



## KBC IFIMA S.A.

*(Incorporated with limited liability in the Grand Duchy of Luxembourg)*

### **Unconditionally and irrevocably guaranteed by KBC Bank NV**

*(Incorporated with limited liability in Belgium)*

#### **EUR 1,000,000,000 Base Prospectus for the issue of Warrants**

Under this EUR 1,000,000,000 Warrant Programme (the “**Programme**”), KBC IFIMA S.A., a public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg, with registered address at 4, rue du Fort Wallis, L-2714 Luxembourg, Grand-Duchy of Luxembourg and registered with the Luxembourg Register of Commerce and Companies (RCS) under number B193577 (the “**Issuer**” or “**KBC IFIMA S.A.**”) may from time to time issue warrants linked to either a specified single share, a specified index, a specified foreign exchange rate or a specified interest in an exchange traded fund or multiple exchange traded funds (each a “**Reference Item**”), in each case guaranteed by the Guarantor (as defined below) (the “**Warrants**”) with a warrant issue price (the “**Warrant Issue Price**”) in any currency agreed between the Issuer and the relevant Dealer(s) (as defined below). Any Warrants issued under the Programme on or after the date of this Base Prospectus are issued subject to the provisions herein.

The payments and, where applicable, delivery of all amounts due in respect of the Warrants will be guaranteed by KBC Bank NV (the “**Guarantor**”) pursuant to a deed of guarantee dated 21 September 2018 as amended and/or supplemented and/or restated from time to time (the “**Guarantee**”) executed by the Guarantor.

The Warrant Issue Price of all Warrants from time to time outstanding will not, in aggregate, exceed EUR 1,000,000,000 (or its equivalent in other currencies).

The Warrants may be issued on a continuing basis to any Dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis and which may include KBC Bank NV acting in its capacity as a Dealer separate from that as a Guarantor (each a “**Dealer**” and together the “**Dealers**”).

Application has been made to the *Commission de Surveillance du Secteur Financier* (the “**CSSF**”) in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 relating to prospectuses for securities (*loi relative aux prospectus pour valeurs mobilières*), as amended, for the approval of this document as a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC as amended (the “**Prospectus Directive**”) in respect of the issue by the Issuer of PD Warrants (as defined below).

According to Article 7 (7) of the Luxembourg Law of 10 July 2005 on prospectuses for securities (*loi relative aux prospectus pour valeurs mobilières*), as amended, the CSSF does not assume any responsibility as to the economical and financial soundness of the transaction or the quality or solvency of the Issuer and/or the Guarantor. Application has also been made to Euronext Brussels for Warrants issued under the Programme during the period of 12 months from the date of approval of this Base Prospectus to be admitted to trading on the Regulated Market of Euronext Brussels. References in this Base Prospectus to Warrants being “**listed**” (and all related references) shall mean that such Warrants are intended to be admitted to trading on Euronext Brussels’ Regulated Market and are intended to be listed on the Regulated Market of Euronext Brussels. Euronext Brussels’ regulated market is a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU, as amended (“**MiFID II**”).

The final terms to this Base Prospectus in respect of the issue of any PD Warrants (the “**Final Terms**”), which will complete the applicable terms and conditions of the Warrants, will be filed with the CSSF. Copies of the Final Terms in relation to PD Warrants to be listed on the official list of Euronext Brussels will also be published on the website of Euronext Brussels at [www.euronext.com](http://www.euronext.com).

The Programme provides that Warrants may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer(s). In the case of Warrants which are (i) to be admitted to trading on a regulated market (as defined in the Prospectus Directive) of a European Economic Area Member State other than the regulated market of Euronext Brussels (a “**Host Member State**”), or (ii) offered to the public in a Host Member State, the Issuer will request that the CSSF delivers to the competent authority of the Host Member State a certificate of approval pursuant to Article 18 of the Prospectus Directive attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive and, if so required by the relevant Host Member State, a translation of the summary set out in this Base Prospectus.

Warrants to be issued under the Programme during the period of twelve months from the date of this Base Prospectus which are (a) offered to the public in the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive whether or not such Warrants are listed and admitted to trading on any market or (b) admitted to trading on a regulated market as defined under MiFID II (including the regulated market of Euronext Brussels) are hereinafter referred to as the “**PD Warrants**”.

The Issuer may also issue unlisted Warrants and/or Warrants not admitted to trading on any regulated market within the European Economic Area which does not require the publication of a prospectus under the Prospectus Directive (“**Exempt Warrants**”). The CSSF has not reviewed nor approved any information in relation to Exempt Warrants.

The Warrants of each Tranche will be represented by a permanent global warrant (a “**Permanent Global Warrant**”) which will be delivered on or prior to the issue date thereof to, and held by, Interprofessionele Effectendeposito- en Girokas SA/NV (Euroclear Belgium) (“**Euroclear**”) as central securities depository and securities settlement system (the “**Central Securities Depository and Securities Settlement System**”) and/or any other agreed clearance system. A Permanent Global Warrant will be exchangeable for a definitive warrant only upon the occurrence of an Exchange Event, all as further described in “**Form of the Warrants**” below.

Warrants issued under the Programme will not be rated.

**Prospective purchasers of Warrants should ensure that they understand the nature of the relevant Warrants and the extent of their exposure to risks and that they consider the suitability of the relevant Warrants as an investment in the light of their own circumstances and financial condition. Certain issues of Warrants involve a high degree of risk and potential investors should be prepared to sustain a loss of all or part of their investment. It is the responsibility of prospective purchasers to ensure that they have sufficient knowledge, experience and professional advice to make their own legal, financial, tax, accounting and other business evaluation of the merits and risks of investing in the Warrants and are not relying on the advice of the Issuer, the Guarantor or any Dealer in that regard. For a discussion of the risks see “**Risk Factors**” below. An investment in Warrants linked to one or more Reference Items may entail significant risks not associated with investments in a conventional security. The notional invested in such Warrants may be at risk. The amount paid by the Issuer on exercise of the Warrants may be less than the Warrant Issue Price of the Warrants, and may in certain circumstances be zero.**

*Arranger and Dealer*

**KBC Bank**

The date of this Base Prospectus is 21 September 2018.

The Warrants have not been and will not be registered under the United States Securities Act 1933, as amended (the “**Securities Act**”) or with any securities regulatory authority of any state or other jurisdiction of the United States. Warrants held in definitive form are subject to U.S. tax law requirements (see “*Subscription and Sale*” below).

**MIFID II PRODUCT GOVERNANCE / TARGET MARKET** – The Final Terms in respect of any Warrants will include a legend entitled “MiFID II Product Governance” which will outline the target market assessment in respect of the Warrants and which channels for distribution of the Warrants are appropriate. Any person subsequently offering, selling or recommending the Warrants (a “**distributor**”) should take into consideration the target market assessment. However, a distributor subject to Directive 2014/65/EU (as amended, “**MiFID II**”) is responsible for undertaking its own target market assessment in respect of the Warrants (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the “**MiFID Product Governance Rules**”), any Dealer subscribing for any Warrants is a manufacturer in respect of such Warrants, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

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

All references in this document to “**U.S. dollars**”, “**USD**” and “**U.S.\$**” refer to United States dollars, those to “**Sterling**” refer to pounds sterling, and those to “**euro**”, “**€**” and “**EUR**” refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

All references in this document to “**KBC Bank Group**” refer to KBC Bank NV together with its subsidiaries and all references in this document to “**Group**” or “**KBC**” refer to KBC Group NV together with its subsidiaries.

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

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

Words such as **believes**, **expects**, **projects**, **anticipates**, **seeks**, **estimates**, **intends**, **plans** or similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such

statements. The Issuer and the Guarantor do not intend to update these forward-looking statements except as may be required by applicable securities laws.

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

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

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

This Base Prospectus constitutes a base prospectus for the purposes of Article 5.4 of the Prospectus Directive.

Each of the Issuer and the Guarantor (together the “**Responsible Persons**”) accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge and belief of the Issuer and the Guarantor (each having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and contains no omissions likely to affect its import.

**The applicable Final Terms will (if applicable) contain information relating to any underlying equity security, ETF share, exchange rate or equity index (each a “Reference Item”) to which the relevant Warrants relate and which is contained in such Final Terms. However, unless otherwise expressly stated in the relevant Final Terms, any information contained therein relating to a Reference Item will only consist of extracts from, or summaries of, information contained in financial and other information released publicly by the issuer, owner or sponsor, as the case may be, of such Reference Item or component thereof. Each of the Issuer and the Guarantor will, unless otherwise expressly stated in the applicable Final Terms, confirm that such extracts or summaries have been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the issuer, owner or sponsor, as the case may be, of such Reference Item or component thereof, no facts have been omitted that would render the information reproduced inaccurate or misleading.**

This Base Prospectus is to be read in conjunction with any supplement hereto and all documents which are deemed to be incorporated herein by reference (see “*Documents Incorporated by Reference*” below). This Base Prospectus shall be read and construed on the basis that such documents are incorporated by reference and form part of this Base Prospectus. This Base Prospectus may only be used for the purposes for which it has been published.

To the fullest extent permitted by law, any Dealer appointed under the Programme from time to time does not accept any responsibility for the contents of this Base Prospectus or for any other statement, made or purported to be made by the Dealer or on its behalf in connection with the Issuer, the Guarantor, or the issue and offering of the Warrants. Each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to in this section) which it might otherwise have in respect of this Base Prospectus or any such statement. The statements made in this paragraph are made without prejudice to the responsibility of the Issuer and the Guarantor under the Programme.

No person is or has been authorised by the Issuer, the Guarantor or any Dealer to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Warrants and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor or any Dealer.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Warrants (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation or constituting an invitation or offer by the Issuer, the Guarantor or any Dealer that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or of any Warrants should purchase any Warrants. Each investor contemplating purchasing any Warrants should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and/or the Guarantor. Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Warrants constitutes an offer by or on behalf of the Issuer or the Guarantor or any Dealer to any person to subscribe for or to purchase any Warrants.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Warrants issued hereunder shall in any circumstances imply that the information contained herein concerning the Issuer and/or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers appointed under the Programme from time to time expressly do not undertake to review the financial condition or affairs of the Issuer or the Guarantor during the life of the Programme. Investors should review, *inter alia*, the documents incorporated herein by reference when deciding whether or not to purchase any Warrants.

The distribution of this Base Prospectus and the offer or sale of Warrants may be restricted by law in certain jurisdictions.

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Warrants in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction.

The distribution of this Base Prospectus and the offer or sale of Warrants may be restricted by law in certain jurisdictions. None of the Issuer, the Guarantor and the Dealers represent that this Base Prospectus may be lawfully distributed, or that any Warrants may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, unless specifically indicated to the contrary in the applicable Final Terms, no action has been taken by the Issuer, the Guarantor or the Dealers which is intended to permit an offer to the public of any Warrants or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Warrants may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Warrants may come must inform themselves about, and observe any such restrictions on the distribution of this Base Prospectus and the offering and sale of Warrants. In particular, there are restrictions on the distribution

of this Base Prospectus and the offer or sale of Warrants in the United States and the European Economic Area (including the United Kingdom), see “*Subscription and Sale*” below.

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

- has sufficient knowledge and experience to make a meaningful evaluation of the Warrants, the merits and risks of investing in the Warrants and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement or in the applicable Final Terms;
- has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Warrants and the impact the Warrants will have on its overall investment portfolio;
- has sufficient financial resources and liquidity to bear all of the risks of an investment in the Warrants, including Warrants where the currency for payments is different from the potential investor’s currency;
- understands thoroughly the terms of the Warrants and is familiar with the behaviour of any relevant indices and financial markets; and
- is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Warrants are legal investments for it and (2) restrictions may apply to its purchase or pledge of any Warrants. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Warrants under any applicable risk-based capital or similar rules.

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## SUMMARY OF THE BASE PROSPECTUS

*This section provides a summary of the key information contained in this Base Prospectus with placeholders for information specific to each tranche of Warrants. A summary completed with such issue-specific information will be attached to the Final Terms.*

Summaries are made up of disclosure requirements known as “**Elements**”. These Elements are numbered in Sections A – E (A.1 – E.7). This Summary contains all the Elements required to be included in a summary for the type of Warrants and the Issuer and the Guarantor in relation to PD Warrants. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the Summary because of the type of Warrants, the Issuer and the Guarantor, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element should be included in the summary with the mention of “not applicable”.

Section A – Introduction and warnings		
A.1	Introduction and warnings	<p>This summary should be read as an introduction to the base prospectus dated 21 September 2018 as supplemented from time to time (the “<b>Base Prospectus</b>”). Any decision to invest in the Warrants should be based on consideration of the Base Prospectus as a whole by the investor.</p> <p>Where a claim relating to the information contained in the Base Prospectus is brought before a court in a Member State, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Base Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the Summary, including any translation thereof, but only if the Summary is misleading, inaccurate or inconsistent when read together with the other parts of the Base Prospectus or it does not provide, when read together with the other parts of the Base Prospectus, key information in order to aid investors when considering whether to invest in such Warrants.</p>
A.2	Consent to use the Base Prospectus for subsequent resale or final placement by financial intermediaries and conditions attached to such consent	<p>[Not Applicable. The Issuer does not consent to the use of this Base Prospectus in connection with a Public Offer of PD Warrants by financial intermediaries other than the dealers appointed under the Programme either for a specific issue of Warrants or on an ongoing basis, which may include KBC Bank NV (the “<b>Dealers</b>”).]</p> <p>[<i>Consent</i>: Subject to the conditions set out below, the Issuer consents to the use of this Base Prospectus in connection with a Public Offer of PD Warrants (as defined below) by the Dealer[s], [●], [and] [each financial intermediary whose name is published on the Issuer’s website, (<a href="http://www.kbc.com">www.kbc.com</a>), and identified as an Authorised Offeror in respect of the relevant Public Offer] [and any financial intermediary which is authorised to make such offers under the applicable legislation implementing Directive 2014/65/EU, as amended (“<b>MiFID II</b>”) and publishes on its website the following statement (with the information in square brackets being completed with the relevant information):</p> <p><i>“We, [insert legal name of financial intermediary], refer to the [insert title of relevant PD Warrants] (the “<b>Warrants</b>”) described in the Final Terms dated [insert date] (the “<b>Final Terms</b>”) published by KBC IFIMA S.A. (the “<b>Issuer</b>”). We hereby accept the offer by the Issuer of its consent to our use of the Base</i></p>

Section A – Introduction and warnings		
		<p><i>Prospectus (as defined in the Final Terms) in connection with the offer of the Warrants in [Belgium] [and] [Luxembourg] (the “Public Offer”) in accordance with the Authorised Offeror Terms and subject to the conditions to such consent, each as specified in the Base Prospectus, and we are using the Base Prospectus in connection with the Public Offer accordingly.”.]</i></p> <p>A “<b>Public Offer</b>” of PD Warrants is an offer of Warrants (other than pursuant to Article 3(2) of Directive 2003/71/EC as amended (the “<b>Prospectus Directive</b>”) in [Belgium] [and] [Luxembourg] (the “<b>Public Offer Jurisdictions</b>”) during the Offer Period specified below. Those persons to whom the Issuer gives its consent in accordance with the foregoing provisions are the “<b>Authorised Offerors</b>” for such Public Offer.</p> <p>“<b>PD Warrants</b>” are any Warrants which are offered to the public in the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive.</p> <p><i>Offer Period:</i> The Issuer’s consent referred to above is given for Public Offers of PD Warrants during the period from [●] to [●] (the “<b>Offer Period</b>”).</p> <p><i>Conditions to consent:</i> The conditions to the Issuer’s consent [(in addition to the conditions referred to above)] are such that consent (a) is only valid in respect of the relevant Tranche of PD Warrants; (b) is only valid during the Offer Period; [and] (c) only extends to the use of this Base Prospectus to make Public Offers of the relevant Tranche of PD Warrants in [Belgium] [and] [Luxembourg] [and] (d) (<i>specify any other clear and objective conditions attached to the consent which are relevant for the use of the Base Prospectus</i>).</p> <p><b>The terms and other arrangements in place between an Authorised Offeror and an investor including as to price allocations and settlement arrangements shall be provided to investors by that Authorised Offeror at the time of the Public Offer. None of the Issuer, the Guarantor or any of the Dealers or other Authorised Offerors has any responsibility or liability for such information.]</b></p>

Section B – Issuer and Guarantor		
<b>B.1</b>	Legal and commercial name of the Issuer	KBC IFIMA S.A.
<b>B.2</b>	Domicile/ legal form/ legislation/ country of incorporation	The Issuer has its domicile in Luxembourg and is incorporated in the Grand Duchy of Luxembourg as a public limited liability company ( <i>société anonyme</i> ) operating under the laws of the Grand Duchy of Luxembourg.
<b>B.4b</b>	Trend information	Not applicable; there are no trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Issuer’s prospects.

Section B – Issuer and Guarantor																																																														
<b>B.5</b>	Description of the group and the position of the Issuer within the group	<p>The KBC group consists of the KBC Group NV (the holding company) and its wholly owned subsidiaries KBC Bank NV and KBC Insurance NV (the “<b>Group</b>”). KBC IFIMA S.A. is a wholly-owned subsidiary of KBC Bank NV (the “<b>Guarantor</b>”). The Guarantor and KBC Insurance NV each have a number of subsidiaries.</p> <p>KBC Bank NV and its subsidiaries (the “<b>KBC Bank Group</b>”) is a multi-channel bank that caters primarily to private persons, small and medium-sized enterprises and midcaps. Besides its banking activity KBC Bank Group also has a holding function for a wide range of group companies, mainly banking and other financial entities in Central and Eastern Europe and in other selected countries, such as Ireland.</p> <p>The Issuer acts as a financing vehicle within KBC Bank Group.</p>																																																												
<b>B.9</b>	Profit forecast or estimate	Not applicable; the Issuer does not make profit forecasts or estimates.																																																												
<b>B.10</b>	Audit report qualifications	Not applicable; there are no qualifications in the audit reports on the Issuer’s audited financial statements for the years ended 31 December 2016 and 31 December 2017.																																																												
<b>B.12</b>	Selected historical key financial information / Material adverse change / Significant change in the financial or trading position:	<p><b><i>Income Statement</i></b></p> <table border="1"> <thead> <tr> <th></th> <th><b>FY 2016 (EUR)</b></th> <th><b>FY 2017 (EUR)</b></th> <th><b>HY 2017 (EUR)</b></th> <th><b>HY 2018 (EUR)</b></th> </tr> </thead> <tbody> <tr> <td></td> <td>prepared under Luxembourg GAAP (audited)</td> <td>prepared under Luxembourg GAAP (audited)</td> <td>prepared under Luxembourg GAAP (unaudited)</td> <td>prepared under Luxembourg GAAP (unaudited)</td> </tr> <tr> <td>Summary of profit and loss account</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Gross margin and other income</td> <td>N/A</td> <td>N/A</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>Total Expenses</td> <td>N/A</td> <td>N/A</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>Other external charges</td> <td>367,470</td> <td>158,103</td> <td>92,663</td> <td>149,356</td> </tr> <tr> <td>Staff costs</td> <td>188,408</td> <td>224,247</td> <td>120,546</td> <td>126,800</td> </tr> <tr> <td>Profit before taxation</td> <td>N/A</td> <td>N/A</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>Corporation tax</td> <td>N/A</td> <td>N/A</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>Income tax (includes all taxes applicable)</td> <td>479,819</td> <td>426,849</td> <td>71,035</td> <td>79,476</td> </tr> <tr> <td>Net profit for the year</td> <td>N/A</td> <td>N/A</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>Profit for the financial year</td> <td>1,107,928</td> <td>1,355,223</td> <td>312,814</td> <td>230,625</td> </tr> </tbody> </table>		<b>FY 2016 (EUR)</b>	<b>FY 2017 (EUR)</b>	<b>HY 2017 (EUR)</b>	<b>HY 2018 (EUR)</b>		prepared under Luxembourg GAAP (audited)	prepared under Luxembourg GAAP (audited)	prepared under Luxembourg GAAP (unaudited)	prepared under Luxembourg GAAP (unaudited)	Summary of profit and loss account					Gross margin and other income	N/A	N/A	N/A	N/A	Total Expenses	N/A	N/A	N/A	N/A	Other external charges	367,470	158,103	92,663	149,356	Staff costs	188,408	224,247	120,546	126,800	Profit before taxation	N/A	N/A	N/A	N/A	Corporation tax	N/A	N/A	N/A	N/A	Income tax (includes all taxes applicable)	479,819	426,849	71,035	79,476	Net profit for the year	N/A	N/A	N/A	N/A	Profit for the financial year	1,107,928	1,355,223	312,814	230,625
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<b>Section B – Issuer and Guarantor</b>				
<i>Statement of Financial Position</i>				
	<b>FY 2016</b>	<b>FY 2017</b>	<b>HY 2017</b>	<b>HY 2018</b>
	<b>(EUR)</b>	<b>(EUR)</b>	<b>(EUR)</b>	<b>(EUR)</b>
	prepared	prepared	prepared	prepared
	under	under	under	under
	Luxembourg	Luxembourg	Luxembourg	Luxembourg
	GAAP	GAAP	GAAP	GAAP
	(audited)	(audited)	(unaudited)	(unaudited)
Summary of balance sheet				
Total Assets	4,118,851,117	2,355,017,439	2,795,283,904	2,310,292,777
Total bonds outstanding	N/A	N/A	N/A	N/A
Of which maturing within one year	N/A	N/A	N/A	N/A
Non subordinated debts – non convertible loans	4,088,813,841	2,335,419,177	2,767,718,177	2,292,238,426
Of which maturing within one year	1,803,537,635	1,054,714,001	486,183,761	911,272,809
Shareholders' equity	N/A	N/A	N/A	N/A
Capital and reserves	20,650,114	12,619,949	20,426,646	11,878,588
Gross interest margin	N/A	N/A	N/A	N/A
Profit after tax	1,107,928	1,355,223	N/A	230,626
Solvency ratio	N/A	N/A	N/A	N/A
Dividends paid out of previous year's profits	2,181,881	536,282	536,281.72	971,987
<i>Cash flow statement</i>				
		<b>FY 2016 (EUR)</b>	<b>FY 2017 (EUR)</b>	
		prepared under Luxembourg GAAP (audited)	prepared under Luxembourg GAAP (audited)	
Net profit		1,107,928	1,355,223	
Adjustment for:				
Depreciation		N/A	N/A	
Interests income/charges		(1,954,808)	(2,105,688)	
Net amortisation on loans and bonds		(241,678)	(122,089)	
Other provision		965	(3,936)	
Other – adjustment		-	-	
		<b>(1,087,593)</b>	<b>(876,490)</b>	
Merger		10,421,347	(8,849,110)	

<b>Section B – Issuer and Guarantor</b>			
	Other advance	(18,013)	1,165
	Change in other assets and liabilities accruals	N/A	N/A
	Change in other assets and liabilities	(110,492)	(6,017)
	Taxes (paid)/received	678,025	(948,320)
	Tax provision	515,884	(1,183,383)
	<b>Net cash flow from operational activities</b>	<b>10,399,158</b>	<b>(11,862,157)</b>
	Distribution on liquidation of subsidiaries	N/A	N/A
	Financial fixed assets – issued	(91,200,650)	(101,963,015)
	Financial fixed assets – repaid	2,558,509,585	1,830,022,665
	Interests received	177,378,562	107,082,935
	<b>Net cash flow from investment activities</b>	<b>2,644,687,497</b>	<b>1,835,142,585</b>
	Bonds issued	80,796,465	100,427,504
	Bonds repaid	(2,558,356,950)	(1,819,585,435)
	Dividend paid	(2,181,881)	(536,282)
	Interest paid	(174,876,082)	(105,497,868)
	<b>Net cash flow from financing activities</b>	<b>(2,654,618,448)</b>	<b>(1,825,192,080)</b>
	<b>Net cash flow</b>	<b>468,208</b>	<b>(1,911,650)</b>
	Cash balance as at 1 January	6,471,842	6,940,049
	Cash balance as at 31 December	6,940,050	5,028,400
	<b>Net cash flow</b>	<b>468,208</b>	<b>(1,911,650)</b>
	<i>Material adverse change:</i>		
	There has been no material adverse change in the prospects of the Issuer or KBC Bank Group since 31 December 2017.		
	<i>Significant change in financial or trading position:</i>		
	Not applicable; there has been no significant change in the financial or trading position of the Issuer or KBC Bank Group since 30 June 2018.		

