrence of a Capital Disqualification Event, the Issuer having demonstrated to the satisfaction of the Relevant Regulator that the relevant change was not reasonably foreseeable by the Issuer as at the Issue Date of the last Tranche of the Notes; and
- (iii) compliance by the Issuer with any alternative or additional pre-conditions to the redemption or purchase of the relevant Subordinated Tier 2 Notes, set out in the Applicable Banking Regulations for the time being or required by the Relevant Regulator.

(k) *Additional conditions to redemption or purchase of Senior Notes prior to their Maturity Date*

Any optional redemption of Senior Notes pursuant to Condition 4(b) (*Redemption upon the occurrence of a Tax Event*), 4(d) (*Redemption at the Option of the Issuer*) or 4(e) (*Redemption of Senior Notes following the occurrence of a Loss Absorption Disqualification Event*) and any purchase of Senior Notes pursuant to Condition 4(h) (*Purchases*) will be subject to the following conditions (in each case only if and to the extent then required by the applicable Loss Absorption Regulations):

- (i) compliance with any conditions prescribed under the applicable Loss Absorption Regulations, including the prior approval of the Resolution Authority (if required); and
- (ii) compliance by the Issuer with any alternative or additional pre-conditions to the redemption or purchase of the relevant Senior Notes, set out in the applicable Loss Absorption Regulations for the time being or required by the Resolution Authority.

(l) *Notices Final*

Subject to Condition 4(j) (*Conditions to Redemption and Purchase of Subordinated Tier 2 Notes*) or Condition 4(k) (*Additional conditions to redemption or purchase of Senior Notes prior to their Maturity Date*), upon the expiry of any notice period as is referred to in Condition 4(b) (*Redemption upon the occurrence of a Tax Event*), Condition 4(c) (*Redemption of Subordinated Tier 2 Notes following the occurrence of a Capital Disqualification Event*), Condition 4(d) (*Redemption at the Option of the Issuer*) and Condition 4(e) (*Redemption of Senior Notes following the occurrence of a Loss Absorption Disqualification Event*) the Issuer shall be bound to redeem the Notes to which the notice refers in accordance with the terms of such Condition.

(m) *Definitions*

As used in these Conditions, the “**Relevant Date**” in respect of any payment means the date on which such payment first becomes due or (if the full amount of the moneys payable has not been duly received by the Paying Agent on or prior to such date) the date on which notice is given to the Noteholders that such moneys have been so received.

References in these Conditions to (i) “**principal**” shall be deemed to include any premium payable in respect of the Notes, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and all other amounts in the nature of principal payable pursuant to this Condition 4 or any amendment or supplement to it, (ii) “**interest**” shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 3 (*Interest and other calculations*) or any amendment or supplement to it and (iii) “**interest**” shall be deemed to include any additional amounts in respect of interest on the Notes that may be payable under Condition 8 (*Taxation*).

## 5 **Payments**

(a) *Payment in euro*

Without prejudice to the Belgian Companies and Associations Code, payment of principal in respect of the Notes, payment of accrued interest payable on a redemption of the Notes and payment of any interest due on an Interest Payment Date in respect of the Notes will be made through the Securities Settlement System in accordance with the Securities Settlement System Regulations. The payment obligations of the Issuer under the Notes will be discharged by payment to the NBB in respect of each amount so paid.

(b) *Payment in other currencies*

Without prejudice to the Belgian Companies and Associations Code, payment of principal in respect of the Notes, payment of accrued interest payable on a redemption of the Notes and payment of any interest due on an Interest Payment Date in respect of the Notes will be made through the Paying Agent.

(c) *Method of payment*

Each payment referred to in Condition 5(a) (*Payment in euro*) will be made in euro by transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with a bank in a city in which banks have access to the TARGET System. Each payment referred to in Condition 5(b) (*Payment in other currencies*) will be made in a Specified Currency other than euro by credit or transfer to an account in the relevant Specified Currency maintained by the payee with a bank in the principal financial center of the country of such Specified Currency, which in the case of U.S. dollars will be New York City.

(d) *Payments subject to fiscal laws*

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment or other laws or agreements to which the Issuer or the Paying Agent agrees to be subject and the Issuer will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements, but without prejudice to the provisions of Condition 8 (*Taxation*). No commission or expenses shall be charged to the Noteholders in respect of such payments. The Issuer reserves the right to require a Noteholder to provide the Paying Agent with such certification or information as may be required to enable the Issuer to comply with the requirements of the United States federal income tax laws or any agreement between the Issuer and any taxing authority.

(e) *Appointment of Agents*

Any additional Paying Agent or Calculation Agent with respect to a Tranche of Notes appointed by the Issuer and their respective specified offices are listed in the applicable Pricing Supplement. The Paying Agent and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Paying Agent or the Calculation Agent provided that the Issuer shall at all times maintain (i) a Paying Agent which is a participant in the Securities Settlement System, (ii) a Calculation Agent where the Conditions so require, and (iii) such other agents as may be required by any other stock exchange on which the Notes may be listed. Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) *Non-Business Days*

If any date for payment in respect of any Note is not a Business Day, the holder shall not be entitled to payment until the next following Business Day nor to any interest or other sum in respect of such postponed payment.

## **6 Subordinated Tier 2 Notes – Substitution or variation following a Capital Disqualification Event**

In the case of Subordinated Tier 2 Notes in relation to which “Capital Disqualification Event Variation” is specified as applicable in the Pricing Supplement, then, following a Capital Disqualification Event (as defined in Condition 4(c) (*Redemption of Subordinated Tier 2 Notes following the occurrence of a Capital Disqualification Event*)) which is continuing, or in order to ensure the effectiveness and enforceability of Condition 16(c), the Issuer may, subject to the other provisions of this Condition 6 (without any requirement for the consent or approval of the Noteholders (subject to the notice requirements below)) substitute or vary the terms of all (but not some only) of the Subordinated Tier 2 Notes so that they remain or, as appropriate, become, Qualifying Securities (and, in either case, may change the governing law of Condition 16(c) from Belgian law to English law).

In connection with any substitution or variation in accordance with this Condition 6, the Issuer shall comply with the rules of any stock exchange on which such Notes are for the time being listed or admitted to trading.

Any substitution or variation in accordance with this Condition 6 is subject to (i) compliance with the Applicable Banking Regulations, (ii) the Issuer obtaining the permission therefor from the Relevant Regulator, provided that at the relevant time such permission is required to be given; and (iii) the Issuer giving not less than 15 nor more than 45 calendar days’ notice to the Noteholders (which notice shall be irrevocable), in accordance with Condition 13 (*Notices*), which notice shall be irrevocable. Any such notice shall specify the relevant details of the manner in which such variation shall take effect and where the holders can inspect or obtain copies of the new terms and conditions of the relevant Series of Subordinated Tier 2 Notes.

Any substitution or variation in accordance with this Condition 6 does not otherwise give the Issuer an option to redeem the relevant Notes under the Conditions.

As used in this Condition 6:

“**Fitch**” means Fitch France S.A.S. or any affiliate thereof.

“**Moody’s**” means Moody’s France S.A.S. or any affiliate thereof.

“**Qualifying Securities**” means securities issued by the Issuer that:

- (a) rank equally with the ranking of the Subordinated Tier 2 Notes;
- (b) other than in respect of the effectiveness and enforceability of Condition 16(c), have terms not materially less favorable to Noteholders than the terms of the Subordinated Tier 2 Notes (as reasonably determined by the Issuer in consultation with an independent investment bank of international standing, and provided that a certification to such effect of two Directors of the Issuer shall have been delivered to the Paying Agent prior to the issue of the relevant securities);
- (c) without prejudice to (b) above:
  - (A) contain terms such that they comply with the then Applicable Banking Regulations in relation to Tier 2 Capital;
  - (B) include terms which provide for the same Rate of Interest from time to time, Interest Payment Dates, Maturity Date and Early Redemption Amount(s) as apply from time to time to the relevant Series of Subordinated Tier 2 Notes immediately prior to such variation;
  - (C) shall preserve any existing rights under the Conditions to any accrued interest, principal and/or premium which has not been satisfied;
  - (D) do not contain terms providing for the mandatory or voluntary deferral of payments of principal and/or interest;
  - (E) do not contain terms providing for loss absorption through principal write down, write-off or conversion to ordinary shares (but without prejudice to any acknowledgement of the Bail-in Power substantially similar to Condition 16(c)); and
  - (F) are otherwise not materially less favorable to Noteholders;<sup>4</sup>
- (d) are listed on (i) the Global Exchange Market of Euronext Dublin or (ii) such other stock exchange or market (if any) in the European Economic Area on which the Subordinated Tier 2 Notes were listed immediately prior to the relevant substitution or variation; and
- (e) where the Subordinated Tier 2 Notes which have been varied or substituted had a solicited published rating from a Rating Agency immediately prior to their variation each such Rating Agency has ascribed, or announced its intention to ascribe, an equal or higher published rating to the relevant Subordinated Tier 2 Notes, unless any downgrade is solely attributable to the effectiveness and enforceability of Condition 16(c).

“**Rating Agency**” means each of Fitch, Moody’s and S&P or their respective successors.

“**S&P**” means S&P Global Ratings Europe Limited or any affiliate thereof.

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<sup>4</sup> *Note to LL:* The suggested changes (i.e. addition of Capital Event and Tax Event) have not been made as (c)(A) of this definition clarifies that the Qualifying Securities will be in compliance with Applicable Banking Regulations and accordingly no Capital Event will be triggered. A Tax Event shall not be relevant here as these provisions only arise upon a Capital Disqualification Event rather than a Tax Event

## 7 Senior Notes –Substitution or variation following a Loss Absorption Disqualification Event

In the case of Senior Notes in relation to which “Loss Absorption Disqualification Event Variation or Substitution” is specified in the relevant Pricing Supplement as applicable, then, following a Loss Absorption Disqualification Event (as defined in Condition 4(e) (*Redemption of Senior Notes following the occurrence of a Loss Absorption Disqualification Event*)) which is continuing, or in order to ensure the effectiveness and enforceability of Condition 16(c), the Issuer may, subject to the other provisions of this Condition 7 but without any requirement for the consent or approval of the Noteholders (subject to the notice requirements below), substitute all (but not some only) of such Series of Senior Notes or vary the terms of all (but not some only) of such Series of Senior Notes so that they remain or, as appropriate, become, Eligible Liabilities Instruments (as defined below) (and, in either case, may change the governing law of Condition 16(c) from Belgian law to English law).

In connection with any substitution or variation in accordance with this Condition 7, the Issuer shall comply with the rules of any stock exchange on which such Notes are for the time being listed or admitted to trading.

Any substitution or variation in accordance with this Condition 7 is subject to (i) compliance with the applicable Loss Absorption Regulations, (ii) the Issuer obtaining the permission therefor from the Relevant Regulator and/or Resolution Authority, if and to the extent required at such date; and (iii) the Issuer giving not less than 15 nor more than 45 calendar days’ notice to the Noteholders in accordance with Condition 13 (*Notices*), which notice shall be irrevocable. Any such notice shall specify the relevant details of the manner in which such variation shall take effect and where the holders can inspect or obtain copies of the new terms and conditions of the relevant Series of Senior Notes.

Any substitution or variation in accordance with this Condition 7 does not otherwise give the Issuer an option to redeem the relevant Senior Notes under the Conditions.

For the purpose of this Condition 7, “**Eligible Liabilities Instruments**” means securities issued by the Issuer that:

- (a) rank equally with the Senior Notes prior to the relevant substitution or variation;
- (b) other than in respect of the effectiveness and enforceability of Condition 16(c), have terms not materially less favorable to Noteholders than the terms of the Senior Notes (as reasonably determined by the Issuer in consultation with an independent investment bank of international standing, and provided that a certification to such effect of two Directors of the Issuer shall have been delivered to the Paying Agent prior to the issue of the relevant securities or, in the case of a variation, the date such variation becomes effective);
- (c) without prejudice to (b) above:
  - (A) contain terms which comply with the then applicable Loss Absorption Regulations;
  - (B) include terms which provide for the same (or, from a Noteholder’s perspective, more favorable) Rate of Interest from time to time, Interest Payment Dates, Maturity Date and Early Redemption Amount(s) as apply from time to time to the relevant Series of Senior Notes immediately prior to such substitution or variation;
  - (C) are not immediately subject to a Loss Absorption Disqualification Event or Tax Event as a result of such substitution or variation;
  - (D) preserve any existing right under these Conditions to any accrued interest, principal and/or premium which has not been satisfied; and

- (E) do not contain terms providing for loss absorption through principal write down, write-off or conversion to ordinary shares (but without prejudice to any acknowledgement of the Bail-in Power substantially similar to Condition 16(c)); and
- (F) do not contain terms providing for the mandatory or voluntary deferral or cancellation of payments of principal and/ or interest;
- (d) are listed on (i) the Global Exchange Market of Euronext Dublin or (ii) such other stock exchange or market (if any) in the European Economic Area on which the Senior Notes were listed immediately prior to the relevant substitution or variation; and
- (e) where the relevant Senior Notes which have been substituted or varied had a solicited credit rating immediately prior to their substitution or variation, have a solicited published rating equal to or higher than the solicited credit rating of the relevant Senior Notes prior to their substitution or variation ascribed to them or expected to be ascribed to them, unless any downgrade is solely attributable to the effectiveness and enforceability of Condition 16(c).

## 8 Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, or on account of, any taxes, duties, assessments or governmental charges of whatever nature (“**Taxes**”) imposed, levied, collected, withheld or assessed by or within the Kingdom of Belgium or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

The Issuer will not be required to pay any additional or further amounts in respect of such withholding or deduction.

Notwithstanding the foregoing, if the Tax Call Option is specified as applicable in the Pricing Supplement, the Issuer shall pay such additional amounts in respect of interest on the Notes (but not principal or any other amount) as shall result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note:

- (i) to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of their having some connection with the Kingdom of Belgium other than the mere holding of the Note; or
- (ii) where such withholding or deduction is imposed because the holder of the Note is not an Actual Eligible Investor (unless that person was an Actual Eligible Investor at the time of its acquisition of the Note but has since ceased (as such term is defined from time to time under Belgian law) being an Actual Eligible Investor by reason of a change in the Belgian tax laws or regulations or in the interpretation or application thereof or by reason of another change which was outside that person’s control), or is a Potential Eligible Investor but is not holding the Note in an exempt securities account with a qualifying clearing system in accordance with the Belgian law of August 6, 1993 relating to transactions in certain securities and its implementation decrees; or
- (iii) to a Noteholder who is liable to such Taxes because the Notes were upon its request converted into registered Notes and could no longer be cleared through the Securities Settlement System; or
- (iv) to a holder who is entitled to avoid such deduction or withholding by making a declaration of non-residence or other similar claim for exemption.



Notwithstanding any other provision of the Conditions, any amounts to be paid on the Notes by or on behalf of the Issuer will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a “**FATCA Withholding**”). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

## 9 Prescription

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 4(m) (*Definitions*)) in respect of them.

## 10 Enforcement

If default is made in the payment of any principal or interest due in respect of the Notes or any of them and such default continues for a period of 30 days or more after the due date any holder may, without further notice, institute proceedings for the dissolution or liquidation of the Issuer in Belgium.

In the event of the dissolution or liquidation (other than on a solvent basis) of the Issuer (including, without limiting the generality of the foregoing, bankruptcy (*faillissement/faillite*), and judicial or voluntary liquidation (*gerechtelijke of vrijwillige vereffening/liquidation forcée ou volontaire*) (other than a voluntary liquidation in connection with a reconstruction, merger or amalgamation where the continuing corporation assumes all liabilities of the Issuer), under the laws of Belgium), any holder may give written notice to the Issuer with a copy to the Paying Agent at its specified office that the relevant Note is, and it shall accordingly forthwith become, immediately due and repayable at its principal amount, together with interest accrued to the date of repayment.

No remedy against the Issuer other than as referred to in this Condition 10, shall be available to the holders of Notes, whether for recovery of amounts owing in respect of the Notes or in respect of any breach by the Issuer of any of its obligations under or in respect of the Notes.

For the avoidance of doubt, the holders of Notes waive, to the fullest extent permitted by law (i) all their rights whatsoever pursuant to Articles 5.90 to 5.93 (inclusive) of the Belgian Civil Code to rescind (*ontbinden/résoudre*), or to demand legal proceedings for the rescission (*ontbinding/résolution*) of the Notes and (ii), to the extent applicable, all their rights whatsoever in respect of the Notes pursuant to Article 7:64 of the Belgian Companies and Associations Code.

In the case of any Note held by the CDI Depository, if the CDI Depository shall be entitled to institute proceedings for the dissolution or liquidation of the Issuer in Belgium in accordance with this Condition 10 in respect of such Note or in the event of the dissolution or liquidation (other than on a solvent basis) of the Issuer and, in either case, payment in full of the amount due has not been made to the CDI Depository as the holder of such Note in accordance with the Conditions, then from the Relevant Time each Relevant Account Holder (each such term as defined in the Deed of Covenant executed by the Issuer on October 13, 2022 (as amended, supplemented, novated and/or restated from time to time, the “**Deed of Covenant**”)) will become entitled to proceed directly against the Issuer on, and subject to, the terms of the Deed of Covenant in respect of the Notes held by the CDI Depository and the CDI Depository will have no further rights under such Notes (but without prejudice to the rights which any person may have under the Deed of Covenant), save that for the purposes of any payment in respect of those Notes held by the CDI Depository such payment shall continue to be made to the CDI Depository as the holder of such Notes.

## 11 No Security or Guarantee

Senior Notes and Subordinated Tier 2 Notes are not and will not at any time be subject (i) to a security interest or guarantee that enhances the seniority of the respective claims of each of the holders of the relevant Notes, provided by any of the entities listed in articles 72b(2)(e) or 63(e) of CRR, as applicable, or (ii) to any arrangement that otherwise enhances the respective claims of such holders in respect of such Notes.

## 12 Meetings of Noteholders and Modifications

### (a) *Meetings of Noteholders*

Schedule 1 (*Provisions on Meetings of Noteholders*) of these Conditions contains provisions for convening meetings of Noteholders (the “**Meeting Provisions**”) to consider matters relating to the Notes, including the modification of any provision of these Conditions or the Notes. For the avoidance of doubt, any modification or waiver of the Conditions shall be subject to the consent of the Issuer. The provisions of this Condition 12(a) are subject to, and should be read together with, the more detailed provisions contained in the Meeting Provisions (which shall prevail in the event of any inconsistency).

All meetings of Noteholders will be held in accordance with the Meeting Provisions. Such a meeting may be convened by the Issuer and shall be convened by the Issuer upon the request in writing of Noteholders holding not less than 20% of the aggregate nominal amount of the outstanding Notes.

Any modification or waiver of the Conditions proposed by the Issuer may be made if sanctioned by an Extraordinary Resolution. An “**Extraordinary Resolution**” means a resolution passed at a meeting of Noteholders duly convened and held in accordance with these Conditions and the Meeting Provisions by a majority of at least 75% of the votes cast, provided, however, that any such proposal (i) to amend the dates of maturity or redemption of the Notes or date for payment of interest or interest amounts, (ii) to assent to an extension of an interest period, a reduction of the applicable interest rate or a modification of the conditions applicable to the payment of interest, (iii) to assent to a reduction of the nominal amount of the Notes or a modification of the conditions under which any redemption, substitution or variation may be made, (iv) to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment in circumstances not provided for in the Conditions, (v) to change the currency of payment of the Notes, (vi) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution or (vii) to amend the requirement for an Extraordinary Resolution for the sanctioning of any modification or waiver of the Conditions or the Notes, may, in each case, only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which one or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum.

