

KBC GROUP NV BASE PROSPECTUS SUPPLEMENT (N°2)

dated 17 November 2020



KBC Group NV

(incorporated with limited liability in Belgium)

EUR 15,000,000,000

Euro Medium Term Note Programme

This supplement dated 17 November 2020 (the “**Supplement N°2**”) constitutes a supplement for the purposes of Article 23 of Regulation (EU) 2017/1129, as amended from time to time (the “**Prospectus Regulation**”). The Supplement N°2 is supplemental to, forms part of, and must be read in conjunction with the base prospectus dated 2 June 2020, as amended by a first supplement dated 18 August 2020 (the “**Supplement N°1**” and together with the base prospectus, the “**Base Prospectus**”), prepared in connection with the EUR 15,000,000,000 Euro Medium Term Note Programme (the “**Programme**”) established by KBC Group NV, incorporated as a limited liability company under the laws of Belgium, with registered office at Havenlaan 2, 1080 Brussels and registered with the Crossroads Bank of Enterprises VAT BE0403.227.515 (Brussels) (the “**Issuer**”). Terms defined in the Base Prospectus or in any document incorporated by reference in the Base Prospectus shall, unless the context otherwise requires, have the same meaning when used in this Supplement N°2.

This Supplement N°2 has been approved by the FSMA, as competent authority under the Prospectus Regulation. This approval does not imply any appraisal of the appropriateness or the merits of any issue under the Programme, nor of the situation of the Issuer.

The Issuer accepts responsibility for the information contained in this Supplement N°2. The Issuer confirms that, to the best of its knowledge (having taken all reasonable care to ensure that such is the case) the information contained in this Supplement N°2 is in accordance with the facts and does not omit anything likely to affect the import of such information.

I. New information

a) Introduction

Coronavirus (COVID-19) pandemic

Since the date of Supplement N°1 and as regards recent developments, the coronavirus (COVID-19) pandemic and ensuing global health crisis have expanded and caused more uncertainty. This constitutes significant information which makes it necessary to amend the risk factor titled “Coronavirus (COVID-19) pandemic (high risk)” and subsection “Coronavirus (COVID-19) pandemic” in section “Recent events” of the Base Prospectus, for the purpose of Article 23 of the Prospectus Regulation.

Programme size increase

On 8 September 2020, the Executive Committee of the Issuer resolved to increase the size of the Programme from EUR 10,000,000,000 to up to EUR 15,000,000,000 (or its equivalent in any other currencies) aggregate nominal amount of Notes outstanding at any one time pursuant to the Programme.

KBC Group Quarterly Report 3Q2020

On 12 November 2020, the Issuer published its extended quarterly report for the third quarter 2020 in the document “*KBC Group Quarterly Report 3Q2020*” accompanied by a press release entitled “*KBC Group: Third-quarter result of 697 million euros*”.

In order to ensure that the information contained in the Base Prospectus is up-to-date as required by the Prospectus Regulation, the aforementioned documents will be incorporated by reference in the Base Prospectus. A copy of these documents, incorporated by reference in the Base Prospectus, can be obtained from the registered office of the Issuer, the website of the Issuer (www.kbc.com/investors) and from the website of Euronext Brussels (www.euronext.com).

If documents which are incorporated by reference themselves incorporate any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of this Supplement N°2 for the purposes of the Prospectus Regulation, except where such information or other documents are specifically incorporated by reference or attached to this Supplement N°2.

Due to this new information the Base Prospectus is amended as described below.

b) Programme size

The size of the Programme as set out on the cover page, in the section “Information relating to the Programme” on page 9, and in the section “Form of Final Terms” on page 130 of the Base Prospectus shall be increased from EUR 10,000,000,000 to EUR 15,000,000,000 (or its equivalent in any other currencies) outstanding at any time.

c) Risk factors

In the section “Risks relating to the Issuer and the Group” on page 12 *et seq.* of the Base Prospectus, the subsection titled “Coronavirus (COVID-19) pandemic (high risk)” shall be amended and replaced as follows:

“Whilst the Group thoroughly assesses and underpins its risk assessment of the risks related to the Issuer and the Group, the worldwide outbreak of the COVID-19 pandemic is an unprecedented event which has put this assessment and its underpinnings to the test.

The Group has handled the transition to new ways of working (e.g. remotely, from backup locations and home office) in an organised way and without major incidents. It is clear however that the coronavirus pandemic will have longer lasting consequences which open virtually all risk types to a re-assessment, including and most notably, but not limited to: credit risk in its all forms, market risk, liquidity risk, operational risk, performance and capital risk. The related uncertainty is still high, making it difficult to predict what the final outcome of the coronavirus crisis and its impact on the different risks related to the Issuer and the Group will be.

The economic challenges, worldwide but also in the European Union resulting from this crisis undoubtedly have an impact on credit losses in general, including credit losses incurred by the Group, both as at the date of this Base Prospectus and in the coming years. Such credit losses include but

may not be limited to credit losses situated in the Group's loan portfolio (see also the section "*Credit risk (medium risk)*").

