PROSPECTUS DATED 20 APRIL 2018

KBC Group NV

(incorporated with limited liability in Belgium)

EUR 1,000,000,000 Undated Deeply Subordinated Additional Tier 1 Fixed Rate Resettable Callable Securities

This prospectus (the "**Prospectus**") constitutes a prospectus in relation to the issue of EUR 1,000,000,000 Undated Deeply Subordinated Additional Tier 1 Fixed Rate Resettable Callable Securities (the "**Securities**") by KBC Group NV (the "**Issuer**").

The issue price of the Securities is 100 per cent. of their principal amount.

The Securities will, subject to certain interest cancellation provisions as described below, bear interest on their Prevailing Principal Amount (as defined in Condition 17 (*Definitions*)) on a non-cumulative basis. Interest will be payable semi-annually in arrear on 24 April and 24 October of each year (each an "**Interest Payment Date**") from (and including) 24 April 2018 (the "**Issue Date**") to (but excluding) 24 October 2025 (the "**First Call Date**") at a fixed rate of 4.250 per cent. per annum. The rate of interest will reset on the First Call Date and each date which falls five, or a multiple of five, years after the First Call Date (each, a "**Reset Date**").

The Issuer may elect, at its sole discretion, to cancel (in whole or in part) the payment of interest on the Securities otherwise scheduled to be paid on an Interest Payment Date. Furthermore, interest shall be cancelled (in whole or in part) if, and to the extent that (a) the payment of such interest, when aggregated with any interest payments or distributions which have been paid or made or which are required to be paid or made on the Securities or any other own funds items in the then current financial year (excluding any such interest payments or distributions which (A) are not required to be made out of Distributable Items (as defined in Condition 3.2 (*Interest cancellation*)) or (B) have already been provided for, by way of deduction, in the calculation of Distributable Items and any other amounts which the Competent Authority may require to be taken into account, would cause the amount of Distributable Items (if any) then available to the Issuer to be exceeded; (b) the payment of such interest would cause, when aggregated together with other distributions of the kind referred to in Article 101, §1 of the Belgian Banking Law (as defined in Condition 17 (*Definitions*)) (transposing Article 141(2) of the Capital Requirements Directive (as defined in Condition 17 (*Definitions*))), the Maximum Distributable Amount (as defined in Condition 3.2 (*Interest cancellation*)) (if any) then applicable to the Issuer to be exceeded; or (c) the Competent Authority (as defined in Condition 17 (*Definitions*)) orders the Issuer to cancel the payment of interest. Any interest that has been cancelled is no longer payable by the Issuer or considered accrued or owed to the holders of Securities (the "**Securityholders**"). Securityholders shall have no right thereto whether in a bankruptcy (*failissement/faillite*) or dissolution, as a result of the insolvency of the Issuer or otherwise. See Condition 3.2 (*Interest cancellation*) in "*Terms and Conditions of the Securities*".

The Prevailing Principal Amount (as defined in Condition 17 (*Definitions*)) of the Securities will be written down if, at any time, the Consolidated CET1 Ratio (as defined in Condition 17 (*Definitions*)) is less than 5.125 per cent. Securityholders may lose some or substantially all of their investment in the Securities as a result of such a write-down. Following such reduction, the Prevailing Principal Amount may, at the Issuer's discretion, be written-up to the Original Principal Amount (as defined in Condition 17 (*Definitions*)) if certain conditions are met. See Condition 7 (*Principal Write-down and Principal Write-up*) in "*Terms and Conditions of the Securities*".

The Securities will constitute direct, unconditional, unsecured and deeply subordinated obligations of the Issuer, ranking *pari passu* among themselves without any preference. The Securities shall rank (a) subject to any obligations which are mandatorily preferred by law, junior to the claims of all unsubordinated creditors; (b) junior to the rights and claims of holders of all subordinated indebtedness of the Issuer (including Tier 2 Capital Instruments (as defined in Condition 17 (*Definitions*)) other than: (i) any Junior Obligations (as defined in Condition 17 (*Definitions*)), and (ii) any Parity Securities (as defined in Condition 17 (*Definitions*)); (c) *pari passu* without any preference among themselves and *pari passu* with any Parity Securities; and (d) senior only to the rights and claims of holders of any Junior Obligations (as defined in Condition 17 (*Definitions*)). See Condition 2 (*Status of the Securities*) in "*Terms and Conditions of the Securities*".

The Securities have no fixed maturity and Securityholders do not have the right to call for their redemption. As a result, the Issuer is not required to make any payment of the principal amount of the Securities at any time prior to its winding-up. The Issuer may, at its option, redeem the Securities on the First Call Date and every Interest Payment Date thereafter (each, an "**Issuer Call Date**") in whole, but not in part, at their Prevailing Principal Amount, together with any accrued but unpaid interest (excluding any interest which has been cancelled in accordance with the Conditions) to, but excluding, the date of redemption. The Issuer may not redeem the Securities on any Issuer Call Date if the Prevailing Principal Amount of the Securities is lower than the Original Principal Amount at such time. The Issuer may also, at its option, redeem the Securities in whole, but not in part, at their Prevailing Principal Amount, together with any accrued but unpaid interest (excluding any interest which has been cancelled in accordance with the Conditions) to (but excluding) the date of redemption, upon the occurrence of a Tax Gross Up Event, a Tax Deductibility Event or a Regulatory Event (each as defined in Condition 5 (*Redemption and Purchase*)). See Condition 5 (*Redemption and Purchase*) in "*Terms and Conditions of the Securities*".

Amounts payable under the Securities are calculated by reference to the mid-swap rate for euro swaps with a term of 5 years which appears on the Reuters screen "ICESWAP2" as of 11:00 a.m. (Central European time) on such Mid-Swap Rate Determination Date (as defined in Condition 17 (*Definitions*)) which is provided by ICE Benchmark Administration or by reference to EURIBOR, which is provided by the European Money Markets Institute. As at the date of this Prospectus, ICE Benchmark Administration and the European Money Markets Institute do not appear on 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 (Regulation (EU) 2016/1011). As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmark Regulation apply, such that ICE Benchmark Administration and the European Money Markets Institute are not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence).

An investment in Securities involves certain risks. For a discussion of these risks see "*Risk factors*". Investors should review and consider these risk factors carefully before purchasing any Securities. The Securities may be subject to the application of the bail-in tool (as defined on page 36 of this Prospectus), as well as the Write-Down and Conversion Power (as defined on page 38 of this Prospectus), either of which may result in the Securities being written-down or converted into equity (in whole or in part). The Securities are also the subject of contractual write-down provisions as described above. Therefore, investors should review and consider the risk factors relating to the bail-in tool, the Write-down and Conversion Power and the contractual write-down provisions of the Securities and the impact these may have on their investment. This Prospectus does not necessarily describe all the risks linked to an investment in the Securities and additional risks and uncertainties, including those of which the Issuer is not currently aware or deems immaterial, may also potentially have an adverse effect on the Issuer's business, financial condition, results of operations, or future prospects or may result in other events that could cause investors to lose all or part of their investment. Prospective investors should carefully consider the risks set forth in this Prospectus and reach their own views prior to making any investment decision and consult their professional advisers.

This Prospectus has been approved by the Financial Services and Markets Authority (*Autoriteit voor Financiële Diensten en Markten/Autorité des* *services et marchés financiers*) (the "**FSMA**") in its capacity as competent authority under Article 23 of the Belgian Law of 16 June 2006 on public offering of investment securities and the admission of investment securities to trading on a regulated market (the "**Prospectus Law**") as a prospectus for the purposes of Article 23 of the Prospectus Law and Article 5.3 of Directive 2003/71/EC, as amended by Directive 2010/73/EU (together, the "**Prospectus Directive**"). This approval does not imply any appraisal by the FSMA as to the opportunity or the merits of the securities, nor on the situation of the Issuer. Application has been made for the Securities to be listed and to be admitted to trading, as of the Issue Date, on the regulated market of Euronext Brussels ("**Euronext Brussels**"). Euronext Brussels is a regulated market for the purposes of the Prospectus Directive.

The Securities are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, retail clients, as defined in the Markets in Financial Instruments Directive 2014/65/EU (as amended) ("MiFID II"), or in Belgium to "consumers"(*consumenten/consommateurs*) within the meaning of the Belgian Code of Economic Law (*Wetboek economisch recht/Code de droit economique*) dated 28 February 2013, as amended from time to time (the "Belgian Code of Economic Law"). Prospective investors are referred to the section headed "Restrictions on marketing and sales to retail investors" on page 5 of this Prospectus for further information.

The Securities will be issued in minimum denominations of EUR 200,000 and integral multiples thereof. The Securities will be issued in dematerialised form in accordance with Articles 468 et seq. of the Belgian Companies Code and will be represented by a book-entry in the records of the settlement system operated by the National Bank of Belgium (the "**NBB**") or any successor thereto (the "**NBB-SSS**"). The Securities will only be placed with investors holding an exempt securities account ("**X-Account**") that has been opened with a financial institution that is a direct or indirect participant in the NBB-SSS. The Securities and any non-contractual obligations arising therefrom or in connection therewith shall be governed by, and construed in accordance with, English law (except for Conditions 1 (*Form, Denomination and Title*), 2 (*Status of the Securities*) and 12 (*Meeting of holders and Modification*) and any non-contractual obligations arising therefrom or in connection therewith, which shall be governed by Belgian law).

The Securities are expected to be rated BB by S&P Global Ratings France SAS. ("**S&P**") and BB+ by Fitch France S.A.S. ("**Fitch**"). **A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.** Each of S&P and Fitch is established in the European Union and is included in the list of credit rating agencies registered in accordance with Regulation (EC) No. 1060/2009 on Credit Rating Agencies, as amended by Regulation (EU) No. 513/2011 (the "**CRA Regulation**"). This list is available on the ESMA website.

The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or any U.S. State securities laws and, unless so registered, 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.

Global Coordinator

Morgan Stanley

Joint Bookrunners and Joint Lead Managers

Morgan Stanley	**BNP PARIBAS**
Deutsche Bank	**Goldman Sachs International**
HSBC	**KBC Bank**

IMPORTANT INFORMATION

GENERAL

This Prospectus comprises a prospectus in respect of the Securities issued for the purposes of Article 5.3 of the Prospectus Directive. This Prospectus has been prepared on the basis of Annexes IX and XIII to Commission Regulation (EC) 809/2004.

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

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

The Joint Lead Managers (as defined in "*Subscription and Sale*") have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Managers as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer in connection thereto. None of the Joint Lead Managers accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection thereto. The statements made in this paragraph are made without prejudice to the responsibility of the Issuer under the Prospectus.

To the fullest extent permitted by law, no Joint Lead Manager accepts any responsibility for the contents of this Prospectus, and no Joint Lead Manager accepts any responsibility for any statement made, or purported to be made, by any other Joint Lead Manager or on its behalf in connection with the Issuer or the issue and offering of the Securities. Each Joint Lead Manager accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Prospectus or any such statement.

No person is or has been authorised by the Issuer or the Joint Lead Managers to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with this Prospectus or the Securities and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or by any of the Joint Lead Managers.

Neither this Prospectus nor any other information supplied in connection with this Prospectus or the Securities (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation (or a statement of opinion) by the Issuer or by any of the Joint Lead Managers that any recipient of this Prospectus or any other information supplied in connection with the Prospectus or the Securities should purchase the Securities. Each investor contemplating purchasing the Securities should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer.

Neither this Prospectus nor any other information supplied in connection with the issue of the Securities constitutes an offer or invitation by or on behalf of the Issuer or any of the Joint Lead Managers to any person to subscribe for or to purchase the Securities.

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

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

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

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

This Prospectus contains various amounts and percentages which have been rounded and, as a result, when those amounts and percentages are added up, they may not total.

IMPORTANT INFORMATION RELATING TO THE USE OF THIS PROSPECTUS AND OFFER OF THE SECURITIES GENERALLY

This Prospectus has been approved for the purposes of the listing and admission to trading of the Securities on the regulated market of Euronext Brussels and does not constitute an offer to sell or the solicitation of an offer to buy the Securities in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction.

The distribution of this Prospectus and the offer or sale of the Securities may be restricted by law in certain jurisdictions. Neither the Issuer nor the Joint Lead Managers represent that this Prospectus may be lawfully distributed, or that the Securities may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Joint Lead Managers which is intended to permit a public offering of the Securities or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, the Securities may not be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

Persons into whose possession this Prospectus or the Securities may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of the Securities. For a description of certain restrictions on offers and sales of the Securities and on distribution of this Prospectus, see *"Subscription and Sale"*.

The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended. Subject to certain exceptions, the Securities may not be offered, sold or delivered 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).

The Securities may not be a suitable investment for all investors. Each potential investor in the Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) **have sufficient knowledge and experience to make a meaningful evaluation of the Securities, the merits and risks of investing in the Securities and the information contained or incorporated by reference in this Prospectus;**

(ii) **have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and the impact the Securities 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 Securities, 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 Securities and be familiar with the behaviour of any relevant indices 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 (i) the Securities are legal investments for it, (ii) the Securities can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of the Securities. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Securities under any applicable risk-based capital or similar rules.

<u>The Securities may only be held by, and may only be transferred to, Eligible Investors referred to in Article 4 of the Belgian Royal Decree of 26 May 1994 holding their Securities in an exempt account that has been opened with a financial institution that is a direct or indirect participant in the NBB-SSS operated by the NBB.</u>

RESTRICTIONS ON MARKETING AND SALES TO RETAIL INVESTORS

The Securities are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions (including the United Kingdom and Belgium), regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Securities to retail investors.

In particular, in June 2015, the United Kingdom Financial Conduct Authority (the "**FCA**") published the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015, which took effect from 1 October 2015 (the "**PI Instrument**").

In addition, (i) on 1 January 2018, the provisions of Regulation (EU) No. 1286/2014 on key information documents for packaged and retail and insurance-based investment products (the "**PRIIPs Regulation**") became directly applicable in all EEA member states and (ii) the Markets in Financial Instruments Directive 2014/65/EU (as amended) ("**MiFID II**") was required to be implemented in EEA member states by 3 January 2018. Together, the PI Instrument, the PRIIPs Regulation and MiFID II are referred to as the "**Regulations**".

The Regulations set out various obligations in relation to (i) the manufacturing and distribution of financial instruments and (ii) the offering, sale and distribution of packaged retail and insurance-based investment products and certain contingent write down or convertible securities, such as the Securities.

Potential investors should inform themselves of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the Securities (or any beneficial interests therein), including the Regulations.

Each of the Joint Lead Managers is required to comply with some or all of the Regulations. By purchasing, or making or accepting an offer to purchase, any Securities (or a beneficial interest in such Securities) from the Issuer and/or any of the Joint Lead Managers, each prospective investor will thereby represent, warrant, agree with and undertake to the Issuer and each of the Joint Lead Managers that:

(i) it is not a retail client (as defined in MiFID II);

(ii) whether or not it is subject to the Regulations, it will not:

  (a) sell or offer the Securities (or any beneficial interest therein) to retail clients (as defined in MiFID II); or

  (b) communicate (including the distribution of the Prospectus) or approve an invitation or inducement to participate in, acquire or underwrite the Securities (or any beneficial interests therein) where that invitation or inducement is addressed to, or disseminated in such a way that it is likely to be received by, a retail client (as defined in MiFID II). In selling or offering Securities or making or approving communications relating to the Securities, it may not rely on the limited exemptions set out in the PI Instrument; and

(iii) it will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of the Securities (or any beneficial interests therein), including (without limitation) MiFID II and any other applicable laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Securities (or any beneficial interests therein) by investors in any relevant jurisdiction.

The Securities are not intended to be offered, sold to or otherwise made available to, and should not be offered, sold or otherwise made available in, Belgium to "consumers" (*consumenten/consommateurs*) within the meaning of the Belgian Code of Economic Law (*Wetboek economisch recht/Code de droit economique*) dated 28 February 2013, as amended from time to time (the "**Belgian Code of Economic Law**").

By purchasing, or making or accepting an offer to purchase, any Securities (or a beneficial interest in such Securities) from the Issuer and/or the Joint Lead Managers, each prospective investor represents, warrants, agrees with and undertakes to the Issuer and the Joint Lead Managers that:

(i) it is not a "consumer" within the territory of Belgium (as defined in the Belgian Code of Economic Law);

(ii) it will not sell, offer or otherwise make the Securities available to "consumers" within the territory of Belgium; and

(iii) it will at all times comply with the applicable laws and regulations relating to the offering of investment instruments (such as the Securities) to "consumers" within the territory of Belgium, including (without limitation) the provisions of the Belgian Code of Economic Law.

Each potential investor should inform itself of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the Securities (or any beneficial interests therein).

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Securities (or any beneficial interests therein) from the Issuer and/or any of the Joint Lead Managers, the foregoing representations, warranties, agreements and undertakings will be given by and be binding on both the agent and its underlying client(s).

Prohibition of sales to EEA retail investors – The Securities 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 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 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by the PRIIPs Regulation for offering or selling the Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Securities has led to the conclusion that: (i) the target market for the Securities is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Securities (a "**distributor**") should take into consideration the manufacturers' target market assessment. However, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Securities (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

STABILISATION

In connection with the issue of the Securities, Morgan Stanley & Co. International plc (the "**Stabilisation Manager**") may over-allot Securities or effect transactions with a view to supporting the market price of the Securities at a level higher than that which might otherwise prevail. Stabilisation may, however, not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Securities is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Securities and 60 days after the date of the allotment of the Securities. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or any person acting on behalf of the Stabilisation Manager), in accordance with all applicable laws and rules.

CURRENCIES

In this Prospectus, unless otherwise specified or the context otherwise requires, references to "**euro**", "**EUR**" and "**€**" are to the lawful currency of the member states of the European Union that have adopted or adopt the single currency in accordance with the Treaty establishing the European Union, as amended, and to "**U.S.$**" or "**USD**" are to the lawful currency of the United States.

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RISK FACTORS

An investment in the Securities involves a degree of risk.

The Securities are being offered to professional investors only and are not suitable for retail investors.

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

In addition, factors which are material for the purpose of assessing the market risks associated with the Securities are also described below.

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

The "Group" refers to KBC Group NV and its subsidiaries from time to time (including KBC Bank NV and KBC Insurance NV).

Capitalised terms used herein and not otherwise defined shall bear the meaning ascribed to them in the "Terms and Conditions of the Securities" below.

Risks relating to the Issuer and the Group

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

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

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

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

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

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

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

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

On 23 June 2016, the United Kingdom held a national referendum on the continued membership of the United Kingdom in the European Union. A majority of voters voted for the United Kingdom to leave the European Union. The announcement of the referendum result caused significant volatility in global stock markets and currency exchange rate fluctuations that resulted in a significant weakening of the pound sterling against the U.S. dollar, the euro and other major currencies. The share prices of major banks in Europe, including the Group, suffered significant declines in market prices in the weeks following the referendum. Furthermore, major credit rating agencies have also downgraded the sovereign credit rating of the United Kingdom.

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

The effects on the United Kingdom, European and global economy of the uncertainties arising from the results of the referendum are difficult to predict but may include economic and financial instability in the United Kingdom, Europe and the global economy and the other types of risks described in the previous risk factor entitled "*Economic and market conditions may pose significant challenges for the Group and may adversely affect its results*" on page 9 of this Prospectus. Any uncertainty or economic and financial instability or other effects arising as a result of the decision of the United Kingdom to leave the European Union, could affect the Group's business and, if they were to persist or worsen, could adversely affect the financial condition, results of operations and access to capital and credit of the Group.

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

There have been significant regulatory developments in response to the global financial crisis, including various initiatives, measures, stress tests and liquidity risk assessments taken at the level of the European

Union, national governments, the European Banking Authority and/or the European Central Bank (the "**ECB**"). This has led to the adoption of a new regulatory framework and the so-called "Banking Union", as a result of which the responsibility for the supervision of the major Eurozone credit institutions (including the Group) has been assumed at the European level.

The most relevant areas of regulatory and legislative developments which affect the Group and the Issuer, as its parent, include the following:

- The revised regulatory framework of Basel III which was implemented in the European Union through the adoption of Regulation (EU) n°575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms ("**CRR**") and Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions on prudential requirements for credit institutions and investment firms ("**CRD**", and together with CRR, "**CRD IV**").

- A new recovery and resolution regime for credit institutions which introduced certain tools and powers with a view to addressing banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses, through Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending various EU Directives and Regulations ("**BRRD**").

- The assumption in November 2014 of certain supervisory responsibilities by the ECB which were previously handled by the National Bank of Belgium (the "**NBB**"), pursuant to Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (the "**Single Supervision Mechanism**" or "**SSM**").

- Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Bank Resolution Fund and amending Regulation (EU) No 1093/2010 of the European Parliament and of the Council (the "**Single Resolution Mechanism**" or "**SRM**"). The Single Resolution Mechanism entered into force on 19 August 2014 and applies to credit institutions which fall under the supervision of the ECB, including the Group. It established a Single Resolution Board ("**SRB**") which is responsible since 1 January 2016 of vetting resolution plans and carrying out any resolution in cooperation with the national resolution authorities (the SRB together with the resolution college of the NBB is hereinafter referred to as the "**Relevant Resolution Authority**").

- The European Union developed a new solvency framework for insurance and reinsurance companies operating in the European Union, referred to as "Solvency II". The European Directive 2009/138/EC on the taking-up and pursuit of the business of insurance and reinsurance of 25 November 2009 (**"Solvency II Directive"**) as supplemented by the Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC marked an important step in this major reform. The Solvency II framework is applicable in all EU countries as from 1 January 2016.

- Furthermore, changes are also being made to the International Financial Accounting Standards ("**IFRS**").

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

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

In addition, the Belgian Banking Law also puts a lot of emphasis on the solid and efficient organisation of credit institutions and introduces to that effect a dual governance structure at management level, specialised advisory committees within the board of directors (audit committee, risk committee, remuneration committee and nomination committee), independent control functions, and strict remuneration policies (including limits on the amount of variable remuneration, the form and timing for vesting and payment of variable remuneration, as well as claw-back mechanics). The 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 general and risk policy, which is entrusted to 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 fit and proper standards have been further elaborated by the NBB in a circular of 17 June 2013 and in the Belgian Banking Law itself. The NBB Governance Manual for the Banking Sector contains recommendations to assure, amongst others, the suitability of shareholders, management and independent control functions and the appropriate organisation of the business.

On 23 November 2016, the European Commission proposed certain further amendments to CRD IV and BRRD. These relate, amongst others, to the inclusion of a new layer of so-called "non-preferred" senior debt instruments in the hierarchy of creditors to absorb losses and certain other changes to implement the proposal by the Financial Stability Board in respect of the Total Loss-Absorbing Capacity ("**TLAC**") for global systemically important banks ("**G SIBs**"). Most proposed changes are currently scheduled to be adopted and implemented in large part by 2019 at the earliest.

On 31 July 2017, the Belgian legislator amended the Belgian Banking Law in order to give effect to the European Commission's proposals of 23 November 2016 to amend CRD IV and BRRD with respect to the ranking of unsecured debt instruments. The law adds a new article 389/1 in the Belgian Banking Law to establish a new category of unsecured senior debt, so called senior "non-preferred" debt, which is subordinated to senior "preferred" debt. This is in line with Article 108 of BRRD, as amended by Directive (EU) 2017/2399 of the European Parliament and of the Council of 12 December 2017 amending the BRRD as regards the ranking of unsecured debt instruments in insolvency hierarchy.

On 7 December 2017, the Basel Committee reached an agreement on the remaining Basel III post-crisis regulatory reforms (commonly known as "**Basel IV**"). Main elements include a 72.5% aggregate output floor next to calibrations of the revised standardised approaches for credit risk and especially operational risk. The Basel IV agreement needs to be transposed into European regulation. It will apply as from 1 January 2022. The output floor will be phased in over five years from 2022 to 2027. For the Issuer, the RWA increase related to Basel IV is estimated at roughly €8 bn. higher RWA on a fully loaded basis as at year-end 2017, which corresponds with a RWA inflation of 9% and an impact on the CET1 ratio of -1.3%. This figure is based on the current interpretation of Basel IV, a static balance sheet and the current economic environment.

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

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

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

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

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

Competition is also affected by consumer demand, technological changes (including the growth of digital banking), regulatory actions and/or limitations and other factors. Such factors include changes in competitive behaviour due to new entrants to the market (including potentially non-traditional financial services providers such as large retail or technology conglomerates) and new lending models (such as, for example, peer-to-peer lending). These competitive pressures could result in increased pricing pressures on a number of the Group's products and services and in the loss of market share in one or more such markets. Moreover, there can be no certainty that the Group's investment in its IT capability intended to address the material increase in customer use of online and mobile technology for banking will be successful or that it will allow the Group to continue to grow such services in the future.

2. Risks relating to the Group and its business

2.1 The Group has significant credit default risk exposure

As a large financial organisation, the Group is subject to a wide range of general credit risks, including risks arising from changes in the credit quality and recoverability of loans and amounts due from counterparties. Third parties that owe the Group money, securities or other assets may not pay or perform under their obligations. These parties include, among others, borrowers under loans made by the Group (in particular, by KBC Bank NV), the issuers whose securities the Group holds, customers, trading counterparties,

counterparties under derivative contracts, clearing agents, exchanges, clearing houses, guarantors and other financial intermediaries. These parties may default on their obligations to the Group due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure or other reasons.

After witnessing a significant increase in default rates as a result of worsening economic conditions, over recent years credit institutions have seen an ongoing improvement in the amount of impaired loans. This trend – i.e. the decreasing amount of impaired loans – was also visible in the portfolio of the Group since 2014, particularly in Ireland. To a limited extent, credit is also granted in a currency other than the local currency. In those cases, changes in exchange rates between the local and such other currency can also have an impact on the credit quality of the borrower. Any further adverse changes in the credit quality of the Group's borrowers, counterparties or other obligors could affect the recoverability and value of its assets and require an increase in the Group's provision for bad and doubtful debts and other provisions. In addition to the credit quality of the borrower, adverse market conditions such as declining real estate prices negatively affect the results of the Group's credit portfolio since these conditions impact the recovery value of the collateral. All this could be further exacerbated in the case of a prolonged economic downturn or worsening market conditions.

The Group's banking business makes provisions for loan losses which correspond to the provision for impairment losses in its income statement in order to maintain appropriate allowances for loan losses based on an assessment of prior loan loss experience, the volume and type of lending being conducted, industry standards, past due loans, economic conditions and other factors related to the collectability of the loan portfolio. This determination is primarily based on the Group's historical experience and judgment. Any increase in the provision for loan losses, any loan losses in excess of the previously determined provisions with respect thereto or changes in the estimate of the risk of loss inherent in the portfolio of non-impaired loans could have a material adverse effect on the Group's business, results of operation or financial condition.

The Group's principal credit risk exposure is to retail and corporate customers, including in its mortgage and real estate portfolio, as well as towards other financial institutions and sovereigns. As this credit risk reflects some concentration, particularly in Belgium, the Czech Republic, the Slovak Republic, Hungary, Bulgaria and Ireland (the home markets) where the Group is active, its financial position is sensitive to a significant deterioration in credit and general economic conditions in these regions. Moreover, uncertainty regarding Greece and the rest of the Eurozone, the risk of losses as a result of a country's or a credit institution's financial difficulties or a downgrade in its credit rating could have a significant impact on the Group's credit exposure, loan provisioning, results of operation and financial position. In addition, concerns about, or a default by, one credit institution could lead to significant liquidity problems, losses or defaults by other institutions, because the commercial and financial soundness of many financial institutions are closely related as a result of their credit, trading, clearing and other relationships.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.5 The Group is subject to foreign exchange risk

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

2.6 The Group is subject to (trading) market risk

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

The Group uses a range of instruments and strategies to manage (trading) market risks to the level and extent defined by the Group's internal 'Risk Appetite' statement and the originating risk management frameworks as well as the external laws and regulations. If the market risk management instruments and strategies prove ineffective or only partially effective (e.g. basis risk arises), the Group may suffer losses. Sudden drying up of the liquidity in the financial markets may affect the (cost of the) implementation of the risk reducing measures. Unforeseen market developments such as those in relation to the government bonds of various countries which occurred in 2011 and 2012 may significantly reduce the effectiveness of the measures taken by the Group to hedge risks. Gains and losses from ineffective risk-hedging measures may heighten the volatility of the results achieved by the Group and could therefore have a material adverse effect on the Group's business, results of operations and financial condition.

2.7 A downgrade in the credit rating of the Issuer or its subsidiaries may limit access to certain markets and counterparties and may necessitate the posting of additional collateral to counterparties or exchanges

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

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

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

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

Nonetheless, such risk management techniques and strategies may not be fully effective in assessing risk exposure in all economic and market environments or against all types of risk, including risks that the Group fails to identify or anticipate. Some of the models and metrics used are based upon observed historical behaviour as well as future predictions. Accordingly, the models used by the Group may fail to predict or may predict incorrectly future risk exposures and the Group's losses could therefore be significantly greater than such measures would indicate. In addition, the risk management methods used by the Group do not take all risks into account and could prove insufficient. If prices move in a way that the Group's risk modelling has not anticipated, the Group may experience significant losses. These failures can be exacerbated where other market participants are using models that are similar to those of the Group. In certain cases, it may also be difficult to reduce risk positions due to the activity of other market participants or widespread market dislocations. Furthermore, other risk management methods depend on the evaluation of information regarding markets, customers or other publicly-available information. Such information may not always be accurate or up-to-date.

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

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

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

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

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

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

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

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

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

The Group's financial statements are based in part on assumptions and estimates which, if inaccurate, could cause material misstatement of the results of its operations and financial position.

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

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

The Group was also required to implement IFRS 9 (replacing IAS 39 relating to methodology for financial instruments classification and the expected loss impairment model) from 1 January 2018. The Group expects a negative impact of the first-time application of IFRS 9 on its fully loaded CET1 ratio of approximately 41 basis points.

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

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

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

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

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

Furthermore, plaintiffs in legal proceedings may seek recovery of large or indeterminate amounts or other remedies that may affect the Group's ability to conduct business, and the magnitude of the potential loss relating to such actions may remain unknown for substantial periods of time. Also, the cost to defend future actions may be significant. There may also be adverse publicity associated with litigation that could decrease customer acceptance of the Group's services, regardless of whether the allegations are valid or whether the relevant Group entity is ultimately found liable. See further "*Description of the Issuer – Litigation*" on page 150 of this Prospectus.

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

2.14 The Group is exposed to risks on account of pension obligations

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

2.15 The Group is exposed to certain risks relating to its insurance operations, including technical risk

In addition to the risks mentioned elsewhere in this section in relation to the Group, KBC Insurance NV is confronted with 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 NV and its realised technical income. KBC Insurance NV has implemented risk management methods to reduce and control the insurance risks to which it is exposed, as for example reinsurance programs, and the risks are constantly measured and monitored.

2.16 Risks related to the Group's insurance business

The Group is dependent on the level of insurance services required by its customers. The Group's insurance business faces substantial competitive pressure that could adversely affect the results of its operations. The Group's earnings assessment (annual exercise) aims to assess the longer term financial sustainability of the business model by estimating the impact of more or less severe events / trends that have a material long lasting or structural impact on future profitability.

2.17 Solvency II regime for insurance business

Solvency II is the relatively new regulatory framework for insurers in Europe which sets requirements with regard to capital, risk management and reporting standards. Key aspects in Solvency II are the risk-based capital requirements and the market value approach for balance sheet items. The Group has opted for the standard formula approach for all its (re)insurance subsidiaries, which is regarded as more conservative compared to using internal models. As required by Solvency II, a "Solvency and Financial Condition Report" of the KBC Insurance group consisting of KBC Insurance NV (Belgium), ČSOB Pojišťovna a.s. (Czech Republic), ČSOB Poisťovňa a.s. (Slovak Republic), K&H Insurance Zrt. (Hungary), DZI Life Insurance Jsc (including DZI General Insurance Jsc) (Bulgaria) and KBC Group Re (Luxembourg), is available at www.kbc.com.

3. Other risks relating to the Group

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

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

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

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

As a bank-insurance group, the Group is subject to the capital requirements and capital adequacy ratios of CRD IV, which implements the Basel III capital requirements, and of Solvency II. The CRD IV requirements include a capital conservation buffer and, in certain circumstances, a systemic buffer and/or a countercyclical buffer which come on top of the minimum requirements. These additional requirements are being gradually phased in and have an impact on the Group and its operations, as it imposes higher capital requirements.

In addition, in the context of its supervisory authority, the ECB requires the Group to maintain a pillar 2 requirement (P2R) and a pillar 2 guidance (P2G).

The Group is subject to the risk, inherent in all regulated financial businesses, of having insufficient capital resources to meet the minimum regulatory capital requirements. Under CRD IV, capital requirements are inherently more sensitive to market movements than under previous regimes. Capital requirements will increase if economic conditions or negative trends in the financial markets worsen. Accordingly, banks could be required to raise additional capital if they were to incur losses or asset impairments. Any such further capital increases may be difficult to achieve or only be raised at high costs in the context of adverse market circumstances.

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

CRD IV requires the Group to meet targets set for the Basel III liquidity related ratios, i.e., (i) the liquidity coverage ratio ("**LCR**") under Article 412 CRR which requires banks to hold sufficient unencumbered high quality liquid assets to withstand a 30-day stressed funding scenario and (ii) the net stable funding ratio ("**NSFR**") under Article 427 which is calculated as the ratio of an institution's amount of available stable funding to its amount of required stable funding. At year-end 2017, the NSFR of KBC Group stood at 134% and the average LCR in 2017 was 139%. Therefore, the Group currently complies with the CRD IV requirements (ratios respectively set at 90 per cent. and 100 per cent. as from 1 January 2018). However, failure to comply with these ratios in the future may lead to regulatory sanctions. Wholesale funding may also prove difficult if the Group does not achieve LCR and NSFR margins comparable to peers.

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

BRRD, which was adopted in May 2014 and implemented in the Belgian Banking Law, provides common tools and powers to supervisory and resolution authorities to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses. The powers granted to resolution authorities under the BRRD include a "bail-in" tool and a statutory "write-down and conversion power". These powers allow resolution authorities to write down the claims of unsecured creditors (including the rights of holders of the Securities) of a failing institution in order to recapitalise the institution by allocating losses to its shareholders and unsecured creditors, or to convert debt into equity, as a means of restoring the institution's capital position. The bail-in tool is applicable to all liabilities as defined in the BRRD, other than those specifically excluded pursuant to Article 44 (2) and (3) of the BRRD. The bail-in tool was introduced with effect on 1 January 2016 and comes in addition to the write-down and conversion power applicable to additional tier 1 and tier 2 capital instruments, which is to be exercised before or at the latest concurrently with (but immediately prior to) the exercise of any resolution power (including the bail-in power). A holder may lose all of its investment in the Securities, including the principal amount plus any accrued but unpaid interest in the event that Statutory Loss Absorption occurs.

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

Moreover, in order to make the bail-in power effective, BRRD and the Belgian Banking Law provide that credit institutions will at all times have to meet a minimum requirement for own funds and eligible liabilities ("**MREL**") so that there is sufficient capital and liabilities available to stabilise and recapitalise failing credit institutions. These requirements will be gradually phased in. KBC has put forward a preference for a Single Point of Entry approach at the level of KBC Group with bail-in as the primary resolution tool.

At the end of 2016, the SRB has put forward an indicative MREL figure for 2018 based on the mechanical approach as published by the SRB on 30 November 2016 (See further "*Description of the Issuer* – The strategic plan of KBC Group" on page 103 of this Prospectus). The SRB has not yet formally communicated a binding target of MREL at this point in time. This is expected in Q2 of 2018.

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

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

3.4 Belgian bank recovery and resolution regime

BRRD has been transposed into Belgian law gradually as from 3 March 2015. Under the Belgian bank recovery and resolution regime, the supervisory and resolution authorities (which includes the Relevant Resolution Authority) are able to take a number of measures in respect of any credit institution it supervises if deficiencies in such credit institution's operations are not remedied. Such measures include the appointment of a special commissioner whose consent is required for all or some of the decisions taken by all the institution's corporate bodies; the imposition of additional requirements in terms of solvency, liquidity, risk concentration and the imposition of other limitations; limitations on variable remuneration; the complete or partial suspension or prohibition of the institution's activities; the requirement to transfer all or part of the institution's participations in other companies; the replacement of the institution's directors or managers; the revocation of the institution's licence; and the right to impose the reservation of distributable profits, or the suspension of dividend distributions or interest payments to holders of Additional Tier 1 Capital Instruments (such as the Securities).

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

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

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

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

The Group conducts the vast majority of its business in the European Union. Part of that business has led to an exposure by the Group towards various countries in the European Union, including certain countries which have come under market pressure in the past few years and which have not yet fully recovered from the effects of the financial crisis. It is possible that political, economic and financial developments in certain European countries could put pressure on their ability to meet their obligations vis-à-vis their creditors, including the Group. If any such sovereign risk were to materialise, the Group's business, financial condition and results of operation could be materially adversely affected. See further "*Description of the Issuer – Risk management – Sovereign debt exposure*" on page 120 of this Prospectus.

Risks related to the Securities

1. The Securities are complex instruments that may not be suitable for all investors

The Securities may not be suitable for all investors. Each potential investor in the Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor, either on its own or with the help of its financial and other professional advisers, should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Issuer and the Securities, the merits and risks of investing in the Securities and the information contained or incorporated by reference in this Prospectus;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities 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 Securities, including where the currency for payments in respect of the Securities is different from the potential investor's currency and including the possibility that the entire principal amount of the Securities could be lost;

(iv) understand thoroughly the terms of the Securities, including the provisions relating to the payment and cancellation of interest and any write-down of the Securities, and be familiar with the behaviour of any relevant indices and the financial markets in which they participate; 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.

The Securities are complex financial instruments making it difficult to compare them with other similar financial instruments due to a lack of fully harmonised structures, trigger points and loss absorption features. A potential investor should not invest in the Securities unless it has the expertise (either alone or with a financial adviser) to evaluate how the Securities will perform under changing conditions, the likelihood of a Principal Write-down, reaching the point of non-viability or cancellation of coupons (as discussed below in the risk factors "*A Holder may lose all of its investment in the Securities, including the principal amount plus any accrued but unpaid interest, in the event that Statutory Loss Absorption occurs*", "*The Issuer may elect not to pay interest on the Securities or in certain circumstances be required not to pay such interest*" and "*The principal amount of the Securities may be reduced (Written Down) to absorb losses*"), the resulting effects on the value of the Securities, and the impact of this investment on the potential investor's overall investment portfolio. These risks may be difficult to evaluate given their discretionary or unknown nature.

2. *The Securities constitute deeply subordinated obligations*

The Securities constitute unsecured and deeply subordinated obligations of the Issuer. As a result, in the event of the dissolution or liquidation of the Issuer (other than a voluntary liquidation in connection with a reconstruction, merger or amalgamation where the continuing corporation assumes all the liabilities of the Issuer), the rights and claims of the holders against the Issuer in respect of or arising under (including any damages awarded for breach of any obligation under) the Securities shall rank as described in the Terms and Conditions of the Securities. In particular, they shall (i) be junior to the rights and claims of holders of all other indebtedness of the Issuer (including Tier 2 Capital Instruments) other than (x) any Junior Obligations and (y) any Parity Securities, and (ii) be senior only to the rights and claims of any Junior Obligations.

Before the occurrence of any event referred to above, holders of the Securities may already have lost the whole or part of their investment in the Securities as a result of a write-down of the principal amount of the Securities following a Trigger Event and/or a write-down or conversion into equity of the principal amount of the Securities following Statutory Loss Absorption (see the risk factors "*The principal amount of the Securities may be reduced (Written Down) to absorb losses*" and "*A Holder may lose all of its investment in the Securities, including the principal amount plus any accrued but unpaid interest, in the event that Statutory Loss Absorption occurs*" below). In the event of a dissolution or liquidation of the Issuer (other than as set out in the Terms and Conditions of the Securities), payment of any remaining principal amount not so written down to a holder will, by virtue of such subordination, only be made after, and any set off by a holder shall be excluded until, all obligations of the Issuer resulting from unsubordinated claims with respect to the repayment of borrowed money, other unsubordinated rights and claims and higher ranking subordinated claims have been satisfied in full. If any such event occurs, the Issuer may not have enough assets remaining after these payments to pay amounts due and payable under the Securities. A holder may therefore recover less than the holders of unsubordinated or prior ranking subordinated liabilities of the Issuer.

Although the Securities may pay a higher rate of interest than securities which are not, or not as deeply, subordinated, there is a real risk that an investor in deeply subordinated securities such as the Securities will lose all or some of its investment should the Issuer become insolvent.

3. The Issuer is not prohibited from issuing further debt, which may rank pari passu with or senior to the Securities

The Terms and Conditions of the Securities do not limit the amount of liabilities ranking senior or *pari passu* in priority of payment to the Securities which may be incurred or assumed by the Issuer from time to time, whether before or after the issue date of the Securities nor do they restrict the Issuer in issuing Additional Tier 1 Capital Instruments with other write-down mechanisms or trigger levels or that convert into shares upon a trigger event. The Issuer may be able to incur significant additional secured or unsecured unsubordinated indebtedness and/or prior-ranking subordinated indebtedness. If the Issuer becomes insolvent or is liquidated, or if payment under any secured or unsecured unsubordinated and/or prior-ranking subordinated debt obligations is accelerated, the Issuer's secured or unsecured unsubordinated or, as the case may be, prior-ranking subordinated lenders would be entitled to exercise the remedies available to a secured or unsecured unsubordinated and/or prior-ranking subordinated lender before the holders.

Unsubordinated liabilities of the Issuer may also arise from events that are not reflected on the balance sheet of the Issuer, including, without limitation, insurance or reinsurance contracts, derivative contracts, the issuance of guarantees or the incurrence of other contingent liabilities on an unsubordinated basis. Claims made under such guarantees or such other contingent liabilities will become unsubordinated liabilities of the Issuer that in a winding-up or insolvency proceeding of the Issuer will need to be paid in full before the obligations under the Securities may be satisfied.

As a result, the Securities are subordinated to any secured or unsecured unsubordinated indebtedness and/or prior-ranking subordinated indebtedness that the Issuer may incur in the future. If any event referred to in the risk factor "*The Securities constitute deeply subordinated obligations*" above were to occur, the Issuer may not have enough assets remaining after these payments to pay amounts due and payable under the Securities and the holders may therefore recover rateably less (if anything) than the lenders of the Issuer's secured or unsecured unsubordinated debt and/or prior-ranking subordinated debt in the event of the Issuer's bankruptcy or liquidation. Even if the claims of senior ranking creditors would be satisfied in full, holders may still not be able to recover the full amount due because the proceeds of the remaining assets must be shared *pro rata* among all other creditors holding claims ranking *pari passu* with the claims of the holders in respect of the Securities.

Also, the issue of additional capital instruments with interest cancellation provisions similar to the Securities may increase the likelihood of (partial) interest payment cancellations under the Securities if the Issuer is not able to generate sufficient Distributable Items or to maintain adequate capital buffers to make interest payments falling due on all outstanding capital instruments of the Issuer in full. See the risk factor "*The Issuer may elect not to pay interest on the Securities or in certain circumstances be required not to pay such interest*" below.

If the Issuer's financial condition were to deteriorate, investors 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), investors could suffer loss of their entire investment.

4. The Issuer may elect not to pay interest on the Securities or in certain circumstances be required not to pay such interest

The Issuer may at any time elect, in its sole and absolute discretion, to cancel the payment of any interest in whole or in part at any time for any reason and without any restriction on the Issuer thereafter. The Issuer will be required to cancel the payment of all or some of the interest otherwise falling due on the Securities in circumstances where the relevant interest would either cause the

Distributable Items or, if certain capital buffers are not maintained and when aggregated together with other distributions of the kind referred to in Article 101, §1 of the Belgian Banking Law (transposing Article 141(2) of the Capital Requirements Directive), the Maximum Distributable Amount (if any) then applicable to the Issuer to be exceeded, as described in Condition 3.2(b) (*Mandatory cancellation of interest*). Also the Competent Authority may order the Issuer to cancel interest payments and any accrued but unpaid interest will be cancelled up to the Trigger Event Write-down Date following the occurrence of a Trigger Event.