<b>Section B – Issuer and Guarantor</b>		
<b>B.13</b>	Events impacting the Issuer's solvency	Not applicable; there have not been any recent events relevant to the evaluation of the Issuer's solvency since 31 December 2017.
<b>B.14</b>	Dependence upon other group entities	The Issuer is dependent on the Guarantor and other members of KBC Bank Group servicing debt on-lent by the Issuer as described in Element B.15 below. Please also refer to Element B.5.
<b>B.15</b>	Principal activities	The principal activity of the Issuer is to assist in the financing of the Guarantor, its subsidiaries and associated companies by raising debt to be on-lent to the Guarantor and the other members of KBC Bank Group.
<b>B.16</b>	Controlling shareholders	KBC Bank NV holds 100 per cent. of the share capital of the Issuer. As KBC Bank NV is a wholly-owned subsidiary of KBC Group NV, the Issuer is indirectly controlled by KBC Group NV and ultimately by the shareholders of KBC Group NV. KBC Group NV's shares are listed on Euronext Brussels. At the date of the Base Prospectus and based on the notifications made in accordance with the Belgian law of 2 May 2007 on disclosure of major holdings in issuers whose shares are admitted to trading on a regulated market, the major shareholders of KBC Group NV are KBC Ancora, Cera, MRBB and the other core shareholders.
<b>B.18</b>	Description of the Guarantee	The Warrants will be unconditionally and irrevocably guaranteed by the Guarantor pursuant to the deed of guarantee dated 21 September 2018, as amended and/or restated from time to time (the " <b>Guarantee</b> "). Claims in respect of the Guarantee constitute direct, unconditional, unsecured and unsubordinated obligations of the Guarantor and rank and will rank <i>pari passu</i> with all present and future unsecured and unsubordinated obligations of the Guarantor, without any preference among themselves and <i>pari passu</i> without any preference one above the other by reason of priority of date of issue, currency of payment or otherwise, except for obligations given priority by law.
<b>B.19/ B.1</b>	Legal and commercial name of the Guarantor	KBC Bank NV
<b>B.19/ B.2</b>	Domicile/ legal form/ legislation/ country of incorporation	The Guarantor is domiciled in Brussels, is incorporated in Belgium as a bank and operates under the laws of Belgium.
<b>B.19/ B.4b</b>	Trend information	The main sources for this section are the European Banking Authority, the European Central Bank (the " <b>ECB</b> ") and the European Commission. <b>Banking sector</b> After ongoing recapitalisation in the aftermath of the Eurocrisis, banks in the Eurozone continued to strengthen their balance sheet, closely monitored by the European Single Supervisor. At the same time, they adjusted their business models

Section B – Issuer and Guarantor	
	<p>to the evolving regulatory and challenging operating environment. While overall progress is significant, the results remain uneven across institutions and countries, with Italian and Portuguese banks still facing the toughest challenges. On the other hand, the asset quality of banks in core countries such as Belgium withstood the recent crises years remarkably well and continue to be very good. The Czech and Slovakian banking systems are also characterised by good asset quality, while in Hungary and Bulgaria high non-performing loans are decreasing.</p> <p>Loan growth in the Eurozone, is strengthening. Looking forward, enhanced economic governance and the banking union, which still needs to be completed, significantly strengthened the Eurozone architecture and offer a more stable banking sector environment than in the pre-crisis years. Amid a benign macroeconomic environment – despite significant emerging risks – profitability continues to improve, but significant challenges remain to enhance cost efficiency in a competitive environment and to withstand ongoing pressure on revenue growth. At the same time new technologies trigger new challenges to business models. Banks with a large customer and diversified income base are likely best suited to cope with these challenges.</p> <p><b>General economic environment and risks</b></p> <p>The global economy continues to perform solidly. In the United States, annual real gross domestic product (“GDP”) growth in 2017 accelerated to 2.3% after its dip in 2016 (1.5%). Growth in the United States was driven primarily by strong private consumption, which was underpinned by improving labour market conditions. Additionally, business spending picked up markedly. After a somewhat weaker growth figure in the first quarter of 2018, GDP growth reached 1.0% in the second quarter of 2018 (quarter-on-quarter; 4.2% annualised). The sharp acceleration was driven by the large growth contribution from private consumption, strong federal spending and an exceptionally high growth contribution of net trade. Corporate sentiment indicators – although down from their recent highs – also continue to signal optimism. Furthermore, the tax reform which the Republicans approved in the United States at the end of 2017 together with more government spending is expected to deliver some additional, albeit modest, boost to growth in 2018-2019. Therefore, average annual GDP growth in the United States is expected to slightly accelerate and reach its peak in 2018. The growth pace will then likely decline in the following years, reflecting the late-cyclical state of the United States economy, the tighter policy of the Federal Reserve System (“Fed”) and tightness of the United States labour market. For now, activity and inflation trends will support the Fed to continue with their gradual monetary policy path as planned. Also for the Eurozone economy, 2017 was a very strong year with an average annual growth rate of 2.5%, the highest pace in a decade and beyond any expectations. Private demand played an important role in the growth uptick, but net trade also made a substantial growth contribution. Moreover, business investment, although not fully recovered from the crisis, was an essential growth contributor during the year. In the first half of 2018, Eurozone GDP growth was somewhat lacklustre compared to the strong 2017 figures, with domestic demand as the main driver. Economic sentiment in the Eurozone declined in the first half of 2018. However, it remains at elevated levels, after having reached a seventeen-year high in December 2017.</p>

Section B – Issuer and Guarantor												
		<p>Nevertheless, optimism remains for the Eurozone economy and above-potential growth in the coming years is still expected. The main risks for the Eurozone economy will be the adverse effects of the ongoing trade conflicts and negative consequences from Brexit.</p> <p>Headline inflation is picking up in the Eurozone. This is mainly driven by oil price movements. Core inflation, excluding prices of energy, food, tobacco and alcohol, remains subdued in the region of 1%. Nevertheless, wage growth measures in several Eurozone economies have been rising recently, suggesting more inflation support from that corner in the coming months. Nevertheless, we still expect inflation to approach, but not reach, the ECB's medium-term target of below, but close to, 2%. This persistent shortfall from its inflation target explains the rather dovish stance of the ECB and its very gradual monetary policy normalisation plans with a first rate hike at the earliest after the summer of 2019. The combination of a dovish central bank, disappointing economic data, sticky core inflation, flight to quality capital flows, scarcity of German benchmark bonds and a continued presence of excess liquidity in the Eurozone will delay and slow down the normalisation of the term premium on Eurozone bond markets.</p> <p>Momentum remains supportive for the US dollar in the short-term as the interest rate differentials with the Eurozone have again reached multi-year highs. However, in the medium to longer term, most factors are pointing to an appreciation of the euro against the US dollar. Expectations of a first ECB rate hike and the consequences of late-cyclical fiscal stimulus (twin deficits) in the United States will lead to a strengthening of the euro.</p>										
<b>B.19/ B.5</b>	Description of the group and the position of the Guarantor within the group	See Element B.5 above.										
<b>B.19/ B.9</b>	Profit forecast or estimate	Not applicable; the Guarantor does not make profit forecasts or estimates.										
<b>B.19/ B.10</b>	Audit report qualifications	Not applicable; there are no qualifications in the audit reports on the Guarantor's audited financial statements for the years ended 31 December 2016 and 31 December 2017.										
<b>B.19/ B.12</b>	Selected historical key financial	<p><b><i>Income Statement</i></b></p> <p>Summary of consolidated profit and loss account data (in millions of EUR, IFRS)</p> <table> <thead> <tr> <th></th> <th><b>FY 2016</b></th> <th><b>FY 2017</b></th> <th><b>HY 2017</b></th> <th><b>HY 2018</b></th> </tr> </thead> <tbody> <tr> <td></td> <td><b>(audited)</b></td> <td><b>(audited)</b></td> <td><b>(unaudited)</b></td> <td><b>(unaudited)</b></td> </tr> </tbody> </table>		<b>FY 2016</b>	<b>FY 2017</b>	<b>HY 2017</b>	<b>HY 2018</b>		<b>(audited)</b>	<b>(audited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>FY 2016</b>	<b>FY 2017</b>	<b>HY 2017</b>	<b>HY 2018</b>								
	<b>(audited)</b>	<b>(audited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>								

Section B – Issuer and Guarantor							
	information/ Material adverse change/ Significant change in the financial or trading position	Total income	6,240	6,588	3,368	3,233	
		Operating expenses	-3,399	-3,568	-1,893	-2,001	
		Impairment	-145	44	67	57	
		Result after tax, group share	2,026	2,003	1,187	947	
		<b>Statement of Financial Position</b>					
		Summary of consolidated balance sheet data (in millions of EUR, IFRS)	<b>FY 2016 (audited)</b>	<b>FY 2017 (audited)</b>	<b>HY 2017 (unaudited)</b>	<b>HY 2018 (unaudited)</b>	
		Total assets	239,333	256,322	260,522	266,379	
		Parent shareholders' equity	12,568	14,083	13,344	13,115	
		<i>Material adverse change:</i>					
		There has been no material adverse change in the prospects of the Guarantor or KBC Bank Group since 31 December 2017.					
<i>Significant change in the financial or trading position:</i>							
Not applicable, there has been no significant change in the financial or trading position of the Guarantor or KBC Bank Group since 30 June 2018.							
<b>B.19/ B.13</b>	Events impacting the Guarantor's solvency	At the end of June 2018, total equity of the Guarantor came to EUR 15.7 billion (EUR 13.1 billion in parent shareholders' equity, EUR 0.2 billion in minority interests and EUR 2.4 billion in additional tier-1 instruments), up EUR 0.7 billion on its level at the beginning of the year on a like-for-like basis (i.e., after adjustment for the impact of the first-time application of IFRS 9, which led to a drop of EUR 0.6 billion). The like-for-like change during the first six months of 2018 resulted from the inclusion of the profit for that period (+ EUR 0.9 billion, excluding minority interests), the issuance of a new additional tier-1 instrument in April 2018 (+ EUR 1 billion), changes in the various revaluation reserves (an aggregate - EUR 0.1 billion), dividends paid to KBC Group for financial year 2017 (- EUR 1.2 billion) and a number of smaller changes. The common equity ratio (Basel III) stood at 14.2% (fully loaded) at 30 June 2018 (14.5% at 31 December 2017). The leverage ratio (Basel III, fully loaded) stood at 5.1% (5.0% at 31 December 2017).					
<b>B.19/ B.14</b>	Dependence upon other Group entities	The Guarantor, as full subsidiary of KBC Group NV, has, besides its banking activity, also a holding function for a wide range of group companies, mainly banking and other financial entities in Central and Eastern Europe and in other selected countries, such as Ireland. In its capacity of holding company, the Guarantor is affected by the cash flows from dividends received from these group companies. The Guarantor also functions as funding provider for a number of these group companies. Please also refer to Element B.19/B.5.					

Section B – Issuer and Guarantor		
<b>B.19/ B.15</b>	Principal activities	<p>KBC Bank Group is a multi-channel bank catering mainly for retail, private banking, small and medium-sized enterprises and mid-cap clients. Geographically, KBC Bank Group focuses on its core markets of Belgium, the Czech Republic, the Slovak Republic, Hungary and Bulgaria. It is also present in Ireland and, to a limited extent, elsewhere in the world, primarily to support corporate clients from its core markets.</p> <p>KBC Bank Group’s core business is retail and private bank-insurance (including asset management) in its home markets, though it is also active in services to larger corporations and market activities. Across these markets, KBC Bank Group is active in a large number of products and activities, ranging from the plain vanilla deposit, credit, asset management and insurance businesses (via its sister company, KBC Insurance NV), to specialised activities (which are conducted out of specialised departments at head office or specialised KBC Bank Group companies) such as, but not exclusively, payments services, dealing room activities (money, debt market and derivatives activities), brokerage and corporate finance, foreign trade finance, international cash management and leasing.</p>
<b>B.19/ B.16</b>	Controlling shareholders	As the Guarantor is a wholly-owned subsidiary of KBC Group NV, it is indirectly controlled by the shareholders of KBC Group NV. KBC Group NV’s shares are listed on Euronext Brussels. At the date of the Base Prospectus and based on the notifications made in accordance with the Belgian law of 2 May 2007 on disclosure of major holdings in issuers whose shares are admitted to trading on a regulated market, the major shareholders of KBC Group NV are KBC Ancora, Cera, MRBB and the other core shareholders.

Section C – Securities		
<b>C.1</b>	Type and class of Warrants/ISIN	<p><i>Type:</i> The Warrants are [Index Linked][Equity Linked][Currency Linked] Warrants due [●]. The Warrants are [Expiration Settlement Warrants]/[Interim Exercisable Warrants].</p> <p><i>Identification Code:</i> The Warrants will be Series Number [●] [(Tranche Number [●])] and will be uniquely identified by the ISIN Code [●] and Common Code [●].</p>
<b>C.2</b>	Currency	Subject to compliance with all relevant laws, regulations and directives, Warrants may be issued in any currency agreed between the Issuer and the relevant Dealer(s) at the time of issue.
<b>C.5</b>	Description of restrictions on free transferability of the Warrants	Not applicable; the Warrants are freely transferable.
<b>C.8</b>	Description of rights attached to	The Warrants have a warrant issue price of [●] per Warrant (the “ <b>Warrant Issue Price</b> ”) and have terms and conditions relating to, among other matters, the following:

Section C – Securities	
the Warrants, ranking and including limitations to those rights	<p><i>Interest/expiration:</i> The Warrants do not bear interest but entitle the holder to payment[, (if <i>Interim Exercisable Warrants</i>) if an Interim Exercise Event occurs, on the early settlement date (the “<b>Early Settlement Date</b>”) of a cash amount (the “<b>Early Cash Settlement Amount</b>”) or] on the expiration date of a cash amount (the “<b>Cash Settlement Amount</b>”) as set out in more detail in Element C.15.</p> <p><i>Meetings:</i> The Warrants contain provisions for calling meetings of holders of the Warrants to consider matters affecting their interests generally. Defined majorities can bind all holders of Warrants whether or not such holders voted on the resolution.</p> <p><i>Governing law:</i> The Warrants (except the ranking of claims on the Guarantee) and the Guarantee (except the status of the Guarantee) are governed by English law. The ranking of claims on the Guarantee and the status of the Guarantee are governed by Belgian law. The provisions of articles 470-3 to 470-19 of the Luxembourg law of 10 August 1915 on commercial companies, as amended, are excluded.</p> <p><i>Status:</i> The Warrants constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer ranking <i>pari passu</i> with all present and future unsecured and unsubordinated obligations of the Issuer and <i>pari passu</i> among themselves. Claims on the Guarantee on the Warrants constitute direct, unconditional, unsecured and unsubordinated obligations of the Guarantor ranking <i>pari passu</i> with all present and future unsecured and unsubordinated obligations of the Guarantor and <i>pari passu</i> among themselves.</p> <p><i>Events of default:</i> If one or more of the following events occurs and is continuing: (i) non-performance or non-observance by the Issuer or the Guarantor of any of their respective other obligations under the Warrants or the Guarantee, continuing for a period of 90 days after notice requiring a remedy is given to [KBC Bank NV]/[●] as warrant agent (the “<b>Warrant Agent</b>”) by any Warrantholder; (ii) events relating to the winding up, insolvency, bankruptcy or similar procedure of the Issuer or the Guarantor (except for a reconstruction or amalgamation where the resulting entity assumes the obligations on the Warrants or Guarantee respectively); and (iii) a distress, execution or other process is levied or enforced upon or sued out against all or any material part of the property of the Issuer or the Guarantor (subject to certain exceptions), then the Warrants will become due and payable upon notice being given by the Warrantholder.</p> <p><i>Taxation:</i> Neither the Issuer nor the Guarantor shall be liable for any tax, duty, withholding or other payment which may arise in connection with the Warrants and all payments made by the Issuer or the Guarantor shall be made subject to any such tax, duty, withholding or other payment which may be required.</p> <p>“<b>Tax Jurisdiction</b>” means (i) any jurisdiction under the laws of which, in respect of payments by the Issuer, the Issuer or, in respect of payments by the Guarantor, the Guarantor, or any successor thereto, is organised or (ii) any jurisdiction in which the Issuer or the Guarantor (as applicable), or any successor thereto, is resident for tax purposes.]</p> <p><i>Illegality:</i> The Issuer may cancel the Warrants if the Calculation Agent determines that the Issuer’s or Guarantor’s obligations under the Warrants or</p>

## Section C – Securities

Guarantee, as the case may be, relating to the Issuer’s position under such Warrants, has or will become unlawful, illegal, or otherwise prohibited in whole or in part.

[(*For Index Linked Warrants*) [●], acting as the “**Calculation Agent**”, may deem a successor index to apply to the Warrants if a successor sponsor announces the index or the index is replaced or if an Index Adjustment Event occurs. Further, if the index sponsor intends to modify, or has modified, the formula or methodology of the index or permanently cancels or fails to calculate the index or if an Index Adjustment Event occurs, then the Issuer may, subject to certain conditions, (i) ask the Calculation Agent to determine if such event has a material effect on the Warrants, in which case it will substitute the index with a replacement index or determine the index level based on the latest applicable formula or cancel the Warrants at [●], their Early Cancellation Amount.] (*If Correction of Index Levels applies*) Subsequent corrections to published index levels may be taken into account for future determinations on the Warrants, except that this shall not apply to the early automatic exercise of Interim Exercisable Warrants upon the occurrence of an Interim Exercise Event (as defined in Element C.15) (an “**Interim Automatic Exercise**”) to the extent that if it has already been determined that an Interim Exercise Event has or has not occurred on an Interim Observation Date (as defined in Element C.15), but application of the effects of such corrected index level (even if such corrected index level was published prior to the correction cut-off date, being [●]) would reverse such determination, the corrected index level shall be ignored.]

[(*For Index and Equity Linked Warrants*) If one or more relevant exchanges do not open for regular trading or certain market disruption events occur (including the suspension or limitation in trading or other events disrupting or impairing the ability to effect transactions on relevant exchanges) [(*if Designated Multi-Exchange Index applies*) or the index sponsor does not publish the index or a trading disruption, exchange disruption or early closure occurs in respect of a component [equity][or][ETF share]] then the valuation date or averaging date (as applicable) shall be adjusted.]] For the avoidance of doubt, no additional sums shall be payable by the Issuer to the Warrantholders as a result of such postponement.

[(*For Equity Linked Warrants*) [(*If Potential Adjustment Events apply*) If certain potential adjustment events are declared by a relevant [equity][or][ETF] issuer that have a diluting, concentrative or other effect on the theoretical value of the [equities][or][ETF shares], [●] as the “**Calculation Agent**”, will, subject to certain conditions, make appropriate adjustments to the Warrants to address such events or, alternatively, replace the relevant [equity][or][ETF share]. However, this shall not apply to the early automatic exercise of Interim Exercisable Warrants upon the occurrence of an Interim Exercise Event (as defined in Element C.15) (an “**Interim Automatic Exercise**”) to the extent that if it has already been determined that an Interim Exercise Event (as defined in Element C.15) has or has not occurred on an Interim Observation Date (as defined in Element C.15), but application of the effects of such potential adjustment event would reverse such determination, the potential adjustment event shall be

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	<p>ignored. If the corresponding adjustment of a potential adjustment event applies prior to the applicable valuation date or averaging date, such adjustment shall be taken into account in the determination of the occurrence of an Interim Exercise Event.]</p> <p><i>[(For Equity Linked Warrants) (If De-listing, Merger Event, Nationalisation and Insolvency and/or Tender Offer applies) [Further, if][If] [(1) a de-listing, merger event, nationalisation and insolvency][ and/or] (2)[ a tender offer] occurs with respect to any referenced [equity][or][ETF share], the Issuer may, subject to certain conditions, (i) request the Calculation Agent to determine an appropriate adjustment to be made to the Warrants or (ii) cancel the Warrants at their Early Cancellation Amount. However, this shall not apply to the [Interim Automatic Exercise of Interim Exercisable Warrants][early automatic exercise of Interim Exercisable Warrants upon the occurrence of an Interim Exercise Event (as defined in Element C.15) (an “<b>Interim Automatic Exercise</b>”)] to the extent that if it has already been determined that an Interim Exercise Event has or has not occurred on an Interim Observation Date (as defined in Element C.15), but application of the effects of such de-listing, merger event, nationalisation and insolvency][ and/or] [tender offer] would reverse such determination, the de-listing, merger event, nationalisation and insolvency][ and/or] [tender offer] shall be ignored. If the corresponding adjustment of a de-listing, merger event, nationalisation and insolvency][ and/or] [tender offer] applies prior to the applicable valuation date or averaging date, such adjustment shall be taken into account in the determination of the occurrence of an Interim Exercise Event.] <i>[(If Correction of Share Prices applies)</i> Subsequent corrections to published share prices may be taken into account for future determinations on the Warrants, except that this shall not apply to the Interim Automatic Exercise of Interim Exercisable Warrants to the extent that if it has already been determined that an Interim Exercise Event has or has not occurred on an Interim Observation Date, but application of the effects of such corrected share price (even if such corrected share price was published prior to the correction cut-off date, being [●]) would reverse such determination, the corrected share price shall be ignored.] <i>[(For Currency Linked Warrants with Currency Disruption Events)</i> If one or more of the applicable currency disruption events have occurred, [●] as the “<b>Calculation Agent</b>” may (i) make appropriate adjustments, if any, to its determination of the occurrence of an Interim Exercise Event (as defined in Element C.15) (if applicable) and/or the Cash Settlement Amount determined on the basis of the reference price to account for the currency disruption event and/or (ii) postpone any Interim Observation Date (as defined in Element C.15) for the purpose of determining whether an Interim Exercise Event has occurred and/or any date for payment of the Cash Settlement Amount, (iii) adopt alternative price sources or (iv) cancel the Warrants at their Early Cancellation Amount. For the avoidance of doubt, no additional sums shall be payable by the Issuer and/or the Warrantholders as a result of such adjustment and/or postponement.]</i></p> <p><i>[(If Additional Disruption Events apply)</i> Upon the occurrence of any specified additional disruption event (being [the occurrence at any time of a change in law or regulation affecting any underlying referenced [equity][or][exchange traded</p>

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	<p>fund (“ETF”) share][component of an index] in relation to the Warrants] [or] [(for Equity and Index Linked Warrants only) [insolvency proceedings of a referenced [equity][or][ETF share] issuer[ of any referenced [equity][or][ETF share] comprising the index] [(if an ETF share is referenced))] [or] [the cross-contamination of a referenced ETF’s assets and the assets of other classes, series or sub-funds of such ETF] [or] [insolvency proceedings of a referenced ETF issuer [or another specified entity related to such ETF issuer] [or] [a modification of the constitutive documents relating to the referenced ETF that affects the value of the related ETF shares or the rights and remedies of a holder of such ETF shares] [or] [regulatory action taken in respect of the referenced ETF or ETF share] [or] [a breach of any strategy or investment guidelines of the referenced ETF that affects the value of the related ETF shares or the rights and remedies of a holder of such ETF shares] and each an “<b>Additional Disruption Event</b>”] the Issuer may, subject to certain conditions, (i) require the Calculation Agent to make adjustments (including as to the determination of the occurrence of an Interim Exercise Event (as defined in Element C.15) (as applicable) and/or the Cash Settlement Amount) to the Warrants or (ii) cancel the Warrants at their Early Cancellation Amount. However, this shall not apply to the early automatic exercise of Interim Exercisable Warrants upon the occurrence of an Interim Exercise Event (as defined in Element C.15) (an “<b>Interim Automatic Exercise</b>”) to the extent that if it has already been determined that an Interim Exercise Event has or has not occurred on an Interim Observation Date (as defined in Element C.15), but application of the effects of such Additional Disruption Event would reverse such determination, the Additional Disruption Event shall be ignored. If the corresponding adjustment of an Additional Disruption Event applies prior to the applicable valuation date or averaging date, such adjustment shall be taken into account in the determination of the occurrence of an Interim Exercise Event.]</p> <p>[(If Alternative Currency Provisions apply) If, as a result of any specified currency disruption event (being (i) any event making it impossible, illegal or commercially impracticable for the Issuer and/or any of its affiliates to convert any amount due in respect of the Warrants in the foreign exchange markets for [the specified currency], (ii) any event that makes it impossible or commercially impracticable for the Issuer and/or any of its affiliates to deliver [the specified currency] in relation to the Early Cash Settlement Amount (if applicable) and/or the Cash Settlement Amount in respect of the Warrants between accounts inside, or into or out of, [the primary jurisdiction for which the specified currency is the lawful currency] (other than as a result of their respective failure to comply with practicable laws and regulation, (iii) an illiquidity in the foreign exchange markets for [the specified currency] in respect of the obligation to pay the Early Cash Settlement Amount (if applicable) and/or the Cash Settlement Amount in respect of the Warrants and/or (iv) the Issuer and/or any of its affiliates is unable to acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) necessary to realise, recover or remit the proceeds of any such transaction(s) or asset(s) and each a “<b>Specified Currency Disruption Event</b>”) the Issuer in agreement with the Calculation Agent determines it to be impossible for [the Issuer][it] to make payment of the Early Cash Settlement</p>

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		Amount (if applicable) and/or the Cash Settlement Amount on the Warrants in [the specified currency], the Issuer may (a) postpone the payment of the Early Cash Settlement Amount (if applicable) and/or the Cash Settlement Amount for up to [●] Business Days whilst a specified currency disruption event continues and/or (b) determine to satisfy any payment in respect of the Warrants in the specified currency, by payment of the equivalent in [the alternative currency].]
C.11	Application for Admission to Trading	[Application has been made to [Euronext Brussels/[●]] for the Warrants to be admitted to trading on [the regulated market of Euronext Brussels/[●]].] [Not applicable. The Warrants are not admitted to trading on any stock exchange or market.]
C.15	Description of how the value of your investment is affected by the value of the Underlying Assets	<p>Please also refer to Element C.8 above.</p> <p><i>Exercise:</i></p> <p>[(For Interim Exercisable Warrants)</p> <p><i>Interim Automatic Exercise:</i></p> <p>The Specified Interim Observation Date[(s)] of the Interim Exercisable Warrants are: [●] (each, a “<b>Specified Interim Observation Date</b>”).</p> <p>If on an Interim Observation Date (as defined below), the Interim Reference Price (as defined below, being the applicable reference price for (i) the Index Linked Warrants, or (ii) the Equity Linked Warrants or (iii) the Currency Linked Warrants, as applicable, and as determined in accordance with the relevant Conditions) is (A) more than or equal to the applicable intermediate payoff level (an “<b>Intermediate Floor</b>”) [and]/[or] less than or equal to the applicable intermediate cap level (the “<b>Intermediate Cap</b>”) (in the case of Long Warrants) or (B) the Interim Reference Price is less than or equal to an applicable Intermediate Floor level [and]/[or] more than or equal to the applicable Intermediate Cap (in the case of Short Warrants) (an “<b>Interim Exercise Event</b>”), and unless cancelled early or exercised early on the occurrence of an event of default, the Interim Exercisable Warrants will be automatically exercised on the interim exercise date (the “<b>Interim Exercise Date</b>”) which is the later of (i) the Specified Interim Observation Date on which an Interim Exercise Event occurs and (ii) the applicable valuation date (or, where “Reference Price Averaging” is specified in the Final Terms, on each date specified to be an ‘Averaging Date’ in the Final Terms), as determined in accordance with the relevant Conditions, where such date has been postponed due to the occurrence of a disrupted day occurring in respect of the [Index] [Underlying Equity] [Currency Rate] on a Specified Interim Observation Date on which an Interim Exercise Event occurs (the “<b>Adjusted Interim Observation Date</b>”). An “<b>Interim Observation Date</b>” means either the Specified Interim Observation Date or the Adjusted Interim Observation Date, as applicable.</p> <p>The Intermediate Floor levels are as follows:</p>

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	<table border="1"> <thead> <tr> <th>Interim Observation Date(s) <i>(prior to adjustment due to occurrence of a Disrupted Day)</i></th> <th>Intermediate Floor_i(s)</th> </tr> </thead> <tbody> <tr> <td>[•]</td> <td>[•]</td> </tr> <tr> <td>[•]</td> <td>[•]</td> </tr> </tbody> </table> <p>The Intermediate Cap levels are as follows:</p> <table border="1"> <thead> <tr> <th>Interim Observation Date(s) <i>(prior to adjustment due to occurrence of a Disrupted Day)</i></th> <th>Intermediate Cap_i(s)</th> </tr> </thead> <tbody> <tr> <td>[•]</td> <td>[•]</td> </tr> <tr> <td>[•]</td> <td>[•]</td> </tr> </tbody> </table> <p>In determining the occurrence of an Interim Exercise Event, the applicable reference price for the relevant reference item (being an index, an underlying equity, an ETF share or a currency exchange rate linked to the relevant Warrants) (a “<b>Reference Item</b>”) to be determined on either (i) the applicable valuation date or (ii) where “Reference Price Averaging” is specified as applicable in the applicable Final Terms, the arithmetic average of the amounts equal either to (x) the official closing level of the index in the case of Index Linked Warrants or (y) the official closing price of the relevant share in the case of Equity Linked Warrants or (z) the sum of each currency exchange rate in the case of Currency Linked Warrants, on each date specified to be an ‘Averaging Date’ in the Final Terms, (such reference price to be determined in accordance with the foregoing being, the “<b>Interim Reference Price</b>”).</p> <p>The method of comparison of the Interim Reference Price against the Intermediate Floor and/or Intermediate Cap levels shall be elected at the Issue Date. If:</p> <p>(i) [“Cap or Floor” is elected, where the Interim Reference Price is (A) more than or equal to the applicable Intermediate Floor level or less than or equal to the applicable Intermediate Cap level (in the case of Long Warrants) or (B) the Interim Reference Price is less than or equal to an applicable Intermediate Floor level or more than or equal to the applicable Intermediate Cap (in the case of Short Warrants), the intermediate reference performance value of the relevant Reference Item (such reference performance, the “<b>Intermediate Reference Performance</b>”) shall be equal to the value determined by applying the formula specified in the Final Terms as corresponding to the applicable Intermediate Floor level or Intermediate Cap level, such formula being “<b>Payoff_InterimLR_i</b>” in the case of Long Warrants and “<b>Payoff_InterimSR_i</b>” in the case of Short Warrants. Where an Intermediate Floor level or an Intermediate Cap level is not applicable, this shall be specified in the Final Terms;]</p> <p>(ii) [“Cap and Floor” is elected, where the Interim Reference Price is (A) more than or equal to the applicable Intermediate Floor level and less</p>	Interim Observation Date(s) <i>(prior to adjustment due to occurrence of a Disrupted Day)</i>	Intermediate Floor_i(s)	[•]	[•]	[•]	[•]	Interim Observation Date(s) <i>(prior to adjustment due to occurrence of a Disrupted Day)</i>	Intermediate Cap_i(s)	[•]	[•]	[•]	[•]
Interim Observation Date(s) <i>(prior to adjustment due to occurrence of a Disrupted Day)</i>	Intermediate Floor_i(s)												
[•]	[•]												
[•]	[•]												
Interim Observation Date(s) <i>(prior to adjustment due to occurrence of a Disrupted Day)</i>	Intermediate Cap_i(s)												
[•]	[•]												
[•]	[•]												

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than or equal to the applicable Intermediate Cap level (in the case of Long Warrants) or (B) the Interim Reference Price is less than or equal to an applicable Intermediate Floor level and more than or equal to the applicable Intermediate Cap (in the case of Short Warrants), the Intermediate Reference Performance shall be equal to the value determined by applying the formula specified in the Final Terms as corresponding to the applicable Intermediate Floor level and Intermediate Cap level, such formula being “**Payoff\_InterimLR\_i**” in the case of Long Warrants and “**Payoff\_InterimSR\_i**” in the case of Short Warrants;]

- (iii) [“Modified Cap or Floor” is elected, where the Interim Reference Price is (A) more than or equal to the applicable Intermediate Floor level (a “**Long Floor Strike**”) or less than or equal to the applicable Intermediate Cap level (a “**Long Cap Strike**”) (in the case of Long Warrants) or (B) the Interim Reference Price is less than or equal to an applicable Intermediate Floor level (a “**Short Floor Strike**”) or more than or equal to the applicable Intermediate Cap (a “**Short Cap Strike**”) (in the case of Short Warrants), the Intermediate Reference Performance shall be equal to the value determined by applying the formula specified in the Final Terms as corresponding to the applicable Intermediate Floor level or Intermediate Cap level, such formula being “**Payoff\_InterimLR\_Floor\_i**” in the case of a Long Floor Strike; “**Payoff\_InterimLR\_Cap\_i**” in the case of a Long Cap Strike; “**Payoff\_InterimSR\_Floor\_i**” in the case of a Short Floor Strike and “**Payoff\_InterimSR\_Cap\_i**” in the case of a Short Cap Strike.]

