

KBC GROUP NV BASE PROSPECTUS SUPPLEMENT (N°1)

dated 24 August 2021



KBC Group NV

(incorporated with limited liability in Belgium)

EUR 15,000,000,000

Euro Medium Term Note Programme

This supplement dated 24 August 2021 (the “**Supplement N°1**”) 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°1 is supplemental to, forms part of, and must be read in conjunction with the base prospectus dated 1 June 2021 (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°1.

This Supplement N°1 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°1. 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°1 is in accordance with the facts and does not omit anything likely to affect the import of such information.

I. New information

(a) Introduction

KBC Group Quarterly Report 2Q2021

On 5 August 2021, the Issuer published its extended quarterly report for the second quarter and the first half of 2021 in the document “*KBC Group Quarterly Report 2Q2021*” accompanied by a press release entitled “*KBC Group: Second-quarter result of 793 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/investor) and from the website of Euronext Brussels (www.euronext.com).

EBA Report

On 24 June 2021, the European Banking Authority (**EBA**) published its updated Report on the monitoring of Additional Tier 1 (AT1) instruments including an update on the monitoring of the implementation of the EBA's Opinion on legacy instruments and its considerations on ESG capital bonds (the **EBA Report**). In light of this EBA Report, the Issuer has decided to update the risk factors under the section *Risks Relating to the Notes* and the Conditions of the Notes, in order to take into account the EBA's recommendations.

Status of the Notes

On 23 July 2021, the Law of 11 July 2021 implementing Directive 2019/878 of the European Parliament and of the Council of 20 May 2019, Directive 2019/879 of the European Parliament and of the Council of 20 May 2019, Directive 2019/2034 of the European Parliament and of the Council of 27 November 2019, Directive 2019/2177 of the European Parliament and of the Council of 18 December 2019, Directive 2021/338 of the European Parliament and of the Council of 16 February 2021 and laying down miscellaneous provisions was published in the Belgian Official Gazette, amending, *inter alia*, Article 389/1 of the Banking Law. This supplement has been prepared by the Issuer to supplement and update the Base Prospectus in order to align the Conditions of the Notes with the amended Article 389/1 of the Banking Law.

Gilt Benchmark Fixed Rate Reset Notes

The Issuer has furthermore decided to amend the Conditions and Final Terms of the Notes so as to allow for the issue of Gilt Benchmark Fixed Rate Reset Notes.

MREL targets

On 18 May 2021, the resolution authorities acting within the resolution college established by the Single Resolution Board for the Issuer and certain of its subsidiaries reached a joint decision determining the minimum requirement for own funds and eligible liabilities. In light of this joint decision, the Issuer has decided to update the subsection *Banking supervision and regulation* in the section *Description of the Issuer*.

Due to this new information and the changes required to the Conditions and Final Terms of the Notes, the Base Prospectus is amended as described below.

(b) Documents incorporated by reference

The section *Documents incorporated by reference* on page 37 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:

(g) the extended quarterly report for the second quarter of 2021 of the Issuer (available on <https://www.kbc.com/content/dam/kbccom/doc/investor-relations/Results/2q2021/2q2021-quarterly-report-en.pdf>). The section *Documents incorporated by reference* on page 37 of the Base Prospectus will be supplemented by adding the following sub-section below the sub-section "Unaudited condensed consolidated financial statements of the Issuer for the first quarter of 2020 and for the first quarter of 2021":

The table below sets out the relevant page references for the unaudited financial statements for the half year ended 30 June 2021 of the Issuer, as set out in the Quarterly Report 2Q2021 of the Issuer.

Unaudited condensed consolidated financial statements of the Issuer for the second quarter of 2021*

Issuer's extended quarterly report for the
second quarter of 2021

*Unaudited condensed consolidated financial
statements of the Issuer for the second quarter of the
financial year*

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

(c) General Information

Paragraph (3) on page 151 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 June 2021 and no material adverse change in the prospects of the Issuer since 31 December 2020.

(d) Information relating to the Programme

As from the date of this Supplement N° 1, the section "Status of Subordinated Tier 2 Notes" on page 11 of the Base prospectus shall be amended to read as follows:

Status of Subordinated Tier 2 Notes:

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

Subject to applicable law, in the event of an order being made, or an effective resolution being passed, for the liquidation, dissolution or winding-up of the Issuer by reason of bankruptcy (*faillissement/faillite*) or otherwise (except, in any such case, a solvent liquidation, dissolution or winding-up solely for the purposes of a reorganisation, reconstruction or amalgamation of the Issuer or the substitution in place of the Issuer of a successor in business of the Issuer), the rights and claims of the holders of the Subordinated Tier 2 Notes against the Issuer in respect of or arising under (including any interest or damages awarded for breach of any obligation under) the Subordinated Tier 2

Notes shall, subject to any obligations which are mandatorily preferred by law, rank (a) junior to the claims of all Senior Creditors and of all Ordinary Subordinated Creditors of the Issuer, (b) *pari passu* with the claims of holders of all obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 2 Capital of the Issuer and (c) senior to (1) the claims of holders of all share and other equity capital of the Issuer (including preference shares, if any) and (2) the claims of holders of all obligations of the Issuer which constitute Tier 1 Capital of the Issuer.

(e) **Risk factors**

As from the date of this Supplement N°1, the risk factor “*Risks related to Notes which are issued as Green Bonds*” on page 30 of the Base Prospectus is amended to read as follows:

The Issuer may issue Notes where the use of proceeds is specified in the relevant Final Terms to be for the financing and/or refinancing of specified “green” or “sustainability” projects of the Group, in accordance with certain prescribed eligibility criteria (any Notes which have such a specified use of proceeds are referred to as “**Green Bonds**”).

In connection with an issue of Green Bonds, the Issuer may request a sustainability rating agency or sustainability consulting firm to issue an independent opinion (a “**Compliance Opinion**”) confirming that any Green Bonds are in compliance with the International Capital Market Association (“**ICMA**”) Green Bond Principles. The ICMA Green Bond Principles are a set of voluntary guidelines that recommend transparency and disclosure and promote integrity in the development of the green bond market. There is currently no market consensus on what precise attributes are required for a particular project to be defined as “green” or “sustainable”, and therefore the green or sustainable projects to be specified in the relevant Final Terms may not meet all investors’ expectations regarding sustainability performance or continue to meet the relevant eligibility criteria. Although applicable green projects are expected to be selected in accordance with the categories recognised by the ICMA Green Bond Principles, and are expected to be developed in accordance with applicable legislation and standards, it is still possible that adverse environmental and/or social impacts will occur during the design, construction, commissioning and/or operation of any such green or sustainable projects. Where any negative impacts are insufficiently mitigated, green or sustainable projects may become controversial, and/or may be criticised by activist groups or other stakeholders. Potential investors should be aware that any Compliance Opinion will not be incorporated into, and will not form part of, this Base Prospectus or the relevant Final Terms. Any such Compliance Opinion may not reflect the potential impact of all risks related to the structure of the relevant Series of Green Bonds, their marketability, trading price or liquidity or any other factors that may affect the price or value of the Green Bonds. Any such Compliance Opinion is not a recommendation to buy, sell or hold securities and is only current as of its date of issue.

Further, although the Issuer may agree at the Issue Date of any Green Bonds to certain allocation and/or impact reporting and to use the proceeds for the financing and/or refinancing of green or sustainable projects (as specified in the relevant Final Terms), it would not (a) be an event of default under the Green Bonds; (b) give rise to any other claim or right (including, for the avoidance of doubt, the right to accelerate the Notes) of a holder of such Green Bonds against the Issuer; (c) lead to an obligation of the Issuer to redeem such Notes or be a relevant factor for the Issuer in determining whether or not to exercise any optional redemption rights in respect of any Notes, or (d) impact the regulatory treatment of the Green Bonds if (i) the Issuer were to fail to comply with such obligations or were to fail to use the proceeds in the

manner specified in the relevant Final Terms; (ii) the Compliance Opinion were to be withdrawn and/or (iii) there would be a lack of Green Bond Eligible Assets in which the Issuer may invest. For the avoidance of doubt, payments of principal and interest (as the case may be) on the relevant Green Bonds shall not depend on the performance of the relevant project nor have any preferred right against such assets. Any failure to use the net proceeds of any Series of Green Bonds in connection with green or sustainable projects, and/or any failure to meet, or to continue to meet, the investment requirements of certain environmentally focused investors with respect to such Green Bonds may affect the value and/or trading price of the Green Bonds, and/or may have consequences for certain investors with portfolio mandates to invest in green or sustainable assets.