The obligations of the Issuer under the Securities are senior in ranking to the ordinary shares of the Issuer. It is the Issuer's current intention that, whenever exercising its discretion to propose any dividend or distributions in respect of the ordinary shares of the Issuer, or its discretion to cancel any payment of interest, it will take into account the relative ranking of these instruments in its capital structure. However, the Issuer may at any time depart from this policy at its sole discretion, and as further set out in this risk factor, in accordance with the Applicable Banking Regulations and the Conditions, it may in its discretion elect to cancel any payment of interest at any time and for any reason.

Distributable Items relate to the Issuer's profits and distributable reserves determined on the basis of the Issuer's non-consolidated accounts as further described in Condition 3.2(b) (*Mandatory cancellation of interest*). The amount of Distributable Items available to pay interest on the Securities may be affected, *inter alia*, by other discretionary interest payments on other (existing or future) capital instruments, including Common Equity Tier 1 ("**CET1**") distributions and any write-ups of principal amounts of Discretionary Temporary Write-down Instruments (if any). In addition, the amount of Distributable Items may potentially be adversely affected by the performance of the business of the Issuer in general, factors affecting its financial position (including capital and leverage ratios and requirements), the economic environment in which the Issuer operates and other factors outside of the Issuer's control. Adjustments to earnings, as determined by the Board of Directors of the Issuer, may furthermore fluctuate significantly and may materially adversely affect Distributable Items of the Issuer. As at 31 December 2017, the Issuer's Distributable Items were approximately €6,417 million.

The Maximum Distributable Amount is a concept which will apply in circumstances where the Issuer does not meet certain combined capital buffer requirements (see also below and in the risk factor "*The Consolidated CET1 Ratio will be affected by a number of factors, any of which may be outside the Issuer's control, as well as by its business decisions and, in making such decisions, the Issuer's interests may not be aligned with those of the investors*" and "*CRD IV includes capital requirements that are in addition to the minimum regulatory Common Equity Tier 1 capital requirement. These additional capital requirements will restrict the Issuer from making interest payments on the Securities in certain circumstances, in which case the Issuer will automatically cancel such interest payments*").

Under Article 141(2) (*Restrictions on distributions*) of the Capital Requirements Directive, member states of the European Union must require that institutions that fail to meet the combined buffer requirement (broadly, the combination of the capital conservation buffer, the countercyclical capital buffer imposed by the macroprudential authorities (NBB or SSM) and the higher of (depending on the institution), the systemic risk buffer, the global systemically important institutions ("**G-SIIs**") buffer and the other systemically important institutions ("**O-SIIs**") buffer, in each case as applicable to the institution) will be subject to restricted discretionary payments (which are defined broadly by CRD IV as distributions in connection with CET1 capital, payments on Additional Tier 1 Capital Instruments (including interest amounts on the Securities and any write-ups of principal amounts (if applicable) and payments of discretionary staff remuneration)). In 2014, these rules were transposed into Belgian law under Articles 100 and 101, read together with Schedule 5 (*Restrictions on distributions*) of the Belgian Banking Law.

The combined buffer requirement and the associated restrictions under Article 141(2) of the Capital Requirements Directive as transposed by Articles 100 and 101 read together with Schedule 5 of the Belgian Banking Law started to transition in from 1 January 2016 at a rate of 25 per cent. of such requirement per annum. In the event of a breach of the combined buffer requirement, the restrictions under Article 141(2) of the Capital Requirements Directive will be scaled according to the extent of the breach of the combined buffer requirement and calculated as a percentage of the institution's profits for the most recent relevant period. Such calculation will result in a maximum distributable amount ("**Maximum Distributable Amount**" or "**MDA**") in each relevant period.

As at the date of this Prospectus, MDA restrictions following a breach of the combined buffer requirement should be calculated at a consolidated level. Such calculation will result in a MDA in each relevant period. As an example, the scaling is such that in the bottom quartile of the combined buffer requirement, no discretionary distributions will be permitted to be paid. As a consequence, in the event of breach of the combined buffer requirement it may be necessary to reduce payments that would, but for the breach of the combined buffer requirement, be discretionary, including interest payments in respect of the Securities. In such circumstances, the aggregate amount of distributions which the Issuer can make on account of dividends, interest payments, write-up amounts and redemption amounts on its Tier 1 instruments (including the Securities) and certain variable staff remuneration (such as bonuses) or discretionary pension benefits will be limited.

The amount of CET1 capital required to meet the combined buffer requirements will be relevant to assess the risk of interest payments being cancelled. See also below in the risk factor "*CRD IV includes capital requirements that are in addition to the minimum regulatory Common Equity Tier 1 capital requirement. These additional capital requirements will restrict the Issuer from making interest payments on the Securities in certain circumstances, in which case the Issuer will automatically cancel such interest payments*". The market price of the Securities is likely to be affected by any fluctuations in the Consolidated CET1 Ratio. Any indication or perceived indication that this ratio is tending towards the write-down trigger of 5.125 per cent. or the MDA trigger level may have an adverse impact on the market price of the Securities.

The Issuer's capital requirements are, by their nature, calculated by reference to a number of factors any one of which or combination of which may not be easily observable or capable of calculation by investors. See also below in the risk factor "*The Consolidated CET1 Ratio will be affected by a number of factors, any of which may be outside the Issuer's control, as well as by its business decisions and, in making such decisions, the Issuer's interests may not be aligned with those of the investors*".

Holders of the Securities may not be able to predict accurately the proximity of the risk of discretionary payments (of interest and/or principal) on the Securities being restricted from time to time as a result of the operation of Article 141 of the Capital Requirements Directive and Articles 99 to 103 (included) read together with Schedule 5 to the Belgian Banking Law. In any event, the Issuer will have discretion as to how the MDA will be applied if insufficient to meet all expected distributions and is not obliged to take the interest of investors in the Securities into account.

Payment of interest may also be affected by any application of the legislation in Belgium implementing the BRRD. See also below in the risk factor "*A Holder may lose all of its investment in the Securities, including the principal amount plus any accrued but unpaid interest, in the event that Statutory Loss Absorption occurs*". Furthermore, the developing TLAC/MREL framework, if adopted and once implemented may impose further restrictions on the Issuer's ability to pay interest on the

Securities. Among other things, the EU's banking reform proposals published in November 2016 (the "**EU Banking Reform Proposals**") aim to implement TLAC standards for GSIBs in the EU. However, the EU Banking Reform Proposals are being considered by the European Parliament and the Council of the European Union and therefore remain subject to change. As a result, it is not possible to give any assurances as to the ultimate scope, nature, timing and of any resulting obligations, or the impact that they will have on the Issuer once implemented. The proposals apply a harmonised minimum TLAC level to EU GSIBs while introducing a firm-specific MREL for GSIBs, DSIBs (Domestic Systemically Important Banks, such as the Issuer) and smaller institutions and facilitate the issuance of a new liability class of "non-preferred senior" by requiring member states to introduce such layer in their local legislation. In Belgium this has been implemented in the Belgian Banking Law. The new class of non-preferred senior debt instruments ranks between subordinated debt and other senior unsecured creditors.

Further amendments include changes to the calculation of MREL – which should be expressed as a percentage of the total risk exposure amount and of the leverage ratio exposure measure of the relevant institution – and MREL eligibility criteria, which could affect the level of future MREL as well as the level of reported MREL capacity. It is proposed that the 'MREL requirements' should be determined by the resolution authorities at an amount to allow banks to absorb losses expected in resolution and recapitalise the bank post-resolution. In addition, the EU Banking Reform Proposals introduce consequences of breaching MREL requirements relating to the combined buffer requirement and MDA breach. A failure by the Issuer to comply with MREL requirements means the Issuer could become subject to the MDA restrictions on certain discretionary payments, including payments on Additional Tier 1 Capital Instruments such as the Securities, as the required amount of MREL 'sits below' the combined buffer requirements. Furthermore, it is proposed that resolution authorities may require institutions to meet higher levels of MREL in order to cover losses in resolution above the level of the existing own funds requirements and to ensure a sufficient market confidence in the entity post-resolution (i.e., on top of the required recapitalisation amount). These higher levels will take the form of "MREL guidance", and it is currently envisaged that institutions that fail to meet the MREL guidance shall not be subject to MDA restrictions.

A new Article 141a is proposed to be included in the Capital Requirements Directive to better clarify, for the purposes of restrictions on distributions, the relationship between the additional own funds requirements, the minimum own funds requirements, the MREL requirement and the combined buffer requirement (the so called "stacking order"), with Article 141 of the Capital Requirements Directive to be amended to reflect the stacking order in the calculation of the Maximum Distributable Amount. Under the new Article 141a, an institution such as the Issuer shall be considered as failing to meet the combined buffer requirement for the purposes of Article 141 of the Capital Requirements Directive where it does not have own funds and eligible liabilities in an amount and of the quality needed to meet at the same time the requirement defined in Article 128(6) of the Capital Requirements Directive (i.e., the combined buffer requirement) as well as each of the minimum own funds requirements, the additional own funds requirements and the MREL requirement. The proposal in its current form recognises that breaches of the combined buffer (while still complying with Pillar 1 and Pillar 2 capital requirements) may be due to a temporary inability to issue new eligible debt for MREL. For these situations, the proposal envisages a six month grace period before restrictions under Article 141 kick in. During the grace period, authorities will be able to exercise other powers available to them that are appropriate in view of the financial situation of the institution. It is not yet clear how and to which extent the aforementioned proposals will be transposed into Belgian law.

It is expected that a binding MREL level will be given to the Issuer by the SRB. As at the date of this Prospectus, no binding MREL target has been formally communicated to the Issuer. Based on the

MREL calibration methodology published by the SRB in November 2016, the Issuer disclosed an informative target of 26.25 per cent of risk-weighted exposures (in fully loaded format). At year-end 2017, the MREL ratio based on instruments issued by KBC Group NV stood at 24.0 per cent. of risk weighted assets ('point of entry' view). This approach is more restrictive than the MREL definition currently applied by the SRB, which also includes certain operating liabilities (the 'consolidated view').

In addition, CRD IV includes a requirement for credit institutions to calculate, report, monitor and publish their leverage ratios, defined as their Tier 1 capital as a percentage of their total exposure measure. As part of the EU Banking Reform Proposals, a binding leverage ratio of 3 per cent. is being introduced in 2018.

There can be no assurance, however, that the leverage ratio specified above, or any of the minimum own funds requirements, additional own funds requirements, MREL requirements or buffer capital requirements applicable to the Issuer will not be amended in the future to include new and more onerous capital requirements (including a leverage ratio buffer), which in turn may affect the Issuer's capacity to make payments of interest on the Securities. In particular, the EU Banking Reform Proposals envisage that the binding leverage ratio of 3 per cent. will be increased with a factor of 0.33 applied to the O-SII buffer. In this context, with the entry into force of such amendments in 2019 (as currently envisaged and assuming the CRR is amended in line with such proposals), a binding leverage ratio of 3.5 per cent. will be required. The Issuer's fully loaded leverage ratio as at 31 December 2017 was 6.1 per cent.

Furthermore, Articles 102 et seq. of the Capital Requirements Directive give the Competent Authority certain supervisory measures and powers which would apply if the Issuer fails (or is likely to fail) to comply with applicable regulations. There are no ex-ante limitations on the discretion to use this power. In such circumstances, the Competent Authority could require the Issuer to suspend payments of interest on Additional Tier 1 Capital Instruments (including the Securities). Furthermore, CRD IV provides the Competent Authority coupon cancellation powers which may force the Issuer to cancel interest payments to holders of the Securities. These powers have been implemented in the Belgian Banking Law as well.

It follows from the above that there can be no assurance that an investor will receive payments of interest in respect of the Securities, and the Issuer's ability to make interest payments on the Securities will depend on a combination of factors including (i) the level of distributable reserves and the profits the Issuer has accumulated in the financial year preceding any interest payment date, (ii) the amount of outstanding capital instruments with interest cancellation provisions similar to the Securities and other discretionary distributions, (iii) the combined capital buffer of the Issuer and any other capital requirement applicable to the Issuer and (iv) the application of certain discretionary powers of the Competent Authority in respect of the Issuer. Even if there were to be sufficient funds to make interest payments on the Securities, the Issuer may still elect to cancel such interest payment for any reason and for any length of time. Furthermore, no interest will be paid on any principal amount that has been written down following a Trigger Event in accordance with the Terms and Conditions of the Securities and no interest may be paid on any principal amount that has been written down following any Statutory Loss Absorption in accordance with the Statutory Loss Absorption Powers. The payment of interest on any remaining principal amount following such write-down is subject to the Issuer having sufficient Distributable Items and sufficient Consolidated Net Profit and the MDA not being exceeded (see the risk factors "*The principal amount of the Securities may be reduced (Written Down) to absorb losses*" and "*A holder may lose all of its investment in the Securities, including the principal amount plus any accrued but unpaid interest, in the event that Statutory Loss Absorption occurs*" below).

Any interest not paid shall be deemed cancelled and shall not accumulate or be payable at any time thereafter. Cancellation of interest shall not constitute a default under the Securities for any purpose. Investors shall have no further rights in respect of any interest not paid and shall not be entitled to any compensation or to take any action to cause the dissolution or liquidation of the Issuer in the event any interest is not paid. Furthermore, cancellation of interest payments shall not in any way impose restrictions on the Issuer, including restricting the Issuer from making distributions or equivalent payments in connection with Junior Obligations or Parity Securities.

Any actual or anticipated cancellation of interest on the Securities will likely have an adverse effect on the market price of the Securities. Furthermore, the Securities may trade with accrued interest, which may be reflected in the trading price of the Securities. However, if a payment of interest on any Interest Payment Date is cancelled (in whole or in part) as described herein and thus is not due and payable, purchasers of such Securities will not be entitled to such interest payment on the relevant interest payment date.

In addition, as a result of the interest cancellation provisions of the Securities, the market price of the Securities may be more volatile than the market prices of other debt securities on which interest accrues which is not subject to such cancellation and may be more sensitive generally to adverse changes in the Issuer's financial condition. Any indication that the Consolidated CET1 Ratio is trending towards the write-down trigger of 5.125 per cent. or the MDA trigger level or that the available Distributable Items are decreasing may have an adverse effect on the market price of the Securities.

5. The principal amount of the Securities may be reduced (Written Down) to absorb losses

The Securities are being issued for capital adequacy regulatory purposes with the intention and purpose of being eligible as Additional Tier 1 Capital of the Issuer. Such eligibility depends upon a number of conditions being satisfied. One of these relates to the ability of the Securities and the proceeds of their issue to be available to absorb any losses of the Issuer. Accordingly, if the Consolidated CET1 Ratio falls below 5.125 per cent. as determined by the Issuer, the Competent Authority or any entity appointed by or acting on behalf of the Competent Authority (a "**Trigger Event**"), the Prevailing Principal Amount of the Securities will be reduced by the lower of an amount at least sufficient to immediately cure the Trigger Event or the amount necessary to reduce the Prevailing Principal Amount of the Security to one cent, and any accrued but unpaid interest will be cancelled. A Principal Write-down may occur at any time on one or more occasions (provided, however, that the principal amount of a Security shall never be reduced to below one cent). Any Principal Write-down of the Securities shall not constitute a default of the Issuer. Investors shall not be entitled to any compensation or to take any action to cause the dissolution or liquidation of the Issuer in the event of a Principal Write-down (without prejudice to any principal amount subsequently written-up at the discretion of the Issuer in accordance with the Principal Write-up mechanism as set out in Condition 7.2 (*Principal Write-up*)).

A Principal Write-down is expected to occur simultaneously with the concurrent *pro rata* write-down or conversion into equity of the prevailing principal amount of any Loss Absorbing Instruments (being any instrument, other than the Securities, issued directly or indirectly by the Issuer which qualifies as Additional Tier 1 Capital of the Issuer on a consolidated basis and has terms pursuant to which all or some of its principal amount may be written-down (whether on a permanent or temporary basis) or converted into equity (in each case in accordance with its conditions) on the occurrence, or as a result, of the Consolidated CET1 Ratio falling below a certain trigger level). However, this will not necessarily be the case. In particular, investors must note that to the extent such write-down or conversion into equity of any Loss Absorbing Instruments is not effective for any reason (i) the ineffectiveness of any such write-down or conversion into equity shall not prejudice the requirement to effect a Principal Write-down of the Securities and (ii) the write-down or conversion into equity of any other Loss Absorbing Instruments which is not effective shall not be taken into account in determining the Write-down Amount of the Securities. Therefore, the write-down or conversion into equity of other Loss Absorbing Instruments is not a condition for a Principal Write-down of the Securities and, as a result of failure to write down or convert into equity such other Loss Absorbing Instruments, the Write-down Amount of the Securities may be higher. Holders may lose all or some of their investment as a result of such a Principal Write-down of the Prevailing Principal Amount of the Securities. In particular, the Issuer may be required to write down the Prevailing Principal Amount of the Securities following the occurrence of a Trigger Event such that the Consolidated CET1 Ratio is restored to a level higher than 5.125 per cent. No assurance can be given that a Principal Write-down will be applied towards not only curing the Trigger Event but also towards restoring the Consolidated CET1 Ratio to a level which is higher than 5.125 per cent. In such an event, the Write-down Amount will be greater than the amount by which the then Prevailing Principal Amount would have been written down if the Issuer had been required to write down the Prevailing Principal Amount of the Securities to the extent necessary thereby to restore the Consolidated CET1 Ratio to 5.125 per cent.

Furthermore, it is possible that, following a material decrease in the Consolidated CET1 Ratio, a Trigger Event in relation to the Securities occurs simultaneously with a trigger event in relation to other Loss Absorbing Instruments having a higher trigger level. If this were to occur, the Prevailing Principal Amount of the Securities will be reduced *pro rata* with such Loss Absorbing Instruments having a higher trigger level up to an amount sufficient to restore the Consolidated CET1 Ratio to at least 5.125 per cent. provided that, with respect to each other Loss Absorbing Instrument (if any), such *pro rata* write-down and/or conversion shall only be taken into account to the extent required to restore the Consolidated CET1 Ratio to the lower of (x) such other Loss Absorbing Instrument's trigger level and (y) 5.125 per cent., in each case, in accordance with the terms of the relevant instruments and the Applicable Banking Regulations. Any *pro rata* reduction of the Prevailing Principal Amount of the Securities may potentially be higher than that applied to other Additional Tier 1 Capital Instruments if the write-down or conversion of such other securities is ineffective for any reason.

The Issuer's future outstanding junior and *pari passu* ranking securities might not include write-down or similar features with triggers comparable to those of the Securities. As a result, it is possible that the Securities will be subject to a Principal Write-down, while junior and *pari passu* ranking securities remain outstanding and continue to receive payments. Also, the Terms and Conditions of the Securities do not in any way impose restrictions on the Issuer following a Principal Write-down, including restrictions on making any distribution or equivalent payment in connection with (i) any Junior Obligations (including, without limitation, any common shares of the Issuer) or (ii) in respect of any Parity Securities.

Investors may lose all or some of their investment as a result of a Principal Write-down or of reaching the point of non-viability or of the application of certain resolution tools (see also below in the risk factor "*A holder may lose all of its investment in the Securities, including the principal amount plus any accrued but unpaid interest, in the event that Statutory Loss Absorption occurs*"). Although (in case of a Principal Write-down only following a Trigger Event) the Conditions allow for the principal amount to be written-up again in certain circumstances at the Issuer's discretion, due to the limited circumstances in which a Principal Write-up may be undertaken (as described in the paragraph below) any reinstatement of the Prevailing Principal Amount of the Securities and recovery of such investment may take place over an extended period of time or not at all. In addition, if an event as described in Condition 10 (*Enforcement*) occurs prior to the Securities being written-up in full pursuant to Condition 7.2 (*Principal Write-up*), holders' claims for principal in dissolution or liquidation (other than as set out in the Terms and Conditions of the Securities) will be based on the reduced principal amount (if any) of the Securities. Further, during the period of any Principal Write-down pursuant to Condition 7.1 (*Principal Write-down*), interest will accrue on the reduced principal amount of the Securities and its payment is subject to the Issuer having sufficient Distributable Items and, if applicable, sufficient Consolidated Net Profit and the MDA not being exceeded. Also, any redemption at the option of the Issuer upon the occurrence of a Tax Gross-up Event, a Tax Deductibility Event or a Regulatory Event will take place at the reduced principal amount of the Securities.

The written down principal amount will not be automatically reinstated if the Consolidated CET1 Ratio is restored above a certain level. It is the extent to which the Issuer makes a profit (on a consolidated basis) from its operations (if any) that will affect whether the principal amount of the Securities may be reinstated to its Original Principal Amount. The Issuer's ability to write-up the principal amount of the Securities will depend on certain conditions, such as there being sufficient Consolidated Net Profit and, if applicable, the MDA not being exceeded. No assurance can be given that these conditions will ever be met. Moreover, even if met, the Issuer will not in any circumstances be obliged to write-up the principal amount of the Securities. Also the Competent Authority has the power to prohibit a write-up if the Issuer fails (or is likely to fail) to comply with applicable regulations. However, if any write-up were to occur, it will have to be undertaken on a *pro rata* basis with any other instruments qualifying as Additional Tier 1 Capital providing for a reinstatement of principal amount in similar circumstances that have been subject to a write-down (see Condition 7.2(a) (*Principal Write-up*)).

The market price of the Securities is expected to be affected by any actual or anticipated write-down of the principal amount of the Securities as well as by the Issuer's actual or anticipated ability to write-up the reduced principal amount to its original principal amount.

6. The Consolidated CET1 Ratio will be affected by a number of factors, any of which may be outside the Issuer's control, as well as by its business decisions and, in making such decisions, the Issuer's interests may not be aligned with those of the investors

The market price of the Securities is expected to be affected by fluctuations in the Consolidated CET1 Ratio of the Issuer. Any indication or perceived indication that the Consolidated CET1 Ratio is trending towards the write-down trigger of 5.125 per cent. or the MDA trigger level may have an adverse effect on the market price of the Securities. The level of the Consolidated CET1 Ratio may significantly affect the trading price of the Securities.

The occurrence of a Trigger Event is inherently unpredictable and depends on a number of factors, any of which may be outside the Issuer's control. Because the Consolidated CET1 Ratio may be calculated as at any date, a Trigger Event could occur at any time. The calculation of the Consolidated CET1 Ratio could be affected by one or more factors, including, among other things, changes in the mix of the Issuer's business, major events affecting its earnings, dividend payments by the Issuer, accounting changes, regulatory changes (including the imposition of additional minimum capital or capital buffer requirements or changes to definitions and calculations of regulatory capital ratios and their components or the changes to the interpretation thereof by the relevant authorities or case law) and the Issuer's ability to manage risk-weighted assets in both its ongoing businesses and those which it may seek to exit or enter.

As an example of potential regulatory changes which may impact the Consolidated CET1 Ratio, on 7 December 2017 the Basel Committee of Banking Supervision ("**BCBS**") published reforms to the Basel III framework. The BCBS reviewed the standardised approaches of the capital requirement frameworks for credit and operational risk, *inter alia*, with a view to reducing mechanistic reliance on external ratings. In addition, the role of internal models was reviewed with the aim to improve comparability and address excessive variability in the capital requirements for credit risk. The BCBS adopted capital floor framework based on the revised standardised approaches for all risk types. This framework will replace the current capital floor for credit institutions using internal models, which is based on the Basel I standard. The BCBS decided to revise the output floor in order to limit the amount of capital benefit a bank can obtain from its use of internal models, relative to using the standardised approaches. A bank's risk-weighted assets generated by internal models cannot, in aggregate, fall below 72.5 per cent. of the risk-weighted assets computed by the standardised approaches. The final agreement is intended to be implemented by January 2022 but the European Union will need to transpose the reforms into European legislation. The Issuer estimates the impact of these reforms on the Group to be approximately €8 billion in additional risk weighted assets on a fully loaded basis as at 31 December 2017, which corresponds to a risk weighted assets inflation of 9 per cent. and an impact of -1.3 per cent. on the Consolidated CET1 Ratio, although the Issuer expects to remain well above the minimum CET1 ratio imposed by EU regulations and the ECB.

At the date of this Prospectus, the Consolidated CET1 Ratio which will be used for the purposes of determining the occurrence of a Trigger Event, and which will be relevant to any cancellation of interest payments on the Securities, will take into account the Group's insurance business through the computation of the risk weighted assets (and not by applying any deduction in respect of such business from the Issuer's common equity). As at the date of the Prospectus, the risk weighted assets in respect of the insurance business will be calculated by using the approach set out in Article 49 of the CRR. See also '*Description of the Issuer – risk management – Capital adequacy*". The Group's insurance business may be subject to change in the way current regulation is being applied and changing regulations more generally, which may have an impact on the Issuer's Consolidated CET1 Ratio. For example, the Issuer is currently able to account for its insurance business through risk weighted assets (as mentioned above) and not by means of a deduction from common equity. This could change in the future, which could result in a reduction of the Issuer's Consolidated CET1 Ratio, even though the Issuer would expect transitional provisions to apply in such case.

The Consolidated CET1 Ratio will also depend on the Issuer's decisions relating to its businesses and operations, as well as the management of its capital position, and may be affected by changes in applicable accounting rules (including, but not limited to, the introduction of IFRS 9, see "*The Group's financial statements are in part based on assumptions and estimates which, if inaccurate, could have an impact on its reported results or financial position*" above) or by changes to regulatory adjustments which modify the regulatory capital impact of accounting rules. For example, the Issuer may decide not to raise capital at a time when it is feasible to do so, or may be unable to raise capital, even if that would result in the occurrence of a Trigger Event. Moreover, the Consolidated CET1 Ratio, Distributable Items and any MDA will depend in part on decisions made by the Issuer relating to its businesses and operations, as well as the management of its capital position. See also the risk factors related to the Issuer's business set out above for further developments, circumstances and events which may impact the Consolidated CET1 Ratio.

Investors will not be able to monitor movements in the Consolidated CET1 Ratio or any MDA on a continuous basis and it may therefore not be foreseeable when a Trigger Event may occur or whether interest payments must be cancelled.

The Issuer will have no obligation to consider the interests of investors in connection with its strategic decisions, including in respect of its capital management. Investors will not have any claim against the Issuer relating to decisions that affect the business and operations of the Issuer, including its capital position, regardless of whether they result in the occurrence of a Trigger

Event. Such decisions could cause investors to lose all or part of the value of their investment in the Securities.

The Issuer currently publishes the Consolidated CET1 Ratio on a quarterly basis. This may mean investors are given limited warning of any deterioration in the Consolidated CET1 Ratio. Investors should also be aware that the Consolidated CET1 Ratio may be calculated as at any date and, as a result thereof, a Trigger Event may occur as at any date.

Due to the uncertainty regarding whether a Trigger Event will occur, it will be difficult to predict when, if at all, the Prevailing Principal Amount of the Securities may be written down. Accordingly, the trading behaviour of the Securities may not necessarily follow the trading behaviour of other types of subordinated securities. Any indication or perceived indication that the Consolidated CET1 Ratio is trending towards the write-down trigger of 5.125 per cent. or the minimum MDA trigger level may have an adverse effect on the market price of the Securities. Under such circumstances, investors may not be able to sell their Securities easily or at prices that will provide them with a yield comparable to more conventional investments.

7. CRD IV includes capital requirements that are in addition to the minimum regulatory Common Equity Tier 1 capital requirement. These additional capital requirements will restrict the Issuer from making interest payments on the Securities in certain circumstances, in which case the Issuer will automatically cancel such interest payments

A minimum combined buffer requirement is imposed on top of the minimum regulatory Pillar 1 CET1 capital requirement of 4.5 per cent. of the Issuer's total risk weighted assets ("**RWA**") as calculated in accordance with Article 92 CRR and any Pillar 2 requirements applicable to the Issuer.

In 2018, the combined buffer requirements for the Issuer consist of the following elements:

(i) Capital conservation buffer: set at 1.875 per cent. of RWA (which will be increased to 2.50 per cent. in 2019);

(ii) Institution-specific countercyclical capital buffer: the institution-specific countercyclical capital buffer rate shall consist of the weighted average of the countercyclical capital buffer rates that apply in the jurisdictions where the relevant credit exposures are located; this rate will be between 0 per cent. and 2.5 per cent. of RWA (but may be set higher than 2.5 per cent. where the relevant competent authority considers that the conditions justify this). The designated authority in each member state must set the countercyclical capital buffer rate for exposures in its jurisdiction on a quarterly basis. The exact size of the institution-specific countercyclical capital buffer rate varies quarter by quarter in line with the development of the relevant credit exposures in the different countries. For simplicity reasons, the Issuer uses rounded figures in its capital targets. The Issuer's institution-specific countercyclical buffer is set at 0.35 per cent for 2019 (0.25 per cent. for 2018);

(iii) Systemic relevance buffer: the systemic relevance buffer consists of a buffer for G-SIIs and for O-SIIs, to be determined by the Competent Authority. The buffer rate for O-SIIs can be up to 2.0 per cent. of RWA. The buffer rate for G-SIIs can be between 1 per cent. and 3.5 per cent. of RWA. The Competent Authority periodically reviews the identification of G-SIIs and O-SIIs as well as the applicable buffer rate. The Issuer is currently not a G-SII but is an O-SII and the applicable buffer rate is currently set at 1.50 per cent. The systemic relevance buffer imposes higher capital requirements for institutions, such as the Issuer, that, due to their systemic importance, are more likely to create risks to financial stability than other, less systemically important, institutions; and

(iv) Systemic risk buffer: set as an additional loss absorbency buffer to prevent and mitigate long term non-cyclical systemic or macro prudential risks not covered in CRD IV, with a minimum of 1 per cent. of RWA. The buffer rate will be reviewed annually by the Competent Authority. Currently, the Competent Authority does not require the Issuer to hold a systemic risk buffer.

When an institution is subject to a systemic relevance buffer and a systemic risk buffer, either (i) the higher of these buffers applies or (ii) these buffers are cumulative, depending on the location of the exposures which the systemic risk buffer addresses. These rules are, however, expected to change with the entry into force with the proposed amendments to CRR.

The combined buffer requirement must be met with CET1 Capital and is being gradually phased in in quartiles from 1 January 2016 to fully apply from 1 January 2019.

In the future the Issuer may need to comply with a higher combined buffer requirement. For example, the Competent Authority may impose a systemic risk buffer or a higher countercyclical capital buffer may apply.

In addition to the "Pillar 1" capital requirements described above, CRD IV contemplates that the Competent Authority may require additional "Pillar 2" capital to be maintained by an institution relating to elements of risks which are not fully covered by the minimum own funds requirements ("additional own funds requirements") or to address macro-prudential requirements.

The European Banking Authority (the "**EBA**") published guidelines on 19 December 2014 addressed to national supervisors on common procedures and methodologies for the supervisory review and evaluation process ("**SREP**") which contained guidelines proposing a common approach to determining the amount and composition of additional own funds requirements and which was implemented from 1 January 2016. The guidelines contemplate that national supervisors should not set additional own funds requirements in respect of risks which are already covered by capital buffer requirements and/or additional macro-prudential requirements. Accordingly, the combined buffer requirement (as referred to above) applies in addition to the minimum own funds requirement and to the additional own funds requirement.

The SREP is carried out continuously by the relevant Joint Supervisory Team who prepares an individual SREP decision once a year. In December 2017, the ECB published a SSM SREP methodology booklet which sets out the common methodology it intends to apply in 2018. Every bank receives a letter setting out the specific measures it needs to implement in the following year. In July 2016, the ECB confirmed that the SREP will for the first time comprise two elements: Pillar 2 requirements (which are binding and breach of which can have direct legal consequences for banks, including the triggering of the capital conservation measures of Article 141 of the Capital Requirements Directive) and Pillar 2 guidance (with which banks are expected to comply but breach of which does not automatically trigger the capital conservation measures of Article 141 of the Capital Requirements Directive). Accordingly, in the capital stack of a bank, the Pillar 2 guidance is in addition to (and "sits above") that bank's Pillar 1 capital requirements, its Pillar 2 requirements and its combined buffer requirement. If a bank does not meet its Pillar 2 guidance, the mandatory restrictions on discretionary payments (including payments on its CET1 and Additional Tier 1 Capital Instruments such as the Securities and certain variable remuneration (such as bonuses) or discretionary pension benefits) based on its MDA will not automatically apply. Instead, the Competent Authority will carefully consider the reasons and circumstances and may impose individually tailored supervisory measures. However, the mandatory restrictions on such discretionary payments (including payments on Additional Tier 1 Capital Instruments such as the Securities) based on its MDA will apply if a bank fails to maintain its combined buffer requirement, such as because of a breach of Pillar 2 capital requirements. These changes are also reflected in the EU Banking Reform Proposals. However, there can be no assurance as to how and when effect will be given to the EBA's guidelines and/or the EU Banking Reform Proposals in Belgium, including as to the consequences for a bank of its capital levels falling below the minimum own funds requirements, additional own funds requirements and/or combined buffer requirement referred to above.

8. *Many aspects of the manner in which CRD IV will be interpreted remain uncertain and may be subject to change*

Many of the defined terms in the Terms and Conditions of the Securities depend on the final interpretation of CRD IV. CRD IV is a set of rules and regulations that imposes a series of requirements, many of which will be phased in over a number of years. Although the Capital Requirements Directive has been implemented into Belgian law and CRR is directly applicable in each Member State, a number of important interpretational issues remain to be resolved through binding technical and implementing standards and guidelines and recommendations by the EBA that will be adopted in the future, and leaves certain other matters to the discretion of the Competent Authority. Also proposals have already been published by the European Commission to make certain amendments to CRD IV by means of the EU Banking Reform Proposals, partly drawing from the Basel Committee's further banking reform proposals.

Furthermore, any change in the laws or regulations of Belgium (including tax laws applicable to the Securities), Applicable Banking Regulations or any change in the application or official interpretation thereof may in certain circumstances result in the Issuer having the option to redeem the Securities in whole but not in part (see the risk factor "*The Securities are subject to optional early redemption on the First Call Date (24 October 2025), each Interest Payment Date thereafter or at any time upon the occurrence of a Tax Gross-up Event, a Tax Deductibility Event or a Regulatory Event, subject to certain conditions*" below). In any such case, the Securities would cease to be outstanding, which could materially and adversely affect investors and not align with their investment strategies and goals.

Such legislative and regulatory uncertainty could affect an investor's ability to value the Securities accurately and therefore affect the market price of the Securities given the extent and impact on the Securities of one or more regulatory or legislative changes.

9. *A holder may lose all of its investment in the Securities, including the principal amount plus any accrued but unpaid interest, in the event that Statutory Loss Absorption occurs*

In addition to being subject to a possible write-down as a result of the occurrence of a Trigger Event in accordance with the Terms and Conditions of the Securities, the Securities may also be subject to a permanent write-down or conversion into CET1 instruments (in whole or in part) in circumstances where the competent resolution authority, in its discretion, determines that the Issuer or the Group has reached the point of non-viability.

Furthermore, the BRRD and the SRM provide the SRB the power to ensure that capital instruments (such as the Securities) and certain eligible liabilities absorb losses when the Issuer meets the conditions for resolution, through the write-down or conversion to equity of such instruments (the "**bail-in**" tool).

The BRRD has been transposed into Belgian law gradually as from 3 March 2015. Under the Belgian Banking Law, substantial powers have been granted to the Relevant Resolution Authority. These powers amongst others enable the Relevant Resolution Authority to deal with and stabilise credit institutions that are failing or are likely to fail. In line with the BRRD, the resolution regime will enable the resolution authority to: (i) transfer all or part of the business of the relevant entity or the shares of the relevant entity to a private sector purchaser; (ii) transfer all or part of the business of the relevant entity to a "bridge bank"; (iii) obtain the temporary public ownership of the relevant entity; and/or (iv) bail-in eligible liabilities.

Moreover, competent supervisory and resolution authorities are entrusted with broad early intervention powers and institutions will be required to draw up recovery and resolution plans and demonstrate their resolvability. In order to make the bail-in tool effective, the BRRD and the Belgian Banking Law also provide that credit institutions (including the Issuer) will at all times have to meet MREL (as defined above, "*The Issuer may elect not to pay interest on the Securities or in certain circumstances be required not to pay such interest*") so that there is sufficient capital and liabilities available to stabilise and recapitalise failing credit institutions. These requirements are being gradually phased in.

On 23 November 2016, the European Commission announced a further package of reforms to the BRRD and the SRM, including measures to increase the resilience of EU institutions and enhance financial stability as part of the EU Banking Reform Proposals. The timing for the final implementation and the final impact of these reforms as at the date of this Prospectus is unclear. These proposals may have a material impact on the Issuer's or the Group's operations and financial condition, including that the Issuer may be required to issue additional capital or eligible liabilities.

The exercise or any indication or actual or perceived increase in the likelihood that Securities will become subject to any of the powers described in this risk factor could have an adverse effect on the market price of the Securities.

In addition, any CET1 instruments or other types of capital instruments that holders may acquire pursuant to the exercise of any of the powers described in this risk factor may themselves be subject to the powers described in this risk factor.

a. Recovery and resolution plans

The Issuer is required to draw up and maintain a recovery plan. This plan must provide for a wide range of measures that could be taken by the Issuer for restoring its financial condition in case it significantly deteriorated. The Issuer must submit the plan to the Competent Authority for review and update the plan annually or after changes in the legal or organisational structure, business or financial situation that could have a material effect on the recovery plan. Keeping the recovery plan up to date will require monetary and management resources.

The SRB will draw up the Issuer's resolution plan providing for resolution actions it may take if the Issuer would fail or would be likely to fail. In drawing up the Issuer's resolution plan, the SRB will identify any material impediments to the Issuer's resolvability. Where necessary, the resolution authorities may require the Issuer to remove such impediments. This may lead to mandatory legal restructuring of the Issuer, which could lead to high transaction costs, or could make the Issuer's business operations or its funding mix less optimally composed or more expensive. Although the Issuer is expected to be confirmed by the SRB as the Group's designated resolution entity, the SRB may also require the Issuer to issue additional liabilities at different levels of the Group. This may result in higher capital and funding costs for the Issuer, and as a result adversely affect the Issuer's profits and its possible ability to pay dividends and/or interest on the Securities.

b. Early intervention

If the Issuer would infringe or, due to a rapidly deteriorating financial condition, would be likely to infringe capital or liquidity requirements in the near future, the supervisory authorities will have the power to impose early intervention measures. A rapidly deteriorating financial condition could, for example, occur in case of a deterioration of the Issuer's liquidity situation, increasing level of leverage and non-performing loans. Intervention measures include the power to require changes to the legal or operational structure of the institution, changes to the institutions' business strategy and the power to require the Issuer's Board of Directors to convene a meeting of shareholders, set the agenda and require certain decisions to be considered for adoption by the general meeting.

c. ***(Pre-)Resolution measures***

If the Issuer or the Group were to reach a point of non-viability, the SRB could take pre-resolution measures before the conditions for resolution set out in Article 32 BRRD are met. These measures include the write-down and cancellation of shares, and the write-down of capital instruments (such as the Securities) or conversion of capital instruments into shares (the "**Write Down and Conversion Power**"). The purpose of the Write Down and Conversion Power is to ensure that the Tier 1 and Tier 2 capital instruments of the Issuer (including the Securities) fully absorb losses if the Issuer or the Group were to reach a point of non-viability before any resolution action (including the use of the bail-in tool) is taken. A write-down of capital instruments or conversion of capital instruments into shares could adversely affect the rights and effective remedies of holders of Securities and the market value of their Securities could be negatively affected.

The BRRD provides resolution authorities with broader powers to implement resolution measures with respect to banks which meet the conditions for resolution, which may include (without limitation) the sale of the bank's business, the separation of assets, the bail-in tool, the replacement or substitution of the bank as obligor in respect of debt instruments, modifications to the terms of debt instruments and discontinuing the listing and admission to trading of financial instruments.

These powers and tools are intended to be used prior to the point at which any insolvency proceedings with respect to the Issuer could have been initiated. Although the applicable legalisation provides for conditions to the exercise of any resolution powers and EBA guidelines set out the objective elements for determining whether an institution is failing or likely to fail, it is uncertain how the Relevant Resolution Authority would assess such conditions in any particular pre-insolvency scenario affecting the Issuer and in deciding whether to exercise a resolution power. The Relevant Resolution Authority is also not required to provide any advance notice to the holders of its decision to exercise any resolution power. Therefore, the holders may not be able to anticipate a potential exercise of any such powers nor the potential effect of any exercise of such powers on the Issuer or the holders' rights under the Securities.

When applying the resolution tools and exercising the resolution powers, including the preparation and implementation thereof, the resolution authorities are not subject to (i) requirements to obtain approval or consent from any person either public or private, including but not limited to the holders of shares or debt instruments, or from any other creditors, and (ii) procedural requirements to notify any person including any requirement to publish any notice or prospectus or to file or register any document with any other authority, that would otherwise apply by virtue of applicable law, contract, or otherwise. In particular, the resolution authorities can exercise their powers irrespective of any restriction on, or requirement for consent for, transfer of the financial instruments, rights, assets or liabilities in question that might otherwise apply.

The SRB can only exercise resolution powers, such as the bail-in tool, when it has determined that the Issuer meets the conditions for resolution. The point at which the SRB determines that the Issuer meets the conditions for resolution is defined as:

(i) the Issuer is failing or likely to fail, which means (a) the Issuer has incurred/is likely to incur in the near future losses depleting all or substantially all its own funds, and/or (b) the assets are/will be in the near future less than its liabilities, and/or (c) the Issuer is/will be in the near future unable to pay its debts as they fall due, and/or (d) the Issuer requires public financial support (except in limited circumstances);

(ii) there is no reasonable prospect that a private action or supervisory action would prevent the failure; and

(iii) a resolution action is necessary in the public interest.

Once it is determined that the Issuer meets the conditions for resolution, the SRB may apply the bail-in tool. When applying the bail-in tool, the SRB must apply the following order of priority as set out in Article 48 BRRD:

1. CET1 Capital Instruments;
2. Additional Tier 1 Capital Instruments (such as the Securities);
3. Tier 2 Capital Instruments;
4. eligible liabilities in the form of subordinated debt that is not Additional Tier 1 Capital or Tier 2 Capital in accordance with the hierarchy of claims in normal insolvency proceedings;
5. the rest of eligible liabilities (such as senior debt instruments) in accordance with the hierarchy of claims in normal insolvency proceedings.

Instruments of the same ranking are generally written down or converted to equity on a *pro rata* basis subject to certain exceptional circumstances set out in the BRRD.

On 10 July 2013, the European Commission announced the adoption of its temporary state aid rules for assessing public support to financial institutions during the crisis (the "**Revised State Aid Guidelines**"). The Revised State Aid Guidelines impose stricter burden-sharing requirements, which require banks with capital needs to obtain additional contributions from equity holders and capital instrument holders before resorting to public recapitalisations or asset protection measures. The European Commission has applied the principles set out in the Revised State Aid Guidelines from 1 August 2013. The European Commission has made it clear that any burden sharing imposed on subordinated debt holders will be made in line with principles and rules set out in the BRRD.

The provisions of the Belgian Banking Law relating to the powers of the supervisory and resolution authorities (as amended from time to time), the BRRD, the SRM and the Revised State Aid Guidelines may increase the Issuer's cost of funding and thereby have an adverse impact on the Issuer's funding ability, financial position and results of operations. Therefore, in case of a capital shortfall, the Issuer would first be required to carry out all possible capital raising measures by private means, including the conversion of subordinated debt (including the Securities) into equity, before being eligible for any kind of restructuring State aid.

It is possible that pursuant to the provisions of the Belgian Banking Law relating to the powers of the supervisory and resolution authorities (as amended from time to time), the BRRD, the SRM, the Revised State Aid Guidelines or other resolution or recovery rules which may in the future be applicable to the Issuer (including, but not limited to, CRD IV), new powers may be granted by way of statute to the Competent Authority which could be used in such a way as to result in debt, including the Securities, absorbing losses or otherwise affecting the rights and effective remedies of holders in the course of any resolution of the Issuer. The Issuer is unable to predict what effects, if any, existing or future powers may have on the financial system generally, the Issuer's counterparties, the Issuer, any of its consolidated subsidiaries, its operations and/or its financial position.

Exercise of the foregoing powers could involve taking various actions in relation to the Issuer or any securities issued by the Issuer (including the Securities) without the consent of the holders in the context of which any termination or acceleration rights or events of default may be disregarded. In addition, holders will (subject as described in the following paragraph) have no further claims in respect of any amount written off, converted or otherwise applied as a result thereof. There can be no assurance that the taking of any such actions would not adversely affect the rights of holders, the price or value of their investment in the Securities and/or the ability of the Issuer to satisfy its obligations under the Securities.