Next to credit risk in general, the coronavirus crisis will also have a negative impact on counterparty credit risk as certain counterparties will be negatively impacted by this crisis, preventing them from fulfilling their financial obligations towards the Group.

The Issuer may also face potential losses stemming from financial instruments to which the Issuer is exposed via its trading and non-trading activities (see also the sections "*Market risk in non-trading activities (medium risk)*" and "*Market risk in trading activities (low risk)*").

Funding and liquidity risk also increase during a crisis as trust between financial institutions might decrease or disappear, which can influence the Group's funding capabilities in the market as well as its liquidity position. As of the date of this Base Prospectus, the liquidity position of the KBC Bank Group is still solid (see also the section "*Liquidity risk (low risk)*").

The coronavirus crisis triggered heightened attention for operational risks, mainly with regard to ensuring operational continuity and safety of our customers and staff at all times. In response to the COVID-19 crisis, business continuity measures were taken, e.g. switch to (partial) homeworking and shift to remote banking and insurance. Related changes to processes and procedures (including also governmental relief measures) were implemented in a risk-conscious way and frequent crisis monitoring was installed for all subareas of operational risk. This included a.o.

- monitoring of IT systems performance and employee health to ensure operational continuity and critical services
- increased attention for COVID-19 related fraud and cyber-incidents to avoid that cyber criminals and other fraudsters might exploit COVID-19 and target employees and customers, for example by means of phishing/smishing, or through malicious COVID-19-like websites
- monitoring of performance of outsourced activities to prevent that KBC could be negatively impacted by COVID-19 related incidents at third parties
- monitoring of risk and control environment with specific attention to process changes (e.g. implementation of moratoria and relief measures)
- frequent follow up of loss registrations and trends

The Group continues to monitor operational risks in the context of COVID-19 going forward. As of the date of this Base Prospectus, due to appropriate actions being taken in all areas of operational risk no major issues or incidents have been reported and losses remain well under control (see also the section "*Operational risks (medium risk)*").

The coronavirus pandemic has also led to regulatory developments in the jurisdictions in which the Issuer operates. Examples of regulatory developments in response to the coronavirus crisis which may have an adverse effect on the Issuer's business and operations include, without limitation, the measures and regulations adopted by the Belgian Federal Government regarding the granting of payment deferrals, additional lines of credit and other types of financial relief provided by the Belgian financial sector (see also the subsection "*Coronavirus (COVID-19) pandemic*" in the section "*Recent events*").

All these risks have already had and may continue to have a negative impact on the profitability (performance) of the Issuer.

This might also finally be reflected in the credit ratings of the Group, including the ratings of the Issuer, may be adversely affected by the coronavirus crisis. Such adverse effects may include but may

not be limited to a downgrade in the credit ratings or the outlook currently assigned to the Issuer. There can thus be no assurance that the current credit ratings of the Issuer or the Group will be maintained (see also the section “*Credit ratings (low risk)*”).

The Issuer also refers to the annual reports and the extended quarterly reports of the Issuer which are incorporated by reference into this Base Prospectus as set out in the section entitled “*Documents incorporated by reference*”, and which include the financial reporting for the first three quarters of 2020 (in which the COVID-19 crisis started).”

d) Recent events

In the section “Recent events” on page 100 *et seq.* of the Base Prospectus, the subsection “Coronavirus (COVID-19) pandemic” shall be amended and replaced as follows:

“Since December 2019, a significant increase of cases of pneumonia associated with the coronavirus (COVID-19) has been reported worldwide. Initially reported in the province of Hubei in the People’s Republic of China, it has spread across other countries, resulting in reported infections and deaths in numerous countries and leading to a global pandemic.

In addition to the human suffering caused by the pandemic itself, the coronavirus crisis has also triggered unprecedented economic consequences. It has become clear that the coronavirus crisis will have a significant impact, especially in particular sectors. The long-term impact on the economy will also depend on the occurrence and intensity of new outbreaks of the coronavirus, both as at the date of this Base Prospectus as in the foreseeable future.