Resolutions duly passed in accordance with the Meeting Provisions shall be binding on all Noteholders, whether or not they are present at the meeting (if applicable) and whether or not they vote in favor of such a resolution (whether at any such meeting or pursuant to a Written Resolution or by way of Electronic Consent).

The Meeting Provisions furthermore provide that, for so long as the Notes are in dematerialized form and settled through the Securities Settlement System, in respect of any matters proposed by the Issuer, the Issuer shall be entitled, where the terms of the resolution proposed by the Issuer have been notified to the Noteholders through the relevant clearing systems as provided in the Meeting Provisions, to rely upon approval of such resolution given by way of electronic

consents communicated through the electronic communications systems of the relevant clearing system(s) by or on behalf of the holders of not less than 75% in aggregate nominal amount of the Notes outstanding. To the extent such electronic consent is not being sought, the Meeting Provisions provide that a resolution in writing signed by or on behalf of the holders of not less than 75% in aggregate nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, provided that the terms of the proposed resolution have been notified in advance to the Noteholders through the relevant clearing system(s). Such a resolution in writing may be contained in one document or several documents in the same form, each signed by, or on behalf of, one or more Noteholders.

Resolutions of Noteholders will only be effective if such resolutions have been approved by the Issuer and, if so required, by the Relevant Regulator and/or the Resolution Authority.

For the avoidance of doubt, modifications to the Conditions to effect any amendments to these Conditions determined pursuant to Condition 3(j)(A)(v) or Condition 3(j)(B)(iv) may be made without any requirement for the consent or approval of the Noteholders.

(b) *Modification and Waiver*

Without prejudice to Condition 3(j) (*Benchmark replacement*) and subject to obtaining the approval therefor from the Relevant Regulator and/or the Resolution Authority if so required pursuant to applicable regulations, the Paying Agent and the Issuer may agree, without the consent of the holders, to:

- (i) any modification (except such modifications in respect of which an increased quorum is required, as mentioned above) of the Agency Agreement which is not prejudicial to the interests of the holders; or
- (ii) any modification of these Conditions, the Agency Agreement or of any agreement supplemental to the Agency Agreement, which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law.

Any such modification shall be binding on the holders and any such modification shall be notified to the holders in accordance with Condition 13 (*Notices*) as soon as practicable thereafter.

### **13 Notices**

Notices to the holders shall be valid if (i) delivered by or on behalf of the Issuer to the NBB (in its capacity as operator of the Securities Settlement System), for onward communication by it to the participants of the Securities Settlement System, (ii) in the case of Notes held in a securities account, through a direct notification through the applicable clearing system, (iii) in the case of Notes which are not listed or if otherwise required by applicable law, any notice sent pursuant to Condition 4(b) (*Redemption upon the occurrence of a Tax Event*), Condition 4(c) (*Redemption of Subordinated Tier 2 Notes following the occurrence of a Capital Disqualification Event*), Condition 4(d) (*Redemption at the Option of the Issuer*) or Condition 4(e) (*Redemption of Senior Notes following the occurrence of a Loss Absorption Disqualification Event*), shall be published in compliance with all applicable legal requirements. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above or, in the case of delivery to the NBB or direct notification through the applicable clearing system, any such notice shall be deemed to have been given on the date immediately following the date of delivery/notification.

In addition to any of the methods of delivery mentioned above, the Issuer shall ensure that all notices are duly published in a manner which complies with the rules and regulations of any other stock exchange or other relevant authority on which the Notes are for the time being listed. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Paying Agent may approve.

#### **14 Further Issues**

The Issuer may from time to time without the consent of the Noteholders create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further notes shall be consolidated and form a single Series with the Notes provided, however, that for purposes of U.S. federal income taxation (regardless of whether any holders of Notes are subject to U.S. federal income tax laws), such further Notes are either (i) not issued with original issue discount, (ii) issued with less than a *de minimis* amount of original issue discount, or (iii) issued in a “qualified reopening” for U.S. federal income tax purposes. References in these Conditions to the Notes include (unless the context requires otherwise) any other notes issued pursuant to this Condition 14 and forming a single Series with the Notes.

#### **15 Provision of Information**

For so long as any Notes remain outstanding and are “restricted securities” (as defined in Rule 144(a)(3) under the Securities Act), the Issuer shall, during any period in which it is neither subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, make available to any holder of, or beneficial owner of an interest in, such Notes in connection with any resale thereof and to any prospective purchaser designated by such holder or beneficial owner, in each case upon request, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act.

#### **16 Governing Law and Jurisdiction**

##### **(a) Governing Law**

The Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law, except that Condition 1, Condition 2, Condition 12(a), Condition 16(c) and Schedule 1 to the Conditions and (in each case) any non-contractual obligations arising out of or in connection therewith, shall be governed by and construed in accordance with Belgian law.

##### **(b) Jurisdiction**

The Issuer agrees, for the exclusive benefit of the Noteholders that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes (including, in each case, any dispute relating to any non-contractual obligations arising therefrom or in connection therewith) and that accordingly any suit, action or proceedings (together referred to as “**Proceedings**”) arising out of or in connection with the Notes (including, in each case, any Proceedings relating to any non-contractual obligation arising therefrom or in connection therewith) may be brought in such courts.

The Issuer hereby irrevocably waives any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in the courts England and any claim that any such Proceedings have been brought in an inconvenient forum and hereby further irrevocably agrees that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.

Nothing contained in this Condition shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

(c) Acknowledgement of and Consent to the Bail-in Power

Notwithstanding and to the exclusion of any other term of the Notes or any other agreements, arrangements or understanding between the Issuer and any Noteholder (which, for the purposes of this Condition 16(c), includes any current or future holder of a beneficial interest in the Notes), by its subscription to or acquisition of the Notes, each Noteholder (which, for the purposes of this Condition 16(c), includes any current or future holder of a beneficial interest in the Notes) acknowledges and accepts that any liability arising under the Notes may be subject to the exercise of the Bail-in Power by the Resolution Authority and acknowledges, accepts, consents to and agrees to be bound by:

- (i) the effect of the exercise of any Bail-in Power by the Resolution Authority in relation to any liability of the Issuer to any Noteholder under these Conditions, which exercise may (without limitation) include and result in any of the following, or a combination thereof:
  - (A) the reduction or cancellation, on a permanent basis, of all, or a portion, of the Relevant Amounts in respect of the Notes;
  - (B) the conversion of all, or a portion, of the Relevant Amounts in respect of the Notes into ordinary shares, other instruments of ownership, other securities or other obligations of the Issuer or another person, and the issue to or conferral on the Noteholder of such ordinary shares, other instruments of ownership, securities or obligations, including by means of an amendment, modification or variation of the Conditions of the Notes;
  - (C) the cancellation of the Notes or the Relevant Amounts in respect of the Notes; and
  - (D) the amendment or alteration of the maturity of the Notes or amendment of the amount of interest payable on the Notes, or the date on which interest becomes payable, including by suspending payment for a temporary period; and
- (ii) the variation of the Conditions of the Notes, as deemed necessary by the Resolution Authority, to give effect to the exercise of any Bail-in Power by the Resolution Authority.

Neither a reduction or cancellation, in part or in full, of the Relevant Amount(s) or the conversion thereof into another security or obligation of the Issuer or another person, as a result of the exercise of the Bail-in Power by the Resolution Authority with respect to the Issuer, nor the exercise of the Bail-in Power by the Resolution Authority with respect to the Notes, will constitute a breach of, or default under, the terms of the Notes or a default or event of default for any other purpose.

Any delay or failure by the Issuer to notify the Noteholders of the exercise of the Bail-in Power by the Resolution Authority shall not affect the validity and enforceability of the bail-in or write-down and conversion powers of the Resolution Authority.

For the purpose of this Condition,

“**Bail-in Power**” means any write-down, conversion, transfer, modification or suspension power existing from time to time under, and exercised in compliance with, applicable Loss Absorption Regulations or under applicable laws, regulations, requirements, guidelines, rules, standards and policies relating to the transposition of the BRRD and Regulation (EU) No 806/2014 (as amended from time to time, “**SRM Regulation**”) pursuant to which the obligations of the Issuer (or an affiliate of the Issuer) can be reduced (in part or in whole), cancelled, written down, suspended, transferred, varied or otherwise modified in any way, or converted into shares, other securities or other obligations of the Issuer or any other person, whether in connection with the implementation of a bail-in tool following placement in resolution or otherwise;

“**Relevant Amounts**” means the principal amount of, and/or interest payable on, the Notes. References to such amounts will include amounts that have become due and payable, but which have not been paid, prior to the exercise of any Bail-in Power by the Resolution Authority.

(d) Appointment of Process Agent

The Issuer irrevocably appoints KBC Bank NV London branch at 111 Old Broad Street, London EC2N 1BR, United Kingdom (attention: The General Manager) as its agent for service of process in any proceedings before the English courts in relation to any Proceedings and agrees that, in the event of KBC Bank NV London branch being unable or unwilling for any reason so to act, it will immediately appoint another person as its agent for service of process in England in respect of any Proceedings. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.

## 17 Third Party Rights

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## SCHEDULE 1

### PROVISIONS ON MEETINGS OF NOTEHOLDERS

#### Interpretation

1. In this Schedule:
  - 1.1 references to a “**meeting**” are to a meeting of Noteholders of a single Series of Notes and include, unless the context otherwise requires, any adjournment;
  - 1.2 references to “**Notes**” and “**Noteholders**” are only to the Notes of the Series and in respect of which a meeting has been, or is to be, called and to the holders of those Notes, respectively;
  - 1.3 “**agent**” means a holder of a Voting Certificate or a proxy for, or representative of, a Noteholder;
  - 1.4 “**Block Voting Instruction**” means a document issued by a Recognized Accountholder or the Securities Settlement System in accordance with paragraph 8;
  - 1.5 “**Electronic Consent**” has the meaning set out in paragraph 29.1;
  - 1.6 “**Extraordinary Resolution**” means a resolution passed (a) at a meeting of Noteholders duly convened and held in accordance with this Schedule 1 (*Provisions on Meetings of Noteholders*) by a majority of at least 75% of the votes cast, (b) by a Written Resolution or (c) by an Electronic Consent;
  - 1.7 “**Ordinary Resolution**” means a resolution with regard to any of the matters listed in paragraph 4 and passed or proposed to be passed by a majority of at least 50% of the votes cast;
  - 1.8 “**Recognized Accountholder**” means a member (*aangesloten lid/afilié*) referred to in the Belgian Companies and Associations Code with whom a Noteholder holds Notes on a securities account;
  - 1.9 “**Securities Settlement System**” means the securities settlement system operated by the NBB or any successor thereto;
  - 1.10 “**Voting Certificate**” means a certificate issued by a Recognized Accountholder or the Securities Settlement System in accordance with paragraph 7;
  - 1.11 “**Written Resolution**” means a resolution in writing signed by the holders of not less than 75% in principal amount of the Notes outstanding; and
  - 1.12 references to persons representing a proportion of the Notes are to Noteholders, proxies or representatives of such Noteholders holding or representing in the aggregate at least that proportion in nominal amount of the Notes for the time being outstanding.

#### General

2. All meetings of Noteholders will be held in accordance with the provisions set out in this Schedule.

#### Extraordinary Resolution

3. A meeting shall, subject to the Conditions and (except in the case of sub-paragraph 3.5) only with the consent of the Issuer and, where applicable, the Relevant Regulator and/or the Resolution Authority, and

without prejudice to any powers conferred on other persons by this Schedule, have power by Extraordinary Resolution:

- 3.1 to sanction any proposal by the Issuer for any modification, abrogation, variation or compromise of, or arrangement in respect of, the rights of the Noteholders against the Issuer (other than in accordance with the Conditions or pursuant to applicable law);
- 3.2 to assent to any modification of the Conditions or the Notes proposed by the Issuer or the Paying Agent;
- 3.3 to authorize anyone to concur in and do anything necessary to carry out and give effect to an Extraordinary Resolution;
- 3.4 to give any authority, direction or sanction required to be given by Extraordinary Resolution;
- 3.5 to appoint any persons (whether Noteholders or not) as a committee or committees to represent the Noteholders' interests and to confer on them any powers (or discretions which the Noteholders could themselves exercise by Extraordinary Resolution);
- 3.6 to approve the substitution of any entity for the Issuer (or any previous substitute) as principal debtor under the Notes in circumstances not provided for in the Conditions or in applicable law; and
- 3.7 to accept any security interests established in favor of the Noteholders or a modification to the nature or scope of any existing security interest or a modification to the release mechanics of any existing security interests.

provided that the special quorum provisions in paragraph 17 shall apply to any Extraordinary Resolution (a "**special quorum resolution**") for the purpose of sub-paragraph 3.6 or for the purpose of making a modification to the Conditions or the Notes which would have the effect of (other than in accordance with the Conditions or pursuant to applicable law):

- (i) to amend the dates of maturity or redemption of the Notes or date for payment of interest or interest amounts;
- (ii) to assent to an extension of an interest period, a reduction of the applicable interest rate or a modification of the conditions applicable to the payment of interest;
- (iii) to assent to a reduction of the nominal amount of the Notes or a modification of the conditions under which any redemption, substitution or variation may be made;
- (iv) to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment in circumstances not provided for in the Conditions;
- (v) to change the currency of payment of the Notes;
- (vi) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution; or
- (vii) to amend this proviso.

#### **Ordinary Resolution**

4. Notwithstanding any of the foregoing and without prejudice to any powers otherwise conferred on other persons by this Schedule, a meeting of Noteholders shall have power by Ordinary Resolution:



- 4.1 to assent to any decision to take any conservatory measures in the general interest of the Noteholders;
- 4.2 to assent to the appointment of any representative to implement any Ordinary Resolution; or
- 4.3 to assent to any other decisions which do not require an Extraordinary Resolution to be passed.

For the avoidance of doubt, any modification or waiver of the Conditions shall always be subject to the consent of the Issuer and, where applicable, the Relevant Regulator and/or the Resolution Authority.

### **Convening a meeting**

5. The Issuer may at any time convene a meeting. A meeting shall be convened by the Issuer upon the request in writing of Noteholders holding at least 10% in principal amount of the Notes for the time being outstanding. Every meeting shall be held at a time and place approved by the Paying Agent, it being understood that meetings can be held by way of conference call or by use of a videoconference platform.
6. Convening notices for meetings of Noteholders shall be given to the Noteholders in accordance with Condition 13 (*Notices*) not less than fifteen days prior to the relevant meeting. The notice shall specify the day, time and place of the meeting (or, if relevant, the applicable dial-in details when the meeting will be held by way of conference call or by use of a videoconference platform) and the nature of the resolutions to be proposed and shall explain how Noteholders may appoint proxies or representatives obtain Voting Certificates and use Block Voting Instructions and the details of the time limits applicable.

### **Arrangements for voting**

7. A Voting Certificate shall:
  - 7.1 be issued by a Recognized Accountholder or the Securities Settlement System;
  - 7.2 state that on the date thereof (i) the Notes (not being Notes in respect of which a Block Voting Instruction has been issued which is outstanding in respect of the meeting specified in such Voting Certificate and any such adjourned meeting) of a specified principal amount outstanding were (to the satisfaction of such Recognized Accountholder or the Securities Settlement System) held to its order or under its control and blocked by it and (ii) that no such Notes will cease to be so held and blocked until the first to occur of:
    - (i) the conclusion of the meeting specified in such certificate or, if applicable, any such adjourned meeting; and
    - (ii) the surrender of the Voting Certificate to the Recognized Accountholder or the Securities Settlement System who issued the same; and
  - 7.3 further state that until the release of the Notes represented thereby the bearer of such certificate is entitled to attend and vote at such meeting and any such adjourned meeting in respect of the Notes represented by such certificate.
8. A Block Voting Instruction shall:
  - 8.1 be issued by a Recognized Accountholder or the Securities Settlement System;
  - 8.2 certify that the Notes (not being Notes in respect of which a Voting Certificate has been issued and is outstanding in respect of the meeting specified in such Block Voting Instruction and any such adjourned meeting) of a specified principal amount outstanding were (to the satisfaction

of such Recognized Accountholder or the Securities Settlement System) held to its order or under its control and blocked by it and that no such Notes will cease to be so held and blocked until the first to occur of:

- (i) the conclusion of the meeting specified in such document or, if applicable, any such adjourned meeting; and
    - (ii) the giving of notice by the Recognized Accountholder or the Securities Settlement System to the Issuer, stating that certain of such Notes cease to be held with it or under its control and blocked and setting out the necessary amendment to the Block Voting Instruction;
  - 8.3 certify that each holder of such Notes has instructed such Recognized Accountholder or the Securities Settlement System that the vote(s) attributable to the Note or Notes so held and blocked should be cast in a particular way in relation to the resolution or resolutions which will be put to such meeting or any such adjourned meeting and that all such instructions cannot be revoked or amended during the period commencing 48 hours prior to the time for which such meeting or any such adjourned meeting is convened and ending at the conclusion or adjournment thereof;
  - 8.4 state the principal amount of the Notes so held and blocked, distinguishing with regard to each resolution between (i) those in respect of which instructions have been given as aforesaid that the votes attributable thereto should be cast in favor of the resolution, (ii) those in respect of which instructions have been so given that the votes attributable thereto should be cast against the resolution and (iii) those in respect of which instructions have been so given to abstain from voting; and
  - 8.5 naming one or more persons (each hereinafter called a “**proxy**”) as being authorized and instructed to cast the votes attributable to the Notes so listed in accordance with the instructions referred to in 8.4 above as set out in such document.
9. If a holder of Notes wishes the votes attributable to it to be included in a Block Voting Instruction for a meeting, he must block such Notes for that purpose at least 48 hours before the time fixed for the meeting to the order of the Paying Agent with a bank or other depository nominated by the Paying Agent for the purpose. The Paying Agent shall then issue a Block Voting Instruction in respect of the votes attributable to all Notes so blocked.
  10. No votes shall be validly cast at a meeting unless in accordance with a Voting Certificate or Block Voting Instruction.
  11. The proxy appointed for purposes of the Block Voting Instruction or Voting Certificate does not need to be a Noteholder.
  12. Votes can only be validly cast in accordance with Voting Certificates and Block Voting Instructions in respect of Notes held to the order or under the control and blocked by a Recognized Accountholder or the Securities Settlement System and which have been deposited at the registered office at the Issuer not less than 48 hours before the time for which the meeting to which the relevant voting instructions and Block Voting Instructions relate, has been convened or called. The Voting Certificate and Block Voting Instructions shall be valid for as long as the relevant Notes continue to be so held and blocked. During the validity thereof, the holder of any such Voting Certificate or (as the case may be) the proxies named in any such Block Voting Instruction shall, for all purposes in connection with the relevant meeting, be deemed to be the holder of the Notes to which such Voting Certificate or Block Voting Instruction relates.