Holders may have only very limited rights to challenge and/or seek a suspension of any decision of the Relevant Resolution Authority to exercise its (pre-)resolution powers or to have that decision reviewed by a judicial or administrative process or otherwise. Application of any of the measures, as described above, shall not constitute an event of default under the Securities and holders will have no further claims in respect of the amount so written down or subject to conversion or otherwise as a result of the application of such measures. Accordingly, if the bail-in tool or the Write-Down and Conversion Power is applied, this may result in claims of holders being written down or converted into equity. In addition, even in circumstances where a claim for compensation is established under the 'no creditor worse off' safeguard in accordance with a valuation performed after the resolution action has been taken, it is unlikely that such compensation would be equivalent to the full losses incurred by the holders in the resolution of the Issuer and there can be no assurance that holders would recover such compensation promptly.

The provisions of the Belgian Banking Law relating to the powers of the supervisory and resolution authorities (as amended from time to time), the BRRD, the SRM and the Revised State Aid Guidelines could negatively affect the position of holders and the credit rating attached to the Securities, in particular if and when any of the above proceedings would be commenced against the Issuer, since the application of any such legislation may affect the rights and effective remedies of the holders as well as the market value of the Securities.

d. Statutory Loss Absorption

With a view to the developments described above, the Terms and Conditions of the Securities stipulate that the Securities may become subject to the determination by the Relevant Resolution Authority that all or part of the principal amount of the Securities, including accrued but unpaid interest in respect thereof, must be written off or converted into CET1 instruments or other types of capital instruments or otherwise be applied to absorb losses, all as prescribed by the Statutory Loss Absorption Powers ("**Statutory Loss Absorption**"). See Condition 16 (*Contractual Recognition of Power under the Bank Recovery and Resolution Directive*).

Upon any such determination, (i) the relevant proportion of the outstanding nominal amount of the Securities subject to the Statutory Loss Absorption Powers shall be written off or converted into CET1 instruments or other types of capital instruments or otherwise be applied to absorb losses, as prescribed by the applicable resolution framework, (ii) investors will have no further rights or claims in respect of the amount so written off or subject to conversion or otherwise as a result of such Statutory Loss Absorption and (iii) such Statutory Loss Absorption shall not constitute a default nor entitle investors to take any action to cause the dissolution or liquidation of the Issuer.

Any written off amount as a result of Statutory Loss Absorption shall be irrevocably lost and investors will cease to have any claims for any principal amount and accrued but unpaid interest which has been subject to Statutory Loss Absorption.

In addition, the Terms and Conditions of the Securities stipulate that, subject to the determination by the Relevant Resolution Authority and without the consent of the investors, the Securities may be subject to other resolution measures as envisaged by the Statutory Loss Absorption Powers; that such determination, the implementation thereof and the rights of investors shall be as prescribed by the Statutory Loss Absorption Powers, which may, *inter alia*, include the concept that, upon such determination no investor shall be entitled to claim any indemnification arising from any such event and that any such event shall not constitute an event of default or entitle the holders to take any action to cause the dissolution or liquidation of the Issuer.

The determination that all or part of the nominal amount of the Securities will be subject to Statutory Loss Absorption may be inherently unpredictable and may depend on a number of factors which may be outside of the Issuer's control. Accordingly, trading behaviour in respect of Securities which are subject to Statutory Loss Absorption is not necessarily expected to follow trading behaviour associated with other types of securities. Any indication or actual or perceived increase in the likelihood that Securities will become subject to Statutory Loss Absorption could have an adverse effect on the market price of the Securities. Potential investors should consider the risk that they may lose all of their investment in such Securities, including the principal amount plus any accrued but unpaid interest, in the event that Statutory Loss Absorption occurs.

10. No scheduled redemption

The Securities are undated securities in respect of which there is no fixed redemption or maturity date. The Issuer is under no obligation to redeem the Securities at any time (see Condition 5 (*Redemption and Purchase*)); although the Terms and Conditions of the Securities include several options for the Issuer to redeem the Securities, there is no contractual incentive for the Issuer to exercise any of these call options and the Issuer has full discretion under the Terms and Conditions of the Securities not to do so for any reason. There will be no redemption at the option of investors.

This means that holders of Securities have no ability to cash in their investment, except:

(i) if the Issuer exercises its rights to redeem or purchase the Securities;

(ii) by selling their Securities; or

(iii) by claiming for any principal amounts due and not paid in any dissolution or liquidation (other than as set out in the Terms and Conditions of the Securities) of the Issuer.

Accordingly there is uncertainty as to when (if ever) an investor in the Securities will receive repayment of the Prevailing Principal Amount of the Securities.

11. The Securities are subject to optional early redemption on the First Call Date (24 October 2025), each Interest Payment Date thereafter or at any time upon the occurrence of a Tax Gross-up Event, a Tax Deductibility Event or a Regulatory Event, subject to certain conditions

The Issuer may (subject to certain conditions), at its option, redeem all, but not some only, of the Securities on the First Call Date or on each Interest Payment Date thereafter (the "**Issuer Call Option**"), or at any time upon the occurrence of a Tax Gross-up Event, a Tax Deductibility Event or a Regulatory Event, in each case at (subject as set out below in this paragraph) their Prevailing Principal Amount plus accrued and unpaid interest (if any and excluding interest which has been cancelled in accordance with the Terms and Conditions). Any such redemption shall be subject to Condition 5.5 (*Conditions to Redemption and Purchase*) which provides, among other things, that (i) the Competent Authority must give its prior approval (if required) and (ii) the Issuer must comply with Applicable Banking Regulations. As at the date of this Prospectus, the Issuer must demonstrate to the satisfaction of the Competent Authority that the Issuer complies with Article 78 CRR (or any equivalent or substitute provision under Applicable Banking Regulations), which may include (a) the replacement of the Securities with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer or (b) that the own funds of the Issuer would, following such redemption or purchase, exceed its minimum own funds requirements (including any capital buffer requirements) by a margin (calculated in accordance with Article 104(3) of the Capital Requirements Directive) that the Competent Authority considers necessary at such time. However, if a Principal Write-down has occurred, the Issuer shall not be entitled to redeem the Securities by exercising the Issuer Call Option until the reduced principal amount of the Securities is increased up to their Original Principal Amount pursuant to conditions for Principal Write-up. Also, the Issuer shall have the right to redeem the Securities following a Principal Write-down upon the occurrence of a Tax Gross-up Event, a Tax Deductibility Event or of a Regulatory Event before the Prevailing Principal Amount has been restored to the Original Principal Amount. Accordingly, holders risk only receiving the amount of principal so reduced by the Principal Write-down.

An optional redemption feature is likely to limit the market value of the Securities. During any period when the Issuer may elect, or in case of an actual or perceived increased likelihood that the Issuer may elect, to redeem the Securities, the market value of the Securities generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period. In addition, investors will not receive any make-whole amount or any other compensation in the event of any early redemption of Securities.

It is not possible to predict whether any of the circumstances mentioned above will occur and so lead to the circumstances in which the Issuer is able to elect to redeem the Securities, and if so, whether or not the Issuer will elect to exercise such option to redeem the Securities.

If the Issuer redeems the Securities in any of the circumstances mentioned above, there is a risk that the Securities may be redeemed at times when the redemption proceeds are less than the current market value or the Original Principal Amount of the Securities or when prevailing interest rates may be relatively low, in which latter case investors may only be able to reinvest the redemption proceeds in securities with a lower yield. Potential investors should consider reinvestment risk in light of other investments available at that time.

12. There is variation or substitution risk in respect of the Securities

The Issuer may if a Tax Gross-up Event, a Tax Deductibility Event or a Regulatory Event has occurred and is continuing or in order to ensure the effectiveness and enforceability of Condition 16 (*Contractual recognition of powers under the Bank Recovery and Resolution Directive*) of the

Securities, subject to compliance with any conditions prescribed under Applicable Banking Regulations, including the prior permission of the Competent Authority if required at the relevant time, but without any requirement for the consent or approval of the holders, substitute the Securities or vary the terms of the Securities provided that they remain or, as appropriate, become compliant with Applicable Banking Regulations with respect to Additional Tier 1 Capital and that such substitution or variation shall not result in terms that are (other than in respect of the effectiveness and enforceability of Condition 16 (*Contractual recognition of powers under the Bank Recovery and Resolution Directive*) of the Securities) materially less favourable to the holders (as reasonably determined by the Issuer). Following such variation or substitution the resulting securities must have, *inter alia*, at least the same ranking and interest rate and the same interest payment dates, redemption rights and existing rights to accrued interest which has not been paid. Nonetheless, no assurance can be given as to whether any of these changes will negatively affect any particular investor. In addition, the tax and stamp duty consequences of holding such varied or substitution Securities could be different for some categories of investors from the tax and stamp duty consequences of their holding the Securities prior to such variation or substitution. See Condition 6 (*Substitution and Variation*) of the Terms and Conditions of the Securities.

The Competent Authority has discretion as to whether or not it will approve any substitution or variation of the Securities, if such permission is prescribed under the then Applicable Banking Regulations. Any such substitution or variation which is considered by the Competent Authority as the issuance of a new instrument will require the Securities, as so substituted or varied, to be eligible as Additional Tier 1 Capital in accordance with the then prevailing Applicable Banking Regulations, which may include a requirement that (save in certain prescribed circumstances) the Securities may not be redeemed or repurchased prior to five years after the effective date of such substitution or variation.

It is possible that any varied or substitution Securities will contain conditions that are contrary to the investment criteria of certain investors. Any resulting sale of the Securities, or of the varied or substitution securities, may be adversely affected by market perception of and price movements in the terms of the varied or substitution securities.

13. The Securities are subject to modification, waivers and substitution

The Terms and Conditions of the Securities contain provisions for convening meetings of holders to consider matters affecting their interests generally. 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.

The Terms and Conditions of the Securities also provide that the Agent may, without the consent of holders, agree to (i) any modification (not being a modification in respect of which an increased quorum is required) of the Agency Agreement which is not materially prejudicial to the interests of holders or (ii) any modification of the Securities or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest or proven error or to comply with mandatory provisions of law.

It is possible that any varied or substitution Securities will contain conditions that are contrary to the investment criteria of certain investors. Any resulting sale of the Securities, or of the varied or substitution securities, may be adversely affected by market perception of and price movements in the terms of the varied or substitution securities.

14. *The Terms and Conditions of the Securities do not provide for events of default allowing acceleration of the Securities*

The Terms and Conditions of the Securities do not provide for events of default allowing acceleration of the Securities if certain events occur, for example if the Issuer fails to pay any amount of interest or principal when due. Also, the Securities cannot cross default based on non-payment on other securities, except where such non-payment on other securities itself results in the dissolution or liquidation of the Issuer. Accordingly, if the Issuer fails to meet any obligation under the Securities, including the payment of interest or the Prevailing Principal Amount of the Securities following the exercise of a right to redeem the Securities as referred in Condition 5 (*Redemption and Purchase*), such failure will not give the holder any right to accelerate the Securities. Accrued but unpaid interest will be deemed cancelled (see the risk factor "*The Issuer may elect not to pay interest on the Securities or in certain circumstances be required not to pay such interest*"). The sole remedy available to the holder for recovery of amounts owing in respect of due but unpaid Prevailing Principal Amount will be to institute proceedings for the dissolution or liquidation of the Issuer (see Condition 10 (*Enforcement*)). Holders have limited power to invoke the dissolution or liquidation of the Issuer and will be responsible for taking all steps necessary for submitting claims in any dissolution or liquidation relation to any claims they may have against the Issuer.

No holder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Securities.

15. *A reset of the interest rate could affect the market value of an investment in the Securities*

Unless previously redeemed, the Rate of Interest of the Securities will be reset as from the First Call Date and as from each date which falls five, or an integral multiple of five, years after the First Call Date. Such Rate of Interest will be determined two Business Days prior to the relevant reset date and as such is not pre-defined at the date of issue of the Securities; it may be lower than the Initial Rate of Interest and may adversely affect the yield or market value of the Securities.

16. *Future discontinuance of EURIBOR may adversely affect the value of the Securities*

On 27 July 2017, the Chief Executive of the United Kingdom Financial Conduct Authority, which regulates LIBOR, announced that it does not intend to continue to persuade, or use its powers to compel, panel banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. Whilst the announcement related to LIBOR, similar concerns may be applicable to EURIBOR. The Financial Stability Board also made certain recommendations to reform major interest rate benchmarks, such as key interbank offered rates. It is not possible to predict whether, and to what extent, banks will continue to provide EURIBOR submissions to the administrator of EURIBOR going forwards.

The ECB and other European authorities have discussed proposals for alternative benchmarks. For example, the ECB announced plans for a new overnight rate for interbank unsecured lending among Euro-area banks in September 2017. The impact of such an overnight rate on six-month EURIBOR is currently unclear.

Investors should be aware that, if EURIBOR were discontinued or otherwise unavailable, the rate of interest on the Securities for periods from (and including) the First Call Date is based on a reset mid-swap rate. If such rate is not available, the rate of interest on the Securities will be determined by the fall-back provisions applicable to the Securities. This may in certain circumstances result in the effective application of a fixed rate based on the rate which was last observed on the relevant Screen

Page. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on the Securities.

17. *Change of law and jurisdiction may impact the Securities*

a. *Change of law*

The Terms and Conditions of the Securities are, save to the extent referred to Condition 14, based on English law in effect as at the date of issue of the Securities. No assurance can be given as to the impact of any possible judicial decision or change to English or Belgian law or administrative practice after the date of issue of the Securities.

In addition, any relevant tax law or practice applicable as at the date of this Prospectus may change at any time (including following the issuance of the Securities).

Such changes in law may include, but are not limited to, the introduction of a variety of statutory resolution and loss absorption tools which may affect the rights of holders of securities issued by the Issuer, including the Securities. Any such change may have an adverse effect on a holder of the Securities, including that the Securities may be redeemed before their due date, their liquidity may decrease and/or the tax treatment of amounts payable or receivable by or to an affected holder may be less favourable than otherwise expected by such holder.

b. *Jurisdiction*

Prospective investors should note that the courts of England shall have jurisdiction in respect of any disputes involving the Securities. Holders may take any suit, action or proceedings arising out of or in connection with the Securities against the Issuer in any court of competent jurisdiction.

18. *Reliance on the procedures of the NBB-SSS and its participants*

The Securities will be issued in dematerialised form under the Belgian Companies Code and cannot be physically delivered. The Securities will be represented exclusively by book entries in the records of the NBB-SSS. Access to the NBB-SSS is available through the NBB-SSS participants whose membership extends to securities such as the Securities. The NBB-SSS participants include certain banks, stockbrokers ("*beursvennootschappen*"/"*sociétés de bourse*"), and Euroclear, Clearstream, Luxembourg, SIX SIS and Monte Titoli.

Transfers of interests in the Securities will be effected between the NBB-SSS participants in accordance with the rules and operating procedures of the NBB-SSS. Transfers between investors will be effected in accordance with the respective rules and operating procedures of the NBB-SSS participants through which they hold their Securities.

Neither the Issuer, nor any Joint Lead Manager or any Paying Agent will have any responsibility for the proper performance by the NBB-SSS or the NBB-SSS participants of their obligations under their respective rules and operating procedures.

A holder of the Securities must rely on the procedures of the NBB-SSS, and the relevant NBB-SSS participant to receive payments under the Securities. The Issuer will have no responsibility or liability for the records relating to, or payments made in respect of, the Securities within the NBB-SSS.

19. *Securities may be held only by Eligible Investors*

The Securities may only be held by, and may only be transferred to, Eligible Investors referred to in Article 4 of the Belgian Royal Decree of 26 May 1994 holding their Securities in an exempt account that has been opened with a financial institution that is a direct or indirect participant in the NBB-SSS operated by the NBB.

20. Each investor in the Securities must act independently as they do not have the benefit of a trustee

Because the Securities will not be issued pursuant to an indenture or trust deed, investors in the Securities will not have the benefit of a trustee to act upon their behalf and each investor will be responsible for acting independently with respect to certain matters affecting such interests in the Securities, including accelerating the Securities upon the occurrence of an event described in Condition 10 (*Enforcement*), and responding to any requests for consents, waivers or amendments.

21. Taxation

Potential purchasers and sellers of the Securities should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Securities are transferred, where the investors are resident for tax purposes and/or other jurisdictions.

In some jurisdictions, no official statements of the tax authorities or court decisions may be available in relation to the tax treatment of financial instruments such as the Securities. Among other matters, there may be no authority addressing whether a holder would be entitled to a deduction for loss at the time of a Principal Write-down. A holder may, for example, be required to wait to take a deduction until it is certain that no Principal Write-up can occur, or until there is an actual or deemed sale, exchange or other taxable disposition of the Securities. It is also possible that, if a holder takes a deduction at the time of a Principal Write-down, it may be required to recognise a capital or income gain at the time of any future Principal Write-up.

Further, the statements in relation to taxation set out in this Prospectus are based on current law and the practice of the relevant authorities in force or applied at the date of this Prospectus. Potential investors should be aware that any relevant tax law or practice applicable as at the date of this Prospectus and/or the date of purchase of the Securities may change at any time (including following the issuance of the Securities)). Any such change may have an adverse effect on a holder, including that the liquidity of the Securities may decrease and/or the amounts payable to or receivable by an affected holder may be less than otherwise expected by such holder.

Potential investors are advised not to rely solely upon the tax summary contained in this Prospectus 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 Securities. 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 Prospectus. See section "*Taxation*" below.

22. Belgian withholding tax

Currently, no Belgian withholding tax will be applicable to the interest on the Securities held by an Eligible Investor in an exempt securities account (an "**X Account**") in the NBB-SSS, as further described in "*Taxation*".

If the Issuer, the NBB, the Paying Agents or any other person is required to make any withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatever nature in respect of any payment in respect of the Securities, the Issuer, the NBB, the relevant Paying Agent or that other person shall make such payment after such withholding or deduction has been made and will account to the relevant authorities for the amount so required to be withheld or deducted.

In particular, the Securities do not provide for payments of principal to be grossed up in the event that any present or future tax, duty, assessment or governmental charge of whatever nature would be imposed on repayments of principal, as further described in the risk factor below. Further, potential investors should be aware that pursuant to Condition 8 (*Taxation*), the Issuer will not be obliged to pay any additional amounts (i) to, or to a third party on behalf of, a holder who is liable for such Taxes in respect of such Security by reason of its having some connection with the Kingdom of Belgium other than the mere holding of such Security; (ii) to, or to a third party on behalf of, a holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the relevant Security is presented for payment; (iii) to a holder who, at the time of issue of the Securities, was not an Eligible Investor or to a holder who was such an Eligible Investor at the time of the issue of the Securities but, for reason within the holder's control, either ceased to be an Eligible Investor or, at any relevant time on or after the issue of the Securities, otherwise failed to meet any other condition for the exemption of Belgian withholding tax pursuant to the Belgian law of 6 August 1993 relating to transactions in certain securities; (iv) to a holder who is liable to such Taxes because the Securities were upon its request converted into registered Securities and could no longer be cleared through the NBB-SSS; or (v) if and to the extent that (x) the Issuer does not have sufficient available Distributable Items to make such payment, and/or (y) such payment would cause the Maximum Distributable Amount (if any) then applicable to the Issuer is to be exceeded, if required to be calculated at such time.

23. *Limitation on gross-up obligation under the Securities*

The Issuer's obligation to pay additional amounts in respect of any withholding or deduction in respect of taxes under the terms of the Securities applies only to payments of interest due and paid under the Securities and not to payments of principal. As such, the Issuer would not be required to pay any additional amounts under the terms of the Securities to the extent any withholding or deduction applied to payments of principal. Accordingly, if any such withholding or deduction were to apply to any payments of principal under the Securities, holders may receive less than the full amount due under the Securities, and the market value of the Securities may be adversely affected.

24. *The proposed financial transactions tax ("FTT")*

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common financial transactions tax (the "**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). In December 2015, Estonia withdrew from the group of states willing to introduce the FTT.

The Commission's Proposal currently stipulates that once the FTT enters into force, the Participating Member States shall not maintain or introduce taxes on financial transactions other than the FTT (or VAT as provided in the Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax).

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in financial instruments (including secondary market transactions) in certain circumstances. The issuance and subscription of financial instruments should, however, be exempt.

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

However, the FTT proposal remains subject to negotiation between the participating Member States. Therefore, it may be altered prior to any implementation, the timing of which also remains unclear. Additional EU Member States may decide to participate.

Prospective investors are advised to seek their own professional advice in relation to the FTT.

25. *Tax consequences of holding the Securities may be complex*

Potential purchasers and sellers of the Securities 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 Securities are transferred or other jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions may be available in relation to the tax treatment of financial instruments such as the Securities. Potential investors are advised not to rely solely upon the tax summary contained in this Prospectus 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 Securities. 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 Prospectus. See section "*Taxation*".

26. *Common Reporting Standard – Exchange of information*

The EC Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments (the "**EU Savings Directive**") requires each Member State as from 1 July 2005 to provide to the tax authorities of another Member State details of payments of interest and other similar income (within the meaning of the EU Savings Directive) made by a paying agent (within the meaning of the EU Savings Directive) within its jurisdiction to, or collected by such paying agent for, an individual resident or certain types of entity (as defined in the article 4.2 of the EU Savings Directive) established in that other Member State. However, for a transitional period, Austria may instead (unless during that period they elect otherwise) operate a withholding system in relation to such payments subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories, including Switzerland, have adopted similar measures (a withholding system in the case of Switzerland).

The exchange of information is, in the near future, expected to be governed by the Common Reporting Standard ("**CRS**"). On 29 October 2014, 51 jurisdictions indeed 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. More than 40 jurisdictions have committed to a specific and ambitious timetable leading to the first automatic information exchanges in 2017 (early adopters).

Under CRS, financial institutions resident in a CRS country would be 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 9 December 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 as foreseen in CRS. DAC2 amends the previous Directive on administrative cooperation in direct taxation, Directive 2011/16/EU.

On 10 November 2015, the Council of the European Union adopted a Directive which repealed the EU Savings Directive with effect from 1 January 2016 (1 January 2017 in the case of Austria) (in each case subject to transitional arrangements). This is to prevent overlap between the EU Savings Directive and the new automatic exchange of information regime provided under DAC2.

On 27 May 2015, Switzerland signed an agreement with the European Union in order to implement, as from 1 January 2017, an automatic exchange of financial information based on the CRS. This new agreement will replace the agreement on the taxation of savings that entered into force in 2005. If a payment were to be made or collected through a paying agent in Austria before the end of the transitional period or the implementation of the rules provided under DAC2 or in certain third countries or dependent associated territories of certain Member States, and an amount of, or in respect of tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Security as a result of the imposition of such withholding tax.

The Belgian government has implemented DAC2 and the Common Reporting Standard pursuant to the Law of 16 December 2015 regarding the exchange of information on financial accounts by Belgian financial institutions and by the Belgian tax administration, in the context of an automatic exchange of information on an international level and for tax purposes.

As a result of the Law of 16 December 2015, the mandatory automatic exchange of information applies in Belgium (i) as of income year 2016 (first information exchange in 2017) towards the EU Member States (including Austria, irrespective of the fact that the automatic exchange of information by Austria towards other EU Member States is only foreseen as of income year 2017), (ii) as of income year 2014 (first information exchange in 2016) towards the US and (iii), with respect to any other non-EU States that have signed the MCAA, as of income year 2016 (first information exchange in 2017) for a first list of 18 countries and as of income year 2017 (first information exchange in 2018) for a second list of 44 countries.

27. Holders may be subject to withholding tax under FATCA

Under sections 1471-1474 of the United States Internal Revenue Code of 1986 enacted by the United States as part of the HIRE Act in March 2010 (commonly referred to as Foreign Account Tax Compliance Act ("**FATCA**")), payments may be subject to withholding if the payment is either US source, or a foreign pass thru payment. Belgium has concluded an agreement with the United States of America to Improve International Tax Compliance and to Implement FATCA, a so-called IGA. Under this agreement, parties are committed to work together, along with other jurisdictions that have concluded an IGA, to develop a practical and effective alternative approach to achieve the FATCA objectives of foreign pass thru payment and gross proceeds withholding that minimises burden. The Issuer is established and resident in Belgium and therefore benefits from this IGA.

If an amount in respect of FATCA withholding tax were to be deducted or withheld from any payments on the Securities, neither the Issuer nor any paying agent would be required to pay any additional amounts as a result of the deduction or withholding of such tax. As a result, investors who are non-US financial institutions ("**FFI**") that have not entered into an FFI agreement (or otherwise established an exemption from withholding under FATCA), investors that hold Securities through such FFIs or investors that are not FFIs but have failed to provide required information or waivers to an FFI may be subject to withholding tax for which no additional amount will be paid by the Issuer. Holders should consult their own tax advisers on how these rules may apply to payments they receive under the Securities.

28. Legality of purchase

Neither the Issuer nor any of its affiliates has or assumes responsibility for the lawfulness of the acquisition of the Securities by a prospective investor in the Securities, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different), or for compliance by that prospective investor with any law, regulation or regulatory policy applicable to it. The Joint Lead Managers are also required to comply with the rules set out in the UK's Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015 and as a result of this compliance, prospective investors will be required to give the representations, warranties, agreements and undertakings as set out on pages 5 to 7 of this Prospectus.

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

30. An investor's actual yield on the Securities may be reduced from the stated yield by transaction costs

When Securities 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 Securities. 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. To the extent that additional – domestic or foreign – parties are involved in the execution of an order, including but not limited to domestic dealers or brokers in foreign markets, investors must take into account that they may also be charged for the brokerage fees, commissions and other fees and expenses of such parties (third party costs).

In addition to such costs directly related to the purchase of securities (direct costs), investors must also take into account any follow-up costs (such as custody fees). Prospective investors should inform themselves about any additional costs incurred in connection with the purchase, custody or sale of the Securities before investing in the Securities.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

1. *A secondary market may not develop for the Securities*

If the Securities are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer.

The Securities may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Securities easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of Securities.

Market liquidity in hybrid financial instruments similar to the Securities has historically been limited. In the event a trigger event occurs in relation to an Additional Tier 1 Capital Instrument or interest payments are suspended, potential price contagion and volatility to the entire asset class is possible. Any indication or perceived indication that the Consolidated CET1 Ratio is trending towards the write-down trigger of 5.125 per cent. or the MDA trigger level may have an adverse effect on the market price of the Securities. Similarly, any indication or perceived indication that the amount of Distributable Items available to pay interest on the Securities is decreasing may have an adverse effect on the market price of the Securities. Moreover, the Issuer's discretion regarding the payment of interest significantly increases uncertainty in the valuation of Additional Tier 1 Capital Instruments, this uncertainty might have a negative impact on liquidity and volatility of the Securities.

Moreover, although pursuant to Condition 5.6 (*Purchases*) the Issuer can purchase Securities at any time, the Issuer is not obliged to do so and any such purchase is subject to permission by the Competent Authority. Purchases made by the Issuer could affect the liquidity of the secondary market of the Securities and thus the price and the conditions under which investors can negotiate these Securities on the secondary market.

In addition, investors should be aware of the prevailing and widely reported global credit market conditions, whereby there is a general lack of liquidity in the secondary market which may result in investors suffering losses on the Securities in secondary resales even if there is no decline in the performance of the Securities or the assets of the Issuer. The Issuer cannot predict whether these circumstances will change and whether, if and when they do change, there will be a more liquid market for the Securities and instruments similar to the Securities at that time.

Although application has been made for the Securities to be listed on Euronext Brussels, there is no assurance that such application will be accepted or that an active trading market will develop.

2. *The Securities are subject to exchange rate risks and exchange controls*

The Issuer will pay principal and interest on the Securities in Euro. 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 Euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Euro 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. An appreciation in the value of the Investor's Currency relative to the Euro would decrease (i) the Investor's Currency-equivalent yield on the Securities, (ii) the Investor's Currency-equivalent value of the principal payable on the Securities and (iii) the Investor's Currency-equivalent market value of the Securities.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

3. The price of Securities is affected by changes in interest rates

Investment in the Securities involves the risk that subsequent changes in market interest rates may adversely affect the value of the Securities.

4. The credit ratings of the Securities or the Issuer may not reflect all risks

Each of S&P and Fitch has assigned or is expected to assign an expected rating to the Securities. In addition, each of S&P, Moody's Investors Service Limited ("**Moody's**") and Fitch has assigned credit ratings to the Issuer. These ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Securities or the standing of the Issuer. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

In addition, there is no guarantee that any rating of the Securities and/or the Issuer will be maintained by the Issuer following the date of this Prospectus. If any rating assigned to the Securities and/or the Issuer is revised lower, suspended, withdrawn or not maintained by the Issuer, the market value of the Securities may be reduced.

In addition to ratings assigned by any hired rating agencies, rating agencies not hired by the Issuer to rate the Securities may assign unsolicited ratings. If any non-hired rating agency assigns an unsolicited rating to the Securities, there can be no assurance that such rating will not differ from, or be lower than, the ratings provided by a hired rating agency. The decision to decline a rating assigned by a hired rating agency, the delayed publication of such rating or the assignment of a non-solicited rating by a rating agency not hired by the Issuer could adversely affect the market value and liquidity of the Securities.

5. The Issuer, the Agent and the Joint Lead Managers may engage in transactions adversely affecting the interests of the holders of Securities

The Agent, the Joint Lead Managers 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. They have received, or may in the future receive, customary fees and commissions for these transactions. In addition, in the ordinary course of their business activities, the Joint Lead Managers 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 Joint Lead Managers 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. Potential investors should be aware that the interests of the Issuer may conflict with the interests of the holders of the Securities. Moreover, investors should be aware that the Issuer, acting in whatever capacity, will not have any obligations vis-à-vis investors and, in particular, it will not obliged to protect the interests of investors.

An investment in the Securities is not an equivalent to an investment in a bank deposit. Although an investment in Securities may give rise to higher yields than a bank deposit placed with any other investment firm in the KBC Group, an investment in the Securities carries risks which are very different from the risk profile of such a deposit. The Securities are expected to have greater liquidity than a bank deposit since bank deposits are generally not transferable. However, the Securities may have no established trading market when issued, and one may never develop. See "*A secondary market may not develop for the Securities*" above.

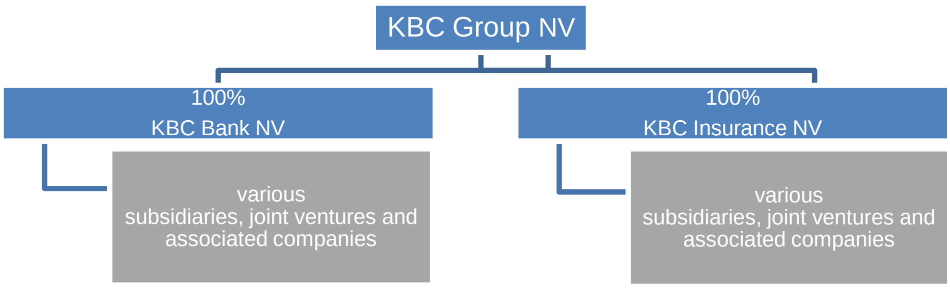
The Securities are unsecured and subordinated obligations of the Issuer. Investments in the Securities do not benefit from any protection provided pursuant to Directive 2014/49/EU of the European Parliament and of the Council on deposit guarantee schemes or any national implementing measures implementing this Directive in any jurisdiction (including article 380 and following of the Belgian Banking Law, as further implemented by, amongst others, the Royal Decree of 16 March 2009 concerning the protection of deposits and life insurance by the Special Protection Fund (*Bijzonder Beschermingsfonds*) for deposits and life insurance). Therefore, if the Issuer becomes insolvent or defaults on its obligations, investors investing in the Securities could lose their entire investment.

In addition, the claims of investors in the Securities may be varied or extinguished pursuant to the exercise of powers under the Belgian Banking Law, including the write-down and conversion of capital instruments power and the bail-in power (see "*A holder may lose all of its investment in the Securities, including the principal amount plus any accrued but unpaid interest, in the event that Statutory Loss Absorption occurs*" above) and the Securities could be written down in accordance with the Conditions (see "*The principal amount of the Securities may be reduced (Written Down) to absorb losses*" above) which could lead to investors in the Securities losing some or all of their investment. The write-down and conversion of capital instruments power does not apply to ordinary bank deposits and the bail-in power must be applied in a specified preference order which would generally result in it being applied to Securities prior to its being applied to bank deposits (to the extent that such deposits are subject to the bail-in power at all).

OVERVIEW OF THE SECURITIES

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by the remainder of, this Prospectus (including any documents incorporated by reference). Words and expressions defined or used in "Terms and Conditions of the Securities" shall have the same meaning in this overview.

Issuer	KBC Group NV is incorporated under the laws of Belgium, having its registered office at Havenlaan 2, 1080 Brussels, Belgium and is registered with the Crossroads Bank for Enterprises under business identification number 0403.227.515.
Description of the Issuer	The Issuer is a mixed financial holding company whose purpose is the direct or indirect ownership and management of shareholdings in other companies, including but not limited to credit institutions, insurance companies and other financial institutions. The Issuer also aims to provide support services for third parties, as agent or otherwise, in particular for companies in which the Issuer, directly or indirectly, has an interest. A simplified chart of the Group's legal structure is provided below:



Joint Bookrunners and Joint Lead Managers	Morgan Stanley & Co. International plc BNP Paribas Deutsche Bank AG, London Branch Goldman Sachs International HSBC Bank plc KBC Bank Bank NV
Paying and Domiciliary Agent	KBC Bank NV, or any other entity appointed from time to time by the Issuer as the Agent pursuant to the terms of the agency agreement dated 24 April 2018 and entered into between the Issuer and the Agent.
Calculation Agent	KBC Bank NV, or any other entity appointed from time to time by the Issuer as the calculation agent pursuant to the terms of the agency agreement dated 24 April 2018 and entered into between the Issuer and the calculation agent.
The Securities	EUR 1,000,000,000 Undated Deeply Subordinated Additional Tier 1 Fixed Rate Resettable Callable Securities (the "**Securities**").
ISIN	BE0002592708.
Common Code	181181761.

Issue Price 100 per cent.

Issue Date 24 April 2018.

Maturity Date The Securities are undated and perpetual.

Denomination EUR 200,000 and integral multiples thereof.

Form of the Securities The Securities will be issued in dematerialised form in accordance with Articles 468 et seq. of the Belgian Companies Code via the book-entry system maintained in the records of the National Bank of Belgium as operator of the NBB-SSS.

Status of the Securities The Securities constitute direct, unconditional, unsecured and deeply subordinated obligations of the Issuer, ranking *pari passu* without any preference among themselves. The Securities shall rank:

(a) subject to any obligations which are mandatorily preferred by law, junior to the claims of all unsubordinated creditors;

(b) junior to the rights and claims of holders of all subordinated indebtedness of the Issuer (including Tier 2 Capital Instruments) other than: (i) any Junior Obligations, and (ii) any Parity Securities;

(c) *pari passu* without any preference among themselves and *pari passu* with any Parity Securities; and

(d) senior only to the rights and claims of any Junior Obligations.

Subject to applicable law, no Securityholder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Securities and each Securityholder shall, by virtue of his subscription, purchase or holding of the Securities, be deemed to have waived all such rights of set-off.

Issuer Call Option Subject to '*Conditions for Redemption'* below, the Issuer may redeem all (but not some only) of the Securities on 24 October 2025 (the "**First Call Date**") or any Interest Payment Date thereafter (each an "**Issuer Call Date**") at their Prevailing Principal Amount, together with accrued but unpaid interest (excluding any interest which has been cancelled in accordance with the Conditions) to, but excluding, the date fixed for redemption and any additional amount payable in accordance with Condition 8.

The Issuer shall not be entitled to redeem the Securities on an Issuer Call Date if on the relevant redemption date the Prevailing Principal Amount of the Securities is lower than their Original Principal Amount.

"**Prevailing Principal Amount**" means, in respect of a Security at any time, the Original Principal Amount of such Security as reduced by any Principal Write-down of such Security (on one or more occasions) at or prior to such time pursuant to Condition 7 and, if applicable following any Principal Write-down, as subsequently increased by any Principal Write-up of such Security (on one or more occasions) at or prior to such time pursuant to Condition 7.

Conditions for Redemption Any optional redemption of Securities and any purchase of Securities is subject to the following, in each case only if and to the extent then required by Applicable Banking Regulations:

(a) compliance with any conditions prescribed under Applicable Banking Regulations, including the prior approval of the Competent Authority (if required);

(b) in the case of redemption upon the occurrence of a Tax Gross-up Event or a Tax

Deductibility Event only, the Issuer having demonstrated to the satisfaction of the Competent Authority that (A) the Change in Law was not reasonably foreseeable as at the Issue Date and (B) the relevant change in tax treatment is material; and

(c) in the case of redemption upon the occurrence of a Regulatory Event only, the Issuer having demonstrated to the satisfaction of the Competent Authority that the change (or prospective change) in the regulatory classification (or reclassification) of the Securities was not reasonably foreseeable as at the Issue Date.

"**Applicable Banking Regulations**" means, at any time, the laws, regulations, rules, guidelines and policies of the Competent Authority, 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 IV and the rules contained in the Belgian Banking Law).

"**Belgian Banking Law**" means the law of 25 April 2014 on the status and supervision of credit institutions and brokerage firms, as amended or replaced from time to time.

"**Competent Authority**" means the European Central Bank, the National Bank of Belgium, any successor or replacement to or of either of them, or any other authority having primary responsibility for the prudential oversight and supervision of the Issuer, as determined by the Issuer.

Tax Gross-Up Call Option

Subject to '*Conditions for Redemption*' above, the Issuer may, at its option, redeem the Securities in whole (but not in part) at any time at their Prevailing Principal Amount, together with accrued and unpaid interest (excluding any interest which has been cancelled in accordance with the Conditions) to, but excluding, the date of redemption and any additional amounts payable in accordance with Condition 8, if:

(a) as a result of any change in, or amendment to, the laws or regulations of Belgium, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date (a "**Change in Law**"), on the next Interest Payment Date the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8; and

(b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

(together, a "**Tax Gross-Up Event**").

Tax Deductibility Call Option

Subject to '*Conditions for Redemption*' above, if, as a result of a Change in Law, on the next Interest Payment Date any interest payable by the Issuer in respect of the Securities 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**"), the Issuer may, at its option, redeem the Securities in whole (but not in part) at any time at their Prevailing Principal Amount together with accrued and unpaid interest (excluding any interest which has been cancelled in accordance with the Conditions) to, but excluding, the date of redemption and any additional amounts payable in accordance with Condition 8.

Regulatory Call Option

Subject to '*Conditions for Redemption*' above, the Issuer may, at its option, redeem the Securities in whole (but not in part), at any time at their Prevailing Principal Amount, together with accrued and unpaid interest (excluding any interest which has been cancelled in accordance with the Conditions) to but excluding the date of redemption and any additional amounts payable in accordance with Condition 8 upon the occurrence of a Regulatory Event.

A "**Regulatory Event**" means an event that shall be deemed to have occurred if the Issuer determines, in good faith, and after consultation with the Competent Authority, that by reason of a change (or a prospective change which the Competent Authority considers to be sufficiently certain) to the regulatory classification of the Securities, at any time after the Issue Date, the Securities cease (or would cease), in whole or in part, to be included in or count towards the Additional Tier 1 Capital of the Issuer on a consolidated basis (having so counted prior to the Regulatory Event occurring). For the avoidance of doubt, a Regulatory Event shall not be deemed to have occurred in case of a partial exclusion of the Securities as a result of (i) a Principal Write-down or (ii) a change in the regulatory assessment of the tax effects of a Principal Write-down.

Substitution and Variation

If a Regulatory Event, a Tax Gross-up Event or a Tax-Deductibility Event (each a "**Special Event**") has occurred and is continuing or in order to ensure the effectiveness and enforceability of Condition 16, the Issuer may, at its option, without any requirement for the consent or approval of the Securityholders, substitute all (but not some only) of the Securities or vary the terms of all (but not some only) of the Securities so that they become or remain (as the case may be) Qualifying Securities.

Any substitution or variation of the Securities pursuant to the Conditions is subject to compliance with any conditions prescribed under Applicable Banking Regulations, including the prior approval of the Competent Authority (if required).

"**Qualifying Securities**" means, at any time, any securities issued by the Issuer:

(a) that:

(A) contain terms which at such time comply with the then current requirements of the Competent Authority in relation to Additional Tier 1 Capital (which, for the avoidance of doubt, may result in such securities not including, or restricting for a period of time the application of, one or more of the Special Event redemption events which are included in the Securities);

(B) carry the same rights to redeem as set out in Condition 5.2 and the same rate of interest from time to time applying to the Securities prior to the relevant substitution or variation;

(C) rank *pari passu* with the Securities prior to the substitution or variation;

(D) shall not at the time of the relevant variation or substitution be subject to a Special Event;

(E) other than in respect of the effectiveness and enforceability of Condition 16, have terms not materially less favourable to the holders than the terms of the Securities, as reasonably determined by the Issuer, and provided that the Issuer shall have delivered to the Agent a certificate to that effect signed by two of its Directors; and

(F) if (A) the Securities were listed or admitted to trading on a Regulated Market immediately prior to the relevant substitution or variation, are listed or admitted to trading on a Regulated Market or (B) if the Securities were listed or admitted to trading on a recognised stock exchange other than a Regulated Market immediately prior to the relevant substitution or variation, are listed or admitted to trading on any recognised stock exchange (including, without limitation, a Regulated Market), in either case as selected by the Issuer.

Interest

The Securities bear interest on their outstanding Prevailing Principal Amount at:

(a) from (and including) the Issue Date, to (but excluding) the First Call Date, a fixed rate of 4.250 per cent. per annum; and

(b) in the case of each Interest Period which commences on or after the First Call Date, the sum, converted from an annual basis to a semi-annual basis, of (A) the Mid-Swap Rate applicable to the Reset Period in which that Interest Period falls and (B) the Margin, all as determined by the Calculation Agent.

The Mid-Swap Rate shall be determined by reference to Reuters Screen Page "ICESWAP2", subject to the fallback and other provisions set out in the Conditions.

Subject to cancellation of any interest payment (in whole or in part) pursuant to Condition 3.2, interest shall be payable semi-annually in arrear in equal instalments on each Interest Payment Date.

Interest cancellation

The Issuer may, in its sole discretion, elect to cancel any Interest Payment (in whole or in part) which is scheduled to be paid on an Interest Payment Date.

Furthermore, the Issuer shall cancel (in whole or in part, as applicable) any Interest Payment otherwise due on an Interest Payment Date if and to the extent that:

(a) the payment of such Interest Payment, when aggregated with any interest payments or distributions which have been paid or made or which are required to be paid or made on the Securities or any other own funds items in the then current financial year (excluding any such interest payments or distributions which (A) are not required to be made out of Distributable Items or (B) have already been provided for, by way of deduction, in the calculation of Distributable Items) and any other amounts which the Competent Authority may require to be taken into account, would cause the amount of Distributable Items (if any) then available to the Issuer to be exceeded;

(b) the payment of such Interest Payment would cause, when aggregated together with other distributions of the kind referred to in Article 101, §1 of the Belgian Banking Law (transposing Article 141(2) of the Capital Requirements Directive), the Maximum Distributable Amount (if any) then applicable to the Issuer to be exceeded; or

(c) the Competent Authority orders the Issuer to cancel the payment of interest.

Interest Payments (or any part thereof) not paid on any relevant Interest Payment Date by reason of any of the above, or '*Principal Write-down*' below, shall be cancelled and shall not accumulate or be payable at any time thereafter. Non-payment of any Interest Payment (or part thereof) in accordance with any of the above, or '*Principal Write-down*' below, will not constitute an event of default by the Issuer for any purpose or a breach of the Issuer's other obligations or duties or a failure to perform by the Issuer in any manner whatsoever, will not entitle holders to petition for the insolvency or dissolution of the Issuer and the Securityholders shall have no right to the Interest Payment (or part thereof) not paid whether in a bankruptcy (*failissement/faillite*) or dissolution or as a result of the insolvency of the Issuer or otherwise.

See Condition 3.2 in "*Terms and Conditions of the Securities*".

Trigger Event

A "**Trigger Event**" will occur if, at any time the Consolidated CET1 Ratio is less than 5.125 per cent. as determined by the Issuer, the Competent Authority or any entity appointed by or acting on behalf of the Competent Authority.