Payoff\_InterimLR\_i, Payoff\_InterimSR\_i, Payoff\_InterimLR\_Floor\_i, Payoff\_InterimLR\_Cap\_i, Payoff\_InterimSR\_Floor\_i and Payoff\_InterimSR\_Cap\_i, as applicable, shall mean each of the values specified on the right column with respect to the relevant Interim Observation Date and corresponding Intermediate Floor and/or Intermediate Cap (as applicable):

[If “Cap or Floor” is specified:]

Interim Observation Date(s) (prior to adjustment due to the occurrence of a disrupted day)	Intermediate Floor	[Payoff_InterimLR_i]/[Payoff_InterimSR_i]
[•]	[•]	[•]
[•]	[•]	[•]

Interim Observation Date(s) (prior to adjustment due to the occurrence of a disrupted day)	Intermediate Cap	[Payoff_InterimLR_i]/[Payoff_InterimSR_i]
[•]	[•]	[•]
[•]	[•]	[•]

[If “Cap and Floor” is specified:]

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		Interim Observation Date(s) (prior to adjustment due to the occurrence of a disrupted day)	Intermediate Floor	Intermediate Cap	[Payoff_ InterimLR_i]/[Payoff_ InterimSR_i]
		[●]	[●]		[●]
		[●]	[●]		[●]
[If “Modified Cap or Floor” is specified:]					
		Interim Observation Date(s) (prior to adjustment due to occurrence of a Disrupted Day)	Intermediate Floor_i(s)		[Payoff_ InterimLR_Floor_i] / [Payoff_ InterimSR_Floor_i]
		[●]	[●]		[●]
		[●]	[●]		[●]
		Interim Observation Date(s) (prior to adjustment due to occurrence of a Disrupted Day)	Intermediate Cap_i(s)		[Payoff_ InterimSR_Cap_i]/ [Payoff_ InterimSR_Cap_i]
		[●]	[●]		[●]
		[●]	[●]		[●]
<p>Warrantholders of the relevant Interim Exercisable Warrants so exercised shall be entitled to the payment, on the early settlement date, being [●] (the “<b>Early Settlement Date</b>”), of an amount equal to the product of (i) the number of warrants held by a Warrantholder, (ii) the warrant multiplier (“<b>Warrant Multiplier</b>”) and (iii) the Intermediate Reference Performance (the “<b>Early Cash Settlement Amount</b>”).</p> <p>If the applicable Interim Reference Price is in a currency which is different to [●] (the “<b>Specified Currency</b>”), the Early Cash Settlement Amount shall be converted into the Specified Currency at a ratio of 1:1.</p> <p>The Warrant Multiplier is [●].</p> <p><i>Expiration Automatic Exercise:</i></p> <p>The Scheduled Expiration Date of the Interim Exercisable Warrants is [●]. Unless cancelled early, exercised early following an Interim Exercise Event or exercised early on the occurrence of an event of default, the Interim Exercisable Warrants will be automatically exercised on the expiration date (the “<b>Expiration Date</b>”) which is the later of (i) the Scheduled Expiration Date and (ii) the applicable valuation date (or, where “Reference Price Averaging” is specified in the Final Terms, on each date specified to be an ‘Averaging Date’ in the Final Terms) where such date has been postponed due to the occurrence of a disrupted day.</p>					

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	<p>Warrantholders of the relevant Interim Exercisable Warrants so exercised shall be entitled to the payment, on the settlement date, being [●] (the “<b>Settlement Date</b>”), of an amount equal to the product of (i) the number of warrants held by a Warrantholder, (ii) the warrant multiplier (“<b>Warrant Multiplier</b>”) and (iii) the reference performance value of the relevant Reference Item (such reference performance, the “<b>Reference Performance</b>”) (the “<b>Cash Settlement Amount</b>”). The relevant formula to apply in respect of the Reference Performance shall be determined by comparing the Strike Levels (which will depend on whether the Interim Exercisable Warrants are specified to be long warrants or short warrants) to the applicable reference price for the relevant Reference Item to be determined on either (i) the applicable valuation date or (ii) where “Reference Price Averaging” is specified as applicable in the applicable Final Terms, the arithmetic average of the amounts equal either to (x) the official closing level of the index in the case of Index Linked Warrants or (y) the official closing price of the relevant share in the case of Equity Linked Warrants or (z) the sum of each currency exchange rate in the case of Currency Linked Warrants, on each date specified to be an ‘Averaging Date’ in the Final Terms, (such reference price to be determined in accordance with the foregoing being, the “<b>Final Reference Price</b>”). Certain multipliers (“<b>Strike Multipliers</b>”) and certain fixed amounts (as specified in the Final Terms) may be applied in the formula determining the Reference Performance to the extent that the Final Reference Price exceeds (in the case Long Warrants) or falls below (in the case of Short Warrants) a relevant payoff level (the “<b>Strike Levels</b>”). If the Final Reference Price fails to satisfy any relevant Strike Level, the Reference Performance shall be equal to the minimum payoff applicable for the Interim Exercisable Warrant.</p> <p>In the cases where:</p> <ul style="list-style-type: none"> <li>(i) the Final Reference Price is (A) more than Long Strike 1 but equal to or less than Long Strike 2 or (B) less than Short Strike 1 but equal to or more than Short Strike 2 (as applicable);</li> <li>(ii) the Final Reference Price is (A) more than Long Strike 2 but equal to or less than Long Strike 3 or (B) less than Short Strike 2 but equal to or more than Short Strike 3 (as applicable); or</li> <li>(iii) the Final Reference Price is (A) more than Long Strike 3 or (B) less than Short Strike 3 (as applicable),</li> </ul> <p>a further election is made as at the Issue Date, as to certain components in the calculation of the Reference Performance.</p> <p>If the applicable Final Reference Price is in a currency which is different to the Specified Currency, the Cash Settlement Amount shall be converted into the Specified Currency at a ratio of 1:1.</p> <p>The Warrant Multiplier is [●] (the “<b>Warrant Multiplier</b>”).</p> <p><i>[(If Warrants are Long Warrants) The Strike Levels are as follows:</i></p> <p>Long Strike 1 is [●];</p> <p>Long Strike 2 is [●]; and</p> <p>Long Strike 3 is [●].</p>

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	<p>The Strike Multipliers are as follows:  Long Payoff Multiplier 1 is [●];  Long Payoff Multiplier 2 is [●]; and  Long Payoff Multiplier 3 is [●].  <math>X_1</math> is <math>[X_1\_FRP]/[X_1\_LS2]</math>.  <math>Y_2</math> is <math>[Y_2\_FRP]/[Y_2\_LS3]</math>.</p> <p><math>Z_3</math> is <math>[Z_3\_FRP]/[Z_3\_FIX]</math> [The fixed amount, if elected, for calculation of the ‘Z<sub>3</sub>’ component of the payoff formula if the Final Reference Price was more than Long Strike 3: [●].]</p> <p>The minimum payoff is [●].]</p> <p><i>[(If Warrants are Short Warrants) The Strike Levels are as follows:</i>  Short Strike 1 is [●];  Short Strike 2 is [●]; and  Short Strike 3 is [●];  The Strike Multipliers are as follows:  Short Payoff Multiplier 1 is [●];  Short Payoff Multiplier 2 is [●]; and  Short Payoff Multiplier 3 is [●].  <math>X_1</math> is <math>[X_1\_FRP]/[X_1\_SS2]</math>.  <math>Y_2</math> is <math>[Y_2\_FRP]/[Y_2\_SS3]</math>.</p> <p><math>Z_3</math> is <math>[Z_3\_FRP]/[Z_3\_FIX]</math>. [The fixed amount, if elected, for calculation of the ‘Z<sub>3</sub>’ component of the payoff formula if the Final Reference Price was less than Short Strike 3: [●].]</p> <p>The minimum payoff is [●].]</p> <p><i>Interim and Expiration Automatic Exercise:</i></p> <p>The final value of the Reference Item is [●][the [value] of the Reference Item determined for [the valuation date(s) (or, where “Reference Price Averaging” is specified in the Final Terms, on each date specified to be an ‘Averaging Date’ in the Final Terms)] scheduled to be [●]]. See Element C.8 above for early cancellation triggers in relation to the Warrants.</p> <p>If the Interim Exercisable Warrants are exercised early due to an event of default, Warrantholders may, upon written notice, elect to exercise such warrant for an amount determined by the Calculation Agent using its internal models and methodologies which represents the fair market value of the Interim Exercisable Warrants immediately prior to their exercise, for which purpose no account shall be taken of the financial condition of the Issuer, which shall be presumed to be able to perform fully its obligations in respect of the Interim Exercisable Warrants, converted, if necessary, for settlement purposes into the Specified Currency at the prevailing market rate of exchange determined by the Calculation Agent in good faith (subject to the alternative currency provisions in Element C.8 if there is a specified currency disruption event) (the “<b>Event of Default</b></p>

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**Cancellation Amount**”), as of the date that notice is received by the Warrant Agent of such event, provided that when notice is received an event of default is still continuing.

If cancelled as a result of an illegality[,] [or] [,][or][ an Index Modification/Cessation][,][or][a de-listing, merger event, nationalisation and insolvency] [,][or][a tender offer] [,][or] [a currency disruption event] [,][or][an Additional Disruption Event][,][or][a Specified Currency Disruption Event], the Interim Exercisable Warrants shall be cancelled at their fair market value. The fair market value is determined by the Calculation Agent at close of business on the clearing system business day immediately prior to the day which the cancellation notice is delivered by the Issuer to the Warranholders stipulating the reason for such cancellation and the relevant Conditions the Interim Exercisable Warrants are being cancelled pursuant to. See also Element C.8.

*[(For Expiration Settlement Warrants)* The Scheduled Expiration Date of the Expiration Settlement Warrants is [●]. Unless cancelled early or exercised early on the occurrence of an event of default, the Expiration Settlement Warrants will be automatically exercised at the Cash Settlement Amount (as defined below) on the expiration date (the “**Expiration Date**”) which is the later of (i) the Scheduled Expiration Date and (ii) the applicable valuation date (or, where “Reference Price Averaging” is specified in the Final Terms, on each date specified to be an ‘Averaging Date’ in the Final Terms) where such date has been postponed due to the occurrence of a disrupted day.

Warranholders of the relevant Expiration Settlement Warrants so exercised shall be entitled to the payment of an amount equal to the product of (i) the number of warrants held by a Warranholder, (ii) the warrant multiplier (“**Warrant Multiplier**”) and (iii) the final performance value of the relevant reference item (being an index, an underlying equity, an ETF share or a currency exchange rate linked to the relevant Warrants) (a “**Reference Item**”) (such reference performance, the “**Reference Performance**”) (the “**Cash Settlement Amount**”). The Reference Performance shall be determined by applying the relevant formula (which will depend on if the Expiration Settlement Warrants are specified to be long warrants or short warrants) to the applicable reference price for the relevant Reference Item, to be determined on either (i) the applicable valuation date or (ii) where “Reference Price Averaging” is specified as applicable in the applicable Final Terms, the arithmetic average of the amounts equal either to (x) the official closing level of the index in the case of Index Linked Warrants or (y) the official closing price of the relevant share in the case of Equity Linked Warrants or (z) the sum of each currency exchange rate in the case of Currency Linked Warrants, on each date specified to be an ‘Averaging Date’ in the Final Terms, (such reference price to be determined in accordance with the foregoing being, the “**Final Reference Price**”). Certain multipliers may also be applied to the Final Reference Price (“**Strike Multipliers**”) to the extent that it exceeds (in the case Long Warrants) or falls below (in the case of Short Warrants) a relevant payoff level (the “**Strike Levels**”). If the Final Reference Price fails to satisfy any relevant Strike Level, the Reference Performance shall

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	<p>be equal to the minimum payoff applicable for the Expiration Settlement Warrant.</p> <p>If the applicable Final Reference Price is in a currency which is different to the Specified Currency, the Cash Settlement Amount shall be converted into the Specified Currency at a ratio of 1:1.</p> <p>The final value of the Reference Item is [●][the [value] of the Reference Item determined for [the valuation date (or, where “Reference Price Averaging” is specified in the Final Terms, on each date specified to be an ‘Averaging Date’ in the Final Terms)] scheduled to be [●]]. See Element C.8 above for early cancellation triggers in relation to the Warrants.</p> <p>If the Expiration Settlement Warrants are exercised early due to an event of default, Warrantholders may, upon written notice, elect to exercise such warrant for an amount determined by the Calculation Agent using its internal models and methodologies which represents the fair market value of the Expiration Settlement Warrants immediately prior to their exercise, for which purpose no account shall be taken of the financial condition of the Issuer, which shall be presumed to be able to perform fully its obligations in respect of the Expiration Settlement Warrants, converted, if necessary, for settlement purposes into the Specified Currency at the prevailing market rate of exchange determined by the Calculation Agent in good faith (subject to the alternative currency provisions in Element C.8 if there is a specified currency disruption event) (the “<b>Event of Default Cancellation Amount</b>”), as of the date that notice is received by the Warrant Agent of such event, provided that when notice is received an event of default is still continuing.</p> <p>If cancelled as a result of an illegality[, ] [or] [,][or] [ an Index Adjustment Event][,][or] [a de-listing, merger event, nationalisation and insolvency] [,][or] [a tender offer] [,][or] [a currency disruption event][,][or] [an Additional Disruption Event][,][or] [a Specified Currency Disruption Event], the Expiration Settlement Warrants shall be cancelled at their fair market value. The fair market value is determined by the Calculation Agent at close of business on the clearing system business day immediately prior to the day which the cancellation notice is delivered by the Issuer to the Warrantholders stipulating the reason for such cancellation and the relevant Conditions the Expiration Settlement Warrants are being cancelled pursuant to. [If the determination of the Cash Settlement Amount is postponed as a result of any disruption in determining the [[Reference Item]][referenced [index][equity][ETF shares][and][currency exchange rates]], such postponed amount shall be paid without any other sum payable in respect of the postponement.]</p> <p>[The Warrant Multiplier is [●].]</p> <p>[(If Warrants are Long Warrants) The Strike Levels are as follows:</p> <p>Long Strike 1 is [●];</p> <p>Long Strike 2 is [●]; and</p> <p>Long Strike 3 is [●].</p> <p>The Strike Multipliers are as follows:</p> <p>Long Payoff Multiplier 1 is [●];</p>

Section C – Securities		
		<p>Long Payoff Multiplier 2 is [●]; and            Long Payoff Multiplier 3 is [●].            The minimum payoff is [●].]            [(If Warrants are Short Warrants) The Strike Levels are as follows:            Short Strike 1 is [●];            Short Strike 2 is [●]; and            Short Strike 3 is [●].            The Strike Multipliers are as follows:            Short Payoff Multiplier 1 is [●];            Short Payoff Multiplier 2 is [●]; and            Short Payoff Multiplier 3 is [●].            The minimum payoff is [●].]</p>
<b>C.16</b>	Interim Exercise Date / Expiration Date / exercise date or final reference date	<p>Subject to compliance with all relevant laws, regulations and directives, the [(if Interim Exercisable Warrants) Specified Interim Observation Date(s) are [●] and the] Scheduled Expiration Date of the Warrants is [●].</p> <p>[(if Interim Exercisable Warrants) Unless cancelled early or exercised early on the occurrence of an event of default and provided an Interim Exercise Event (as defined in Element C.15) occurs, the Interim Exercisable Warrants will be automatically exercised on the Interim Exercise Date (as defined in Element C.15) which is the later of (i) the Specified Interim Observation Date (as defined in Element C.15) on which an Interim Exercise Event occurs and (ii) the applicable valuation date (or, where “Reference Price Averaging” is specified in the Final Terms, on each date specified to be an ‘Averaging Date’ in the Final Terms), as determined in accordance with the relevant Conditions, where such date has been postponed due to the occurrence of a disrupted day occurring in respect of the [Index] [Underlying Equity] [Currency Rate] on a Specified Interim Observation Date on which an Interim Exercise Event occurs.]</p> <p>Unless previously cancelled[(if Interim Exercisable Warrants), exercised early following an Interim Exercise Event] or exercised early on the occurrence of an event of default, the Warrants will be automatically exercised on the Expiration Date which is the later of (i) the Scheduled Expiration Date and (ii) the applicable valuation date (or, where “Reference Price Averaging” is specified in the Final Terms, on each date specified to be an ‘Averaging Date’ in the Final Terms) where such date has been postponed due to the occurrence of a disrupted day.</p>
<b>C.17</b>	Settlement procedure	<p>The Warrants will be cash settled on [●].            The Warrants are cleared through [Euroclear][and][other].</p>
<b>C.18</b>	Description of return on Securities	<p>The amount(s) payable on the automatic exercise of the Warrants will reflect an investor’s return and shall be equal to the Early Cash Settlement Amount (if applicable) or the Cash Settlement Amount (see Element C.15 above).</p> <p>The value of the Reference Item to which the Warrants are linked will affect [whether the Warrants are cancelled early][, whether an Interim Exercise Event has occurred] [and,] [the amount paid on early cancellation or on automatic exercise].</p>

<b>Section C – Securities</b>		
<b>C.19</b>	Final reference price of the Underlying Asset	The final value of the Reference Item is calculated by looking at the [price][level][rate][s] of such Reference Item at the relevant time on either (i) the valuation date[s] specified for that purpose or (ii) where “Reference Price Averaging” is specified as applicable in the applicable Final Terms, the arithmetic average of the amounts equal to the [price][level][rate][s] on each averaging date specified for such purpose.
<b>C.20</b>	Type of Underlying Asset / Where information on the underlying asset can be found	The amount(s) payable on the automatic exercise of the Warrants are linked to the Reference Item. The Reference Item is [an index][an equity][an ETF share][a currency exchange rate]. [Information relating to it can be found at [●].]

<b>Section D – Risks</b>		
<b>D.2</b>	Key risks regarding the Issuer and the Guarantor	There are certain factors that may affect the Issuer’s ability to fulfil its obligations under the Warrants. The principal risks in respect of the Issuer include, without limitation, the following: (i) the Issuer is a finance vehicle and accordingly has no trading assets and, if the Guarantor’s financial condition deteriorates, the Issuer and investors may suffer direct and materially adverse consequences, (ii) current economic and market conditions pose significant challenges for KBC Bank Group and may adversely affect its results, (iii) political, constitutional and economic uncertainty arising from the outcome of the referendum on the membership of the United Kingdom in the European Union, (iv) increased regulation of the financial services industry, (v) the highly competitive environment in which KBC Bank Group operates could intensify further, (vi) KBC Bank Group has significant credit default risk exposure, (vii) risks associated with liquidity and funding may be aggravated by the current global market conditions, (viii) KBC Bank Group is exposed to counterparty credit risk, (ix) changes in interest rates, (x) foreign exchange risk, (xi) strategies for hedging against (trading) market risks may prove to be ineffective, (xii) a downgrade in credit rating may limit access to certain markets and counterparties and may necessitate the posting of additional collateral to counterparties or exchanges, (xiii) risk management policies, procedures and methods may expose KBC Bank Group to unidentified or unanticipated or incorrectly quantified risks, (xiv) operational risks, (xv) the financial industry, including KBC Bank Group, is increasingly dependent on information technology systems, which may fail, be inadequate or no longer available, (xvi) KBC Bank Group’s financial statements are in part based on assumptions and estimates which, if inaccurate, could have an impact on its reported results or financial position, (xvii) the risk of breaches of compliance-related requirements, (xviii) litigation or other proceedings or actions may adversely affect KBC Bank Group, (xix) risks on account of pension obligations, (xx) KBC Bank Group is responsible for contributing to

Section D – Risks		
		<p>compensation schemes and subject to special bank taxes, (xxi) KBC Bank Group is subject to increasingly onerous minimum regulatory capital, liquidity and leverage requirements, (xxii) KBC Bank Group could become subject to the exercise of a “bail-in” tool or other resolution tool and powers by the Resolution Authority, (xxiii) the Belgian bank recovery and resolution regime, and (xxiv) KBC Bank Group is highly concentrated in and hence vulnerable to European sovereign exposure, in particular in its home country Belgium.</p>
D.6	<p>Risk warning that investors may lose value of entire investment</p>	<p>There are certain key risk factors which are material for the purpose of assessing the risks associated with the Warrants, including, without limitation, the following key risk factors:</p> <ul style="list-style-type: none"> <li>(a) The Warrants may not be a suitable investment for all investors and involve a high degree of risk.</li> <li>(b) Warrantholders may be required to absorb losses in the event that KBC Bank Group were to become subject to the exercise of “bail-in” powers by the resolution authority.</li> <li>(c) The Warrants are not protected against loss of an investor’s initial investment. Also, the amount payable to Warrantholders will be contingent on the level, price or value of the Reference Item and on the structure of the Warrants.</li> <li>(d) Risks associated with investing in the Warrants include, without limitation, [(i)] [risk of disruption to valuations], [(ii)] [adjustment to the conditions, substitution of the relevant index and/or early cancellation following an adjustment event or an illegality], [(iii)] [cancellation or scaling back of offers to the public or the issue date being deferred], [(iv)] [hedging activities of the Issuer and/or any of its affiliates], [(v)] [conflicts of interest between the Issuer and/or any of its affiliates and holders of Warrants], [(vi)] [modification of the terms and conditions of Warrants by majority votes binding all holders], [(vii)] [change in law], [(viii)] [payments being subject to withholding or other taxes], [(ix)] [fees and commissions not being taken into account when determining secondary market prices of Warrants], [(x)] [there being no secondary market], [(xi)] [exchange rate risk]; [and] [(xii)] [market value of Warrants being affected by various factors independent of the creditworthiness of the Issuer or the Guarantor]; [and] [(xiii)] [the regulation and reform of benchmarks adversely affecting the value of Warrants linked to or referencing such benchmarks] [; and] [(if Interim Exercisable Warrants) early automatic exercise of the Warrants, resulting in a different payoff than if the Warrants reached its Expiration Date].</li> </ul> <p>The risk factors summarised in item D.2 above in respect of the Issuer also apply in respect of the Guarantor (other than the risk set out in sub-paragraph (i) thereof).</p> <p><b>The capital invested in the Warrants is at risk. Consequently, the amount a prospective investor may receive on cancellation, on early exercise and/or on</b></p>

Section D – Risks		
		<p><b>the Expiration Date of its Warrants may be less than the amount invested by it and may be zero (0).</b></p> <p>[Investors may lose up to the entire value of their investment:</p> <ul style="list-style-type: none"> <li>(a) as the relevant payoff conditions may not provide for full repayment of the initial purchase price upon cancellation, early exercise and/or on the Expiration Date and the underlying Reference Items may perform in such a manner that the amount due under the Warrants is less than the initial purchase price;</li> <li>(b) if the Investor sells its Warrants prior to the Interim Exercise Date (if applicable) and/or Expiration Date in the secondary market at an amount that is less than the initial purchase price;</li> <li>(c) if the Issuer or the Guarantor is subject to insolvency or bankruptcy proceedings or some other event which negatively affects the Issuer’s or the Guarantor’s ability to repay amounts due under the Warrants;</li> <li>(d) if the Warrants are cancelled early for reasons beyond control of the Issuer (such as e.g. a change of applicable law or market event in relation to the Reference Item) and the amount paid or delivered is less than the initial purchase price;</li> <li>(e) if the Warrants are subject to certain adjustments or alternative valuations following certain disruptive market events that result in the amount to be paid or delivered being reduced to an amount or value that is less than the initial purchase price; or</li> <li>(f) (<i>if Interim Exercisable Warrants</i>) if an event or application of an adjustment would reverse the determination of an Interim Exercise Event or retrospectively resulted in the determination of the occurrence of an Interim Exercise Event but for provisions in the Conditions specifying such events and/or adjustment shall be ignored, the amount to be paid or delivered may be less than the amount paid or delivered had such event and/or adjustment not been ignored and such amount or value may be less than the initial purchase price.]</li> </ul>

Section E – Offer		
<b>E.2b</b>	Reasons for the offer and use of proceeds	[The net proceeds from this issue of Warrants will be applied by the Issuer for profit making and/or risk hedging purposes.] [The net proceeds from this issue of Warrants will be applied by the Issuer to [●]].
<b>E.3</b>	Terms and conditions of the offer	[Not applicable; the Warrants are not being offered to the public.] [Any Investor intending to acquire or acquiring any Warrants from an Authorised Offeror will do so, and offers and sales of the Warrants to an Investor by an Authorised Offeror will be made, in accordance with any terms and other arrangement in place between such Authorised Offeror and such Investor including as to price, allocation and settlement arrangements.]

Section E – Offer	
	<p>Total amount of the offer: [Warrant Issue Price][specify] (Note: where the total offer amount is not fixed, give details on the arrangements relating to the how the total offer amount will be determined and when the total offer amount will be announced to the public.)</p> <p>Conditions to which the offer is subject: [Not Applicable][give details]</p> <p>Description of the application process: [Not Applicable][give details including the time period, and any possible amendments, during which the offer will be open]</p> <p>[Offer Period:] [Not Applicable][give details] (Note: include any possible amendments to the offer whilst the offer is open.)</p> <p>Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: [Not Applicable][give details]</p> <p>Details of the minimum and/or maximum amount of application: [Not Applicable][give details]</p> <p>Details of the method and time limits for paying up and delivering the Warrants: [Not Applicable][give details]</p> <p>Manner in and date on which results of the offer are to be made public: [Not Applicable][give details]</p> <p>Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [Not Applicable][give details]</p> <p>Whether tranche(s) have been reserved for certain countries: [Not Applicable][give details] [Public Offers may only be made by the Authorised Offerors in each of the Public Offer Jurisdictions to any person during the Offer Period. All offers of the Warrants will be made in compliance with all applicable laws and regulations.] [●]</p>

Section E – Offer		
		<p>Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [Not Applicable][give details]</p> <p>Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not Applicable][give details]</p>
<b>E.4</b>	Interest of natural and legal persons involved in the issue/offer	<p>[Not applicable; so far as the Issuer is aware, no person involved in the issue of the Warrants has an interest material to the offer.]</p> <p>[The [●] will be paid aggregate commissions equal to [●] per Warrant to be issued. So far as the Issuer is aware, no other person involved in the issue of the Warrants has an interest material to the offer.] [●][Any [●] [and its affiliates] may also have engaged, and may in the future engage, in [transactions or perform other services for] [the Issuer, the Guarantor and its affiliates] in the ordinary course of business.]</p>
<b>E.7</b>	Expenses charged to the investor by the Issuer or an offeror	<p>[Not applicable; there are no expenses charged to the investor by the Issuer or offeror.]</p> <p>[The estimated expenses charged to the investor by the Issuer or offeror amount to [●].]</p>

## RISK FACTORS

*This section sets out the principal risks inherent in investing in Warrants issued under the Programme, including key risks relating to investments linked to the different underlyings or bases of reference.*

*Each of the Issuer and the Guarantor believes that the following factors may affect its ability to fulfil its obligations under Warrants issued under the Programme. All of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring.*

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

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

**THE PURCHASE OF WARRANTS MAY INVOLVE SUBSTANTIAL RISKS AND MAY BE SUITABLE ONLY FOR INVESTORS WHO HAVE THE KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS NECESSARY TO ENABLE THEM TO EVALUATE THE RISKS AND THE MERITS OF AN INVESTMENT IN THE WARRANTS. PRIOR TO MAKING AN INVESTMENT DECISION, PROSPECTIVE INVESTORS SHOULD CONSIDER CAREFULLY, IN LIGHT OF THEIR OWN FINANCIAL CIRCUMSTANCES AND INVESTMENT OBJECTIVES, (I) ALL THE INFORMATION SET FORTH IN THIS BASE PROSPECTUS (AND ANY SUPPLEMENT, IF APPLICABLE) AND, IN PARTICULAR, THE CONSIDERATIONS SET FORTH BELOW AND (II) ALL THE INFORMATION SET FORTH IN THE APPLICABLE FINAL TERMS. PROSPECTIVE INVESTORS SHOULD MAKE SUCH ENQUIRIES AS THEY DEEM NECESSARY WITHOUT RELYING ON THE ISSUER, THE GUARANTOR OR ANY DEALER.**

**AN INVESTMENT IN WARRANTS LINKED TO ONE OR MORE REFERENCE ITEMS MAY ENTAIL SIGNIFICANT RISKS NOT ASSOCIATED WITH INVESTMENTS IN A CONVENTIONAL SECURITY, INCLUDING BUT NOT LIMITED TO THE RISKS SET OUT BELOW. THE NOTIONAL AMOUNT INVESTED IN SUCH WARRANTS MAY BE AT RISK. THE AMOUNT PAID BY THE ISSUER ON THE AUTOMATIC EXERCISE OF THE WARRANTS MAY BE LESS THAN THE WARRANT ISSUE PRICE OF THE WARRANTS, AND MAY IN CERTAIN CIRCUMSTANCES BE ZERO.**

**CERTAIN ISSUES OF WARRANTS INVOLVE A HIGH DEGREE OF RISK AND POTENTIAL INVESTORS SHOULD BE PREPARED TO SUSTAIN A LOSS OF ALL OR PART OF THEIR INVESTMENT.**

*Capitalised terms used herein and not otherwise defined shall bear the meanings ascribed to them in “Terms and Conditions of the Warrants” below.*

## **RISK FACTORS RELATING TO THE ISSUER AND THE GUARANTOR**

### **1 Factors that may affect the Issuer's ability to fulfil its obligations under Warrants issued under the Programme**

The Issuer is a finance vehicle whose principal purpose is to raise debt to be on-lent to the Guarantor and other subsidiaries of the Guarantor. The Issuer does not have any trading assets and does not generate trading income. Warrants issued under the Programme are guaranteed pursuant to the Guarantee. Accordingly, if the Guarantor's financial condition were to deteriorate, the Issuer and investors in the Warrants may suffer direct and materially adverse consequences.