13. In default of a deposit, the Block Voting Instruction or the Voting Certificate shall not be treated as valid, unless the chairman of the meeting decides otherwise before the meeting or adjourned meeting proceeds to business.

#### **Chairman**

14. The chairman of a meeting shall be such person as the Issuer may nominate in writing, but if no such nomination is made or if the person nominated is not present within 15 minutes after the time fixed for the meeting the Noteholders or agents present shall choose one of their number to be chairman, failing which the Issuer may appoint a chairman. The chairman need not be a Noteholder or agent. The chairman of an adjourned meeting need not be the same person as the chairman of the original meeting.

#### **Attendance**

15. The following may attend and speak at a meeting:
- 15.1 Noteholders and their agents;
  - 15.2 the chairman and the secretary of the meeting;
  - 15.3 the Issuer and the Paying Agent (through their respective representatives) and their respective financial and legal advisers.

No one else may attend or speak.

#### **Quorum and Adjournment**

16. No business (except choosing a chairman) shall be transacted at a meeting unless a quorum is present at the commencement of business. If a quorum is not present within 15 minutes from the time initially fixed for the meeting, it shall, if convened on the requisition of Noteholders, be dissolved. In any other case it shall be adjourned until such date, not less than 14 nor more than 42 days later, and time and place as the chairman may decide. If a quorum is not present within 15 minutes from the time fixed for a meeting so adjourned, the meeting shall be dissolved.
17. One or more Noteholders or agents present in person shall be a quorum:
- 17.1 in the cases marked “**No minimum proportion**” in the table below, whatever the proportion of the Notes which they represent
  - 17.2 in any other case, only if they represent the proportion of the Notes shown by the table below.

<b>Purpose of meeting</b>	<b>Any meeting except for a meeting previously adjourned through want of a quorum</b>	<b>Meeting previously adjourned through want of a quorum</b>
	Required proportion	Required proportion
To pass a special quorum resolution	75%	25%
To pass any Extraordinary Resolution	A clear majority	No minimum proportion
To pass an Ordinary Resolution	10%	No minimum proportion

18. The chairman may with the consent of (and shall if directed by) a meeting adjourn the meeting from time to time and from place to place. Only business which could have been transacted at the original meeting may be transacted at a meeting adjourned in accordance with this paragraph or paragraph 16.
19. At least ten days' notice of a meeting adjourned due to the quorum not being present shall be given in the same manner as for an original meeting and that notice shall state the quorum required at the adjourned meeting. Subject as aforesaid, it shall not be necessary to give any other notice of an adjourned general meeting.

### **Voting**

20. Each question submitted to a meeting shall be decided by a show of hands, unless a poll is (before, or on the declaration of the result of, the show of hands) demanded by the chairman, the Issuer or one or more persons representing 2% of the Notes.
21. Unless a poll is demanded, a declaration by the chairman that a resolution has or has not been passed shall be conclusive evidence of the fact without proof of the number or proportion of the votes cast in favor of or against it.
22. If a poll is demanded, it shall be taken in such manner and (subject as provided below) either at once or after such adjournment as the chairman directs. The result of the poll shall be deemed to be the resolution of the meeting at which it was demanded as at the date it was taken. A demand for a poll shall not prevent the meeting continuing for the transaction of business other than the question on which it has been demanded.
23. A poll demanded on the election of a chairman or on a question of adjournment shall be taken at once.
24. On a show of hands or a poll every person has one vote in respect of each Note so produced or represented by the voting certificate so produced or for which he is a proxy or representative. Without prejudice to the obligations of proxies, a person entitled to more than one vote need not use them all or cast them all in the same way.
25. In case of equality of votes the chairman shall both on a show of hands and on a poll have a casting vote in addition to any other votes which he may have.

### **Effect and Publication of an Extraordinary Resolution**

26. An Extraordinary Resolution and an Ordinary Resolution shall be binding on all the Noteholders, whether or not present at the meeting, and each of them shall be bound to give effect to it accordingly. The passing of such a resolution shall be conclusive evidence that the circumstances justify its being passed. The Issuer shall give notice of the passing of an Ordinary Resolution or an Extraordinary Resolution to Noteholders within fourteen days but failure to do so shall not invalidate the resolution.

### **Minutes**

27. Minutes shall be made of all resolutions and proceedings at every meeting and, if purporting to be signed by the chairman of that meeting or of the next succeeding meeting, shall be conclusive evidence of the matters in them. Until the contrary is proved every meeting for which minutes have been so made and signed shall be deemed to have been duly convened and held and all resolutions passed or proceedings transacted at it to have been duly passed and transacted.
28. The minutes must be published on the website of the Issuer within fifteen (15) days after they have been passed.

## Written Resolutions and Electronic Consent

29. For so long as the Notes are in dematerialized form and settled through the Securities Settlement System, then in respect of any matters proposed by the Issuer:

29.1 Where the terms of the resolution proposed by the Issuer have been notified to the Noteholders through the relevant clearing system(s) as provided in sub-paragraphs 29.1.1 and/or 29.1.2, the Issuer shall be entitled to rely upon approval of such resolution given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) to the Paying Agent or another specified agent in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75% in nominal amount of the Notes outstanding (the “**Required Proportion**”) by close of business on the Relevant Date (“**Electronic Consent**”). Any resolution passed in such manner shall be binding on all Noteholders, even if the relevant consent or instruction proves to be defective. The Issuer shall not be liable or responsible to anyone for such reliance.

29.1.1 When a proposal for a resolution to be passed as an Electronic Consent has been made, at least fifteen days’ notice (exclusive of the day on which the notice is given and of the day on which affirmative consents will be counted) shall be given to the Noteholders through the relevant clearing system(s). The notice shall specify, in sufficient detail to enable Noteholders to give their consents in relation to the proposed resolution, the method by which their consents may be given (including, where applicable, blocking of their accounts in the relevant clearing system(s)) and the time and date (the “**Relevant Date**”) by which they must be received in order for such consents to be validly given, in each case subject to and in accordance with the operating rules and procedures of the relevant clearing system(s).

29.1.2 If, on the Relevant Date on which the consents in respect of an Electronic Consent are first counted, such consents do not represent the Required Proportion, the resolution shall be deemed to be defeated. Such determination shall be notified in writing to the Paying Agent. Alternatively, the Issuer may give a further notice to Noteholders that the resolution will be proposed again on such date and for such period as determined by the Issuer. Such notice must inform Noteholders that insufficient consents were received in relation to the original resolution and the information specified in sub-paragraph 29.1.1 above. For the purpose of such further notice, references to “**Relevant Date**” shall be construed accordingly.

For the avoidance of doubt, an Electronic Consent may only be used in relation to a resolution which is not then the subject of a meeting that has been validly convened in accordance with paragraph 6 above, unless that meeting is or shall be cancelled or dissolved.

29.2 To the extent Electronic Consent is not being sought in accordance with paragraph 29.1, a resolution in writing signed by or on behalf of the holders of not less than 75% in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution or an Ordinary Resolution passed at a meeting of Noteholders duly convened and held, provided that the terms of the proposed resolution have been notified in advance to the Noteholders through the relevant clearing system(s). Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders. For the purpose of determining whether a resolution in writing has been validly passed, the Issuer shall be entitled to rely on consent or instructions given in writing directly to the Issuer (a) by accountholders in the clearing system(s) with entitlements to the Notes or (b) where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that

accountholder for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, the Securities Settlement System, Euroclear, Clearstream or any other relevant alternative clearing system (the “**relevant clearing system**”) and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above. Any resolution passed in such manner shall be binding on all Noteholders of the relevant Series, even if the relevant consent or instruction proves to be defective. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear’s EUCLID or Clearstream’s CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. The Issuer shall not be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

30. A Written Resolution or Electronic Consent shall take effect as an Extraordinary Resolution or an Ordinary Resolution. A Written Resolution and/or Electronic Consent will be binding on all Noteholders whether or not they participated in such Written Resolution and/or Electronic Consent.

***Action in Respect of a CDI***

*The CDI Depositary, promptly upon receipt of notice of any meeting, solicitation of consents or request for a waiver or other action in respect of any Notes (to be taken at a meeting or otherwise) by the holder of the relevant Notes or holders of interests therein or by the CDI Depositary under the Deposit Agreement, shall be obligated to mail to DTC a notice, the form of which shall be provided by the Company, containing the relevant information and statements as required by the Deposit Agreement. The CDI Depositary shall not vote or attempt to exercise the right to vote other than in accordance with instructions given by the registered holder(s) of the CDIs, as described in the Deposit Agreement. In addition, the CDI Depositary will forward to DTC, or, based upon instructions received from DTC, to any person owning any beneficial interest in a CDI, all materials received by the CDI Depositary pertaining to any such meeting, solicitation, request or other action.*

## FORM OF NOTES - DEPOSITARY RECEIPTS

*The Bank of New York Mellon will act as CDI Depositary, Transfer Agent, Registrar and Custodian on behalf of the registered holder(s) of the CDIs, in accordance with the terms of the Deposit Agreement. Where the context requires, references to “CDI Depositary” in this “Form of Notes – Depositary Receipts” section shall be deemed to refer to The Bank of New York Mellon in each of these roles. Please also refer to “Risk Factors—Risks Related to the CDIs” on pages 42 to 44 of this Offering Memorandum.*

### ***Form of Notes and CDIs***

The Notes will be issued in dematerialized form in accordance with the provisions of the Belgian Companies and Associations Code. The entire principal amount of the Notes of each Series will be registered in the name of the NBB as operator of the Securities Settlement System in the Issuer’s register of holders.

The Notes of each Series will be represented exclusively by a book entry in the records in the Securities Settlement System pursuant to the Clearing Agreement. The person shown in the records of the NBB or the direct or indirect participants in the Securities Settlement System as the holder of a particular principal amount of the Notes (in which regard any certificate or other document issued by the NBB or by the relevant direct or indirect participant shall be conclusive and binding for all purposes save in the event of manifest error) shall for all purposes be treated by us and the Paying Agent as the holder of such principal amount of dematerialized Notes of the relevant Series other than with respect to the payment of principal, premium (if any), cash interest on the Notes of such Series, the right to which will be vested, as against the Issuer, solely in the person shown in the records of NBB as the holder of such principal amount of Notes of such Series.

Pursuant to the Belgian Companies and Associations Code, the book entry of the Notes of each Series to the securities account of the participant in the Securities Settlement System creates a co-ownership right of an intangible nature over the Notes of such Series that are registered in the name of the NBB as operator of the Securities Settlement System in the Issuer’s register of holders. Under no circumstances will Notes or any CDIs be converted into bearer form to holders of book-entry interests in the Notes.

All Notes will be held by The Bank of New York Mellon as CDI Depositary through Euroclear as a direct participant in the Securities Settlement System. Upon the Notes being credited to the account of the CDI Depositary and, following instruction from the Issuer, the CDI Depositary will create CDIs representing a 100% interest in the CDI Depositary’s book-entry interests in the underlying dematerialized Notes and issue such CDIs in the name of Cede & Co., as nominee of DTC or such other entity as is requested by an authorized representative of DTC. The CDI Depositary will hold the CDIs as custodian on behalf of the registered holder(s) of the CDIs. Upon such issuance, DTC will credit on its book-entry registration and transfer system the relevant participants’ accounts with the interests owned by its participants. Notes represented by CDIs sold in reliance on Rule 144A will initially be represented by one or more Rule 144A Certificated Depositary Interests, and Notes represented by CDIs sold in offshore transactions in reliance on Regulation S will initially be represented by one or more Regulation S Certificated Depositary Interests. The Rule 144A Certificated Depositary Interests and Regulation S Certificated Depositary Interests issued in respect of each Series of Notes will together represent 100% of the book-entry interests in the Notes of such Series.

Ownership of such book-entry interests in the CDIs is shown on, and the transfer of such interests will be effected only through, records maintained by DTC and their respective participants with respect to interests of indirect participants.

CDIs sold to “qualified institutional buyers” (as defined in Rule 144A) in reliance on Rule 144A will initially be represented by one or more Rule 144A Certificated Depositary Interests, and CDIs sold in offshore transactions in reliance on Regulation S will initially be represented by Regulation S Certificated Depositary Interests.

Initially, CDI holders may hold their book-entry interests in the Regulation S Certificated Depositary Interests only through Euroclear or Clearstream Banking S.A. (“**Clearstream, Luxembourg**”) as participants in DTC, either directly, if they are an account holder in Euroclear or Clearstream, Luxembourg, or indirectly, through organizations which are account holders in Euroclear or Clearstream, Luxembourg. After the expiration of the period ending 40 days after the later of the commencement of the offering and the date the Notes were initially issued (the “**Distribution Compliance Period**”), but not earlier, holders may also hold their interest in the Regulation S Certificated Depositary Interests through organizations other than Euroclear and Clearstream, Luxembourg that are participants in DTC. Euroclear and Clearstream, Luxembourg will hold all interests on behalf of their account holders through securities accounts in their names on the books of their depositaries. Those depositaries will hold these interests in securities accounts in the depositaries’ names on the books of DTC.

All interests in the Notes will be subject to the procedures and requirements of the Securities Settlement System. Interests in the CDIs representing interests in the Notes, if held through Euroclear or Clearstream, Luxembourg, as direct participants in DTC or otherwise through DTC, will also be subject to the procedures and requirements of each such system, as applicable.

Participants or indirect participants in DTC, Euroclear or Clearstream, Luxembourg are not entitled to have CDIs registered in their names. Accordingly, each person owning book entry interests in the Notes must rely on the procedures of the Securities Settlement System, and each person owning book entry interests in CDIs must rely on the procedures of the CDI Depositary, DTC, Euroclear and/or Clearstream, Luxembourg. If such person is not a participant in the Securities Settlement System (in the case of Notes) or in DTC, Euroclear or Clearstream, Luxembourg (in the case of CDIs), they must rely on the procedures of the participant in the clearing system through which such person owns their interest to exercise any rights and remedies of a holder under the Agency Agreement and the Deposit Agreement. For more information, see “—*Action by Owners of CDIs*” below.

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to certain procedures to facilitate transfers of book-entry interests in the CDIs representing interests in the Notes among participants of DTC, Euroclear and Clearstream, Luxembourg, as direct participants in DTC they are under no obligation to perform or continue to perform these procedures. The procedures may be discontinued at any time.

Owners of book-entry interests in the CDIs acknowledge that the CDIs may not be held by or on behalf of any person who does not qualify as an Actual Eligible Investor or a Potential Eligible Investor and, by their holding of such book-entry interests, agree to comply with this restriction for so long as they hold such book-entry interests.

### ***Original Issue***

On the date of completion of the offering of each Tranche of Notes, KBC Bank NV the Paying Agent, on behalf of the Issuer, will procure the creation of the Notes in the Securities Settlement System. Upon creation of the Notes, the NBB as operator of the Securities Settlement System will credit the Paying Agent’s exempt securities account in the Securities Settlement System with an amount of the Notes equivalent to the principal amount of the Notes of such Tranche.

On the date of completion of the offering of each Tranche of Notes and after creation of the Notes by the NBB and crediting of the Paying Agent’s exempt securities account in the Securities Settlement System, the Paying Agent will credit Euroclear’s exempt securities account in the Securities Settlement System. Euroclear will, in turn, credit 100% of the Notes to the exempt securities account of The Bank of New York Mellon as CDI Depositary so that it can create CDIs representing interests in the Notes. See “—*Form of Notes and CDIs*” above. Following payment of the net proceeds for the issue of the Notes and the creation of the Notes of such Tranche, the CDI Depositary will, upon instruction from the Issuer, issue CDIs and DTC will credit the holders of book-entry interests in the CDIs representing interests in the Notes of such Tranche by crediting their securities accounts as participants of DTC, in accordance with the principal amount of Notes purchased by each of them, or in the case of Euroclear and Clearstream, Luxembourg as direct participants in DTC, purchased by participants in those clearing systems.



### ***Payments on Notes***

Payments of any cash amounts owing in respect of the Notes will be made by the Issuer in U.S. dollars or the specified currency indicated in the applicable Pricing Supplement to the Paying Agent or directly to the CDI Depository (as the Issuer may decide from time to time). In respect of payments in U.S. dollars, the Paying Agent will, if payments are made through it, in turn, make payments to Euroclear. Euroclear will, in turn, make payments to the CDI Depository. Under the Deposit Agreement, the CDI Depository will make payments of cash amounts on the CDIs to DTC upon receipt by it. DTC will then distribute those payments to participants in accordance with its procedures, including to Euroclear and Clearstream, Luxembourg.

### ***Transfer of Notes and CDIs***

The Notes may only be transferred to Actual Eligible Investors in accordance with Condition 1 of the Notes (*Form, Denomination and Title*), the Clearing Agreement and subject to the restrictions on transfers described in “*Transfer Restrictions*”.

Owners of book-entry interests in the CDIs acknowledge that CDIs may be transferred only to Actual Eligible Investors or Potential Eligible Investors in accordance with the Deposit Agreement and subject to the restrictions on transfer described in “*Transfer Restrictions*”. By their holding of such book-entry interests, owners of book-entry interests in the CDIs agree to comply with this restriction for so long as they hold such book-entry interests.

Book-entry interests in the Rule 144A Certificated Depository Interest may be transferred to a person who takes delivery in the form of book-entry interests in the Regulation S Certificated Depository Interest only upon delivery by the transferor of a written certification (in the form provided in the Deposit Agreement) to the effect that the transfer is made in accordance with Regulation S under the Securities Act and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction and that, if such transfer is made prior to the expiry of the Distribution Compliance Period, the interest transferred will be held immediately thereafter through Euroclear or Clearstream, Luxembourg as direct participants in DTC.

Prior to 40 days after the date of initial issuance of the relevant Tranche of Notes, any sale or transfer of CDIs in respect of such Tranche of Notes to U.S. persons will not be permitted unless the resale or transfer is made pursuant to Rule 144A.

Book-entry interests in the Regulation S Certificated Depository Interest may be transferred to a person who takes delivery in the form of restricted book-entry interests in the Rule 144A Certificated Depository Interest only upon delivery by the transferor of a written certification (in the form provided in the Deposit Agreement) to the effect that the transfer is being made to a person who the transferor reasonably believes is a “qualified institutional buyer” within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under “*Transfer Restrictions*”, and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

Any book-entry interest in one of the CDIs that is transferred to a person who takes delivery in the form of a book-entry interest in the other CDI will, upon transfer, cease to be a book-entry interest in the first CDI and become a book-entry interest in the other CDI, and accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in that other CDI for as long as that person retains the book-entry interests.

### ***Secondary Market Trading***

Secondary market trading of book-entry interests in CDIs held and settled through DTC, Euroclear or Clearstream, Luxembourg as direct participants in DTC will be conducted in accordance with the normal rules and operating procedures of DTC, Euroclear and Clearstream, Luxembourg.

### ***Redemption***

In the event any Notes of a Series are redeemed, the CDI Depository will redeem an equal amount of the CDIs and the book-entry interests therein. The redemption price payable in connection with the redemption of CDIs and the book-entry interests will be equal to the amount received by the CDI Depository in connection with the redemption of the related Notes. The Issuer understands that under existing practices of DTC, if less than all of a Series of Notes are to be redeemed at any time, DTC will credit its participants' accounts on a proportionate basis with adjustments to prevent fractions or by lot or on such other basis as DTC deems fair and appropriate.