See Condition 7 in "*Terms and Conditions of the Securities*".

Principal Write-down

Upon the occurrence of a Trigger Event, a Principal Write-down will occur.

On a Trigger Event Write-down Date, the Issuer shall:

(a) irrevocably cancel all interest accrued on each Security up to (and including) the Trigger Event Write-down Date (whether or not the same has become due at such time); and

(b) irrevocably, but without prejudice to any Principal Write-up (as described below under "Principal Write-up"), reduce the then Prevailing Principal Amount of each Security by the relevant Write-down Amount with effect from the Trigger Event Write-down Date. Such Principal Write-down to be effected, save as may otherwise be required by Applicable Banking Regulations and/or the Competent Authority and subject to Condition 7.1(e), *pro rata* and concurrently with the Principal Write-down of the other Securities and the write-down or conversion into equity (as the case may be) of the then prevailing principal amount of any other Loss Absorbing Instruments.

"**Write-down Amount**" means, on any Trigger Event Write-down Date, the amount by which the then Prevailing Principal Amount of each outstanding Security is to be Written Down and which is calculated per Security, being the lower of:

(a) the amount per Security (together with, subject to Condition 7.1(e), the concurrent *pro rata* Principal Write-down of the other Securities and the write-down or conversion into equity of the prevailing principal amount of any other Loss Absorbing Instruments) that would be sufficient to immediately restore the Consolidated CET1 Ratio to at least 5.125 per cent.; or

(b) the amount necessary to reduce the Prevailing Principal Amount of the Security to one cent.

If the Issuer has given a notice of redemption of the Securities and, after giving such notice but prior to the relevant redemption date, a Trigger Event occurs, the relevant redemption notice shall be automatically rescinded and shall be of no force and effect, the Securities will not be redeemed on the scheduled redemption date and, instead, a Principal Write-down shall occur in respect of the Securities.

See Conditions 5.5(c) and 7.1 in "*Terms and Conditions of the Securities*".

Principal Write-up

Subject to compliance with the Applicable Banking Regulations, if a positive Consolidated Net Profit is recorded at any time while the Prevailing Principal Amount is less than the Original Principal Amount, the Issuer may, at its full discretion and subject to the Maximum Distributable Amount and Maximum Write-up Amount not being exceeded and no Trigger Event having occurred and being continuing (or occurring as a result of such Principal Write-up), increase the Prevailing Principal Amount of each Security (a "**Principal Write-up**") up to a maximum of its Original Principal Amount, on a *pro rata* basis with the other Securities and with any other Discretionary Temporary Write-Down

Instruments capable of being written-up in accordance with their terms.

The "**Maximum Write-Up Amount**" means the Consolidated Net Profit (i) multiplied by the aggregate issued original principal amount of all Written-Down Additional Tier 1 Instruments which qualify as Additional Tier 1 Capital of the Issuer on a consolidated basis, and (ii) divided by the Tier 1 Capital of the Issuer calculated on a consolidated basis as at the date when the Principal Write-up is operated.

"**Discretionary Temporary Write-Down Instrument**" means, at any time, any instrument (other than the Securities) issued directly or indirectly by the Issuer which at such time (a) qualifies as Additional Tier 1 Capital of the Issuer on a consolidated basis, (b) has had all or some of its principal amount written-down and (c) has terms providing for a write-up or reinstatement of its principal amount, at the relevant issuer's discretion, upon reporting a net profit.

"**Written-Down Additional Tier 1 Instrument**" means, at any time, any instrument (including the Securities) issued directly or indirectly by the Issuer which, immediately prior to the relevant Principal Write-up of the Securities at that time, has a prevailing principal amount that, due to it having been written down, is lower than the original principal amount it was issued with.

See Condition 7 in "*Terms and Conditions of the Securities*".

Clearing System

The NBB-SSS. Access to the NBB-SSS is available through those of the participants in the NBB-SSS whose membership extends to securities such as the Securities. Participants in the NBB-SSS include certain banks, stockbrokers (*beursvennootschappen/sociétés de bourse*), Euroclear Bank SA/NV ("**Euroclear**"), Clearstream Banking S.A., ("**Clearstream, Luxembourg**"), SIX SIS AG ("**SIX SIS**") and Monte Titoli S.p.A. ("**Monte Titoli**"). Accordingly, the Securities will be eligible to clear through, and therefore be accepted by, Euroclear, Clearstream, Luxembourg, SIX SIS and Monte Titoli and investors can hold their interests in the Securities within securities accounts in Euroclear, Clearstream, Luxembourg, SIX SIS and Monte Titoli.

Ratings

The Securities are expected to be rated BB by S&P and BB+ by Fitch.

Each of S&P and Fitch is established in the European Union and is included in the list of credit rating agencies registered in accordance with Regulation (EC) No. 1060/2009 on Credit Rating Agencies as amended by Regulation (EU) No. 513/2011 (the "**CRA Regulation**"). This list is available on the ESMA website (http://www.esma.europa.eu/).

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

Withholding Tax

All payments of principal and/or interest by or on behalf of the Issuer in respect of the Securities will be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed, levied, collected, withheld or assessed by the Kingdom of Belgium or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law.

In such event, the Issuer shall pay such additional amounts ("**Additional Amounts**") in respect of Interest Payments (but not, for the avoidance of doubt, in respect of payments of principal) as shall result in receipt by the holders 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 Security:

(a) **Other Connection:** to, or to a third party on behalf of, a holder who is liable for such Taxes in respect of such Security by reason of its having some connection with the Kingdom of Belgium other than the mere holding of such Security; or

(b) **Lawful avoidance of withholding:** to, or to a third party on behalf of, a holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the relevant Security is presented for payment; or

(c) **Non-Eligible Investor:** to a holder who, at the time of issue of the Securities, was not an Eligible Investor or to a holder who was such an Eligible Investor at the time of the issue of the Securities but, for reason within the holder's control, either ceased to be an Eligible Investor or, at any relevant time on or after the issue of the Securities, otherwise failed to meet any other condition for the exemption of Belgian withholding tax pursuant to the Belgian law of 6 August 1993 relating to transactions in certain securities; or

(d) **Conversion into registered securities**: to a holder who is liable to such Taxes because the Securities were upon its request converted into registered Securities and could no longer be cleared through the NBB-SSS; or

(e) **Available Distributable Items and compliance with the Maximum Distributable Amount**: if and to the extent that (i) the Issuer does not have sufficient Distributable Items to make such payment, or (ii) such payment would cause the Maximum Distributable Amount (if any) then applicable to the Issuer to be exceeded, if required to be calculated at such time.

See "*Terms and Conditions of the Securities – Taxation*", "*Common reporting Standard – Exchange of information*" and "*Taxation on the Securities*".

Governing Law

The Securities (and any non-contractual obligations arising therefrom or in connection therewith) shall be governed by, and construed in accordance with English law, save that Conditions 1, 2 and 12 (and any non-contractual obligations arising therefrom or in connection therewith) shall be governed by, and construed in accordance with, Belgian law.

Listing and Admission to Trading

Application has been made for the Securities to be listed and to be admitted to trading, as of the Issuer Date, on the regulated market of Euronext Brussels ("**Euronext Brussels**"). Euronext Brussels is a regulated market for the purposes of the Prospectus Directive.

Selling Restrictions

See "*Subscription and Sale*".

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

Risk factors

Please see "*Risk factors*" above for further details.

Use of Proceeds

The net proceeds of the issue of the Securities will be used for the general corporate purposes of the Group, will strengthen the Issuer's capital base under a fully loaded CRD IV approach and are part of the Issuer's long-term funding, which the Issuer uses to fund and manage its activities.

The Securities are being issued in contemplation of any potential future call of the Issuer's existing EUR1,400,000,000 Undated Deeply Subordinated Additional Tier 1 Securities issued in 2014 (the "**Existing AT1 Securities**") which the Issuer has the right to redeem in accordance with their terms in March 2019. The issue of the Securities will enable the Issuer to maintain an optimal capital structure and continue to support the Issuer's leverage ratio and its Loss Given Failure and Risk-Adjusted Capital analysis for the purposes of Moody's and S&P's respective ratings assessments. Any decision to redeem the Existing AT1 Securities will be taken having regard to the Issuer's financial position (and other relevant factors) at the relevant time and will be subject to any required regulatory (and other) approvals and pre-conditions being satisfied.

The Issuer will on-lend the proceeds of the Securities to KBC Bank NV under a subordinated loan agreement which will also qualify at the level of KBC Bank NV as Additional Tier 1 capital for regulatory capital purposes.

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the sections of the annual reports referenced below for the years ended 31 December 2016 and 31 December 2017, including the related auditor's reports, which are incorporated by reference in this Prospectus.

Such documents shall be incorporated in and form part of this Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

Copies of all documents incorporated by reference in this Prospectus may be obtained without charge from the offices of the Issuer and the website of the Issuer at https://www.kbc.com/en/investor-relations.

The tables below set out the relevant page references for the financial years ended 31 December 2016 and 31 December 2017, respectively, as set out in the Issuer's annual reports.

	Annual Report 2016	**Annual Report 2017**
	(English version) audited	
Audited consolidated annual financial statements and Board of Directors' reports of the Issuer		
report of the Board of Directors	pages 6-147	pages6 - 155
balance sheet	page 150	page 162
income statement	page 148	page 160
cash flow statement	pages 152-153	pages 164 – 165
notes to the financial statements	pages 154-209	pages 166 – 224
statements of changes in equity	page 151	page 163
Auditor's report	page 210-211	pages 225 – 231
Additional information		
ratios used/glossary to financial ratios and terms	Annex	Pages 238 - 243

TERMS AND CONDITIONS OF THE SECURITIES

The following is the text of the Conditions of the Securities:

The €1,000,000,000 Undated Deeply Subordinated Additional Tier 1 Fixed Rate Resettable Callable Securities (the "**Securities**", which expression shall in these Conditions, unless the context otherwise requires, include any further securities issued pursuant to Condition 13 (*Further issues*) and forming a single series with the Securities) of KBC Group NV (the "**Issuer**") are issued subject to and with the benefit of an Agency Agreement dated the Issue Date (such agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") made between the Issuer and KBC Bank NV as paying agent, calculation agent and fiscal agent (the "**Calculation Agent**" and the "**Agent**" which expressions shall include any successor or replacement Calculation Agent or Agent and, in the case of the Agent, any other paying agents appointed pursuant to the Agency Agreement (the Agent together with any of the paying agents, the "**Paying Agents**")).

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Agency Agreement. Copies of the Agency Agreement are available for inspection during normal business hours by the holders at the specified office of each of the Paying Agents. The holders are deemed to have notice of all the provisions of the Agency Agreement applicable to them. References in these Conditions to the Agent and the Paying Agents shall include any successor appointed under the Agency Agreement.

1 Form, Denomination and Title

The Securities are in dematerialised form in accordance with Articles 468 et seq. of the Belgian Companies Code (the "**Code**"). The Securities will be represented by a book entry in the records of the clearing system operated by the National Bank of Belgium (the "**NBB**") or any successor thereto (the "**NBB-SSS**"). The Securities can be held by their holders through the participants in the NBB-SSS, including Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream, Luxembourg**"), SIX SIS AG ("**SIX SIS**") and Monte Titoli S.p.A. ("**Monte Titoli**"). Accordingly, the Securities will be eligible to clear through, and therefore be accepted by, Euroclear, Clearstream, Luxembourg, SIX SIS and Monte Titoli or other NBB-SSS participants, and investors can hold their interests in the Securities within securities accounts in Euroclear, Clearstream, Luxembourg, SIX SIS and Monte Titoli. The Securities are transferred by account transfer.

Holders are entitled to exercise the rights they have, including but not limited to exercising their voting rights and other associative rights (as defined for the purposes of Article 474 of the Code) against the Issuer upon submission of an affidavit drawn up by the NBB, Euroclear, Clearstream, Luxembourg, SIX SIS, Monte Titoli or any other participant duly licensed in Belgium to keep dematerialised securities accounts showing their position in the Securities (or the position held by the financial institution through which their Securities are held with the NBB, Euroclear, Clearstream, Luxembourg or such other participant, in which case an affidavit drawn up by that financial institution will also be required).

For such purposes, each person who is from time to time shown in the records of a participant, sub-participant or the NBB as operator of the NBB-SSS as the holder of a particular amount of Securities shall be treated as the holder of those Securities and any certificate or other document issued by any participant or the NBB shall be conclusive and binding.

The Securities cannot be physically delivered and may not be converted into bearer securities *(effecten aan toonder/titres au porteur).*

If, at any time, the Securities are transferred to any other clearing system which is not exclusively operated by the NBB (such clearing system an "**Alternative Clearing System**"), these Conditions shall apply *mutatis mutandis* in respect of such notes.

The Securities are issued in denominations of €200,000 and can only be settled through the NBB-SSS in nominal amounts equal to a whole denomination (or a whole multiple thereof).

2 Status of the Securities

2.1 Status

The Securities constitute direct, unconditional, unsecured and deeply subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves. The rights and claims of the holders are subordinated as described in Condition 2.2.

2.2 Subordination

In the event of dissolution or liquidation of the Issuer (including the following events creating a competition between creditors (*"samenloop van schuldeisers/concours de créanciers"*): bankruptcy (*"faillissement/faillite"*), judicial liquidation (*"gerechtelijke vereffening/liquidation forcée"*) or voluntary liquidation (*"vrijwillige vereffening/liquidation volontaire"*)) (other than a voluntary liquidation in connection with a reconstruction, merger or amalgamation where the continuing corporation assumes all the liabilities of the Issuer), the rights and claims of the holders of the Securities against the Issuer in respect of or arising under (including any damages awarded for breach of any obligation under) the Securities shall rank:

(a) subject to any obligations which are mandatorily preferred by law, junior to the claims of all unsubordinated creditors;

(b) junior to the rights and claims of holders of all subordinated indebtedness of the Issuer (including Tier 2 Capital Instruments) other than: (i) any Junior Obligations, and (ii) any Parity Securities;

(c) *pari passu* without any preference among themselves and *pari passu* with any Parity Securities; and

(d) senior only to the rights and claims of holders of any Junior Obligations.

2.3 No set-off

Subject to applicable law, no holder of a Security may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Securities and each holder of a Security shall, by virtue of his subscription, purchase or holding of a Security, be deemed to have waived all such rights of set-off.

2.4 Claims subject to Principal Write-down and subsequent Principal Write-up

Any claim of any holder in respect of or arising under the Securities for any amount of principal will be for the Prevailing Principal Amount of such Securities, irrespective of whether the relevant Trigger Event Write-down Notice has been given prior to or after the occurrence of any event described in Condition 10 or any other event.

3 Interest and interest cancellation

3.1 Interest

(a) Interest rate and Interest Payment Dates

The Securities bear interest on their outstanding Prevailing Principal Amount at the applicable Rate of Interest from (and including) the Issue Date. Subject to cancellation of any interest payment (in whole or in part) pursuant to Condition 3.2, interest shall be payable semi-annually in arrear in equal instalments on each Interest Payment Date.

The amount of interest per €200,000 in Original Principal Amount of the Securities payable on each Interest Payment Date in relation to an Interest Period falling in the Initial Period will, provided there is no Principal Write-down pursuant to Condition 7 and subject to any cancellation of interest (in whole or in part) pursuant to Condition 3.2, be €4,250.

The Calculation Agent will, as soon as practicable after 11:00 a.m. (Central European time) on each Mid-Swap Rate Determination Date, determine the applicable Mid-Swap Rate.

(b) Interest Accrual

Subject always to Condition 7 and to cancellation of interest (in whole or in part) pursuant to Condition 3.2, each Security will cease to bear interest from and including its due date for redemption unless payment of the principal in respect of the Security is improperly withheld or refused or unless default is otherwise made in respect of payment.

In such event, interest will continue to accrue until whichever is the earlier of:

(i) the date on which all amounts due in respect of such Security have been paid; and

(ii) the date which is five days after the date on which the full amount of the moneys payable in respect of such Securities has been received by the Agent and notice to that effect has been given to the holders in accordance with Condition 11.

(c) Publication of Mid-Swap Rate and amount of interest

The Calculation Agent will cause each Mid-Swap Rate and the amount of interest payable per Security for each Reset Period commencing on or after the First Call Date determined by it to be notified to each listing authority, stock exchange and/or quotation system (if any) by which the Securities have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but in any event not later than the relevant Reset Date. Notice thereof shall also promptly be given to the holders in accordance with Condition 11.

(d) Notifications etc.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 3 by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents and the holders and (subject as aforesaid) no liability to any such person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(e) Calculation of interest amounts and any broken amounts

Save as provided above in respect of equal instalments, the amount of interest payable per Security (subject to Condition 7 and to cancellation in whole or in part pursuant to Condition 3.2) in respect of each Security for any period (an "**Accrual Period**", being the period from and including the date from which interest begins to accrue to but excluding the date on which it falls due) shall be calculated by the Calculation Agent by:

(i) applying the applicable Rate of Interest to the Security;

(ii) multiplying the product thereof by (A) the actual number of days in the Accrual Period divided by (B) two times either the actual number of days in the Interest Period in which the relevant Accrual Period falls; and

(iii) rounding the resulting figure to the nearest cent (half a cent being rounded upwards) on any amount due and payable.

If the Prevailing Principal Amount of the Securities changes on one or more occasions during any Accrual Period, the Calculation Agent shall separately calculate the amount of interest (in accordance with this Condition 3.1(e)) accrued on each Security for each period within such Accrual Period during which a different Prevailing Principal Amount subsists, and the aggregate of such amounts shall be the amount of interest payable (subject to Condition 7 and to cancellation in whole or in part pursuant to Condition 3.2) in respect of a Security for the relevant Accrual Period.

3.2 Interest cancellation

(a) Optional cancellation of interest

The Issuer may, in its sole discretion (but subject at all times to the requirements for mandatory cancellation of interest payments in Condition 3.2(b)), at any time on or before the relevant Interest Payment Date elect to cancel any Interest Payment, in whole or in part, which is scheduled to be paid on an Interest Payment Date.

(b) Mandatory cancellation of interest

The Issuer shall cancel (in whole or in part, as applicable) any Interest Payment otherwise due on an Interest Payment Date if and to the extent that:

(i) the payment of such Interest Payment, when aggregated with any interest payments or distributions which have been paid or made or which are required to be paid or made on the Securities or any other own funds items in the then current financial year (excluding any such interest payments or distributions which (A) are not required to be made out of Distributable Items or (B) have already been provided for, by way of deduction, in the calculation of Distributable Items) and any other amounts which the Competent Authority may require to be taken into account, would cause the amount of Distributable Items (if any) then available to the Issuer to be exceeded;

(ii) the payment of such Interest Payment would cause, when aggregated together with other distributions of the kind referred to in Article 101, §1 of the Belgian Banking Law (transposing Article 141(2) of the Capital Requirements Directive), the Maximum Distributable Amount (if any) then applicable to the Issuer to be exceeded; or

(iii) the Competent Authority orders the Issuer to cancel the payment of interest.

Interest payments may also be cancelled in accordance with Condition 7.

As used in these Conditions:

"**Distributable Items**" means, subject as otherwise defined in the Applicable Banking Regulations from time to time:

(i) the amount of the Issuer's profits at the end of the financial year immediately preceding the financial year in which the relevant Interest Payment Date falls plus any profits brought forward and reserves available for that purpose before distributions to holders of own funds instruments of the Issuer; less

(ii) any losses brought forward, profits which are non-distributable pursuant to applicable Belgian law and sums placed to non-distributable reserves in accordance with applicable Belgian law,

those profits, losses and reserves being determined on the basis of the Issuer's non-consolidated accounts; and

"**Maximum Distributable Amount**" means any maximum distributable amount relating to the Issuer required to be calculated in accordance with Articles 100 and 101, §1 of the Belgian Banking Law, read together with Article 1 of Schedule V (*Restrictions on distributions*) to the Belgian Banking Law (transposing Article 141(2) of the Capital Requirements Directive).

(c) Notice of cancellation of interest

Upon the Issuer electing (pursuant to Condition 3.2(a)) or determining that it shall be required (pursuant to Condition 3.2(b)) to cancel (in whole or in part) any Interest Payment, the Issuer shall as soon as reasonably practicable give notice to the holders in accordance with Condition 11, specifying the amount of the relevant cancellation and, accordingly, the amount (if any) of the relevant Interest Payment that will be paid on the relevant Interest Payment Date; provided, however, that any failure to give such notice shall not affect the validity of the cancellation of any Interest Payment in whole or in part which shall be as effective as if such notice had been given and shall not constitute a default under the Securities for any purpose.

In the absence of such notice being given, the fact of non-payment (in whole or in part) of the relevant Interest Payment on the relevant Interest Payment Date shall be evidence of the Issuer having elected or being required to cancel such Interest Payment in whole or in part, as applicable.

(d) Interest non-cumulative; no event of default

Any Interest Payment (or part thereof) not paid on any relevant Interest Payment Date by reason of Condition 3.2(a), 3.2(b) or 7 shall be cancelled and shall not accumulate or be payable at any time thereafter. Non-payment of any Interest Payment (or part thereof) in accordance with any of Condition 3.2(a), 3.2(b) or 7 will not constitute an event of default by the Issuer for any purpose or a breach of the Issuer's other obligations or duties or a failure to perform by the Issuer in any manner whatsoever, will not entitle holders to petition for the insolvency or dissolution of the Issuer and the holders shall have no right to the Interest Payment (or part thereof) not paid, whether in bankruptcy (*faillissement/faillite*) or dissolution or as a result of the insolvency of the Issuer or otherwise.

4 Payments

4.1 Payments in respect of Securities

Without prejudice to Article 474 of the Code, payments of principal, interest and other sums due under the Securities will be made in accordance with the rules of the NBB-SSS. The payment obligations of the Issuer will be discharged by payment to the NBB-SSS in respect of each amount so paid.

4.2 Payments on Business Days

If the due date for payment of any amount in respect of any Security is not a Business Day, the holder shall not be entitled to payment of the amount due until the next succeeding such Business Day and shall not be entitled to any further interest or other payment in respect of any such delay.

4.3 Payments subject to applicable laws

Payments in respect of principal of and interest on the Securities are subject in all cases to any fiscal or other laws and regulations applicable thereto in any jurisdiction, but without prejudice to the provisions of Condition 8.

5 Redemption and Purchase

5.1 No fixed maturity

The Securities are perpetual and have no fixed maturity date. The Securities will become repayable only as provided in this Condition 5 and in Condition 10.

5.2 Redemption at the Option of the Issuer

Subject to Condition 5.5, the Issuer may, at its option, having given not less than 30 nor more than 60 days' notice to the holders in accordance with Condition 11 (which notice shall, subject as provided in Condition 5.5, be irrevocable and shall specify the date fixed for redemption), redeem all (but not some only) of the Securities on the First Call Date or on any Interest Payment Date thereafter at their Prevailing Principal Amount together with accrued and unpaid interest (excluding interest which has been cancelled in accordance with these Conditions) to, but excluding, the date of redemption and any additional amounts payable in accordance with Condition 8.

5.3 Redemption for Taxation Reasons

(a) Redemption upon a Tax Gross-up Event

Subject to Condition 5.5, if:

(i) as a result of any change in, or amendment to, the laws or regulations of Belgium, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date (a "**Change in Law**"), on the next Interest Payment Date the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8; and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

(together, a "**Tax Gross-up Event**"), the Issuer may, at its option, having given not less than 30 nor more than 60 days' notice to the holders in accordance with Condition 11 (which notice shall, subject as provided in Condition 5.5, be irrevocable), redeem the Securities in whole (but not in part), at any time at their Prevailing Principal Amount together with accrued and unpaid interest (excluding interest which has been cancelled in accordance with these Conditions) to, but excluding, the date of redemption and any additional amounts payable in accordance with Condition 8, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts, were a payment in respect of the Securities then due.

(b) Redemption upon a Tax Deductibility Event

Subject to Condition 5.5, if, as a result of a Change in Law, on the next Interest Payment Date any interest payable by the Issuer in respect of the Securities 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**"), the Issuer may, at its option, having given not less than 30 nor more than 60 days' notice to the holders in accordance with Condition 11 (which notice shall, subject as provided in Condition 5.5, be irrevocable), redeem the Securities in whole (but not in part), at any time at their Prevailing Principal Amount together with accrued and unpaid interest (excluding interest which has been cancelled in accordance with these Conditions) to, but excluding, the date of redemption and any additional amounts payable in accordance with Condition 8, provided that no such notice of redemption shall be given earlier than 90 days prior to the first scheduled Interest Payment Date in respect of which a deduction would not be available or would be reduced.

(c) Directors' Certificate

Prior to the publication of any notice of redemption pursuant to this Condition 5.3, the Issuer shall deliver to the Agent (i) 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 and (ii) an opinion of independent legal advisers of recognised standing to the effect that, as a result of the Change in Law, either (A) in the case of a redemption upon the occurrence of a Tax Gross-up Event, the Issuer has or will become obliged to pay the relevant additional amounts, or (B) in the case of a redemption upon the occurrence of a Tax Deductibility Event, any interest payable by the Issuer in respect of the Securities has ceased (or will cease) to be deductible by the Issuer for Belgian corporate income tax purposes or such deductibility is, or would be, reduced.

5.4 Redemption upon a Regulatory Event

(a) Redemption

Subject to Condition 5.5, upon the occurrence of a Regulatory Event, the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the holders in accordance with Condition 11 (which notice shall, subject as provided in Condition 5.5. be irrevocable), redeem the Securities, in whole (but not in part), at any time at their Prevailing Principal Amount together with accrued and unpaid interest (excluding interest which has been cancelled in accordance with these Conditions) to, but excluding, the date of redemption and any additional amounts payable in accordance with Condition 8.

A "**Regulatory Event**" means an event that shall be deemed to have occurred if the Issuer determines, in good faith, and after consultation with the Competent Authority, that by reason of a change (or a prospective change which the Competent Authority considers to be sufficiently certain) to the regulatory classification of the Securities, at any time after the Issue Date, the Securities cease (or would cease), in whole or in part, to be included in or count towards the Additional Tier 1 Capital of the Issuer on a consolidated basis (having so counted prior to the Regulatory Event occurring). For the avoidance of doubt, a Regulatory Event shall not be deemed to have occurred in case of a partial exclusion of the Securities as a result of (i) a Principal Write-down or (ii) a change in the regulatory assessment of the tax effects of a Principal Write-down.

(b) Directors' Certificate

Prior to the publication of any notice of redemption pursuant to this Condition 5.4, the Issuer shall deliver to the Agent a certificate signed by two Directors of the Issuer stating that a Regulatory Event has occurred.

5.5 Conditions to Redemption and Purchase

(a) General conditions to redemption and purchase

Any optional redemption of Securities pursuant to Condition 5.2, 5.3 or 5.4 and any purchase of Securities pursuant to Condition 5.6 are subject to the following, 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, including the prior approval of the Competent Authority (if required);

(ii) in the case of redemption upon the occurrence of a Tax Gross-up Event or a Tax Deductibility Event only, the Issuer having demonstrated to the satisfaction of the Competent Authority that (A) the Change in Law was not reasonably foreseeable as at the Issue Date and (B) the relevant change in tax treatment is material; and

(iii) in the case of redemption upon the occurrence of a Regulatory Event only, the Issuer having demonstrated to the satisfaction of the Competent Authority that the change (or prospective change) in the regulatory classification (or reclassification) of the Securities was not reasonably foreseeable as at the Issue Date.

(b) No redemption whilst the Securities are written down

The Issuer shall not be entitled to redeem the Securities pursuant to Condition 5.2 (but this restriction shall not, for the avoidance of doubt, apply to a redemption pursuant to

Conditions 5.3 or 5.4) if, on the relevant redemption date, the Prevailing Principal Amount of the Securities is lower than their Original Principal Amount (and any notice of redemption which has been given in such circumstances shall be automatically rescinded and shall be of no force and effect).

(c) Determination of Trigger Event supersedes notice of redemption

If the Issuer has given a notice of redemption of the Securities pursuant to Condition 5.2, 5.3 or 5.4 and, after giving such notice but prior to the relevant redemption date, a Trigger Event occurs, the relevant redemption notice shall be automatically rescinded and shall be of no force and effect, the Securities will not be redeemed on the scheduled redemption date and, instead, a Principal Write-down shall occur in respect of the Securities as described under Condition 7.

Without prejudice to Condition 5.5(b) above, following the occurrence of a Trigger Event, the Issuer shall not be entitled to give a notice of redemption of the Securities pursuant to Condition 5.2, 5.3 or 5.4 before the Trigger Event Write-Down Date.

5.6 Purchases

Subject to Condition 5.5, the Issuer or any of its subsidiaries may purchase Securities in any manner and at any price save that any such purchase may not take place within 5 years after the Issue Date unless permitted by Applicable Banking Regulations.

However, the Issuer or any agent on its behalf shall have the right at all times to purchase the Securities for market-making purposes, provided that (a) prior written approval of the Competent Authority shall be obtained where required and (b) the total principal amount of the Securities so purchased does not exceed the predetermined amount permitted to be purchased for market-making purposes under Applicable Banking Regulations (such predetermined amount not to exceed the limits set forth in Article 29(3)(b) of Commission Delegated Regulation (EU) 241/2014, as amended or replaced from time to time, and to the extent applicable at the relevant time).

Any Securities so purchased may be held, reissued or, at the option of the Issuer, surrendered to the Agent for cancellation.

5.7 Cancellations

All Securities which are redeemed, and all Securities which are purchased and surrendered to the Agent for cancellation, will (subject to Condition 5.5) forthwith be cancelled.

5.8 Notices Final

Subject to Condition 5.5, upon the expiry of any notice as is referred to in Conditions 5.2, 5.3 or 5.4 the Issuer shall be bound to redeem the Securities to which the notice refers in accordance with the terms of such Condition.

6 Substitution and Variation

6.1 Substitution and variation

Subject to Condition 6.2 and 6.3, if a Regulatory Event, a Tax Gross-up Event or a Tax Deductibility Event (each a "**Special Event**") has occurred and is continuing or in order to ensure the effectiveness and enforceability of Condition 16, the Issuer may at its option, without any requirement for the consent or approval of the holders, upon not less than 30 nor more than 60 days' notice to the holders in accordance with Condition 11 (which notice shall, subject as provided in Condition 6.3, be irrevocable), substitute all (but not some only) of the Securities or vary the terms of all (but not some only) of the Securities so that they become or remain (as the case may be) Qualifying Securities.

Any such notice shall specify the relevant details of the manner in which such substitution or variation shall take effect and where the holders can inspect or obtain copies of the new terms and conditions of the Securities.

In these Conditions, "**Qualifying Securities**" means, at any time, any securities issued by the Issuer:

(i) that:

(A) contain terms which at such time comply with the then current requirements of the Competent Authority in relation to Additional Tier 1 Capital (which, for the avoidance of doubt, may result in such securities not including, or restricting for a period of time the application of, one or more of the Special Event redemption events which are included in the Securities);

(B) carry the same rights to redeem as set out in Condition 5.2 and the same rate of interest from time to time applying to the Securities prior to the relevant substitution or variation;

(C) rank *pari passu* with the Securities prior to the substitution or variation;

(D) shall not at the time of the relevant variation or substitution be subject to a Special Event;

(E) other than in respect of the effectiveness and enforceability of Condition 16, have terms not materially less favourable to the holders than the terms of the Securities, as reasonably determined by the Issuer, and provided that the Issuer shall have delivered to the Agent a certificate to that effect signed by two of its Directors; and

(F) that if (A) the Securities were listed or admitted to trading on a Regulated Market immediately prior to the relevant substitution or variation, are listed or admitted to trading on a Regulated Market or (B) if the Securities were listed or admitted to trading on a recognised stock exchange other than a Regulated Market immediately prior to the relevant substitution or variation, are listed or admitted to trading on any recognised stock exchange (including, without limitation, a Regulated Market), in either case as selected by the Issuer.

6.2 Conditions to substitution and variation

Any substitution or variation of the Securities pursuant to Condition 6.1 is subject to compliance with any conditions prescribed under Applicable Banking Regulations, including the prior approval of the Competent Authority (if required).

6.3 Determination of Trigger Event following notice of substitution or variation

If the Issuer has given a notice of substitution or variation of the Securities pursuant to Condition 6.1 and, after giving such notice but prior to the date of such substitution or variation (as the case may be), a Trigger Event occurs, the relevant notice of substitution or variation shall be automatically rescinded and shall be of no force and effect, the Securities will not be substituted or varied on the scheduled substitution or variation date and, instead, a Principal Write-down shall occur in respect of the Securities as described under Condition 7.

Following the occurrence of a Trigger Event, the Issuer shall not be entitled to give a notice of substitution or variation of the Securities pursuant to Condition 6.1 before the Trigger Event Write-Down Date.

7 Principal Write-down and Principal Write-up

7.1 Principal Write-down

(a) Trigger Event

Upon the occurrence of a Trigger Event, a Principal Write-down will occur without delay but no later than within one month or such shorter period as may be required by the Competent Authority (such date being a "**Trigger Event Write-down Date**"), all in accordance with this Condition 7.1.

(b) Trigger Event Write-down Notice

Upon the occurrence of a Trigger Event, the Issuer shall:

(i) immediately notify the Competent Authority that a Trigger Event has occurred;

(ii) determine the Write-down Amount as soon as possible and no later than on the relevant Trigger Event Write-down Date;

(iii) give notice to holders (a "**Trigger Event Write-down Notice**") in accordance with Condition 11, which notice shall specify (A) that a Trigger Event has occurred, (B) the Trigger Event Write-down Date and (C) if it has then been determined, the Write-down Amount; and

(iv) no later than the giving of the Trigger Event Write-down Notice, deliver to the Agent a certificate signed by two Directors of the Issuer stating a Trigger Event has occurred.

The determination that a Trigger Event has occurred, including the underlying calculations, and any determination of the relevant Write-down Amount shall be irrevocable and be binding on the holders.

If the Write-down Amount has not been determined at the time the Issuer gives the Trigger Event Write-down Notice, the Issuer shall, as soon as reasonably practicable following such determination having been made, give a further notice to holders in accordance with Condition 11, confirming the Write-down Amount. Failure to provide any notice referred to in this Condition will not have any impact on the effectiveness of, or otherwise invalidate, any such Principal Write-down or give holders any rights as a result of such failure.

(c) Cancellation of interest and Principal Write-down

On a Trigger Event Write-down Date, the Issuer shall:

(i) irrevocably cancel all interest accrued on each Security up to (and including) the Trigger Event Write-down Date (whether or not the same has become due at such time); and

(ii) irrevocably, but without prejudice to any Principal Write-up pursuant to Condition 7.2, reduce the then Prevailing Principal Amount of each Security by the relevant Write-down Amount (such reduction being referred to as a "**Principal Write-down**", and "**Written Down**" being construed accordingly) with effect from the Trigger Event Write-down Date, such Principal Write-down to be effected, save as may be otherwise required by Applicable Banking Regulations and/or the Competent Authority and subject to Condition 7.1(e), *pro rata* and concurrently with the Principal Write-down of the other Securities and the write-down or conversion into equity (as the case may be) of the then prevailing principal amount of any other Loss Absorbing Instruments.

Condition 3.2 shall apply accordingly in respect of interest payments cancelled on a Trigger Event Write-down Date in accordance with Condition 7. For the avoidance of doubt, interest will continue to accrue on the Prevailing Principal Amount following the Principal Write-down, as from the Trigger Event Write-down Date (without prejudice to any Principal Write-up pursuant to Condition 7.2).

In addition, the Competent Authority shall be entitled to write down the Securities in accordance with its statutory powers, as more fully described in Condition 16.

(d) Write-down Amount

In these Conditions, "**Write-down Amount**" means, on any Trigger Event Write-down Date, the amount by which the then Prevailing Principal Amount of each outstanding Security is to be Written Down and which is calculated per Security, being the lower of:

(i) the amount per Security (together with, subject to Condition 7.1(e), the concurrent *pro rata* Principal Write-down of the other Securities and the write-down or conversion into equity of the prevailing principal amount of any other Loss Absorbing Instruments) that would be sufficient to immediately restore the Consolidated CET1 Ratio to at least 5.125 per cent.; or

(ii) the amount necessary to reduce the Prevailing Principal Amount of the Security to one cent.

(e) Other Loss Absorbing Instruments

To the extent the write-down or conversion into equity of any Loss Absorbing Instruments is not effective for any reason (i) the ineffectiveness of any such write-down or conversion into equity shall not prejudice the requirement to effect a Principal Write-down of the

Securities pursuant to Condition 7.1 and (ii) the write-down or conversion into equity of any Loss Absorbing Instrument which is not, or by the Trigger Event Write-down Date will not be, effective shall not be taken into account in determining the Write-down Amount of the Securities.

Any Loss Absorbing Instruments that may be written down or converted to equity in full (save for any one cent floor) but not in part only shall be treated for the purposes only of determining the relevant *pro rata* amounts in Condition 7.1(c)(ii) and 7.1(d) as if their terms permitted partial write-down or conversion into equity.

In the event of a concurrent write-down of any other Loss Absorbing Instrument (if any), the *pro rata* write-down and/or conversion of such Loss Absorbing Instrument shall only be taken into account to the extent required to restore the Consolidated CET1 Ratio contemplated above to the lower of (x) such Loss Absorbing Instrument's trigger level and (y) 5.125 per cent., in each case in accordance with the terms of such Loss Absorbing Instrument and the Applicable Banking Regulations.

(f) No default

Any Principal Write-down of the Securities shall not:

(i) constitute an event of default of the Issuer or a breach of the Issuer's other obligations or duties or a failure to perform by the Issuer in any manner whatsoever;

(ii) constitute the occurrence of any event related to the insolvency of the Issuer or entitle the holders to any compensation or to take any action to cause the liquidation, dissolution or winding-up of the Issuer.

The holders shall have no further rights or claims against the Issuer (whether in the case of the liquidation, dissolution or winding-up of the Issuer by reason of bankruptcy (*faillissement/faillite*) or otherwise) with respect to any interest cancelled and any principal Written Down in accordance with this condition (including, but not limited to, any right to receive accrued but unpaid and future interest or any right of repayment of principal, but without prejudice to their rights in respect of any reinstated principal following a Principal Write-up pursuant to Condition 7.2).

(g) Principal Write-down may occur on one or more occasions

A Principal Write-down may occur on one or more occasions and accordingly the Securities may be Written Down on one or more occasions (provided, however, that the principal amount of a Security shall never be reduced to below one cent).

7.2 Principal Write-up

(a) Principal Write-up

Subject to compliance with the Applicable Banking Regulations, if a positive Consolidated Net Profit is recorded (a "**Return to Financial Health**") at any time while the Prevailing Principal Amount is less than the Original Principal Amount, the Issuer may, at its full discretion but subject to Conditions 7.2(b), 7.2(c) and 7.2(d), increase the Prevailing Principal Amount of each Security (a "**Principal Write-up**") up to a maximum of its Original Principal Amount on a *pro rata* basis with the other Securities and with any Discretionary Temporary Write-down Instruments capable of being written-up in accordance with their terms at the time of the Principal Write-up (based on the then prevailing principal amounts thereof), provided that the Maximum Write-up Amount is not exceeded as determined in accordance with Condition 7.2(c) below.

Any Principal Write-up Amount will be subject to the same terms and conditions as set out in these Conditions.

For the avoidance of doubt, the principal amount of a Security shall never be increased to above its Original Principal Amount.

(b) Maximum Distributable Amount

A Principal Write-up of the Securities shall not be effected in circumstances which (when aggregated together with other distributions of the kind referred to in Article 101, §1 of the Belgian Banking Law (transposing Article 141(2) of the Capital Requirements Directive) would cause the Maximum Distributable Amount, if any, applicable to the Issuer to be exceeded, if required to be calculated at such time.

(c) Maximum Write-up Amount

A Principal Write-up of the Securities will not be effected at any time to the extent the sum of:

(i) the aggregate amount of the relevant Principal Write-up on all the Securities;

(ii) the aggregate amount of any interest on the Securities that was paid or calculated (but disregarding any such calculated interest which has been cancelled) on the basis of a Prevailing Principal Amount that is lower than the Original Principal Amount at any time after the end of the then previous financial year;

(iii) the aggregate amount of the increase in principal amount of each Discretionary Temporary Write-down Instrument to be written-up at the time of the relevant Principal Write-up and the increase in principal amount of the Securities and any Discretionary Temporary Write-down Instruments resulting from any previous write-up since the end of the then previous financial year; and

(iv) the aggregate amount of any interest payments on each Loss Absorbing Instrument that were paid or calculated (but disregarding any such calculated interest which has been cancelled) on the basis of a prevailing principal amount that is lower than the original principal amount at which such Loss Absorbing Instrument was issued at any time after the end of the then previous financial year,

would exceed the Maximum Write-up Amount.

In these Conditions, the "**Maximum Write-up Amount**" means the Consolidated Net Profit (i) multiplied by the aggregate issued original principal amount of all Written-Down Additional Tier 1 Instruments which qualify as Additional Tier 1 Capital of the Issuer on a consolidated basis, and (ii) divided by the Tier 1 Capital of the Issuer calculated on a consolidated basis as at the date when the Principal Write-up is operated.

(d) Principal Write-up and Trigger Event

A Principal Write-up will not be effected whilst a Trigger Event has occurred and is continuing. Further, a Principal Write-up will not be effected in circumstances where such

Principal Write-up (together with the simultaneous write-up of all other Discretionary Temporary Write-down Instruments) would cause a Trigger Event to occur.

(e) Principal Write-up *pro rata* with other Discretionary Temporary Write-down Instruments

The Issuer undertakes that it will not write-up the principal amount of any Discretionary Temporary Write-down Instruments capable of being written-up in accordance with their terms at the time of the relevant write-up unless it does so on a *pro rata* basis with a Principal Write-up on the Securities.

(f) Principal Write-up may occur on one or more occasions

Principal Write-up may be made on one or more occasions until the Prevailing Principal Amount of the Securities has been reinstated to the Original Principal Amount.

Any decision by the Issuer to effect or not to effect any Principal Write-up on any occasion shall not preclude it from effecting (in the circumstances permitted by this Condition 7.2) or not effecting any Principal Write-up on any other occasion.

(g) Notice of Principal Write-up

The Issuer shall, as soon as reasonably practicable following its formal decision to effect a Principal Write-up in respect of the Securities and in any event not later than five Business Days prior to the date on which the Principal Write-up shall take effect, give notice of such Principal Write-up to the Holders in accordance with Condition 11. Such notice shall confirm the amount of such Principal Write-up and the date on which such Principal Write-up is to take effect.

7.3 Foreign Currency Instruments

If, in connection with any Principal Write-down or Principal Write-up of the Securities, any instruments are not denominated in the Accounting Currency at the relevant time ("**Foreign Currency Instruments**", which may include the Securities, any Discretionary Temporary Write-down Instruments and/or any relevant Loss Absorbing Instruments) the determination of the relevant Write-down Amount or Write up Amount (as the case may be) in respect of the Securities, the relevant write up amount of Discretionary Temporary Write-down Instruments and the relevant write down (or conversion into equity) amount or write up amount (as the case may be) of Loss Absorbing Instruments shall be determined by the Issuer based on the relevant foreign currency exchange rate used by the Issuer in the preparation of its regulatory capital returns under the Applicable Banking Regulations.

8 Taxation

All payments of principal and/or interest by or on behalf of the Issuer in respect of the Securities will be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed, levied, collected, withheld or assessed by the Kingdom of Belgium or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In such event, the Issuer shall pay such additional amounts ("**Additional Amounts**") in respect of Interest Payments (but not, for the avoidance of doubt, in respect of payments of principal) as shall result in receipt by the holders 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 Security:

(i) **Other connection:** to, or to a third party on behalf of, a holder who is liable for such Taxes in respect of such Security by reason of its having some connection with the Kingdom of Belgium other than the mere holding of such Security; or

(ii) **Lawful avoidance of withholding**: to, or to a third party on behalf of, a holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the relevant Security is presented for payment; or

(iii) **Non-Eligible Investor:** to a holder who, at the time of issue of the Securities, was not an Eligible Investor or to a holder who was such an Eligible Investor at the time of the issue of the Securities but, for reason within the holder's control, either ceased to be an Eligible Investor or, at any relevant time on or after the issue of the Securities, otherwise failed to meet any other condition for the exemption of Belgian withholding tax pursuant to the Belgian law of 6 August 1993 relating to transactions in certain securities; or

(iv) **Conversion into registered securities**: to a holder who is liable to such Taxes because the Securities were upon its request converted into registered Securities and could no longer be cleared through the NBB-SSS; or

(v) **Available Distributable Items and compliance with the Maximum Distributable Amount**: if and to the extent that (i) the Issuer does not have sufficient Distributable Items to make such payment, and/or (ii) such payment would cause the Maximum Distributable Amount (if any) then applicable to the Issuer to be exceeded, if required to be calculated at such time.