The risk factors as set out below in respect of the Guarantor may also apply, directly and/or indirectly, to the Issuer, due to the interconnectedness of the credit risks of the Issuer and the Guarantor (since the Issuer is a fully-owned subsidiary of the Guarantor) and due to the Guarantor itself guaranteeing the obligations of the Issuer under the Guarantee.

### **2 Risks relating to KBC Bank Group, the markets in which it operates and its business**

#### **2.1 Economic and market conditions may pose significant challenges for KBC Bank Group and may adversely affect its results**

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

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

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

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

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

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

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

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

The effects on the United Kingdom, European and global economy of the uncertainties arising from the results of the referendum are difficult to predict but may include economic and financial instability in the United Kingdom, Europe and the global economy and the other types of risks described in the previous risk factor entitled "*Economic and market conditions may pose significant challenges for KBC Bank Group and may adversely affect its results*" on pages 30 and 31 of this Base Prospectus. Any uncertainty or economic and financial instability or other effects arising as a result of the decision of the United Kingdom to leave the European Union, could affect KBC Bank Group's business and, if they were to persist or worsen, could adversely affect the financial condition, results of operations and access to capital and credit of KBC Bank Group.

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

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

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

- The revised regulatory framework of Basel III which was implemented in the European Union through the adoption of Regulation (EU) n° 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms

(“**CRR**”) and Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions on prudential requirements for credit institutions and investment firms (“**CRD**”, and together with CRR, “**CRD IV**”).

- A new recovery and resolution regime for credit institutions which introduced certain tools and powers with a view to addressing banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses, through Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending various EU Directives and Regulations, as amended by Directive (EU) 2017/2399 (“**BRRD**”).
- The assumption in November 2014 of certain supervisory responsibilities by the ECB which were previously handled by the National Bank of Belgium (the “**NBB**”), pursuant to Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (the “**Single Supervision Mechanism**” or “**SSM**”).
- Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Bank Resolution Fund and amending Regulation (EU) No 1093/2010 of the European Parliament and of the Council (the “**Single Resolution Mechanism**” or “**SRM**”). The Single Resolution Mechanism entered into force on 19 August 2014 and applies to credit institutions which fall under the supervision of the ECB, including KBC Bank Group. It established a Single Resolution Board (“**SRB**”) which is responsible since 1 January 2016 of vetting resolution plans and carrying out any resolution in cooperation with the national resolution authorities (the SRB together with the resolution college of the NBB is hereinafter referred to as the “**Resolution Authority**”).
- Furthermore, changes are also being made to the International Financial Accounting Standards (“**IFRS**”).

Although KBC Bank Group works closely with its regulators and continually monitors regulatory developments, there can be no assurance that additional regulatory or capital requirements will not have an adverse impact on KBC Bank Group and its business, financial condition or results of operations.

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

In addition, the Banking Law also puts a lot of emphasis on the solid and efficient organisation of credit institutions and introduces to that effect a dual governance structure at management level, specialised advisory committees within the Board of Directors (audit committee, risk committee, remuneration committee and nomination committee), independent control functions, and strict remuneration policies (including limits on the amount of variable remuneration, the form and timing for vesting and payment of variable remuneration, as well as claw-back mechanics). The Banking Law makes a fundamental distinction between the management of banking activities, which is within the competence of the

Executive Committee, and the supervision of management and the definition of the credit institution’s general and risk policy, which is entrusted to the Board of Directors. Pursuant to the Banking Law, the members of the Executive Committee and the Board of Directors need to permanently have the required professional reliability and appropriate experience. The same goes for the responsible persons of the independent control functions. The fit and proper standards have been further elaborated by the NBB in a circular of 17 June 2013 and in the Banking Law itself. The NBB Governance Manual for the Banking Sector contains recommendations to assure, amongst others, the suitability of shareholders, management and independent control functions and the appropriate organisation of the business.

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

On 31 July 2017, the Belgian legislator amended the Banking Law in order to give effect to the European Commission’s proposals of 23 November 2016 to amend CRD IV and BRRD with respect to the ranking of unsecured debt instruments. The law adds a new Article 389/1 in the Banking Law to establish a new category of unsecured senior debt, so called senior “non-preferred” debt, which is subordinated to senior “preferred” debt. This is in line with Article 108 of BRRD.

On 12 December 2017, Article 108 of BRRD was amended by Directive (EU) 2017/2399. In accordance with this new provision, in case of liquidation of a credit institution or stockbroking firm, the claims will rank as follows (whereby Common Equity Tier 1 will rank the lowest):

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

On 7 December 2017, the Basel Committee reached an agreement on the remaining Basel III post-crisis regulatory reforms (commonly known as “**Basel IV**”). Main elements include a 72.5% aggregate output floor next to calibrations of the revised standardised approaches for credit risk and especially operational risk. The aggregate output floor will ensure that banks’ risk weighted assets (“RWA”) generated by internal models are not lower than 72.5% of RWA as calculated by the revised standardised approaches

in the framework of Basel III. The Basel IV agreement needs to be transposed into European regulation. It will apply as from 1 January 2022. The output floor will be phased in over five years from 2022 to 2027.

At a consolidated level, i.e., at the level of KBC Group NV, RWA increase related to Basel IV is estimated at roughly EUR 8 billion higher RWA on a fully loaded basis as at year-end 2017, which corresponds with a RWA inflation of 9% and an impact on the CET1 ratio of -1.3%. This figure is based on the current interpretation of Basel IV, a static balance sheet and the current economic environment.

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

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

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

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

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

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

## **2.5 KBC Bank Group has significant credit default risk exposure**

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

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

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

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

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

## **2.6 Risks associated with liquidity and funding inherent to KBC Bank Group's business**

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

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

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

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

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

## **2.7 KBC Bank Group is exposed to counterparty credit risk in derivative transactions**

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

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

Counterparty credit risk has decreased in recent years, mainly due to mitigating actions taken by KBC Bank Group (i.e., central clearing and collateralisation). The remaining risk can be exacerbated if the collateral held by KBC Bank Group cannot be realised or liquidated at a value that is sufficient to cover the full amount of the counterparty exposure.

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

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

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

**2.9 KBC Bank Group is subject to foreign exchange risk**

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

**2.10 KBC Bank Group is subject to (trading) market risk**

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

KBC Bank Group uses a range of instruments and strategies to manage (trading) market risks to the level and extent defined by KBC Bank Group's internal 'Risk Appetite' statement and the originating risk management frameworks as well as the external laws and regulations. If the market risk management instruments and strategies prove ineffective or only partially effective (e.g. basis risk arises), KBC Bank Group may suffer losses. Sudden drying up of the liquidity in the financial markets may affect the (cost of the) implementation of the risk reducing measures. Unforeseen market developments such as those in

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

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

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

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

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

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

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

markets, customers or other publicly-available information. Such information may not always be accurate or up-to-date.

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

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

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

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

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

**2.14 The financial industry, including KBC Bank Group, is increasingly dependent on information technology systems, which may fail, be inadequate or no longer available**

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

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

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

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

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

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

KBC Bank Group implemented IFRS 9 as from 1 January 2018. The further development of standards and interpretations under EU-IFRS could significantly affect the results of operations, financial condition and prospects of KBC Bank Group.

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

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

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

KBC Bank Group's business is subject to the risk of litigation by customers, employees, shareholders or others through private actions, class actions or summary proceedings by associations (e.g. consumer or professional organisations) notably in order to stop or suspend commercial activities or products, administrative proceedings, regulatory actions or other litigation (including, but not limited to, any criminal investigation or prosecution). Given the complexity of the relevant circumstances and corporate

transactions underlying these proceedings, together with the issues relating to the interpretation of applicable law, it is inherently difficult to estimate the potential liability related to such liability risks, to evaluate the outcome of such litigation or the time when such liability may materialise. Management makes estimates regarding the outcome of legal, regulatory and arbitration matters, such as the ones mentioned above, and creates provisions when losses with respect to such matters are deemed probable and can be reasonably estimated. Estimates, by their nature, are based on judgment and currently available information and involve a variety of factors, including but not limited to the type and nature of the litigation, claim or proceeding, the progress of the matter, the advice of legal counsel and other advisers, possible defences and previous experience in similar cases or proceedings. Legal proceedings with remote or non-quantifiable outcomes are not provided for and KBC Bank Group may be required to cover litigation losses which are not covered by such provision, including, for example, a series of similar proceedings. As a result, there can be no assurance that provisions will be sufficient to fully cover the possible losses arising from litigation proceedings and KBC Bank Group cannot give any assurance that a negative outcome in one or more of such proceedings would not have a material adverse effect on KBC Bank Group's business, results of operations or financial condition.

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

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

#### **2.18 KBC Bank Group is exposed to risks on account of pension obligations**

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

#### **2.19 KBC Bank Group is responsible for contributing to compensation schemes and subject to special bank taxes**

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

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

## **2.20 KBC Bank Group is subject to increasingly onerous minimum regulatory capital and liquidity and leverage requirements**

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

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

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

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

CRR requires KBC Bank Group to meet targets set for liquidity. The liquidity coverage ratio ("LCR") as referred to in Article 412 CRR and defined by Commission Delegated Regulation (EU) 2015/61 requires banks to hold sufficient unencumbered high quality liquid assets to withstand a 30-day stressed funding scenario. In addition to the LCR, KBC also takes into account the net stable funding ratio ("NSFR"). This liquidity measure is not yet regulatory binding, but is calculated by KBC according to the proposal of the European Commission on the proposed amendment to CRR. NSFR is calculated as the ratio of an institution's amount of available stable funding to its amount of required stable funding. At year-end 2017, the NSFR of KBC Bank Group stood at 134% and the average LCR in 2017 was 139%. Therefore, KBC Bank Group currently complies with the CRR requirements regarding liquidity (regulatory minimum for the LCR ratio is 100%, as from 1 January 2018). However, failure to comply with this ratio in the future may lead to regulatory sanctions. Wholesale funding may also prove difficult to obtain if KBC Bank Group does not achieve LCR and NSFR ratios comparable to peers.

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

The BRRD, which was adopted in May 2014 and implemented in the Banking Law, provides common tools and powers to supervisory and resolution authorities to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses. The powers granted to resolution authorities under the BRRD include a "bail-in" tool in relation to unsecured debt (including the Warrants) and a statutory "write-down and conversion power" in relation to regulatory capital instruments. These powers allow resolution authorities to write down the claims of unsecured creditors (including the rights of Warrant holders) of a failing institution in order to recapitalise the institution by allocating losses to its shareholders and unsecured creditors, or to convert debt into equity, as a means of restoring the institution's capital position. The bail-in tool is applicable to all liabilities as defined in

the BRRD, other than those specifically excluded pursuant to Article 44 (2) and (3) of the BRRD. The bail-in tool was introduced with effect on 1 January 2016 and comes in addition to the write-down and conversion power applicable to additional tier 1 and tier 2 capital instruments, which is to be exercised before or at the latest concurrently with (but immediately prior to) the exercise of any resolution power (including the bail-in power). Please also see risk factor “*Warranholders may be required to absorb losses in the event that KBC Bank Group were to become subject to the exercise of “bail-in” powers by the Resolution Authority*” below.

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

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

On 23 November 2016, the European Commission proposed certain further amendments to CRD IV and BRRD, including, amongst others, to implement the TLAC proposal to a certain extent. The proposed changes are currently scheduled to be adopted and implemented in large part by 2019. It is not entirely clear at this stage to what extent TLAC will be adopted in respect of MREL, including in relation to the sanctions that would apply in the case of an institution’s failure to comply with MREL. Any failure to comply may have a material adverse effect on KBC Bank Group’s business and results of operation.

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

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

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

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

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

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

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

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

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

### **2.24 KBC Group is exposed to potential losses stemming from its ABS and CDO portfolios**

Structured credit activities of KBC Bank Group entities relate to Asset Backed Securities ("ABSs") and Collateralised Debt Obligations ("CDOs"), which are defined as follows:

- ABSs are bonds or notes backed by loans or accounts receivable originated by providers of credit, such as banks and credit card companies. Typically, the originator of the loans or accounts receivable transfers the credit risk to a trust, which pools these assets and repackages them as securities. These securities are then underwritten by brokerage firms which offer them to the public.
- CDOs are a type of asset-backed security and a structured finance product in which a distinct legal entity, a special purpose vehicle, issues bonds or notes against an investment in an underlying asset pool. Pools may differ with regard to the nature of their underlying assets and can be collateralised either by a portfolio of bonds, loans and other debt obligations, or be backed by synthetic credit exposures through use of credit derivatives and credit-linked notes.

In 2013, KBC Bank Group decided to lift the strict moratorium on investments in ABSs and to allow treasury investments in liquid, high-quality, non-synthetic European ABSs, which are also accepted as eligible collateral by the ECB. This allows for further diversification in the investment portfolios.

The risks linked to these structured products may have an adverse effect on KBC Bank Group's business, financial condition and results of operation.

## **RISK FACTORS RELATING TO THE WARRANTS**

### **3 General risks associated with the Warrants**

#### **3.1 The Warrants may not be a suitable investment for all investors**

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

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Warrants, the merits and risks of investing in the relevant Warrants and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement and all information contained in the applicable Final Terms;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Warrants and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Warrants, including where the currency for payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the relevant Warrants and be familiar with the behaviour of any relevant indices, interest rates and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Each of the risks highlighted below could adversely affect the trading price of any Warrants or the rights of investors under any Warrants and, as a result, investors could lose some or all of their investment. Each of the Issuer and the Guarantor believes that the factors described below represent the material risks inherent in investing in Warrants issued under the Programme, but the Issuer and/or the Guarantor may be unable to pay or deliver amounts on or in connection with any Warrants for other reasons and neither the Issuer nor the Guarantor represents that all risks in relation to the holding of any Warrants are described below. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus (including any documents deemed to be incorporated by reference herein and any supplement thereto) and reach their own views prior to making any investment decision.

The Warrants are complex financial instruments. Sophisticated investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Warrants which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Warrants will perform under changing conditions, the resulting effects on the value of the Warrants and the impact this investment will have on the potential investor's overall investment portfolio.

### 3.2 Warrantheolders may be required to absorb losses in the event that KBC Bank Group were to become subject to the exercise of “bail-in” powers by the Resolution Authority

The European recovery and resolution directive BRRD provides common tools and powers to the supervisory and resolution authorities to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers’ exposure to losses.

The powers granted to the Resolution Authority under BRRD include a “write-down and conversion power” and a “bail-in” power, which give the Resolution Authority the power to write down and/or convert into shares or other instruments of ownership (i) regulatory capital instruments and (ii) the claims of certain unsecured creditors (including the rights of Warrantheolders) of a failing institution or entity. These so-called “write-down and conversion” and “bail-in” powers are part of a broader set of resolution tools provided to the Resolution Authority under BRRD in relation to distressed credit institutions and investment firms. These include the ability for the Resolution Authority to force, in certain circumstances of distress, the sale of a credit institution’s business or its critical functions, the separation of assets, the replacement or substitution of the credit institution as obligor in respect of debt instruments, modifications to the terms of debt instruments (including altering the maturity and/or the amount of interest payable and/or imposing a temporary suspension on payments) and discontinuing the listing and admission to trading of financial instruments.

The “write-down and conversion” and “bail-in” powers enable the Resolution Authority to recapitalise a failed institution by allocating losses to its shareholders and unsecured creditors (including the Warrantheolders) in a manner which is consistent with the hierarchy of claims in an insolvency of a relevant financial institution. BRRD contains certain safeguards which provide that shareholders and creditors that are subject to any write down or conversion should in principle not incur greater losses than they would have incurred had the relevant financial institution been wound up under normal insolvency proceedings.

The Resolution Authority is able to exercise its bail-in powers if the following (cumulative) conditions are met:

- (a) the determination that the institution is failing or is likely to fail has been made by the relevant regulator, which means that one or more of the following circumstances are present:
  - (i) the institution infringes or there are objective elements to support a determination that the institution will, in the near future, infringe the requirements for continuing authorisation in a way that would justify the withdrawal of the authorisation by the competent authority, including but not limited to, because the institution has incurred or is likely to incur losses that will deplete all or a significant amount of its own funds;
  - (ii) the assets of the institution are or there are objective elements to support a determination that the assets of the institution will, in the near future, be less than its liabilities;
  - (iii) the institution is or there are objective elements to support a determination that the institution will, in the near future, be unable to pay its debts or other liabilities as they fall due;
  - (iv) the institution requests extraordinary public financial support;
- (b) having regard to timing and other relevant circumstances, there is no reasonable prospect that any alternative private sector measures or supervisory action taken in respect of the institution would prevent the failure of the institution within a reasonable timeframe; and
- (c) a resolution action is necessary in the public interest.

Importantly, certain liabilities of credit institutions will be excluded from the scope of the “eligible liabilities” and therefore not subject to bail-in. These include covered deposits, secured liabilities (including covered bonds) as well as certain debt with maturities of less than seven days and certain other liabilities. All other liabilities (including the Warrants) will be deemed “eligible liabilities” subject to the statutory bail-in powers. Certain aspects of the eligible liabilities that will be subject to the bail-in powers need to be further implemented by means of technical standards. There can be no assurance that the existence of applicable loss absorption provisions or the taking of any actions currently contemplated or as finally reflected in such provisions would not materially adversely affect the price or value of a holder's investment in the Warrants and/or the ability of the Issuer or the Guarantor to satisfy its obligations under the Warrants or the Guarantee.

Moreover, the determination that all or part of the notional amount of any series of Warrants will be subject to loss absorption, i.e., conversion and write-down, is likely to be inherently unpredictable and may depend on a number of factors which may be outside of KBC Bank’s control. This determination will also be made by the Resolution Authority and there may be many factors, including factors not directly related to the Issuer or KBC Bank Group, which could result in such a determination. Because of this inherent uncertainty, it will be difficult to predict when, if at all, the exercise of any resolution tool may occur. Accordingly, trading behaviour in respect of the Warrants is not necessarily expected to follow the trading behaviour associated with other types of securities. Potential investors in the Warrants should consider the risk that a Warrantholder may lose all of its investment, including the notional amount, if such statutory loss absorption measures are acted upon or that the Warrants may be converted into ordinary shares. Warrantholders may have limited rights or no rights to challenge any decision to exercise such powers or to have that decision reviewed by a judicial or administrative process or otherwise.

### **3.3 Unsecured and unsubordinated obligations**

All Warrants will represent direct, unconditional, unsecured and unsubordinated obligations of the Issuer. All Warrants will rank without any preference among themselves and equally with all other unsecured and unsubordinated obligations of the Issuer, save to the extent that laws affecting creditors’ rights generally in a bankruptcy or winding-up may give preference to any of such other obligations.

All Warrants will constitute “eligible liabilities” which could be subject to statutory “bail-in” in case any resolution action were to be taken in relation to the Group (see risk factor 3.2).

Furthermore, it should be noted that the Banking Law introduced (i) a general lien on movable assets (“*algemeen voorrecht op roerende goederen*”/“*privilège général sur biens meubles*”) for the benefit of the deposit guarantee fund (“*garantiefonds voor financiële diensten*”/“*fonds de garantie pour les services financiers*”) as well as (ii) a general lien on moveable assets for the benefit of natural persons and small and medium-sized enterprises for deposits exceeding EUR 100,000. These general liens entered into force on 3 March 2015. These general liens could have an impact on the recourse that Warrantholders would have on the estate of the Guarantor in the case of an insolvency as the claims which benefit from a general lien will rank ahead of the claims of the Warrantholders. The Banking Law requires nevertheless Belgian credit institutions (including the Guarantor) to have sufficient unencumbered assets to meet claims of depositors, as set out in Article 110, §2, indent 2 of the Banking Law.

### **3.4 The Issuer and the Guarantor are not prohibited from issuing additional debt**

There is no restriction on the amount of debt that the Issuer or Guarantor may issue, which may rank *pari passu* with the obligations under the Warrants or the Guarantee. The issue of any such debt or securities may reduce the amount recoverable by investors upon the Issuer's or Guarantor’s bankruptcy.

If the Issuer's or the Guarantor's financial condition were to deteriorate, the holders could suffer direct and materially adverse consequences, including suspension of payments and, if the Issuer or the Guarantor were liquidated (whether voluntarily or involuntarily), the holders could suffer loss of their entire investment.

### 3.5 Conflicts of interest

The Warrant Agent, the Calculation Agent, some of the Dealers and their affiliates have engaged in, and may in the future engage in, commercial dealings in the ordinary course of business with the Issuer, the Guarantor or any of their affiliates (including, but not limited to, lending, depositary, risk management, advisory and banking relationships). They have received, or may in the future receive, customary fees and commissions for these transactions. Any such commissions, fees or any other monetary or non-monetary benefits shall comply with the requirements on inducements, as stated in the relevant provisions of Directive 2014/65/EU, as amended (“**MiFID II**”) and are documented in the relevant firm's conflicts of interest policy and are reflected in the relevant firm's inducements arrangements. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

The Issuer, the Guarantor and their affiliates may have existing or future business relationships with any Reference Item and will pursue actions and take steps that they or it deems necessary or appropriate to protect their and/or its interests arising therefrom without regard to the consequences for a Warrantholder.

Potential investors should also be aware that the Issuer is a wholly-owned subsidiary of the Guarantor and that the Guarantor may act as Dealer, and that the interests of KBC Bank NV and the Issuer may conflict with the interests of the holders of Warrants. The Guarantor may also engage in market making activities in relation to Warrants. Moreover, the holders of Warrants should be aware that KBC Bank NV, acting in whatever capacity, will not have any obligations vis-à-vis the holders of any Warrants and, in particular, will not be obliged to protect the interests of the holders of any Warrants.

Where the Issuer or the Guarantor acts as Calculation Agent or the Calculation Agent is an Affiliate of the Issuer or the Guarantor, potential conflicts of interest may exist between the Calculation Agent and Warrantholders. The Calculation Agent is entitled to carry out a series of determinations which affect the Warrants. Such determinations could have an adverse effect on the value of the Warrants and on the amounts payable to investors under the Terms and Conditions of the Warrants (the “**Conditions**”), whether in the case of the payments following an early cancellation event or on automatic exercise, in each case giving rise to a potential conflict of interest in respect of the interests of the Warrantholders. See also risk factors 3.7 (*Early Cancellation Amount of Warrants*), 3.8 (*Modification*), 5.1(iv) (*Exposure to Index adjustments and correction of Index Levels*), 5.2(iii) (*Determinations made by the Calculation Agent in respect of Potential Adjustment Events, other relevant events or Additional Disruption Events may have an adverse effect on the value of the Warrants*), 5.3(iii) (*Market Disruption*), 7.4 (*Additional Disruption Events*) and 7.5 (*Alternative Currency Provisions*).

Potential conflicts of interest may arise in connection with Warrants that are offered to the public, as any distributors or other entities involved in the offer and/or the listing of such Warrants as indicated in the

applicable Final Terms, will act pursuant to a mandate granted by the Issuer and can receive commissions and/or fees on the basis of the services performed in relation to such offer and/or listing.

The Issuer, the Guarantor and any Dealer may at the date hereof or at any time hereafter, be in possession of information in relation to a Reference Item (as defined under paragraph 4.5 below) that is or may be material in the context of the Warrants and may or may not be publicly available to Warrantholders. Subject to any applicable laws and regulations, there is no obligation on the Issuer, the Guarantor or any Dealer to disclose to Warrantholders any such information.

### **3.6 Early Cancellation due to Illegality or Change in Law**

In the event that the Calculation Agent determines that the performance of the Issuer's obligations under the Warrants or, as the case may be, the Guarantor's obligations under the Guarantee has or will become unlawful, illegal or otherwise prohibited in whole or in part, the Issuer may cancel all, but not some only, of the Warrants at their Early Cancellation Amount.

### **3.7 Early Cancellation Amount of Warrants**

The Warrants may be cancelled earlier than the date scheduled for exercise due to taxation, illegality or change in law, or for various other reasons depending on the particular structure and/or features of the Warrants (see below). Warrants will be cancelled at their applicable Early Cancellation Amount, which will be the fair market value thereof determined at close of business on the clearing system business day immediately prior to the day which the cancellation notice is delivered as determined by the Calculation Agent.

The Early Cancellation Amount may be less than the initial purchase price of such Warrant, and may not be sufficient such that if an investor were to reinvest such amount, it would, on the Interim Exercise Date (if applicable) and/or the expiration date, be worth an amount equal to the initial purchase price of such Warrant.

### **3.8 Modification**

The Conditions contain provisions for calling meetings of Warrantholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Warrantholders including Warrantholders who did not attend and vote at the relevant meeting and Warrantholders who voted in a manner contrary to the majority.

The Conditions also provide that the Warrant Agent and the Issuer may agree, without the consent of the Warrantholders to any modification (subject to certain specific exceptions) of the Agency Agreement (as defined under "*Terms and Conditions of the Warrants*") which is not prejudicial to the interests of the Warrantholders or any modification of the Warrants, the Agency Agreement, the Guarantee or the Deed of Covenant (as defined under "*Form of the Warrants*") which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law.

### **3.9 Common Reporting Standard**

The exchange of information is governed by the Common Reporting Standard ("**CRS**"). In this context, a number of jurisdictions signed the multilateral competent authority agreement ("**MCAA**"), which is a multilateral framework agreement to automatically exchange financial and personal information, with the subsequent bilateral exchanges coming into effect between those signatories that file the subsequent notifications. Many of them have committed to a specific and ambitious timetable leading to the first automatic information exchanges in 2017 (early adopters) or as from 2018.

Under CRS, financial institutions resident in a CRS country are required to report, according to a due diligence standard, financial information with respect to reportable accounts, which includes interest,

dividends, account balance or value, income from certain insurance products, sales proceeds from financial assets and other income generated with respect to assets held in the account or payments made with respect to the account. Reportable accounts include accounts held by individuals and entities (which includes trusts and foundations) with fiscal residence in another CRS country. The standard includes a requirement to look through passive entities to report on the relevant controlling persons.