#### ***Action by Owners of CDIs***

Promptly after receipt by the CDI Depository of notice of any solicitation of consents or request for a waiver or other action by the holders (by meeting or otherwise), or of any offer to purchase or other action by the Issuer, in respect of any Series of Notes, the CDI Depository will mail to DTC a notice containing: (1) such information as is contained in the notice received by the CDI Depository; (2) a statement as to the manner in which holders of the Notes as of a specified Record Date may give instructions as to the consent, waiver or other action (by meeting or otherwise), if any pertaining to the Notes or the Deposit Agreement.

In addition, the CDI Depository will forward to DTC or, based upon instructions received from DTC, to the owners of the book-entry interests in the CDIs, all material pertaining to such solicitation, request, offer or other action (by meeting or otherwise). Upon the written request of DTC, the CDI Depository shall endeavor insofar as practicable to take such action regarding the request, consent, waiver, offer or other action in respect of the relevant Series of Notes in accordance with any instruments set forth in such request. DTC may grant proxies, sub-proxies or otherwise authorize participants or indirect participants to provide such instruction to the CDI Depository so that it may exercise any rights of a holder of Notes or take any other actions which a holder is entitled to take under the Conditions governing the Notes. Neither the CDI Depository nor DTC will exercise any discretion in the granting of consents or waivers or the taking of any other action in respect of the Notes. DTC will take any action permitted to be taken by a holder under the Conditions governing the Notes on behalf of a DTC participant only in accordance with its relevant rules and procedures and subject to the CDI Depository's ability to effect such actions on its behalf.

There is no assurance that the owners of the book-entry interests in the CDIs will receive any of these notices in time to enable them to carry out the relevant transactions.

#### ***Rights under Deed of Covenant***

In the case of any Note held by the CDI Depository, the DTC Participants shall automatically acquire at the Relevant Time, without the need for any further action on behalf of any person, against the Issuer all those rights which the DTC Participants would have had if immediately prior to the Relevant Time it held and beneficially owned a nominal amount of Notes of the relevant Series equal to the nominal amount of CDIs which the DTC Participants has credited to its securities account with the DTC at the Relevant Time save that for the purposes of any payment in respect of the Notes such payment shall continue to be made to the CDI Depository as the holder of such Notes. "**Relevant Time**" for the purposes of this paragraph means the time at which the CDI Depository will have no further rights under the Notes of a Series upon the occurrence of a Relevant Event (as defined in the Deed of Covenant). After the Relevant Time, the CDI Depository will no longer have any rights to enforce any provisions of the relevant Series of Notes.

#### ***Notices***

If and so long as any Notes are represented by one or more CDIs and ownership of book-entry interests therein are shown on the records of DTC or any successor clearing agency appointed by the CDI Depository at the request of the Issuer, notices will also be delivered to each such applicable clearing agency for communication to the owners of such book-entry interests.

#### ***Charges of the CDI Depository***

The Issuer has agreed to pay all charges of the CDI Depository under the Deposit Agreement. The Issuer has also agreed to indemnify the CDI Depository against certain liabilities incurred by it under the Deposit Agreement.

#### ***Amendment of the Deposit Agreement***

The Deposit Agreement may be amended or supplemented by the Issuer and the CDI Depository without notice to or consent of the holder of the relevant CDIs or any owner of book-entry interests therein (1) to cure any ambiguity, defect or inconsistency, (2) to add to the covenants and agreements of the Issuer and/or the CDI Depository, (3) to effectuate the assignment of the CDI Depository's rights and duties to a qualified successor, (4) to comply with the U.S. federal and Belgian securities and/or tax laws or any other applicable rule or regulation, or (5) to modify, alter, amend or supplement the Deposit Agreement in any other manner that is not adverse to DTC or the holders of the book-entry interests.

Except as set forth above, no amendments that adversely affect the nominee for DTC or the holders of the book-entry interests in the CDIs may be made to the Deposit Agreement without the consent of the nominee for DTC or such holders, as the case may be. Owners of book-entry interests in the CDIs are deemed to have notice of the Deposit Agreement and shall be bound by all of its terms and conditions by acceptance of such book-entry interests.

#### ***Removal or resignation of the CDI Depository***

The CDI Depository may resign by giving written notice thereof to the Issuer and DTC not less than 120 days prior to the effective date of such resignation, subject to certain conditions set out in the Deposit Agreement. In addition, the CDI Depository may be removed by the Issuer (i) at any time upon not less than 90 days' notice, or (ii) immediately for certain causes set out in the Deposit Agreement. If the CDI Depository shall resign or be removed, or if a vacancy shall occur in the office of CDI Depository for any cause, the Company shall promptly appoint a successor CDI Depository (other than the Company). If no successor CDI Depository with respect to all Notes shall have been so appointed by the Company and accepted appointment within 120 days of the resignation or removal of the CDI Depository, DTC or the CDI Depository may, on behalf of itself and all others similarly situated, at the expense of the Company, petition any court of competent jurisdiction for the appointment of a successor CDI Depository.

#### ***Obligation of the CDI Depository***

The CDI Depository will assume no obligation or liability under the Deposit Agreement other than to use good faith and reasonable care in the performance of its respective duties under such agreement.

#### **The Clearing Systems**

##### ***NBB***

The NBB is the central bank of Belgium. The NBB operates the Securities Settlement System for, among other securities, corporate debt securities that may be traded on a fungible basis including securities issued in dematerialized form such as the Notes. The Securities Settlement System is accessible to investors and financial intermediaries through its participants. Securities Settlement System participants include certain banks, stockbrokers (*beursvennootschappen/sociétés de bourse*), SIX SIS AG (“**SIX SIS**”), Clearstream Banking Frankfurt, Iberclear, Euroclear France SA, Monte Titoli S.p.A. (“**Euronext Securities Milan**”), LuxCSD and Interbolsa S.A. (“**Euronext Securities Porto**”). See “—*Form of Notes and CDIs*” above. For a description of the tax implications of the clearing of the Notes through the Securities Settlement System and a description of the Actual Eligible Investors qualified to hold the Notes (directly or indirectly), see “*Taxation—Material Belgian Tax Considerations—Belgian Withholding Tax*”. As at the date of the Offering Memorandum, the location of the NBB is Boulevard de Berlaimont, 14 B-1000 Brussels, Belgium.

##### ***DTC***

DTC has advised the Issuer as follows: DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies and clearing corporations (including Euroclear and Clearstream, Luxembourg) and certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly. The rules applicable to DTC and its direct and indirect participants are on file with the SEC.

The location of DTC is 55 Water Street, New York, New York 10041 U.S.A.

***Euroclear and Clearstream, Luxembourg***

Euroclear and Clearstream, Luxembourg each hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream, Luxembourg provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to Euroclear or Clearstream, Luxembourg is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

Distributions of principal and interest with respect to book-entry interests in CDIs representing interests in dematerialized Notes held in DTC through Euroclear or Clearstream, Luxembourg as direct participants in DTC will be credited, to the extent received by the CDI Depository, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system’s rules and procedures.

The location of Euroclear is: 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium. The location of Clearstream, Luxembourg is: 42 Avenue JF Kennedy, L-1815 Luxembourg, Luxembourg.

## TAXATION

*The tax legislation in force in the jurisdiction of a potential investor, in the Issuer's country of incorporation (i.e., Belgium) and in any other relevant jurisdiction may have an impact on the income which may be received from the Notes. The statements herein regarding taxation are based on the laws in force in Belgium as of the date of this Offering Memorandum and are subject to any changes in law, potentially with a retroactive effect. The following overview does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Notes. Each prospective Noteholder or beneficial owner of Notes should consult its tax adviser as to the Belgian tax consequences of any investment in, or ownership and disposition of, the Notes or that of any other relevant jurisdiction.*

### Belgium

The following summary describes the principal Belgian tax considerations of acquiring, holding and selling the Notes. This information is of a general nature based on the Issuer's understanding of current law and practice and does not purport to be a comprehensive description of all Belgian tax considerations that may be relevant to a decision to acquire, to hold or to dispose of the Notes. In some cases, different rules can be applicable. The summary is based on laws, treaties and regulatory interpretations in effect in Belgium on the date of this Offering Memorandum, all of which can be amended in the future, possibly implemented with retroactive effect. Furthermore, the interpretation of the tax rules may change. Investors should appreciate that, as a result of evolutions in law or practice, the eventual tax consequences may be different from what is stated below.

Each prospective holder of Notes should consult a professional adviser with respect to the tax consequences of an investment in the Notes, taking into account their own particular circumstances and the influence of each regional, local or national law.

For purposes of this summary, a Belgian resident is an individual subject to Belgian personal income tax (that is, an individual who is domiciled in Belgium or has his seat of wealth in Belgium or a person assimilated to a resident for purposes of Belgian tax law), a company subject to Belgian corporate income tax (that is, a corporate entity that has its main establishment, its administrative seat or seat of management in Belgium), an Organization for Financing Pensions subject to Belgian corporate income tax (i.e., a Belgian pension fund incorporated under the form of an Organization for Financing Pensions), or a legal entity subject to Belgian income tax on legal entities (that is, a legal entity other than a company subject to Belgian corporate income tax, that has its main establishment, its administrative seat or seat of management in Belgium). A Belgian non-resident is any person that is not a Belgian resident.

### Belgian withholding tax

For Belgian income tax purposes, interest includes (i) periodic interest income, (ii) any amounts paid by the Issuer in excess of the issue price (upon full or partial redemption whether or not at maturity, or upon purchase by the Issuer), and (iii) in case of a realization of the Notes between interest payment dates to any third party, excluding the Issuer, the pro rata of accrued interest corresponding to the holding period.

Payments of interest on the Notes made by or on behalf of the Issuer are as a rule subject to Belgian withholding tax, currently at a rate of 30% on the gross amount.

However, the holding of the Notes in the securities settlement system of the NBB (the "**Securities Settlement System**") permits investors to collect payments of interest and principal on their Notes free of Belgian withholding tax if and as long as at the moment of payment or attribution of interest the Notes are held by certain investors (the "**Actual Eligible Investors**", see below) in an exempt securities account ("**X-account**") that has been opened with a financial institution that is a direct or indirect participant (a "**Participant**") in the Securities Settlement System. SIX SIS, Clearstream Banking Frankfurt, Iberclear, Euroclear France SA, Euronext Securities Milan, LuxCSD and Euronext Securities Porto are directly or indirectly Participants for this purpose.

Holding the Notes through the Securities Settlement System enables Actual Eligible Investors to receive the gross interest income on their Notes and to transfer the Notes on a gross basis.

Participants to the Securities Settlement System must keep the Notes which they hold on behalf of Actual Eligible Investors on an X-account. Payments of interest made through X-accounts are free of withholding tax.

Actual Eligible Investors and Potential Eligible Investors are those entities referred to in Article 4 of the Belgian Royal Decree of May 26, 1994 on the deduction of withholding tax (*koninklijk besluit van 26 mei 1994 over de inhouding en de vergoeding van de roerende voorheffing/arrêté royal du 26 mai 1994 relatif à la perception et à la bonification du précompte mobilier*), which includes *inter alia*:

- (i) Belgian resident companies referred to in Article 2, §1, 5°, b) of the Belgian Income Tax Code of 1992 (*wetboek van inkomstenbelastingen 1992/code des impôts sur les revenus 1992*) (“**BITC**”);
- (ii) Without prejudice to Article 262, 1° and 5° of the BITC, the institutions, associations or companies referred to in Article 2, §3 of the Law of July 9, 1975 with respect to the control of insurance companies other than those referred to in (i) and (iii);
- (iii) Semi-governmental institutions (*parastatalen/institutions parastatales*) for social security or institutions equated therewith referred to in Article 105, 2° of the Royal Decree of August 27, 1993 implementing the BITC (*koninklijk besluit tot invoering van het wetboek inkomstenbelastingen 1992/arrêté royal d’exécution du code des impôts sur les revenus 1992*) (“**RD/BITC**”);
- (iv) Non-resident investors referred to in Article 105, 5° of the RD/BITC whose holding of the Notes is not connected to a professional activity in Belgium;
- (v) Investment funds referred to in Article 115 of the RD/BITC;
- (vi) Investors referred to in Article 227, 2° of the BITC, subject to non-resident income tax (*belasting van niet inwoners/impôt des non-résidents*) in accordance with Article 233 of the BITC and which have used the income generating capital for the exercise of their professional activities in Belgium;
- (vii) The Belgian State, in respect of investments which are exempt from withholding tax in accordance with Article 265 of the BITC;
- (viii) Investment funds governed by foreign law (such as *beleggingsfondsen/fonds de placement*) that are an undivided estate managed by a management company for the account of the participants, provided the funds units are not publicly issued in Belgium or traded in Belgium; and
- (ix) Belgian resident companies not referred to under (i), whose activity exclusively or principally exists of granting credits and loans.

Actual Eligible Investors and Potential Eligible Investors do not include, *inter alia*, Belgian resident individuals and Belgian non-profit organizations, other than those mentioned under (ii) and (iii) above.

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

Transfers of Notes between two X-accounts do not give rise to any adjustment on account of withholding tax.

When opening an X-account with the Securities Settlement System or with a Participant for the holding of Notes, an Actual Eligible Investor will be required to certify its eligible status on a standard form claimed by the Belgian Minister of Finance and send it to the participant to the Securities Settlement System where this account is kept. This statement needs not be periodically reissued (although Actual Eligible Investors must update their

certification should their eligible status change). Participants to the Securities Settlement System are however required to annually make declarations to the NBB as to the eligible status of each investor for whom they hold Notes in an X-account during the preceding calendar year.

An X-account may be opened with a Participant by an intermediary (an “**Intermediary**”) in respect of Notes that the Intermediary holds for the account of its clients (the “**Beneficial Owners**”), provided that each Beneficial Owner is an Actual Eligible Investor. In such case, the Intermediary must deliver to the Participant a statement on a form approved by the Minister of Finance confirming that (i) the Intermediary is itself an Actual Eligible Investor and (ii) the Beneficial Owners holding their Notes through it are also Actual Eligible Investors. A Beneficial Owner is also required to deliver a statement of its eligible status to the intermediary.

These identification requirements do not apply to central securities depositaries, as defined by Article 2, §1, 1) of Regulation (EU) n° 909/2014 of the European Parliament and of the Council of July 23, 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012, acting as Participants to the Securities Settlement System, provided that (i) they only hold X-accounts, (ii) they are able to identify the holders for whom they hold Notes in such account and (iii) the contractual rules agreed upon by these central securities depositaries acting as Participants include the contractual undertaking that their clients and account owners are all Actual Eligible Investors.

Hence, these identification requirements do not apply to Notes held in SIX SIS, Clearstream Banking Frankfurt, Iberclear, Euroclear France SA, Euronext Securities Milan, LuxCSD and Euronext Securities Porto, or any other central securities depository as Participants to the Securities Settlement System, provided that (i) SIX SIS, Clearstream Banking Frankfurt, Iberclear, Euroclear France SA, Euronext Securities Milan, LuxCSD and Euronext Securities Porto only hold X-accounts, (ii) they are able to identify the holders for whom they hold Notes in such account and (iii) the contractual rules agreed upon by these central securities depositaries include the contractual undertaking that their clients and account owners are all Actual Eligible Investors.

## **Belgian income tax and capital gains**

### **Belgian resident companies**

Corporate Noteholders who are Belgian residents for tax purposes, i.e., who are subject to Belgian Corporate Income Tax (*Vennootschapsbelasting/Impôt des sociétés*), are subject to the following tax treatment in Belgium with respect to the Notes.

Interest derived by Belgian corporate investors on the Notes and capital gains realized on the Notes are taxable at the ordinary corporate income tax rate of 25%. Subject to certain conditions, a reduced corporate income tax rate of 20% applies for small enterprises (as defined by Article 1:24, §1 to §6 of the Belgian Companies and Associations Code) on the first EUR 100,000 of taxable profits.

Capital losses realized upon the disposal of the Notes are, in principle, deductible.

Any Belgian withholding tax that has been levied is creditable in accordance with the applicable legal provisions.

Other tax rules apply to investment companies within the meaning of Article 185bis of the BITC.

### **Belgian legal entities**

Legal entities subject to Belgian legal entities tax (*Rechtspersonenbelasting/Impôts des personnes morales*) which have received interest income on Notes without deduction for or on account of Belgian withholding tax are required to declare and pay the 30% withholding tax to the Belgian tax authorities themselves.

Capital gains realized on the transfer of the Notes are in principle tax exempt, unless the capital gain qualifies as interest (as defined above in the Section “*Belgian withholding tax*”). Capital losses are in principle not tax deductible.

### **Organization for Financing Pensions**

Interest and capital gains derived by Organizations for Financing Pensions in the meaning of the Law of October 27, 2006 on the activities and supervision of institutions for occupational retirement provision, are in principle exempt from Belgian corporate income tax. Capital losses are in principle not tax deductible. Subject to certain conditions, any Belgian withholding tax that has been levied can be credited against any corporate income tax due and any excess amount is in principle refundable.

### **Belgian non-residents**

Holders of Notes who are non-residents of Belgium for Belgian tax purposes and are not holding the Notes through a Belgian establishment and do not invest the Notes in the course of their Belgian professional activity will not incur or become liable for any Belgian tax on income or capital gains by reason only of the acquisition, ownership or disposal of the Notes, provided that they qualify as Actual Eligible Investors and hold their Notes in an X-account.

Non-resident individuals who do not use the Notes for professional purposes and who have their fiscal residence in a country with which Belgium has not concluded a tax treaty or with which Belgium has concluded a tax treaty that confers the authority to tax capital gains on the Notes to Belgium, will be subject to tax in Belgium if the capital gains are obtained or received in Belgium and are deemed to be realized outside the scope of the normal management of the individual’s private estate. Capital losses are generally not deductible.

Non-resident investors who have allocated the Notes to the exercise of a professional activity in Belgium through a permanent establishment are subject to the same income tax treatment as Belgian resident companies or Belgian resident individuals holding the Notes for professional purposes (see above).

### **Tax on stock exchange transactions**

The purchase and sale and any other acquisition or transfer for consideration of the Notes on the secondary market that is (i) either entered into or carried out in Belgium through a professional intermediary or (ii) deemed to be carried out in Belgium, which is the case if the order is directly or indirectly made to a professional intermediary established outside of Belgium, either by a private individual with habitual residence in Belgium or by a legal entity for the account of its seat or establishment in Belgium (both referred to as a “**Belgian Investor**”), will be subject to the tax on stock exchange transactions (*taks op beursverrichtingen/taxe sur les opérations de bourse*) at a current rate of 0.12% of the purchase/sale price, capped at EUR 1,300 per transaction and per party. The tax is due separately from each party to any such transaction, i.e., the seller (transferor) and the purchaser (transferee), both collected by the professional intermediary. No tax will be due on the issuance of the Notes (primary market transaction).