Green Bonds issued under the Programme will be subject to bail-in and resolution measures provided by the BRRD in the same way as any other Notes issued under the Programme, and, as such, proceeds from Green Bonds qualifying as own funds or eligible liabilities should cover all losses in the balance sheet of the Issuer regardless of their “green”, “social” or “sustainable” label. As to such bail-in and resolution measures see the risk factor entitled “*Noteholders may be required to absorb losses in the event the Issuer becomes non-viable or were to fail*”. Additionally, the labelling of any series of Notes as Green Bonds (i) will not affect the regulatory treatment of such Notes as Tier 2 capital or eligible liabilities for the purposes of MREL (as applicable), if such Notes are also Senior Notes or Subordinated Tier 2 Notes eligible to comply with MREL requirements; and (ii) will not have any impact on their status as indicated in Condition 2 of the terms and conditions of the Notes.

Each potential purchaser of any Series of Green Bonds should determine for itself the relevance of the information contained in this Base Prospectus and in the relevant Final Terms regarding the use of proceeds and its purchase of any Green Bonds should be based upon such investigation as it deems necessary.

(f) Amendments to the Conditions of the Notes

As from the date of this Supplement N°1, Condition 2(b)(ii) (*Status of the Subordinated Tier 2 Notes*) shall be amended to read as follows:

(ii) Subordination

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

the claims of holders of all obligations of the Issuer which constitute Tier 1 Capital of the Issuer .

For the purposes of these Conditions:

“Applicable Banking Regulations” means, at any time, the laws, regulations, rules, guidelines and policies of the Relevant Regulator, or of the European Parliament and Council then in effect in Belgium, relating to capital adequacy and applicable to the Issuer at such time (and, for the avoidance of doubt, including as at the Issue Date the rules contained in, or implementing, CRD IV).

“Belgian Banking Law” means the Belgian law of 25 April 2014 on the legal status and supervision of credit institutions and stockbroking firms, as amended or replaced from time to time.

“BRRD” means Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council, as amended or replaced from time to time.

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

“Capital Requirements Regulation” means Regulation (EU) n° 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) n° 648/2012, as amended or replaced from time to time.

“CRD IV” means, taken together, (i) the Capital Requirements Directive, (ii) the Capital Requirements Regulation and (iii) any Future Capital Instruments Regulations.

“Future Capital Instruments Regulations” means any further Applicable Banking Regulations that come into effect after the Issue Date and which prescribe (alone or in conjunction with any other rules or regulations) the requirements to be fulfilled by financial instruments for their inclusion in the regulatory capital of the Issuer to the extent required by (i) the Capital Requirements Regulation or (ii) the Capital Requirements Directive.

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

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

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

As from the date of this Supplement N°1, Condition 2(b)(iii) (*Waiver of set-off*) shall be amended to read as follows:

(iii) *Waiver of set-off and netting*

Subject to applicable law, no holder of a Subordinated Tier 2 Note may exercise or claim any right of set off, compensation, retention or netting in respect of any amount owed to it by the Issuer arising under or in connection with the Subordinated Tier 2 Notes and each holder of a Subordinated Tier 2 Note shall, by virtue of his subscription, purchase or holding of any Subordinated Tier 2 Note, be deemed to have waived all such rights of set off, compensation, retention and netting. Notwithstanding the preceding sentence, if any amounts owing to any holder of a Subordinated Tier 2 Note by the Issuer are discharged by set-off or netting, such holder of a Subordinated Tier 2 Note shall, unless such payment is prohibited by law, immediately pay an amount equal to the amount of such discharge to the Issuer or, in the event of its winding-up or administration, the liquidator or administrator, as appropriate of the Issuer for the payment to creditors of the Issuer in respect of amounts owing to them by the Issuer and accordingly any such discharge shall be deemed not to have taken place.

As from the date of this Supplement N°1, Conditions 3, 4 and 5 shall be amended to read as follows:

3 Interest and other calculations

(a) *Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rates *per annum* (expressed as a percentage) equal to the Rate of Interest(s), such interest being payable, subject as provided herein, in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with this Condition 3.

(b) *Interest on Fixed Rate Reset Notes*

Each Fixed Rate Reset Note bears interest on its outstanding nominal amount, subject to Condition 3(j) (*Benchmark replacement*):

- (i) from and including the Interest Commencement Date, specified in the applicable Final Terms, up to but excluding the First Reset Date at the Initial Rate of Interest;
- (ii) from and including the First Reset Date up to but excluding the first Subsequent Reset Date or, if no Subsequent Reset Date is specified in the applicable Final Terms, the Maturity Date at the First Reset Rate of Interest;; and
- (iii) for each Subsequent Reset Period thereafter (if any), at the relevant Subsequent Reset Rate of Interest,

payable, subject as provided herein, in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 3(f) (*Calculations*).

In these Conditions:

“First Reset Date” means the date specified as such in the Final Terms;

“First Reset Period” means the period from and including the First Reset Date up to but excluding the Second Reset Date or, if no such Second Reset Date is specified in the Final Terms, the Maturity Date;

“First Reset Rate of Interest” means the rate of interest per annum as determined by the Calculation Agent on the relevant Reset Determination Date corresponding to the First Reset Period as the sum of the relevant Reset Reference Rate plus the relevant Margin;

“Initial Rate of Interest” means the initial rate of interest per annum specified in the Final Terms;

“Margin” means the margin (expressed as a percentage) in relation to the relevant Reset Period specified as such in the Final Terms;

“Mid-Swap Quotations” means the arithmetic mean of the bid and offered rates:

- (i) if the Specified Currency is Sterling, for a semi-annual fixed leg (calculated on an Actual/365 day count basis) of a fixed for floating interest rate swap transaction in Sterling which (a) has a term commencing on the relevant Reset Date which is equal to that of the relevant Swap Rate Period; (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 relevant swap market; and (c) has a floating leg based on the 6-month LIBOR rate (calculated on an Actual/365 day count basis);
- (ii) if the Specified Currency is Euro, for the annual fixed leg (calculated on a 30/360 day count basis) of a fixed for floating interest rate swap transaction in euro which (a) has a term commencing on the relevant Reset Date which is equal to that of the relevant Swap Rate Period; (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 relevant swap market; and (c) has a floating leg based on the 6-month EURIBOR rate (calculated on an Actual/360 day count basis); and
- (iii) if the Specified Currency is US dollars, for the semi-annual fixed leg (calculated on a 30/360 day count basis) of a fixed for floating interest rate swap transaction in US dollars which (a) has a term commencing on the relevant Reset Date which is equal to that of the relevant Swap Rate Period; (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 relevant swap market; and (c) has a floating leg based on the 3-month LIBOR rate (calculated on an Actual/360 day count basis);

“Mid-Swap Rate” means in respect of a Reset Period, (i) the applicable semi-annual or annualised (as specified in the applicable Final Terms) mid swap rate for swap transactions in the Specified Currency (with a maturity equal to that of the relevant Swap Rate Period specified in the Final Terms) as displayed on the Relevant Screen Page at 11.00 a.m. (in the principal financial centre of the Specified Currency) on the relevant Reset Determination Date (which rate, if the relevant Interest Payment Dates are other than semi-annual or annual Interest

Payment Dates, shall be adjusted by, and in the manner determined by, the Calculation Agent) or (ii) if such rate is not displayed on the Relevant Screen Page at such time and date, the relevant Reset Reference Bank Rate;

"Reference Government Bond Dealer" means each of five banks selected by the Issuer (following, where practicable, consultation with an investment bank or financial institution of international repute determined to be appropriate by the Issuer, which, for avoidance of doubt, could be the Calculation Agent), or the affiliates of such banks, which are (i) primary government securities dealers, and their respective successors, or (ii) market makers in pricing corporate bond issues;