On 9 December 2014, EU Member States adopted Directive 2014/107/EU on administrative cooperation in direct taxation (“**DAC2**”), which provides for mandatory automatic exchange of financial information between EU Member States as foreseen in CRS. DAC2 amends the previous Directive on administrative cooperation in direct taxation, Directive 2011/16/EU.

On 27 May 2015 the European Union and Switzerland signed a protocol amending their existing Savings agreement and transforming it into an agreement on automatic exchange of financial account information based on the CRS. As of 1 January 2017, financial institutions in the EU and Switzerland apply the due diligence procedures envisaged under the new Agreement to identify customers who are reportable persons, i.e. for Switzerland, residents of any EU Member State. By September 2018, the national authorities will report the financial information to each other.

Luxembourg implemented the provisions of DAC2, as well as the MCAA into domestic law on 18 December 2015.

The Belgian government has implemented DAC2, respectively the CRS, pursuant to the law of 16 December 2015 regarding the exchange of information on financial accounts by Belgian financial institutions and by the Belgian tax administration, in the context of an automatic exchange of information on an international level and for tax purposes (the “**Law of 16 December 2015**”).

As a result of the Law of 16 December 2015, the mandatory automatic exchange of information applies in Belgium (i) as of financial year 2016 (first information exchange in 2017) towards the EU Member States (including Austria, irrespective of the fact that the automatic exchange of information by Austria towards other EU Member States is only foreseen as of income year 2017), (ii) as of financial year 2014 (first information exchange in 2016) towards the US and (iii) with respect to any other jurisdictions that have signed the MCAA, as of a date to be further determined by Royal Decree. In a Royal Decree of 14 June 2017, it was determined that the automatic provision of information has to be provided as from 2017 (for the 2016 financial year) for a first list of eighteen jurisdictions, and as from 2018 (for the 2017 financial year) for a second list of 44 jurisdictions.

Investors who are in any doubt as to their position should consult their professional advisers.

### **3.10 Financial Transaction Tax**

The European Commission published a proposal for a Directive for a common financial transaction tax (the “**FTT**”) in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovak Republic. In December 2015, Estonia withdrew from the group of states willing to introduce the FTT (the “**Participating Member States**”).

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

The proposed FTT has a very broad scope and could, if introduced in its current form, apply to certain transactions related to the Warrants (including secondary market transactions) in certain circumstances.

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

However, the proposed FTT remains subject to negotiation between the Participating Member States and the scope of any such tax is uncertain. Therefore, it may be altered prior to any implementation, the timing of which also remains unclear. Additional Member States may decide to participate and/or other Participating Member States may decide to withdraw.

Prospective holders of the Warrants are strongly advised to seek their own professional advice in relation to the FTT.

### **3.11 Change of law**

The Warrants and the Guarantee will be governed by English law, except for Condition 2(c) of the Warrants and Clause 6 (*Status of Guarantee*) of the Guarantee (and any non-contractual obligations arising therefrom or in connection therewith) which shall be governed by Belgian law. No assurance can be given as to the impact of any possible judicial decision or change to English law or Belgian law or administrative practice after the date of issue of the relevant Warrants and any such change could materially adversely impact the value of any Warrants affected by it.

In addition, any relevant tax law or practice applicable as at the date of this Base Prospectus and/or the date of purchase or subscription of the Warrants may change at any time (including during any subscription period or the term of the Warrants). Any such change may have an adverse effect on a Warrantholder, including that the Warrants may be cancelled before their due date, their liquidity may decrease and/or the tax treatment of amounts payable or receivable by or to an affected Warrantholder may be less than otherwise expected by such Warrantholder.

### **3.12 No taxation gross-up**

Neither the Issuer nor the Guarantor shall be liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer, presentation and surrender for payment, or enforcement of any Warrants and all payments made by the Issuer or, as the case may be, the Guarantor shall be made subject to any tax, duty, withholding or other payment which may be required to be made, paid, withheld or deducted.

Such Warrants will not have the benefit of a gross up provision in respect of withholding taxes and deductions, meaning that Warrantholders will take the risk of any applicable withholding taxes or deductions.

### **3.13 U.S. Foreign Account Tax Compliance Withholding**

Pursuant to certain provisions of U.S. law, commonly known as FATCA, withholding may be required on, among other things, (i) certain payments made by "foreign financial institutions" ("foreign passthru payments"), (ii) Dividend Equivalent Payments (as defined in "*Taxation – U.S. Withholding on Dividend Equivalent Payments*") and (iii) payments of gross proceeds from the disposition of securities that generate Dividend Equivalent Payments, in each case, to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including Luxembourg) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("IGAs"), which modify the way in which FATCA applies in their jurisdictions.

Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Warrants, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Warrants, are uncertain and may be subject to change. Even if withholding would be required with respect to foreign passthru payments or payments of gross proceeds from the disposition of Warrants that generate Dividend Equivalent Payments pursuant to FATCA or an IGA, such withholding would not apply prior to 1 January 2019. For a Warrant that produces withholdable payments solely because the Warrant is treated as giving rise to Dividend Equivalent Payments, FATCA withholding generally will not apply if the Warrant is outstanding at any point prior to six months after the date on which obligations of its type are first treated as giving rise to dividend equivalents, unless the Warrant is materially modified after such date.

Potential investors should consult their own tax advisors regarding how these rules may apply to their investment in the Warrants. In the event any withholding would be required pursuant to FATCA or an IGA (or any fiscal or regulatory legislation, rules or practices implementing such an IGA) with respect to payments on the Warrants, no person will be required to pay additional amounts as a result of the withholding.

### **3.14 Potential U.S. withholding on Dividend Equivalent Payments**

U.S. Treasury regulations that apply to “dividend equivalent” payments may require withholding in respect of the Warrants acquired by a non-U.S. person in certain circumstances. Please see the discussion under “Taxation - U.S. Withholding on Dividend Equivalent Payments.” As discussed above, FATCA would impose withholding at a rate of 30 per cent. on any payments in respect of a Warrant that are treated as Dividend Equivalent Payments when paid to persons that fail to meet certain certification, reporting, or related requirements. While a payment with respect to a Warrant could be subject to U.S. withholding both under FATCA and as a result of being treated as a Dividend Equivalent Payment, the maximum rate of U.S. withholding on such payment would not exceed 30 per cent.

The rules governing the U.S. withholding tax on Dividend Equivalent Payments are particularly complex and significant aspects of when and how these rules apply remain unclear. Each potential investor should consult its own tax advisors to obtain a more detailed explanation of these rules. In the event withholding applies, the Issuer will not be required to pay any additional amounts with respect to amounts withheld.

### **3.15 Taxation**

Potential purchasers and sellers of Warrants should be aware that they may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Warrants are transferred and/or any relevant assets are delivered.

Potential investors cannot solely rely upon the tax summary contained in this Base Prospectus or any Supplement.

Potential purchasers who are in any doubt as to their tax position should consult their own independent tax advisers. In addition, potential purchasers should be aware that tax regulations and their application by the relevant taxation authorities change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time.

### **3.16 Withdrawal from or cancellation of the Public Offer and Over-subscription**

Warrants may be distributed by means of a Public Offer made during an Offer Period specified in the applicable Final Terms. During such Offer Period, (i) the relevant Dealer(s) may in certain limited circumstances decide to cancel or withdraw from such offer in accordance with the Programme Agreement and/or (ii) the Issuer and/or any other person specified in the applicable Final Terms may decide to scale back applications for such offer in the event of over-subscription. In such circumstances,

an applicant investor may not be issued any Warrants or may be issued a number of Warrants which is less than the amount for which such applicant investor applied. Any payments made by an applicant investor for Warrants that are not issued to such applicant investor for any such reason will be refunded. However, there will be a time lag in making any reimbursement and the applicant investor may be subject to reinvestment risk.

### **3.17 Early termination of the Offer Period**

The Issuer and/or the other entities specified in the applicable Final Terms may terminate the offer early by immediate suspension of the acceptance of further subscription requests and by giving notice to the public in accordance with the applicable Final Terms. Any such termination may occur, even where the maximum amount for subscription in relation to that offer (as specified in the applicable Final Terms), has not been reached and, in such circumstances, the early closing of the offer may have an impact on the aggregate number of Warrants issued and, therefore, may have an adverse effect on the liquidity of the relevant Warrants.

### **3.18 Delay in issuing Warrants**

Investors should note that, in certain circumstances, Warrants may not be issued on the originally designated issue date, for example because either the Issuer and/or any other person specified in the applicable Final Terms has reserved the right to postpone such issue date or, following the publication of a supplement to this Base Prospectus the Issuer has decided to postpone such issue date to allow investors who had made applications to subscribe for Warrants before the date of publication of such supplement to exercise their right to withdraw their acceptances. In the event that the issue date is so delayed, no compensation shall be payable.

### **3.19 Hedging**

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

### **3.20 Rounding adjustments**

Investors should note that for purposes of calculating any payment amount under the Warrants (i) in respect of any calculations required, unless otherwise specified, all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded upwards) and (ii) monetary amounts will always be rounded to the nearest two decimal places (or, in the case of Japanese Yen, the nearest whole unit) in the Specified Currency, 0.0005 (or, in the case of Japanese Yen, half of one unit) being rounded upwards. As a result of such rounding, any such payment amounts that are based on Reference Items may not entirely track the performance, price or level of the relevant Reference Item.

#### 4 Additional risks with respect to the Warrants generally

A wide range of Warrants may be issued under the Programme. Warrants may have one or more features which contain particular risks for potential investors. The Warrants do not bear interest.

The Issuer may issue Warrants linked to an index, an underlying equity, an ETF share or a currency exchange rate (each a “**Reference Item**”) which shall pay out amount(s), the timing and/or quantum of which is linked to such Reference Item.

The Warrants involve a high degree of risk and may entail significant risks not associated with investments in a conventional security. The Warrants provide opportunities for investment and pose risks to investors as a result of fluctuations in the value of the Reference Item to which such Warrants relate.

**If the Warrants are cancelled before their expiration, except in cases where their Early Cancellation Amount is specified as a higher amount, they may return less than the initial purchase price paid or even zero. In the case of Warrants that early exercise due to an Event of Default, the Event of Default Cancellation Amount in the case of an Event of Default of either Expiration Settlement Warrants and/or Interim Exercisable Warrants, upon election by the Warrantholder(s) to exercise such Warrant(s)) paid by the Issuer on the exercise of the Warrants may be less than the initial issue price of the Warrants and may in certain circumstances be zero. In the case of (i) Expiration Settlement Warrants and/or Interim Exercisable Warrants that run to expiry or (ii) Interim Exercisable Warrants that may be exercised early on the occurrence of an Interim Exercise Event, the Cash Settlement Amount paid by the Issuer on the exercise of the Warrants (in the case of (i)) and/or the Early Cash Settlement Amount paid by the Issuer (in the case of (ii)) may be less than the initial issue price of the relevant Warrants and may in certain circumstances be zero.**

Prospective investors in the Warrants should understand the risks inherent in linking the performance of the Warrants to the relevant Reference Item and should reach an investment decision only after careful consideration, with their advisers, of the suitability of such Warrants in light of their particular financial circumstances, the information set forth herein and the information regarding the relevant Warrants and the particular Reference Item to which the value of, and payments in respect of, the relevant Warrants may relate, as specified in the applicable Final Terms.

As the determination of the occurrence of an Interim Exercise Event (if applicable) and/or the Cash Settlement Amount payable on automatic exercise is linked to the performance of the relevant Reference Item, an investor in a Warrant must generally be knowledgeable as to, and take a view with respect to, the direction, timing and magnitude of an anticipated change in the value of the relevant Reference Item, considered in the context of the structure of such Warrants.

Where the applicable Final Terms specify a Reference Item, the relevant Warrants will represent an investment linked to the economic performance of such Reference Item and prospective investors should note that the return (if any) on their investment in the Warrants will depend upon the performance of such Reference Item. Potential investors should also note that whilst the market value of such Warrants is linked to such Reference Item and will be influenced (positively or negatively) by such Reference Item, any change may not be comparable and may be disproportionate. It is impossible to predict how the level of the relevant Reference Item will vary over time. In contrast to a direct investment in the relevant Reference Item, the Warrants represent the right to receive payment of the Early Cash Settlement Amount (if applicable) on early expiration or the Cash Settlement Amount on expiry, all or some of which may be determined by reference to the performance of the relevant Reference Item. Further Warrantholders could make the election that the final reference price that determines the Early Cash Settlement Amount (if applicable) payable on early termination or Cash Settlement Amount payable on expiry in relation to the Warrants should be calculated by determining the average of the

official closing level, price or rate of the relevant Reference Item over a specified period of time. If particularly low official closing levels, prices or rates are taken into account due to volatility in such averaging period to determine the interim reference price and/or final reference price of the Reference Item, this could result in a lower interim reference price and/or final reference price than expected. Accordingly, investors may receive a lower payment upon exercise of such Warrants than they would have received if it had invested in the components of, or, the Reference Item directly.

**PROSPECTIVE INVESTORS MUST REVIEW THE APPLICABLE FINAL TERMS TO ASCERTAIN WHAT THE RELEVANT REFERENCE ITEM IS AND TO SEE HOW THE OCCURRENCE OF AN INTERIM EXERCISE EVENT, THE EARLY CASH SETTLEMENT AMOUNT AND THE CASH SETTLEMENT AMOUNT IS TO BE DETERMINED AND WHEN SUCH AMOUNT ARE PAYABLE, BEFORE MAKING ANY DECISION TO PURCHASE ANY WARRANTS.**

Fluctuations in the value and/or volatility of the relevant Reference Item may affect the value of the relevant Warrants. Investors in the Warrants may risk losing their entire investment if the value of the relevant Reference Item does not move in the anticipated direction.

Unless otherwise cancelled or purchased and cancelled early, there is no return on the Warrants other than the (i) Early Cash Settlement Amount (if applicable) on early termination, (ii) the Cash Settlement Amount on expiry or (iii) the Event of Default Cancellation Amount in the case of an Event of Default of Interim Exercisable Warrants and/or Expiration Settlement Warrants (upon election by the Warrantholder(s) to exercise the relevant Warrant(s)).

Other factors which may influence the market value of the Warrants include interest rates, potential dividend or interest payments (as applicable) in respect of the relevant Reference Item, changes in the method of calculating the level of the relevant Reference Item from time to time and market expectations regarding the future performance of the relevant Reference Item, its composition and such Warrants.

If the relevant Reference Item is an index, the value of such Reference Item on any day will reflect the value of its constituents on such day. Changes in the composition of such Reference Item and factors (including those described above) which either affect or may affect the value of the constituents, will affect the value of such Reference Item and therefore may affect the return on an investment in the Warrants.

Any information about the past performance of the Reference Item available at the time of issuance of the Warrants should not be regarded as indicative of any future performance of such Reference Item, or as an indication of the range of, trends or fluctuations in the price or value of the Reference Item that may occur in the future. It is therefore not possible to predict the future value of the Warrants based on such past performance.

## **5 Additional risks associated with Warrants linked to a particular Reference Item**

### **5.1 Index Linked Warrants**

#### **(i) Features**

Index linked Warrants may be issued under the Programme (“**Index Linked Warrants**”).

In the case of Interim Exercisable Warrants, the occurrence of an Interim Exercise Event (if applicable) with respect to Index Linked Warrants is determined by the comparison of the relevant intermediate floor levels and/or intermediate cap levels against the performance of the specified Index, the value of which is determined (subject to adjustment) in accordance with the Conditions, on either (i) the applicable Valuation Date or (ii) where “Reference Price Averaging” is specified as applicable in the applicable Final Terms, the arithmetic average of the amounts equal to the official closing level of the index in the case of Index Linked Warrants, on each date specified to be an ‘Averaging Date’ in the Final Terms. The Early Cash Settlement Amount payable on Index

Linked Warrants is determined by the product of (i) the number of Warrants held by a Warrantholder, (ii) the applicable Warrant Multiplier (see risk factor 7.2) and (iii) an amount specified in the applicable Final Terms as applicable to the corresponding intermediate floor level and/or intermediate cap level (as elected for in the Final Terms) (the “**Intermediate Reference Performance**”).

Unless previously cancelled, early exercised on the occurrence of an Interim Exercise Event or early exercised following an Event of Default, each Index Linked Warrant will be automatically exercised on the Expiration Date and the Cash Settlement Amount payable on such expiry is determined by the product of (i) the number of warrants held by a Warrantholder, (ii) the applicable Warrant Multiplier (see risk factor 7.2) and (iii) an amount calculated by reference to the final performance value of the relevant Reference Item (such reference performance, the “**Reference Performance**”). The relevant formula to apply in respect of the Reference Performance shall be determined by comparing the Strike Levels (which will depend on whether the Interim Exercisable Warrants are specified to be long warrants or short warrants) to the applicable final reference price for the relevant Reference Item to be determined on either (i) the applicable Valuation Date or (ii) where “Reference Price Averaging” is specified as applicable in the applicable Final Terms, the arithmetic average of the amounts equal to the official closing level of the index in the case of Index Linked Warrants, on each date specified to be an ‘Averaging Date’ in the Final Terms, (such reference price to be determined in accordance with the foregoing being, the “**Final Reference Price**”). Certain multipliers (“**Strike Multipliers**”) and certain fixed amounts (as specified in the Final Terms) may also be applied in the determination of the Reference Performance value (see risk factor 7.2 below); such factors to apply depending on the relevant formula, which is determined by the extent to which the Final Reference Price exceeds (in the case Long Warrants) or falls below (in the case of Short Warrants) a relevant payoff level (the “**Strike Levels**”). If the Final Reference Price fails to satisfy any relevant Strike Level, the Reference Performance shall be equal to the minimum payoff applicable for the Interim Exercisable Warrant.

The Early Cash Settlement Amount (if applicable) on early expiration and/or the Cash Settlement Amount on expiry could be less than the issue price paid for such Index Linked Warrants and investors could lose all or a significant portion of their investment.

In the case of Expiration Settlement Warrants, the Cash Settlement Amount payable on Index Linked Warrants is determined by the product of (i) how the value of the specified Index determined at expiry has performed (which may or may not be adjusted by the relevant strike level multipliers (see risk factor 7.2 below)) when compared against the relevant strike levels, (ii) the applicable Warrant Multiplier (see risk factor 7.2), and (iii) the number of Warrants held by a Warrantholder. This Cash Settlement Amount could be less than the issue price paid for such Index Linked Warrants and investors could lose all or a significant portion of their investment.

(ii) ***Index Sponsor not responsible***

Index Linked Warrants are not in any way sponsored, endorsed, sold or promoted by the Index Sponsor of the relevant Index and the Index Sponsor makes no warranty or representation whatsoever, express or implied, either as to the results to be obtained from the use of the Index and/or the figure at which the Index stands at any particular time on any particular day or otherwise. An investor’s decision to invest in the Index Linked Warrants should be made without reliance on the Index Sponsor. The Index Sponsor shall not be liable (whether in negligence or otherwise) for any loss, damages, costs, charges, expenses or other liabilities including, without limitation, liability for any special, punitive, indirect or consequential damages, even if notified

of the possibility of such damages to any person for any error in the Index and the Index Sponsor shall not be under any obligation to advise any person of an error therein.

(iii) ***Factors affecting the performance of the Index may adversely affect the value of the Warrants***

An Index will comprise a synthetic portfolio of shares and, as such, the performance of an Index is dependent upon the macroeconomic factors relating to the shares that comprise such Index, which may include interest rates and price levels on the capital markets, currency developments, political factors and company-specific factors such as earnings position, market position, risk situation, shareholder structure and distribution policy.

(iv) ***Exposure to Index adjustments and correction of Index Levels***

The Calculation Agent has broad discretion to make certain determinations and adjustments, to replace the original index with another and/or to cause early cancellation of the Warrants, any of which may be adverse to Warrantholders in connection with an Index Adjustment Event (which shall include Index Modification, Index Cancellation, Index Disruption or Administrator/Benchmark Event). The Calculation Agent may determine that the consequence of any such event is to replace such Index or the value of such Index with another, to make calculations and/or adjustments to the Warrants or to cause early cancellation of the Warrants. The Calculation Agent may (subject to the terms and conditions of the relevant Warrants) also amend the relevant Reference Price (being the level of the Index) due to corrections in the level reported by the Index Sponsor, except that this shall not apply to the Interim Automatic Exercise of Interim Exercisable Warrants to the extent that if it has already been determined that an Interim Exercise Event has or has not occurred on an Interim Observation Date, but application of the effects of such corrected index level (even if such corrected index level was published prior to the correction cut-off date specified in the applicable Final Terms) would reverse such determination, the corrected index level shall be ignored. In the case where application of the corrected index level would, but for this provision, (i) reverse the determination of the occurrence of an Early Exercise Event or (ii) prevent the retrospective determination of the occurrence of an Early Exercise Event; Warrantholders may receive an amount different (for the avoidance of doubt, such amount could be more or less) from the amount they would otherwise have received had such Interim Exercisable Warrants been exercised on the Expiration Date (in the case of (i)) or the Early Exercise Date (in the case of (ii)).

(v) ***Loss of return of dividends in respect of most Index Linked Warrants***

The rules governing the composition and calculation of the relevant underlying Index might stipulate that dividends distributed on its components do not lead to a rise in the Index level, for example, if it is a “price” index, which may lead to a decrease in the Index level if all other circumstances remain the same. As a result, in such cases, the Warrantholders in respect of Index Linked Warrants will not participate in dividends or other distributions paid on the components comprising the Index. Even if the rules of the relevant underlying Index provide that distributed dividends or other distributions of the components are reinvested in the Index and therefore result in raising its level, in some circumstances, the dividends or other distributions may not be fully reinvested in such Index.

(vi) ***A change in the composition or discontinuance of an Index could adversely affect the market value of the Warrants***

The Index Sponsor of any Index can add, delete or substitute the components of such Index or make other methodological changes that could change the level of one or more components. The modification of components of any Index may affect the level of such Index, as a newly added

component may perform significantly worse or better than the component it replaces, which in turn may affect the payments made by the Issuer to the Warrantholders. The sponsor of any such Index may also alter, discontinue or suspend calculation or dissemination of such Index. The Index Sponsor of an Index will have no involvement in the offer and sale of the Warrants and will have no obligation to any investor in such Warrants. The Index Sponsor may take any actions in respect of such Index without regard to the interests of the investor in the Warrants, and any of these actions could adversely affect the market value of the Warrants.

(vii) ***Exposure to the risk that returns on the Index Linked Warrants do not reflect direct investment in underlying equities comprising the Index***

The return payable on Index Linked Warrants may not reflect the return an investor would realise if it actually owned the relevant equities comprising the components of the Index. For example, Warrantholders will not receive any dividends paid on those shares and will not participate in the return on those dividends unless the relevant Index takes such dividends into account for purposes of calculating the relevant level. Similarly, Warrantholders will not have any voting rights in the underlying equities or any other assets which may comprise the components of the relevant Index. Accordingly, Warrantholders holding Index Linked Warrants may receive a lower payment upon exercise of such Warrants than such investor would have received if it had invested in the components of the Index directly.

## 5.2 Equity Linked Warrants

(i) ***Features***

Equity Linked Warrants may be issued under the Programme (the “**Equity Linked Warrants**”).

In the case of Interim Exercisable Warrants, the occurrence of an Interim Exercise Event (if applicable) with respect to Equity Linked Warrants is determined by the comparison of the relevant intermediate floor levels and/or intermediate cap levels against the performance of the specified Underlying Equity, the value of which is determined (subject to adjustment) in accordance with the Conditions, on either (i) the applicable Valuation Date or (ii) where “Reference Price Averaging” is specified as applicable in the applicable Final Terms, the arithmetic average of the amounts equal to the official closing price of the relevant share in the case of Equity Linked Warrants, on each date specified to be an ‘Averaging Date’ in the Final Terms. The Early Cash Settlement Amount payable on Equity Linked Warrants is determined by the product of (i) the number of Warrants held by a Warrantholder, (ii) the applicable Warrant Multiplier (see risk factor 7.2) and (iii) an amount specified in the applicable Final Terms as applicable to the corresponding intermediate floor level and/or intermediate cap level (as elected for in the Final Terms) (the “**Intermediate Reference Performance**”).

Unless previously cancelled or early exercised on the occurrence of an Interim Exercise Event or early exercised following an Event of Default, each Equity Linked Warrant will be automatically exercised on the Expiration Date and the Cash Settlement Amount payable on such expiry is determined by the product of (i) the number of warrants held by a Warrantholder, (ii) the applicable Warrant Multiplier (see risk factor 7.2) and (iii) an amount calculated by reference to the final performance value of the relevant Reference Item (such reference performance, the “**Reference Performance**”). The relevant formula to apply in respect of the Reference Performance shall be determined by comparing the Strike Levels (which will depend on whether the Interim Exercisable Warrants are specified to be long warrants or short warrants) to the applicable final reference price for the relevant Reference Item to be determined on either (i) the applicable Valuation Date or (ii) where “Reference Price Averaging” is specified as applicable in

the applicable Final Terms, the arithmetic average of the amounts equal to the official closing price of the relevant share in the case of Equity Linked Warrants, on each date specified to be an ‘Averaging Date’ in the Final Terms, (such reference price to be determined in accordance with the foregoing being, the “**Final Reference Price**”). Certain multipliers (“**Strike Multipliers**”) and certain fixed amounts (as specified in the Final Terms) may also be applied in the determination of the Reference Performance value (see risk factor 7.2 below); such factors to apply depending on the relevant formula, which is determined by the extent to which the Final Reference Price exceeds (in the case Long Warrants) or falls below (in the case of Short Warrants) a relevant payoff level (the “**Strike Levels**”). If the Final Reference Price fails to satisfy any relevant Strike Level, the Reference Performance shall be equal to the minimum payoff applicable for the Interim Exercisable Warrant.

The Early Cash Settlement Amount (if applicable) on early expiration and/or the Cash Settlement Amount on expiry could be less than the issue price paid for such Equity Linked Warrants and investors could lose all or a significant portion of their investment.

In the case of Expiration Settlement Warrants, the Cash Settlement Amount payable on Equity Linked Warrants is determined by the product of (i) how the value of the specified Underlying Equity determined at expiry has performed (which may or may not be adjusted by the relevant strike level multipliers (see risk factor 7.1 below)) when compared against the relevant strike levels, (ii) the applicable Warrant Multiplier (see risk factor 7.2), and (iii) the number of Warrants held by the Warrantholder. If such value at expiration is lower than the initial purchase price paid, investors could lose all or a significant portion of their investment.

(ii) ***Factors affecting the performance of the Underlying Equities may adversely affect the value of the Warrants***

The performance of equities is dependent upon macroeconomic factors, such as interest rates and price levels on the capital markets, currency developments, political factors and company-specific factors such as earnings position, market position, risk situation, shareholder structure and distribution policy.

(iii) ***Determinations made by the Calculation Agent in respect of Potential Adjustment Events, other relevant events or Additional Disruption Events may have an adverse effect on the value of the Warrants***

In case a specified Potential Adjustment Event occurs which according to the Calculation Agent has a diluting, concentrative or other effect on the theoretical value of the Underlying Equity (which may be or include an ETF Share), or where other extraordinary events occur that comprise a De-listing, Merger Event, Nationalisation, Insolvency (other than in respect of an ETF Share) and/or Tender Offer in relation to such an Underlying Equity or Equity Issuer, (i) the Calculation Agent has broad discretion (in certain cases at the direction of the Issuer) to make certain determinations to account for such event, including to make adjustments to the terms of the Warrants and/or (ii) (in the case of such other specified extraordinary events) the Issuer may cancel the Warrants. Subsequent corrections to published share prices may also be taken into account for future determinations on the Warrants.

However, such provisions shall not apply to the Interim Automatic Exercise of Interim Exercisable Warrants to the extent that if it has already been determined that an Interim Exercise Event has or has not occurred on an Interim Observation Date, but application of the effects of such potential adjustment event, corrected share price (even if such corrected share price was published prior to the correction cut-off date specified in the applicable Final Terms) and/or De-

listing, Merger Event, Nationalisation, Insolvency and/or Tender Offer, would reverse such determination, the potential adjustment event, corrected share price and/or De-listing, Merger Event, Nationalisation, Insolvency and/or Tender Offer shall be ignored.