If the intermediary is established outside Belgium, the tax on stock exchange transactions is due by the Belgian Investor, unless the Belgian Investor can demonstrate that the tax on stock exchange transactions due has already been paid by the professional intermediary established outside Belgium. In such a case, the foreign professional intermediary also has to provide each client (which gives such intermediary an order) with a qualifying order statement (*borderel/bordereau*), at the latest on the business day after the day the transaction concerned was realized. The qualifying order statements must be numbered in series and a duplicate must be retained by the financial intermediary. The duplicate can be replaced by a qualifying day-today listing, numbered in series. Alternatively, professional intermediaries established outside Belgium could appoint a stock exchange tax representative in Belgium, subject to certain conditions and formalities (“**Stock Exchange Tax Representative**”). Such Stock Exchange Tax Representative will then be liable toward the Belgian Treasury for the tax on stock exchange transactions due and for complying with the reporting obligations and the obligations relating to the



order statement (*borderel/bordereau*) in that respect. If such a Stock Exchange Tax Representative would have paid the tax on stock exchange transactions due, the Belgian Investor will, as per the above, no longer be the debtor of the tax on stock exchange transactions.

However, the tax on stock exchange transactions will not 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 taxes and duties (*Wetboek diverse rechten en taken/Code des droits et taxes divers*) for the tax on stock exchange transactions.

As stated below, the EU Commission adopted on February 14, 2013 the Draft Directive on a FTT (as defined below in the Section “*Financial Transaction Tax*”). The Draft Directive currently stipulates that once the FTT enters into force, the Participating Member States shall not maintain or introduce taxes on financial transactions other than the FTT (or VAT as provided in the Council Directive 2006/112/EC of November 28, 2006 on the common system of value added tax). For Belgium, the tax on stock exchange transactions should thus be abolished once the FTT enters into force. The Draft Directive is still subject to negotiation between the Participating Member States (excluding Estonia) and therefore may be changed at any time. The Draft Directive is further described below.

### **Annual tax on securities accounts**

Following the Law of February 11, 2021, a new annual tax on securities accounts was introduced (the “**Annual Tax on Securities Accounts**”) (*Jaarlijkse taks op de effectenrekeningen/Taxe annuelle sur les comptes-titres*). The Annual Tax on Securities Accounts is levied on securities accounts of which the average value during the reference period (i.e a period of twelve consecutive months beginning on October 1 and ending, in principle, on September 30 of the next year), exceeds EUR 1,000,000. The Annual Tax on Securities Accounts is applicable to securities accounts that are held by resident individuals, companies and legal entities, irrespective as to whether these accounts are held with a financial intermediary in Belgium or abroad. The Annual Tax on Securities Accounts also applies to securities accounts held by non-residents individuals, companies and legal entities with a financial intermediary in Belgium. However, the Annual Tax on Securities Accounts is not levied on securities accounts held by specific types of regulated entities in the context of their own professional activity and for their own account.

The applicable tax rate is equal to the lowest amount of either 0.15% of the average value of the financial instruments and funds held on the account or 10% of the difference between the average value of the financial instruments and funds held on the account and EUR 1,000,000. The tax base is the sum of the values of the taxable financial instruments at the different reference points in time, i.e. December 31, March 31, June 30 and September 30, divided by the number of those points in time.

The Annual Tax on Securities Accounts needs to be withheld, declared and paid by the Belgian intermediary. Intermediaries not established or set up in Belgium have the possibility, when managing a securities account subject to the tax, to appoint a representative in Belgium approved by or on behalf of the Minister of Finance (the “**Annual Tax on Securities Accounts Representative**”). The Annual Tax on Securities Accounts Representative is jointly and severally liable vis-à-vis the Belgian State to declare and pay the tax and to fulfill all other obligations for intermediaries related to the Annual Tax on Securities Accounts, such as compliance with certain reporting obligations. In cases where no intermediary has withheld, declared and paid the Annual Tax on Securities Accounts, the holder of the securities account needs to declare and pay the tax himself, unless he can prove that the tax has already been withheld, declared and paid by either a Belgian intermediary or Annual Tax on Securities Accounts Representative of a foreign intermediary.

Anti-abuse provisions, retroactively applying from October 30, 2020, were initially also introduced: a rebuttable general anti-abuse provision and two irrebuttable specific anti-abuse provisions. However, on October 27, 2022, the Constitutional Court annulled (i) the two irrebuttable specific anti-abuse provisions and (ii) the retroactive

effect of the rebuttable general anti-abuse provision, meaning that the latter provision can only apply as from February 26, 2021.

Investors should consult their own tax advisers in relation to the Annual Tax on Securities Accounts.

### **Common Reporting Standard**

The exchange of information is governed by the Common Reporting Standard (“**CRS**”). As of May 16, 2023, 120 jurisdictions had 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.

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 includes 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 December 9, 2014, EU Member States adopted Directive 2014/107/EU on administrative cooperation in direct taxation (“**DAC2**”), which provides for mandatory automatic exchange of financial information between EU Member States as foreseen in CRS. DAC2 amends the previous Directive on administrative cooperation in direct taxation, Directive 2011/16/EU.

The Belgian government implemented DAC2 and the CRS, pursuant to the Law of December 16, 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 regarding Exchange of Information**”).

The Notes are subject to DAC2 and to the Law regarding Exchange of Information. Under DAC2 and the Law regarding Exchange of Information, Belgian financial institutions holding the Notes for tax residents in another CRS contracting state shall report financial information regarding the Notes (e.g. in relation to income and gross proceeds) to the Belgian competent authority, who shall communicate the information to the competent authority of the state of the tax residence of the beneficial owner.

As a result of the Law regarding Exchange of Information, the mandatory exchange of information applies in Belgium (i) as of financial year 2016 (first information exchange in 2017) towards the EU Member States, (ii) as of financial year 2014 (first information exchange in 2016) towards the US and (iii) with respect to any other jurisdictions that have signed the MCAA, as of a date to be further determined by Royal Decree.

In a Royal Decree of June 14, 2017, as amended, it was determined that the automatic provision of information has to be provided as from (i) 2017 (for the 2016 financial year) for a first list of eighteen foreign jurisdictions, (ii) as from 2018 (for the 2017 financial year) for a second list of 44 jurisdictions, (iii) as from 2019 (for the 2018 financial year) for another jurisdiction and (iv) as from 2020 (for the 2019 financial year) for a list of six jurisdictions.

Investors who are in any doubt as to their position should consult their professional advisers.

### **Financial Transaction Tax**

On February 14, 2013, the European Commission published a proposal for a Directive (the “**Draft Directive**”) for a common financial transaction tax (the “**FTT**”) in Belgium, Germany, Estonia, Greece, Spain, France, Italy,

Austria, Portugal, Slovenia and the Slovak Republic (the “**Participating Member States**”). In December 2015, Estonia withdrew from the Participating Member States.

The Draft Directive currently stipulates that once the FTT enters into force, the participating Member States shall not maintain or introduce taxes on financial transactions other than the FTT (or VAT as provided in the Council Directive 2006/112/EC of November 28, 2006 on the common system of value added tax).

The Draft Directive has a very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Draft Directive, the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. According to the Draft Directive, the FTT shall be payable on financial transactions provided that at least one party to the financial transaction is established (or deemed established) in a Participating Member State and that there is a financial institution established (or deemed established) in a Participating Member State which is a party to the financial transaction, or is acting in the name of a party to the transaction. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State. The FTT shall, however, not apply to among others primary market transactions referred to in Article 5 (c) of Regulation (EC) No 1287/2006, including the activity of underwriting and subsequent allocation of financial instruments in the framework of their issue.

The rates of the FTT shall in principle be fixed by each Participating Member State, but for transactions involving financial instruments other than derivatives they shall amount to at least 0.1% of the taxable amount. The taxable amount for such transactions shall in general be determined by reference to the consideration paid or owed in return for the transfer or the market price (whichever is higher). The FTT shall be payable by each financial institution which is established (or which is deemed to be established) in a Participating Member State (i) which is a party to the financial transaction, (ii) which is acting in the name of a party to the transaction or (iii) where the transaction has been carried out on its account. Where the FTT due has not been paid within the applicable time limits, each party to the relevant financial transaction, including persons other than financial institutions, shall become jointly and severally liable for the payment of the FTT.

However, the proposed FTT remains subject to negotiation between the Participating Member States (excluding Estonia) and the scope of any such tax is uncertain. Therefore, it may be altered prior to any implementation, the timing of which also remains unclear. Additional Member States may decide to participate and/or other Participating Member States may decide to withdraw.

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

### **U.S. Federal Income Tax Considerations**

The following is a summary of certain U.S. federal income tax considerations relevant to U.S. Holders (as defined below) acquiring, holding and disposing of Notes. This summary addresses only the U.S. federal income tax considerations for initial purchasers of Senior Notes at their issue price (as defined below) with a term of 30 years or less that will hold the Notes as capital assets (generally, property held for investment). The U.S. federal income tax consequences of owning debt securities with a longer term will be discussed in the applicable Pricing Supplement. Moreover, this summary does not address the U.S. federal income tax considerations for purchasers of Subordinated Tier 2 Notes. The U.S. federal income tax consequences of owning Subordinated Tier 2 Notes will be discussed in the applicable Pricing Supplement. This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), final, temporary and proposed U.S. Treasury regulations, administrative and judicial interpretations, all of which are subject to change, possibly with retroactive effect.

This summary does not address the material U.S. federal income tax consequences of every type of Note which may be issued under the Programme, such as Notes that are treated as equity for U.S. federal income tax purposes. This summary does not discuss all aspects of U.S. federal income taxation that may be relevant to investors in light of their particular circumstances, such as investors subject to special tax rules (including, without limitation: (i) financial institutions; (ii) insurance companies; (iii) dealers or traders in stocks, securities, currencies or notional principal contracts; (iv) regulated investment companies; (v) real estate investment trusts; (vi) tax-exempt organizations; (vii) partnerships, pass-through entities or persons that hold Notes through pass-through entities; (viii) investors that hold Notes as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for U.S. federal income tax purposes; (ix) investors that have a functional currency other than the U.S. dollar; and (x) U.S. expatriates and former long-term residents of the United States of America), all of whom may be subject to tax rules that differ significantly from those summarized below. This summary does not address U.S. federal estate, gift, net investment or alternative minimum tax considerations, special tax accounting rules that apply to accrual basis taxpayers under Section 451(b) of the Code, Medicare contribution tax on net investment income considerations or non-U.S., state or local tax considerations.

For the purposes of this summary, a "**U.S. Holder**" is a beneficial owner of Notes that is for U.S. federal income tax purposes (i) an individual who is a citizen or resident of the United States, (ii) a corporation created in, or organized under the laws of, the United States or any state thereof, including the District of Columbia, (iii) an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source or (iv) a trust the administration of which is subject to the primary supervision of a U.S. court and which has one or more United States persons who have the authority to control all substantial decisions of the trust. A "**Non-U.S. Holder**" is a beneficial owner of Notes that is neither a U.S. Holder nor a partnership.

Persons considering the purchase of the Notes should consult the relevant Pricing Supplement for any additional discussion regarding U.S. federal income taxation and should consult their tax advisers with regard to the application of the U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

For U.S. federal income tax purposes, U.S. Holders of CDIs generally should be treated as owners of the Notes represented by the CDIs. Accordingly, the US federal income tax consequences discussed below apply equally to U.S. Holders of CDIs.

## **U.S. Holders**

### ***Payments of Interest***

#### *General*

Interest on a Note, including the payment of any additional amounts whether payable in U.S. Dollars or a currency other than U.S. Dollars (a "**foreign currency**"), other than interest on a "Discount Note" that is not "qualified stated interest" (each as defined below under "*Original Issue Discount—General*"), will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, in accordance with the holder's method of accounting for tax purposes. Interest paid by the Issuer on the Notes and OID (as defined below), if any, accrued with respect to the Notes (as described below under "*Original Issue Discount*") and payments of any additional amounts will generally constitute income from sources outside the United States.

#### *Foreign Currency Denominated Interest*

If a qualified stated interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognized by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

An accrual basis U.S. Holder may determine the amount of income recognized with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, with respect to an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year).

Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year. Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period or taxable year, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder and will be irrevocable without the consent of the U.S. Internal Revenue Service (“**IRS**”).

Upon receipt of the interest payment (including a payment attributable to accrued but unpaid interest upon the sale or other disposition of a Note) denominated in, or determined by reference to, a foreign currency, the U.S. Holder will recognize U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference, if any, between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

#### *Pre-Issuance Accrued Interest*

If a portion of the price paid for a Note is attributable to an amount of interest accrued prior to the date the Note is issued (the pre-issuance accrued interest), a portion of the first interest payment on the Note equal to the amount of the pre-issuance accrued interest may be treated as a nontaxable return of the pre-issuance accrued interest. The remainder of this discussion assumes that, if a Note is issued with pre-issuance accrued interest, the first interest payment on such Note will be so treated, and references to interest in the remainder of this discussion exclude pre-issuance accrued interest. Further, in determining the “issue price” of a Note issued with pre-issuance accrued interest, an amount equal to the pre-issuance accrued interest will be excluded from the price of such Note and pre-issuance accrued interest should not form part of any amortisable bond premium (as described below under “*Notes Purchased at a Premium*”). A U.S. Holder’s tax basis in a Note will be reduced by any nontaxable return of pre-issuance accrued interest. This discussion does not otherwise address the treatment of pre-issuance accrued interest, and U.S. Holders should consult their tax advisers concerning the U.S. federal income tax treatment of pre-issuance accrued interest.

#### *Original Issue Discount*

##### *General*

The following is a summary of the principal U.S. federal income tax consequences of the ownership of Notes issued with original issue discount (“**OID**”).

A Note, other than a Note with a term of one year or less (a “**Short-Term Note**”), will be treated as issued with OID (a “**Discount Note**”) if the excess of the Note’s “stated redemption price at maturity” (as defined below) over its issue price is at least a *de minimis* amount (0.25% of the Note’s stated redemption price at maturity multiplied by the number of complete years to its maturity). An obligation that provides for the payment of amounts other than qualified stated interest before maturity (an “**instalment obligation**”) generally will be treated as a Discount Note if the excess of the Note’s stated redemption price at maturity over its issue price is equal to or greater than 0.25% of the Note’s stated redemption price at maturity multiplied by the weighted average maturity of the Note. A Note’s weighted average maturity is the sum of the following amounts determined for each payment on a Note (other than a payment of qualified stated interest): (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the

denominator of which is the Note's stated redemption price at maturity. Generally, the "**issue price**" of a Note under the applicable Pricing Supplement will be the first price at which a substantial amount of such Notes included in the issue of which the Note is a part is sold to persons other than bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers. The "**stated redemption price at maturity**" of a Note is the total of all payments provided by the Note that are not payments of "qualified stated interest." A "**qualified stated interest**" payment is generally any one of a series of stated interest payments on a Note that are unconditionally payable at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods), or a variable rate (in the circumstances described below under "*Variable Interest Rate Notes*"), applied to the outstanding principal amount of the Note. Solely for the purpose of determining whether a Note has OID, the Issuer will be deemed to exercise any call option that has the effect of decreasing the yield on the Note, and the U.S. Holder will be deemed to exercise any put option that has the effect of increasing the yield on the Note. If a Note has *de minimis* OID, a U.S. Holder must include the *de minimis* amount in income as stated principal payments are made on the Note, unless the holder makes the election described below under "*—Election to Treat All Interest as Original Issue Discount.*" A U.S. Holder can determine the includible amount with respect to each such payment by multiplying the total amount of the Note's *de minimis* OID by a fraction equal to the amount of the principal payment made divided by the stated principal amount of the Note.

U.S. Holders of Discount Notes must include OID in income calculated on a constant-yield method before the receipt of cash attributable to the income, and will generally have to include in income increasingly greater amounts of OID over the life of the Discount Notes. The amount of OID includible in income by a U.S. Holder of a Discount Note is the sum of the daily portions of OID with respect to the Discount Note for each day during the taxable year or portion of the taxable year on which the U.S. Holder holds the Discount Note ("accrued OID"). The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. Accrual periods with respect to a Note may be of any length selected by the U.S. Holder and may vary in length over the term of the Discount Note as long as (i) no accrual period is longer than one year and (ii) each scheduled payment of interest or principal on the Note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the Discount Note's adjusted issue price at the beginning of the accrual period and the Discount Note's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the Discount Note allocable to the accrual period. The "**adjusted issue price**" of a Discount Note at the beginning of any accrual period is the issue price of the Note increased by (x) the amount of accrued OID for each prior accrual period and decreased by (y) the amount of any payments previously made on the Note that were not qualified stated interest payments.

#### *Election to Treat All Interest as Original Issue Discount*

A U.S. Holder may elect to include in gross income all interest that accrues on a Note using the constant-yield method described above under "*Original Issue Discount—General*" with certain modifications. For purposes of this election, interest includes stated interest, OID, *de minimis* OID, as adjusted by any amortizable bond premium (described below under "*Notes Purchased at a Premium*"). If a U.S. Holder makes this election for the Note, then, when the constant-yield method is applied, the issue price of the Note will equal its cost, the issue date of the Note will be the date of acquisition, and no payments on the Note will be treated as payments of qualified stated interest. This election will generally apply only to the Note with respect to which it is made and may not be revoked without the consent of the IRS. However, if the Note has amortizable bond premium, the U.S. Holder will be deemed to have made an election to apply amortizable bond premium against interest for all debt instruments with amortizable bond premium, other than debt instruments the interest on which is excludible from gross income, held as of the beginning of the taxable year to which the election applies or any taxable year thereafter.

#### *Variable Interest Rate Notes*

Notes that provide for interest at variable rates ("**Variable Interest Rate Notes**") will generally bear interest at a "qualified floating rate" and thus will be treated as "variable rate debt instruments" under U.S. Treasury regulations

governing accrual of OID. A Variable Interest Rate Note will qualify as a "variable rate debt instrument" if (a) its issue price does not exceed the total noncontingent principal payments due under the Variable Interest Rate Note by more than a specified *de minimis* amount and (b) it provides for stated interest, paid or compounded at least annually, at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate, and (c) it does not provide for any principal payments that are contingent (other than as described in (a) above).

A "**qualified floating rate**" is any variable rate where variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Interest Rate Note is denominated. A fixed multiple of a qualified floating rate will constitute a qualified floating rate only if the multiple is greater than 0.65 but not more than 1.35. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Variable Interest Rate Note (e.g., two or more qualified floating rates with values within 25 basis points of each other as determined on the Variable Interest Rate Note's issue date) will be treated as a single qualified floating rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a maximum numerical limitation (i.e., a cap) or a minimum numerical limitation (i.e., a floor) may, under certain circumstances, fail to be treated as a qualified floating rate unless the cap or floor is fixed throughout the term of the Note.