Notwithstanding any other provision in these Conditions, any amounts paid by or on behalf of the Issuer in respect of the Securities will be paid net of any deduction or withholding imposed or required by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (or any regulations thereunder or official interpretations thereof), or otherwise imposed pursuant to any intergovernmental agreement, or implementing legislation adopted by another jurisdiction, in connection with these provisions, or pursuant to any agreement with the US Internal Revenue Service ("**FATCA withholding**"). Neither the Issuer nor any other person will have an obligation to pay Additional Amounts or otherwise indemnify a holder for any FATCA withholding.

Any reference in these Conditions to any amounts in respect of the Securities shall be deemed also to refer to any Additional Amounts which may be payable under this Condition 8.

For the avoidance of doubt, Additional Amounts shall only be payable if and to the extent the Issuer has sufficient Distributable Items and such payment would not cause the Maximum Distributable Amount (if any) then applicable to the Issuer to be exceeded, if required to be calculated at such time.

9 Prescription

Claims for principal or interest shall become void ten years (in the case of principal) or five years (in the case of interest) after their due date, unless application to a court of law for such payment has been initiated on or before such respective time.

10 Enforcement

If default is made in the payment of any principal or interest due in respect of the Securities or any of them and such default continues for a period of 30 days or more after the due date, any holder may institute proceedings for the dissolution or liquidation of the Issuer in Belgium. Any Interest Payment not paid by reason of Condition 3 or Condition 7 shall not constitute a default under this Condition.

In the event of a dissolution or liquidation of the Issuer (including, without limitation, the following events creating a competition between creditors (*samenloop van schuldeisers/concours de créanciers*): bankruptcy (*faillissement/faillite*), judicial liquidation (*gerechtelijke vereffening/liquidation forcée*), voluntary liquidation (*vrijwillige vereffening/liquidation volontaire*) (other than a voluntary liquidation in connection with a reconstruction, merger or amalgamation where the continuing corporation assumes all the liabilities of the Issuer), dissolution (*ontbinding/liquidation*), moratorium of payments (*moratorium/moratoire*), and any other measures agreed between the Issuer and its creditors relating to the Issuer's payment difficulties, or an official decree of such measure), each holder may give notice to the Issuer that the Security is, and it shall accordingly forthwith become, immediately due and repayable at its Prevailing Principal Amount, together with accrued and unpaid interest (excluding interest which has been cancelled in accordance with these Conditions) to the date of repayment and any additional amounts payable in accordance with Condition 8.

No remedy against the Issuer other than as referred to in this Condition 10 shall be available to the holders, whether for recovery of amounts owing in respect of the Securities or in respect of any breach by the Issuer of any of its obligations under or in respect of the Securities.

For the avoidance of doubt, the holders of the Securities waive, to the fullest extent permitted by law (i) all their rights whatsoever pursuant to Article 1184 of the Belgian Civil Code to rescind (*ontbinden/résoudre*), or to demand legal proceedings for the rescission (*ontbinding/résolution*), of, the Securities and (ii), to the extent applicable, all their rights whatsoever in respect of the Securities pursuant to Article 487 of the Code.

11 Notices

Notices to the holders shall be valid if delivered by or on behalf of the Issuer to the NBB for communication by it to the participants of the NBB-SSS. Any such notice shall be deemed given on the date and at the time it is delivered to the NBB-SSS. For so long as the Securities are admitted to listing and trading on a regulated market, any notices to holders must also be published in accordance with the rules and regulations of such market which are applicable at the relevant time and, in addition to the foregoing, will be deemed validly given on the date of such publication.

In addition to the above communications and publications, with respect to notices for meetings of holders, convening notices for such meetings shall be made in accordance with Schedule 1 (*Provisions of meetings of Securityholders*) to these Conditions.

12 Meeting of holders and Modification

12.1 Meeting of holders

(i) Subject to paragraph (ii) below, all meetings of holders of Securities will be held in accordance with the provisions on meetings of Securityholders set out in Schedule 1 (*Provisions on meetings of Securityholders*) to these Conditions.

Meetings of holders of Securities may be convened to consider matters relating to Securities, including the modification or waiver of any provision of these Conditions. Any such modification or waiver may be made if sanctioned by an Extraordinary Resolution (as defined in Schedule 1 (*Provisions on meetings of Securityholders*)).

All meetings of holders of Securities may be convened by the Issuer and shall be convened by the Issuer upon the request in writing of holders of Securities holding not less than one fifth of the aggregate principal amount of the outstanding Securities. A meeting of holders of Securities will be entitled (subject to the consent of the Issuer) to exercise the powers set out in Schedule 1 (*Provisions on meetings of Securityholders*) and generally to modify or waive any provision of these Conditions (including any proposal (i) to modify the dates on which interest or principal is payable in respect of the Securities; (ii) to alter the method of calculating the amount of any payment in respect of the Securities or the date for any such payment; (iii) to alter any provision relating to Principal Write-down or Principal Write-up; (iv) to change the currency of payment of the Securities; or (v) to modify the provisions concerning the quorum required at any meeting of holders) in accordance with the quorum and majority requirements set out in Schedule 1 (Provisions on meetings of Securityholders), and if required thereunder subject to validation by the court of appeal. Resolutions duly passed in accordance with these provisions shall be binding on all holders, whether or not they are present at the meeting and whether or not they vote in favour of such a resolution.

Convening notices for meetings of holders of Securities shall be made in accordance with Schedule 1 (*Provisions on meetings of Securityholders*).

Schedule 1 (*Provisions on meetings of Securityholders*) provides that, if authorised by the Issuer and to the extent permitted by Belgian law, a written resolution signed by the holders of 75 per cent. in nominal amount of the Securities outstanding shall take effect as if it were an Extraordinary Resolution provided that the terms of the proposed resolution shall have been notified in advance to the Securityholders through the relevant settlement 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 holders of Securities.

Resolutions of holders of Securities will only be effective if such resolutions have been approved by the Issuer and, if so required, by the Competent Authority.

(ii)

(A) For so long as the relevant provisions of the Belgian companies code of 7 May 1999 as is in effect on the Issue Date (the "**Existing Code**") relating to meetings of bondholders remain in effect, where any provision of Schedule 1 (*Provisions on meetings of Securityholders*) would conflict with the relevant provisions of the Existing Code relating to meetings of bondholders that cannot be derogated from, the provisions of the Existing Code will apply.

(B) Where any of the provisions of Schedule 1 (*Provisions on meetings of Securityholders*) would be illegal, invalid or unenforceable, that will not affect the legality, validity and enforceability of the other provisions of Schedule 1.

12.2 Modification

Subject to obtaining the approval therefor from the Competent Authority if so required, the Agent and the Issuer may agree, without the consent of the holders, to:

(i) any modification of the Agency Agreement which is not prejudicial to the interests of the holders; or

(ii) any modification of these Conditions or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest or proven 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 11 as soon as practicable thereafter.

13 Further Issues

The Issuer may from time to time without the consent of the holders create and issue further Securities, having terms and conditions the same as those of the Securities, or the same except for the amount of the first payment of interest, which may be consolidated and form a single series with the outstanding Securities.

14 Governing Law and Submission to Jurisdiction

14.1 Governing Law

The Agency Agreement and the Securities (except Conditions 1, 2 and 12) (and, in each case, any non-contractual obligations arising therefrom or in connection therewith) shall be governed by, and construed in accordance with, English law. Conditions 1, 2 and 12 of the Securities and any non-contractual obligations arising therefrom or in connection therewith shall be governed by, and construed in accordance with, Belgian law.

14.2 Jurisdiction of English Courts

The Issuer agrees, for the exclusive benefit of the holders, that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Agency Agreement or the Securities (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 Agency Agreement or the Securities (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 any such court 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. The Issuer appoints KBC Bank NV at its London branch at 111 Old Broad Street, London EC2N 1BR as its agent for service of process for Proceedings in England, and undertakes that, in the event of KBC Bank NV, London branch ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings in England. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

15 Rights of Third Parties

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Security, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

16 Contractual recognition of powers under the Bank Recovery and Resolution Directive

Notwithstanding and to the exclusion of any other term of the Securities or any other agreements, arrangements, or understanding between the Issuer and any holder, by its acquisition of the Securities, each holder (which, for the purposes of this Condition 16, includes each holder of a beneficial interest in the Securities) acknowledges and accepts that the Amounts Due arising under the Securities may be subject to the exercise of Statutory Loss Absorption Powers by the Relevant Resolution Authority, and acknowledges, accepts, consents to and agrees to be bound by:

(a) the effect of the exercise of any Statutory Loss Absorption Power by the Relevant Resolution Authority, which exercise may include and result in any of the following, or some combination thereof:

  (i) the reduction or cancellation of all, or a portion, of the Amounts Due;

  (ii) the conversion of all, or a portion, of the Amounts Due on the Securities into shares, other securities or other obligations of the Issuer or another person (and the issue to or conferral on the holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of the Securities;

  (iii) the cancellation of the Securities; and

  (iv) the amendment or alteration of the provisions of the Securities by which the Securities have no maturity or the amendment of the amount of interest payable on the Securities, or the date on which the interest becomes payable, including by suspending payment for a temporary period; and

(b) the variation of the terms of the Securities, as deemed necessary by the Relevant Resolution Authority, to give effect to the exercise of any Statutory Loss Absorption Power by the Relevant Resolution Authority.

17 Definitions

In these Conditions:

"**5-year Mid-Swap Rate**" means, in relation to a Reset Period and the Mid-Swap Rate Determination Date in respect of such Reset Period:

(a) the mid-swap rate for euro swaps with a term of 5 years which appears on the Screen Page as of 11:00 a.m. (Central European time) on such Mid-Swap Rate Determination Date; or

(b) if such rate does not appear on the Screen Page at such time on such Mid-Swap Rate Determination Date, the Reset Reference Bank Rate on such Mid-Swap Rate Determination Date.

"**5-year Mid-Swap Rate Quotations**" means the arithmetic mean of the bid and ask rates for the annual fixed leg (calculated on a 30/360 day count basis) of a fixed-for-floating euro interest rate swap transaction which:

(a) has a term of 5 years commencing on the relevant Reset Date;

(b) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market; and

(c) has a floating leg (calculated on an Actual/360 day count basis) based on six-month EURIBOR.

"**Accounting Currency**" means euro or such other primary currency used in the presentation of the Issuer's accounts from time to time.

"**Accrual Period**" has the meaning given in Condition 3.1(e).

"**Additional Tier 1 Capital**" has the meaning given in the Applicable Banking Regulations from time to time.

"**Additional Tier 1 Capital Instruments**" means all obligations which constitute, or which upon issue constituted, Additional Tier 1 Capital of the Issuer.

"**Amounts Due**" means the Prevailing Principal Amount, together with any accrued but unpaid interest (excluding interest which has been cancelled in accordance with these Conditions) and any additional amounts payable in accordance with Condition 8. References to such amounts will include amounts that have become due and payable, but which have not been paid, prior to the exercise of the Statutory Loss Absorption Power by the Relevant Resolution Authority.

"**Applicable Banking Regulations**" means, at any time, the laws, regulations, rules, guidelines and policies of the Competent Authority, 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 IV and the rules contained in the Belgian Banking Law).

"**Belgian Banking Law**" means the law of 25 April 2014 on the status and supervision of credit institutions and brokerage firms, as amended or replaced from time to time.

"**BRRD**" means Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms, as amended or replaced from time to time.

"**Business Day**" means (i) a day other than a Saturday or Sunday on which the NBB-SSS is operating, and (ii) a day on which banks and forex markets are open for general business in Belgium and (iii) (if a payment in euro is to be made on that day) a day which is a business day for the TARGET2 System.

"**Calculation Agent**" means KBC Bank NV.

"**Capital Requirements Directive**" means Directive (2013/36/EU) of the European Parliament and of the Council on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms dated 26 June 2013, as amended or replaced from time to time.

"**Capital Requirements Regulation**" means Regulation (EU) No 57512013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 64812012, as amended or replaced from time to time.

"**CET1 Capital**" means the sum, expressed in the Accounting Currency, of all amounts that constitute Common Equity Tier 1 capital of the Issuer on a consolidated basis as at a given date, less any deductions from Common Equity Tier 1 capital required to be made as of such date, all as calculated by the Issuer on a consolidated basis in accordance with the Applicable Banking Regulations (which calculation shall be binding on the holders). The term "Common Equity Tier 1 capital" as used in this definition shall have the meaning assigned to such term in the Applicable Banking Regulations from time to time, and subject always to the transitional and grandfathering arrangements thereunder as interpreted by the Competent Authority.

"**Code**" means the Belgian Companies Code.

"**Competent Authority**" means the European Central Bank, the National Bank of Belgium, any successor or replacement to or of either of them, or any other authority having primary responsibility for the prudential oversight and supervision of the Issuer, as determined by the Issuer.

"**Consolidated CET1 Ratio**" means, at any time, the ratio of CET1 Capital of the Issuer to the total risk exposure amount (as referred to in Article 92(2)(a) of the Capital Requirements Regulation) of the Issuer, expressed as a percentage, all as calculated on a consolidated basis within the meaning of the Capital Requirements Regulation.

"**Consolidated Net Profit**" means the net profit of the Issuer as calculated on a consolidated basis and as set out in the last audited annual consolidated accounts of the Issuer adopted by the Issuer's shareholders' meeting (or such other means of communication as determined by the Issuer). In respect of the financial year ended 31 December 2017, the Issuer expressed its consolidated net profit as Consolidated Result after Tax in its audited annual consolidated financial statements.

"**CRD IV**" means, taken together, the (i) Capital Requirements Directive and (ii) Capital Requirements Regulation.

"**Discretionary Temporary Write-down Instrument**" means, at any time, any instrument (other than the Securities) issued directly or indirectly by the Issuer which at such time (a) qualifies as Additional Tier 1 Capital of the Issuer on a consolidated basis, (b) has had all or some of its principal amount written-down and (c) has terms providing for a write-up or reinstatement of its principal amount, at the relevant issuer's discretion, upon reporting a net profit.

"**Distributable Items**" has the meaning given in Condition 3.2(b).

"**Eligible Investor**" means a person who is entitled to hold securities through a so-called "X-Account" (being an account exempted from withholding tax) in a settlement system in accordance with Article 4 of the Belgian Royal Decree of 26 May 1994 on the collection and refund of withholding tax (as amended or replaced from time to time).

"**euro**" or "**€**" 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.

"**Existing Code**" has the meaning given in Condition 12.

"**Extraordinary Resolution**" has the meaning given in Condition 12.

"**FATCA withholding**" has the meaning given in Condition 8.

"**First Call Date**" means 24 October 2025.

"**Foreign Currency Instruments**" has the meaning given in Condition 7.3.

"**Holder**" or "**holder**" means the holder from time to time of a Security as determined by reference to the records of the relevant clearing systems or financial intermediaries and the affidavits referred to in Condition 1.

"**Initial Period**" means the period from (and including) the Issue Date to (but excluding) the First Call Date.

"**Initial Rate of Interest**" means 4.250 per cent. per annum.

"**Interest Payment**" means, in respect of an Interest Payment Date, the amount of interest which, subject to Conditions 3.2 and 7, is payable for the relevant Interest Period in accordance with Condition 3.

"**Interest Payment Date**" means 24 April and 24 October in each year from (and including) 24 October 2018.

"**Interest Period**" means each period from (and including) the Issue Date or any Interest Payment Date to (but excluding) the next Interest Payment Date.

"**Issue Date**" means 24 April 2018.

"**Junior Obligations**" means all unsecured, subordinated obligations of the Issuer that rank, or are expressed to rank, junior to the Issuer's obligations under the Securities and all classes of share capital of the Issuer.

"**Loss Absorbing Instruments**" means, at any time, any instrument (other than the Securities) issued directly or indirectly by the Issuer which qualifies as Additional Tier 1 Capital of the Issuer on a consolidated basis and has terms pursuant to which all or some of its principal amount may be written-down (whether on a permanent or temporary basis) or converted into equity (in each case in accordance with its conditions) on the occurrence, or as a result, of the Consolidated CET1 Ratio falling below a certain trigger level.

"**Margin**" means 3.594 per cent.

"**Maximum Distributable Amount**" has the meaning given in Condition 3.2(b).

"**Maximum Write-up Amount**" has the meaning given in Condition 7.2.

"**Mid-Swap Rate**" means, in respect of any Reset Period, the 5-year Mid-Swap Rate determined on the Mid-Swap Rate Determination Date applicable to such Reset Period, as determined by the Calculation Agent.

"**Mid-Swap Rate Determination Date**" means, in respect of the determination of the Mid-Swap Rate applicable during any Reset Period, the day falling two Business Days prior to the Reset Date on which such Reset Period commences.

"**NBB-SSS**" has the meaning given in Condition 1.

"**Original Principal Amount**" means, in respect of a Security at any time the principal amount of such Security at the Issue Date without having regard to any subsequent Principal Write-down or Principal Write-up pursuant to Condition 7.

"**Parity Securities**" means any Additional Tier 1 Capital Instruments issued or guaranteed by the Issuer and any other obligations or instruments of the Issuer that rank, or are expressed to rank, equally with the Securities (including, for the avoidance of doubt and for so long as they are outstanding, the Issuer's €1,400,000,000 Undated Deeply Subordinated Additional Tier 1 Fixed Rate Resettable Callable Securities issued on 19 March 2014).

"**Prevailing Principal Amount**" means, in respect of a Security at any time, the Original Principal Amount of such Security as reduced by any Principal Write-down of such Security (on one or more occasions) at or prior to such time pursuant to Condition 7 and, if applicable following any Principal Write-down, as subsequently increased by any Principal Write-up of such Security (on one or more occasions) at or prior to such time pursuant to Condition 7.

"**Principal Write-down**" has the meaning given in Condition 7.1.

"**Principal Write-up**" has the meaning given in Condition 7.2.

"**Principal Write-up Amount**" means, on any Principal Write-up, the amount by which the then Prevailing Principal Amount is to be written-up and which is calculated per Security.

"**Qualifying Securities**" has the meaning given in Condition 6.1.

"**Rate of Interest**" means:

(a) in the case of each Interest Period falling in the Initial Period, the Initial Rate of Interest; or

(b) in the case of each Interest Period which commences on or after the First Call Date, the sum, converted from an annual basis to a semi-annual basis, of (A) the Mid-Swap Rate applicable to the Reset Period in which that Interest Period falls and (B) the Margin,

all as determined by the Calculation Agent in accordance with Condition 3.

The current market convention for semi-annual rate conversion from an annual rate is as follows:

$$2 \times \left(\sqrt{Mid - Swap\ Rate + Margin + 1} - 1\right)$$

A reference to a "**regulated entity**" is to any entity referred to in Article 267/15 or Article 453 of the Belgian Banking Law or Article 2 of the SRM Regulation, as the case may be, in each case as amended from time to time, which includes certain credit institutions, investment firms, and certain of their parent or holding companies.

"**Regulated Market**" means a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC) as amended or replaced from time to time.

"**Regulatory Event**" has the meaning given in Condition 5.4(a).

"**Relevant Resolution Authority**" means the Single Resolution Board established pursuant to the SRM Regulation and defined therein, the *Collège de résolution / Afwikkelingscollege* of the National Bank of Belgium, and/or any other authority entitled to exercise or to participate in the exercise of any bail-in power from time to time.

"**Reset Date**" means the First Call Date and each date which falls five, or an integral multiple of five, years after the First Call Date.

"**Reset Period**" means each period from (and including) a Reset Date to (but excluding) the next Reset Date.

"**Reset Reference Bank Rate**" means, with respect to a Mid-Swap Rate Determination Date, the percentage rate determined on the basis of the 5-year Mid-Swap Rate Quotations provided by the Reset Reference Banks to the Calculation Agent at approximately 11:00 a.m. (Central European time) on such Mid-Swap Rate Determination Date. If at least three quotations are provided, the Reset Reference Bank Rate will be the 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 quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean of the quotations provided. If only one quotation is provided, the Reset Reference Bank Rate will be the quotation provided. If no quotations are provided, the Reset Reference Bank Rate will be the last observable mid-swap rate for euro swaps with a term of 5 years which appears on the Screen Page, as determined by the Calculation Agent.

"**Reset Reference Banks**" means six leading swap dealers in the interbank market selected by the Calculation Agent in its discretion after consultation with the Issuer.

"**Return to Financial Health**" has the meaning given in Condition 7.2.

"**Screen Page**" means Reuters screen "ICESWAP2" or such other page as may replace it on Reuters or, as the case may be, on such other information service that may replace Reuters, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying rates comparable to the relevant 5-year Mid-Swap Rate.

"**Special Event**" has the meaning given in Condition 6.1.

"**SRM Regulation**" means Regulation 806/2014 establishing uniform rules and uniform procedures for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and Single Resolution Fund, and the instruments, rules and standards created thereunder.

"**Statutory Loss Absorption Power**" means any write-down, conversion, transfer, modification, suspension or similar or related power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in Belgium, relating to the transposition of the BRRD, including but not limited to the Belgian Banking Law, or pursuant to, and in accordance with, the SRM Regulation, pursuant to which (i) any obligation of a regulated entity (or other affiliate of such regulated entity) can be reduced, cancelled, modified, or converted into shares, other securities, or other obligations of such regulated entity or any other person (or suspended for a temporary period); and (ii) any right in a contract governing an obligation of a regulated entity may be deemed to have been exercised.

"**TARGET2 System**" means the Trans-European Automated Real-time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

"**Tax Deductibility Event**" has the meaning given in Condition 5.3(b).

"**Tax Gross-up Event**" has the meaning given in Condition 5.3(a).

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

"**Tier 2 Capital Instruments**" means all obligations which constitute, or which upon issue constituted, Tier 2 Capital of the Issuer.

A "**Trigger Event**" will occur if, at any time, the Consolidated CET1 Ratio is less than 5.125 per cent. as determined by the Issuer, the Competent Authority or any entity appointed by or acting on behalf of the Competent Authority.

"**Trigger Event Write-down Date**" has the meaning given in Condition 7.1.

"**Trigger Event Write-down Notice**" has the meaning given in Condition 7.1.

"**Write-down Amount**" has the meaning given in Condition 7.1.

"**Written-Down Additional Tier 1 Instrument**" means, at any time, any instrument (including the Securities) issued directly or indirectly by the Issuer and which, immediately prior to the relevant Principal Write-up of the Securities at that time, has a prevailing principal amount that, due to it having been written down, is lower than the original principal amount it was issued with.

Any reference in these Conditions to a specific Article of any applicable law or rule of English, Belgian or European law shall be to such Article as amended or replaced from time to time.

Schedule 1

PROVISIONS ON MEETINGS OF SECURITYHOLDERS

Interpretation

1. In this Schedule:

1.1 references to a "**meeting**" are to a meeting of Securityholders and include, unless the context otherwise requires, any adjournment;

1.2 references to "**Securities**" and "**Securityholders**" are only to the Securities issued by the Issuer and in respect of which a meeting has been, or is to be, called and to the holders of those Securities, respectively;

1.3 "**agent**" means a holder of a Voting Certificate or a proxy for, or representative of, a Securityholder;

1.4 "**Block Voting Instruction**" means a document issued by a Recognised Accountholder or the NBB-SSS in accordance with paragraph 9;

1.5 "**Electronic Consent**" has the meaning set out in paragraph 31;

1.6 "**Extraordinary Resolution**" means a resolution passed (a) at a meeting of Securityholders duly convened and held in accordance with this Schedule by a majority of at least 75 per cent. of the votes cast, (b) by a Written Resolution or (c) by an Electronic Consent;

1.7 "**NBB-SSS**" means the securities settlement system operated by the NBB or any successor thereto;

1.8 "**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 per cent. of the votes cast;

1.9 "**Recognised Accountholder**" means a member (*aangesloten lid/afilié*) referred to in the Belgian Royal Decree n°62, with whom a Securityholder holds Securities on a securities account;

1.10 "**Voting Certificate**" means a certificate issued by a Recognised Accountholder or the NBB-SSS in accordance with paragraph 8;

1.11 "**Written Resolution**" means a resolution in writing signed by the holders of not less than 75 per cent. in principal amount of the Securities outstanding; and

1.12 references to persons representing a proportion of the Securities are to Securityholders, proxies or representatives of such Securityholders holding or representing in the aggregate at least that proportion in nominal amount of the Securities for the time being outstanding.

General

2. All meetings of Securityholders will be held in accordance with the provisions set out in this Schedule.

2.1 For so long as the relevant provisions of the Belgian companies code of 7 May 1999 as is in effect on the Issue Date (the "**Existing Code**") relating to meetings of bondholders remain in effect, where any provision of this Schedule would conflict with the relevant provisions of the Existing Code relating to meetings of bondholders that cannot be derogated from, the provisions of the Existing Code will apply.

2.2 Where any of the provisions of this Schedule would be illegal, invalid or unenforceable, that will not affect the legality, validity and enforceability of the other provisions of this Schedule.

Powers of meetings

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 Competent 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 Securityholders against the Issuer (other than in accordance with the Conditions or pursuant to applicable law);

3.2 to assent to any modification of this Schedule or the Securities proposed by the Issuer or the Agent;

3.3 to authorise 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 Securityholders or not) as a committee or committees to represent the Securityholders' interests and to confer on them any powers (including, without limitation, any powers conferred on such representative by the Code) or discretions which the Securityholders 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 Securities in circumstances not provided for in the Conditions or in applicable law; and

3.7 to accept any security interests established in favour of the Securityholders 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 18 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 this Schedule or the Securities which would have the effect of (other than in accordance with the Conditions or pursuant to applicable law):

(i) 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;

(ii) to assent to a reduction of the nominal amount of the Securities or a modification of the conditions under which any redemption, substitution or variation may be made;

(iii) to alter the method of calculating the amount of any payment in respect of the Securities or the date for any such payment;

(iv) to alter any provision relating to Principal Write-down or Principal Write-up;

(v) to change the currency of payment of the Securities;

(vi) to modify the provisions concerning the quorum required at any meeting of Securityholders 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 Securityholders shall, upon a proposal of or with the assent of the Issuer, have power by Ordinary Resolution:

4.1 to assent to any decision to take any conservatory measures in the general interest of the Securityholders; or

4.2 to assent to the appointment of any representative to implement any Ordinary Resolution.

5. No amendment to this Schedule or the Securities which in the opinion of the Issuer relates to any of the matters listed in paragraph 4 above shall be effective unless approved at a meeting of Securityholders complying in all respect with the requirements of Belgian law, the provisions set out in this Schedule and the articles of association of the Issuer.

Convening a meeting

6. The Issuer may at any time convene a meeting. A meeting shall be convened by the Issuer upon the request in writing of Securityholders holding at least 20 per cent. in principal amount of the Securities for the time being outstanding. Every meeting shall be held at a time and place approved by the Agent.

7. Convening notices for meetings of Securityholders shall be given to the Securityholders in accordance with Condition 11 (*Notices*) not less than fifteen days prior to the relevant meeting. The notice shall specify the day, time and place of the meeting and the nature of the resolutions to be proposed and shall explain how Securityholders may appoint proxies or representatives obtain Voting Certificates and use Block Voting Instructions and the details of the time limits applicable.

Arrangements for voting

8. A Voting Certificate shall:

8.1 be issued by a Recognised Accountholder or the NBB-SSS;

8.2 state that on the date thereof (i) Securities (not being Securities 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 Recognised Accountholder or the NBB-SSS) held to its order or under its control and blocked by it and (ii) that no such Securities 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 Recognised Accountholder or the NBB-SSS who issued the same; and

8.3 further state that until the release of the Securities 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 Securities represented by such certificate.

9. A Block Voting Instruction shall:

9.1 be issued by a Recognised Accountholder or the NBB-SSS;

9.2 certify that (i) Securities (not being Securities 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 Recognised Accountholder or the NBB-SSS) held to its order or under its control and blocked by it and that no such Securities 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 Recognised Accountholder or the NBB-SSS to the Issuer, stating that certain of such Securities cease to be held with it or under its control and blocked and setting out the necessary amendment to the Block Voting Instruction;

9.3 certify that each holder of such Securities has instructed such Recognised Accountholder or the NBB-SSS that the vote(s) attributable to the Security or Securities 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 three (3) Business Days prior to the time for which such meeting or any such adjourned meeting is convened and ending at the conclusion or adjournment thereof;

9.4 state the principal amount of the Securities 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 favour 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

9.5 naming one or more persons (each hereinafter called a "**proxy**") as being authorised and instructed to cast the votes attributable to the Securities so listed in accordance with the instructions referred to in 9.4 above as set out in such document.

10. If a holder of Securities wishes the votes attributable to it to be included in a Block Voting Instruction for a meeting, he must block such Securities for that purpose at least three (3) Business Days before the time fixed for the meeting to the order of the Agent with a bank or other depositary nominated by the Agent for the purpose. The Agent shall then issue a Block Voting Instruction in respect of the votes attributable to all Securities so blocked.

11. No votes shall be validly cast at a meeting unless in accordance with a Voting Certificate or Block Voting Instruction.

12. The proxy appointed for purposes of the Block Voting Instruction or Voting Certificate does not need to be a Securityholder.

13. Votes can only be validly cast in accordance with Voting Certificates and Block Voting Instructions in respect of Securities held to the order or under the control and blocked by a Recognised Accountholder or the NBB-SSS and which have been deposited at the registered office at the Issuer not less than three (3) and not more than six (6) Business Days 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 Securities 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 Securities to which such Voting Certificate or Block Voting Instruction relates.

14. 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

15. 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 Securityholders 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 Securityholder or agent. The chairman of an adjourned meeting need not be the same person as the chairman of the original meeting.

Attendance

16. The following may attend and speak at a meeting:

16.1 Securityholders and their agents;

16.2 the chairman and the secretary of the meeting;

16.3 the Issuer and the Agent (through their respective representatives) and their respective financial and legal advisers.

No one else may attend or speak.

Quorum and Adjournment

17. 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 Securityholders, 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.

18. One or more Securityholders or agents present in person shall be a quorum:

18.1 in the cases marked "**No minimum proportion**" in the table below, whatever the proportion of the Securities which they represent

18.2 in any other case, only if they represent the proportion of the Securities shown by the table below.

Purpose of meeting	**Any meeting except for a meeting previously adjourned through want of a quorum**	**Meeting previously adjourned through want of a quorum**
	Required proportion	Required proportion

To pass a special quorum resolution	75 per cent.	25 per cent.
To pass any Extraordinary Resolution	A clear majority	No minimum proportion
To pass an Ordinary Resolution	A clear majority	No minimum proportion

19. 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 17.

20. At least 10 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

21. 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 per cent. of the Securities.

22. 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 favour of or against it.

23. 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.

24. A poll demanded on the election of a chairman or on a question of adjournment shall be taken at once.

25. On a show of hands or a poll every person has one vote in respect of each Security of the Securities 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.

26. 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

27. An Extraordinary Resolution and an Ordinary Resolution shall be binding on all the Securityholders, 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 Securityholders within 14 days but failure to do so shall not invalidate the resolution.

Minutes

28. 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.

29. The minutes must be published in the Annexes of the Belgian State Gazette within fifteen (15) days after they have been passed.

Written Resolutions and Electronic Consent

30. If authorised by the Issuer and to the extent Electronic Consent is not being sought in accordance with paragraph 32, a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Securities outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution or an Ordinary Resolution passed at a meeting of Securityholders duly convened and held, provided that the terms of the proposed resolution have been notified in advance to the Securityholders 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 Securityholders.

31. Where the terms of the resolution proposed by the Issuer have been notified to the Securityholders through the relevant clearing system(s) as provided in sub-paragraphs 31.1 and/or 31.2 below, 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 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 per cent. in nominal amount of the Securities 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 Securityholders, even if the relevant consent or instruction proves to be defective. The Issuer shall not be liable or responsible to anyone for such reliance.

31.1 When a proposal for a resolution to be passed as an Electronic Consent has been made, at least 15 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 Securityholders through the relevant clearing system(s). The notice shall specify, in sufficient detail to enable Securityholders 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).

31.2 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 Agent. Alternatively, the Issuer may give a further notice to Securityholders that the resolution will be proposed again on such date and for such period as determined by the Issuer. Such notice must inform Securityholders that insufficient consents were received in relation to the original resolution and the information specified in sub-paragraph 31.1 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 proposed by the Issuer 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.

32. A Written Resolution or Electronic Consent shall take effect as an Extraordinary Resolution or an Ordinary Resolutions. A Written Resolution and/or Electronic Consent will be binding on all Securityholders whether or not they participated in such Written Resolution and/or Electronic Consent.

CLEARING

The Securities are in dematerialised form in accordance with Articles 468 et seq. of the Belgian Companies Code. The Securities will be represented by a book entry in the records of the settlement system operated by the National Bank of Belgium (the "**NBB**") or any successor thereto (the "**NBB-SSS**"). The Securities can be held by their holders through the participants in the NBB-SSS, including Euroclear, Clearstream, Luxembourg, SIX SIS and Monte Titoli and through other financial intermediaries which in turn hold the Securities through Euroclear, Clearstream, Luxembourg, SIX SIS, Monte Titoli or other participants in the NBB-SSS. Possession of the Securities will pass by account transfer.

Payment of principal and interest in respect of Securities will be made in accordance with the applicable rules and procedures of the NBB-SSS, Euroclear, Clearstream, Luxembourg, SIX SIS, Monte Titoli and any other NBB-SSS participant holding interest in the relevant Securities, and any payment made by the Issuer to the NBB-SSS will constitute good discharge for the Issuer. Upon receipt of any payment in respect of Securities, the NBB-SSS, Euroclear, Clearstream, Luxembourg, SIX SIS, Monte Titoli and any other NBB-SSS participant, shall immediately credit the accounts of the relevant account holders with the payment. Securityholders are entitled to exercise their voting rights and other associative rights (as defined for the purposes of Article 474 of the Belgian Companies Code) against the Issuer upon submission of an affidavit drawn up by the NBB, Euroclear, Clearstream, Luxembourg, SIX SIS, Monte Titoli or another participant duly licensed in Belgium to keep dematerialised securities accounts showing their position in the Securities (or the position held by the financial institution through which their Securities are held with the NBB, Euroclear, Clearstream, Luxembourg, SIX SIS, Monte Titoli or such other participant, in which case an affidavit drawn up by that financial institution will also be required).

USE OF PROCEEDS

The net proceeds of the issue of the Securities will be used for the general corporate purposes of the Group, will strengthen the Issuer's capital base under a fully loaded CRD IV approach and are part of the Issuer's long-term funding, which the Issuer uses to fund and manage its activities.

The Securities are being issued in contemplation of any potential future call of the Issuer's existing EUR1,400,000,000 Undated Deeply Subordinated Additional Tier 1 Securities issued in 2014 (the "**Existing AT1 Securities**") which the Issuer has the right to redeem in accordance with their terms in March 2019. The issue of the Securities will enable the Issuer to maintain an optimal capital structure and continue to support the Issuer's leverage ratio and its Loss Given Failure and Risk-Adjusted Capital analysis for the purposes of Moody's and S&P's respective ratings assessments. Any decision to redeem the Existing AT1 Securities will be taken having regard to the Issuer's financial position (and other relevant factors) at the relevant time and will be subject to any required regulatory (and other) approvals and pre-conditions being satisfied.

The Issuer will on-lend the proceeds of the Securities to KBC Bank NV under a subordinated loan agreement which will also qualify at the level of KBC Bank NV as Additional Tier 1 capital for regulatory capital purposes.

DESCRIPTION OF THE ISSUER

1 Issuer

General

KBC Group NV (the "**Issuer**") is incorporated as a limited liability company (*naamloze vennootschap*) under the laws of Belgium. Its registered office is at Havenlaan 2, B-1080 Brussels, Belgium. The Issuer's LEI code is 213800X3Q9LSAKRUWY91.

Purpose (Article 2 of the Articles of Association)

The Issuer is a financial holding company, which has as its object the direct or indirect ownership and management of shareholdings in other companies, including but not limited to credit institutions, insurance companies and other financial institutions.

The Issuer also has the purpose to provide support services for third parties, as mandatary or otherwise, in particular for companies in which it has an interest – either directly or indirectly.

The object of the Issuer is also to acquire in the broadest sense of the word (including by means of purchase, hire and lease), to maintain and to operate resources, and to make these resources available in the broadest sense of the word (including through letting, and granting rights of use) to the beneficiaries referred to in the previous paragraph.

In addition, the Issuer may function as an intellectual property company responsible for, among other things, the development, acquisition, management, protection and maintenance of intellectual property rights, as well as for making these rights available and/or granting rights of use in respect of these rights to the beneficiaries referred to in the second paragraph above.

The Issuer may also perform all commercial, financial and industrial transactions that may be useful or expedient for achieving its purpose and that are directly or indirectly related to this purpose. The Issuer may also by means of subscription, contribution, participation or in any other form participate in all companies, businesses or institutions that have a similar, related or complementary activity.

In general, the Issuer may, both in Belgium and abroad, perform all acts which may contribute to the achievement of its purpose.

History and development

KBC Group NV was incorporated in Belgium on 9 February 1935 for an indefinite duration in the form of a public limited liability company (under number BE 0403.227.515) as Kredietbank NV. In 1998 Kredietbank merged with CERA Bank and ABB (Insurance). A short history since then is provided below:

1998:	Two Belgian banks (Kredietbank and CERA Bank) and a Belgian insurance company (ABB) merge to create the KBC Bank and Insurance Holding Company. KBC's unique bancassurance model is launched in Belgium
1999:	The group embarks upon its policy of expansion in Central and Eastern Europe with the acquisition of ČSOB (in the Czech Republic and the Slovak Republic).
2000–2005:	The group continues 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. The bancassurance model is gradually introduced to the home markets in Central and Eastern Europe.
2005:	The KBC Bank and Insurance Holding Company merges with its parent company (Almanij) to

	create KBC Group NV. The benefits to the group include the addition of a network of European private banks.
2006-2008:	KBC's presence in Central and Eastern Europe is stepped up through acquisitions in Bulgaria, Romania and Serbia. KBC establishes a presence on the Russian banking market. Add-on acquisitions/greenfield operations in various countries Capital transactions (state aid) and guarantee agreements with the government (in 2008 and 2009)
2009:	Renewed strategy focuses on home markets in Belgium and five countries in Central and Eastern Europe (the Czech Republic, the Slovak Republic, Hungary, Poland and Bulgaria)
2010:	Start of divestment programme (related to the state aid)
2011–2013:	Strategic plan is amended (including planned sale of activities in Poland). Further execution of divestment programme First partial repayment of state aid (in 2012, remainder in 2013, 2014 and 2015)
2014:	Divestment programme finished Updated strategy and targets announced on an Investor Day
2015:	Repayment of all remaining outstanding state aid
2016:	Update of corporate sustainability strategy
2017:	Ireland also defined as home market Acquisition of UBB and Interlease in Bulgaria Update of KBC Group strategy, capital deployment plan and financial guidance 2020

Organisation

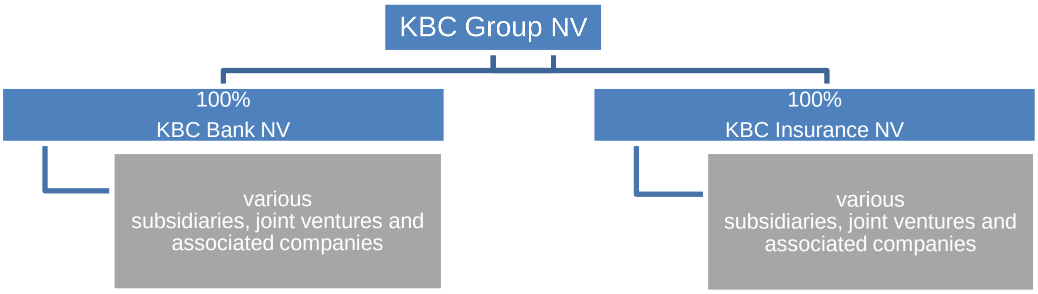
The Issuer has two main subsidiaries:

(i) KBC Bank NV ("**KBC Bank**"), incorporated as a limited liability company (*naamloze vennootschap*) under the laws of Belgium, having its registered office is at Havenlaan 2, B-1080 Brussels, Belgium and registered with VAT BE 0462.920.226 RLP Brussels FSMA 26 256; and

(ii) KBC Verzekeringen NV ("**KBC Insurance**"), incorporated as a limited liability company (*naamloze vennootschap*) under the laws of Belgium, having its registered office is at Professor Roger Van Overstraetenplein 2, 3000 Leuven, Belgium, registered with number VAT BE 0403.552.563 RLP Leuven Company and authorised for all classes of insurance under code number 0014 (Royal Decree of 4 July 1979; Belgian Official Gazette, 14 July 1979),

as shown in the simplified schematic below.

"**KBC Group**" or the "**Group**" means KBC Group NV including all group companies that are included in the scope of consolidation.



A list containing the main group companies as at the end of 2017 is set out further below at 6 – *Main Companies belonging to the Group*

Capital

The share capital of the Issuer consists of 418,597,567 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.

Authorisation to increase capital: As at 31 December 2017, the authorisation to increase the capital of the Issuer amounted to EUR 694,326,862.24. Consequently, when taking into account the accounting par value of a share in the Issuer on 31 December 2017 (EUR 3.48), the Board of Directors of the Issuer is authorised to issue new shares up to a maximum of 199,519,213. This authorisation may be exercised up to and including 20 May 2018.

Recent capital increase: In December 2017, the Issuer increased its capital by issuing 225,485 new shares following the capital increase reserved for staff.

Additional Tier 1 capital instrument: In March 2014, the Issuer issued a EUR 1.4 billion CRD IV compliant additional Tier-1 (AT1) instrument. The proceeds were used to strengthen the Issuer's and KBC Bank's Tier-1 capital.

Dividends: It is the Issuer's intention, subject to the approval of the General Meeting of Shareholders, to pay out at least 50% of the available consolidated profit as dividend (dividends on shares and coupon on the additional tier-1 instruments combined). Starting in 2016, the Issuer has been and intends to continue to pay an interim dividend of EUR 1 per share annually in November as an advance on the total dividend, plus a final dividend after the Annual General Meeting of Shareholders, barring exceptional or unforeseen circumstances.

2 Short presentation of the shareholder structure of the Issuer , as at 31 January 2018

The shareholder structure shown in the table below is based on the notifications received under the transparency rules until 31 January 2018 or, if they are more recent, disclosures made under the Law of 1 April 2007 on public takeover bids or other available information. The number of shares stated in the notifications and other disclosures (situation as at 31 January 2018 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.

Shareholder structure of KBC Group NV (based on notifications)	Number of voting rights at the time of disclosure	% of the current number of voting rights
KBC Ancora	77,516,380	18.5%
Cera	11,127,166	2.7%
MRBB	47,887,696	11.4%
Other core shareholders	31,109,379	7.4%
Subtotal for core shareholders	167,640,621	40.0%
Free float	250,956,946	60.0%
Of which:		
BlackRock Inc.	20,982,248	5.0%
Total	418,597,567	100.0%

Core shareholders: According to the notifications received under the transparency rules until 31 January 2018, the core shareholders own approximately 40% of the Issuer's shares between them. The current core shareholders of the Issuer are MRBB, Cera, KBC Ancora and certain 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 co-ordinate the Group's general policy. To this end, the core shareholders act in concert at the General Meeting of the Issuer and are represented on its Board of Directors. The current shareholder agreement entered into force on 1 December 2014, for a period of ten years.

Notifications received under the transparency rules are available on www.kbc.com.

3 The strategic plan of KBC Group

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

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

named Ireland as one of its core markets, alongside Belgium, Bulgaria, the Czech Republic, Hungary and the Slovak Republic. As a consequence, KBC Bank Ireland will strive to achieve at least 10% market share in the retail and micro-SME segments. Life and non-life insurance products will continue to be offered through partnerships. KBC Bank Ireland will accelerate its efforts and investments in expertise and resources to become a fully-fledged digital-first consumer-centric bank, while continuing to carefully and efficiently manage its legacy portfolio for maximum recovery.