In the case where application of the potential adjustment event, corrected share price and/or De-listing, Merger Event, Nationalisation, Insolvency and/or Tender Offer would, but for this provision, (i) reverse the determination of the occurrence of an Early Exercise Event or (ii) prevent the retrospective determination of the occurrence of an Early Exercise Event, Warrantholders may receive an amount different (for the avoidance of doubt, such amount could be more or less) from the amount they would otherwise have received had such Interim Exercisable Warrants been exercised on the Expiration Date (in the case of (i)) or the Early Exercise Date (in the case of (ii)).

Any of the abovementioned determinations may have an adverse effect on the value of the Warrants.

(iv) ***No claim against the Equity Issuer of the Underlying Equities or recourse to the Underlying Equities***

Equity Linked Warrants do not represent a claim against or an investment in any Equity Issuer (which includes any ETF Issuer in the content of an ETF Share) to which they are linked and Warrantholders will not have any right of recourse under the Warrants to any such Equity Issuer or the equities. The Warrants are not in any way sponsored, endorsed or promoted by any Equity Issuer and such companies have no obligation to take into account the consequences of their actions for any Warrantholders. Accordingly, the Equity Issuer may take any actions in respect of such Underlying Equity without regard to the interests of the Warrantholders, and any of these actions could adversely affect the market value of the Warrants.

In the case of Warrants relating to Underlying Equities, no Equity Issuer (which includes any ETF Issuer in the content of an ETF Share) will have participated in the preparation of the relevant Conditions and/or Final Terms of the Warrants and neither the Issuer nor any Dealer will make any investigation or enquiry in connection with such offering with respect to the information concerning any such Equity Issuer contained in such Final Terms or in the documents from which such information was extracted. Consequently, there can be no assurance that all events occurring prior to the relevant Issue Date (including events that would affect the accuracy or completeness of the publicly available documents described in this paragraph or in any relevant Final Terms) that would affect the trading price of the Underlying Equities will have been publicly disclosed. Subsequent disclosure of any such events or the disclosure of or failure to disclose material future events concerning such an Equity Issuer could affect the trading price of the Underlying Equities and therefore the trading price of the Warrants.

(v) ***Additional risks associated with ETF Shares as Underlying Equities***

*(a) Where the Underlying Equity is an ETF Share, there may be divergence from its underlying share or index*

Where the Warrants are linked to an ETF and the investment objective of such ETF is to track the performance of a share or index, the investors in such Warrants are exposed to the performance of such ETF share rather than the underlying share or index such ETF share tracks. For certain reasons, including to comply with certain tax and regulatory constraints, an ETF may not be able to track or replicate the underlying share (or any constituent thereof) or index, which could give rise to a difference between the performance of the underlying share or index and such ETF share.

Accordingly, investors who purchase Warrants that are linked to an ETF may receive a lower return than if such investors had invested in the share or the index underlying such ETF share directly.

*(b) Action by ETF Adviser, ETF Administrator or sponsor of an ETF may adversely affect the Warrants*

Any relevant ETF Adviser, ETF Administrator or sponsor of an ETF will have no involvement in the offer and sale of the Warrants and will have no obligation to any investor in such Warrants. Any such ETF Adviser, ETF Administrator or sponsor of an ETF may take any actions in respect of such ETF without regard to the interests of the Warrantholders, and any of these actions could adversely affect the market value of the Warrants.

### 5.3 Currency Linked Warrants

#### (i) Features

Currency Linked Warrants may be issued under the Programme.

In the case of Interim Exercisable Warrants, the occurrence of an Interim Exercise Event (if applicable) with respect to Currency Linked Warrants is determined by the comparison of the relevant intermediate floor levels and/or intermediate cap levels against the performance of the specified currency exchange rate, the value of which is determined (subject to adjustment) in accordance with the Conditions, on either (i) the applicable Valuation Date or (ii) where “Reference Price Averaging” is specified as applicable in the applicable Final Terms, the arithmetic average of the amounts equal to the sum of each currency exchange rate in the case of Currency Linked Warrants, on each date specified to be an ‘Averaging Date’ in the Final Terms. The Early Cash Settlement Amount payable on Currency Linked Warrants is determined by the product of (i) the number of Warrants held by a Warrantholder, (ii) the applicable Warrant Multiplier (see risk factor 7.2) and (iii) an amount specified in the applicable Final Terms as applicable to the corresponding intermediate floor level and/or intermediate cap level (as elected for in the Final Terms) (the “**Intermediate Reference Performance**”).

Unless previously cancelled or early exercised on the occurrence of an Interim Exercise Event or early exercised following an Event of Default, each Currency Linked Warrant will be automatically exercised on the Expiration Date and the Cash Settlement Amount payable on such expiry is determined by the product of (i) the number of warrants held by a Warrantholder, (ii) the applicable Warrant Multiplier (see risk factor 7.2) and (iii) an amount calculated by reference to the final performance value of the relevant Reference Item (such reference performance, the “**Reference Performance**”). The relevant formula to apply in respect of the Reference Performance shall be determined by comparing the Strike Levels (which will depend on whether the Interim Exercisable Warrants are specified to be long warrants or short warrants) to the applicable final reference price for the relevant Reference Item to be determined on either (i) the applicable Valuation Date or (ii) where “Reference Price Averaging” is specified as applicable in the applicable Final Terms, the arithmetic average of the amounts equal to the sum of each currency exchange rate in the case of Currency Linked Warrants, on each date specified to be an ‘Averaging Date’ in the Final Terms, (such reference price to be determined in accordance with the foregoing being, the “**Final Reference Price**”). Certain multipliers (“**Strike Multipliers**”) and certain fixed amounts (as specified in the Final Terms) may also be applied in the determination of the Reference Performance value (see risk factor 7.2 below); such factors to apply depending on the relevant formula, which is determined by the extent to which the Final Reference Price exceeds (in the case Long Warrants) or falls below (in the case of Short Warrants)

a relevant payoff level (the “**Strike Levels**”). If the Final Reference Price fails to satisfy any relevant Strike Level, the Reference Performance shall be equal to the minimum payoff applicable for the Interim Exercisable Warrant.

The Early Cash Settlement Amount (if applicable) on early expiration and/or the Cash Settlement Amount on expiry could be less than the issue price paid for such Currency Linked Warrants and investors could lose all or a significant portion of their investment.

In the case of Expiration Settlement Warrants, the Cash Settlement Amount payable on Currency Linked Warrants is equal to the product of (i) the value of the specified currency exchange rate at expiry against the relevant strike levels, the performance of which may or may not be adjusted by the relevant strike level multipliers (see risk factor 7.1 below), (ii) the applicable Warrant Multiplier (see risk factor 7.2) and (iii) the number of Warrants held by the Warrantholder. If the product of the foregoing is lower than the Warrant price at the time of issue, investors could lose all or a significant portion of their investment.

(ii) ***Factors affecting the performance of the relevant foreign exchange rate may adversely affect the value of the Warrants***

The foreign exchange rate(s) to which the Warrants are linked will affect the nature and value of the investment return on the Warrants. The performance of foreign exchange rates is dependent upon the supply and demand for currencies in the international foreign exchange markets, which are subject to economic factors, including inflation rates in the countries concerned, interest rate differences between the respective countries, economic forecasts, international political factors, currency convertibility and safety of making financial investments in the currency concerned, speculation and measures taken by governments and central banks. Such measures include, without limitation, imposition of regulatory controls or taxes, issuance of a new currency to replace an existing currency, alteration of the exchange rate or exchange characteristics by devaluation or revaluation of a currency or imposition of exchange controls with respect to the exchange or transfer of a specified currency that would affect exchange rates and the availability of a specified currency.

(iii) ***Market Disruption***

If a Currency Disruption Event occurs, the determination of the occurrence of an Interim Exercise Event (if applicable) and/or the calculation method of the Cash Settlement Amount for the Currency Linked Warrants may be adjusted or the Warrants may be cancelled under certain conditions.

Where “Reference Price Averaging” is specified as not applicable in the Final Terms, with respect to any Currency Linked Warrant, in case any Valuation Date on which a Reference Price is scheduled to be determined is a Disrupted Day, the Calculation Agent may in its sole and absolute discretion, under certain conditions, (i) make the appropriate adjustments, if any, to its determination of the occurrence of an Interim Exercise Event (if applicable) and/or the Cash Settlement Amount determined on the basis of such Reference Price to account for the Currency Disruption Event(s); and/or (ii) postpone any Interim Observation Date for the purpose of determining whether an Interim Exercise Event has occurred and/or any date for payment of the Cash Settlement Amount; and/or (iii) in the case of a “**Price Source Disruption**”, specify and adopt an appropriate alternate fallback or alternative price or rate source or method of determination selected by the Calculation Agent in its sole discretion or a replacement of any one or more relevant currencies, as the case may be; and/or (iv) cancel all of the Currency Linked Warrants at their Early Cancellation Amount.

**(iv) Foreign exchange dealers and conflicts of interest**

Investors should note that certain Affiliates of the Issuer are regular participants in the foreign exchange markets and in the ordinary course of their business may effect transactions for their own account or for the account of their customers and hold long and short positions in currencies and related derivatives, including in the currencies of the relevant foreign exchange rate(s). Such transactions may affect the relevant foreign exchange rate(s), the market price, liquidity or value of the Warrants and could be adverse to the interests of Warrantholders. No Affiliate of the Issuer has any duty to enter into such transactions in a manner which is favourable to Warrants. See risk factor 3.5.

**(v) Currencies of emerging markets jurisdictions pose particular risks**

Currency Linked Warrants linked to emerging market currencies may experience greater volatility and less certainty as to the future levels of such emerging market currencies or their rate of exchange as against other currencies. See risk factor 6.2.

**6 Additional risks associated with Warrants****6.1 Specific hedging risks relating to Warrants**

Prospective purchasers intending to purchase Warrants to hedge against the market risk associated with investing in the Reference Item relating thereto, should recognise the complexities of utilising Warrants in this manner. For example, the value of the Warrants may not exactly correlate with the value of the relevant Reference Item. Due to fluctuating supply and demand for the Warrants, there is no assurance that their value will correlate with movements of the relevant Reference Item. For these reasons, among others, it may not be possible to purchase or liquidate Warrants in a portfolio at the prices used to calculate the value of the relevant Reference Item.

**6.2 Emerging market**

Where the Warrants relate to Reference Items which involve emerging market countries, investors should note that the risk of the occurrence and the severity of the consequences of the matters described herein may be greater than they would otherwise be in relation to more developed countries.

Warrants that are linked to Reference Items involving an emerging market should be considered speculative. Economies in emerging markets generally are heavily dependent upon international trade and, accordingly, may be affected adversely by trade barriers, foreign exchange controls (including taxes), managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also may be affected adversely by their economic, financial, military and political conditions and the supply and demand for such currency in the global markets.

**7 Further risks related to particular features that may apply to an issue of Warrants**

A wide range of additional features may apply to Warrants issued under the Programme. A number of these features give rise to particular risks for potential investors.

**7.1 Warrants with Strike Multipliers**

Warrants can be volatile investments. Where any Long Payoff Multiplier or Short Payoff Multiplier (each, a “**Strike Multiplier**”) applies to the Warrants, their market value may be even more volatile than for Warrants that do not include such feature(s).

In the case of Interim Exercisable Warrants, while no Strike Multipliers are applicable in the determination of the Early Cash Settlement Amount upon an occurrence of an Interim Exercise Event, Strike Multipliers may be applied to the final reference price of a Reference Item where the Interim Exercisable Warrant is exercised on its Expiration Date to the extent that it clears a relevant strike level pursuant to Condition 4(g), and will be used to calculate the performance of such Reference Item in order to determine the Cash Settlement Amount.

By way of example, if the third strike level for a Long Warrant was the closing value of the Reference Item (being 15 for the purposes of this example), the second strike level was set at 70% of the third strike level (being 10.5), the first strike level was set at 5 and the final reference price is determined to be 12; where 'Y<sub>2</sub>FRP' is elected in the relevant Final Terms, the Strike Multiplier in respect of the second strike level will be applied against 1.5, being the difference between the final reference price and the second strike level cleared.

In the case of Expiration Settlement Warrants, the Strike Multipliers may be applied to the final reference price of a Reference Item to the extent that it clears a relevant strike level pursuant to Condition 3(c) and will be used to calculate the performance of such Reference Item in order to determine the Cash Settlement Amount.

By way of example, if the first strike level for a Long Warrant was set at 5, the second strike level was set at 10 and the final reference price is determined to be 8, the Strike Multiplier in respect of the first strike level will be applied against 3, being the difference between the final reference price and first strike level cleared.

The Strike Multipliers will be specified as a percentage and may be a positive or a negative number. If the Strike Multiplier is lower than 100 per cent., it may reduce the effects of the gains and losses on the Reference Item. If the Reference Item is performing well, Warrantheolders will not benefit from the positive performance of the underlying Reference Item to the fullest extent.

If the Strike Multiplier is higher than 100 per cent., the exposure of the Warrantheolders to the effects of the losses and gains on the Reference Item will be increased. If the Reference Item is not performing well, investors may receive a lower Cash Settlement Amount.

## **7.2 Warrant Multiplier**

The Warrant Multiplier (if applicable) will change the relationship between a Reference Item's performance and the Early Cash Settlement Amount (if applicable) and/or Cash Settlement Amount payable in order to create a payment for the Warrantheolders. Depending on the other variables applicable to the Warrants, in particular the relevant Strike Multipliers, a Warrant Multiplier may or may not be detrimental to Warrantheolders' interests. A consideration that may affect the Warrant Multiplier could be seen where the currency of the Reference Item is different to the Specified Currency therefore a commercially reasonable spot rate could be included in the multiplier in order to create a payment for the Warrantheolder.

### 7.3 Worked example relating to 7.1 and 7.2 above showing its application in determining the Early Cash Settlement Amount and/or Cash Settlement Amount

The figures used for the purposes of these examples are indicative only and are not reflective of official prices or rates. The numbers used are not intended as a guide as to the actual or expected performances of any Warrant, which may be better or worse than the performance set out in the following examples.

#### Interim Exercisable Warrants

##### Example 1: Equity Linked Warrants specified to be Long Warrants

The following example shall assume the following:

- (i) Underlying Equity: equity shares denominated in USD.
- (ii) Number of Warrants: 10
- (iii) Warrant Multiplier: 100,000 divided by Long Strike 3
- (iv) Specified Currency: EUR
- (v) Specified Interim Observation Date(s): 1 August 2019, 1 August 2020, 1 August 2021
- (vi) Cap/Floor Election: Cap or Floor (with Floor only being relevant)
- (vii) Intermediate Floor\_i(s) and Intermediate Cap\_i(s)

Interim Observation Date(s) <i>(prior to adjustment due to occurrence of a Disrupted Day)</i>	Intermediate Floor_i(s)	Intermediate Cap_i(s)
1 August 2019	100% of Long Strike 3	Not applicable
1 August 2020	100% of Long Strike 3	Not applicable
1 August 2021	100% of Long Strike 3	Not applicable

- (viii) Payoff\_InterimLR\_i:

Interim Observation Date(s) <i>(prior to adjustment due to occurrence of a Disrupted Day)</i>	Intermediate Floor_i(s)	Payoff_InterimLR_i
1 August 2019	100% of Long Strike 3	109% of Long Strike 3
1 August 2020	100% of Long Strike 3	118% of Long Strike 3
1 August 2021	100% of Long Strike 3	127% of Long Strike 3

- (ix) Payoff\_LR: 0
- (x) Long Strike 1: 0
- (xi) Long Strike 2: 60% of Long Strike 3

- (xii) Long Strike 3: the closing value of the Reference Item at Issue Date. Such value will not be known as at the date of the Final Terms and will only be known at Issue Date. For the purposes of this example, the value of Long Strike 3 is USD 3,000.
- (xiii) Long Payoff Multiplier 1: 1
- (xiv) Long Payoff Multiplier 2: 1
- (xv) Long Payoff Multiplier 3: Not Applicable
- (xvi)  $X_1$ :  $X_1\_FRP$
- (xvii)  $Y_2$ :  $Y_2\_LS3$
- (xviii)  $Z_3$ :  $Z_3\_FIX$ , such fixed amount to be 36% of Long Strike 3

Two scenarios are set out below: one in which an Early Cash Settlement Amount is due and another in which a Cash Settlement Amount is due.

**Early Cash Settlement Amount:**

In the first scenario, we assume the Interim Reference Price with respect to the first Interim Observation Date (being 1 August 2019) is USD 3,500. As the ‘Cap or Floor’ method has been selected, the Interim Exercisable Warrants are exercised where either (i) the Interim Reference Price is more than or equal to the applicable Intermediate Floor<sub>i</sub> or (ii) the Interim Reference Price is less than or equal to the applicable Intermediate Cap<sub>i</sub>. Here, no cap levels are applicable and the Interim Reference Price (being USD 3,500) is greater than the applicable Intermediate Floor<sub>i</sub> (being 100% of Long Strike 3, i.e. USD 3,000). Hence, an Interim Exercise Event occurs.

The Early Cash Settlement Amount is equal to (by application of the formula in Condition 4(c)):

$$\text{Number of Warrants} \times \text{Warrant Multiplier} \times \text{Intermediate Reference Performance}$$

As outlined in sub-paragraphs (ii) and (iii) of this example, the number of warrants is 10 and the Warrant Multiplier is 100,000 divided by Long Strike 3 (i.e. 100,000 divided by USD 3,000). The Intermediate Reference Performance is determined by applying the rules set forth in the relevant method of comparison (which in this case is Cap or Floor). In accordance with Condition 4(a)(i)(1), the Intermediate Reference Performance is equal to Payoff<sub>InterimLR\_i</sub> which, as outlined in sub-paragraph (viii) of this example above, is 109% of Long Strike 3 (i.e. 109% of USD 3,000).

Therefore:

$$\begin{aligned} \text{Early Cash Settlement Amount} &= \text{Number of Warrants} \times \text{Warrant Multiplier} \times \text{Payoff}_{\text{InterimLR}_i} \\ &= 10 \times (100,000/3,000) \times (109\% \times 3,000) \\ &= \text{EUR } 1,090,000 \end{aligned}$$

as the Early Cash Settlement Amount is automatically converted from USD to the Specified Currency (EUR) at a ratio of 1:1.

**Cash Settlement Amount:**

In the second scenario, we assume that all Interim Reference Prices with respect to all Interim Observation Dates were below USD 3,000 and that the Final Reference Price with respect to the Expiration Date is USD 1,900. The Final Reference Price therefore falls between Long Strike 2 (being 60% of Long Strike 3, i.e. USD 1,800) and Long Strike 3 (being USD 3,000).

The Cash Settlement Amount is equal to (by application of the formula in Condition 4(g)):

$$\text{Number of Warrants} \times \text{Warrant Multiplier} \times \text{Reference Performance}$$

As outlined in sub-paragraphs (ii) and (iii) of this example, the number of warrants is 10 and the Warrant Multiplier is 100,000 divided by Long Strike 3 (i.e. 100,000 divided by USD 3,000). The Reference Performance is determined by applying the rules set forth in Condition 4(g)(i)(C).

The Reference Performance in this case is equal to:  $\text{Payoff\_LR} + X_2 + Y_2$

$\text{Payoff\_LR}$ , as outlined in sub-paragraph (ix) of this example, is equal to 0.

$X_2$ , in accordance with Condition 4(g)(i)(C) is equal to  $[\text{Long Strike 2} - \text{Long Strike 1}] \times \text{Long Payoff Multiplier 1}$ . As Long Strike 2 is USD 1,800 (60% of Long Strike 3), Long Strike 1 is 0 (as outlined in sub-paragraph (x) of this example) and Long Payoff Multiplier 1 is 1 (as outlined in sub-paragraph (xiii) of this example),  $X_2$  is equal to USD 1,800.

$Y_2$ , as outlined in sub-paragraph (xvii) of this example is  $Y_{2\_LS3}$ , which is a value calculated by application of the following formula:  $[\text{Long Strike 3} - \text{Long Strike 2}] \times \text{Long Payoff Multiplier 2}$ . As Long Strike 3 is USD 3,000, Long Strike 2 is USD 1,800 (60% of Long Strike 3) and Long Payoff Multiplier 2 is 1 (as outlined in sub-paragraph (xiv) of this example),  $Y_{2\_LS3}$  is equal to USD 1,200.

The Reference Performance is therefore equal to  $0 + \text{USD } 1,800 + \text{USD } 1,200 = \text{USD } 3,000$ .

Therefore:

Cash Settlement Amount = Number of Warrants x Warrant Multiplier x Reference Performance

$$= 10 \times (100,000/3,000) \times 3,000$$

$$= \text{EUR } 1,000,000$$

as the Cash Settlement Amount is automatically converted from USD to the Specified Currency (EUR) at a ratio of 1:1.

Other cases for the Final Reference Price and the corresponding Cash Settlement Amount can be found in the table below:

Final Reference Price	Reference Performance Formula	Reference Performance	Cash Settlement Amount (Number of Warrants × Warrant Multiplier × Reference Performance)
Final Reference Price = <b>USD 800</b> → Long Strike 1 < Final Reference Price ≤ Long Strike 2	Payoff_LR + X <sub>1_FRP</sub>	0 + [800 - 0] x 1 = USD 800	= 10 x 100,000/3,000 x 800 = EUR 266,666.67
Final Reference Price = <b>USD 1,900</b> → Long Strike 2 < Final Reference Price ≤ Long Strike 3	Payoff_LR + X <sub>2</sub> + Y <sub>2_LS3</sub>	0 + [1,800 - 0] x 1 + [3,000 - 1,800] x 1 = USD 3,000	= 10 x 100,000/3,000 x 3,000 = EUR 1,000,000
Final Reference Price = <b>USD 3,700</b> →	Payoff_LR + X <sub>3</sub> + Y <sub>3</sub> + Z <sub>3_FIX</sub>	0 + [1,800 - 0] x 1 + [3,000 - 1,800] x 1 + 1,080	= 10 x 100,000/3,000 x 4,080 = EUR 1,360,000

Long Strike 3 < Final Reference Price		= USD 4,080	
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Example 2: Equity Linked Warrants specified to be Long Warrants

The following example shall assume the following:

- (i) Underlying Equity: equity shares denominated in EUR.
- (ii) Number of Warrants: 50
- (iii) Warrant Multiplier: 100,000 divided by Long Strike 3
- (iv) Specified Currency: EUR
- (v) Specified Interim Observation Date(s): 1 August 2019, 1 August 2020, 1 August 2021
- (vi) Cap/Floor Election: Modified Cap or Floor
- (vii) Intermediate Floor\_i(s) and Intermediate Cap\_i(s)

Interim Observation Date(s) <i>(prior to adjustment due to occurrence of a Disrupted Day)</i>	Intermediate Floor_i(s)	Intermediate Cap_i(s)
1 August 2019	110% of Long Strike 3	60% of Long Strike 3
1 August 2020	110% of Long Strike 3	60% of Long Strike 3
1 August 2021	110% of Long Strike 3	60% of Long Strike 3

- (viii) Payoff\_InterimLR\_Floor\_i:

Interim Observation Date(s) <i>(prior to adjustment due to occurrence of a Disrupted Day)</i>	Intermediate Floor_i(s)	Payoff_InterimLR_Floor_i
1 August 2019	110% of Long Strike 3	106% of Long Strike 3
1 August 2020	110% of Long Strike 3	112% of Long Strike 3
1 August 2021	110% of Long Strike 3	118% of Long Strike 3

- (ix) Payoff\_InterimLR\_Cap\_i:

Interim Observation Date(s) <i>(prior to adjustment due to occurrence of a Disrupted Day)</i>	Intermediate Cap_i(s)	Payoff_InterimLR_Cap_i
1 August 2019	60% of Long Strike 3	105% of Long Strike 3
1 August 2020	60% of Long Strike 3	110% of Long Strike 3
1 August 2021	60% of Long Strike 3	115% of Long Strike 3

- (x) Payoff\_LR: 0
- (xi) Long Strike 1: 0
- (xii) Long Strike 2: 80% of Long Strike 3
- (xiii) Long Strike 3: the closing value of the Reference Item at Issue Date. Such value will not be known as at the date of the Final Terms and will only be known at Issue Date. For the purposes of this example, the value of Long Strike 3 is EUR 5,000.
- (xiv) Long Payoff Multiplier 1: 1
- (xv) Long Payoff Multiplier 2: 1
- (xvi) Long Payoff Multiplier 3: Not Applicable
- (xvii)  $X_1$ :  $X_1\_FRP$
- (xviii)  $Y_2$ :  $Y_2\_LS3$
- (xix)  $Z_3$ :  $Z_3\_FIX$ , such fixed amount to be 24% of Long Strike 3

Three scenarios are set out below: one in which no Interim Exercise Event occurs; another in which an Early Cash Settlement Amount is due; and the last in which a Cash Settlement Amount is due.

**Early Cash Settlement Amount:**

In the first scenario, we assume the Interim Reference Price with respect to the first Interim Observation Date (being 1 August 2019) is EUR 4,000. As the ‘Modified Cap or Floor’ method has been selected, the Interim Exercisable Warrants are exercised where either (i) the Interim Reference Price is more than or equal to the applicable Intermediate Floor<sub>i</sub> or (ii) the Interim Reference Price is less than or equal to the applicable Intermediate Cap<sub>i</sub>. In accordance with sub-paragraph (vii) of this example above, the relevant Intermediate Floor<sub>i</sub> is 110% of Long Strike 3 (being EUR 5,500) and the relevant Intermediate Cap<sub>i</sub> is 60% of Long Strike 3 (being EUR 3,000) in respect of the first Interim Observation Date. As the Interim Reference Price of EUR 4,000 is neither more than or equal to the applicable Intermediate Floor<sub>i</sub> (EUR 5,500) nor less than or equal to the applicable Intermediate Cap<sub>i</sub> (EUR 3,000), no Interim Exercise Event occurs.

In the second scenario, we assume the Interim Reference Price with respect to the second Interim Observation Date (being 1 August 2020) is EUR 2,000. In accordance with sub-paragraph (vii) of this example above, the relevant Intermediate Floor<sub>i</sub> and Intermediate Cap<sub>i</sub> in respect of this second Interim Observation Date remains the same as those for the first Interim Observation Date. While the Interim Reference Price of EUR 2,000 is not more than or equal to the applicable Intermediate Floor<sub>i</sub> (EUR 5,500), it is less than or equal to the applicable Intermediate Cap<sub>i</sub> (EUR 3,000). Hence, an Interim Exercise Event occurs.

The Early Cash Settlement Amount is equal to (by application of the formula in Condition 4(c)):

$$\text{Number of Warrants} \times \text{Warrant Multiplier} \times \text{Intermediate Reference Performance}$$

As outlined in sub-paragraphs (ii) and (iii) of this example, the number of warrants is 50 and the Warrant Multiplier is 100,000 divided by Long Strike 3 (i.e. 100,000 divided by EUR 5,000). The Intermediate Reference Performance is determined by applying the rules set forth in the relevant method of comparison (which in this case is Modified Cap or Floor). In accordance with Condition 4(a)(i)(3), where the Interim Reference Price is less than or equal to the relevant Intermediate Cap<sub>i</sub>, the Intermediate

Reference Performance shall be equal to the Payoff\_InterimLR\_Cap\_i which, as outlined in sub-paragraph (ix) of this example above, is 110% of Long Strike 3 (i.e. 110% of EUR 5,000).

Therefore:

$$\begin{aligned} \text{Early Cash Settlement Amount} &= \text{Number of Warrants} \times \text{Warrant Multiplier} \times \text{Payoff\_InterimLR\_Cap\_i} \\ &= 50 \times (100,000/5,000) \times (110\% \times 5,000) \\ &= \text{EUR } 5,500,000 \end{aligned}$$

**Cash Settlement Amount:**

In the third scenario, we assume the Final Reference Price with respect to the Expiration Date is EUR 6,000. The Final Reference Price is therefore more than Long Strike 3 (being EUR 5,000).