An "**objective rate**" is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and which is based on objective financial or economic information (e.g., one or more qualified floating rates or the yield of actively traded personal property). A rate will not qualify as an objective rate if it is based on information that is within the control of the Issuer (or a related party) or that is unique to the circumstances of the Issuer (or a related party), such as dividends, profits or the value of the Issuer's stock (although a rate does not fail to be an objective rate merely because it is based on the credit quality of the Issuer). Other variable interest rates may be treated as objective rates if so designated by the IRS in the future. Despite the foregoing, a variable rate of interest on a Variable Interest Rate Note will not constitute an objective rate if it is reasonably expected that the average value of the rate during the first half of the Variable Interest Rate Note's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Variable Interest Rate Note's term. A "**qualified inverse floating rate**" is any objective rate where the rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. If a Variable Interest Rate Note provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period and if the variable rate on the Variable Interest Rate Note's issue date is intended to approximate the fixed rate (e.g., the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

A qualified floating rate or objective rate in effect at any time during the term of the instrument must be set at a "current value" of that rate. A "**current value**" of a rate is the value of the rate on any day that is no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

If a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof qualifies as a "variable rate debt instrument", then any stated interest on the Note which is unconditionally payable in cash or property (other than debt instruments of the Issuer) at least annually will constitute qualified stated interest and will be taxed accordingly. Thus, a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof and that qualifies as a "variable rate debt instrument" will generally not be treated as having been issued with OID unless the Variable Interest Rate Note is issued at a "true" discount (i.e., at a price below the Note's stated principal amount) in excess of a specified *de minimis* amount. OID on a Variable Interest Rate Note

arising from "true" discount is allocated to an accrual period using the constant yield method described above by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note.

In general, any other Variable Interest Rate Note that qualifies as a "variable rate debt instrument" will be converted into an "equivalent" fixed rate debt instrument for purposes of determining the amount and accrual of OID and qualified stated interest on the Variable Interest Rate Note. Such a Variable Interest Rate Note must be converted into an "equivalent" fixed rate debt instrument by substituting any qualified floating rate or qualified inverse floating rate provided for under the terms of the Variable Interest Rate Note with a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as of the Variable Interest Rate Note's issue date. Any objective rate (other than a qualified inverse floating rate) provided for under the terms of the Variable Interest Rate Note is converted into a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note. In the case of a Variable Interest Rate Note that qualifies as a "variable rate debt instrument" and provides for stated interest at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the Variable Interest Rate Note provides for a qualified inverse floating rate). Under these circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the Variable Interest Rate Note as of the Variable Interest Rate Note's issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Variable Interest Rate Note is converted into an "equivalent" fixed rate debt instrument in the manner described above.

Once the Variable Interest Rate Note is converted into an "equivalent" fixed rate debt instrument pursuant to the foregoing rules, the amount of OID and qualified stated interest, if any, are determined for the "equivalent" fixed rate debt instrument by applying the general OID rules to the "equivalent" fixed rate debt instrument and a U.S. Holder of the Variable Interest Rate Note will account for the OID and qualified stated interest as if the U.S. Holder held the "equivalent" fixed rate debt instrument. In each accrual period, appropriate adjustments will be made to the amount of qualified stated interest or OID assumed to have been accrued or paid with respect to the "equivalent" fixed rate debt instrument in the event that these amounts differ from the actual amount of interest accrued or paid on the Variable Interest Rate Note during the accrual period.

If a Variable Interest Rate Note, such as certain Notes the payments on which are determined by reference to certain indexes, does not qualify as a "variable rate debt instrument", then the Variable Interest Rate Note will be treated as a contingent payment debt obligation. In general, final regulations that govern the U.S. federal income tax treatment of contingent payment debt obligations will cause the timing and character of income, gain or loss reported on a contingent payment debt instrument to substantially differ from the timing and character of income, gain or loss reported on a conventional non-contingent payment debt instrument. More specifically, the final regulations generally require a U.S. Holder of such an instrument to include future contingent and non-contingent interest payments in income as such interest accrues based upon a projected payment schedule and comparable (i.e., estimated) yield. Moreover, in general, any gain recognized by a U.S. Holder on the sale, exchange, or retirement of a contingent payment debt instrument will be treated as ordinary income and all or a portion of any loss realized could be treated as ordinary loss as opposed to capital loss (depending upon the circumstances). A U.S. Holder who holds a Note that is treated as a contingent payment debt obligation should consult with their tax advisers for additional details, and the potential application of special rules.

#### *Short-Term Notes*

In general, an individual or other cash basis U.S. Holder of a Short-Term Note is not required to accrue OID (calculated as set forth below for the purposes of this paragraph) for U.S. federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual



basis U.S. Holders and certain other U.S. Holders are required to accrue OID on Short-Term Notes on a straight-line basis or, if the U.S. Holder so elects, under the constant-yield method (based on daily compounding). In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realized on the sale or other disposition of the Short-Term Note will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant-yield method) through the date of sale or other disposition. U.S. Holders who are not required and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allocable to Short-Term Notes in an amount not exceeding the deferred income until the deferred income is realized.

For purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Note are included in the Short-Term Note's stated redemption price at maturity. A U.S. Holder may elect to determine OID on a Short-Term Note as if the Short-Term Note had been originally issued to the U.S. Holder at the U.S. Holder's purchase price for the Short-Term Note. This election shall apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

#### *Foreign Currency Notes*

OID for any accrual period on a Discount Note that is denominated in, or determined by reference to, a foreign currency will be determined in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above under "*Payments of Interest*". Upon receipt of an amount attributable to OID (whether in connection with a payment of interest or the sale or other disposition of a Note), a U.S. Holder will generally recognize exchange gain or loss, which will be ordinary gain or loss measured by the difference between the amount received (translated into U.S. dollars at the exchange rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

#### *Notes Purchased at a Premium*

A U.S. Holder that purchases a Note for an amount in excess of its principal amount, or for a Discount Note, its stated redemption price at maturity, may elect to treat the excess as "amortizable bond premium", in which case the amount required to be included in the U.S. Holder's income each year with respect to interest on the Note will be reduced by the amount of amortizable bond premium allocable (based on the Note's yield to maturity) to that year. In the case of a Note that is denominated in, or determined by reference to, a foreign currency, bond premium (including acquisition premium) will be computed in units of foreign currency, and any such bond premium that is taken into account currently will reduce interest income in units of the foreign currency. On the date bond premium offsets interest income, a U.S. Holder may recognize U.S. source exchange gain or loss (taxable as ordinary income or loss) measured by the difference between the spot rate in effect on that date, and on the date the Notes were acquired by the U.S. Holder. Any election to amortize bond premium shall apply to all bonds (other than bonds the interest on which is excludable from gross income for U.S. federal income tax purposes) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. See also "*Original Issue Discount – Election to Treat All Interest as Original Issue Discount*." Special rules may limit the amortization of bond premium with respect to Notes subject to early redemption. A U.S. Holder that does not elect to take bond premium (other than acquisition premium) into account currently will recognize a capital loss when the Note matures.

#### *Sale, Redemption, Retirement or Other Disposition of Notes*

A U.S. Holder's tax basis in a Note will generally be its cost, increased by the amount of any OID included in the U.S. Holder's income with respect to the Note and the amount, if any, of income attributable to *de minimis* OID included in the U.S. Holder's income with respect to the Note, and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortizable Note premium applied to reduce interest on the Note. A U.S. Holder's tax basis in a foreign currency Note will be determined by reference to the U.S. Dollar cost of the Notes. The U.S. Dollar cost of a Note purchased with a foreign currency will generally be

the U.S. Dollar value of the purchase price on the date of purchase or, in the case of Notes traded on an established securities market, as defined in the applicable U.S. Treasury regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the purchase.

A U.S. Holder will generally recognize gain or loss on the sale, redemption, retirement or other disposition of a Note equal to the difference between the amount realized on the sale, redemption, retirement or other disposition and the U.S. Holder's adjusted tax basis of the Note. For these purposes, the amount realized does not include any amount attributable to accrued but unpaid qualified stated interest on the Note. Amounts attributable to accrued but unpaid qualified stated interest are treated as payments of interest as described under "*—Payments of Interest*". The amount realized on a sale, redemption, retirement or other disposition for an amount in foreign currency will be the U.S. Dollar value of this amount on the date of sale, redemption, retirement or other disposition or, in the case of Notes traded on an established securities market, as defined in the applicable U.S. Treasury regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the sale. Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS. Except to the extent described above under "*Original Issue Discount – Short-Term Notes*" or attributable to accrued but unpaid interest or changes in exchange rates (as described below), gain or loss recognized on the sale, redemption, retirement or other disposition of a Note will be capital gain or loss and will generally be treated as from U.S. sources for purposes of the U.S. foreign tax credit limitation. In the case of a U.S. Holder that is an individual, estate or trust, the maximum marginal federal income tax rate applicable to capital gains is currently lower than the maximum marginal rate applicable to ordinary income if the Notes are held for more than one year. The deductibility of capital losses is subject to significant limitations.

Gain or loss recognized by a U.S. Holder on the sale, redemption, retirement or other disposition of a Note that is attributable to changes in exchange rates will be treated as U.S. source ordinary income or loss. However, exchange gain or loss is taken into account only to the extent of total gain or loss realized on the transaction.

#### ***Disposition of Foreign Currency***

Foreign currency received as interest on a Note or on the sale, redemption, retirement or other disposition of a Note will have a tax basis equal to its U.S. dollar value at the time the interest is received or at the time of the sale, redemption, retirement or other disposition. Foreign currency that is purchased will generally have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognized on a sale, redemption, retirement or other disposition of a foreign currency (including its use to purchase Notes or an exchange for U.S. dollars) will be U.S. source ordinary income or loss.

#### ***Backup Withholding and Information Reporting***

In general, payments of principal, interest and accrual of OID on, and the proceeds of a sale, redemption, retirement or other disposition of, the Notes, payable to a U.S. Holder by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding will apply to these payments (including payments of OID) if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or otherwise to comply with the applicable backup withholding requirements. Certain U.S. Holders are not subject to backup withholding.

#### ***Disclosure Requirements***

U.S. Treasury Regulations meant to require the reporting of certain tax shelter transactions ("**Reportable Transactions**") could be interpreted to cover transactions generally not regarded as tax shelters, including certain foreign currency transactions. Under the U.S. Treasury Regulations, certain transactions with respect to the Notes may be characterized as Reportable Transactions including, in certain circumstances, a sale, exchange, retirement or other taxable disposition of a foreign currency Note. Persons considering the purchase of such Notes should consult with their tax advisers to determine the tax return obligations, if any, with respect to an investment in such Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

### ***Foreign Financial Asset Reporting***

Certain U.S. Holders that own "specified foreign financial assets" that meet certain U.S. Dollar value thresholds generally are required to file an information report with respect to such assets with their tax returns. The Notes generally will constitute specified foreign financial assets subject to these reporting requirements unless the Notes are held in an account at certain financial institutions. U.S. Holders are urged to consult their tax advisers regarding the application of these disclosure requirements to their ownership of the Notes.

### ***Non-U.S. Holders***

A Non-U.S. Holder generally should not be subject to U.S. federal income or withholding tax on any payments on the Notes and gain from the sale, redemption or other disposition of the Notes unless: (i) that payment and/or gain is effectively connected with the conduct by that Non-U.S. Holder of a trade or business in the U.S.; (ii) in the case of any gain realized on the sale or exchange of a Note by an individual Non-U.S. Holder, that Holder is present in the U.S. for 183 days or more in the taxable year of the sale, exchange or retirement and certain other conditions are met; or (iii) the Non-U.S. Holder is subject to tax pursuant to provisions of the Code applicable to certain expatriates.

### ***Foreign Account Tax Compliance Act***

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" (as defined by FATCA) (including an intermediary through which Notes are held) may be required to withhold at a rate of 30% on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including Belgium) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, proposed U.S. Treasury regulations have been issued that provide that such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published. In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Moreover, Notes characterized as debt (or which are not otherwise characterized as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

## CERTAIN ERISA CONSIDERATIONS

Unless otherwise provided in any supplement to this Offering Memorandum, the Notes should be eligible for purchase by employee benefit plans and other plans subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”), and/or the provisions of Section 4975 of the Code and by governmental, church and non-U.S. plans that are subject to any federal, state, local or non-U.S. law or regulation that is substantially similar to the prohibited transaction provisions of Section 406 of ERISA and/or Section 4975 of the Code (“**Similar Law**”), subject to consideration of the issues described in this section. ERISA imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to Title I of ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, “**ERISA Plans**”), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirements of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of a particular investment must be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment including, but not limited to, the matters discussed under "*Risk Factors*".

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are defined in and subject to Section 4975 of the Code, such as individual retirement accounts, and entities whose underlying assets include the assets of such plans (together with ERISA Plans, “**Plans**”)) and certain persons (referred to as “**parties in interest**” under ERISA or “**disqualified persons**” under Section 4975 of the Code) having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person, including a Plan fiduciary, who engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and Section 4975 of the Code.

The Issuer, the Group, the Arranger, any Dealer or any other party to the transactions referred to in this Offering Memorandum may be parties in interest or disqualified persons with respect to many Plans. Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if any of the Notes are acquired or held by a Plan, including but not limited to where the Issuer, the Group, the Arranger, any Dealer or any other party to such transactions is a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire any Notes and the circumstances under which such decision is made. Included among these exemptions are Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code (relating to transactions between a person that is a party in interest (other than a fiduciary or an affiliate that has or exercises discretionary authority or control or renders investment advice with respect to assets involved in the transaction) solely by reason of providing services to the Plan, provided that there is adequate consideration for the transaction), Prohibited Transaction Class Exemption (“**PTCE**”) 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a qualified professional asset manager), PTCE 95-60 (relating to transactions involving insurance company general accounts), PTCE 90-1 (relating to investments by insurance company pooled separate accounts) and PTCE 96-23 (relating to transactions determined by in-house asset managers). Prospective investors should consult with their advisers regarding the prohibited transaction rules and these exceptions. There can be no assurance that any of these exemptions or any other exemption will be available with respect to any particular transaction involving any Notes.

Governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA), while not subject to the fiduciary responsibility provisions of Title I of ERISA or the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code, may nevertheless be subject to Similar Law. Fiduciaries of any such plans should consult with their counsel before purchasing the Notes to determine the need for, if necessary, and the availability of, any exemptive relief under any Similar Law.

Accordingly, except as otherwise provided in any supplement to this Offering Memorandum, each purchaser and subsequent transferee of any Notes (or any interest therein) will be deemed to represent and warrant, on each day from the date on which the purchaser or transferee acquires such Notes (or any interest therein) through and including the date on which the purchaser or transferee disposes of such Notes (or its interests therein), either that (a) it is not, and is not acting on behalf of, a Plan or a governmental, church or non-U.S. plan which is subject to any Similar Law or (b) its acquisition, holding and disposition of such Notes (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of any Similar Law.

In addition, a purchaser or transferee that is, or is acting on behalf of, a Plan, will be further deemed to represent, warrant and agree that (i) none of the Issuer, the Group, the Arranger, any Dealer or any other party to the transactions referred to in this Offering Memorandum or any of their respective affiliates has provided any investment recommendation or investment advice on which it, or any fiduciary or other person investing the assets of the Plan (“**Plan Fiduciary**”), has relied as a primary basis in connection with its decision to invest in the Notes, and they are not otherwise undertaking to act as a fiduciary, as defined in Section 3(21) of ERISA or Section 4975(e)(3) of the Code, to the Plan or the Plan Fiduciary in connection with the Plan's acquisition of the Notes and (ii) the Plan Fiduciary is exercising its own independent judgment in evaluating the investment in the Notes.

Each Plan Fiduciary who is responsible for making the investment decisions whether to purchase or commit to purchase and to hold any of the Notes should determine whether, under the documents and instruments governing the Plan, an investment in such Notes is appropriate for the Plan, taking into account the overall investment policy of the Plan and the composition of the Plan's investment portfolio. Any Plan proposing to invest in such Notes (including any governmental, church or non-U.S. plan) should consult with its counsel to confirm that such investment will not constitute or result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA and the Code (or, in the case of a governmental, church or non-U.S. plan, any Similar Law).

The sale of any Notes to a Plan is in no respect a representation by the Issuer, the Group, the Arranger, any Dealer or any other party to the transactions referred to in this Offering Memorandum that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

Any further ERISA considerations with respect to the Notes may be found in the relevant supplement.

## PLAN OF DISTRIBUTION; SUBSCRIPTION AND SALE

### Summary of Dealer Agreement

Subject to the terms and on the conditions contained in a dealer agreement dated October 13, 2022 (the “**Dealer Agreement**”) between the Issuer, the Permanent Dealers and the Arranger, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers. Any Dealers of the Notes that are not U.S. registered broker-dealers will agree that they will offer and sell the Notes within the United States only through U.S. registered broker-dealers. If the Issuer and a Dealer agree, a Dealer may also utilize its reasonable efforts on an agency basis to solicit offers to purchase the Notes.

As set out in the Dealer Agreement, the Issuer may from time to time terminate the appointment of any Dealer under the Programme or appoint additional Dealers either in respect of one or more Tranches or in respect of the whole Programme.

The Issuer may pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arranger for certain of its expenses incurred in connection with the update of the Programme and the Dealers for certain of their activities in connection with the Programme.

The Issuer may withdraw, cancel or modify any offering contemplated hereby without notice and may reject offers to purchase any Notes in whole or in part. Each Dealer shall have the right, in its discretion reasonably exercised, without notice to the Issuer, to reject in whole or in part any offer to purchase the Notes received by it on an agency basis.

The Issuer has agreed to indemnify the Dealers severally against certain liabilities (including liabilities under the Securities Act) or to contribute to payments the Dealers may be required to make in respect thereof. The Issuer has also agreed to reimburse the Dealers for certain other expenses.

KBC Group NV, in its capacity as a Dealer for the Notes offered hereby, will only offer or sell Notes outside the United States under Regulation S under the Securities Act. KBC Group NV is not a broker-dealer registered with the SEC and will not be offering or selling securities in the United States or to U.S. nationals or residents.

The Dealers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Dealers and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Issuer, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Dealers and their respective affiliates may make or hold a broad array of investments, including serving as counterparties to certain derivative and hedging arrangements, and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer. The Dealers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such instruments.

No Notes will have an established trading market when issued. From time to time, each of the Dealers may make a market in the Notes, but no Dealer is obligated to do so and may discontinue any market-making activity at any time, and there can be no assurance that there will be a secondary market for the Notes or liquidity in the secondary

market if one develops. In addition, the ability of the Dealers to make a market in the Notes may be impacted by changes in any regulatory requirements applicable to the marketing, holding and trading of, and issuing quotations with respect to, the Notes.

The offering of the Notes by the Dealers is subject to receipt and acceptance and subject to the Dealers' right to reject any order in whole or in part.

It is expected that delivery of Notes will be made against payment therefore on the relevant Issue Date, which may be more than two business days following the date of pricing. Under Rule 15c6-1 of the Exchange Act, trades in the U.S. secondary market generally are required to settle within two business days ("T+2"), unless the parties to any such trade expressly agree otherwise. Accordingly, if an Issue Date is more than two business days following the relevant date of pricing, purchasers who wish to trade Notes in the United States between the date of pricing and the date that is two business days prior to the relevant Issue Date will be required, by virtue of the fact that such Notes initially will settle beyond T+2, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. If an Issue Date is more than two business days following the relevant date of pricing, purchasers of Notes who wish to trade Notes between the date of pricing and the date that is two business days prior to the relevant Issue Date should consult their own adviser.