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

Financial guidance		By
CAGR total income ('16-'20) (excl. MTM valuation of ALM derivatives)	≥ 2.25%	2020
Cost/income ratio banking (excl./ incl. banking tax)	≤ 47% / ≤ 54%	2020
Combined ratio	≤ 94%	2020
Dividend payout ratio (incl. coupon paid on AT1)	≥ 50%	-

Regulatory requirements		By
Common equity tier-1 ratio (excl. / incl. P2G)*	≥ 10.6% / ≥ 11.6%	2019
MREL ratio**	≥ 26.25%	2020
NSFR	≥ 100%	-
LCR	≥ 100%	-

* Fully loaded, Danish compromise, P2G= additional pillar 2 guidance

** Based on the mechanical approach as published by SRB on 20 November 2016.

"**CAGR**" means Compound Annual Growth Rate and "**MTM**" means mark-to-market. "ALM", "P2G", "MREL", "NSFR" and "LCR" are defined below.

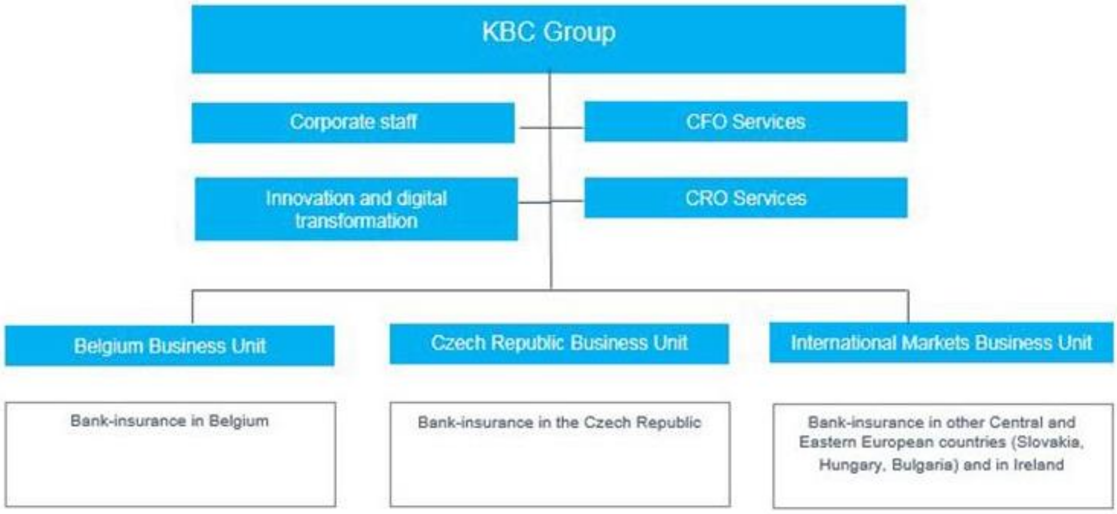
- Moreover, KBC Group aims to be one of the better capitalised financial institutions in Europe. Therefore as a starting position, it assesses each year the CET1 ratios of a peer group of European banks active in the retail, SME, and corporate client segments and positions itself on the fully loaded median common equity tier-1 (CET1) ratio of the peer group. KBC summarises this capital policy in its 'Own Capital Target', which currently amounts to 14% CET1. On top of this, KBC wants to keep a flexible additional buffer of up to 2% CET1 for potential add-on mergers and acquisitions in its core markets. This buffer comes on top of the 'Own Capital Target' of KBC Group, and all together forms the Reference Capital Position, which currently amounts to 16%. The Group reconfirmed its pay-out ratio policy (i.e. dividend + coupon paid on the outstanding Additional Tier 1 instruments) of at least 50% of consolidated profit, including an annual interim dividend of 1 euro per share paid in November of each accounting year as an advance on the total dividend. On top of the pay-out ratio of 50% of consolidated profit, each year, the Board of Directors will take a decision, at its discretion, on the distribution of the capital above the Reference Capital Position.

- KBC indicated its preference for a "Single Point of Entry" ("**SPE**") approach at KBC Group level with 'bail-in' as the primary resolution tool. Bail-in implies a recapitalisation and stabilisation of the bank by writing down certain unsecured liabilities and issuing new shares to former creditors as compensation. KBC prefers an SPE approach at group level because its business model relies heavily on integration, both commercially (e.g., banking and insurance) and organisationally (e.g., risk, finance, treasury, etc.). Debt instruments that are positioned for bail-in will be issued by KBC Group NV. This approach keeps the Group intact in resolution and safeguards the bank-insurance model in going concern. The SRB has informally confirmed its support for KBC's preference for a SPE approach at the level of KBC Group with bail-in as primary resolution tool. It is crucial that there are adequate liabilities eligible for bail-in. This is measured by the minimum requirement for own funds and eligible liabilities ("**MREL**"). At year-end 2017, the MREL ratio based on instruments issued by KBC Group NV stood at 24.0% of risk weighted assets ('point of entry' view). This approach is more restrictive than the MREL definition currently applied by the SRB, which also includes certain operating liabilities (the 'consolidated view').

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

4 Management structure

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



The management structure essentially comprises:

- the three business units, which focus on local business and are expected to contribute to sustainable profit and growth:
  - Belgium Business Unit;
  - Czech Republic Business Unit; and
  - International Markets Business Unit: this encompasses the other core countries in Central and Eastern Europe (the Slovak Republic, Hungary and Bulgaria) and Ireland;
- the pillars 'CRO Services' and 'CFO Services' (which act as an internal regulator, and whose main role is to support the business units), 'Corporate Staff' (which is a competence centre for strategic know-how and best practices in corporate organisation and communication) and 'Innovation and digital transformation'.

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

5 Network and ratings of KBC Group

Network (as at 31 December 2017)

Distribution network in Belgium:	659 bank branches, 404 insurance agencies, various electronic channels

Network (as at 31 December 2017)

Distribution network in Central and Eastern Europe (Czech Republic, Slovak Republic, Hungary and Bulgaria):	835 bank branches, insurance via various channels (agents, brokers, multi-agents, etc.), various electronic channels
Distribution network in the rest of the world:	mainly 27 bank branches of KBC Bank and KBC Bank Ireland

The Group's main credit ratings as at 31 January 2018 are published in the table below:

Credit Ratings	Long term rating (+ outlook/watch)	Short term rating (+ outlook/watch)
Fitch		
KBC Bank	A (positive outlook)	F1
KBC Group NV	A (stable outlook)	F1
Moody's		
KBC Bank	A1 (stable outlook)	P-1
KBC Group NV	Baa1 (stable outlook)	P-2
S & P		
KBC Bank	A (positive outlook)	A1
KBC Insurance	A- (stable outlook)	-
KBC Group NV	BBB+ (stable outlook)	A2

Ratings are subject to change. Various ratings exist. Investors should look at www.kbc.com for the most recent ratings and for the underlying full analysis provided by each rating agency to understand the meaning of each rating.

Each of Fitch, Moody's and S&P is established in the European Union and is included in the updated list of credit rating agencies registered under Regulation (EC) No. 1060/2009 (as amended) of the European Parliament and of the Council of 16 September 2009 on credit rating agencies published on the European Securities and Markets Authority's ("**ESMA**") website (http://esma.europa.eu/page/List-registered-and-certified-CRAs).

The description of the ratings can be found on the website of the relevant rating agencies. No information from any such website is deemed to be incorporated in or forms part of this Prospectus. The Issuer does not take any responsibility for the information contained in any such website.

6 Main companies belonging to the Group (as of 31 December 2017)

The Group's legal structure comprises KBC Group NV which controls two large companies, being KBC Bank NV and KBC Insurance NV. Each of these companies has several subsidiaries and sub-subsidiaries, the most important of which are listed in the table.

A full list of all companies belonging to the Group is available on www.kbc.com.

KBC Group: main companies included in the scope of consolidation at year-end 2017				
Company	Registered office	Share of capital held at group level (in %)	Business unit*	Activity
KBC Bank (group)				
KBC Bank NV	Brussels – BE	100,00	BEL/GRP	credit institution
CBC BANQUE SA	Brussels – BE	100,00	BEL	credit institution
Československá Obchodná Banka a.s.	Bratislava – SK	100,00	IMA	credit institution
Československá Obchodní Banka a.s.	Prague – CZ	100,00	CZR	credit institution
CIBANK EAD	Sofia – BG	100,00	IMA	credit institution
KBC Asset Management NV	Brussels – BE	100,00	BEL	asset management
KBC Autolease NV	Leuven – BE	100,00	BEL	leasing
KBC Bank Ireland Plc.	Dublin – IE	100,00	IMA	credit institution
KBC Commercial Finance NV	Brussels – BE	100,00	BEL	factoring
KBC Credit Investments NV	Brussels – BE	100,00	BEL/GRP	investment firm
KBC IFIMA SA	Luxembourg – LU	100,00	GRP	financing
KBC Securities NV	Brussels – BE	100,00	BEL	stockbroker
K&H Bank Zrt.	Budapest – HU	100,00	IMA	credit institution
Loan Invest NV	Brussels – BE	100,00	IMA	securitisation
United Bulgarian Bank AD	Sofia – BG	99,91	IMA	credit institution
KBC Insurance (group)				
KBC Insurance NV	Leuven – BE	100,00	BEL/GRP	insurance company
ADD NV	Heverlee – BE	100,00	BEL	insurance broker
KBC Group Re SA	Luxembourg – LU	100,00	GRP	reinsurance company
ČSOB Pojišťovna a.s.	Pardubice – CZ	100,00	CZR	insurance company
ČSOB Poisťovňa a.s.	Bratislava – SK	100,00	IMA	insurance company
DZI (group)	Sofia – BG	100,00	IMA	insurance company
Groep VAB NV	Zwijndrecht – BE	95,00	BEL	driving school/roadside assistance
K&H Biztosító Zrt.	Budapest – HU	100,00	IMA	insurance company
NLB Vita d.d. (equity method)	Ljubljana – SI	50,00	GRP	life insurance
KBC Group				
KBC Group NV	Brussels – BE	100,00	GRP	bank-insurance holding company
KBC Bank (group)	various locations	100,00	various	credit institution
KBC Insurance (group)	various locations	100,00	various	insurance company

* BEL = Belgium Business Unit, CZR = Czech Republic Business Unit, IMA = International Markets Business Unit, GRP = Group Centre.

7 General description of activities of the Group

The Group is an integrated bank insurance group, catering mainly for retail, private banking, SME and mid-cap clients. Geographically, the Group focusses on its core markets of Belgium, the Czech Republic, the Slovak Republic, Hungary, Bulgaria and Ireland. 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 home 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 specialised activities such as, but not exclusively, payments services, dealing room activities (money and debt market activities), brokerage and corporate finance, foreign trade finance, international cash management, leasing etc.

The Group has in the past years refocused its business on its core bank-insurance activities in Belgium and a number of countries in Central and Eastern Europe (i.e. the home markets of the Czech Republic, the Slovak

Republic, Hungary and Bulgaria) and Ireland. Therefore, a number of subsidiaries and activities, many of which related to investment banking activities, have been downscaled or sold. International corporate lending outside the home markets has also been downscaled.

8 Principal markets and activities, per geography

Activities in Belgium

Position in the Belgian market as at 31 December 2017*
659 bank branches
404 insurance agencies
Estimated market share of 20% for traditional bank products, 33% for investment funds, 14% for life insurance and 9% for non-life insurance
Approx. 3.5 million customers

** Market shares and customer numbers: based on own estimates. Share for traditional bank products: average estimated market share for loans and deposits. Market share for life insurance: based on reserves.*

The Group has an extensive network of bank branches and insurance agencies in Belgium (of KBC Bank and KBC Insurance in the Dutch-speaking part of Belgium, of CBC Banque SA and CBC Assurances SA in the French-speaking part of Belgium and of the Brussels division of KBC Bank in the Brussels area). Via this network (and a number of subsidiaries), the Group focusses on providing clients in Belgium with a broad area of credit (including mortgage loans), deposit, investment fund and other asset management products, life and non-life insurance products and other specialised financial banking products and services. KBC Bank's bricks-and-mortar networks in Belgium are supplemented by electronic channels, such as ATMs, telephones and the Internet (including a mobile banking app). The Group serves, based on its own estimates, approximately 3.5 million clients in Belgium.

The Group considers itself to be an integrated bank-insurer. Certain shared and support services are organised 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, whereby the branches sell standard insurance products to retail customers and refer their customers to the insurance agents for non-standard products. Claims-handling is the responsibility of the insurance agents, the call centre and the head office departments at KBC Insurance.

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

The Group's share of the insurance market came to an estimated 14% for life insurance and 9 % for non-life 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 grow further and it is constantly developing new applications in these areas. That includes the various mobile banking apps for smartphones and tablets, which are being continuously improved and expanded. KBC's online applications are providing clients with ever more information and facilities to perform their own banking and/or insurance transactions.

In the Group’s financial reporting, the Belgian activities are combined into a single Belgium Business Unit. The results of the Belgium Business Unit comprise the activities of KBC Bank NV and KBC Insurance NV, and their Belgian subsidiaries, the most important of which are CBC Banque, KBC Asset Management, KBC Lease Group and KBC Securities.

The Group's aim in Belgium is:

- to focus on an omnichannel approach and invest in the seamless integration of the different distribution channels (bank branches, insurance agencies, regional advisory centres, websites and mobile apps). KBC is also investing specifically in the further digital development of its banking and insurance services. Where necessary, KBC will collaborate with partners through 'eco-systems' which enable it to offer its clients comprehensive solutions;
- to exploit the potential in Brussels more efficiently via the separate new brand, KBC Brussels, which reflects the capital's specific cosmopolitan character and is designed to better meet the needs of the people living there;
- to expand bank-insurance services at CBC Banque in specific market segments and to expand its presence and accessibility in Wallonia;
- to work on the ongoing optimisation of the bank-insurance model in Belgium;
- to continue the pursuit of becoming the reference bank for SMEs and mid-cap enterprises based on thorough knowledge of the client and a personal approach; and
- that its commitment to Belgian society is reflected in initiatives in areas including environmental protection, financial literacy, entrepreneurship and demographic ageing, as well as in the Group's active participation in the mobility debate.

Activities in Central and Eastern Europe

Market position in 2017*	**Czech Republic**	**Hungary**	**Slovak Republic**	**Bulgaria**
Bank branches	270**	207	122	236
Insurance agencies	Various distribution channels	Various distribution channels	Various distribution channels	Various distribution channels
Customers (millions)	3.7	1.8	0.6	1.4
Market shares				
– Bank products	20%	11%	11%	10%
– Investment funds	22%	13%	7%	13%
– Life insurance	8%	3%	4%	21%***
– Non-life insurance	7%	7%	3%	11%

**Market shares and customer numbers: based on own estimates. For bank products: average estimated market share for loans and deposits. For life insurance: based on premiums.*
*** ČSOB Bank + Postal Savings Bank financial centres and Era branches (some of the brands of the ČSOB-group under which certain financial products and services are offered).*
**** Including UBB-Metlife Insurance Company.*

In the Central and Eastern European region, the Group focuses on four home countries, being the Czech Republic, Hungary, the Slovak Republic and Bulgaria. The main Central and Eastern European entities in those home markets are United Bulgarian Bank (UBB; merged with CIBANK) and DZI Insurance (in Bulgaria), ČSOB and ČSOB Poist'ovna (in the Slovak Republic), ČSOB and ČSOB Pojist'ovna (in the Czech Republic), and K&H Bank and K&H Insurance (in Hungary), and their respective subsidiaries.

In its four home countries, the Group caters to between 7 and 8 million customers. This customer base makes KBC Group one of the larger financial groups in the Central and Eastern European region. The Group companies focus on providing clients with a broad area of credit (including mortgage loans), deposit, investment fund and other asset management products, life and non-life insurance products and other specialised financial products and services. In most countries, KBC offers a broad product offer, though in certain markets the focus lies on sub-markets or products segments. Just as in Belgium, the bricks-and-mortar networks in Central and Eastern Europe are supplemented by electronic channels, such as ATMs, telephone and the internet.

The Group's bank-insurance concept has over the past few years been exported to its Central and Eastern European entities. Contrary to the situation of KBC Bank in Belgium, the Group's insurance companies in Central and Eastern Europe operate not only via tied agents (and bank branches) but also via other distribution channels, such as insurance brokers and multi-agents.

The Group's estimated market share as at 31 December 2017 (the average of the share of the lending market and the deposit market, see table) amounted to 20% in the Czech Republic, 11% in the Slovak Republic, 11% in Hungary, and 10% in Bulgaria (rounded figures). The Group also has a strong position in the investment fund market in Central and Eastern Europe (estimated at 22% in the Czech Republic, 7% in the Slovak Republic, 13% in Hungary and 13% in Bulgaria) as at 31 December 2017. The estimated market shares in insurance are (figures for life and non-life insurance, respectively): Czech Republic: 8% and 7%; Slovak Republic: 4% and 3%; Hungary: 3% and 7%; and Bulgaria: 21% and 11% as at 31 December 2017.

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

The Group's focus in Central and Eastern Europe going forwards will be:

- in relation to the Czech Republic Business Unit:
  - o to move from largely channel-centric solutions to solutions that are client-centric and are based on an integrated model that brings together clients, third parties and the Group's bank-insurer;
  - o to offer new non-financial products and services to add value for clients and to further enhance client satisfaction, taking use of digital opportunities;
  - o to continue to concentrate on simplifying products, IT capabilities, organisation, the bank distribution network, the head office and branding in order to achieve even greater cost efficiency;
  - o to expand the bank-insurance activities through steps like introducing a progressive and flexible pricing model, developing combined banking and insurance products, and strengthening the insurance sales teams;

  - o to keep expanding in traditionally strong fields, such as lending to businesses and providing home loans. The Group also wants to advance in areas – for example in relation to SME and consumer loans – where it has yet to tap its full potential; and
  - o its social commitment is expressed in the focus on environmental awareness, financial literacy, entrepreneurship and demographic ageing;
- in relation to the International Markets Business Unit (excluding Ireland):
  - o to move from a branch-oriented distribution model to an omnichannel model;
  - o to target income growth in Hungary through vigorous client acquisition in all banking segments and through more intensive cross-selling, in order to raise market share and profitability and to expand its insurance activities substantially, primarily through sales at bank branches and, for non-life insurance, via both online and traditional brokers;
  - o to maintain robust growth in strategic products in the Slovak Republic (e.g., home loans, consumer finance, SME funding, leasing and insurance), partly through cross-selling to ČSOB group clients. Simplifying products and processes is another key focus;
  - o to focus in Bulgaria, with respect to the banking business, on substantially increasing the share of the lending market in all segments, while applying a strict risk framework. The acquisition of United Bulgarian Bank (see further), which was completed in June 2017, fits this strategy. The Group's insurer in Bulgary, DZI, already commands a significant share of the market and the aim remains to grow faster than the market in both life and non-life insurance; and
  - o to implement a socially responsible approach in all relevant countries, with a particular focus on environmental awareness, financial literacy, entrepreneurship and health.

On 30 December 2016, the Issuer announced that it and the National Bank of Greece S.A. ("**NBG**"), the Greek parent company of United Bulgarian Bank ("**UBB**"), reached an agreement for the Issuer to acquire ownership of 99.9% of the shares in the share capital of UBB, the fourth largest bank in Bulgaria in terms of assets, with a market share as at the end of September 2016 of 8% (a market share of 11% in retail and of 8% in corporate segment) (source: internal data). The Issuer also acquired all shares in Interlease, the third largest provider of leasing services in Bulgaria, with a market share of 13%, for a total consideration of EUR 0.6 billion. This acquisition was completed mid-June 2017.

The Issuer has also had a presence in the Bulgarian insurance sector through its subsidiary DZI Insurance, which is active in both life and non-life insurance services. Together, UBB, CIBANK and DZI Insurance will become the largest bank-insurance group in Bulgaria, one of the Issuer's core markets. At the end of 2017, an agreement was also reached which will allow to increase the share in UBB-Metlife Insurance Company from 60% to 100%, which as consequence more or less doubles the Group's market share in life insurance in Bulgaria to around 20% based on Group estimates.

Activities in the rest of the world

A number of companies belonging to the Group are also active in, or have outlets in, countries outside the home markets, among which KBC Bank, which has a network of foreign branches, and KBC Bank Ireland plc. See also the list of main companies under Section 6 above (*Main companies belonging to the Group (as of 31 December 2017*) or full list on www.kbc.com.

The loan portfolio of KBC Bank Ireland plc stood at approximately EUR 12 billion as at the end of December 2017, approximately 90% of which relates to mortgage loans. At the end of December 2017, approximately 35% (EUR 4.2 billion) of the total Irish loan portfolio was impaired (of which EUR 2.1 billion more than 90 days past due). For the impaired loans, some EUR 1.6 billion (specific and portfolio-based) impairments have been booked. The Group estimates its share of the Irish retail market in 2017 at 8%. It caters for around 0.3 million clients there. KBC Bank Ireland has fifteen branches (hubs) in Ireland, next to its digital channels. A full profit and loss scheme for Ireland is available in KBC Bank's segment reporting.

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

In the Group's financial reporting, KBC Bank Ireland is included in the International Markets Business Unit, the foreign branches of KBC Bank are part of the Belgium Business Unit.

The three business units (Belgium, Czech Republic and International Markets) are supplemented by the group centre (the "**Group Centre**"). The Group Centre includes the operational costs of the holding activities of the Group, certain capital and liquidity management-related costs, costs related to the holding of participations and the results of the remaining companies or activities earmarked for divestment or in run-down.

9 Competition

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

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

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

In Belgium, the Group is perceived as one of the top three financial institutions (see '*Principal markets and activitities per geography*' above). For certain products or activities, the Group estimates it has a leading position (e.g. in the area of investment funds). The Group's main competitors in Belgium are BNP Paribas Fortis, Belfius, ING, Ageas, Ethias and AXA, although for certain products, services or markets, other financial institutions may also be important competitors.

In its Central and Eastern European home market, the Group is one of the leading financial groups (see market shares), occupying significant positions in banking and insurance (see market shares). In this respect, the Group competes in each of these countries with local financial institutions, as well as subsidiaries of other large foreign financial groups (such as Erste Bank, Unicredit and others).

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

In the rest of the world, the Group's presence primarily consists of a limited number of branches and subsidiaries. In this case, the Group faces competition both from local companies and international financial groups.

10 Staff

As at the end of 2017, the Group had, on a consolidated basis, about 42,000 employees (in full-time equivalent-numbers), the majority of whom were located in Belgium (largely in KBC Bank) and Central and Eastern Europe. In addition to talks at works council meetings and at meetings with union representatives and with other consultative bodies, the Group also works closely in other areas with employee associations. There are various collective labour agreements in force.

11 Risk management

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

Risk management in KBC Group is effected group-wide. As a consequence, the risk management for KBC Bank is embedded in KBC Group risk management and cannot be seen separately from it. A description of the risk management is available in the 2017 Risk Report of the Issuer, which is available on the website at www.kbc.com[1]. See also the description in Part II (*Risk Factors – The Group's risk management policies, procedures and methods may leave it exposed to unidentified, unanticipated or incorrectly quantified risks, which could lead to material losses or material increases in liabilities*) on page 17 of this Prospectus.

Risk Governance

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

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

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

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

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

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[1] https://www.kbc.com/en/risk-reports

- Technical insurance risks stem from uncertainty regarding how often insured losses will occur and how extensive they will be. All these risks are kept under control through appropriate underwriting, pricing, claims reserving, reinsurance and claims handling policies of line management and through independent insurance risk management.

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

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

Credit risk

Credit risk is managed at both transactional and portfolio level. Managing credit risk at the transactional level means that sound practices, processes and tools are in place to identify and measure the risks before and after accepting individual credit exposures. Limits and delegations are set to determine the maximum credit exposure allowed and the level at which acceptance decisions are taken. Managing the risk at portfolio level encompasses *inter alia* periodic measuring and analysing of risk embedded in the consolidated loan and investment portfolios and reporting on it, monitoring limit discipline, conducting stress tests under different scenarios and taking risk mitigating measures.

Credit risk arises in both the banking and insurance activities of the Group. Further detail is given below in relation to credit risk related to the insurance activities, the Group's investments in structured credit products, government bonds, and the Group's Irish portfolio.

As far as the Group's banking activities are concerned, the main source of credit risk is the loan and investment portfolio. The loan & investment portfolio has been built up mainly through what can be considered as pure, traditional lending activities. It includes all retail lending such as mortgage loans and consumer loans, all corporate lending such as (committed and uncommitted) working capital credit lines, investment credit, guarantee credit and credit derivatives (protection sold) and all non-government debt securities in the investment books of KBC Group's bank entities. The table below excludes other credit risks, such as trading exposure (issuer risk), counterparty risk associated with inter-professional transactions, international trade finance (documentary credit, etc.) and government bonds. These items are described separately below.

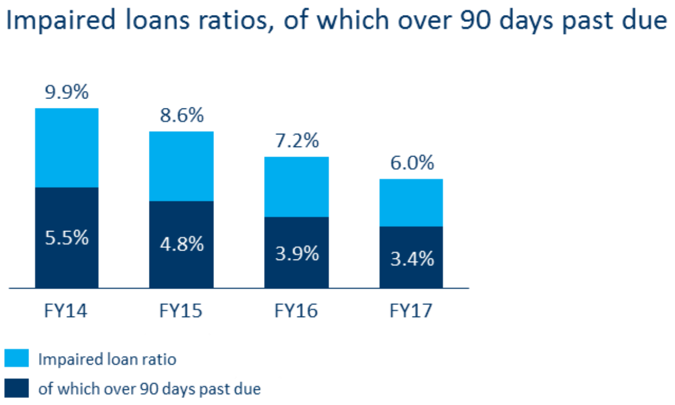
Loan and investment portfolio, banking	31 December 2016	31 December 2017
Total loan portfolio (in billions of EUR)		
Amount granted	181	191
Amount outstanding	148	154
Loan portfolio breakdown by business unit (as a % of the portfolio of credit outstanding)[1]		
Belgium	65%	63%
Czech Republic	15%	16%
International Markets	17%	18%
Group Centre	3%	3%
Total	100%	100%
Loan portfolio breakdown by counterparty sector (as a % of the portfolio of credit outstanding)[1]		
Private individuals	42%	42%
Finance and insurance	6%	5%
Governments	3%	3%

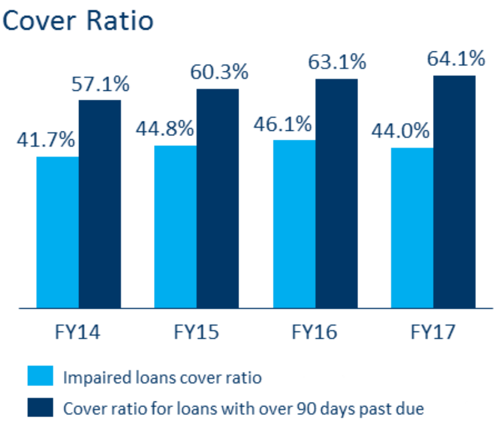
Corporates	49%	50%
Services	12%	12%
Distribution	8%	8%
Real estate	7%	7%
Building and construction	4%	4%
Agriculture, farming, fishing	3%	3%
Automotive	2%	2%
Other[2]	14%	14%
Total	100%	100%
Loan portfolio breakdown by region (as a % of the portfolio of credit outstanding)[1]		
Western Europe	73%	71%
Central and Eastern Europe	23%	26%
North America	2%	1%
Other	2%	2%
Total	100%	100%
Loan portfolio breakdown by risk class (part of the portfolio, as a % of the portfolio of credit outstanding)[1, 3]		
PD 1 (lowest risk, default probability ranging from 0.00% up to, but not including, 0.10%)	30%	29%
PD 2 (0.10% – 0.20%)	9%	9%
PD 3 (0.20% – 0.40%)	17%	18%
PD 4 (0.40% – 0.80%)	14%	15%
PD 5 (0.80% – 1.60%)	12%	12%
PD 6 (1.60% – 3.20%)	9%	8%
PD 7 (3.20% – 6.40%)	5%	4%
PD 8 (6.40% – 12.80%)	2%	2%
PD 9 (highest risk, ≥ 12.80%)	2%	2%
Total	100%	100%
Impaired loans[4] (PD 10 + 11 + 12; in millions of EUR or %)[4]		
Impaired loans[5]	10 583	9 186
Specific impairment	4 874	4 039
Portfolio-based impairment (i.e. based on PD 1 to 9)	288	237
Credit cost ratio [net changes in individual and portfolio-based impairment for credit risks]/[average outstanding loan portfolio][1]		
Belgium Business Unit	0.12%	0.09%
Czech Republic Business Unit	0.11%	0.02%
International Markets Business Unit	-0.16%	-0.74%
Ireland	-0.33%	-1.70%
Slovakia	0.24%	0.16%
Hungary	-0.33%	-0.22%
Bulgaria	0.32%	0.83%
Group Centre	0.67%	0.40%
Total	0.09%	-0.06%
Impaired loans ratio [total outstanding impaired loans (PD 10-11-12)]/[total outstanding loans][1]		
Belgium Business Unit	3.3%	2.8%
Czech Republic Business Unit	2.8%	2.4%
International Markets Business Unit	25.4%	19.7%
Group Centre	8.8%	9.8%
Total	7.2%	6.0%
Impaired loans that are more than 90 days past due (PD 11 + 12; in millions of EUR or %)		
Impaired loans that are more than 90 days past due	5 711	5 242
Specific impairment for impaired loans that are more than 90 days past due	3 603	3 361
Ratio of impaired loans that are more than 90 days past due[1]		
Belgium Business Unit	1.7%	1.4%
Czech Republic Business Unit	1.9%	1.6%
International Markets Business Unit	13.4%	11.3%
Group Centre	5.8%	7.3%
Total	3.9%	3.4%
Cover ratio [Specific loan loss impairment]/[impaired loans]		
Total	46%	44%

Total (excluding mortgage loans)	54%	54%

The Belgium Business Unit also includes the small network of 11 KBC Bank branches established in the rest of Europe, the US and Southeast Asia. These branches, which focus on activities and clients with links to KBC's core markets, have a total loan portfolio of approximately 6 billion euros.
1 Unaudited figures.
2 Individual sector shares not exceeding 3%.
3 Internal rating scale.
4 Figures differ from those appearing in Note 4.2 of the 'Consolidated financial statements' section, due to differences in scope.
5 Breakdown of year-end figures: the difference of 1 397 million euros between the figures for 2017 and 2016 was due to this category of loan decreasing by 393 million euros at the Belgium Business Unit, decreasing by 41 million euros at the Czech Republic Business Unit, increasing by 19 million euros at the Group Centre, and decreasing by 982 million euros at the International Markets Business Unit (1 433 million euros of which in Ireland)..
6 A more detailed breakdown by country is available in KBC's Quarterly Report – 4Q2017 at www.kbc.com.

Further details of the Issuer's impaired loans ratio and cover ratios over the last two years are set out below:





In addition details of the Issuer's credit cost ratio, and that of certain markets, is set out below:

CREDIT COST RATIO	FY17	FY16	FY15	FY14	AVERAGE '99 –'17
Belgium	**0.09%**	0.12%	0.19%	0.23%	n/a
Czech Republic	**0.02%**	0.11%	0.18%	0.18%	n/a
International Markets	**-0.74%**	-0.16%	0.32%	1.06%	n/a
Group Centre	**0.40%**	0.67%	0.54%	1.17%	n/a
Total	**-0.06%**	**0.09%**	**0.23%**	**0.42%**	**0.47%**

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

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

For credit linked to defaulted borrowers in PD class 10 to 12, the impairment losses are recorded based on an estimate of the net present value of the recoverable amount. This is done on a case-by-case basis and on a statistical basis for smaller credit facilities. In addition, for non-defaulted credit in PD class 1 to 9 impairment losses are recorded on a portfolio basis, using a formula based on the IRB advanced models used internally, or an alternative method if a suitable IRB advanced model is not yet available. The "**credit cost ratio**" is defined as net changes in specific and portfolio-based impairment for credit risks divided by the average outstanding loan portfolio.

As of 2018, impairment losses will be recorded according to the IFRS9 requirements (calculated on a lifetime expected credit loss ("**ECL**") basis for defaulted borrowers and on a 12-month or lifetime ECL basis for non-defaulted borrowers depending on whether there has been a credit risk deterioration and a corresponding shift from 'stage 1' to 'stage 2').

The following additional information for the loan and investment portfolio in Ireland is provided due to the specific situation in this market.

Details for the loan and investment portfolio of KBC Bank Ireland[1]	31 December 2016	31 December 2017
Total portfolio (outstanding, in billions of EUR)	13	12
Breakdown by loan type		
Home loans	86%	90%
SME & corporate loans	7%	5%
Real estate investment and real estate development	7%	5%
Breakdown by risk class		
Normal (PD 1-9)	57%	65%
Impaired (PD 10)	22%	18%
Impaired (PD 11+12)	21%	17%
Credit cost ratio[2]	-0.33%	-1.70%
Cover ratio	43%	36%

1 For a definition, see 'Overview of credit risk exposure in the banking activities' (i.e. excluding *inter alia* government bonds).
2 Unaudited.

Besides the credit risks in the loan and investment portfolio, credit risks also arise in other banking activities. The main sources of other credit risk are:

Short-term commercial transactions. This activity involves export or import finance (documentary credit, pre-export and post-import finance, etc.) and mainly entails exposure to financial institutions. The Group manages risks associated with this activity by setting limits per financial institution and per country or group of countries.

Trading book securities. These securities carry an issuer risk (potential loss on default by the issuer). 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.

Interprofessional transactions (deposits with professional counterparties and derivatives trading). These transactions result in counterparty risk. The amounts shown in the table below are the Group's pre-settlement risks, measured as the sum of the (positive) current replacement value ('mark-to-market' value) of a transaction and the applicable add-on. Risks are curtailed 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.

Government securities in the investment portfolio of banking entities. Exposure to governments is measured in terms of nominal value and book value. Such exposure relates mainly to EU states (particularly Belgium). The Group has put in place limiting caps for both non-core and core country sovereign bond exposure. Details on the exposure of the combined banking and insurance activities to government bonds are provided at "*Sovereign debt exposure*" below.

Other credit exposure, banking (in billions of EUR)	31 December 2016	31 December 2017
Short-term commercial transactions	3.3	3.3
Issuer risk1	0.1	0.1
Counterparty risk in interprofessional transactions2	9.6	9.6

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.

Sovereign debt exposure

KBC Group holds a significant portfolio of government bonds, primarily as a result of its considerable excess liquidity position and for the reinvestment of insurance reserves into fixed instruments. A breakdown per country is provided in the table below.

Overview of exposure to sovereign bonds at year-end 2017, carrying value[1] (in millions of EUR)								
Total (by portfolio)								Economic impact of +100 basis points[3]
	Available for sale	Held to maturity	Designated at fair value through profit or loss	Loans and receivables	Held for trading	Total	*For comparison purposes: total at year-end 2016*	
Southern Europe and Ireland								
Greece	0	0	0	0	0	0	0	0
Portugal	360	36	0	0	0	396	359	-22
Spain	2 708	249	0	0	0	2 957	3 017	-157
Italy	2 066	111	0	0	1	2 178	2 250	-116
KBC core countries								
Belgium	5 227	11 889	0	0	357	17 474	20 886	-935
Czech Republic	1 992	4 697	0	6	42	6 737	7 543	-354
Hungary	752	1 415	0	46	193	2 406	2 358	-97
Slovak Republic	1 239	1 643	0	0	0	2 881	2 953	-178
Bulgaria	782	117	0	0	260	1 159	487	-72
Ireland	448	838	0	0	0	1 286	1 207	-62
Other countries								
France	2 500	3 779	0	0	0	6 280	6 924	-471
Poland	1 290	407	0	0	10	1 707	1 515	-82
Germany	352	584	0	0	1	936	850	-47
Austria	342	460	0	0	0	803	796	-51
Netherlands	116	371	0	0	1	488	502	-27
U.S.	0	976	0	0	0	976	772	-40

Rest[2]	2 133	1 523	0	0	90	3 746	3 470	-116
Total carrying value	22 307	29 096	0	52	955	52 410	55 889	–
Total nominal value	19 633	27 625	0	52	913	48 223	51 048	–

1 The carrying amount refers to the amount at which an asset or a liability is recognized in the company's books, i.e. the fair value amount for instruments categorized as available for sale, designated at fair value through profit or loss and held for trading and the amortized cost amount for instruments categorized as held to maturity. The table excludes exposure to supranational entities of selected countries. No material impairment on the government bonds in portfolio.

2 Sum of countries whose individual exposure is less than EUR 0.5 billion at year-end 2016.

3 Theoretical economic impact in fair value terms of a parallel 100-basis-point upward shift in the spread over the entire maturity structure (in millions of euros). Only a portion of this impact is reflected in profit or loss and/or equity. Figures relate to banking book exposure only (impact on trading book exposure was very limited and amounted to EUR -10 million at year-end 2016).

Main changes in 2017:

- The carrying value of the total sovereign bond exposure decreased by 3.5 billion euros. There was a significant increase in exposure to bonds issued by Bulgaria (+0.7 billion euros, cf acquisition of UBB), but a decrease in exposure to Belgium (-3.4 billion euros), the Czech Republic (-0.8 billion euros),) and France (-0.6 billion euros).

Revaluation reserve for available-for-sale assets at year-end 2017:

- At 31 December 2017, the carrying value of the total available-for-sale government bond portfolio incorporated a revaluation reserve of EUR 1.5 billion, before tax.
- This included EUR 424 million for Belgium, EUR 180 million for Italy, EUR 163 million for France, EUR 167 million for Spain and EUR 582 million for the other countries combined.

Portfolio of Belgian government bonds:

- Belgian sovereign bonds accounted for 33% of the total government bond portfolio at the end of 2017, reflecting the importance to KBC of Belgium, the Group's primary core market. The importance of Belgium, in general, is also reflected in the 'Loan and investment portfolio, banking' table above towards the start of this section, in the contribution that Belgium makes to group profit (see 'Belgium') and in the various components of the result
- At year-end 2017, the credit ratings assigned to Belgium by the three main international agencies were Aa3 from Moody's, AA from S&P and AA- from Fitch.
- Apart from interest rate risk, the main risk to KBC's holdings of Belgian sovereign bonds is a widening of the credit spread. The potential impact of a 100-basis-point upward shift in the spread (by year-end 2017) can be broken down as follows:
    - Theoretical full economic impact (see previous table 'Overview of exposure to sovereign bonds at year-end 2017, carrying value'):
        - the impact of which on IFRS profit or loss: very limited since the lion's share of the portfolio of Belgian sovereign bonds was classified as 'Available For Sale' (30%, impact only upon realisation or in exceptional cases on impairment) and 'Held To Maturity' (68%, no impact on profit or loss); and
        - the impact of which on IFRS unrealised gains on available-for-sale assets: EUR -207 million (after tax).
    - Impact on liquidity: a widening credit spread affects the liquidity coverage ratio ("**LCR**"), but the Group has a sufficiently large liquidity buffer.

For the insurance activities, credit exposure exists primarily in the investment portfolio (towards issuers of debt instruments) 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.

Investment portfolio of KBC Group insurance entities (in millions of EUR, market value)[1]	31 December 2016	31 December 2017
Per balance sheet item		
Securities	22 211	20 697
Bonds and other fixed-income securities	20 890	19 259
Held to maturity	6 550	6 140
Available for sale	14 286	13 064
At fair value through profit or loss and held for trading	5	2
As loans and receivables	48	53
Shares and other variable-yield securities	1 321	1 437
Available for sale	1 317	1 434
At fair value through profit or loss and held for trading	3	4
Other	0	0
Property and equipment and investment property	332	352
Investment contracts, unit-linked[2]	13 693	14 421
Other	1 831	2 246
Total	38 066	37 715
Details for bonds and other fixed-income securities		
By external rating[3]		
Investment grade	96%	98%
Non-investment grade	4%	2%
Unrated	0%	0%
By sector[3]		
Governments	61%	63%
Financial[4]	25%	23%
Other	14%	14%
By remaining term to maturity[3]		
Not more than 1 year	12%	11%
Between 1 and 3 years	19%	19%
Between 3 and 5 years	15%	14%
Between 5 and 10 years	31%	31%
More than 10 years	23%	25%

1 The total carrying value amounted to 36 540 million euros at year-end 2017 and to 36 619 million euros at year-end 2016.
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.
3 Excluding investments for unit-linked life insurance. In certain cases, based on extrapolations and estimates.
4 Including covered bonds and non-bank financial companies.

Structured credit exposure (banking and insurance portfolio)

At 1.0 billion euros, the total net portfolio (i.e. excluding de-risked positions) of structured credit products (consisting primarily of European residential mortgage-backed securities ("**RMBS**")) was down 0.4 billion euros on its level at year-end 2016, due to redemptions. No new investments were made in 2017.

Market risk in trading activities

The Group is exposed to market risk via the trading books of its dealing rooms in Belgium, the Czech Republic, the Slovak Republic and Hungary, as well as via a minor presence in the UK and Asia. There are also limited trading activities at the recently acquired UBB in Bulgaria. The traditional dealing rooms, with the dealing room in Belgium accounting for the lion's share of the limits and risks, focus on trading in interest rate instruments, while activity on the FX markets has traditionally been limited. All dealing rooms focus on providing customer service in money and capital market products and on funding the bank activities.

Concerning the legacy CDO business, the remaining small positions were completely closed out in April 2017 thus bringing about a definitive and complete closing down of this business. The reverse mortgages and insurance derivatives legacy business lines have been transferred out of KBC Investments Limited to KBC

Bank NV as now there are only a small amount of remaining contracts (accounting for about 1% of the total market risk regulatory capital charges in the table at the end of this chapter). The fund derivatives legacy business line is almost closed, meaning that KBC Investments Limited will be dissolved in the near future.

The table below shows the Historical Value-at-Risk ("**HVaR**"; 99% confidence interval, ten-day holding period, historical simulation) for the linear and non-linear exposure of all the dealing rooms of KBC Group (KBC Securities was included from April 2013 onwards). To allow a year-on-year comparison, the HVaR for KBC Investments Limited (relating to KBC's discontinued CDO business) is also shown.

As of October 2013, the HVaR for KBC Investment Limited's credit derivatives had fallen to zero due to a series of trades with external counterparties that generated an exact match of the offsetting positions in the scope of KBC Investment Limited's VaR model (perfect Back-to-Back positions). As a result, and due to the above-mentioned inclusion of KBC Securities in the HVaR for KBC Bank, all trading activity for the KBC Group measured by HVaR has been included in the "KBC Bank" figure from that point on, and thus this figure represents the HVaR for KBC Group.

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

	KBC Group
Average, 1Q 2014	24
Average, 2Q 2014	19
Average, 3Q 2014	15
Average, 4Q 2014	15
End of period	*15*
Maximum in year	*29*
Minimum in year	*11*
Average, 1Q 2015	14
Average, 2Q 2015	15
Average, 3Q 2015	15
Average, 4Q 2015	16
End of period	*18*
Maximum in year	*21*
Minimum in year	*12*
Average, 1Q 2016	*16*
Average, 2Q 2016	*15*
Average, 3Q 2016	*15*
Average, 4Q 2016	*14*
End of period	*20*
Maximum in year	*20*
Minimum in year	*11*
Average, 1Q 2017	*19*

Average, 2Q 2017	*26*
Average, 3Q 2017	*27*
Average, 4Q 2017	*22*
End of period	*18*
Maximum of the year	*31*
Minimum of the year	*15*

Regulatory capital charges for market risk

As shown in the table below, approximately 90 % of the regulatory capital requirements are calculated using Approved Internal Models ("**AIMs**"). In previous years, this used to be the sum of the regulatory capital requirements calculated using the AIMs of KBC Bank NV, KBC Investments Limited – both models were authorised by the Belgian regulator, and ČSOB in the Czech Republic, whose model was authorized by the Czech Republic regulator. In June 2017, the ECB approved the integration of the European Equity Derivatives trading activities (the only trading activity in the KBC Investments Limited's AIM) into the KBC Bank AIM thus resulting in two AIMs instead of three (cutting costs and reducing complexity).