As the coronavirus pandemic and the ensuing global health crisis have led to a massive impact on economic activity, the Belgian Federal Government, the NBB and Febelfin (the Belgian banking federation) reached an agreement at the end of March 2020 on a number of measures for banks. As set out in a charter on the payment moratorium for corporate credits, the Belgian financial sector committed to providing viable (i.e., if there were no payment arrears on 1 February 2020 or payment arrears of less than 30 days on 29 February 2020) non-financial companies, self-employed persons and individuals with mortgage credit which have payment problems due to the coronavirus crisis with a temporary deferment of payment until 30 September 2020 without charge. Non-financial companies are required to have a permanent establishment in Belgium. Borrowers are required to evidence the fact that they are in distress because of the coronavirus crisis and request their bank for a postponement of payment. Pursuant to the Belgian Royal Decree of 14 April 2020 granting a State guarantee for certain credits in the combat against the consequences of the corona virus, qualifying short-term credits granted by credit institutions to viable non-financial companies could benefit from a State guarantee. The regime extends to new credits granted by either Belgian credit institutions or Belgian branches of foreign credit institutions between 1 April 2020 and 30 September 2020 with a maturity of up to twelve months. Only companies which are deemed viable (i.e., which do not have pre-existing financial difficulties) could benefit from the State guarantee. Furthermore, the Royal Decree requires that the companies are registered in the Belgian Crossroads Bank for Enterprises, covering both Belgian companies as well as foreign companies which have activities in Belgium. In addition, Belgium’s four largest banks (Belfius, BNP Paribas Fortis, ING and KBC Bank), as well as certain other banks, agreed on measures to support companies facing difficulties due to the coronavirus crisis, such as the granting of extensions for the repayment of interest and/or capital and the granting of additional credit. Each bank will act on a case-by-case basis and will invite its client companies to contact it to find the appropriate solution.

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

individuals. The economic impact of the coronavirus pandemic on the Belgian economy is still uncertain.

As stated in the section “Risk statement, economic views and guidance” on page 11 of the Issuer’s extended quarterly report for the third quarter ended on 30 September 2020 which is incorporated by reference into this Base Prospectus as set out in Section “Documents incorporated by reference” on pages 34 and following, the Issuer estimates loan loss impairment charges of approximately 1.1 billion euro for full-year 2020. Depending on a number of events such as the length and depth of the economic downturn, the significant number of government measures in each of the Group’s core countries, and the unknown number of customers who will call upon these mitigating actions, the Issuer estimates loan loss impairment for full-year 2020 to range between approximately 0.8 billion euro (optimistic scenario) and approximately 1.6 billion euro (pessimistic scenario). For more information on the financial impact of the coronavirus pandemic on the Group, as well as a status overview of the different government and sector measures in each of the Group’s core countries, please refer to pages 23 to 28 of the Issuer’s extended quarterly report for the third quarter ended on 30 September 2020.

Although it is not possible at this stage to make a comprehensive and definitive assessment of the financial impact of the coronavirus pandemic, the Group continues to closely monitor the situation on a daily basis.

e) Documents incorporated by reference

(i) The section “*Documents incorporated by reference*” on page 34 of the Base Prospectus will be supplemented by adding the following point to the list of documents which are incorporated and form part of the Base Prospectus:

(h) the extended quarterly report for the third quarter of 2020 of the Issuer (available on <https://www.kbc.com/content/dam/kbcom/doc/investor-relations/Results/3q2020/3Q2020-quarterly-report-en.pdf>);

(f) (vi) the press release dated 12 November 2020 entitled “KBC Group: Third-quarter result of 697 million euros” (available on <https://www.kbc.com/content/dam/kbcom/doc/newsroom/pressreleases/2020/3Q2020-pb-en.pdf>)

(ii) The section “*Documents incorporated by reference*” on page 34 *et seq.* of the Base Prospectus will be supplemented by adding the following sub-section below the sub-section “Issuer’s extended quarterly report for the second quarter of 2020”:

“The table below sets out the relevant page references for the unaudited financial statements for the nine-month period ended 30 September 2020 of the Issuer, as set out in the Quarterly Report 3Q2020 of the Issuer.

Issuer’s extended quarterly report for the third quarter of 2020 *

Unaudited condensed consolidated financial statements of the Issuer for the third quarter of the financial year

income statement	page 13 – 14
statement of comprehensive income	page 15
balance sheet	page 16

statement of changes in equity	page 17 – 19
cash flow statement	page 20 – 21
notes on statement of compliance and changes in accounting policies	page 22 – 28
Auditors' report	page 39 – 40
Additional information	page 41 – 66
ratios used	page 61 – 66

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

f) General Information

Paragraph (3) on page 140 of the Base Prospectus shall be deleted and replaced by the following paragraph:

“(3) Other than as disclosed in this Base Prospectus, there has been no significant change in the financial or trading position of the Issuer since 30 September 2020 and no material adverse change in the prospects of the Issuer since 31 December 2019.”

II. General

Save as disclosed in this Supplement N°2, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus since 2 June 2020, the date of publication of the Base Prospectus.

To the extent that there is an inconsistency between (a) any statement in this Supplement N°2 and (b) any statement in, or incorporated by reference into, the Base Prospectus, the statements in (a) above will prevail.

Copies of this Supplement N°2 will be available without charge at the specified office of the Issuer and the Agent, on the website of Euronext Brussels (www.euronext.com) and the website of the Issuer (www.kbc.com¹).

¹ https://www.kbc.com/MISC/D9e01/Homepagina_KBCCOM_Engels/investor_relations/debt_issuance

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