"Reference Government Bond Dealer Quotations" means, with respect to each Reference Government Bond Dealer and any Reset Determination Date, the arithmetic average (as determined by the Calculation Agent), of the bid and offered prices for the Reset Reference Bond (expressed in each case as a percentage of its principal amount) as at the Reset Determination Time on such Reset Determination Date and, if relevant, on a dealing basis for settlement that is customarily used at such time and quoted in writing to the Calculation Agent by such Reference Government Bond Dealer;

"Reset Determination Date" means, in respect of a Reset Period, (a) each date specified as such in the Final Terms or, if none is so specified, (b) (i) if the Specified Currency is Sterling or Renminbi, the first Business Day of such Reset Period, (ii) if the Specified Currency is Euro, the day falling two Business Days prior to the first day of such Reset Period, (iii) if the Specified Currency is US dollars, the day falling two U.S. Government Securities Business Days prior to the first day of such Reset Period (iv) for any other Specified Currency, the day falling two Business Days in the principal financial centre for such Specified Currency prior to the first day of such Reset Period;

"Reset Date" means the First Reset Date and each Subsequent Reset Date specified as such in the relevant Final Terms (as applicable);

"Reset Period" means the First Reset Period or a Subsequent Reset Period, as the case may be;

"Reset Reference Bank Rate" means the percentage rate determined on the basis of the Mid-Swap Quotations provided by the Reset Reference Banks to the Calculation Agent at or around 11:00 a.m. in the principal financial centre of the Specified Currency on the relevant Reset Determination Date and, rounded, if necessary, to the nearest 0.001% (0.0005% being rounded upwards). If at least four quotations are provided, the Reset Reference Bank Rate will be the rounded arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two or three quotations are provided, the Reset Reference Bank Rate will be the rounded arithmetic mean of the quotations provided. If only one quotation is provided, the Reset Reference Bank Rate will be the rounded quotation provided. If no quotations are provided, the Reset Reference Bank Rate will be (i) in the case of each Reset Period other than the Reset Period commencing on the First Reset Date, the Reset Reference Bank Rate in respect of the immediately preceding Reset Period or, (ii) in the case of the Reset

Period commencing the First Reset Date, an amount equal to the Initial Rate of Interest less the Margin;

“Reset Reference Banks” means five leading swap dealers in the principal interbank market relating to the Specified Currency selected by the Calculation Agent in its discretion after consultation with the Issuer;

"Reset Reference Bond" means for any Reset Period a government security or securities issued by the government of the state responsible for issuing the Specified Currency (which, if the Specified Currency is euro, shall be Germany) selected by the Issuer (after consultation with an investment bank or financial institution of international repute determined to be appropriate by the Issuer, which, for avoidance of doubt, could be the Calculation Agent) as having the nearest actual or interpolated maturity comparable with the relevant Reset Period and that (in the opinion of the Issuer) would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issuances of corporate debt securities denominated in the Specified Currency and of a comparable maturity to the relevant Reset Period;

"Reset Reference Bond Price" means, with respect to any Reset Determination Date:

- (i) the arithmetic average (as determined by the Calculation Agent) of the Reference Government Bond Dealer Quotations for such Reset Determination Date, after excluding the highest and lowest such Reference Government Bond Dealer Quotations; or
- (ii) if fewer than five but more than one such Reference Government Bond Dealer Quotations are received, the arithmetic average (as determined by the Calculation Agent) of all such quotations; or
- (iii) if only one Reference Government Bond Dealer Quotation is received, such quotation; or
- (iv) if no Reference Government Bond Dealer Quotations are received, in the case of the First Reset Rate of Interest, the Initial Reference Rate and, in the case of any Subsequent Reset Rate of Interest, the Reset Reference Rate as at the last preceding Reset Date;

"Reset Reference Rate" means one of (i) the Mid-Swap Rate, or (ii) the Sterling Reference Bond Rate, as specified in the relevant Final Terms;

“Second Reset Date” means the date specified as such in the Final Terms;

"Sterling Reference Bond Rate" means, with respect to any Reset Period and related Reset Determination Date, the gross redemption yield in respect of the Reset Reference Bond expressed as a percentage and calculated by the Calculation Agent on the basis set out by the United Kingdom Debt Management Office in the paper "Formulae for Calculating Gilt Prices from Yields", page 5, Section One: Price/Yield Formulae "Conventional Gilts; Double dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date" (published on 8 June 1998 and updated on 15 January 2002 and 16 March 2005, and as further amended, updated, supplemented or replaced from time to time) or, if such basis is no longer in customary market usage at such time, a gross redemption yield calculated in accordance with generally accepted market practice at such time as determined by the Issuer following consultation with an investment bank or financial institution of international repute determined to be appropriate by the Issuer (which, for the avoidance of doubt, could be the Calculation Agent), on an annual or semi-annual (as the case may be) compounding basis (rounded up (if necessary) to four

decimal places) of the Reset Reference Bond in respect of that Reset Period, assuming a price for the Reset Reference Bond (expressed as a percentage of its principal amount) equal to the Reset Reference Bond Price for such Reset Determination Date;

"**Subsequent Margin**" means the margin specified as such in the applicable Final Terms;

"**Subsequent Reset Date**" means the date or dates specified in the applicable Final Terms;

"**Subsequent Reset Period**" means the period from and including the first Subsequent Reset Date to but excluding the next Subsequent Reset Date (or, if none, the Maturity Date), and each successive period from (and including) a Subsequent Reset Date to (but excluding) the next succeeding Subsequent Reset Date (or, if none, the Maturity Date);

"**Subsequent Reset Rate of Interest**" means, in respect of any Subsequent Reset Period, the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date corresponding to such Subsequent Reset Period as the sum of the relevant Reset Reference Rate plus the relevant Margin;

"**Swap Rate Period**" means the period specified as such in the Final Terms; and

"**U.S. Government Securities Business Day**" means any day except for a Saturday, Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

(c) *Interest on Floating Rate Notes*

(i) *Interest Payment Dates*

Each Floating Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 3(f) (*Calculations*). Such Interest Payment Date(s) is/are either specified in the Final Terms as Specified Interest Payment Dates or, if Specified Interest Payment Date(s) is/are specified in the Final Terms as not applicable, "**Interest Payment Date**" shall mean each date which falls the number of months or other period specified in the Final Terms as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Business Day Convention*

If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is:

- (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless, except in relation to the Maturity Date or any applicable date for early redemption, it would thereby fall into the next

calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen;

- (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day;
- (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless, except in relation to the Maturity Date or any applicable date for early redemption, it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day; or
- (D) the Preceding Business Day Convention,

such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest for Floating Rate Notes*

The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified in the Final Terms and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the Final Terms.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate plus or minus (as indicated in the Final Terms) the Margin (if any). For the purposes of this sub-paragraph (A), “**ISDA Rate**” for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (x) the Floating Rate Option is as specified in the Final Terms;
- (y) the Designated Maturity is a period specified in the Final Terms; and
- (z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the Final Terms.

provided that, if no Rate of Interest can be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined by the Calculation Agent in its sole and absolute discretion (though applying the Margin, Maximum Rate of Interest and/or Minimum Rate of Interest, if any, relating to the Interest Accrual Period).

For the purposes of this sub-paragraph (A), “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**”, “**Reset Date**” and “**Swap Transaction**” have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the Final Terms, the Minimum Rate of Interest shall be deemed to be zero.

(B) Screen Rate Determination for Floating Rate Notes

- (1) Where Screen Rate Determination is specified in the Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided in this Condition 3(c)(B), Condition 3(e) (*Margin, Maximum Rate of Interest, Minimum Rates of Interest, Callable Amounts and Rounding*) and Condition 3(j) (*Benchmark replacement*), be either:
 - (i) the offered quotation; or
 - (ii) the arithmetic mean of the offered quotations,
(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at the Relevant Time on the Interest Determination Date in question as determined by the Calculation Agent.
- (2) If the Reference Rate is specified in the applicable Final Terms to be LIBOR or EURIBOR, where:
 - (a) five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations; or
 - (b) the Relevant Screen Page is not available or if Condition 3(c)(iii)(B)(1)(i) above applies and no such offered quotation appears on the Relevant Screen Page or if Condition 3(c)(iii)(B)(1)(ii) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Eurozone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at the Relevant Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent.
 - (c) If paragraph (b) above applies, the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks

were offered at the Relevant Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Eurozone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which at the Relevant Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Bank suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Eurozone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

- (3) If the Reference Rate is Constant Maturity Swap (“CMS”) and no quotation appears on the Relevant Screen Page at the Relevant Time on the relevant Interest Determination Date, then the Rate of Interest will be determined on the basis of the mid-market annual swap rate quotations provided by five leading swap dealers in the European inter-bank market at approximately the Relevant Time on the relevant Interest Determination Date. The Calculation Agent will select the five swap dealers in its sole discretion and will request each of those dealers to provide a quotation of its rate in accordance with market practice. If at least three quotations are provided, the Rate of Interest for the relevant Interest Period will be the arithmetic mean of the quotations, eliminating the highest and lowest quotations or, in the event, of equality, one of the highest and one of the lowest quotations. If fewer than three quotations are provided, the Calculation Agent will determine the Rate of Interest in its sole discretion.