### **Price Stabilization and Short Positions**

In connection with the issue of Notes under the Programme, Dealers (if any) named as the stabilizing manager(s) (the "**Stabilizing Manager(s)**") (or any person acting on behalf of any Stabilizing Manager(s)) in the applicable Pricing Supplement may, acting directly or through subsidiaries, may over-allot or effect transactions that stabilize, maintain or otherwise affect the market price of the Notes with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period. Such stabilizing, if any, shall be in compliance with all relevant laws and regulations. These transactions may include stabilizing transactions pursuant to which the Dealers, acting directly or through subsidiaries, may bid for or purchase Notes in the open market or otherwise for the purpose of stabilizing the market price of the Notes. Each of the Dealers, acting directly or through subsidiaries, may also create a short position for its account by selling more Notes in connection with an offering of Notes than it is committed to purchase from the Issuer, and in such case may purchase Notes in the open market following completion of the offering to cover all or a portion of such short position.

The Dealers may also impose a penalty bid. This occurs when a particular Dealer repays to the Dealers a portion of the subscription price discount received by it because the Dealers have repurchased Notes sold by or for the account of such Dealer in stabilizing or short covering transactions.

Neither the Issuer nor any of the Dealers makes any representation or prediction as to the direction or magnitude of any effect that the transactions described in the immediately preceding paragraph may have on the price of the Notes. In addition, neither the Issuer nor the Dealers makes any representation that the Dealers will engage in any such transactions or that such transactions, once commenced, will not be discontinued without notice.

### **Selling Restrictions**

#### **United States**

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will not offer, sell or deliver Notes (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date (the "**Resale Restriction Termination Date**"),

within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each Dealer to which it sells Notes (other than in a sale pursuant to Rule 144A) prior to the Resale Restriction Termination Date a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding sentence have the meanings given to them by Regulation S.

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. The Dealer Agreement provides that the Dealers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Notes within the United States only to qualified institutional buyers in reliance on Rule 144A.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of such tranche of Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Each purchaser of Notes offered hereby in making its purchase will be deemed to have made the acknowledgments, representations and agreements set forth under “—*Transfer Restrictions*”. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason.

#### **Prohibition of Sales to Consumers**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available, and it will not offer, sell or otherwise make available, the Notes to (i) consumers (*consumenten/consommateurs*) within the meaning of the Belgian Code of Economic Law (*Wetboek van economisch recht/Code de droit économique*), as amended, or (ii) Actual Eligible Investors.

#### **Prohibition of Sales to EEA Retail Investors**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available, and will not offer, sell or otherwise make available, any Notes which are the subject of the offering contemplated by this Offering Memorandum as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision, the expression “**retail investor**” means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (ii) a customer within the meaning of Directive 2016/97/EU (as amended, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

#### **United Kingdom**

##### ***Prohibition of Sales to UK Retail Investors***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available, and will not offer, sell or otherwise make available, any Notes which are the subject of the offering contemplated by this Offering Memorandum as completed by the Pricing Supplement in relation thereto to any retail investor in the UK. For the purposes of this provision, the expression “**retail investor**” means a person who is one (or more) of the following:



- (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “EUWA”); or
- (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA.

***Other regulatory restrictions***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (i) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

**Canada**

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal adviser.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Dealers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

## Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes except for Notes which are a “structured product” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) other than (i) to “professional investors” as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “CWUMPO”) or which do not constitute an offer to the public within the meaning of the CWUMPO; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

## Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Law**”) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not offer or sell the Notes, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other relevant laws and regulations of Japan.

## Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that none of this Offering Memorandum, the relevant Pricing Supplement or any other marketing materials relating to the Notes have been or will be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore, as modified or amended from time to time (the “SFA”). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

## Italy

The offering of the Notes has not been registered with the Commissione Nazionale per le Società e la Borsa (“**CONSOB**”) pursuant to Italian securities legislation and, accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that no Notes may be offered, sold or delivered, nor may copies of this Offering Memorandum or of any other document relating to the Notes be distributed in Italy, except:

- (a) to qualified investors (“*investitori qualificati*”), as defined pursuant to Article 2 of the Regulation (EU) 2017/1129, as amended or superseded (the “**Prospectus Regulation**”) and to any applicable provision of Legislative Decree No. 58 of February 24, 1998 (the “**Italian Financial Services Act**”) and of the regulations issued by CONSOB, all as amended from time to time; or
- (b) in any other circumstance which is exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 100 of the Italian Financial Services Act, Article 34-*ter* of CONSOB Regulation No. 11971 of May 14, 1999 (“**Issuers Regulation**”), all as amended from time to time, or to any other applicable Italian law or regulation.

Moreover, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer, sale or delivery of the Notes or distribution of copies of this Offering Memorandum or any other document relating to the Notes in Italy shall be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Italian Financial Services Act, Legislative Decree No. 385 of September 1, 1993, as amended (the “**Italian Banking Act**”) and CONSOB Regulation No. 20307 of February 15, 2018 (“**Intermediaries Regulation**”), all as amended from time to time; and
- (ii) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the

Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

*Please note that in accordance with Article 100-bis of the Italian Financial Services Act, to the extent it is applicable, where no exemption from the rules on public offerings applies under (a) and (b) above, the subsequent distribution of the Notes on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Italian Financial Services Act and Issuers Regulation. Failure to comply with such rules may result in the sale of such Notes being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors.*

## **General**

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Offering Memorandum or any other offering material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

Neither the Issuer nor any Dealer represents that Notes 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.

Neither the Issuer nor the Dealers have authorized, nor do they authorize, the making of any offer of Notes through any financial intermediary, other than offers made by Dealers which constitute the final placement of Notes contemplated in this Offering Memorandum.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it shall, to the best of its knowledge and belief, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Offering Memorandum, any other offering material or any Pricing Supplement and that it will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws, regulations and directives in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries, and neither the Issuer nor any Dealer shall have any responsibility therefor.

An investor intending to acquire or acquiring any Notes from an offeror will do so, and offers and sales of the Notes to an investor by an offeror will be made, in accordance with any terms and other arrangements in place between such offeror and such investor including as to price, allocations and settlement arrangements. The Issuer will not be a party to any such arrangements with investors (other than a Dealer) in connection with the offer or sale of the Notes and, accordingly, this Offering Memorandum and any Pricing Supplement will not contain such information and an investor must obtain such information from the offeror.

## **Transfer Restrictions**

As a result of the following restrictions, purchasers of Notes in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes.

Each purchaser or transferee of Notes, by accepting delivery of this Offering Memorandum, will be deemed to have acknowledged, represented and agreed, as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

- (a) that either: (a) it is a qualified institutional buyer (“**QIB**”), purchasing (or holding) the Notes for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance on Rule 144A, or (b) it is outside the United States and is not a U.S. person;
- (b) that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. State securities laws and, accordingly, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (c) that, if it holds an interest in a Rule 144A Certificated Depositary Interest, if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so, prior to the expiration of the applicable required holding period determined pursuant to Rule 144 of the Securities Act from the later of the last Issue Date for the Series and the last date on which the Issuer or an affiliate of the Issuer was the owner of such Notes, only (a) to the Issuer or any affiliate thereof, (b) inside the United States to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (c) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act, (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. State securities laws;
- (d) that it will, and will require each subsequent holder to, notify any purchaser or transferee, as applicable, of the Notes from it of the resale and transfer restrictions referred to in paragraph (c) above, if then applicable;
- (e) that Notes initially offered in the United States to QIBs will be represented by one or more Rule 144A Certificated Depositary Interests and that Notes offered to non-U.S. persons outside the United States in reliance on Regulation S will be represented by one or more Regulation S Certificated Depositary Interest, in each case representing the relevant dematerialized Notes;
- (f) except as otherwise provided in any supplement to this Offering Memorandum, either (a) it is not, and is not acting on behalf of, a Plan or a governmental, church or non-U.S. plan which is subject to any Similar Law or (b) its acquisition, holding and disposition of such Notes (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of any Similar Law. Any purported purchase or transfer that does not comply with the foregoing shall be null and void;
- (g) if it is, or is acting on behalf of, a Plan, (i) none of the Issuer, the Group, the Arranger or any Dealer or any other party to the transactions referred to in this Offering Memorandum or any of their respective affiliates has provided any investment recommendation or investment advice on which it, or any Plan Fiduciary, has relied as a primary basis in connection with its decision to invest in the Notes, and they are not otherwise undertaking to act as a fiduciary, as defined in Section 3(21) of ERISA or Section 4975(e)(3) of the Code, to the Plan or the Plan Fiduciary in connection with the Plan's acquisition of the Notes and (ii) the Plan Fiduciary is exercising its own independent judgment in evaluating the investment in the Notes;
- (h) if Plans and governmental, church and non-U.S. plans subject to Similar Law are prohibited from purchasing a Note (or any interest therein) under a supplement to this Offering Memorandum, it is not, and is not acting on behalf of, a Plan or a governmental, church or non-U.S. plan that is subject to any Similar Law. Any purported purchase or transfer that does not comply with the foregoing shall be null and void;

- (i) that the Notes will be subject to the below restrictions and CDIs in registered form representing Notes, other than the Regulation S Certificated Depositary Interests, and will bear a legend to the following effect unless otherwise agreed to by the Issuer:

“THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, ACCORDINGLY, THE SECURITIES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) (“QIB”), PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBs IN A MINIMUM PRINCIPAL AMOUNT OF U.S.\$200,000 (OR THE EQUIVALENT AMOUNT IN A FOREIGN CURRENCY); (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND THE DEPOSIT AGREEMENT AND, PRIOR TO EXPIRATION OF THE APPLICABLE REQUIRED HOLDING PERIOD DETERMINED PURSUANT TO RULE 144 OF THE SECURITIES ACT FROM THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QIB WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR REALES OF THE SECURITIES.

UNLESS OTHERWISE PROVIDED IN A SUPPLEMENT TO THE OFFERING MEMORANDUM, EACH PURCHASER AND SUBSEQUENT TRANSFEREE OF THIS SECURITY (OR ANY INTEREST HEREIN) WILL BE DEEMED TO REPRESENT AND WARRANT, ON EACH DAY FROM THE DATE ON WHICH THE PURCHASER OR TRANSFEREE ACQUIRES THIS SECURITY (OR ANY INTEREST HEREIN) THROUGH AND INCLUDING THE DATE ON WHICH THE PURCHASER OR TRANSFEREE DISPOSES OF THIS SECURITY (OR ITS INTEREST HEREIN), EITHER THAT (I) IT IS NOT, AND IS NOT ACTING ON BEHALF OF, (A) AN “EMPLOYEE BENEFIT PLAN” (AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (ERISA)) THAT IS SUBJECT TO TITLE I OF ERISA, (B) A “PLAN” (AS DEFINED IN SECTION 4975(e)(1) OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE CODE)) THAT IS SUBJECT TO SECTION 4975 OF THE CODE, (C) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE “PLAN ASSETS” BY REASON OF ANY SUCH EMPLOYEE BENEFIT PLAN’S OR PLAN’S INVESTMENT IN THE ENTITY (EACH OF THE FOREGOING, A PLAN) OR (D) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY FEDERAL STATE, LOCAL OR NON-U.S. LAW OR REGULATION THAT IS SUBSTANTIALLY SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA AND/OR

SECTION 4975 OF THE CODE (SIMILAR LAW) OR (II) ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS SECURITY (OR ANY INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF ANY SIMILAR LAW. ANY PURPORTED PURCHASE OR TRANSFER OF THIS SECURITY (OR ANY INTEREST HEREIN) THAT DOES NOT COMPLY WITH THE FOREGOING SHALL BE NULL AND VOID.

EACH PURCHASER AND SUBSEQUENT TRANSFEREE OF THIS SECURITY (OR ANY INTEREST HEREIN) THAT IS, OR IS ACTING ON BEHALF OF, A PLAN, WILL BE FURTHER DEEMED TO REPRESENT, WARRANT AND AGREE THAT (I) NONE OF THE ISSUER, THE GROUP, THE ARRANGER OR ANY DEALER OR ANY OTHER PARTY TO THE TRANSACTIONS REFERRED TO IN THE OFFERING MEMORANDUM OR ANY OF THEIR RESPECTIVE AFFILIATES HAS PROVIDED ANY INVESTMENT RECOMMENDATION OR INVESTMENT ADVICE ON WHICH IT, OR ANY FIDUCIARY OR OTHER PERSON INVESTING THE ASSETS OF THE PLAN (PLAN FIDUCIARY), HAS RELIED AS A PRIMARY BASIS IN CONNECTION WITH ITS DECISION TO INVEST IN THIS SECURITY, AND THEY ARE NOT OTHERWISE UNDERTAKING TO ACT AS A FIDUCIARY, AS DEFINED IN SECTION 3(21) OF ERISA OR SECTION 4975(e)(3) OF THE CODE, TO THE PLAN OR THE PLAN FIDUCIARY IN CONNECTION WITH THE PLAN'S ACQUISITION OF THIS SECURITY AND (II) THE PLAN FIDUCIARY IS EXERCISING ITS OWN INDEPENDENT JUDGMENT IN EVALUATING THE INVESTMENT IN THIS SECURITY.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).”;

- (j) if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Notes prior to the expiration of the distribution compliance period (defined as 40 days after the later of the commencement of the offering and the closing date with respect to the original issuance of the Notes), it will do so only (a) (i) to non-U.S. persons outside the United States in compliance with Rule 903 or 904 under the Securities Act or (ii) to a QIB in compliance with Rule 144A and (b) in accordance with all applicable U.S. State securities laws; and it acknowledges that the Regulation S Certificated Depository Interests will bear a legend to the following effect unless otherwise agreed to by the Issuer:

“THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40

DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES OF THE TRANCHE OF WHICH THIS NOTE FORMS PART.”; and

- (k) that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.



## FORM OF PRICING SUPPLEMENT

**NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION TO U.S. PERSONS (AS DEFINED BELOW) OR IN OR INTO AUSTRALIA, JAPAN OR THE UNITED STATES (EXCEPT, IN THE CASE OF THE UNITED STATES, TO PERSONS REASONABLY BELIEVED TO BE QIBs (AS DEFINED BELOW), AND IN THE CASE OF OTHER JURISDICTIONS, AS PERMITTED BY APPLICABLE LAW)**

[MiFID II Product Governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, “MiFID II”) and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the manufacturer[’s/s’] target market assessment. However, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.] *[To be included following completion of the target market assessment in respect of the Notes.]*

**[UK MIFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES ONLY TARGET MARKET – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (“COBS”), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (“UK MiFIR”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “UK MiFIR Product Governance Rules”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.] *[To be included following completion of the target market assessment in respect of the Notes.]***

**PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II or (ii) a customer within the meaning of Directive 2016/97/EU, as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014, as amended (the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.**

**PROHIBITION OF SALES TO UK RETAIL INVESTORS - The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“UK”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (“EUWA”) or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000, as amended (the “FSMA”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of**

Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

[SINGAPORE SFA PRODUCT CLASSIFICATION - In connection with Section 309B of the Securities and Futures Act 2001 (2020 Revised Edition) (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), the Issuer has determined[, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA),] that the Notes are [prescribed capital markets products]/[capital markets products other than prescribed capital markets products] (as defined in the CMP Regulations 2018) and [are] [Excluded]/[Specified] Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).] *[For any Notes to be offered to Singapore investors, the Issuer to consider whether it needs to re-classify the Notes pursuant to Section 309B of the SFA prior to the launch of the offer.]*

Pricing Supplement dated [ ]

KBC Group NV

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
under the U.S.\$10,000,000,000  
U.S. Medium Term Note Programme

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Memorandum dated September [8], 2023 [and the supplement(s) to it dated [date]], which [together] constitute[s] a listing particulars (the “**Offering Memorandum**”) for the purposes of the admission of the Notes to the Official List of Euronext Dublin and to trading on the Global Exchange Market. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Memorandum (including any supplement thereto). The Offering Memorandum and any supplement thereto has been or will be published on the Issuer’s website (<https://www.kbc.com/en/investor-relations/debt-issuance/kbc-group/us-mtn-programme.html>). Interests in the Notes will be represented by certificated depositary interests (“CDIs”) as further described in the “*Form of Notes – Depositary Receipts*” in the Offering Memorandum.

*(The following alternative language applies if the first Tranche of an issue of Notes which is being increased was issued under an offering memorandum with an earlier date.)*

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the “**Conditions**”) set forth in the Offering Memorandum dated [ ] [and the supplement(s) to it dated [date]], which are incorporated by reference in the Offering Memorandum dated [ ]. This document constitutes the Pricing Supplement of the Notes described herein and must be read in conjunction with the Offering Memorandum dated [ ] [and the supplement(s) to it dated [date]], which [together] constitute[s] a listing particulars (the “**Offering Memorandum**”) for the purposes of the admission of the Notes to the Official List of Euronext Dublin and to trading on the Global Exchange Market. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement, the Offering Memorandum dated [ ] (in respect of the Conditions set forth therein) and the Offering Memorandum dated [ ] (other than in respect of the Conditions). The Offering Memorandum and any supplement thereto has been or will be published on the Issuer’s website (<https://www.kbc.com/en/investor-relations/debt-issuance/kbc-group/us-mtn-programme.html>). Interests in the Notes will be represented by certificated depositary interests (“CDIs”) as further described in the “*Form of Notes – Depositary Receipts*” in the Offering Memorandum.