The Cash Settlement Amount is equal to (by application of the formula in Condition 4(g)):

$$\text{Number of Warrants} \times \text{Warrant Multiplier} \times \text{Reference Performance}$$

As outlined in sub-paragraphs (ii) and (iii) of this example, the number of warrants is 50 and the Warrant Multiplier is 100,000 divided by Long Strike 3 (i.e. 100,000 divided by EUR 5,000). The Reference Performance is determined by applying the rules set forth in Condition 4(g)(i)(D).

The Reference Performance in this case is equal to: Payoff\_LR + X<sub>3</sub> + Y<sub>3</sub> + Z<sub>3</sub>

Payoff\_LR, as outlined in sub-paragraph (x) of this example, is equal to 0.

X<sub>3</sub>, in accordance with Condition 4(g)(i)(D) is equal to [Long Strike 2 – Long Strike 1] x Long Payoff Multiplier 1. As Long Strike 2 is EUR 4,000 (80% of Long Strike 3), Long Strike 1 is 0 (as outlined in sub-paragraph (xi) of this example) and Long Payoff Multiplier 1 is 1 (as outlined in sub-paragraph (xiv) of this example), X<sub>3</sub> is equal to EUR 4,000.

Y<sub>3</sub>, in accordance with Condition 4(g)(i)(D) is equal to [Long Strike 3 – Long Strike 2] x Long Payoff Multiplier 2. As Long Strike 3 is EUR 5,000, Long Strike 2 is EUR 4,000 (80% of Long Strike 3) and Long Payoff Multiplier 2 is 1 (as outlined in sub-paragraph (xv) of this example), Y<sub>3</sub> is equal to EUR 1,000.

Z<sub>3</sub>, as outlined in sub-paragraph (xix) of this example is Z<sub>3\_FIX</sub>, such fixed amount to be 24% of Long Strike 3. Z<sub>3\_FIX</sub> is therefore equal to EUR 1,200.

The Reference Performance is therefore equal to 0 + EUR 4,000 + EUR 1,000 + EUR 1,200 = EUR 6,200.

Therefore:

$$\begin{aligned} \text{Cash Settlement Amount} &= \text{Number of Warrants} \times \text{Warrant Multiplier} \times \text{Reference Performance} \\ &= 50 \times (100,000/5,000) \times 6,200 \\ &= \text{EUR } 6,200,000 \end{aligned}$$

Other cases for the Final Reference Price and the corresponding Cash Settlement Amount can be found in the table below:

Final Reference Price	Reference Performance Formula	Reference Performance	Cash Settlement Amount (Cash Settlement Amount = Number of Warrants x

			<i>Warrant Multiplier x Reference Performance</i> )
Final Reference Price = <b>EUR 1,000</b> → Long Strike 1 < Final Reference Price ≤ Long Strike 2	Payoff_LR + X <sub>1_FRP</sub>	0 + [1,000 – 0] x 1 = EUR 1,000	= 50 x 100,000/5,000 x 1,000 = EUR 1,000,000
Final Reference Price = <b>EUR 4,200</b> → Long Strike 2 < Final Reference Price ≤ Long Strike 3	Payoff_LR + X <sub>2</sub> + Y <sub>2_LS3</sub>	0 + [4,000 – 0] x 1 + [5,000 – 4,000] x 1 = EUR 5,000	= 50 x 100,000/5,000 x 5,000 = EUR 5,000,000
Final Reference Price = <b>EUR 5,300</b> → Long Strike 3 < Final Reference Price	Payoff_LR + X <sub>3</sub> + Y <sub>3</sub> + Z <sub>3_FIX</sub>	0 + [4,000 – 0] x 1 + [5,000 – 4,000] x 1 + 1,200 = EUR 6,200	= 50 x 100,000/5,000 x 6,200 = EUR 6,200,000

### **Expiration Settlement Warrants**

#### **Example 1: Equity Linked Warrants specified to be Long Warrants**

The following example shall assume the following:

- (i) Underlying Equity: equity shares denominated in USD.
- (ii) Number of Warrants: 10
- (iii) Warrant Multiplier: 0.9
- (iv) Specified Currency: EUR
- (v) Payoff\_LR: 0
- (vi) Long Strike 1: 0
- (vii) Long Strike 2: 20
- (viii) Long Strike 3: 20
- (ix) Long Payoff Multiplier 1: 1
- (x) Long Payoff Multiplier 2: 1.2
- (xi) Long Payoff Multiplier 3: 1.2

The official closing price of the equity share being the Reference Item for this particular Warrant is **10 USD**, being the “Final Reference Price” of the equity on the scheduled expiration date (assuming that averaging provisions in respect of determining this final reference price do not apply). By applying the formula set out in Condition 3(c)(i)(B), the “Reference Performance” shall be equal to “Payoff\_LR + X<sub>i</sub>” as the Final Reference Price is greater than Long Strike 1 but less than or equal to Long Strike 2, where X<sub>i</sub> is equal to “[Final Reference Price - Long Strike 1] x Long Payoff Multiplier 1” equal to **10**. Therefore, the Reference Performance is made by the following calculation: 0 + 10, being **10**.

The Cash Settlement Amount is determined by multiplying the Number of Warrants by the Warrant Multiplier by the Reference Performance. In this example, the calculation to be made is: 10 × 0.9 × 10,

giving a final Cash Settlement Amount of **EUR 90** for the Warrantholder, as the Cash Settlement Amount is automatically converted from USD to the Specified Currency (EUR) at a ratio of 1:1.

Example 2: Currency Linked Warrants specified to be Short Warrants

The following example shall assume the following:

- (i) Number of Warrants: 10
- (ii) Warrant Multiplier: 10
- (iii) Specified Currency: EUR
- (iv) Base Currency: GBP
- (v) Reference Currency: JPY
- (vi) Currency Rate: GBP/JPY
- (vii) Currency Page: WM/Reuters
- (viii) Payoff<sub>HR</sub>: 0
- (ix) Short Strike 1: 148
- (x) Short Strike 2: 147
- (xi) Short Strike 3: 146
- (xii) Short Payoff Multiplier 1: 1
- (xiii) Short Payoff Multiplier 2: 1.05
- (xiv) Short Payoff Multiplier 3: 1.08
- (xv) Reference Price Averaging: Applicable
- (xvi) Averaging Dates: 15 May 2017, 16 May 2017 and 17 May 2017

In this example, averaging provisions apply therefore the determination of the “Final Reference Price” must be done by way of taking the arithmetic average Currency Rates across the specified Averaging Dates. The Currency Rates displayed on the WM/Reuters screen page for 15 May 2017, 16 May 2017 and 17 May 2017 are as follows: 146.7743, 147.6574, 145.9921 therefore the Final Reference Price is **146.8079**.

By applying the formula set out in Condition 3(c)(ii)(C) the “Reference Performance” shall be equal to “ $Payoff_{HR} + X_2 + Y_2$ ” as the Final Reference Price is less than Short Strike 2 but greater than or equal to Short Strike 3, where  $X_2$  is equal to “[Short Strike 1 - Short Strike 2] × Short Payoff Multiplier 1” and  $Y_2$  is equal to “[Short Strike 2 - Final Reference Price] × Short Payoff Multiplier 2”. Therefore, the Reference Performance is made by the following calculation:  $0 + [(148 - 147) \times 1] + [(147 - 146.8079) \times 1.05]$ , being **1.2017**.

The Cash Settlement Amount is determined by multiplying the Number of Warrants by the Warrant Multiplier by the Reference Performance. In this example, the calculation to be made is:  $10 \times 10 \times 1.2017$ , giving a final Cash Settlement Amount of **EUR 120.17** for the Warrantholder.]

#### 7.4 Additional Disruption Events

The Issuer may specify in the Final Terms any of the following Additional Disruption Events: “Change in Law”, “Insolvency Filing” (applicable only for Equity Linked Warrants) “ETF Cross-contamination”

(applicable only for Equity Linked Warrants with an ETF Share specified in the applicable Final Terms as an Underlying Equity), “ETF Insolvency Event” (applicable only for Equity Linked Warrants with an ETF Share specified in the applicable Final Terms as an Underlying Equity), “ETF Modification” (applicable only for Equity Linked Warrants with an ETF Share specified in the applicable Final Terms as an Underlying Equity), “ETF Regulatory Action” (applicable only for Equity Linked Warrants with an ETF Share specified in the applicable Final Terms as an Underlying Equity) and/or “ETF Strategy Breach” (applicable only for Equity Linked Warrants with an ETF Share specified in the applicable Final Terms as an Underlying Equity) as Additional Disruption Event(s).

In case such specified Additional Disruption Event occurs, the Issuer may in its sole discretion, in accordance with the Conditions, (a) require the Calculation Agent to determine the appropriate adjustment to the Conditions and/or the applicable Final Terms to account for the Additional Disruption Event and determine the effective date of that adjustment; or (b) cancel all Warrants at the Early Cancellation Amount, except such provisions shall not apply to the Interim Automatic Exercise of Interim Exercisable Warrants to the extent that if it has already been determined that an Interim Exercise Event has or has not occurred on an Interim Observation Date, but application of the effects of such Additional Disruption Event would reverse such determination, the Additional Disruption Event shall be ignored.

In the case where application of the Additional Adjustment Event would, but for this provision, (i) reverse the determination of the occurrence of an Early Exercise Event or (ii) prevent the retrospective determination of the occurrence of an Early Exercise Event, Warrant holders may receive an amount different (for the avoidance of doubt, such amount could be more or less) from the amount they would otherwise have received had such Interim Exercisable Warrants been exercised on the Expiration Date (in the case of (i)) or the Early Exercise Date (in the case of (ii)).

## **7.5 Alternative Currency Provisions**

If the applicable Final Terms specify that “**Alternative Currency Provisions**” are applicable, then if the Issuer in agreement with the Calculation Agent determines that it would be impossible for the Issuer to pay the Early Cash Settlement Amount (if applicable) and/or the Cash Settlement Amount in respect of the Warrants when due in the Scheduled Currency as a result of a Specified Currency Disruption Event, the Issuer in its sole and absolute discretion may either (i) postpone the obligation to pay the Early Cash Settlement Amount (if applicable) and/or the Cash Settlement Amount, or (ii) replace the payment obligation by an obligation to make payment of the Alternative Currency Equivalent.

Investors should note that in case the obligation to pay is being postponed, the Early Cash Settlement Amount (if applicable) and/or the Cash Settlement Amount will be due on the date so postponed (within the Maximum Alternative Currency Number Business Days).

Investors should note that the Calculation Agent shall determine any alternative rate or currency in a commercially reasonable manner. There is a risk that the amounts to be paid to investors will therefore be determined in a manner other than what investors may have expected.

In making any determination in respect of any Specified Currency Disruption Event, neither the Issuer nor the Calculation Agent shall have regard to any interests arising from circumstances particular to any one or more Warrant holders (whatever their number), and, in particular, but without limitation, shall not have regard to the consequences of any such determination for any one or more Warrant holders (whatever their number), resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof.

No Warrantholder shall be entitled to claim, from the Issuer or the Calculation Agent or any other person, any indemnification or payment in respect of any tax consequences or other losses of any such determination upon any individual Warrantholders.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of Condition 10 by the Issuer or the Calculation Agent will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Calculation Agent, the Paying Agent, the Warrant Agent and all Warrantholders.

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

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

### **8.1 Impact of fees, commissions and/or inducements on the Warrant Issue Price and/or offer price**

Investors should note that the warrant issue price and/or offer price of any issue of Warrants may include subscription fees, placement fees, direction fees, structuring fees and/or other additional costs. Any such fees and/or other commissions and inducements will be disclosed to investors in the applicable Final Terms. Any such fees may not be taken into account for the purposes of determining the price of such Warrants on the secondary market and could result in a difference between the original issue price and/or offer price, the theoretical value of such Warrants, and/or the actual bid/offer price quoted by any intermediary in the secondary market.

Any such difference may have an adverse effect on the value of Warrants, particularly immediately following the offer and the issue date relating to such Warrants, where any such fees and/or costs may be deducted from the price at which such Warrants can be sold by the initial investor in the secondary market.

### **8.2 The secondary market generally**

Warrants may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid and an investor may not be able to find a timely and/or suitable counterpart. Therefore, investors may not be able to sell their Warrants easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market or at prices higher than the relevant investor's initial investment. Investors seeking to liquidate/sell positions in the Warrants prior to its Interim Exercise Date (if applicable) and/or expiration date may receive substantially less than their original purchase price. Therefore, in establishing their investment strategy, investors should ensure that the term of the Warrants is in line with their future liquidity requirements. This is particularly the case for Warrants that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Warrants generally would have a more limited secondary market and more price volatility than conventional securities. Illiquidity may have a severely adverse effect on the market value of Warrants. The liquidity of Warrants is also influenced by whether or not the relevant Warrants are exclusively offered to retail investors without any offer to institutional investors. To the extent that an issue of Warrants is or becomes illiquid, investors may have to hold the relevant Warrants until an Interim Exercise Event occurs and/or until expiry before they are able to realise value.

The Issuer may, but is not obliged to, list an issue of Warrants on a stock exchange or regulated market. If Warrants are not listed or traded on any stock exchange or regulated market, pricing information for

the relevant Warrants may be more difficult to obtain and the liquidity of such Warrants may be adversely affected, and therefore the price of the Warrants could be affected by their limited liquidity.

If Warrants are not listed or traded on a stock exchange or regulated market, they may be traded on trading systems governed by the laws and regulations in force from time to time (e.g. multilateral trading systems or “MTF”) or in other trading systems (e.g. bilateral systems, or equivalent trading systems). In the event that trading in such Warrants takes place outside any such stock exchange, regulated market or trading systems, the manner in which the price of such Warrants is determined may be less transparent and the liquidity of such Warrants may be adversely affected. Investors should note that the Issuer does not grant any warranty to Warrantholders as to the methodologies used to determine the price of Warrants which are traded outside a trading system, however, where the Issuer or any of its Affiliates determines the price of such Warrants, it will take into account the market parameters applicable at such time in accordance with applicable provisions of law. Even if Warrants are listed and/or admitted to trading, this will not necessarily result in greater liquidity.

Each of the Issuer, the Guarantor and any Dealer may, but is not obliged to, at any time purchase Warrants at any price in the open market or by tender or private agreement. Any Warrants so purchased may be held or resold or surrendered for cancellation. If any Warrants are cancelled in part, then the number of Warrants outstanding will decrease, which will reduce liquidity for the outstanding Warrants. Any such activities may have an adverse effect on the price of the relevant Warrants in the secondary market and/or the existence of a secondary market.

Any Dealer or any of its Affiliates may, but is not obliged to, be a market maker, liquidity provider, specialist or bid intermediary, for an issue of Warrants. Even if a Dealer is a market-maker, liquidity provider, specialist or bid intermediary for an issue of Warrants, the secondary market for such Warrants may be limited and there is no assurance given as to the price offered by a market-maker, liquidity provider, specialist or bid intermediary or the impact of any such quoted prices on those available in the wider market and any such activities may be affected by legal restrictions in certain jurisdictions.

The appointment of an entity acting as a market maker, liquidity provider, specialist or bid intermediary with respect to the Warrants, may, under certain circumstances, have a relevant impact on the price of the Warrants in the secondary market.

There may be less liquidity in the secondary market for the Warrants also if they are exclusively offered to retail investors without any offer to institutional investors.

If it is possible to sell Warrants, they would be sold for the prevailing bid price in the market and may be subject to a transaction fee. The prevailing bid price may be affected by several factors including the performance of any relevant Reference Item, prevailing interest rates at the time of sale, the time remaining to the its expiration date, the creditworthiness of the Issuer and factors affecting the capital markets generally. The introduction of additional or competing products in the market may also have a negative effect on the price of any Warrants. It is therefore possible that an investor selling Warrants in the secondary market may receive substantially less than their original purchase price.

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

The Issuer will pay the Early Cash Settlement Amount (if applicable) and/or the Cash Settlement Amount on the Warrants in the Specified Currency. This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (the “Investor’s Currency”) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s Currency

may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Warrants, (2) the Investor's Currency equivalent value of the Early Cash Settlement Amount (if applicable) and/or the Cash Settlement Amount payable on the Warrants and (3) the Investor's Currency equivalent market value of the Warrants.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer or the Guarantor to make payment in respect of the Warrants. As a result, investors may receive a lesser amount than expected.

Where the Warrants are issued in a Specified Currency from an emerging or volatile market, investors should note that the risk of the occurrence and the severity of the consequences of the matters described herein may be greater than they would otherwise be in relation to more developed countries. Such Warrants should be considered speculative. Economies in emerging or volatile markets generally are heavily dependent upon international trade and, accordingly, may be affected adversely by trade barriers, foreign exchange controls (including taxes), managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also may be affected adversely by their economic, financial, military and political conditions and the supply and demand for such currency in the global markets. These factors will also impact the market value of the Warrants (see risk factor 8.4).

#### **8.4 Market Value of Warrants**

The market value of an issue of Warrants will be affected by a number of factors independent of the creditworthiness of the Issuer, including, but not limited to:

- (i) the value and volatility of the Reference Item;
- (ii) where the Reference Item is equity securities, the dividend rate on the Reference Item and the financial results and prospects of the issuer of each Reference Item;
- (iii) market interest and yield rates;
- (iv) fluctuations in exchange rates;
- (v) liquidity of the Warrants or any Reference Item in the secondary market;
- (vi) the time remaining to an early expiration date (if applicable) and/or the expiration date;
- (vii) economic, financial and political events in one or more jurisdictions, including factors affecting capital markets generally and the stock exchange(s) on which any Reference Item may be traded; and
- (viii) if the Reference Item is in a currency which is different to the Specified Currency, the correlation between the Reference Item and the foreign exchange rate.

The price at which a Warrantholder will be able to sell any Warrants prior to its early expiration (if applicable and/or expiry may be at a discount, which could be substantial, to the market value of such Warrants on the issue date, if, at such time, the market price of the Reference Item is below, equal to or not sufficiently above the market price of the Reference Item on the issue date. The historical market prices of any Reference Item should not be taken as an indication of such Reference Item's future performance during the term of any Warrant.

### **8.5 Legal investment considerations may restrict certain investments**

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Warrants are legal investments for it, (2) Warrants can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Warrants. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Warrants under any applicable risk-based capital or similar rules.

### **8.6 Benchmarks**

So-called “benchmarks” (for example the Euro Interbank Offered Rate and other types of rates and indices which are deemed to be "benchmarks") are the subject of ongoing reform measures by a number of international authorities and other bodies (for example, the “Benchmark Regulation” (Regulation (EU) 2016/1011) in the European Union). Warrant holders should be aware of whether any amounts payable under the Warrants are determined on the basis of a benchmark and whether such a benchmark is the subject of reform. As a result of such reform measures, a relevant benchmark may be suspended or discontinued, which could:

- (i) result in the benchmark being replaced with an alternative rate or index, as applicable (which could result in a lower amount being payable to Warrant holders than would otherwise have been the case);
- (ii) result in a fallback methodology being applied to determine amounts payable under the Warrants, and such fallback could result in a lower amount being payable to Warrant holders than would otherwise have been the case; or
- (iii) cause the Warrants to be the subject of an early cancellation.

**Prospective investors who consider purchasing any Warrants should reach an investment decision only after carefully considering the suitability of such Warrants in light of their particular circumstances.**

## IMPORTANT INFORMATION

*This section sets out important information relating to public offers of PD Warrants generally.*

### IMPORTANT INFORMATION RELATING TO PUBLIC OFFERS OF PD WARRANTS

#### **Restrictions on Public Offers of PD Warrants in Relevant Member States**

Certain Tranches of PD Warrants may, subject as provided below, be offered in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”) in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to in this Base Prospectus as a “**Public Offer**”.

This Base Prospectus has been prepared on the basis that it permits Public Offers in Belgium and/or Luxembourg (together, the “**Public Offer Jurisdictions**” and each, a “**Public Offer Jurisdiction**”). Any person making or intending to make a Public Offer of PD Warrants on the basis of this Base Prospectus must do so only with the Issuer’s and the Guarantor’s consent (see “*Consent given in accordance with Article 3.2 of the Prospectus Directive (Retail Cascades)*” below) and the terms of that consent are complied with by the person (the “**Offeror**”) making the Public Offer of such PD Warrants.

If the Issuer intends to make or authorise any Public Offer of PD Warrants to be made in one or more Relevant Member States other than the Public Offer Jurisdictions, it will prepare a supplement to this Base Prospectus in accordance with Article 13.1 of the Luxembourg Law of 10 July 2005 on prospectuses for securities specifying such Relevant Member State(s) and any additional information required by the Prospectus Directive in respect thereof. Such supplement will also set out provisions relating to the Issuer’s consent to use this Base Prospectus in connection with any such Public Offer.

Save as provided above, none of the Issuer, the Guarantor or any Dealer has authorised, nor do they authorise, the making of any Public Offer of the PD Warrants in circumstances in which an obligation arises for the Issuer, the Guarantor or any Dealer to publish or supplement a prospectus for such offer.

#### **Consent given in accordance with Article 3.2 of the Prospectus Directive (Retail Cascades)**

In the context of any Public Offer of PD Warrants in a Public Offer Jurisdiction, the Issuer and the Guarantor accept responsibility, in each Public Offer Jurisdiction, for the content of this Base Prospectus under Article 6 of the Prospectus Directive in relation to any person (an “**Investor**”) to whom an offer of any PD Warrants is made by any financial intermediary to whom each of the Issuer and the Guarantor has given its consent to use the Base Prospectus (an “**Authorised Offeror**”), where the offer is made in compliance with all conditions attached to the giving of the consent. Such consent and conditions are described below under “*Consent*” and “*Common conditions to consent*”. None of the Issuer, the Guarantor or any Dealer has any responsibility for any of the actions of any Authorised Offeror, including compliance by an Authorised Offeror with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to such Public Offer.

**Save as provided below, none of the Issuer, the Guarantor or any Dealer has authorised the making of any Public Offer and the Issuer has not consented to the use of this Base Prospectus by any other person in connection with any Public Offer of PD Warrants. Any Public Offer made without the consent of the Issuer is unauthorised and none of the Issuer, the Guarantor or any Dealer accepts any responsibility or liability for the actions of the persons making any such unauthorised offer.**

If, in the context of a Public Offer, an Investor is offered PD Warrants by a person which is not an Authorised Offeror, the Investor should check with such person whether anyone is responsible for this Base Prospectus in

the context of the Public Offer and, if so, who that person is. If the Investor is in any doubt about whether it can rely on this Base Prospectus and/or who is responsible for its contents it should take legal advice.

### Consent

Subject to the conditions set out below under “*Common conditions to consent*”:

- (A) the Issuer consents to the use of this Base Prospectus (as supplemented as at the relevant time, if applicable) in connection with a Public Offer of the PD Warrants in a Public Offer Jurisdiction by the relevant Dealer and by:
  - (i) any financial intermediary named as an Initial Authorised Offeror in the applicable Final Terms, and
  - (ii) any financial intermediary appointed after the date of the applicable Final Terms and whose name is published on the Issuer’s website (www.kbc.com) and identified as an Authorised Offeror in respect of the relevant Public Offer, and
- (B) if (and only if) Part B of the applicable Final Terms specifies “**General Consent**” as “**Applicable**”, the Issuer hereby offers to grant its consent to the use of this Base Prospectus (as supplemented as at the relevant time, if applicable) in connection with a Public Offer of PD Warrants in a Public Offer Jurisdiction by any financial intermediary which satisfies the following conditions:
  - (i) it is authorised to make such offers under the applicable legislation implementing MiFID II, and
  - (ii) it accepts such offer by publishing on its website the following statement (with the information in square brackets completed with the relevant information):

*“We, [insert legal name of financial intermediary], refer to the [insert title of relevant PD Warrants] (the “**Warrants**”) described in the Final Terms dated [insert date] (the “**Final Terms**”) published by KBC IFIMA S.A. (the “**Issuer**”). We hereby accept the offer by the Issuer of its consent to our use of the Base Prospectus (as defined in the Final Terms) in connection with the offer of the Warrants in [Belgium] [and] [Luxembourg] (the “**Public Offer**”) in accordance with the Authorised Offeror Terms and subject to the conditions to such consent, each as specified in the Base Prospectus, and we are using the Base Prospectus in connection with the Public Offer accordingly.”*

The “**Authorised Offeror Terms**” are that the relevant financial intermediary:

- (I) will, and it agrees, represents, warrants and undertakes for the benefit of the Issuer, the Guarantor and the relevant Dealer that it will, at all times in connection with the relevant Public Offer:
  - (a) act in accordance with, and be solely responsible for complying with, all applicable laws, rules, regulations and guidance of any applicable regulatory bodies (the “**Rules**”) including, without limitation and in each case, Rules relating to both the appropriateness or suitability of any investment in the PD Warrants by any person and disclosure to any potential Investor, and will immediately inform the Issuer, the Guarantor, and the relevant Dealer if at any time such financial intermediary becomes aware or suspects that it is or may be in violation of any Rules and take all appropriate steps to remedy such violation and comply with such Rules in all respects;
  - (b) comply with the restrictions set out under “*Subscription and Sale*” in this Base Prospectus which would apply as if it were a Dealer;
  - (c) consider the relevant manufacturer’s target market assessment and distribution channels identified under the “MiFID II product governance” legend set out in the applicable Final Terms;

- (d) ensure that any fee (and any other commissions or benefits of any kind) received or paid by that financial intermediary in relation to the offer or sale of the PD Warrants does not violate the Rules and, to the extent required by the Rules, is fully and clearly disclosed to Investors or potential Investors;
- (e) hold all licences, consents, approvals and permissions required in connection with solicitation of interest in, or offers or sales of, the PD Warrants under the Rules;
- (f) comply with applicable anti-money laundering, anti-bribery, anti-corruption and “know your client” Rules (including, without limitation, taking appropriate steps, in compliance with such Rules, to establish and document the identity of each potential Investor prior to initial investment in any PD Warrants by the Investor), and will not permit any application for PD Warrants in circumstances where the financial intermediary has any suspicions as to the source of the application monies;
- (g) retain Investor identification records for at least the minimum period required under applicable Rules, and shall, if so requested, make such records available to the Issuer, the Guarantor and/or the relevant Dealer or directly to the appropriate authorities with jurisdiction over the Issuer, Guarantor and/or the relevant Dealer in order to enable the Issuer, the Guarantor, and/or the relevant Dealer to comply with anti-money laundering, anti-bribery, anti-corruption and “know your client” Rules applying to the Issuer, the Guarantor, and/or the relevant Dealer;
- (h) ensure that no holder of PD Warrants or potential Investor in the PD Warrants shall become an indirect or direct client of the Issuer, the Guarantor, or the relevant Dealer for the purposes of any applicable Rules from time to time, and to the extent that any client obligations are created by the relevant financial intermediary under any applicable Rules, then such financial intermediary shall perform any such obligations so arising;
- (i) co-operate with the Issuer, the Guarantor, and the relevant Dealer in providing such information (including, without limitation, documents and records maintained pursuant to paragraph (f) above) upon written request from the Issuer, the Guarantor, or the relevant Dealer as is available to such financial intermediary or which is within its power and control from time to time, together with such further assistance as is reasonably requested by the Issuer, the Guarantor, or the relevant Dealer:
  - (i) in connection with any request or investigation by any regulator of competent jurisdiction in relation to the PD Warrants, the Issuer, the Guarantor, or the relevant Dealer; and/or
  - (ii) in connection with any complaints received by the Issuer, the Guarantor, and/or the relevant Dealer relating to the Issuer, the Guarantor, and/or the relevant Dealer or another Authorised Offeror including, without limitation, complaints as defined in rules published by any regulator of competent jurisdiction from time to time; and/or
  - (iii) which the Issuer, the Guarantor, or the relevant Dealer may reasonably require from time to time in relation to the PD Warrants and/or as to allow the Issuer, the Guarantor, or the relevant Dealer fully to comply within its own legal, tax and regulatory requirements,in each case, as soon as is reasonably practicable and, in any event, within any time frame set by any such regulator or regulatory process;
- (j) during the primary distribution period of the PD Warrants: (i) not sell the PD Warrants at any price other than the Issue Price specified in the applicable Final Terms (unless otherwise agreed with the relevant Dealer); (ii) not sell the PD Warrants otherwise than for settlement on the Issue