(d) *Accrual of Interest*

Interest (if any) shall cease to accrue on each Note (or in the case of the redemption of part only of a Note, that part only of such Note) on the due date for redemption thereof unless payment

of principal is improperly withheld or refused or unless default is otherwise made in respect of payment, in which event, interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 3 to (but excluding) the Relevant Date (as defined in Condition 4(m) (*Definitions*)).

(e) *Margin, Maximum Rate of Interest, Minimum Rates of Interest, Callable Amounts and Rounding*

- (i) If any Margin is specified in the Final Terms (either (A) generally, (B) in relation to one or more Interest Accrual Periods or (C) in relation to one or more Reset Periods), an adjustment shall, unless the relevant Margin has already been taken into account in determining such Rate of Interest, be made to all Rates of Interest, in the case of (A), or the Rates of Interest for the specified Interest Accrual Periods or Reset Periods, in the case of (B) or (C), calculated, in each case, in accordance with Condition 3(b) (*Interest on Fixed Rate Reset Notes*) above by adding (if a positive number) or subtracting (if a negative number) the absolute value of such Margin subject always (in the case of Floating Rate Notes only) to the next paragraph.
- (ii) If any Maximum Rate of Interest or Minimum Rate of Interest or Callable Amount is specified in the Final Terms in relation to one or more Interest Accrual Periods, then any Rate of Interest or Callable Amount shall be subject to such maximum or minimum, as the case may be.
- (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (A) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (B) all figures shall be rounded to seven significant figures (with halves being rounded up) and (C) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of Yen, which shall be rounded down to the nearest Yen. For these purposes “**unit**” means the lowest amount of such currency that is available as legal tender in the country of such currency.

(f) *Calculations*

The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified in the Final Terms and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be applied to the period for which interest is required to be calculated.

(g) *Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts and Optional Redemption Amounts*

The Calculation Agent shall as soon as practicable on each Interest Determination Date, Reset Determination Date or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period (or, if determining the First Reset Rate of Interest or a Subsequent Reset Rate of Interest in respect of Fixed Rate Reset Notes, the Interest Amount for each Interest Accrual Period falling within the relevant Reset Period), calculate the Final Redemption Amount(s), Early Redemption Amount or Optional Redemption Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount(s), Early Redemption Amount or Optional Redemption Amount to be notified to the Agent, the Issuer, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange or admitted to listing by another relevant authority and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period End Date is subject to adjustment pursuant to Condition 3(c)(ii) (*Rate of interest for Floating Rate Notes*), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and repayable under Condition 10 (*Senior Notes – Events of Default and Enforcement*), the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding on all parties.

(h) *Definitions*

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

“**Business Day**” means a day other than a Saturday or Sunday on which:

- (i) the Securities Settlement System is operating;
- (ii) commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in Belgium and in each Additional Business Centre specified in the applicable Final Terms; and
- (iii) either (1) in relation to any sum payable in a Specified Currency other than euro, commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the

Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Wellington, respectively), or (2) in relation to any sum payable in euro, the TransEuropean Automated Real-Time Gross Settlement Express Transfer (TARGET2) System or any successor thereto (the “**TARGET2 System**”) is open.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the “**Calculation Period**”):

- (i) if “**Actual/365**” or “**Actual/Actual**” or “**Actual/Actual – ISDA**” is specified in the Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if “**Actual/365 (Fixed)**” is specified in the Final Terms, the actual number of days in the Calculation Period divided by 365;
- (iii) if “**Actual/360**” is specified in the Final Terms, the actual number of days in the Calculation Period divided by 360;
- (iv) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified in the Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y1**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y2**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M1**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M2**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D1**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

“**D2**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

- (v) if “**30E/360**” or “**Eurobond Basis**” is specified in the Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y1**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y2**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M1**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M2**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D1**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

“**D2**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30;

- (vi) if “**30E/360 (ISDA)**” is specified in the Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y1**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y2**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M1**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M2**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D1**” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

“**D2**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30; and

- (vii) if “**Actual/Actual ICMA**” is specified in the Final Terms:

- (A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in such Calculation Period divided by the product of:
 - (x) the number of days in such Determination Period; and
 - (y) the number of Determination Periods normally ending in any year; or
- (B) if the Calculation Period is longer than one Determination Period, the sum of:
 - (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (i) the number of days in such Determination Period and (ii) the number of Determination Periods normally ending in any year; and
 - (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (i) the number of days in such Determination Period and (ii) the number of Determination Periods normally ending in any year;

where:

“Determination Period” means the period from and including a Determination Date (as specified in the Final Terms) in any year to but excluding the next Determination Date; and

“Determination Date” means the date specified as such in the Final Terms or, if specified as not applicable in the Final Terms, the Interest Payment Date.

“Euro” means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

“Eurozone” means the region comprised of member states of the European Union that adopt or have adopted the single currency in accordance with the Treaty establishing the European Community, as amended.

“Interest Accrual Period” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period End Date and each successive period beginning on (and including) an Interest Period End Date and ending on (but excluding) the next succeeding Interest Period End Date.

“Interest Amount” means:

- (i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified in the Final Terms, shall mean the Fixed Coupon Amount or Broken Amount specified in the Final Terms as being payable on the Interest Payment Date on which the Interest Period of which such Interest Accrual Period forms part ends; and
- (ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

“Interest Basis” means the interest basis specified in the Final Terms.

“Interest Commencement Date” means the Issue Date or such other date as may be specified in the Final Terms.

“Interest Determination Date” means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the Final Terms or, if none is so specified, (i) if the specified Relevant Screen Page is a LIBOR (other than euro LIBOR or Sterling LIBOR) rate, the second day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London prior to the start of such Interest Accrual Period; (ii) if the specified Relevant Screen Page is a Sterling LIBOR rate, the first day of such Interest Accrual Period; (iii) if the specified Relevant Screen Page is a EURIBOR or euro LIBOR rate, the second day on which the TARGET2 System is open prior to the start of such Interest Accrual Period; and (iv) if the specified Relevant Screen Page is a CMS rate, the second day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in Frankfurt prior to the start of such Interest Accrual Period.

“Interest Period” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date unless otherwise specified in the Final Terms.

“Interest Period End Date” means each Interest Payment Date unless otherwise specified in the Final Terms.

“ISDA Definitions” means the 2006 ISDA Definitions, as amended and supplemented and published by the International Swaps and Derivatives Association, Inc. (or as otherwise specified in the Final Terms).

“Rate of Interest” means the rate of interest payable from time to time in respect of the Notes and that is either specified or calculated in accordance with the provisions in the Final Terms.

“Reference Banks” means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Eurozone office of four major banks in the Eurozone inter-bank market, in each case selected by the Calculation Agent.

“Reference Rate” means the rate specified as such in the Final Terms.

“Relevant Screen Page” means such page, section, caption, column or other part of a particular information service as may be specified in the Final Terms (or any successor or replacement page, section, caption, column or other part of a particular information service).

“Relevant Time” means, if the Reference Rate is LIBOR, approximately 11.00 a.m. (London time), if the Reference Rate is EURIBOR, 11.00 a.m. (Brussels time), if the Reference Rate is CMS, 11.00 a.m. (Frankfurt time) or as otherwise specified in the Final Terms.

“Specified Currency” means the currency specified in the Final Terms or, if none is specified, the currency in which the Notes are denominated.

“TARGET System” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System or any successor thereto.