The two AIMs are also used for the calculation of Stressed VaR ("**SVaR**"), which is one of the CRD III Regulatory Capital charges that entered into effect at year-end 2011. The calculation of an SVaR measure is based on the normal VaR calculations and follows the same methodological assumptions, but is constructed as if the relevant market factors were experiencing a period of stress. The period of stress is calibrated at least once a year by determining which 250-day period between 2006 and the (then) present day produces the severest losses for the relevant positions.

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

It is important to note that, assuming the Group's 'Global Trading Project' is successfully completed (and therefore all residual positions are transferred to Brussels) one Approved Internal Model will ultimately be used to calculate the regulatory capital requirements of all positions held by the group that can be modelled by VaR.

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

		Interest rate risk	Equity risk	FX risk	Commodity risk	Re-securitisation	Total
31 December 2016							
Market risks assessed by internal model	HVaR	57	2	7	-	-	156
	SVaR	74	2	14			
Market risks assessed by the Standardised Approach		18	4	13	0	1	37
Total		150	8	34	0	1	193
31 December 2017							
Market risks assessed by internal model	HVaR	77	3	5	-	-	235
	SVaR	129	7	14		-	
Market risks assessed by the Standardised Approach		18	6	9	0	-	33
Total		225	16	28	0	-	269

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

The basis point value ("**BPV**") below shows the amount with which the value of the economic portfolio would be impacted if interest rates were to fall by ten basis points across the entire curve including spread (negative figures indicate a decrease in the value of the portfolio). More details are available in the 2017 Annual Report of KBC Group.

10 basis point swap BPV of the ALM-book of the Banking Group (in millions of EUR) (unaudited)

End of 1Q 2014	-54,9
End of 2Q 2014	-68,8
End of 3Q 2014	-78,4
End of 4Q 2014	-63,2
End of 1Q 2015	-63,3
End of 2Q 2015	-45,7
End of 3Q 2015	-33,2
End of 4Q 2015	-29,8
End of 1Q 2016	-23,6
End of 2Q 2016	-35,2
End of 3Q 2016	-50,0
End of 4Q 2016	-83,5
End of 1Q 2017	-79.0
End of 2Q 2017	-74.4
End of 3Q 2017	-73.5
End of 4Q 2017	-76.9

The process of managing structural exposure to market risks (including interest rate risk, equity risk, real estate risk, foreign exchange risk and inflation risk) is also known as ALM.

'Structural exposure' encompasses all exposure inherent in the Group's commercial activity or in the Group's long-term positions (banking and insurance). Trading activities are consequently not included. Structural exposure can also be described as a combination of:

- mismatches in the banking activities linked to the branch network's acquisition of working funds and the use of those funds (via 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; and
- the structural currency exposure stemming from the activities abroad (investments in foreign currency, results posted at branches or subsidiaries abroad, foreign exchange risk linked to the currency mismatch between the insurer's liabilities and its investments).

The main building blocks of KBC's ALM Risk Management Framework are:

- a broad range of risk measurement methods such BPV, gap analysis and economic sensitivities;
- net interest income simulations under a variety of market scenarios; simulations over a multi-year period are used within budgeting and risk processes; and
- capital sensitivities arising from banking book positions that have impact on available regulatory capital (e.g. 'Available For Sale' bonds).

Technical insurance risk

Technical insurance risks stem from uncertainty regarding how often insured losses will occur and how extensive they will be. All these risks are kept under control through appropriate underwriting, pricing, claims reserving, reinsurance and claims handling policies of line management and through independent insurance risk management.

The insurance risk management framework is designed primarily around the following building blocks:

- Adequate identification and analysis of material insurance risks by, inter alia, analysing new emerging risks, concentration or accumulation risks, and developing early warning signals.
- Appropriate risk measurements and use of these measurements to develop applications aimed at guiding the company towards creating maximum shareholder value. Examples include best estimate valuations of insurance liabilities, ex post economic profitability analyses, natural catastrophe and other life, non-life and health exposure modelling, stress testing and required internal capital calculations.
- Determination of insurance risk limits and conducting compliance checks, as well as providing advice on reinsurance programmes.

Operational risk

Managing operational risk

The Group has a single, global framework for managing operational risk.

The Group risk function is primarily responsible for defining the operational risk management framework. The development and implementation of this framework is supported by an extensive operational risk governance model covering the whole Group.

In early 2016, a new Competence Centre for Operational Risk was set up following a review of the 'Three Lines of Defence' model. The Competence Centre for Operational Risk sets the standards for managing and monitoring operational risks within the Group and also includes the Competence Centre for Information Risk Management, which deals, among others, with cyber risk.

The main tasks for the Competence Centre for Operational Risk are:

- to plan and perform independent 'in-depth' challenges of internal controls on behalf of senior management;
- to provide oversight and reasonable assurance on the effectiveness of controls executed to reduce operational risk;
- to inform senior management and oversight committees on the operational risk profile;
- to define the operational risk management framework and approach for the Group; and
- to create an environment where risk specialists (in various areas, such as information risk management, business continuity and disaster recovery, compliance, anti-fraud, legal, tax and accounting matters) can work together by, among others, setting priorities, using the same language and tools and uniform reporting.

The Competence Centre for Operational Risk will be assisted by the local risk management units, which are likewise independent of the business.

The building blocks for managing operational risks

Since 2011, specific attention has been given to the structured set-up of process-based 'Group Key Controls'. These controls are policies containing top-down basic control objectives and are used to mitigate key and killer risks inherent in the processes of the Group's entities. As such, they are an essential building block of both the operational risk management framework and the internal control system. The Group Key Controls now cover the complete process universe of the Group, defined by 68 KBC Group processes. Structural risk-based review cycles are installed to manage the process universe, close gaps, eliminate overlap and optimise group-wide risks and controls.

The business and (local) control functions assess these Group Key Controls. The risk self-assessments are consolidated at the Group risk function and ensure that there is a consistent relationship between (i) processes, (ii) risks, (iii) control activities and (iv) assessment scores. In 2016, the Group implemented a management tool to evaluate its internal control environment and to benchmark the approach across its entities. Further, the Group consolidates operational risk information flows across its business, risk, audit and compliance functions.

In line with the other types of risk, the Group uses a number of building blocks for managing operational risks, which cover all aspects of operational risk management:

- Risk identification: identifying operational risks involves following up legislation, using the New and Active Product Process, running risk scans, using key risk indicators, doing deep dives and capture risk signals.
- Risk measurement: as operational risk is embedded in all aspects of the organisation, measures that support quantification of the risk profile are available at the level of each entity, process and risk. Single or aggregated loss events are captured and measured at every failing or non-existent controls.
- Setting and cascading risk appetite: the risk appetite for operational risk is set in line with the overall requirements as defined in the Group's overarching risk management framework.
- Risk analysis, reporting and follow-up:
  - Prevention: ex ante risk analysis.
  - Remedial action: ex post risk analysis.
  - Reporting: the quality of the internal control environment and related risk exposure is reported to KBC's senior management via a management dashboard and to the NBB and the FSMA via the Group's annual Internal Control Statement.
  - Risk response and follow-up.
- Stress testing: an annual stress test is performed to assess the adequacy of pillar 1 operational risk capital.

Regulatory capital requirements

The Issuer uses the standardised approach for operational risk under Basel III. Operational risk capital at the Issuer's level totalled EUR 812 million at the end of 2016 and EUR 876 million at the end of 2017.

Additional focus on information risk management

The Group's Competence Centre For Information Risk Management ("**IRM**") focuses on information security and IT-related risks, especially risks caused by cybercrime.

At the end of 2015, the decision was taken to make a number of changes relating to the Group's information risk management. Firstly, the Group's CRO became responsible for all entities belonging to CFO Services and Corporate Staff Services, including IT, which is considered to be the first line of defence. All major decisions at these entities are now also presented to the Group's Executive Committee, of which the Group's CRO is a member. Secondly, the former Information Risk Management Practice function was re-positioned as the Group's Competence Centre for Information Risk Management in the new Group's Operational Risk unit, under the Senior General Manager of Group Risk, which is considered to be the second line of defence.

The Group's Operational Risk unit is an independent assurance provider and risk ambassador, headed by the Group's Information Security Officer. It focuses on information risks, such as, among others, information security, cybercrime, operational risks for IT, vendors and third parties and the cloud. It shapes the information risk framework, provides oversight, enables risk governance and helps the Group's to strengthen their risk capabilities by:

- developing and measuring group-wide information security and IT policies;
- driving risk governance via group-wide risk reporting and oversight;
- conducting independent investigations via group-wide challenges, detailed investigations and observations;

- turning the community of information security officers into an active, strong alliance by offering on-site coaching and support; and
- owning the cyber maturity tool and methodology.

Reputational risk
Reputational risk is mostly a secondary or derivative risk since it is usually connected to and will materialise together with another risk.

The Group refined the Reputational Risk Management Framework in 2016, in line with the KBC Risk Management Framework. The pro-active and re-active management of reputational risk is the responsibility of the business, supported by many specialist units (including Group Communication and Group Compliance).

Under the pillar 2 approach to capital, the impact of reputational risk on the current business is covered in the first place by the capital charge for primary risks (such as, among others, credit or operational risk).

Business & strategic risk
Business & strategic risk is assessed as part of the strategic planning process starting from a structured risk scan identifying the top financial and non-financial risks. The exposure to the business & strategic risks identified, is monitored on an ongoing basis. Next to the risk scan, business & strategic risks are monitored on an ongoing basis by reporting risk signals to top management. Additionally, business & strategic risks are discussed during the aligned planning process and are quantified as part of different stress test scenarios and long term earnings assessments.

Under the pillar 2 approach to capital, business risk is incorporated by performing a one-year stress on profit and loss.

Liquidity risk

Liquidity risk is the risk that an organisation will be unable to meet its payment obligations as they come due, without incurring unacceptable losses.

The principal objective of the Group's liquidity management is to be able to fund the Group and to enable the core business activities of the Group to continue to generate revenue, even under adverse circumstances. Since the financial crisis, there has been a greater focus on liquidity risk management throughout the industry, and this has been intensified by the minimum liquidity standards defined by the Basel Committee, which have been transposed into European law through CRD IV and CRR.

A group-wide 'liquidity risk management framework' is in place to define the risk playing field. Liquidity management itself is organised within the Group Treasury function, which acts as a first line of defence and is responsible for the overall liquidity and funding management of KBC Group. The Group Treasury function monitors and steers the liquidity profile on a daily basis and sets the policies and steering mechanisms for funding management (intra-group funding, funds transfer pricing). These policies ensure that local management has an incentive to work towards a sound funding profile. It also actively monitors its collateral on a group-wide basis and is responsible for drafting the liquidity contingency plan that sets out the strategies for addressing liquidity shortfalls in emergency situations.

The Group's liquidity risk management framework is based on the following pillars:

- Contingency liquidity risk. This risk is assessed on the basis of liquidity stress tests, which measure how the liquidity buffer of the Group's bank entities changes under extreme stressed scenarios. This buffer is based on assumptions regarding liquidity outflows (retail customer behaviour, professional client behaviour, drawing of committed credit lines, etc.) and liquidity inflows resulting from actions to increase liquidity ('repoing' the bond portfolio, reducing unsecured interbank lending, etc.). The liquidity buffer has to be sufficient to cover liquidity needs (net cash and collateral outflows) 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 stabilise after a general market event and (iii) a combined scenario, which takes a KBC-specific event and a general market event into account. The overall aim of the liquidity framework is to remain sufficiently liquid in stress situations, without resorting to liquidity-enhancing actions which would entail significant costs or which would interfere with the core banking business of the Group.

- Structural liquidity risk. The Group manages its funding structure so as to maintain substantial diversification, to minimise funding concentrations in time buckets, and to limit the level of reliance on short-term wholesale funding. The Group manages the structural funding position as part of the integrated strategic planning process, where funding – in addition to capital, profits and risks – is one of the key elements. At present, the Group's strategic aim for the next few years is to build up a sufficient buffer in terms of the (LCR and Net Stable Funding Ratio ("**NSFR**") requirements via a funding management framework, which sets clear funding targets for the subsidiaries (own funding, reliance on intra-group funding) and provides further incentives via a system of intra-group pricing to the extent subsidiaries run a funding mismatch.

- Operational liquidity risk. Operational liquidity management is conducted in the treasury departments, based on estimated funding requirements. Group-wide trends in funding liquidity and funding needs are monitored on a daily basis by the Group Treasury function, ensuring that a sufficient buffer is available at all times to deal with extreme liquidity events in which no wholesale funding can be rolled over.

At year-end 2017, the NSFR of KBC Group stood at 134% and the average LCR over 2017 was 139%. The LCR is based on the requirement of the draft Delegated Act of the European Commission amending the Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for credit institutions. As from 31 December 2017 onward, the Group will disclose the 12 month average LCR in accordance with EBA guidelines on LCR disclosure.

Capital adequacy

Capital adequacy (or solvency) risk is the risk that the capital base of KBC Group, the bank or the insurer might fall below an acceptable level. In practice, this entails checking solvency against the minimum regulatory requirements and against in-house solvency targets. Hence, capital adequacy is approached from both a regulatory and an internal perspective.

Solvency is reported at KBC Group NV, banking and insurance level, calculating it on the basis of IFRS figures and the relevant guidelines issued by the regulators. This implies that KBC Group calculates its solvency ratios based on CRD IV/CRR. This regulation entered gradually into force on 1 January 2014, and is expected to be fully implemented by 1 January 2022.

The general rule under CRD IV/CRR 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 (Danish compromise). KBC Group received such permission from the supervisory authority and hence reports its solvency on the basis of a 370% risk weighting being applied to the holdings of own fund instruments of the insurance company, after having deconsolidated KBC Insurance from the group figures.

The minimum solvency ratios required under CRD IV/CRR are 4.5% for the common equity tier-1 (“**CET1**”) ratio, 6.0% for the tier-1 capital ratio and 8.0% for the total capital ratio (i.e. the pillar 1 minimum ratios). As a result of its supervisory review and evaluation process (“**SREP**”), the competent supervisory authority (in KBC Group’s case, the ECB) can require that higher minimum ratios be maintained (i.e. the pillar 2 requirements which in 2016 have been split by the ECB in a pillar 2 requirement and a pillar 2 guidance) because, for instance, not all risks are properly reflected in the regulatory pillar 1 calculations. On top of this, a number of additional buffers have to be put in place, including a capital conservation buffer of 2.5% (to be phased in between 2016 and 2019), a buffer for systemically important banks (to be determined by the national competent authority) and a countercyclical buffer in times of credit growth (between 0% and 2.5%, likewise to be determined by the national competent authority). These buffers need to be met using CET1 capital, the strongest form of capital.

In the context of its supervisory authority, the ECB requires the Issuer to maintain (i) a pillar 2 requirement (P2R) of 1.75% CET1 and (ii) a pillar 2 guidance (P2G) of 1.0% CET1.

The capital requirement for the Issuer is not only determined by the ECB but also by decisions of the various local competent authorities in KBC’s core markets.

- The Czech and Slovak competent authorities require a countercyclical buffer requirement of 1.25% on relevant credit exposures in their jurisdiction, which corresponds with an additional CET1 requirement at Group level of 0.35%.
- The NBB requires an additional capital buffer for other systemically important banks of 1.5% in 2018.

The capital conservation buffer currently stands at 1.875% for 2018, and will increase to 2.50% in 2019. These buffers come on top of the minimum CET1 requirement of 4.5% under Pillar 1.

Altogether, this brings the fully loaded CET1 requirement (under the 'Danish Compromise') up to 10.60% with an additional 1% guidance. Furthermore, since part of the requirements are gradually built up by 2019, the relevant requirement (under the 'Danish Compromise') for 2018 on a phased-in basis is at a lower level, i.e. 9.875% CET1.

KBC Group clearly exceeds these targets. At year-end 2017, the Issuer’s CET1 ratio came to 16.5%. The regulatory minimum solvency targets were also amply exceeded throughout the entire financial year. Further details of the Issuer’s CET1 position compared to these buffers, along with their Tier 1 and Total Capital position as compared to the relevant minimum requirements, in each case as at 31 December 2017 are set out below under ‘*Banking Supervision and regulation - Solvency and Supervision*’.

In addition to the solvency ratios under CRD IV/CRR, KBC Group NV – as a financial conglomerate – also has to disclose its solvency position as calculated in accordance with the Financial Conglomerate Directive (FICOD; 2002/87/EC). This implies that available capital will be calculated on the basis of the consolidated position of KBC Group and the eligible items recognised as such under the prevailing sectoral rules, which are CRD IV/CRR 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 are multiplied by 12.5 to obtain a risk weighted asset equivalent (instead of the 370% risk weighting applied to the participation under the Danish compromise). At year-end 2017, the phased common equity ratio (under FICOD) was 15.2%.

More information on capital adequacy as well as on the different risk types can be found in the 2017 Annual Report and the 2017 Risk Report of the Issuer, both published on www.kbc.com.

12 Banking Supervision and regulation

Introduction: supervision by the European Central Bank

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

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

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

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

Supervision and regulation in Belgium

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

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

(1) All Belgian credit institutions must obtain a license from the ECB before they may commence operations. In order to obtain a license and maintain it, each credit institution must fulfil numerous conditions, including certain minimum paid-up capital requirements. In addition, any shareholder holding 10%. or more (directly or indirectly, alone, together with affiliated persons or in concert with third parties) of the capital or the voting rights of the institution must be of "fit and proper" character

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

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

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

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

(a) Preparation and prevention

Credit institutions have to draw up recovery plans, setting out the measures they would take to restore their financial position in the event of a significant deterioration to their financial position. These recovery plans must be updated at least annually or after a change to the legal or organisational structure of the institution, its business or its financial situation, which could have a material effect on, or necessitates a change to, the recovery plans. In its review of the recovery plan, the ECB pays particular attention to the appropriateness of the capital and financing structure of the institution in relation to the degree of complexity of its organisational structure and its risk profile.

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

(b) Early intervention

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

(c) Resolution

- 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 transfer of certain assets, rights or liabilities to a separate vehicle and (iv) bail-in. Each decision will be subject to prior judicial control.

  The fourth resolution tool, i.e. the bail-in tool, entered into force on 1 January 2016. It was implemented into Belgian law through the Royal Decree of 18 December 2015 implementing the Belgian Banking Law. Bail-in is a mechanism to write down the liabilities (subordinated debt, senior debt and eligible deposits) or to convert debt into equity, as a means of restoring the institution's capital position.

- The resolution authority is also empowered (and in certain circumstances required) to write down or convert capital instruments (such as Common Equity Tier 1-, Additional Tier 1- and Tier 2-instruments), before or together with the use of any resolution tools, if it determines that a credit institution becomes non-viable, that the conditions for the exercise of the resolution powers are fulfilled and/or that a credit institution has asked for public support.

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

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

Bank governance

The Belgian Banking Law also puts a lot of emphasis on the solid and efficient organisation of credit institutions and introduces to that effect a dual governance structure at management level, specialised advisory committees within the Board of Directors (Audit Committee, Risk Committee, Remuneration Committee and Nomination Committee), independent control functions, and strict remuneration policies (including limits on the amount of variable remuneration, the form and timing for vesting and payment of variable remuneration, as well as claw-back mechanics).

The 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 general and risk policy, which is entrusted to the Board of Directors. According to 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 fit and proper standards have been further elaborated by the NBB in a circular of 17 June 2013.

The NBB Governance Manual for the Banking Sector (the "**Governance Manual**") contains recommendations to assure the suitability of shareholders, management and independent control functions and the appropriate organisation of the business.

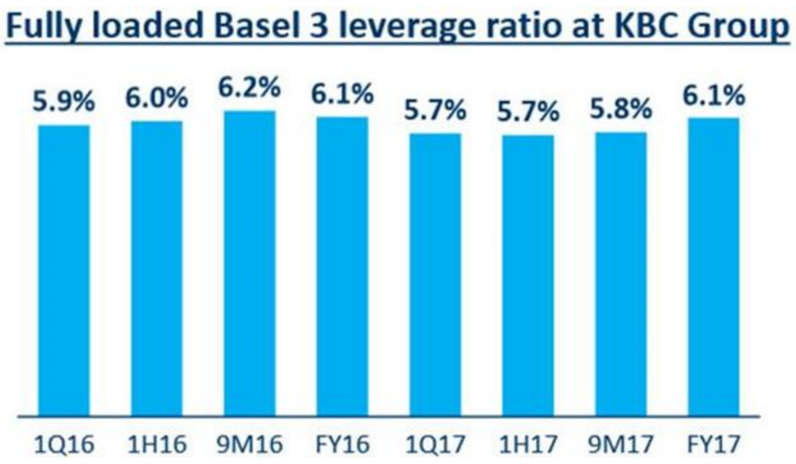
As required by the Belgian Banking Law and the Governance Manual, KBC has a Group Internal Governance Memorandum (the "**Governance Memorandum**"), which sets out the corporate governance policy applying to KBC Group and its subsidiaries and of which the governance memorandum of KBC Bank forms part. The corporate governance policy of a credit institution must meet the principles set out in the law and the Governance Manual. The most recent version of the Governance Memorandum was approved on 14 December 2017 by the Board of Directors of the Issuer, KBC Bank and KBC Insurance.

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

Solvency supervision

Capital requirements and capital adequacy ratios are provided for in CRR, transposing the Basel III regulation into European law. CRR requires that credit institutions must comply with several minimum solvency ratios. These ratios are defined as Common Equity Tier 1, Tier 1 or Total Capital divided by risk-weighted assets. The absolute minimum is a Common Equity Tier 1, Tier 1 and Total Capital ratio of 4.5%, 6.0% and 8.0% respectively. Risk weighted assets are the sum of all assets and off-balance sheet items weighted according to the degree of credit risk attributed to them. The solvency ratios also takes into account market risk with respect to the bank's trading book (including interest rate and foreign currency exposure) and operational risk in the calculation of the weighted risk. On top of the capital requirements defined by the solvency ratios, the regulation imposes a capital conservation buffer and, in certain cases a systemic risk buffer and/or a countercyclical buffer.

Solvency is also limited by the leverage ratio as described under "*Risk Factors - The Issuer may elect not to pay interest on the Securities or in certain circumstances be required not to pay such interest*", which compares Tier 1 capital to non-risk weighted assets. The below chart shows the Issuer's leverage ratios on a fully loaded basis for the two years ended 31 December 2017:



In the context of its supervisory authority, the ECB requires KBC Group to maintain (i) a pillar 2 requirement (P2R) of 1.75% CET1 and (ii) a pillar 2 guidance (P2G) of 1.0% CET1. It is important to note that the capital requirement for KBC Group is not only determined by the ECB but also by decisions of the various local competent authorities in KBC's core markets (e.g. decisions re. countercyclical buffer requirement, capital buffers for domestic systemic banks). The conservation buffer currently stands at 1.875% for 2018, building up to 2.50% in 2019. These buffers come on top of the minimum CET1, Tier 1 and Total Capital requirements of 4.5%, 6.0% and 8.0% respectively under Pillar 1. Altogether, this brings the fully loaded CET1 requirement (under the Danish compromise) to 10.60% with an additional 1% pillar 2 guidance. Furthermore, since part of the requirements are gradually built up by 2019, the relevant requirement (under the Danish compromise) for 2018 on a phased-in basis is at a lower level, i.e. 9.875% CET1. The equivalent fully loaded Tier 1 requirements amounts to 12.1% and 14.1% for Total Capital, with an additional 1% pillar 2 guidance.

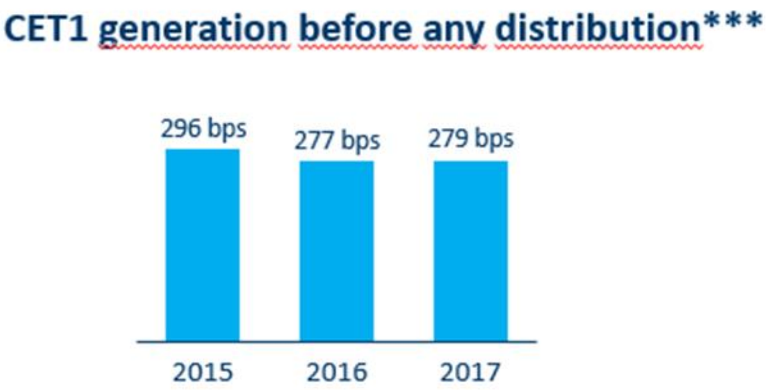
KBC Group clearly exceeds these targets and currently intends to fill the AT1 and Tier 2 buckets of respectively 1.5% and 2.0%.

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.

Distributions (being dividend payments, payments related to AT1 instruments (including the Securities) or variable remuneration) are limited in case the Issuer's combined buffer requirements described above, also referred to as MDA thresholds, are breached. The table below provides an overview of the buffers KBC Group has compared to these thresholds as at 31 December 2017:

	CET1 (PHASED-IN / FULLY LOADED)	TIER 1 (PHASED-IN / FULLY LOADED)	TOTAL CAPITAL (PHASED-IN / FULLY LOADED)
RATIO	16.5% / 16.3%	18.0% / 17.9%	20.4% / 20.2%
RWA (€)	92.0 bn /92.4 bn	92.0 bn /92.4 bn	92.0 bn /92.4 bn
MDA THRESHOLD	9.9% / 10.6%	11.4% / 12.1%	13.4% / 14.1%
MDA BUFFER	6.6% / 5.7%	6.6% / 5.7%	6.6% / 5.7%
MDA AMOUNT (€)	6.0 bn / 5.3bn	6.0 bn / 5.3bn	6.0 bn / 5.3bn

The below chart shows the Issuer's organic CET1 generation for the three years ended 31 December 2017:



*** Calculated based on the fully loaded year-end Risk Weighted Assets

Large exposure supervision

European regulations ensure the solvency of credit institutions by imposing limits on the concentration of risk in order to limit the impact of failure on the part of a large debtor. For this purpose, credit institutions must limit the amount of risk exposure to any single counterparty to 25% of the total capital. European regulations also require that the credit institutions establish procedures to contain concentrations on economic activity sectors and geographic areas.

Money laundering

Belgium has implemented Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, by the Act of 18 September 2017 on the prevention of money laundering, terrorist financing, and on the limitation of the use of cash. 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 do have to proceed to a global assessment of the risks they are facing and formulate efficient and adequate measures.

The definition of politically exposed people is being broadened. It will encompass not only national persons who are or who have been entrusted with prominent public functions residing abroad but also those residing in the country. Member States also have to set up a central register which identifies the ultimate beneficial owner of companies and other legal entities. Payments/donations in cash are capped to 3,000 EUR. Member states must also provide for enhanced customer due diligence measures for the obliged entities to apply when dealing with natural persons or legal entities established in high-risk third countries.

When, after investigation, a credit or financial institution suspects money laundering to be the purpose of a transaction, it must promptly notify an independent administrative authority, the Financial Intelligence Unit. This Unit is designated to receive reports on suspicious transactions, to investigate them and, if necessary, to report to the criminal prosecutors to initiate proceedings. The NBB has issued guidelines for credit and financial institutions and supervises their compliance with the legislation. Belgian criminal law specifically addresses criminal offences of money-laundering (Article 505, subsection 1, 2°-4° of the Criminal Code) and sanctions them with a jail term of a minimum of 15 days and a maximum of 5 years and/or a fine of a minimum of EUR 26 and a maximum of EUR 100,000 (to be multiplied by 6) or, for legal entities, a fine of a minimum of EUR 500 and a maximum of EUR 200,000 (to be increased with the additional penalty or, in other words to be multiplied by 6).

Consolidated supervision - supplementary supervision

KBC Bank is subject to consolidated supervision by the ECB on the basis of the consolidated financial situation of KBC Group NV, which covers among other things solvency as described above, pursuant to Articles 165 and following of the Belgian Banking Law. As a subsidiary of a Belgian mixed financial holding (KBC Group NV) and part of a financial conglomerate, KBC Bank is also subject to the supplementary supervision by the ECB, according to Directive 2011/89/EU of 16 November 2011 amending Directives 98/78/EC, 2002/87/EC, 2006/48/EC and 2009/138/EC as regards the supplementary supervision of financial entities in a financial conglomerate (implemented in Articles 185 and following of the 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 has been changed from "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 FSMA.

The UCITS-management company regime in Belgium is governed by the "Law on certain forms of collective management of investment portfolios" of 3 August 2012 ("**Law of 3 August 2012**"). The Law of 3 August 2012 implements European Directive 2001/107/EC of 21 January 2002 relating to UCITS, as amended from time to time. The Law of 3 August 2012 regulates management companies and sets forth the conditions under which UCITS-management companies may operate in Belgium; furthermore, it defines the regulatory and supervisory powers of the FSMA.

The regulatory framework concerning supervision on UCITS-management companies is mostly similar to the regulation applicable to investment firms. The Law of 3 August 2012 contains, inter alia, the following principles:

- certain minimum paid-up capital requirements and rules relating to changes affecting capital structure;
- obligation for management companies to carry out their activities in the interests of their clients or of the UCITS they manage (e.g. creation of Chinese walls);
- obligation to provide, on a periodical basis, a detailed financial statement to the FSMA;
- supervision by the FSMA; and
- subjection to the control of statutory auditors.

13 Insurance Supervision and regulation

Introduction

KBC Insurance, an insurance company governed by the laws of Belgium, is subject to detailed, comprehensive regulation in Belgium, supervised by the NBB, the Belgian central bank.

Since the implementation on 1 April 2011 of the "Twin Peaks Act", the powers relating to prudential supervision have been transferred from the *Commisie voor het Bank-, Financie- en Assurantiewezen/ Commission bancaire, financière et des assurances* ("**CBFA**") (now the FSMA) to the NBB. The remaining supervisory powers previously exercised by the CBFA are now exercised by the 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 realisation of a unified internal market and to improve standards of prudential supervision and market efficiency through harmonisation of core regulatory standards and mutual recognition among EU Member States of regulatory supervision, and in particular, licensing.

Supervision and regulation in Belgium

The 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 4 April 2014.

The Insurance Supervision Law, among other things, implements the European legislation on EU Directive 2009/138/EC of 25 November 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 of 4 April 2014, 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 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 licence from the NBB before they may commence operations. In order to obtain a licence and maintain it, each insurance company must fulfil numerous conditions, including certain minimum capital requirements. This requires the calculation of best estimate cash flows, raised with a risk margin, corresponding to what was previously known as "technical reserves". In addition, a

Solvency Capital Requirement ("**SCR**") and a Minimal 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%, 33% 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 jeopardises 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.a. 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 provide for the required capital requirements, the NBB may restrict or prohibit the company's free use of its assets. If an insurance company no longer meets theSCR, the NBB must require that a recovery plan be prepared. If an insurance company no longer meets the MCR, its authorisations 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 honouring 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 organisation of insurance companies and introduces to that effect a dual governance structure at management level, specialised 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 a circular of 17 June 2013. The Circular of 5 July 2016 regarding the prudential expectations of the NBB with respect to the governance system of the insurance and reinsurance sector (the "**Circular Governance**") contains recommendations to assure the autonomy of the insurance function, the organisation of the independent control functions and the proper governance of the insurance company.

As required by the Insurance Supervision Law and the Circular Governance, KBC has a Governance Memorandum, which sets out the corporate governance policy applying to KBC Group and its subsidiaries and of which the governance memorandum of KBC Insurance forms part. The corporate governance policy of an insurance company must meet the principles set out in the law and the Circular Governance. The most recent version of the Governance Memorandum was approved on 14 December 2017 by the Board of Directors of KBC Group, KBC Bank and KBC Insurance. The public part of the governance memorandum of KBC Insurance (SFCR) is updated yearly and published on www.kbc.com.

Money laundering

Belgian insurance companies are also subject to the Act of 18 September 2017referred to above.

14 Recent Events

Information about recent events in relation to the Issuer can be found in the following sections: "*general description of the activities of the Group*", "*principal markets and activities, per geography*", "*Risk management*", "*Banking supervision and regulation*", "*Insurance supervision and regulation*" and "*Litigation*".

Detailed information is set out in KBC Group's press releases and financial reports, all of which are available on www.kbc.com. For the avoidance of doubt, the information available on KBC Group's website, www.kbc.com, shall not be incorporated by reference in, or form part of, this Prospectus (other than as referred to in the section "*Documents incorporated by reference*").

On 22 February 2018, KBC Group published its consolidated results for the fourth quarter of 2017. The related press release and interim reports are available on www.kbc.com. The highlights of its consolidated results for 4Q2017 are:

- Against the background of sustained economic expansion, only moderately rising inflation, a stronger euro and continuing low interest rates, KBC Group posted a net profit of 399 million euros in the fourth quarter of 2017. The year ended 31 December 2017 was impacted by a one-off, upfront negative effect of 211 million euros due to the Belgian corporate tax reform. Excluding this one-off item, the net result amounted to 610 million euros for the fourth quarter of 2017. The core businesses performed well once again, with costs remaining under control and asset quality remaining strong as demonstrated by a loan loss provisions release. Adding the fourth-quarter result to the results for the first three quarters of the year brought the net result to 2 575 million euros for the full year, up 6% on the 2 427 million euros recorded for full year 2016. The liquidity position remained robust, while the solid solvency position is reflected in a common equity ratio (fully-loaded) of 16.3% at year-end 2017.

- It will be proposed to the General Meeting of Shareholders in May to set the total (gross) dividend for 2017 at 3 euros per share, meaning that – following payment of the interim dividend of 1 euro per share in November 2017 – the final gross dividend to be paid in May will be 2 euros per share. It will also be proposed to buy back 2.7 million shares to offset shareholder dilution caused by the capital increases for staff.

- The Issuer's year on year Organic Volume Growth (i.e. volume growth excluding FX effects and divestments and acquisitions) for the year ended 31 December 2017 for loans to customers (excluding reverse repos and bonds) was 4 per cent., for mortgages was 3 per cent. and for customer deposits (including debt certificates but excluding repos) was 7 per cent.

Overview KBC Group (consolidated, IFRS)	4Q2017	3Q2017	4Q2016	FY2017	FY2016
Net result (in millions of EUR)	399	691	685	2 575	2 427
Basic earnings per share (in EUR)	0.92	1.62	1.61	6.03	5.68
Breakdown of the net result by business unit (in millions of EUR)					
Belgium	336	455	439	1 575	1 432
Czech Republic	167	170	131	702	596
International Markets	74	78	139	444	428
Group Centre	-179	-12	-24	-146	-29
Parent shareholders' equity per share (in EUR, end of period)	41.6	40.6	38.1	41.6	38.1

15 Trend Information – International economic environment

The global economy is doing well. In the US, annual real GDP growth in 2017 accelerated to 2.3% after its dip in 2016 (1.5%). US growth was driven primarily by strong private consumption, which was underpinned by improving labour market conditions. Additionally, business spending picked up markedly. This solid momentum is expected to continue into 2018. Sentiment indicators continue to signal optimism among consumers and firms. Furthermore, KBC Group expects the tax reform the Republicans approved at the end of 2017 to deliver some additional, albeit modest, boost to growth in 2018-2019. Therefore, KBC Group sees GDP growth in the US slightly accelerating and reaching its peak in 2018 at 2.6%. The growth pace will then likely decline somewhat in the following years, reflecting the late-cyclical state of the US economy, tighter Fed policy and tightness of the US labour market.

Even better economic results came from the euro area. Preliminary data showed an average annual growth rate of 2.5% in 2017, the highest pace in a decade and beyond any expectations. Private demand played an important role in the growth uptick, but net trade also made a substantial growth contribution. Moreover, business investment, although not fully recovered from the crisis, was an essential growth contributor during the year. Economic sentiment in the euro area declined slightly at the start of 2018. However, it remains at elevated levels, having reached a 17-year high in December. A sentiment decline in the retail trade sector was the main cause behind the downward move. However, industry and consumer sentiment continued to climb. There are no signs that growth has surpassed its peak. KBC Group projects real GDP growth to be 2.5%, and 2.2% in 2019.

After the ECB's January 2018 meeting, the opening press statement hinted that the ECB's assessment of current economic conditions is being progressively upgraded. This implies that the ECB now has a notably stronger conviction that euro area economic conditions have moved onto a notably firmer trajectory of late. KBC Group expects a continuation of quantitative easing ("**QE**") at least until September 2018 with a monthly net asset purchases pace of EUR 30 billion. A first policy rate hike will likely take place well after the end of QE, i.e. probably in 2019.

As a response to the ECB's subtle start to prepare markets for a policy change, combined with rising inflation expectations and with the persistent flow of better-than-expected economic data, German long-term government bond yields jumped up recently. This happened in parallel with the significant upward move from

US long-term yields. Markets have also been repositioning towards a more aggressive policy normalisation path by the Federal Reserve. Intra-EMU spreads against the German bond yield, however, declined. After all, until September the ECB remains an major bond buyer and monetary policy is accommodative. Furthermore, financial markets see political events in Spain and Italy as minor factors.

In the coming months KBC Group expects a slight appreciation of the USD against the EUR again as the most recent move likely contained some overshooting. Furthermore, the ongoing adjustments of market expectations towards more Fed rate hikes for this and next year could serve as a temporary boost to the USD. Nevertheless, in the medium to longer term, most factors are supportive for the Euro. Under the assumption that a stronger EUR will not have a large negative impact on external trade, the euro area economy will perform relatively better than the US. However, a similar strong positive growth surprise in the euro area like the markets have seen in recent quarters is unlikely. Therefore, KBC Group's projected appreciation of the EUR against the USD in the longer term remains rather contained.

16 Material Contracts

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

17 Management of KBC Group

The Board of Directors

The Board of Directors of the Issuer consists of 16 members as listed below:

Name and address	Position	Expiry date mandate	External mandates
LEYSEN Thomas Havenlaan 2 1080 Brussel België	Chairman	2019	Non-executive Director of Umicore NV Non-executive Director of Corelio NV Non-executive Director of Booischot NV Chairman of the Board of Directors of KBC Verzekeringen NV Chairman of the Board of Directors of KBC Bank NV Non-executive director of Mediahuis NV
VLERICK Philippe Ronsevaalstraat 2 8510 Bellegem Belgium	Deputy Chairman	2021	Executive Director of Vlerick Vastgoed NV Executive Director of Raymond Uco denim Private Non-executive Director of Pentahold NV Non-executive Director of Indus Kamdhenu Fund Executive Director of UCO NV Non-executive Director of HAMON & CIE (International) SA Non-executive Director of Durabilis NV Executive Director of Lutherick NV

Name and address	Position	Expiry date mandate	External mandates
			Executive Director of Bareldam SA Non-executive Director of Sapient Investment managers Executive Director of Lurick NV Executive Director of Therick NV Non-executive Director of Vlerick Business School Non-executive Director of B.M.T. NV Non-executive Director of KBC Verzekeringen NV Non-executive Director of BATIBIC NV Non-executive Director of TESSA LIM NV Non-executive Director of Midelco NV Non-executive Director of Belgian International Carpet C° Member of Artevelde Non-executive Director of BMT International SA Executive Director Vobis Finance NV Executive Director of VIT NV Executive Director of CECAN NV Non-executive Director of De Robaertbeek
DEPICKERE Franky Muntstraat 1 3000 Leuven Belgium	Non-executive Director	2019	Executive Director of Almancora Beheers-maatschappij NV Executive Director of Cera cvba Executive Director of Cera Beheersmaatschappij NV Non-executive Director of International Raiffeisen Union e.V. Non-executive Director of CBC Banque SA Non-executive Director of KBC Bank NV Non-executive Director of BRS Microfinance Coop cvba Non-executive Director of KBC Verzekeringen NV Non-executive Director of Ceskoslovenska Obchodni Banka a.s. (CR) Executive Director of KBC Ancora commanditaire vennootschap op aandelen

Name and address	**Position**	**Expiry date mandate**	**External mandates**
			Non-executive Director of Euro Pool System International BV
CALLEWAERT Katelijn Muntstraat 1 3000 Leuven Belgium	Non- executive Director	2021	Non-executive Director of KBC Verzekeringen NV Non-executive Director of KBC Bank NV Executive Director of Cera Beheersmaatschappij NV Executive Director of Almancora Beheersmaatschappij NV Executive Director of Cera CVBA
DONCK Frank Rijvisschestraat 118 9052 Zwijnaarde Belgium	Non-executive Director	2019	Executive Director of 3D Non-executive Director of 3D Real Estate NV Non-executive Director of Iberanfra BVBA Executive Director of TRIS NV Executive Director of Ibervest NV Non-executive Director of Anchorage NV Executive Director of Hof Het Lindeken CVBA Executive Director of Huon & Kauri NV Executive Director of Winge Golf NV Non-executive Director of KBC Verzekeringen NV Non-executive Director of Elia System Operator NV Non-executive Director of Elia Asset NV Non-executive Director of Tele Columbus NV Non-executive Director of Atenor Groep NV Non-executive Director of Ter Wyndt NV Non-executive Director of Ter Wyndt cvba Executive Director of 3D Private Investeringen NV Non-executive Director of BARCO NV Non-executive Director of Academie Vastgoedontwikkeling NV Non-executive Director of Bowinvest NV Non-executive Director of Dragonfly Belgium NV

Name and address	Position	Expiry date mandate	External mandates
VAN RIJSSEGHEM Christine KBC Group NV Havenlaan 2 1080 Brussel Belgium	Executive Director	2019	Executive Director of KBC Bank NV Executive Director of KBC Verzekeringen NV Non-executive Director of Ceskoslovenska Obchodni Banka a.s. (CR) Non-executive Director of Ceskoslovenska Obchodna Banka a.s. (SR) Non-executive Director of K & H Bank Zrt. Non-executive Director of CIBANK EAD Non-executive Director of KBC Bank Ireland Plc. Member of the Management Board of KBC Bank NV, Dublin Branch Non-executive Director of United Bulgarian Bank AD
NONNEMAN Walter Prinsstraat 13 2000 Antwerpen Belgium	Non-executive Director	2021	Non-executive Director of Fluxys NV Non-executive Director of Cera Beheersmaatschappij NV Non-executive Director of KBC Verzekeringen NV Non-executive Director of KBC Bank NV
SCHEERLINCK Hendrik KBC Group NV Havenlaan 2 1080 Brussel Belgium	Executive Director	2021	Executive Director of KBC Verzekeringen NV Executive Director of KBC Bank NV Non-executive Director of KBC Credit Investments NV
ROUSSIS Theodoros Poederstraat 51 2370 Arendonk Belgium	Non-executive Director	2020	Non-executive Director of Pentahold NV Executive Director of Asphalia NV Non-executive Director of KBC Verzekeringen NV
THIJS Johan KBC Group NV Havenlaan 2 1080 Brussel	Executive Director (CEO)	2020	Executive Director of KBC Verzekeringen NV Non-executive Director of Febelfin Executive Director of KBC Bank NV Non-executive Director of VOKA Non-executive Director of European Banking Federation Non-executive Director of Museum

Name and address	Position	Expiry date mandate	External mandates
			Nicolaas Rockox
VANHOVE Matthieu Monseigneur Ladeuzeplein 15 3000 Leuven Belgium	Non-executive Director	2021	Non-executive Director of KBC Bank NV Non-executive Director of KBC Verzekeringen NV Non-executive Director BRS Microfinance Coop CVBA Non-execitive Director of MetaLogic Non-executive Director of Cera Beheersmaatschappij NV
DE BECKER Sonja MRBB Diestsevest 32/5b 3000 Leuven Belgium	Non-executive Director	2020	Non-executive Director of BB-Patrim CVBA Non-executive Director of KBC Bank NV Non-executive Director of M.R.B.B. CVBA – Maatschappij voor Roerend Bezit van de Boerenbond Executive Director of Boerenbond Non-executive Director of Agri Investment Fund CVBA Non-executive Director of KBC Verzekeringen NV Non-executive Director of Acerta cvba Non-executive Director of SBB Accountants en Belastingconsulenten BV CVBA Executive Director of SBB Bedrijfsdiensten CVBA
WITTEMANS Marc MRBB cvba Diestsevest 32/5b 3000 Leuven Belgium	Non-executive Director	2018	Non-executive Director of KBC Bank NV Non-executive Director of Arda Immo NV Non-executive Director of Acerta cvba Non-executive Director of Acerta Consult CVBA Non-executive Director of Acerta Public NV Non-executive Director of Greenyard NV Non-executive Director of SBB bedrijfsdiensten CVBA Executive Director of M.R.B.B. CVBA – Maatschappij voor Roerend Bezit van de Boerenbond Non-executive Director of Aktiefinvest CVBA

Name and address	**Position**	**Expiry date mandate**	**External mandates**
			Non-executive Director of KBC Verzekeringen NV Non-executive Director of Shéhérazade Developpement CVBA Non-executive Director of AVEVE NV Non-executive Director of Agri Investment Fund CVBA Non-executive Director of Ceskoslovenska Obchodni Banka a.s. (CR) Non-executive Director of SBB Accountants en Belastingconsulenten BV cvba
KIRALY Julia KBC Bank NV Havenlaan 2 1080 Brussel Belgium	Independent Director	2018	Executive Director Fintor Holding Ltd
PAPIRNIK Vladimira KBC Group NV Havenlaan 2 1080 Brussel Belgium	Independent Director	2020	-
BOSTOEN Alain Coupure 126 9000 Gent Belgium	Non-executive Director	2019	Executive Director of Quatorze Juillet BVBA Executive Director of ALGIMO NV Executive Director of Christeyns Group NV Non-executive Director of KBC Verzekeringen NV Non-executive Director of AGROBOS NV Non-executive Director of Desotec NV

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 six years (in practice 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 age of 65, save for exceptional situations.