Series Number:	[ ]
Tranche Number:	[ ]
[Date on which Notes will be consolidated and form a single Series:]	[The Notes will be consolidated and form a single Series with [ ] on [[ <i>insert date</i> ]/the Issue Date] [Not Applicable]]
Specified Currency:	[ ]
Aggregate Nominal Amount:	[ ]
Series:	[ ]
[Tranche:]	[ ]
Issue Price:	[ ]% of the Aggregate Nominal Amount [plus accrued interest from [ <i>insert date</i> ]]
Specified Denominations:	[ ]
Calculation Amount:	[ ]
Issue Date:	[ ] (T+[ ])*
[Interest Commencement Date:]	[Issue Date/[ ]/Not Applicable]
Maturity Date:	[[ ]/Interest Payment Date falling in [or nearest to] [ <i>specify month and year</i> ]]
Interest Basis:	[Fixed Rate/ Fixed Rate Reset / Floating Rate]
Redemption Basis:	Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [ ]% of their nominal amount.
Change of Interest Basis:	[[ ]/Not Applicable]
Issuer Call Option:	[Applicable/Not Applicable]  [ <i>(further particulars specified below)</i> ]
Status of the Notes:	[Senior Notes] [Subordinated Tier 2 Notes]
<b>Fixed Rate Note Provisions</b>	<i>(If not applicable, delete the remaining sub-headings.)</i>
Rate(s) of Interest:	[[ ]% per annum payable in arrear [on each Interest Payment Date]]
Interest Payment Date(s):	[[ ] [and [ ]] in each year [from and including [ ]][until and excluding [ ]]]
Fixed Coupon Amount[(s)]:	[[ ] per Calculation Amount] [Not Applicable]

Broken Amount(s): [[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]/Not Applicable]

Day Count Fraction: [Actual/365] [Actual/Actual] [Actual/Actual (ISDA)]  
[Actual/365 (fixed)]  
[Actual/360]  
[30/360] [360/360] [Bond Basis]  
[30E/360] [Eurobond Basis]  
[30E/360 (ISDA)]  
[Actual/Actual ICMA]

Determination Dates: [[ ] in each year/Not Applicable]

**Fixed Rate Reset Note Provisions** *(If not applicable, delete the remaining sub-headings)*

Initial Rate of Interest: [ ]% per annum payable in arrear [on each Interest Payment Date]

Interest Payment Date(s): [ ] [and [ ]] in each year [from and including [ ]][until and excluding [ ]]

First Reset Date: [ ]

Second Reset Date: [[ ]/Not Applicable]

Subsequent Reset Date(s): [[ ] [and[ ]]/Not Applicable]

Reset Determination Dates: [ ]

Reset Reference Rate: [CMT Rate / Mid-Swap Rate / Reference Bond Rate]

Mid-Swap Rate: [semi-annual] / [annualized] / [Not Applicable]

Swap Rate Period: [[ ]] / [Not Applicable]

Fixed Leg Swap Payment Frequency: [Annual / Semi-annual / [ ] / Not Applicable]

Fixed Leg Swap Payment Frequency Day Count Fraction: [Actual/365] [Actual/Actual] [Actual/Actual (ISDA)]  
[Actual/365 (fixed)]  
[Actual/360]  
[30/360] [360/360] [Bond Basis]  
[30E/360] [Eurobond Basis]  
[30E/360 (ISDA)]  
[Actual/Actual ICMA]  
  
[Not Applicable]

Mid-Swap Floating Leg Benchmark Rate: [[6]-month EURIBOR (calculated on an Actual/360 day count basis)] / [Overnight SONIA rate compounded for the Mid-Swap Maturity (calculated on an Actual/365 day count basis)] / [Overnight SOFR rate compounded for the Mid-Swap Maturity (calculated on an Actual/360 day count basis)] / [ ] / [Not Applicable]

Mid-Swap Maturity: [12 months / 6 months / 3 months / [ ] / Not Applicable]

Designated CMT Reuters Page: [Reuters T7051 Page/Reuters T7052 Page/specify] [Not Applicable]

Designated CMT Maturity Index: [ ]/[Not Applicable]

Relevant Screen Page: [ ] [Not Applicable]

Margin(s): [+/-][ ] % per annum [in respect of the First Reset Period]

[+/-][ ] % per annum [in respect of each Subsequent Reset Period]

Fixed Coupon Amount[(s)] in respect of the period from (and including) the Interest Commencement Date up to (but excluding) the First Reset Date: [[ ] per Calculation Amount]

Broken Amount(s): [[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]/Not Applicable]

Day Count Fraction: [Actual/365] [Actual/Actual] [Actual/Actual (ISDA)]  
 [Actual/365 (fixed)]  
 [Actual/360]  
 [30/360] [360/360] [Bond Basis]  
 [30E/360] [Eurobond Basis]  
 [30E/360 (ISDA)]  
 [Actual/Actual ICMA]

Determination Dates: [[ ] in each year/Not Applicable]

Benchmark Replacement: [Condition 3(j)(A) applies]/[Condition 3(j)(B) applies]/[Not Applicable]

**Floating Rate Note Provisions** *(If not applicable, delete the remaining sub-headings)*

Interest Period(s): [[ ]], subject to adjustment in accordance with the Business Day Convention set out below/, not subject to any adjustment[, as the Business Day Convention is specified to be Not Applicable]]

Specified Interest Payment Dates: [ ] [from and including [ ]][up to and [including/excluding] [ ]], subject to adjustment in accordance with the Business Day Convention set out below/, not subject to any adjustment[, as the Business Day Convention is specified to be Not Applicable]] [Not Applicable]

First Interest Payment Date: [ ]

Business Day Convention: [Following Business Day Convention/Preceding Business Day Convention/Floating Rate Convention/Following Business Day Convention/Modified Following Business

Day Convention/Preceding Business Day Convention] [Not Applicable]

Additional Business Center(s): [ ] *(please specify other financial centers required for the Business Day definition)*

Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Paying Agent): [ ]

Term Rate: [Applicable/Not Applicable]

– Reference Rate: [EURIBOR][CMS]

– Relevant Screen Page: [ ]

[Reuters Page <ISDAFIX2>, under the heading “EURIBOR Basis-EUR”] *(if CMS)*

– Relevant Time: [ ]

SOFR: [Applicable – Non-Index Determination: Compounded Daily SOFR/Weighted Average] / [Applicable - Index Determination] / [Not Applicable]

– Relevant Number [[5 / [ ]] U.S. Government Securities Business Days]/[Not Applicable]

*(If ‘Index Determination’ is specified, delete ‘Relevant Number’ and complete the remaining bullets below)*

*(If ‘Index Determination’ is specified, insert number of days (expected to be five or greater) as the Relevant Number, and the remaining bullets below will each be ‘Not Applicable’)*

- D: [360/365/[ ]] / [Not Applicable]
- Observation Method: [Lag/Lock-out/Observation Shift/Not Applicable]
  - o Lag Period: [[5 / [ ]] U.S. Government Securities Business Days] [Not Applicable]
  - o Observation Shift Period: [[5 / [ ]] U.S. Government Securities Business Days] [Not Applicable]

Interest Determination Date(s): [[ ] [TARGET/[ ]] Business Days [in [ ]] prior to the [ ] day in each Interest Accrual Period/each Interest Payment Date] [The [first/[ ]] U.S. Government Securities Business Day falling after the last day of the relevant Observation Period]

Margin(s): [+/-][ ] % per annum [in respect of each Interest Accrual Period ending on [ ]]

	[[+/-][ ]% per annum in respect of each Interest Accrual Period ending on [ ]]
Minimum Rate of Interest:	[[•]% per annum][Not Applicable]
Maximum Rate of Interest:	[[•]% per annum][Not Applicable]
Day Count Fraction:	[Actual/365] [Actual/Actual] [Actual/Actual (ISDA)] [Actual/365 (fixed)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [30E/360 (ISDA)] [Actual/Actual ICMA]
Benchmark Replacement:	[Condition 3(j)(A) applies]/[Condition 3(j)(B) applies]/[Not Applicable]
<b>Tax Call Option</b>	[Applicable/Not Applicable]
Notice periods for Condition 4(b):	Minimum period: [15] [ ] days Maximum period: [45] [ ] days
<b>Capital Disqualification Event</b>	[Applicable/Not Applicable]
<b>Capital Disqualification Event Variation</b>	[Applicable/Not Applicable]
<b>Loss Absorption Disqualification Event Variation or Substitution</b>	[Applicable/Not Applicable]
<b>Issuer Call Option</b>	[Applicable/Not Applicable]
Optional Redemption Date(s):	[ ]
Optional Redemption Amount(s):	[[ ] per Calculation Amount/Early Redemption Amount]
If redeemable in part:	[Applicable/Not Applicable]
(a) Minimum Callable Amount:	[ ]/[Not Applicable]
(b) Maximum Callable Amount:	[ ]/[Not Applicable]
Notice period:	Minimum period: [15] [ ] days Maximum period: [45] [ ] days
<b>Loss absorption Disqualification Event in respect of Senior Notes</b>	Condition 4(e): [Applicable from [ ]/Not Applicable]
Notice periods for Condition 4(e):	Minimum period: [ ] days Maximum period: [ ] days
<b>Final Redemption Amount</b>	[[ ] per Calculation Amount/[ ]]

## Early Redemption Amount

Early Redemption Amount(s) payable on redemption following a Tax Event, following a Capital Disqualification Event (in the case of Subordinated Tier 2 Notes), following a Loss Absorption Disqualification Event (in the case of Senior Notes) or on event of default or other early redemption:  per Calculation Amount/

Admission to trading:

[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to [the Official List of Euronext Dublin and trading on Global Exchange Market]/[trading on [specify relevant market, other stock exchange, third country market, SME growth market or MTF]] with effect from [ ].][Not Applicable.]

## Ratings

[The Notes to be issued [are not]/[have been]/[are expected to be] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]:\*

[name of rating agency]: [ ]

is established in the EU and registered under Regulation (EC) No 1060/2009 (the “**CRA Regulation**”).] /

is established in the United Kingdom and registered in accordance with Regulation (EC) No. 1060/2009 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “**UK CRA Regulation**”).] /

is not established in the EU but the rating it has given to the Notes is endorsed by [insert legal name of credit rating agency(ies)], [each of] which is established in the EU and registered under Regulation (EC) No 1060/2009, as amended by Regulation (EU) No 513/2011 (the “**CRA Regulation**”).] /

is not established in the United Kingdom but the rating it has given to the Notes is endorsed by [insert legal name of credit rating agency(ies)], [each of] which is established in the UK and registered under the Regulation (EC) No. 1060/2009 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “**UK CRA Regulation**”).] /

is not established in the EU but is certified under Regulation (EC) No 1060/2009, as amended by Regulation (EU) No 513/2011 (the “**CRA Regulation**”).] /



[[ ] is not established in the United Kingdom but is certified under Regulation (EC) No 1060/2009 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “**UK CRA Regulation**”).]

Reasons for the offer: [See “[*Use of Proceeds*]” in the Offering Memorandum/[ ]]

*(See “[*Use of Proceeds*]” in the Offering Memorandum – if reasons for the offer are different from general corporate purposes, include those reasons here.)*

Belgian Notes ISIN: [ ]

ISIN for CDIs representing interests in the Belgian Notes: Sold in reliance on Regulation S: US[ ]

Sold in reliance on Rule 144A: US[ ]

CUSIP for CDIs representing interests in the Belgian Notes: Sold in reliance on Regulation S: [ ]

Sold in reliance on Rule 144A: US[ ]

DTC Record Date for CDIs: Close of business on the DTC business day (a day when DTC is open for business) before the due date for a payment of interest under the CDIs

[Names and addresses of additional Paying Agent(s) (if any):] [ ]

[Name and address of the Calculation Agent when the Calculation Agent is not the Paying Agent:] [ ]

[Relevant Benchmark[s]: [Not Applicable]/[*specify benchmark*] is provided by [*administrator legal name*]. As at the date hereof, [*administrator legal name*][appears]/[does not appear] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (Register of administrators and benchmarks) of the Benchmark Regulation.]/[As far as the Issuer is aware, as at the date hereof, [*specify benchmark*] does not fall within the scope of the Benchmark Regulation.]]

Method of distribution: [Syndicated/Non-syndicated]

Names of Dealers: [Not Applicable/*give names and addresses*]

[Stabilizing manager(s) (if any):] [ ]

Additional selling restrictions: [ ]

\* We expect that delivery of Notes will be made against payment therefore on or about the Issue Date, which will be [ ] business days following the date of pricing (this settlement cycle being referred to as “T+6”). Under Rule 15c6-1 of the Exchange Act, trades in the U.S. secondary market generally are required to settle within two business days (“T+2”), unless the parties to any such trade expressly agree otherwise. Purchasers who wish to trade Notes in the United States between the date of pricing and the date that is two business days prior to the Issue Date will be required, by virtue of the fact that such Notes initially will settle beyond T+2, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Notes who wish to trade Notes between the date of pricing and the date that is two business days prior to the relevant Issue Date should consult their own adviser.

\*\* Ratings are not a recommendation to purchase, hold or sell notes, inasmuch as the ratings do not comment as to market price or suitability for a particular investor. The ratings are based upon current information furnished to the rating agencies by KBC and information obtained by the rating agencies from other sources. The ratings are only accurate as of the date thereof and may be changed, superseded or withdrawn as a result of changes in, or unavailability of, such information, and therefore a prospective purchaser should check the current ratings before purchasing the Notes. Each rating should be evaluated independently of any other rating.

**PROHIBITION OF SALES TO CONSUMERS – The Notes are not intended to be offered, sold or otherwise made available, and will not be offered, sold or otherwise made available, by any Dealer to any “consumer” (*consument/consommateur*) within the meaning of the Belgian Code of Economic Law (*Wetboek van economisch recht/Code de droit économique*), as amended.**

[The Notes are complex financial instruments and are not a suitable or appropriate investment for all investors. Investing in the Notes involves risks. Investors should not purchase the Notes in the primary or secondary markets unless they are professional investors and understand the risks involved. The Notes are not suitable for retail investors. There are risks inherent in the holding of the Notes, including the risks in relation to their subordination and the circumstances in which noteholders may suffer loss as a result of holding the Notes should the Issuer become subject to any resolution procedure or insolvent.]

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”) or with any securities regulatory authority of any State or other jurisdiction of the United States and may not be offered or sold except (1) in an offshore transaction to persons who are not U.S. persons in reliance on Regulation S under the Securities Act (“Regulation S”) and (2) to “Qualified Institutional Buyers” (as defined in Rule 144A under the Securities Act (“Rule 144A”)) (“QIBs”), in reliance on Rule 144A or another available exemption from registration under the Securities Act and in accordance with any applicable securities laws of any State of the United States. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of the Notes and the distribution of the Offering Memorandum (as defined below) and this document, see “Plan of Distribution; Subscription and Sale” in the Offering Memorandum.

KBC Group NV, in its capacity as a Dealer for the Notes offered hereby, will only offer or sell Notes outside the United States under Regulation S under the Securities Act. KBC Group NV is not a broker-dealer registered with the SEC and will not be offering or selling securities in the United States or to U.S. nationals or residents.

The Notes constitute unconditional liabilities of the Issuer. The Notes are not deposit liabilities of the Issuer and are not insured or guaranteed by the U.S. Federal Deposit Insurance Corporation, the Canada Deposit Insurance Corporation, or any other governmental or deposit insurance agency or entity of the United States, Belgium or any other jurisdiction. The Issuer is not subject to regulation by the Office of the Superintendent of Financial Institutions (Canada).

## GENERAL INFORMATION

- (1) The update of the Programme has been duly authorized by resolutions of the Issuer's Executive Committee dated September 5, 2023.
- (2) Application will be made to Euronext Dublin, for a period of 12 months from the date of this Offering Memorandum for Notes issued under the Programme, to be admitted to the "Official List" and to trading on the Global Exchange Market of Euronext Dublin. The listing of Notes on Euronext Dublin will be expressed at their nominal amount (excluding accrued interest). It is expected that each Tranche of Notes which is to be admitted to the Official List will be admitted separately as and when issued, subject only to the issue of the Notes of such Tranche.
- (3) Other than as disclosed in this Offering Memorandum, there has been no significant change in the financial or trading position of the Issuer since June 30, 2023 and no material adverse change in the prospects of the Issuer since December 31, 2022.
- (4) Other than as set out in Section "*Description of the Group – Legal Proceedings*", the Issuer is not involved in any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) which may have or have had in the twelve months preceding the date of this Offering Memorandum a significant effect on the financial position or profitability of the Issuer.
- (5) No entity or organization has been appointed to act as representative of the Noteholders. The provisions on meetings of Noteholders are set out in Condition 12(a) (*Meetings of Noteholders*) and Schedule 1 (*Provisions on Meetings of Noteholders*) to the Conditions.
- (6) Notes have been accepted for clearance through the facilities of the Securities Settlement System. The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the applicable Pricing Supplement. As at the date of this Offering Memorandum, the address of the National Bank of Belgium (i.e., the operator of the Securities Settlement System) is Boulevard de Berlaimont 14, B-1000 Brussels, Belgium and the address of the operator of any Alternative Clearing System will be specified in the applicable Pricing Supplement.
- (7) Where information in this Offering Memorandum has been sourced from third parties, this information has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from the information published by such third parties no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.
- (8) The issue price and the amount of the relevant Notes will be determined, before filing of the applicable Pricing Supplement of each Tranche, based on the prevailing market conditions. Subject to any period or *ad hoc* reporting obligations under applicable laws, the Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.
- (9) For so long as the Notes are listed on the Official List of Euronext Dublin and admitted to trading on the Global Exchange Market pursuant to this Offering Memorandum, the following documents will be available on the website of the Issuer ([www.kbc.com](http://www.kbc.com)):
  - (i) the constitutional documents of the Issuer;

- (ii) the audited consolidated financial statements of the Issuer for each of the three financial years ended December 31, 2020, December 31, 2021 and December 31, 2022, in each case together with the audit reports in connection therewith;
- (iii) the unaudited condensed consolidated financial statements of the Issuer for the second quarter and first half of 2022 and for the second quarter and first half of 2023, in each case together with the report of the auditor in connection therewith;
- (iv) each Pricing Supplement; and
- (v) a copy of the Offering Memorandum together with any further or supplemental offering memoranda relating to the Programme.

This Offering Memorandum, the Pricing Supplement for Notes that are listed and admitted to trading on the Global Exchange Market of Euronext Dublin and each document incorporated by reference will be published on the website of Euronext Dublin (<https://live.euronext.com/>).

The Agency Agreement and the Clearing Agreement will, for so long as Notes may be issued pursuant to this Offering Memorandum, (i) be available during usual business hours on any weekday (Saturdays and public holidays excepted) for inspection at the registered office of the Paying Agent and (ii) may be provided by the Paying Agent by email to a Noteholder requesting a copy, in each case upon such Noteholder providing satisfactory proof of a holding of Notes, and subject to the Paying Agent being supplied by the Issuer with electronic copies.

The Deposit Agreement and the Deed of Covenant will, for so long as Notes may be issued pursuant to this Offering Memorandum, be available (i) upon reasonable prior written notice at all reasonable times during normal business hours at the Corporate Trust office of the CDI Depository for inspection by any owner of CDIs and (ii) on the website of the Issuer (<https://www.kbc.com/en/investor-relations/debt-issuance/kbc-group/us-mtn-programme.html>).

- (10) Copies of the latest annual report and audited consolidated annual financial statements of the Issuer and the latest unaudited interim condensed consolidated financial statements of the Issuer may be obtained at the specified offices of the Paying Agent during normal business hours, so long as any of the Notes are outstanding.

PricewaterhouseCoopers Bedrijfsrevisoren BV (*erkende revisor/révisieur agréé*), represented by Damien Walgrave and Jeroen Bockaert, with offices at Culliganlaan 5, B-1831 Diegem (“**PwC**”), has been appointed as auditor of the Issuer for the financial years 2016-2022. PwC is a member of the *Instituut der Bedrijfsrevisoren/Institut des Réviseurs d’Entreprises*. The consolidated financial statements of the Issuer (as well as the annual accounts of the Issuer) for the years ended December 31, 2020, December 31, 2021 and December 31, 2022 have been audited in accordance with ISA by PwC and the audits resulted, in each case, in an unqualified opinion. The reports of the auditor of the Issuer on the Issuer’s consolidated financial statements are included or incorporated in the form and context in which they are included or incorporated, with the consent of the auditors.

- (11) The Arranger, the Dealers and their respective affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and its affiliates in the ordinary course of business. They have received, or may in the future receive, customary fees and commissions for these transactions. The Arranger, the Dealers and their respective affiliates may have positions, deal or make markets in the Notes, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer, other members of the Group and their affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities. In addition, in the ordinary course of their business activities, the Arranger, the Dealers and their respective affiliates may make or hold a broad

array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. The Arranger, the Dealers and/or their respective affiliates may receive allocations of Notes (subject to customary closing conditions), which could affect future trading of the Notes. Certain of the Arranger, the Dealers or their respective affiliates that have a lending relationship with the Issuer hedge or may hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Arranger, Dealers and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such credit default swaps or short positions could adversely affect future trading prices of Notes issued under the Programme. The Arranger, the Dealers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

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