(i) *Calculation Agent*

The Issuer shall procure that there shall at all times be one or more Calculation Agents appointed if provision is made for them in the Final Terms and for so long as any Note is outstanding. Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or Reset Period or to calculate any Interest Amount, Final Redemption Amount(s), Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money or swap market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

(j) *Benchmark replacement*

Without prejudice to the other provisions in this Condition 3, if the Issuer determines that a Benchmark Event occurs in relation to the relevant Reference Rate or Mid-Swap Rate (as applicable) specified in the applicable Final Terms when any Rate of Interest (or the relevant component part thereof) remains to be determined by reference to such Reference Rate or Mid-Swap Rate (as applicable), then the following provisions shall apply to the relevant Notes:

- (i) the Issuer shall use reasonable endeavours, as soon as reasonably practicable, to appoint an Independent Adviser to advise the Issuer in determining (without any requirement for the consent or approval of the Noteholders) (A) a Successor Rate or, failing which, an Alternative Reference Rate, for purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes and (B) in either case, an Adjustment Spread;
- (ii) if the Issuer is unable to appoint an Independent Adviser prior to the IA Determination Cut-Off Date, the Issuer (acting in good faith and in a commercially reasonable manner) may still determine (A) a Successor Rate or, failing which, an Alternative Reference Rate and (B) in either case, an Adjustment Spread in accordance with this Condition 3(j);
- (iii) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with paragraphs (i) or (ii) above, such Successor Rate or, failing which, Alternative Reference Rate (as applicable) shall be the Reference Rate or Mid-Swap Rate (as applicable) for each of the future Interest Periods or Reset Periods (as applicable) (subject to the subsequent operation of, and to adjustment as provided in, this Condition 3(j));
- (iv) the Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or Alternative Reference Rate (as applicable). If the Issuer, following consultation with the Independent Adviser, is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread;

- (v) if the Issuer, following consultation with the Independent Adviser (if any), determines a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) in accordance with the above provisions, the Issuer may (without any requirement for the consent or approval of the Noteholders) also specify changes to these Conditions and/or the Agency Agreement in order to ensure the proper operation of such Successor Rate or Alternative Reference Rate (as applicable) and, in either case, the applicable Adjustment Spread, including, but not limited to, (A) the Day Count Fraction, Relevant Screen Page, Business Day Convention, Business Days, Interest Determination Date, Reset Determination Date and/or the definition of Reference Rate or Mid-Swap Rate applicable to the Notes and (B) the method for determining the fall-back rate in relation to the Notes. For the avoidance of doubt, the Agent and any other agents party to the Agency Agreement shall, at the direction and expense of the Issuer, effect such consequential amendments to the Agency Agreement and these Conditions as may be required in order to give effect to the application of this Condition 3(j). No consent shall be required from the Noteholders in connection with determining or giving effect to the Successor Rate or Alternative Reference Rate (as applicable) or such other changes, including for the execution of any documents or other steps to be taken by the Agent and any other agents party to the Agency Agreement (if required or useful); and
- (vi) the Issuer shall promptly, following the determination of any Successor Rate or Alternative Reference Rate (as applicable) and, in either case, the applicable Adjustment Spread, give notice thereof to the Agent, the Calculation Agent and, in accordance with Condition 13 (*Notices*), the Noteholders. Such notice shall specify the effective date(s) for such Successor Rate or Alternative Reference Rate (as applicable), the applicable Adjustment Spread and any consequential changes made to the Agency Agreement and these Conditions (if any),

provided that the determination of any Successor Rate or Alternative Reference Rate (as applicable) and, in either case, the applicable Adjustment Spread and any other related changes to the Notes, shall be made in accordance with the relevant Applicable Banking Regulations and/or the applicable Loss Absorption Regulations (if applicable).

An Independent Adviser appointed pursuant to this Condition 3(j) shall act in good faith as an expert and (in the absence of bad faith or fraud) shall have no liability whatsoever to the Agent, the Calculation Agent or the Noteholders for any advice given to the Issuer in connection with any determination made by the Issuer pursuant to this Condition 3(j).

Notwithstanding any other provision in this Condition 3(j), no Successor Rate or Alternative Reference Rate (as applicable) and, in either case, the applicable Adjustment Spread will be adopted, and no other amendments to the Conditions will be made pursuant to this Condition 3(j), if, and to the extent that, in the determination of the Issuer, the same could reasonably be expected to result in a change in the regulatory classification of the Notes giving rise to a Capital Disqualification Event (in the case of Subordinated Tier 2 Notes) or a Loss Absorption Disqualification Event (in the case of Senior Notes).

Without prejudice to the obligations of the Issuer under this Condition 3(j), the Reference Rate or Mid-Swap Rate (as applicable) and the other provisions in this Condition 3 will continue to apply unless and until the Calculation Agent has been notified of the Successor Rate or

Alternative Reference Rate (as applicable), the applicable Adjustment Spread and any consequential changes made to the Agency Agreement and the Conditions (if any).

For the purposes of this Condition 3(j):

“**Adjustment Spread**” means either (a) a spread (which may be positive, negative or zero) or (b) a formula or methodology for calculating a spread, in each case to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and is the spread, formula or methodology which:

- (i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Reference Rate or Mid-Swap Rate (as applicable) with the Successor Rate by any Relevant Nominating Body; or
- (ii) in the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Issuer, following consultation with the Independent Adviser (if any) determines is customarily applied to the relevant Successor Rate or Alternative Reference Rate (as applicable) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Reference Rate or Mid-Swap Rate (as applicable); or
- (iii) if the Issuer determines that no such spread is customarily applied, the Issuer, following consultation with the Independent Adviser (if any), determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Reference Rate or Mid-Swap Rate (as applicable), where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as applicable).

“**Alternative Reference Rate**” means the rate that the Issuer determines has replaced the relevant Reference Rate or Mid-Swap Rate (as applicable) and is customarily applied in the international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in respect of bonds denominated in the Specified Currency of the Notes and of a comparable duration to the relevant Interest Period or Reset Period (as applicable), or, if the Issuer determines that there is no such rate, such other rate as the Issuer determines in its discretion is most comparable to the relevant Reference Rate or Mid-Swap Rate (as applicable).

“**Benchmark Event**” means:

- (i) a public statement by the administrator of the relevant Reference Rate or Mid-Swap Rate (as applicable) stating that, in the view of such administrator, the methodology to calculate such Reference Rate or Mid-Swap Rate (as applicable) has materially changed;
- (ii) the relevant Reference Rate or Mid-Swap Rate (as applicable) ceasing to be published for a period of at least five Business Days or ceasing to exist; or
- (iii) a public statement by the administrator of the relevant Reference Rate or Mid-Swap Rate (as applicable) stating that it has ceased or that it will cease to publish the relevant Reference Rate or Mid-Swap Rate (as applicable), permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the relevant Reference Rate or Mid-Swap Rate (as applicable)); or

- (iv) a public statement by the supervisor of the administrator of the relevant Reference Rate or Mid-Swap Rate (as applicable) stating that the relevant Reference Rate or Mid-Swap Rate (as applicable) has been or will be permanently or indefinitely discontinued; or
- (v) a public statement by the supervisor or the administrator of the relevant Reference Rate or Mid-Swap Rate (as applicable) that means that the relevant Reference Rate or Mid-Swap Rate (as applicable) will be prohibited from being used or that its use will be subject to restrictions or adverse consequences; or
- (vi) the making of a public statement by the supervisor of the administrator of the relevant Reference Rate or Mid-Swap Rate (as applicable) that the relevant Reference Rate or Mid-Swap Rate (as applicable) is or will be (or is or will be deemed by such supervisor to be) no longer representative of its relevant underlying market; or
- (vii) it has become unlawful for the Agent, the Calculation Agent or any other agents party to the Agency Agreement to calculate any payments due to be made to any Noteholders using the relevant Reference Rate or Mid-Swap Rate (as applicable),

provided that the Benchmark Event shall be deemed to occur (a) in the case of sub-paragraphs (iii) and (iv) above, on the date of the cessation of publication of the Reference Rate or Mid-Swap Rate (as applicable) or the discontinuation of the Reference Rate or Mid-Swap Rate (as applicable), (b) in the case of sub-paragraph (v) above, on the date of the prohibition of the use of the Reference Rate or Mid-Swap Rate (as applicable) and (c) in the case of sub-paragraph (vi) above, on the date with effect from which the relevant Reference Rate or Mid-Swap Rate (as applicable) will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying market and which is specified in the relevant public statement, and, in each case, not the date of the relevant public statement.