The Board of Directors is responsible for determining the overall strategy and monitoring the executive management. It meets at least eight times a year and decides by simple majority. The activities of the Board are governed by Belgian company law the Belgian Banking Law, the Insurance Supervision Law and the statutes of the Issuer.

Advisory Committees of the Board of Directors

The Board of Directors includes the following advisory committees: an Audit Committee, a Risk and Compliance Committee, a Nomination Committee and a Remuneration Committee. All committees are exclusively composed of members of the Board of Directors and a Director may not be a member in more than three of the aforementioned committees.

The powers and composition of the advisory committees of the Board of Directors, as well as their way of functioning, are set out in the Corporate Governance Charter of KBC Group which is published on www.kbc.com.

The committees are composed a follows:

Audit Committee

Marc Wittemans (chair)
Fank Donck
Julia Király (independent director)
Vladimira Papirnik (independent director)

Risk & Compliance Committee

Franky Depickere (chair)
Frank Donck
Marc Wittemans
Vladimira Papirnik (independent director)

Nomination Committee

Thomas Leysen (chair)
Franky Depickere
Philippe Vlerick
Sonja De Becker
Vladimira Papirnik (independent director)

Remuneration Committee

Thomas Leysen (chair)
Julia Király (independent director)
Philippe Vlerick

Executive Committee

The Board of Directors has delegated its management powers to the Executive Committee in accordance with article 524bis of the Belgian Companies Code and article 212 juncto article 24 of the Belgian Banking Law. The Executive Committee exercises such powers autonomously, but always within the framework of the strategy adopted by the Board of Directors. The delegation does not extend to the general policy or matters assigned by law to the Board of Directors. The Executive Committee consists of 7 members appointed by the Board of Directors.

Johan Thijs	**Hendrik Scheerlinck**	**Christine Van Rijsseghem**	**Daniel Falque**	**Luc Popelier**	**John Hollows**	**Erik Luts**
in service since 1988	in service since 1984	in service since 1987	in service since 2009	in service since 1988	in service since 1996	in service since 1988
CEO (Chief Executive Officer)	CFO (Chief Financial Officer)	CRO (Chief Risk Officer)	CEO Belgium Business Unit	CEO International Markets Business Unit	CEO Czech Republic Business Unit	Chief Innovation Officer

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 KBC Group, which is within the competence of the Executive Committee, and the supervision of management and the definition of the institution's general policy, which is entrusted to the Board of Directors. According to these laws, KBC Group has an Executive Committee of which at least 3 members are also a member 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 17 June 2013.

KBC has a Governance Memorandum, which sets out the corporate governance policy applying to KBC Group and its subsidiaries. The most recent version of the Governance Memorandum was approved on 14 December 2017 by the Board of Directors of KBC Group, KBC Bank and KBC Insurance.

Furthermore, in its capacity as listed company, KBC Group uses the Belgian Corporate Governance Code 2009 (the "**Code**") as 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 KBC 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 Charter is published on www.kbc.com.

The Corporate Governance Statement is published in the annual report and contains more factual information about the corporate governance of KBC 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.

Conflict of interests policy

1. *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 interests can be found in the Corporate Governance Charter of the Issuer.

   The information regarding conflicts of interest which took place in the course of the 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 has with respect to the Issuer and the personal interests and / or other obligations of that director.

2. *Other conflicts of interests*

   The information related to the policy of other conflicts of interest (e.g. between shareholders/employees/clients and the Issuer) is set out in the Governance Memorandum.

18 Litigation

This section sets out material litigation to which the Issuer or any of its subsidiaries (or certain individuals in their capacity as current or former employees or officers of the Issuer or any of its companies) are party. It describes all claims, quantified or not, that could lead to the impairment of the company's reputation or to a sanction by an external regulator or governmental authority, or that could present a risk of criminal prosecution for the company, the members of the board or the management.

Although the outcome of these matters is uncertain and some of the claims concern relatively substantial amounts in damages, the management does not believe that the liabilities arising from these claims will adversely affect KBC Group's consolidated financial position or results, given the provisions that, where necessary, have been set aside for these disputes.

Judicial inquiries and criminal proceedings

From late 1995 until early 1997, Kredietbank NV the predecessor of KBC Bank and KB Consult NV ("**KB Consult**") were involved in the sale of "cash companies" to various purchasers. A "cash company" is characterised by the fact that a substantial majority of the assets consist of accounts receivable, fixed financial assets, cash and other highly liquid assets. KB Consult acted as an intermediary between the seller and the purchaser of the cash companies. The involvement of KBC Bank differed from sale to sale, but generally related to the handling of payments and the granting of loans. The transfer of a cash company is in principle a legal transaction. However, in March 1997, KBC Bank and KB Consult discovered that certain purchasers of these cash companies failed to reinvest such companies' cash in qualifying assets and to file tax returns for the cash companies they purchased in order to thereby defer the taxes owed by such companies. KBC Bank and KB Consult immediately took the necessary measures to preclude any further involvement with these parties. The activities of KB Consult were subsequently wound up.

KBC Bank and KB Consult were summoned or involved separately or jointly to court in 28 legal actions. This resulted in 28 lawsuits of which 25 are still pending before the courts. In three lawsuits the claims of the Belgian State were dismissed and the judgments are definite. Most of these claims are linked to the criminal case before the Court of First Instance in Bruges. As a consequence, these civil claims are stayed awaiting a decision in the criminal proceedings. A provision of EUR 27.6 million (status as at 31 December 2017) has been constituted to cover the potential impact of any liability with respect to these actions.

KB Consult was placed under suspicion by an investigation magistrate in December 2004. In addition to KB Consult and KBC Bank, KBC Group was also summoned before the Chambers section of the Court of First

Instance in Bruges on 25 February 2009. The charges against the aforesaid KBC entities only relate to the use of false documents. On 9 November 2011 a judgment ordered KBC Bank and KB Consult to be prosecuted together with 21 other parties indicted of various crimes with regard to tax fraud. The claim against KBC Group was dismissed. An appeal was lodged against this dismissal by the Prosecutor and two civil parties. On 27 October 2015 the court confirmed the dismissal of the claim. The proceedings before the Court of First Instance in Bruges were initially scheduled for a hearing on 12 April 2017 on the admissibility of the prosecution and on the limitation period. However, such hearing has been postponed to 25 April 2018.

Other litigation

(i) In March 2000, the Belgian State, Finance Department, summoned Rebeo (currently Almafin Real Estate Services) and Trustimmo, two former subsidiaries of former Almafin, later KBC Real Estate, a Belgian subsidiary of KBC Bank, before the civil court in Brussels, together with four former directors of Broeckdal Vastgoedmaatschappij (a real estate company), for not paying approximately EUR 16.7 million in taxes due by Broeckdal Vastgoedmaatschappij. In November 1995, this company had been converted into a cash company and sold to Mubavi België (currently BeZetVe), a subsidiary of Mubavi Nederland (a Dutch real estate investment group). According to the Belgian State, Finance Department, Mubavi België did not make real investments and failed to file proper tax returns. A criminal investigation is pending. However Broeckdal Vastgoedmaatschappij contested the tax claims and in December 2002 commenced a lawsuit before the civil court in Antwerp against the Belgian State, Finance Department.

On 9 May 2014, the civil court in Antwerp decided that Broeckdal Vastgoedmaatschappij, which was no longer represented as it was dissolved and liquidated, implicitely renounced its claim.

On 22 February 2017, the Belgian State reactivated the civil lawsuit which was pending in Brussels between itself, Rebeo, Trustimmo and the four former members of the board and which had been suspended pending a final judgment in the tax lawsuit in Antwerp.

The civil lawsuit pending in Brussels has been suspended pending a final judgement in the tax lawsuit in Antwerp. An adjusted provision of EUR 28.1 million (at 31 December 2017) has been reserved to cover the potential impact of liability with respect to these actions.

In July 2003, Broeckdal Vastgoedmaatschappij, Mubavi België and Mubavi Nederland summoned KBC Bank, KB Consult, Rebeo and Trustimmo before the commercial court in Brussels in order to indemnify them against all damages the former would suffer if the tax claims were approved by the court in Antwerp. In March 2005, Mubavi Nederland was declared bankrupt by the court of 's-Hertogenbosch in the Netherlands.

In November 2005, KBC Bank, KB Consult, Rebeo and Trustimmo and the four former directors of Broeckdal Vastgoedmaatschappij summoned the auditor of Broeckdal Vastgoedmaatschappij, Deloitte & Touche, before the civil court in Brussels in order to indemnify them for any amount they should be ordered to pay as a result of the aforementioned claims. In November 2008 Mubavi België (currently BeZetVe) was also declared bankrupt by the commercial court in Antwerp.

On 2 November 2010 Broeckdal Vastgoedmaatschappij was declared dissolved by the commercial court in Antwerp and the liquidation of the company was closed by judgment of 13 September 2011 by the same court.

(ii) In 2009 KBC Bank and subsidiaries such as K&H Bank and ČSOB SK received numerous complaints about CDO notes issued by KBC Financial Products that were sold to private banking and corporate clients and which have now been downgraded. Such clients have been asking for their notes to be bought back at their original value.

In 2010 KBC Bank decided to examine all CDO related files with respect to private banking and retail clients on a case-by-case basis and to settle the disputes as much as possible out of court.

In Belgium settlements were reached with clients in KBC Bank Private Banking and Retail Banking. As a result of complaints, some Corporate Banking files were also examined. Subsequently negotiations started in the files where a decision to propose a settlement was taken and in a limited number of files settlements were reached. Only a few lawsuits are on-going. In nine cases the courts rendered judgments entirely in favour of KBC. At this stage one case is pending in first instance, two cases are still pending in degree of appeal and one is pending before the Court of Cassation.

In Hungary a marketing brochure was used which could be misinterpreted as a guarantee on a secondary market and contained a possibly misleading comparison with state bonds. In more than 94% of the files, a settlement has been reached. A limited number of clients started a lawsuit. Most of the lawsuits were terminated by a settlement out of court; a few remaining court cases were lost and settled. All court proceedings are finished.

On 10 December 2009, the Hungarian Competition Authority ("**HCA**") passed a resolution whereby K&H was ordered to pay a fine of HUF 40,000,000 (approximately EUR 150,000) based on the violation of the Hungarian Act on the prohibition of unfair and restrictive market practices in relation to K&H's trade in CDO bonds. The appeal filed by K&H against the HCA resolution was rejected by the Budapest Metropolitan Court. K&H Bank submitted a revision claim before the Supreme Court which approved in May 2012 the second level decision.

In ČSOB SK a similar approach as in Belgium was followed and in all cases of CDO investments with Private Banking and Retail clients, settlements were reached. No lawsuit in respect of CDO investments is pending.

(iii) Lazare Kaplan International Inc. is a U.S. based diamond company ("**LKI**"). Lazare Kaplan Belgium NV is LKI's Belgian affiliate ("**LKB**"). LKI and LKB together are hereinafter referred to as "**LK**". The merger between KBC Bank and Antwerpse Diamantbank NV ("**ADB**") by absorption of the latter that took place on 1 July 2015 entails that KBC Bank is now a party to the proceedings below both in its own name and in its capacity as legal successor to ADB. However, for the sake of clarity, further reference is made to ADB on the one hand and KBC Bank on the other hand as they existed at the time of the facts described.

Fact summary

Since 2008, LKB has been involved in a serious dispute with its former business partners, DD Manufacturing NV and KT Collection BVBA ("**Daleyot**"), Antwerp based diamond companies belonging to Mr. Erez Daleyot. This dispute relates to a joint venture LK and Daleyot set up in Dubai (called "**Gulfdiam**").

LKB and Daleyot became entangled in a complex litigation in Belgium, each claiming that the other party is their debtor. Daleyot initiated proceedings before the Commercial Court of Antwerp for payment of commercial invoices for an amount of (initially) approximately USD 9 million. LKB launched separate proceedings for payment of commercial invoices for (initially) an amount of approximately USD 38 million.

At the end of 2009, ADB terminated LK's credit facilities. After LK failed to repay the amount outstanding, ADB started proceedings before the Commercial Court of Antwerp, section Antwerp for the recovery of that amount. In a bid to prevent having to pay back the amount owed, LK in turn initiated several legal proceedings against ADB and/or KBC Bank in Belgium and the USA. These proceedings, which are summarised below, relate to, inter alia, the dispute between ADB and LKI with regard to the termination of the credit facility and the recovery of all the monies LKI owes under the terminated credit facility as well as allegations that LK was deprived out of circa USD 140 million by DD Manufacturing and other Daleyot entities in cooperation with ADB.

Overview Legal Proceedings

(A) Belgian proceedings (overview per court entity)

Commercial Court of Antwerp, section Antwerp

Proceedings were initiated by ADB against LKI in order to recover the monies owed to it under the terminated credit facility (approximately USD 45 million in principal). LKB voluntarily intervened in this proceeding and claimed an amount of USD 350 million from ADB. LKI launched a counterclaim of USD 500 million (from which it claims any amount awarded to LKB must be deducted) against ADB.

On 23 January 2014, LK appealed a decision of the Commercial Court of 23 October 2013 in which a briefing round was scheduled. On 15 July 2016 LKI issued a summons against Ernst & Young to intervene in these appeal proceedings before the Antwerp Court of Appeals and to indemnify LKI in case LKI would be ordered to pay the amounts claimed by KBC Bank. On 24 October 2016 the Court of Appeals declared the appeal of LKI and LKB inadmissible given the fact that the decision of the Commercial Court regarding the briefing round was not susceptible to appeal in the first place. Furthermore, the Court granted KBC Bank's counterclaim for damages for a reckless and vexatious appeal and ordered LKI and LKB jointly to pay an amount of EUR 5,000 in damages to KBC Bank.

LK filed an appeal with the Court of Cassation against this judgment of the Antwerp Court of Appeals. On 14 September 2017, the Court of Cassation dismissed the appeal. Moreover, the Court decided that LK's appeal was reckless and vexatious and ordered LK to pay EUR 10,000 in damages.

As a result of the judgment of the Antwerp Court of Appeals, the case was again brought before the Commercial Court of Antwerp, section Antwerp. KBC Bank then took procedural measures to reactivate the case.

By decision of 2 January 2017, the Commercial Court postponed its decision to set a briefing schedule and a hearing date to 30 March 2017. However, LK appealed this decision with the Antwerp Court of Appeals. This appeal was scheduled for an introductory hearing before the Antwerp Court of Appeals on 18 September 2017. A briefing round and a hearing for 16 November 2017 were scheduled. However, the case before the Court of Appeals is now suspended given the proceedings started by LK before the Court of Cassation to have the case withdrawn from the Court of Appeals.

On 30 March 2017, the Commercial Court set a briefing schedule and a hearing date on 12 December 2017. LK appealed this decision. This appeal was scheduled for an introductory hearing before the Antwerp Court of Appeals on 2 October 2017. On 26 October 2017, the Court of Appeals set a briefing round and a hearing for 16 November 2017. However, the case before the Court of Appeals is also suspended given the proceedings started by LK before the Court of Cassation to have the case withdrawn from the Court of Appeals.

On 16 November 2017, 7 December 2017 and 12 December 2017 LK filed twenty separate petitions with the Court of Cassation to have the case withdrawn from both the Commercial Court and the Court of Appeals. After having considered that the petitions were not manifestly inadmissible, the Court of Cassation scheduled hearings on the merits of the cases on 22 February 2018. During this hearing the Public Prosecutor (*'Advocaat-Generaal'*) asked the Court of Cassation to reject all petitions and to condemn LK for reckless and vexatious appeal.

By judgments of 29 March 2018 the Court of Cassation rejected all requests. KBC was granted compensation of EUR 10,000 per petition for reckless and vexatious appeal. LK was also condemned to a fine of EUR 2,500 per petition to the Belgian State for using judicial proceedings only for manifestly delaying and unlawful purposes.

Commercial Court of Antwerp, section Antwerp

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

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

Commercial Court of Antwerp, section Antwerp

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

By decision of 7 February 2017 the Commercial Court dismissed LK's claims. Moreover, the court decided that the proceedings initiated by LK were reckless and vexatious and ordered LK to pay EUR 250,000 in damages, as well as the maximum indemnity for legal expenses allowed, being EUR 72,000.

LKB appealed against the decision of 7 February 2017. This appeal is still pending before the Antwerp Court of Appeals. Parties are exchanging briefs and the court set a hearing for 10 January 2019.

LKI commenced third-party opposition proceedings against the same decision with the Commercial Court of Antwerp, section Antwerp. These proceedings are still pending. Parties are exchanging briefs and a court hearing is set for 9 April 2019.

Commercial Court of Antwerp, section Antwerp

LKB initiated proceedings against KBC Bank claiming that the bank acted as de facto director of the bankrupted Daleyot entities. LKB filed a damage claim against KBC Bank for a provisional amount of USD 90 million. Moreover, LKB contests KBC Bank's claim and preferential position in the bankruptcy proceedings of DD Manufacturing and KT Collections (which are Daleyot entities). The liquidators of both bankrupted companies were also involved in these proceedings in order to declare the decisions to be taken by the Commercial Court binding on them. By decision of 14 February 2018, the Commercial Court dismissed LKB's claim and ordered LKB to pay an indemnity for legal expenses, being EUR 18,000.

Court of First Instance of Antwerp, section Antwerp

Proceedings launched by LK against KBC Bank, ADB and Erez Daleyot, his wife and certain Daleyot entities. This claim is aiming at having the security interests granted in favour of either

KBC Bank or ADB declared null and void or at least not opposable against LK. LK also filed a claim against ADB for a provisional amount of USD 120 million and against ADB and KBC Bank together for a provisional amount of USD 60 million based on the alleged third-party complicity of ADB. By decision of 18 January 2018, the Court dismissed LK's claim. Moreover, the court decided that the proceedings initiated by LK were reckless and vexatious and ordered LK to pay EUR 30,000 in damages, as well as the maximum indemnity for legal expenses allowed, being EUR 33,000.

Criminal complaint

At the end of March 2017, KBC Bank was informed by the Investigating Magistrate at the Dutch-speaking Court of First Instance of Brussels that a criminal complaint was brought against KBC Bank. KBC Bank presumes that this complaint was already filed end 2016. At the date of this Prospectus KBC Bank does not have a copy of that criminal complaint.

(B) US proceedings

A complaint of USD 500 million was initiated by LKI against both ADB and KBC Bank in 2011, alleging violations of the RICO Act (which provides for trebling of any damage award) and numerous other claims under state law. This complaint is, in fact, a non-cumulative duplicate of the one LKI brought before the Commercial Court of Antwerp, section Antwerp.

The United States District Court for the Southern District of New York granted ADB's and KBC Bank's motions to dismiss in 2012 on the basis of the doctrine of forum non conveniens, holding that the case should be heard in Belgium. In 2013, the United States Court of Appeals for the Second Circuit reversed and remanded the case back to the District Court for further proceedings. The Court of Appeals ordered the District Court to first resolve which of two contested forum selection clauses applied to LKI's claims prior to ruling on forum non conveniens or any other grounds on which ADB and KBC Bank moved to dismiss.

Following the remand, and in accordance with the Court of Appeals's order, the District Court ruled that the parties were to engage in limited discovery related to the contested forum selection clauses. This included both document discovery and limited depositions. This limited discovery was completed by April 2016. The District Court stayed LKI's discovery related to the merits of the complaint, which is still in effect.

On 14-15 February 2017, an evidentiary hearing took place to determine which of the two disputed forum selection clauses applied. After the hearing, the parties submitted proposed findings of fact for the District Court to rule on. In addition, shortly after the hearing, LKI moved to strike the testimony of one of KBC Bank's witnesses and filed a motion for sanctions against KBC Bank alleging nondisclosure of an agreement related to the relationship between KBC Bank and ADB (KBC Bank disclosed the agreement years ago, and the District Court considered the agreement in making its findings of fact).

On 30 June 2017, the District Court issued its Findings of Facts and denied LKI's motion to strike the testimony of KBC Bank's witness. The District Court's Findings of Fact rejected all of the facts that supported LKI's arguments and agreed with KBC Bank's description of those facts.

On 14 July 2017, LKI filed a motion for reconsideration in connection with the District Court's Findings of Fact. The District Court denied this motion on August 16, 2017.

The District Court allowed LKI to file a motion for leave to amend its complaint on 8 September 2017. By order dated 25 September 2017, the District Court granted LKI's motion for leave to file an amended complaint which was filed on 26 September 2017. The District Court set a briefing schedule with regard to the motion to dismiss and the motion for sanctions. At the end of December 2017 all briefs were exchanged and parties are awaiting a judgement. Nevertheless, LKI is still trying to re-open the debates.

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

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

On 22 November 2016, Judge Bernstein issued a memorandum decision regarding claims to recover foreign subsequent transfers, including the transfers which the trustee seeks to recover from KBC. In this memorandum decision, Judge Bernstein concluded that the trustee's claims based on foreign transfers should be dismissed out of concern for international comity and ordered a dismissal of the action against KBC. On 16 March 2017 the trustee Picard filed an appeal of dismissal, on 27 September 2017 the Second Circuit granted trustee Picard's petition for a direct appeal, on 10 January 2018 trustee Picard filed his opening brief in appeal to Second Circuit. The oral argument and resolution by the Court of Appeals of the Second Circuit will take between six to eighteen months.

COMMON REPORTING STANDARD – EXCHANGE OF INFORMATION

Following recent international developments, the exchange of information is governed by the Common Reporting Standard ("**CRS**"). On 13 December 2017, the total of jurisdictions that have signed the multilateral competent authority agreement ("**MCAA**") amounts to 97. The MCAA 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.

The MCAA entered into force in 2017 in 49 jurisdictions, including Belgium (the so-called early adopters). Income relating to income year 2016 were hence the first to be automatically exchanged by said early adopters. As of 2018, the MCAA will be applied by 53 additional jurisdictions.

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 9 December 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 as foreseen in CRS. DAC2 amends the previous Directive on administrative cooperation in direct taxation, Directive 2011/16/EU and replaces the EC Council Directive 2003/48EC on the taxation of savings income (commonly referred to as the "**Savings Directive**") as from 1 January 2016. Austria has been nonetheless allowed to exchange information under DAC2 as from 1 January 2017.

On 27 May 2015, Switzerland signed an agreement with the European Union in order to implement, as from 1 January 2017, an automatic exchange of information based on the CRS. This new agreement will replace the agreement on the taxation of savings that entered into force in 2005. The Belgian government has implemented DAC2 and the Common Reporting Standard, per the Law of 16 December 2015 regarding the exchange of information on financial accounts by Belgian financial institutions and by the Belgian tax administration, in the context of an automatic exchange of information on an international level and for tax purposes.

As a result of the Law of 16 December 2015, the mandatory automatic exchange of information applies in Belgium (i) as of income year 2016 (first information exchange in 2017) towards the EU Member States (including Austria, irrespective of the fact that the automatic exchange of information by Austria towards other EU Member States is only foreseen as of income year 2017), (ii) as of income year 2014 (first information exchange in 2016) towards the US and (iii), with respect to any other non-EU States that have signed the MCAA, as of income year 2016 (first information exchange in 2017) for a first list of 18 countries and as of income year 2017 (first information exchange in 2018) for a second list of 44 countries.

Investors who are in any doubt as to their position should consult their professional advisers.

THE PROPOSED EU FINANCIAL TRANSACTION TAX

Reference is made to the section entitled "*Risk Factors*" (in particular, see paragraph 24 "*The proposed financial transactions tax (FTT)*", under "*Risks related to the Securities*") which includes information on the proposed EU Financial Transaction Tax (the "**FTT**") which, if adopted, could affect the taxation treatment of the Securities.

TAXATION ON THE SECURITIES

The following is a general description of the principal Belgian tax consequences for investors receiving interest in respect of, or disposing of, the Securities and is of a general nature 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 Securities. In some cases, different rules can be applicable.

This summary does not describe the tax consequences for a Securityholder of a Write-down or a Write-up. Furthermore, this description is based on current legislation, published case law and other published guidelines and regulations as in force at the date of this document and remains subject to any future amendments, which may or may not have retroactive effect. Investors should appreciate that, as a result of changing law or practice, the tax consequences may be otherwise than as stated below. Each prospective Securityholder should consult a professional adviser with respect to the tax consequences of an investment in the Securities, taking into account their own particular circumstances and the influence of each regional, local or national law.

1 Belgian Withholding tax

1.1 General

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 sale of the Securities 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 Securities made by or on behalf of the Issuer are as a rule subject to Belgian withholding tax, currently at a rate of 30 per cent. on the gross amount.

1.2 NBB-SSS

However, payments of interest and principal under the Securities by or on behalf of the Issuer may be made without deduction of withholding tax in respect of the Securities if and as long as at the moment of payment or attribution of interest they are held by certain eligible investors (the "**Eligible Investors**", see hereinafter) in an exempt securities account (an "**X Account**") that has been opened with a financial institution that is a direct or indirect participant (a "**Participant**") in the settlement system operated by the National Bank of Belgium (the "**NBB**" and the "**NBB-SSS**"). Euroclear, Clearstream, Luxembourg, SIX SIS and Monte Titoli are directly or indirectly Participants for this purpose.

Holding the Securities through the NBB-SSS enables Eligible Investors to receive the gross interest income on their Securities and to transfer the Securities on a gross basis.

Participants to the NBB system must enter the Securities which they hold on behalf of Eligible Investors in an X Account.

Eligible Investors are those entities referred to in article 4 of the Belgian Royal Decree of 26 May 1994 on the deduction of withholding tax ("*arrêté royal du 26 mai 1994 relatif à la perception et à la bonification du précompte mobilier*"/"*koninklijk besluit van 26 mei 1994 over de inhouding en de vergoeding van de roerende voorheffing*") (as amended from time to time) which include, *inter alia*:

(v) Belgian resident companies referred to in article 2, §1, 5°, b) of the Belgian Income Tax Code of 1992 ("*code des impôts sur les revenus 1992"/"wetboek van de inkomenstenbelastingen 1992",* the "**Income Tax Code of 1992**");

(vi) without prejudice to article 262, 1° and 5° of the Income Tax Code of 1992, the institutions, associations or companies referred to in article 2, §3 of the law of 9 July 1975 with respect to the control of insurance companies other than those referred to in (i) and (iii);

(vii) semi-governmental institutions (*parastatalen/institutions parastatales*) for social security or institutions equated therewith referred to in article 105, 2º of the royal decree implementing the Income Tax Code 1992 ("*arrêté royal d'exécution du code des impôts sur les revenus 1992"/"koninklijk besluit tot invoering van het wetboek inkomstenbelastingen 1992"*, the "**Royal Decree implementing the Tax Code 1992**");

(viii) non-resident investors referred to in article 105, 5° of the Royal Decree implementing the Tax Code 1992 whose holding of the Securities is not connected to a professional activity in Belgium;

(ix) investment funds referred to in article 115 of the Royal Decree implementing the Tax Code 1992;

(x) taxpayers referred to in article 227, 2° of the Income Tax Code of 1992 subject to non-resident income tax (*belasting van niet inwoners/impôt des non-résidents*) in accordance with article 233 of the Income Tax Code of 1992, and which have used the income generating capital for the exercise of their professional activities in Belgium;

(xi) the Belgian State, in respect of investments which are exempt from withholding tax in accordance with article 265 of the Income Tax Code of 1992;

(xii) investment funds governed by foreign law (such as *beleggingsfondsen/fonds de placement*) which are an indivisible estate managed by a management company for the account of the participants, provided the fund units are not publicly issued in Belgium or traded in Belgium; and

(xiii) Belgian resident companies, not provided for under (i) above, when their activities exclusively or principally consist of the granting of credits and loans.

Eligible Investors do not include, *inter alia,* Belgian resident investors who are individuals or non-profit making organisations, other than those mentioned under (ii) and (iii) above.

Upon opening of an X-Account for the holding of Securities, the Eligible Investor is required to provide the Participant with a statement of its eligible status on a form approved by the Minister of Finance. This certification need not be periodically renewed (although Eligible Investors must update their certification should their eligible status change). Participants are however required to make annually declarations to the NBB as to the eligible status of each investor for whom they hold Securities 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 Securities that the Intermediary holds for the account of its clients (the "**Beneficial Owners**"), provided that each Beneficial Owner is an Eligible Investor. In such a 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 Eligible Investor and (ii) the Beneficial Owners holding their Securities through it are also 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 Securities held in central securities depositories as defined in Article 2, 1st paragraph, (1) of the Regulation (EU) N° 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012 ("**CSD**") as Participants to the Securities Settlement System (each, a "**NBB-CSD**"), provided that the relevant NBB-CSD only holds X-Accounts and that they are able to identify the Securityholders for whom they hold Securities in such account. For the identification requirements not to apply, it is furthermore required that the contracts which were concluded by the relevant NBB-CSD as Participant include the commitment that all their clients, holder of an account, are Eligible Investors.

2 Belgian income tax and capital gains

2.1 Belgian resident individuals

The Securities may only be held by Eligible Investors. Consequently, the Securities may not be held by Belgian resident individuals as they do not qualify as Eligible Investors.

2.2 Belgian resident companies

Interest on the Securities derived by Belgian corporate investors who are Belgian residents for tax purposes, i.e., who are subject to the Belgian Corporate Income Tax *("Vennootschapsbelasting"/"Impôt des sociétés")*, as well as capital gains realised upon the sale of the Securities will be taxable at the ordinary corporate income tax rate of currently 29.58 per cent. (with a reduced rate of 20.40 per cent. applying to the first tranche of EUR 100,000 of taxable income of qualifying small companies), to be reduced to 25 per cent. (and 20 per cent.) as from 1 January 2020 onwards..

The withholding tax retained by or on behalf of the Issuer will, subject to certain conditions, be creditable against any corporate income tax due and any excess amount will in principle be refundable. Capital losses realised upon the sale of the Securities are in principle tax deductible.

2.3 Belgian resident legal entities

Belgian legal entities subject to the Belgian legal entities tax *("rechtspersonenbelasting"/"impôts des personnes morales")* and which do not qualify as Eligible Investors will not be subject to any further taxation on interest in respect of the Securities over and above the Belgian withholding tax retained. Belgian legal entities which qualify as Eligible Investors (see section 1 entitled "*Belgian Withholding Tax*") and which consequently have received gross interest income are required to declare and pay the 30 per cent. withholding tax to the Belgian tax authorities themselves (which withholding tax then generally also constitutes the final taxation in the hands of the relevant investors).

Capital gains realised on the sale of the Securities are in principle tax exempt, unless the capital gains qualify as interest (as defined in section 1 entitled "*Belgian Withholding Tax*"). Capital losses are in principle not tax deductible.

2.4 Organization for Financing Pensions

Interest and capital gains derived by Organizations for Financing Pensions in the meaning of the Law of 27 October 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, the Belgian withholding tax, if levied, can be credited against any corporate income tax due and any excess amount is in principle refundable.

2.5 Non-residents

Securityholders who are not residents of Belgium for Belgian tax purposes and who are not holding the Securities through a Belgian permanent establishment, and do not invest in the Securities in the course of their Belgian professional activity will in principle not incur or become liable for any Belgian tax on interest income or capital gains by reason only of the acquisition or disposal of the Securities, provided that they qualify as Eligible Investors and that they hold their Securities in an X Account.

3 Tax on stock exchange transactions

A tax on stock exchange transactions (*"taxe sur les opérations de bourse"/"beurstaks"*) will be levied on the acquisition and disposal of the Securities on the secondary market if such transaction is either entered into or carried out in Belgium through a professional intermediary. No tax is due on the acquisition and disposal of the Securities on the primary market. The current applicable rate is 0.12 per cent. with a maximum amount of EUR 1,300 per transaction and per party and collected by the professional intermediary. 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.

Following the Law of 25 December 2016, the scope of application of the tax on the stock exchange transactions has been extended as of 1 January 2017 to secondary market transactions of which the order is directly or indirectly made to a professional intermediary established outside Belgium by (i) a private individual with habitual residence in Belgium or (ii) a legal entity for the account of its seat or establishment in Belgium (both referred to as a "**Belgian Investor**"). In such case, the tax on the stock exchange transactions is, according to the Belgian tax Administration, due by the Belgian Investor unless the Belgian Investor can demonstrate that the tax on the stock exchange transactions has already been paid by the professional intermediary established outside Belgium. In the latter case, the foreign professional intermediary also has to provide each client (which gives such intermediary an order) with a qualifying order statement (*bordereau/borderel*), at the latest on the business day after the day on which the relevant transaction was realised. The qualifying order statements must be numbered in series and duplicates must be retained by the financial intermediary. A duplicate can be replaced by a qualifying agent day-today listing, numbered in series. Alternatively, professional intermediaries established outside Belgium can appoint a stock exchange tax representative in Belgium, subject to certain conditions and formalities (a "**Stock Exchange Tax Representative**"). Such Stock Exchange Tax Representative will then be liable toward the Belgian Treasury for the tax on stock exchange transactions and to comply with the reporting obligations and the obligations relating to the order statement (*bordereau/borderel*) in that respect. If such a Stock Exchange Tax Representative has paid the tax on stock exchange transactions due, the relevant Belgian Investor will, as per the above, no longer be the debtor of the tax on stock exchange transactions.

However, no tax on stock exchange transactions will 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 (*Code des droits et taxes divers/Wetboek diverse rechten en taksen*).

As stated in the section entitled "Risk Factors" (in particular, see paragraph 24 "*The proposed financial transactions tax (FTT)*", under "*Risks related to the Securities*"), on 14 February 2013 the EU Commission adopted the proposed FTT. The draft Directive currently stipulates that once the FTT enters into force, the Participating Member States shall not maintain or introduce any taxes on financial transactions other than the FTT (or VAT as provided in the Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax). For Belgium, the tax on stock exchange transactions should thus be abolished once the

FTT enters into force. The draft Directive is still subject to negotiation between the Participating Member States and may, therefore, be further amended at any time.

4 Tax on securities accounts

On 9 March 2018, the law on the introduction of a tax on securities account has published in the Belgian State Gazette, with entry into force as of 10 March 2018. Pursuant to this law, Belgian resident and non-resident individuals are taxed at a rate of 0.15 per cent. on their share in the average value of qualifying financial instruments (i.e. shares, share certificates, bonds, bond certificates, units or shares in investment funds or companies (except if acquired or subscribed to in the context of a life insurance or pension savings arrangement), medium-term notes ("*kasbons*"/"*bons de caisse*") and warrants) held on one or more securities accounts with one or more financial intermediaries during a reference period of 12 consecutive months starting on 1 October and ending on 30 September of the subsequent year ("**Tax on Securities Accounts**"). However, the first reference period starts as of 10 March 2018 and ends on 30 September 2018. However, no Tax on Securities Accounts is due if the Securityholder's share in the average value of the qualifying financial instruments on those accounts amounts to less than EUR 500,000. If, however, the holder's share in the average value of the qualifying financial instruments on those accounts amounts to EUR 500,000 or more, the Tax on Securities Accounts is due on the entire share of the holder in the average value of the qualifying financial instruments on those accounts (and hence, not only on the part which exceeds the EUR 500,000 threshold).

Qualifying financial instruments held by non-resident individuals on securities accounts with a financial intermediary established or located in Belgium fall within the scope of the Tax on Securities Accounts. Note that, pursuant to certain double tax treaties entered into by Belgium, Belgium has no right to tax the capital. Hence, to the extent the Tax on Securities Accounts is viewed as a tax on capital within the meaning of these double tax treaties, treaty protection may, subject to certain conditions, be claimed.

A financial intermediary is defined as (i) a credit institution or a listed company as defined by Article 1, §2 and §3 of the Belgian Banking Law and (ii) the investment companies as defined by Article 3, §1 of the Law of 25 October 2016 on access to the activity of investment services and on the legal status and supervision of portfolio management and investment advice companies, which are pursuant to national law admitted to hold financial instruments for the account of customers.

The Tax on Securities Accounts is in principle due by the financial intermediary established or located in Belgium if (i) the holder's share in the average value of the qualifying financial instruments held on one or more securities accounts with said intermediary amounts to EUR 500,000 or more or (ii) the holder instructed the financial intermediary to levy the Tax on Securities Accounts due (e.g. in case such holder holds qualifying financial instruments on several securities accounts held with multiple intermediaries of which the average value of each of these accounts do not amount to EUR 500,000 or more but of which the holder's share in the total average value of these accounts exceeds EUR 500,000 EUR). If the Tax on Securities Accounts is not paid by the financial intermediary, such Tax on Securities Accounts has to be declared and is due by the holder itself, unless the holder provides evidence that the Tax has already been withheld, declared and paid by an intermediary which is not established or located in Belgium. In that respect, intermediaries located or established outside of Belgium could appoint a Tax on the Securities Accounts representative in Belgium, subject to certain conditions and formalities ("**Tax on the Securities Accounts Representative**"). Such Tax on the Securities Accounts Representative will then be liable towards the Belgian Treasury for the Tax on the Securities Accounts due and for complying with certain reporting obligations in that respect.

Belgian resident individuals have to report in their annual income tax return the various securities accounts held with one or more financial intermediaries of which they are considered the holder within the meaning of the Tax on Securities Accounts. Non-resident individuals have to report in their annual Belgian non-resident income tax return the various securities accounts held with one or more financial intermediaries established or located in Belgium of which they are considered the holder within the meaning of the Tax on Securities Accounts.

Prospective Securityholders are strongly advised to seek their own professional advice in relation to the Tax on Securities Accounts.

SUBSCRIPTION AND SALE

Morgan Stanley & Co. International plc, BNP Paribas, Deutsche Bank AG, London Branch, Goldman Sachs International, HSBC Bank plc and KBC Bank NV (together, the "**Joint Lead Managers**") have, pursuant to a Subscription Agreement dated 20 April 2018, jointly and severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe (or procure the subscription) for the Securities at 100 per cent. of their principal amount less commissions. In addition, the Issuer has agreed to reimburse the Joint Lead Managers for certain of their expenses in connection with the issue of the Securities. The Subscription Agreement entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Securities may only be held by, and may only be transferred to, Eligible Investors referred to in Article 4 of the Belgian Royal Decree of 26 May 1994 holding their Securities in an exempt account that has been opened with a financial institution that is a direct or indirect participant in the NBB-SSS operated by the NBB.

United States

The Securities 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 in accordance with Regulation S under the Securities Act or pursuant to any other exemption from the registration requirements of the Securities Act.

Each Joint Lead Manager has represented, warranted and agreed that it has not offered or sold, and will not offer or sell, any Securities constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Each Joint Lead Manager also represented, warranted and agreed that it has offered and sold the Securities, and will offer and sell the Securities (i) as part of their distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (the "**distribution compliance period**"), only in accordance with Rule 903 of Regulation S under the Securities Act, and it will have sent to each dealer to which it sells the Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of the Securities within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

Terms used in these paragraphs have the meanings given to them by Regulation S under the Securities Act.

United Kingdom

Each Joint Lead Manager has represented and agreed that:

(a) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom; and

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) received by it in connection with the issue or sale of any Securities in circumstances in which Section 21(1) of the Financial Services and Markets Act 2000 does not apply to the Issuer.

Belgium

Each Joint Lead Manager has represented and agreed that it will not sell, offer or otherwise make the Securities available to "consumers" (*consumenten/ consommateurs*) within the meaning of the Belgian Code of Economic Law (*Wetboek economisch recht/Code de droit economique*) dated 28 February 2013, as amended from time to time (the "**Belgian Code of Economic Law**") within the territory of Belgium.

Prohibition of Sales to EEA Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Securities 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 Directive 2014/65/EU (as amended, "**MiFID II**"); or

(ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Hong Kong

Each Joint Lead Manager has represented and agreed that:

(i) it has not offered or sold, and will not offer or sell, in Hong Kong, by means of any document, any Securities other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (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 "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; 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 Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Securities 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.

Singapore

Each Joint Lead Manager has acknowledged that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Securities or caused the Securities to be made the subject of an invitation for subscription or purchase and will not offer or sell any or cause the Securities 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 Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Securities, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore) (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, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA..

Where Securities 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 (as defined in Section 239(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 Securities pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) 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 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

General

None of the Issuer or any of the Joint Lead Managers has made any representation that any action will be taken by the Joint Lead Managers or the Issuer that would, or would be intended to, permit a public offer of the Securities or possession or distribution of the Prospectus or any other offering or publicity material relating to the Securities in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Joint Lead Manager has undertaken that it will not, directly or indirectly, offer or sell any Securities or have in its possession, distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Securities by it will be made on the same terms.

No Joint Lead Manager has been authorised to make any representation or use any information in connection with the issue, subscription and sale of the Securities other than as contained in this Prospectus or any amendment or supplement to it.

GENERAL INFORMATION

1. Application has been made to Euronext Brussels for Securities to be listed and to be admitted to trading, as of the Issue Date, on the regulated market of Euronext Brussels. Euronext Brussels is a regulated market for the purposes of the Prospectus Directive. The Issuer estimates the expenses in relation to admission to trading will be approximately EUR 8,500.

2. The Issuer has obtained all necessary consents, approvals and authorisations in Belgium in connection with the issue and performance of the Securities. The issue of the Securities by the Issuer was authorised by a resolution of the Board of Directors of the Issuer passed on 15 March 2018 and an Executive Committee of the Issuer passed on 6 March 2018.

3. There has been no material adverse change in the prospects of the Issuer since 31 December 2017 and no significant change in the financial or trading position of the Issuer since 31 December 2017.

4. Save as disclosed under the section "*Description of the Issuer – Litigation*", the Issuer is not involved in any governmental, legal or arbitration proceedings (including any such 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 Prospectus a significant effect on the financial position or profitability of the Issuer.

5. The Securities have been accepted for settlement through the NBB-SSS operated by the National Bank of Belgium. The Common Code is 181181761 and the International Securities Identification Number (ISIN) is BE0002592708.

6. As at the date of this Prospectus, the address of the National Bank of Belgium is Boulevard de Berlaimont 14, B-1000 Brussels, Belgium.

7. Where information in this Prospectus 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. Copies of (i) the annual report and audited annual accounts of the Issuer for the years ended 31 December 2016 and 31 December 2017, including the reports of the statutory auditors in respect thereof, (ii) this Prospectus, (iii) the Agency Agreement and (iv) the constitutional documents of the Issuer will be available for inspection at the specified offices of the Issuer and the Agent during normal business hours.

9. The audit of the Issuer's consolidated financial statements for the years ended 31 December 2016 and 31 December 2017 was conducted by PricewaterhouseCoopers Bedrijfsrevisoren BCVBA (*erkende revisor/réviseur agréé*) represented by Roland Jeanquart and Tom Meuleman with offices at Woluwedal 18, B-1932, Sint-Stevens,Woluwe (Brussels) ("**PwC**"). The consolidated financial statements of the Issuer (as well as the annual accounts of the Issuer) for the years ended 31 December 2016 and 31 December 2017 have been audited in accordance with International standards on Auditing by PwC and the audits resulted in an unqualified opinion.

   PwC is a member of the *Instituut de Bedrijfsrevisoren/Institut des Reviseurs d'Enterprises*.

   The reports of PwC 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.

10. Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer and its affiliates in the ordinary course of business. Certain of the Joint Lead Managers and their affiliates may have positions, deal or make markets in the Securities, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its 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 Joint Lead Managers and their 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. Certain of the Joint Lead Managers or their affiliates that have a lending relationship with the Issuer and routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Joint Lead Managers and their 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 Securities. Any such positions could adversely affect future trading prices of Securities. The Joint Lead Managers and their 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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