“IA Determination Cut-Off Date” means no later than five Business Days prior to the relevant Interest Determination Date or Reset Determination Date (as applicable) relating to the next succeeding Interest Period or Reset Period (as applicable).

“Independent Adviser” means an independent financial institution of international repute or other independent financial adviser experienced in the international debt capital markets, in each case selected and appointed by the Issuer at its own expense.

“Relevant Nominating Body” means, in respect of a Reference Rate or Mid-Swap Rate:

- (i) the central bank for the currency to which the Reference Rate or Mid-Swap Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate or Mid-Swap Rate; or
- (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (A) the central bank for the currency to which the Reference Rate or Mid-Swap Rate relates, (B) any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate or Mid-Swap Rate, (C) a group of the aforementioned central banks or other supervisory authorities or (D) the Financial Stability Board or any part thereof.

“Successor Rate” means the rate that the Issuer determines is a successor to, or replacement of, the Reference Rate or Mid-Swap Rate (as applicable) which is formally recommended by any Relevant Nominating Body.

4 Redemption, Purchase and Options

(a) *Final Redemption*

Unless previously redeemed or purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified in the Final Terms at its Final Redemption Amount (which is its nominal amount, unless otherwise provided in the Final Terms).

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

(b) *Redemption upon the occurrence of a Tax Event*

If the Tax Call Option and the Prohibition of Sales to Consumers are specified as applicable in the Final Terms, the Issuer may, at its option (subject, in the case of Subordinated Tier 2 Notes and Senior Notes, to Condition 4(j) (*Conditions to Redemption and Purchase of Subordinated Tier 2 Notes*)), having given not less than 15 nor more than 45 days' notice to the holders in accordance with Condition 13 (*Notices*) (which notice shall subject, in the case of Subordinated Tier 2 Notes and Senior Notes, as provided in Condition 4(j) (*Conditions to Redemption and Purchase of Subordinated Tier 2 Notes*), be irrevocable), redeem all, but not some only, of the Notes outstanding on (if the Notes are Floating Rate Notes) the next Interest Payment Date or (if the Notes are not Floating Rate Notes) at any time, at the Early Redemption Amount, together with any accrued but unpaid interest up to (but excluding) the date fixed for redemption and any additional amounts payable in accordance with Condition 8 (*Taxation*), if, at any time, a Tax Event has occurred, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which (i) the Issuer would be obliged to pay any additional amounts in case of a Tax Gross-up Event, and (ii) a payment in respect of the Notes would not be deductible by the Issuer for Belgian corporate income tax purposes or such deduction would be reduced in case of a Tax Deductibility Event, in each case, were a payment in respect of the Notes then due.

The Issuer shall deliver to the Agent an opinion of an independent legal advisers of recognised standing to the effect that a Tax Event exists.

A “**Tax Event**” shall be deemed to have occurred if as a result of a Tax Law Change:

- (A) in making payments under the Notes, the Issuer has or will on or before the next Interest Payment Date or the Maturity Date (as applicable) become obliged to pay additional amounts on interests from the Notes (but not principal or any other amount) as provided or referred to in Condition 8 (*Taxation*) (and such obligation cannot be avoided by the Issuer taking reasonable measures available to it) (a “**Tax Gross-up Event**”); or
- (B) on the next Interest Payment Date or the Maturity Date any payments by the Issuer in respect of the Notes ceases (or will cease) to be deductible by the Issuer for Belgian corporate income tax purposes or such deductibility is reduced (a “**Tax Deductibility Event**”).

In these Conditions, a “**Tax Law Change**” means any change or proposed change in, or amendment or proposed amendment to, the laws or regulations of Belgium, including any treaty to which Belgium is a party, or any change in the application or official interpretation of such laws or regulations, including a decision of any court, or any interpretation or pronouncement

by any relevant tax authority, which change or amendment (x) (subject to (y)) becomes, or would become, effective on or after the Issue Date, or (y) in the case of a change or proposed change in law, if such change is enacted (or, in the case of a proposed change, is expected to be enacted) on or after the Issue Date.

(c) *Redemption of Subordinated Tier 2 Notes following the occurrence of a Capital Disqualification Event*

If Capital Disqualification Event and the Prohibition of Sales to Consumers are specified as applicable in the Final Terms, the Issuer may at its option but subject to Condition 4(j) (*Conditions to Redemption and Purchase of Subordinated Tier 2 Notes*), having given not less than 15 nor more than 45 days' notice in accordance with Condition 13 (*Notices*), redeem all but not some only of the Subordinated Tier 2 Notes at any time at the Early Redemption Amount, together (if applicable) with any accrued but unpaid interest up to (but excluding) the date fixed for redemption if a Capital Disqualification Event has occurred and is continuing.

In these Conditions:

A “**Capital Disqualification Event**” will occur if at any time the Issuer determines that as a result of a change (or prospective future change which the Relevant Regulator considers to be sufficiently certain) to the regulatory classification of the relevant Series of Subordinated Tier 2 Notes, in any such case becoming effective on or after the Issue Date, such Subordinated Tier 2 Notes cease (or would cease) to be included, in whole or in part, in, or count towards the Tier 2 Capital of the Issuer (other than as a result of any applicable limitation on the amount of such capital as applicable to the Issuer).

“**Group**” means KBC Group NV and its subsidiaries from time to time.

“**Relevant Regulator**” means the National Bank of Belgium, the European Central Bank or any successor or replacement entity having primary responsibility for the prudential oversight and supervision of the Issuer.

(d) *Redemption at the Option of the Issuer*

If the Issuer Call Option and the Prohibition of Sales to Consumers are specified as applicable in the Final Terms, the Issuer may at its option (subject, in the case of Subordinated Tier 2 Notes and Senior Notes, to Condition 4(j) (*Conditions to Redemption and Purchase of Subordinated Tier 2 Notes*)), on giving not less than 15 nor more than 45 days' irrevocable notice to the holders (or such other notice period as may be specified in the Final Terms), redeem all or, if so provided, some only of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount specified in the Final Terms (which may be the Early Redemption Amount (as described in Condition 4(f) (*Early Redemption Amounts*) below)), together with interest accrued to the date fixed for redemption. In the case of a redemption of Notes in part, any such redemption must, if so specified in the Final Terms, relate to Notes of a nominal amount at least equal to the Minimum Callable Amount to be redeemed specified in the Final Terms and no greater than the Maximum Callable Amount to be redeemed specified in the Final Terms.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 4.

(e) *Redemption of Senior Notes following the occurrence of a Loss Absorption Disqualification Event*

If, in the case of Senior Notes, “Loss Absorption Disqualification Event” and “Prohibition of Sales to Consumers” are specified as applicable in the Final Terms, the Issuer has the option to specify in the Final Terms that a Loss Absorption Disqualification Event is applicable. Where such Loss Absorption Disqualification Event is specified in the Final Terms as being applicable, then the relevant Senior Notes may on or after the date specified in the applicable Final Terms be redeemed at the option of the Issuer in whole, but not in part, on (if the Notes are Floating Rate Notes) the next Interest Payment Date or (if the Notes are not Floating Rate Notes) at any time, on giving not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the holders in accordance with Condition 13 (*Notices*) (which notice shall be irrevocable), if the Issuer determines that a Loss Absorption Disqualification Event has occurred and is continuing.

Upon the expiration of such notice, the Issuer shall be bound to redeem such Notes at their Early Redemption Amount (as determined in accordance with Condition 4(f) (*Early Redemption Amounts*) below) together (if applicable) with any accrued but unpaid interest up to (but excluding) the date fixed for redemption.

As used in this Condition 4(e), a “**Loss Absorption Disqualification Event**” shall be deemed to have occurred if:

- (i) at the time that any Loss Absorption Regulation becomes effective, and as a result of such Loss Absorption Regulation becoming so effective, in each case with respect to the Issuer and/or the Group, the Notes do not or (in the opinion of the Issuer or the Relevant Regulator) are likely not to qualify in full towards the Issuer’s and/or the Group’s minimum requirements for (A) own funds and eligible liabilities and/or (B) loss absorbing capacity instruments; or
- (ii) as a result of any amendment to, or change in, any Loss Absorption Regulation, or any change in the application or official interpretation of any Loss Absorption Regulation, in any such case becoming effective on or after the Issue Date of the first Tranche of the Notes, the Notes are or (in the opinion of the Issuer or the Relevant Regulator) are likely to be fully or partially excluded from the Issuer’s and/or the Group’s minimum requirements for (A) own funds and eligible liabilities and/or (B) loss absorbing capacity instruments,

in each case as such minimum requirements are applicable to the Issuer and/or the Group and determined in accordance with, and pursuant to, the relevant Loss Absorption Regulations; *provided that* in the case of (i) and (ii) above, a Loss Absorption Disqualification Event shall not occur where the exclusion of the Notes from the relevant minimum requirement(s) (a) was reasonably foreseeable at the Issue Date of the last Tranche of Notes or (b) is due to the remaining maturity of the Notes being less than any period prescribed by the applicable Loss Absorption Regulations effective or (c) is due to any restriction on the amount of liabilities that can count towards the Issuer’s and/or the Group’s minimum requirements for (A) own funds and eligible liabilities and/or (B) loss absorbing capacity instruments or (d) is as a result of the relevant Notes being bought back by or on behalf of the Issuer or a buy back of the relevant Notes which is funded by or on behalf of the Issuer or (e) in the case of Senior Notes is due to

the relevant Senior Notes not meeting any requirement in relation to their ranking upon insolvency of the Issuer.

“**Loss Absorption Regulations**” means, at any time, the laws, regulations, requirements, guidelines, rules, standards and policies relating to minimum requirements for own funds and eligible liabilities and/or loss absorbing capacity instruments of the Kingdom of Belgium, the Relevant Regulator, the Resolution Authority, the Financial Stability Board and/or of the European Parliament or of the Council of the European Union then in effect in the Kingdom of Belgium including, without limitation to the generality of the foregoing, any delegated or implementing acts (such as regulatory technical standards) adopted by the European Commission and any regulations, requirements, guidelines, rules, standards and policies relating to minimum requirements for own funds and eligible liabilities and/or loss absorbing capacity instruments adopted by the Relevant Regulator and/or the Resolution Authority from time to time (whether or not such regulations, requirements, guidelines, rules, standards or policies are applied generally or specifically to the Issuer or to the Group).

“**Resolution Authority**” means the Single Resolution Board (SRB) (established pursuant to the Regulation 806/2014 of the European Parliament and the Council of 15 July 2014 relating to the Single Resolution Mechanism) and, where relevant, the resolution college of the National Bank of Belgium (within the meaning of Article 21^{ter} of the Act of 22 February 1998 establishing the organic statute of the National Bank of Belgium) or any successor or replacement entity having responsibility for the recovery and resolution of the Issuer.

(f) *Early Redemption Amounts*

The Early Redemption Amount payable in respect of any Note, upon redemption of such Note pursuant to Condition 4(b) (*Redemption upon the occurrence of a Tax Event*), Condition 4(c) (*Redemption of Subordinated Tier 2 Notes following the occurrence of a Capital Disqualification Event*), Condition 4(d) (*Redemption at the Option of the Issuer*) or Condition 4(e) (*Redemption of Senior Notes following the occurrence of a Loss Absorption Disqualification Event*) shall be the Final Redemption Amount(s) unless otherwise specified in the Final Terms.

(g) *Directors' Certificate*

Prior to the publication of any notice of redemption pursuant to this Condition 4 (other than redemption at the option of the Issuer pursuant to Condition 4(d) (*Redemption at the Option of the Issuer*)), the Issuer shall deliver to the Agent a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, including (in the case of a Tax Event, a Capital Disqualification Event or a Loss Absorption Disqualification Event (as applicable)) that a Tax Event (as defined in Condition 4(b) (*Redemption upon the occurrence of a Tax Event*) above), a Capital Disqualification Event (as defined in Condition 4(c) (*Redemption of Subordinated Tier 2 Notes following the occurrence of a Capital Disqualification Event*) above) or a Loss Absorption Disqualification Event (as defined in Condition 4(e) (*Redemption of Senior Notes following the occurrence of a Loss Absorption Disqualification Event*) above) exists.

(h) *Purchases*

The Issuer or any of its subsidiaries may at any time, but is not obliged to, purchase Notes in the open market or otherwise at any price. Any Notes so purchased or otherwise acquired may, at the Issuer's discretion, be held or resold or, at the option of the Issuer, surrendered to the Agent for cancellation.

This Condition 4(h) shall apply in the case of Senior Notes or Subordinated Tier 2 Notes to the extent such purchases of Senior Notes or Subordinated Tier 2 Notes are not prohibited by the applicable Loss Absorption Regulations and/or Applicable Banking Regulations, as applicable, and subject to the conditions set out in Condition 4(j) (*Conditions to Redemption and Purchase of Subordinated Tier 2 Notes*).

(i) *Cancellation*

All Notes which are redeemed or purchased by or on behalf of the Issuer or otherwise acquired as aforesaid and surrendered to the Agent for cancellation will forthwith be cancelled. All Notes so cancelled cannot be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

(j) *Conditions to Redemption and Purchase of Subordinated Tier 2 Notes*

Any optional redemption of Subordinated Tier 2 Notes pursuant to Condition 4(b) (*Redemption upon the occurrence of a Tax Event*), Condition 4(c) (*Redemption of Subordinated Tier 2 Notes following the occurrence of a Capital Disqualification Event*) or Condition 4(d) (*Redemption at the Option of the Issuer*) and any purchase of Subordinated Tier 2 Notes pursuant to Condition 4(h) (*Purchases*) is subject to the following conditions (in each case only if and to the extent then required by Applicable Banking Regulations):

- (i) compliance with any conditions prescribed under Applicable Banking Regulations and/or the applicable Loss Absorption Regulations, including the prior approval of the Relevant Regulator (if required);
- (ii) in respect of any redemption of the relevant Subordinated Tier 2 Notes proposed to be made prior to the fifth anniversary of the Issue Date, (a) in the case of redemption following the occurrence of a Tax Event, the Issuer having demonstrated to the satisfaction of the Relevant Regulator that (A) the Tax Law Change was not reasonably foreseeable as at the Issue Date and (B) the Tax Law Change is material or (b) in the case of redemption following the occurrence of a Capital Disqualification Event, the Issuer having demonstrated to the satisfaction of the Relevant Regulator that the relevant change was not reasonably foreseeable by the Issuer as at the Issue Date; and
- (iii) compliance by the Issuer with any alternative or additional pre-conditions to the redemption or purchase of the relevant Subordinated Tier 2 Notes, set out in the Applicable Banking Regulations for the time being or required by the Relevant Regulator.

(k) *Additional conditions to redemption or purchase of Senior Notes prior to their Maturity Date*

Any optional redemption of Senior Notes pursuant to Condition 4(b) (*Redemption upon the occurrence of a Tax Event*), 4(d) (*Redemption at the Option of the Issuer*) or 4(e) (*Redemption of Senior Notes following the occurrence of a Loss Absorption Disqualification Event*) and any purchase of Senior Notes pursuant to Condition 4(h) (*Purchases*) will be subject to the following conditions (in each case only if and to the extent then required by the applicable Loss Absorption Regulations):

- (i) compliance with any conditions prescribed under the applicable Loss Absorption Regulations, including the prior approval of the Resolution Authority (if required); and
- (ii) compliance by the Issuer with any alternative or additional pre-conditions to the redemption or purchase of the relevant Senior Notes, set out in the applicable Loss Absorption Regulations for the time being or required by the Resolution Authority.

(l) *Notices Final*

Subject to Condition 4(j) (*Conditions to Redemption and Purchase of Subordinated Tier 2 Notes*), upon the expiry of any notice period as is referred to in Condition 4(b) (*Redemption upon the occurrence of a Tax Event*), Condition 4(c) (*Redemption of Subordinated Tier 2 Notes following the occurrence of a Capital Disqualification Event*), Condition 4(d) (*Redemption at the Option of the Issuer*) and Condition 4(e) (*Redemption of Senior Notes following the occurrence of a Loss Absorption Disqualification Event*) the Issuer shall be bound to redeem the Notes to which the notice refers in accordance with the terms of such Condition.

(m) *Definitions*

As used in these Conditions, the “**Relevant Date**” in respect of any payment means the date on which such payment first becomes due or (if the full amount of the moneys payable has not been duly received by the Agent on or prior to such date) the date on which notice is given to the Noteholders that such moneys have been so received.

References in these Conditions to (i) “**principal**” shall be deemed to include any premium payable in respect of the Notes, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and all other amounts in the nature of principal payable pursuant to this Condition 4 or any amendment or supplement to it, (ii) “**interest**” shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 3 (*Interest and other calculations*) or any amendment or supplement to it and (iii) “**principal**” and/or “**interest**” shall be deemed to include any additional amounts on interests from the Notes (but not principal or any other amount) that may be payable under Condition 8 (*Taxation*).

5 Payments

(a) *Payment in euro*

Without prejudice to the Belgian Companies and Associations Code, payment of principal in respect of the Notes, payment of accrued interest payable on a redemption of the Notes and payment of any interest due on an Interest Payment Date in respect of the Notes will be made through the Securities Settlement System in accordance with the Securities Settlement System Regulations. The payment obligations of the Issuer under the Notes will be discharged by payment to the NBB in respect of each amount so paid.

(b) *Payment in other currencies*

Without prejudice to the Belgian Companies and Associations Code, payment of principal in respect of the Notes, payment of accrued interest payable on a redemption of the Notes and payment of any interest due on an Interest Payment Date in respect of the Notes will be made through the Agent.

(c) *Method of payment*

Each payment referred to in Condition 5(a) (*Payment in euro*) will be made in euro by transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with a bank in a city in which banks have access to the TARGET System. Each payment referred to in Condition 5(b) (*Payment in other currencies*) will be made in a Specified Currency other than euro by credit or transfer to an account in the relevant Specified Currency maintained by the payee with a bank in the principal financial centre of the country of such Specified Currency.

(d) *Payments subject to fiscal laws*

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment or other laws or agreements to which the Issuer or the Agent agrees to be subject and the Issuer will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements, but without prejudice to the provisions of Condition 8 (*Taxation*). No commission or expenses shall be charged to the Noteholders in respect of such payments. The Issuer reserves the right to require a Noteholder to provide the Agent with such certification or information as may be required to enable the Issuer to comply with the requirements of the United States federal income tax laws or any agreement between the Issuer and any taxing authority.

(e) *Appointment of Agents*

The Agent and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed in the applicable Final Terms. The Agent and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Agent or the Calculation Agent provided that the Issuer shall at all times maintain (i) an Agent, (ii) a Calculation Agent where the Conditions so require, and (iii) such other agents as may be required by any other stock exchange on which the Notes may be listed. Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) *Non-Business Days*

If any date for payment in respect of any Note is not a Business Day, the holder shall not be entitled to payment until the next following Business Day nor to any interest or other sum in respect of such postponed payment.

(g) Amendments to the Final Terms of the Notes

As from the date of this Supplement N°1, section 14 of Part A of the Form of Final Terms (*Fixed Rate Reset Note Provisions*) shall be amended to read as follows:

Fixed Rate Reset Note Provisions	[Applicable/Not Applicable]
(i) Initial Rate of Interest:	[●]% per annum payable in arrear [on each Interest Payment Date]
(ii) Interest Payment Date(s):	[●] [and [●]] in each year [from and including [●]][until and excluding [●]]

- (iii) First Reset Date: [●]
- (iv) Subsequent Reset Date(s): [[●] [and[●]]/Not Applicable]
- (v) Reset Determination Dates: [●]
- (vi) Reset Reference Rate: [Mid-Swap Rate/Sterling Reference Bond Rate]
- (vii) Initial Reference Rate: [●]
- (viii) Reset Determination Time: [●]
- (ix) Mid-Swap Rate: [semi-annual] [annualised]
- (x) Swap Rate Period: [[●]]
- (xi) Relevant Screen Page: [●] [Not Applicable]
- (xii) Margin(s): [+/-][●]% per annum [in respect of the First Reset Period]
[+/-][●]% per annum [in respect of each Subsequent Reset Period]
- (xiii) Subsequent Margin: [●] [Not Applicable]
- (xiv) Fixed Coupon Amount[(s)] in respect of the period from (and including) the Interest Commencement Date up to (but excluding) the First Reset Date: [[●] per Calculation Amount]
- (xv) Broken Amount(s): [[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]/Not Applicable]
- (xvi) Day Count Fraction: [Actual/365] [Actual/Actual] [Actual/Actual (ISDA)]
[Actual/365 (fixed)]
[Actual/360]
[30/360] [360/360] [Bond Basis]
[30E/360] [Eurobond Basis]
[30E/360 (ISDA)]
[Actual/Actual ICMA]
- (xvii) Determination Dates: [[●] in each year/Not Applicable]

(h) Description of the Issuer

In the subsection entitled *Banking supervision and regulation* on page 96 *et seq.* of the Base Prospectus, the following subsection shall be added:

Minimum requirement for own funds and eligible liabilities (MREL)

The resolution plan for the Group is based on a Single Point of Entry (SPE) approach at the level of the Issuer with ‘bail-in’ as the primary resolution tool. Under BRRD, the Group is subject to minimum requirement for own funds and eligible liabilities (MREL) set by the

Single Resolution Board (SRB). MREL measures the amount of own funds and eligible liabilities that can be credibly and feasibly bailed-in.

The eligible instruments to satisfy the MREL requirements are defined in BRRD. In June 2021, the SRB officially communicated to the Issuer the new MREL requirements under BRRD, expressed as a percentage of Risk Weighted Assets (RWA) and Leverage Ratio Exposure Amount (LRE). The new binding MREL requirements at the level of the Issuer (on a consolidated basis) are:

- 22.13 per cent. as a percentage of RWA as from 1 January 2024, with an intermediate target of 21.63 per cent. as from 1 January 2022 (the combined buffer requirement needs to be held on top of the MREL target as a percentage of RWA); and
- 7.34 per cent. as a percentage of LRE as from 1 January 2022.

At the end of June 2021, the MREL ratio of KBC Group consolidated stands at 28.0 per cent. as a percentage of RWA and at 8.1 per cent. as a percentage of LRE.

Besides a total MREL amount, BRRD also requires the Issuer to maintain a certain part of MREL in subordinated format (i.e. instruments subordinated to liabilities, excluded from bail-in). The Issuer has on its balance sheet a limited amount of liabilities that are excluded from bail-in and which rank *pari passu* to MREL eligible liabilities. These excluded liabilities are related to critical shared services (e.g. IT) of the Issuer. This jeopardizes the eligibility of the senior debt of the Issuer to be acknowledged by the SRB as subordinated, as BRRD does not permit exemptions from the subordination requirement for MREL.

To ensure that the Issuer's senior debt is eligible for the subordinated MREL requirements, the Executive Committee of the Issuer has decided to make KBC Group NV a 'clean holding company' for the purpose of resolution: all liabilities excluded from the bail-in and ranking *pari passu* with or junior to senior debt will be transferred away from the balance sheet of the Issuer. After implementation of the 'clean holding company' structure, KBC Group's entire MREL stack will be considered as subordinated.

The new binding subordinated MREL requirements are:

- 15.95 per cent. of RWA as from 1 January 2024 with an intermediate target of 13.50 per cent. as from 1 January 2022 (the combined buffer requirement needs to be held on top); and
- 7.34 per cent. of LRE as from 1 January 2024 with an intermediate target of 6.19 per cent. as from 1 January 2022.

At the end of June 2021, the subordinated MREL ratio of KBC Group consolidated stands at 21.3 per cent. as a percentage of RWA and at 6.1 per cent. as a percentage of LRE.

II. General

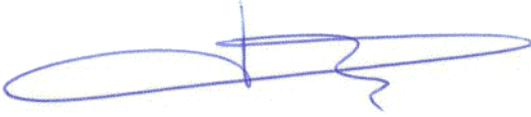
Save as disclosed in this Supplement N°1, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus since 1 June 2021, the date of publication of the Base Prospectus.

To the extent that there is an inconsistency between (a) any statement in this Supplement N°1 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°1 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

24 August 2021



Authorized signatory
on behalf of KBC Group NV

Erik Luts
Executive Director



Authorized signatory
on behalf of KBC Group NV

John Theys
Executive Director