Date specified in the relevant Final Terms; (iii) not appoint any sub-distributors (unless otherwise agreed with the relevant Dealer); (iv) not pay any fee or remuneration or commissions or benefits to any third parties in relation to the offering or sale of the PD Warrants (unless otherwise agreed with the relevant Dealer); and (v) comply with such other rules of conduct as may be reasonably required and specified by the relevant Dealer;

- (k) either (i) obtain from each potential Investor an executed application for the PD Warrants, or (ii) keep a record of all requests such financial intermediary (x) makes for its discretionary management clients, (y) receives from its advisory clients and (z) receives from its execution-only clients, in each case prior to making any order for the PD Warrants on their behalf, and, in each case, maintain the same on its files for so long as is required by any applicable Rules;
  - (l) ensure that it does not, directly or indirectly, cause the Issuer, the Guarantor, or the relevant Dealer to breach any Rule or subject the Issuer, the Guarantor, or the relevant Dealer to any requirement to obtain or make any filing, authorisation or consent in any jurisdiction;
  - (m) comply with the conditions to the consent referred to under “*Common conditions to consent*” below and any further requirements relevant to the Public Offer as specified in the applicable Final Terms;
  - (n) make available to each potential Investor in the PD Warrants the Base Prospectus (as supplemented as at the relevant time, if applicable), the applicable Final Terms and any applicable information booklet provided by the Issuer for such purpose, and not convey or publish any information that is not contained in or entirely consistent with the Base Prospectus; and
  - (o) if it conveys or publishes any communication (other than the Base Prospectus or any other materials provided to such financial intermediary by or on behalf of the Issuer for the purposes of the relevant Public Offer) in connection with the relevant Public Offer, it will ensure that such communication (A) is fair, clear and not misleading and complies with the Rules, (B) states that such financial intermediary has provided such communication independently of the Issuer, that such financial intermediary is solely responsible for such communication and that none of the Issuer, the Guarantor, or the relevant Dealer accepts any responsibility for such communication and (C) does not, without the prior written consent of the Issuer, the Guarantor, or the relevant Dealer (as applicable), use the legal or publicity names of the Issuer, the Guarantor or the relevant Dealer or any other name, brand or logo registered by an entity within their respective groups or any material over which any such entity retains a proprietary interest, except to describe the Issuer as issuer of the relevant PD Warrants and KBC Bank NV as the guarantor of the relevant PD Warrants on the basis set out in the Base Prospectus;
- (II) agrees and undertakes to indemnify each of the Issuer, the Guarantor, and the relevant Dealer (in each case on behalf of such entity and its respective directors, officers, employees, agents, Affiliates and controlling persons) against any losses, liabilities, costs, claims, charges, expenses, actions or demands (including reasonable costs of investigation and any defence raised thereto and counsel’s fees and disbursements associated with any such investigation or defence) which any of them may incur or which may be made against any of them arising out of or in relation to, or in connection with, any breach of any of the foregoing agreements, representations, warranties or undertakings by such financial intermediary, including (without limitation) any unauthorised action by such financial intermediary or failure by such financial intermediary to observe any of the above restrictions or requirements or the making by such financial intermediary of any unauthorised representation or the giving or use by it of any information which has not been authorised for such purposes by the Issuer, the Guarantor, or the relevant Dealer; and

- (III) agrees and accepts that:
- (a) the contract between the Issuer and the financial intermediary formed upon acceptance by the financial intermediary of the Issuer's offer to use the Base Prospectus with its consent in connection with the relevant Public Offer (the "**Authorised Offeror Contract**"), and any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract, shall be governed by, and construed in accordance with, English law,
  - (b) the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Authorised Offeror Contract (including a dispute relating to any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract) ("**Disputes**") and accordingly submits to the exclusive jurisdiction of the English courts,
  - (c) for the purposes of paragraph (III) (b) and (d), the Issuer and the financial intermediary waive any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute,
  - (d) this paragraph (III) is for the benefit of the Issuer, the Guarantor and each relevant Dealer. To the extent allowed by law, the Issuer, the Guarantor and each relevant Dealer may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions;
  - (e) the Guarantor and each relevant Dealer will, pursuant to the Contracts (Rights of Third Parties) Act 1999, be entitled to enforce those provisions of the Authorised Offeror Contract which are, or are expressed to be, for their benefit, including the agreements, representations, warranties, undertakings and indemnity given by the financial intermediary pursuant to the Authorised Offeror Terms.

**Any financial intermediary falling within sub-paragraph (B) above who wishes to use this Base Prospectus in connection with a Public Offer is required, for the duration of the relevant Offer Period, to publish on its website the statement (duly completed) set out in paragraph (B)(ii) above.**

***Common conditions to consent***

The conditions to the Issuer's consent are (in addition to the conditions described in paragraph (B) above if Part B of the applicable Final Terms specifies "General Consent" as "Applicable") that such consent:

- (a) is only valid in respect of the relevant Tranche of PD Warrants;
- (b) is only valid during the Offer Period specified in the applicable Final Terms;
- (c) only extends to the use of this Base Prospectus to make Public Offers of the relevant Tranche of PD Warrants in the Public Offer Jurisdictions as specified in the applicable Final Terms; and
- (d) is subject to any other conditions set out in Part B of the applicable Final Terms.

***ARRANGEMENTS BETWEEN INVESTORS AND AUTHORISED OFFERORS***

**AN INVESTOR INTENDING TO ACQUIRE OR ACQUIRING ANY PD WARRANTS IN A PUBLIC OFFER FROM AN AUTHORISED OFFEROR OTHER THAN THE ISSUER WILL DO SO, AND OFFERS AND SALES OF SUCH PD WARRANTS TO AN INVESTOR BY SUCH AUTHORISED OFFEROR WILL BE MADE, IN ACCORDANCE WITH ANY TERMS AND CONDITIONS OF THE OFFER INCLUDING THOSE IN PLACE BETWEEN SUCH AUTHORISED OFFEROR AND SUCH INVESTOR INCLUDING AS TO PRICE, ALLOCATIONS, EXPENSES AND SETTLEMENT, ALL**

**FIXED IN COMPLIANCE WITH ALL APPLICABLE LAWS, RULES AND REGULATIONS. NEITHER THE ISSUER NOR THE GUARANTOR WILL BE A PARTY TO ANY SUCH ARRANGEMENTS WITH SUCH INVESTORS IN CONNECTION WITH THE PUBLIC OFFER OR SALE OF THE PD WARRANTS CONCERNED AND, ACCORDINGLY, THIS BASE PROSPECTUS AND ANY FINAL TERMS WILL NOT CONTAIN SUCH INFORMATION. THE RELEVANT INFORMATION WILL BE PROVIDED BY THE AUTHORISED OFFEROR AT THE TIME OF SUCH OFFER AND THE AUTHORISED OFFEROR WILL BE RESPONSIBLE FOR SUCH INFORMATION. NONE OF THE ISSUER, THE GUARANTOR AND ANY DEALER (EXCEPT WHERE ANY OF THOSE IS THE RELEVANT AUTHORISED OFFEROR) HAS ANY RESPONSIBILITY OR LIABILITY TO AN INVESTOR IN RESPECT OF SUCH INFORMATION.**

**Public Offers: Warrant Issue Price and Offer Price**

PD Warrants to be offered pursuant to a Public Offer will be issued by the Issuer at the Warrant Issue Price specified in the applicable Final Terms. The Warrant Issue Price will be determined by the Issuer in consultation with the relevant Dealer at the time of the relevant Public Offer and will depend on the prevailing market conditions at that time. The offer price of such PD Warrants will be the Warrant Issue Price or such other price as may be agreed between an Investor and the Authorised Offeror making the offer of the PD Warrants to such Investor, but in compliance with the Authorised Offeror Terms regarding such price, multiplied by the total number of PD Warrants being issued. The Issuer will not be party to arrangements between an Investor and an Authorised Offeror, and the Investor will need to look to the relevant Authorised Offeror to confirm the price at which such Authorised Offeror is offering the PD Warrants to such Investor.

## **DOCUMENTS INCORPORATED BY REFERENCE**

*This section incorporates by reference selected publicly available information regarding the Issuer and the Guarantor that should be read in conjunction with this Base Prospectus.*

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

- (a) the audited non-consolidated annual financial statements of the Issuer for the financial years ended 31 December 2016 and 31 December 2017, together, in each case, with the notes and the related auditors' report;
- (b) the unaudited non-consolidated interim financial statements of the Issuer for the six months ended 30 June 2018;
- (c) the audited consolidated annual financial statements of the Guarantor for the financial years ended 31 December 2016 and 31 December 2017, together, in each case, with the notes and the related auditors' report and the ratios set out in "Additional Information"; and
- (d) the unaudited consolidated interim financial statements of the Guarantor for the six months ended 30 June 2018.

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

Copies of documents incorporated by reference in this Base Prospectus can be obtained from Euronext Brussels's website at [www.euronext.com](http://www.euronext.com), the website of the Luxembourg Stock Exchange at [www.bourse.lu](http://www.bourse.lu), the Issuer's website at [www.kbc.com](http://www.kbc.com) and from the registered office of the Issuer. This Base Prospectus will also be published on Euronext Brussels's website at [www.euronext.com](http://www.euronext.com) and on the Issuer's website at [www.kbc.com](http://www.kbc.com).

The Issuer and the Guarantor will, in the event of any significant new factor, material mistake or inaccuracy relating to the information included in this Base Prospectus which is capable of affecting the assessment of any Warrants or any change in the condition of the Issuer which is material in the context of the Programme or the issue of any Warrants, prepare and publish a supplement to this Base Prospectus or publish a new base prospectus for use in connection with any subsequent issue of Warrants. Furthermore, in connection with the listing of the Warrants on the regulated market of Euronext Brussels, so long as any Warrant remains outstanding and listed on such exchange, in the event of any material adverse change in the financial condition of the Issuer or the Guarantor which is not reflected in this Base Prospectus, the Issuer and the Guarantor will prepare a further supplement to this Base Prospectus or publish a new base prospectus for use in connection with any subsequent issue of the Warrants to be listed on the regulated market of Euronext Brussels.

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

## Specific items contained in “Documents Incorporated by Reference”

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Interim Financial Report of the Issuer for the half year ended 30 June 2018	
<i>Unaudited non-consolidated interim financial statements of the Issuer for the six months ended 30 June 2018 (Luxembourg GAAP)</i>	
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\* Page references are to the English language PDF version of the relevant documents incorporated by reference.

*Documents Incorporated by Reference*

The information incorporated by reference that is not included in the cross-reference list is considered as additional information and is not required by the relevant schedules of the Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements.

## GENERAL DESCRIPTION OF THE PROGRAMME

*This section contains a general overview of the different types of Warrants which can be issued under the Programme.*

Under the Programme, the Issuer may from time to time issue Warrants with a warrant issue price per Warrant as specified in the applicable Final Terms (the “**Warrant Issue Price**”) in any currency (and having a minimum term of one year), subject as set out herein. The applicable terms of any Warrants will be agreed between the Issuer and the relevant Dealer(s) prior to the issue of the Warrants and will be set out in the Terms and Conditions of the Warrants endorsed on, attached to, or incorporated by reference into, the Warrants, as completed by the applicable Final Terms attached to, or endorsed on, such Warrants, as more fully described under “*Form of the Warrants*” below.

This Base Prospectus and any supplement will only be valid for issuing Warrants with an aggregate Warrant Issue Price which, when added to the aggregate Warrant Issue Price of all Warrants previously or simultaneously issued under the Programme then outstanding, does not exceed EUR 1,000,000,000 or its equivalent in other currencies. For the purpose of calculating the euro equivalent of the aggregate Warrant Issue Price of Warrants issued under the Programme from time to time:

- (a) the euro equivalent of Warrants of which the Warrant Issue Price is in another Specified Currency (as specified in the applicable Final Terms in relation to the relevant Warrants, described under “*Form of the Warrants*”) shall be determined, at the discretion of the Issuer, either as of the date on which agreement is reached for the issue of Warrants or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in each case on the basis of the spot rate for the sale of the euro against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading international bank selected by the Issuer on the relevant day of calculation;
- (b) the euro equivalent of Index Linked Warrants, Equity Linked Warrants, and Currency Linked Warrants (each as specified in the applicable Final Terms in relation to the relevant Warrants, described under “*Form of the Warrants*”) shall be calculated in the manner specified above by reference to the original Warrant Issue Price on issue of such Warrants; and
- (c) the euro equivalent of Warrants issued at a discount or premium shall be calculated in the manner specified above by reference to the net proceeds received by the Issuer for the relevant issue.

## **FORM OF THE WARRANTS**

*This section provides a general overview of the form in which the Warrants may be issued.*

Each Tranche of Warrants will be in bearer form and will be issued in the form of a permanent global warrant which will be delivered on or prior to the original issue date to Euroclear as Central Securities Depository and Securities Settlement System. Unless and until an Exchange Event has occurred, permanent global warrants shall be held by, and immobilised in, Euroclear (or a custodian or depository acting as an agent for Euroclear) under arrangements that prohibit the transfer of the permanent global warrants, except to a successor clearing system subject to the same terms. Any reference in this section “*Form of the Warrants*” to Euroclear shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer and the Warrant Agent, and specified in the applicable Final Terms.

Payments of notional or any other amounts on a permanent global warrant will be made through Euroclear (against presentation or surrender (as the case may be) of the permanent global warrant) without any requirement for certification. Unless otherwise specified in the applicable Final Terms, a permanent global warrant will be exchangeable (free of charge), in whole but not in part, only upon the occurrence of an Exchange Event. For these purposes, “**Exchange Event**” means that (A) an Event of Default (as defined in Condition 13) has occurred and is continuing, (B) Euroclear has terminated its business and no successor clearing system is available or (C) a change in tax law that will cause the Issuer to become subject to adverse tax consequences which would not be suffered were the Warrants represented by the permanent global warrant issued in definitive form.

Warrants which are represented by a global warrant will only be transferable in accordance with the rules and procedures for the times being of Euroclear.

Where any Warrant is still represented by a permanent global warrant (or any part thereof) and a holder of such Warrant so represented and credited to his securities account with Euroclear gives notice of non-payment of any amount due and payable under the Warrant, unless within a period of fifteen days from the giving of such notice payment has been made in full of the amount due in accordance with the terms of such global warrant, such global warrant will become void at 8.00 pm (London time) on such day. At the same time, holders of interests in such global warrant credited to their accounts with Euroclear will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear on and subject to the terms of a deed of covenant (the “**Deed of Covenant**”) dated 21 September 2018 as amended and/or supplemented and/or restated from time to time executed by the Issuer.

In Belgium, Warrants shall not be physically delivered, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005.

## FORM OF FINAL TERMS

*This section sets out a template for the Final Terms to be used for each specific Warrants issuance.*

**[[MIFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Warrants has led to the conclusion that: (i) the target market for the Warrants is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, “MiFID II”); and (ii) all channels for distribution of the Warrants to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Warrants (a “distributor”) should take into consideration the manufacturer[‘s/s’] target market assessment. However, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Warrants (by either adopting or refining the manufacturer[‘s/s’] target market assessment) and determining appropriate distribution channels.]**

**OR**

**[MIFID II product governance / Retail investors, professional investors and ECPs target market – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Warrants has led to the conclusion that: (i) the target market for the Warrants is eligible counterparties, professional clients and retail clients, each as defined in Directive 2014/65/EU (as amended, “MiFID II”); EITHER [and (ii) all channels for distribution of the Warrants are appropriate[, including investment advice, portfolio management, non-advised sales and pure execution services]] OR [(ii) all channels for distribution to eligible counterparties and professional clients are appropriate; and (iii) the following channels for distribution of the Warrants to retail clients are appropriate – investment advice[, / and] portfolio management[, / and] non-advised sales ][and pure execution services]], subject to the distributor’s suitability and appropriateness obligations under MiFID II, as applicable]]. Any person subsequently offering, selling or recommending the Warrants (a “distributor”) should take into consideration the manufacturer[‘s/s’] target market assessment. However, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Warrants (by either adopting or refining the manufacturer[‘s/s’] target market assessment) and determining appropriate distribution channels[, subject to the distributor’s suitability and appropriateness obligations under MiFID II, as applicable].]]**

*Set out below is the form of Final Terms which will be completed for each Tranche of Warrants issued under the Programme (references to numbered Conditions are to the Terms and Conditions of the relevant Warrants).*

**KBC IFIMA S.A.**

**Issue of [Number of Warrants of Tranche] [Title of Warrants]**

**[Public offer]**

**Guaranteed by KBC Bank NV  
under the EUR 1,000,000,000 Warrant Programme**

## **PART A – CONTRACTUAL TERMS**

Terms used herein shall be deemed to be defined as such for the purposes of the conditions (the “**Conditions**”) set forth in the base prospectus dated 21 September 2018,[ as supplemented by a supplement dated [●],] [together] the “**Base Prospectus**”, which constitutes a base prospectus for the purposes of the Prospectus

Directive. This document constitutes the Final Terms of the Warrants described herein for the purposes of Article 5.4 of Directive 2003/71/EC (the “**Prospectus Directive**”) and must be read in conjunction with the Base Prospectus. Full information on the Issuer, the Guarantor and the offer of the Warrants is only available on the basis of a combination of these Final Terms and the Base Prospectus [as so supplemented]. A summary of the issue of the Warrants (which comprises the summary in the Base Prospectus as amended to reflect the provision of these Final Terms) is annexed to these Final Terms. The Base Prospectus [is] [and the supplements are] available on the website of Euronext Brussels at www.euronext.com, the website of the Luxembourg Stock Exchange at www.bourse.lu and the website of the Issuer at www.kbc.com and copies may be obtained during normal business hours at the registered office of the Issuer. [A copy of the Final Terms will be available on the website of Euronext Brussels at www.euronext.com and on the website of the Issuer at www.kbc.com.]

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Final Terms.]*

## GENERAL DESCRIPTION OF THE WARRANTS

- |   |       |   |   |
|---|-------|---|---|
| 1 | (i)   | Series Number:  | [●]   |
|   | (ii)  | Tranche Number:   | [●]   |
|   | (iii) | Date on which the Warrants will be consolidated and form a single Series: | [The Warrants will be consolidated, form a single Series and be interchangeable for trading purposes with [ <i>Tranche [●]</i> ] of [ <i>Number of Warrants of Tranche</i> ][ <i>Title of Warrants</i> ] on [the Issue Date]/[●]][Not Applicable] |
|   | (iv)  | Type of Warrants:   | [Expiration Settlement Warrants]/[Interim Exercisable Warrants]   |
| 2 |       | Specified Currency:   | [●]   |
| 3 |       | Number of Warrants:   |   |
|   | (i)   | Series:   | [●]   |
|   | (ii)  | Tranche:  | [●]   |
| 4 |       | Warrant Issue Price:  | [●] per Warrant   |
| 5 |       | Issue Date:   | [●]   |
| 6 | (i)   | Scheduled Expiration Date:  | [●]   |
|   | (ii)  | Business Day Convention for Scheduled Expiration Date:                    | [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ Not Applicable]  |
|   | (iii) | Additional Business Centre(s):  | [Not Applicable]/[specify other financial centres required for the Business Day definition]   |
| 7 |       | Reference Item linked to Warrants:  | [Index Linked Warrants]<br>[Equity Linked Warrants]<br>[Currency Linked Warrants]   |

**PROVISIONS RELATING TO EXERCISE**

**Expiration Settlement Warrants**

*(If not applicable, delete paragraph 9)*

8 Cash Settlement Amount:

- (i) Warrant Multiplier: [•]
- (ii) [Long Warrants: [Applicable]/[Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (a) Payoff\_LR: [•]
- (b) Long Strike 1: [•]
- (c) Long Strike 2: [•]
- (d) Long Strike 3: [•]
- (e) Long Payoff Multiplier 1: [•]
- (f) Long Payoff Multiplier 2: [•]
- (g) Long Payoff Multiplier 3: [•]

- (iii) [Short Warrants: [Applicable]/[Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (a) Payoff\_HR: [•]
- (b) Short Strike 1: [•]
- (c) Short Strike 2: [•]
- (d) Short Strike 3: [•]
- (e) Short Payoff Multiplier 1: [•]
- (f) Short Payoff Multiplier 2: [•]
- (g) Short Payoff Multiplier 3: [•]

**Interim Exercisable Warrants**

*(If not applicable, delete paragraphs 10 to 15)*

- 9 Long Warrants: [Applicable]/[Not Applicable]
- 10 Short Warrants: [Applicable]/[Not Applicable]
- 11 Warrant Multiplier: [•]

12 Early Cash Settlement Amount:

(i) Specified Interim Observation

Date(s): *(List all Specified Interim Observation Dates)*

(ii) Cap/Floor Election: [Cap or Floor][Cap and Floor][Modified Cap or Floor]

(iii) Intermediate Floor<sub>i</sub>(s):

Interim Observation Date(s) <i>(prior to adjustment due to occurrence of a Disrupted Day)</i>	Intermediate Floor <sub>i</sub> (s)
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>

[Where:

[Long]/[Short] Strike 1:

[Long]/[Short] Strike 2:

[Long]/[Short] Strike 3:

*(Please specify if Intermediate Strike<sub>i</sub> is determined with reference to the Long Strikes/Short Strikes)*

(iv) Intermediate Cap<sub>i</sub>(s):

Interim Observation Date(s) <i>(prior to adjustment due to occurrence of a Disrupted Day)</i>	Intermediate Cap <sub>i</sub> (s)
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>

[Not Applicable]

(v) [Payoff<sub>InterimLR\_i</sub>]:

[Not Applicable] *(If Short Warrants, specify as Not Applicable)*

*(If “Cap or Floor” is specified:)*

Interim Observation Date(s) <i>(prior to adjustment due to occurrence of a Disrupted Day)</i>	Intermediate Floor <sub>i</sub> (s)	Payoff <sub>InterimLR_i</sub>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Interim Observation Date(s) <i>(prior to adjustment due to occurrence of a Disrupted Day)</i>	Intermediate Cap <sub>i</sub> (s)	Payoff_InterimLR <sub>i</sub>
[•]	[•]	[•]
[•]	[•]	[•]

*(If either the Intermediate Floor<sub>i</sub> or Intermediate Cap<sub>i</sub> is not applicable, specify 'Not Applicable' in the corresponding table above)*

*(If "Cap and Floor" is specified:)*

Interim Observation Date(s) <i>(prior to adjustment due to occurrence of a Disrupted Day)</i>	Intermediate Floor <sub>i</sub> (s)	Intermediate Cap <sub>i</sub> (s)	Payoff_InterimLR <sub>i</sub>
[•]	[•]	[•]	[•]
[•]	[•]	[•]	[•]

*(Insert table of all Payoff\_InterimLR<sub>i</sub> values corresponding to each Interim Observation Date and applicable Intermediate Floor<sub>i</sub> and/or Intermediate Cap<sub>i</sub>)*

(vi) [Payoff\_InterimSR<sub>i</sub>:

[Not Applicable] *(If Long Warrants, specify as Not Applicable)*

*(if "Cap or Floor" is specified:)*

Interim Observation Date(s) <i>(prior to adjustment due to occurrence of a Disrupted Day)</i>	Intermediate Floor <sub>i</sub> (s)	Payoff_InterimSR <sub>i</sub>
[•]	[•]	[•]
[•]	[•]	[•]

Interim Observation Date(s) <i>(prior to adjustment due to occurrence of a Disrupted Day)</i>	Intermediate Cap <sub>i</sub> (s)	Payoff_InterimSR <sub>i</sub>
[•]	[•]	[•]
[•]	[•]	[•]

*(If either the Intermediate Floor<sub>i</sub> or Intermediate Cap<sub>i</sub> is not applicable, specify 'Not Applicable' in the corresponding table above)*

*(If "Cap and Floor" is specified:)*

Interim Observation Date(s) <i>(prior to adjustment due to occurrence of a Disrupted Day)</i>	Intermediate Floor <sub>i</sub> (s)	Intermediate Cap <sub>i</sub> (s)	Payoff_InterimSR <sub>i</sub>
[•]	[•]	[•]	[•]
[•]	[•]	[•]	[•]

*(Insert table of all Payoff\_InterimSR<sub>i</sub> values corresponding to each Interim Observation Date and applicable Intermediate Floor<sub>i</sub> and/or Intermediate Cap<sub>i</sub>)*

(vii) Payoff\_InterimLR\_Floor<sub>i</sub>:

Interim Observation Date(s) <i>(prior to adjustment due to occurrence of a Disrupted Day)</i>	Intermediate Floor <sub>i</sub> (s)	Payoff_InterimLR_Floor <sub>i</sub>
[•]	[•]	[•]
[•]	[•]	[•]

[Not Applicable]

*(Not Applicable unless Long Warrants and "Modified Cap or Floor" is elected)*

(viii) Payoff\_InterimLR\_Cap\_i:

Interim Observation Date(s) <i>(prior to adjustment due to occurrence of a Disrupted Day)</i>	Intermediate Cap_i(s)	Payoff_InterimLR_Cap_i
[•]	[•]	[•]
[•]	[•]	[•]

[Not Applicable]

*(Not Applicable unless Long Warrants and “Modified Cap or Floor” is elected)*

(ix) Payoff\_InterimSR\_Floor\_i:

Interim Observation Date(s) <i>(prior to adjustment due to occurrence of a Disrupted Day)</i>	Intermediate Floor_i(s)	Payoff_InterimSR_Floor_i
[•]	[•]	[•]
[•]	[•]	[•]

[Not Applicable]

*(Not Applicable unless Short Warrants and “Modified Cap or Floor” is elected)*

(x) Payoff\_InterimSR\_Cap\_i:

Interim Observation Date(s) <i>(prior to adjustment due to occurrence of a Disrupted Day)</i>	Intermediate Cap_i(s)	Payoff_InterimSR_Cap_i
[•]	[•]	[•]
[•]	[•]	[•]

[Not Applicable]

*(Not Applicable unless Short Warrants and “Modified Cap or Floor” is elected)*

13 Early Settlement Date:

[•]

14 Cash Settlement Amount:

(i) [Long Warrants:

[Not Applicable]

*(If Long Warrants not applicable, delete the remaining subparagraphs of this paragraph)*

(a) Payoff\_LR:

[•]

(b) Long Strike 1:

[•]

- (c) Long Strike 2: [●]
  - (d) Long Strike 3: [●]
  - (e) Long Payoff Multiplier 1: [●]
  - (f) Long Payoff Multiplier 2: [●]
  - (g) Long Payoff Multiplier 3: [●]
  - (h)  $X_1$ :  $[X_1\_FRP]/[X_1\_LS2]$
  - (i)  $Y_2$ :  $[Y_2\_FRP]/[Y_2\_LS3]$
  - (j)  $Z_3$ :  $[Z_3\_FRP]/[Z_3\_FIX, \text{ such fixed amount to be } [●]]$
- (ii) [Short Warrants: [Not Applicable]  
*(If Short Warrants not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (a) Payoff\_HR: [●]
  - (b) Short Strike 1: [●]
  - (c) Short Strike 2: [●]
  - (d) Short Strike 3: [●]
  - (e) Short Payoff Multiplier 1: [●]
  - (f) Short Payoff Multiplier 2: [●]
  - (g) Short Payoff Multiplier 3: [●]
  - (h)  $X_1$ :  $[X_1\_FRP]/[X_1\_SS2]$
  - (i)  $Y_2$ :  $[Y_2\_FRP]/[Y_2\_SS3]$
  - (j)  $Z_3$ :  $[Z_3\_FRP]/[Z_3\_FIX, \text{ such fixed amount to be } [●]]$

**Expiration Settlement Warrants and Interim Exercisable Warrants:**

- 15 Settlement Date: [●]
- 16 Additional Disruption Event: [Applicable, in accordance with Condition 10]/[Not Applicable]
- 17 Index Linked Warrants: [Applicable]/[Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
  - (i) Index and details of the relevant Sponsors: Index: *[name and short description of type of index.]*

	Index Sponsor:	[specify]
	Exchange:	[specify]
	Related Exchange:	[All Exchanges]/[specify]
	Designated Multi-Exchange Index:	[Applicable]/[Not Applicable]
		[The Index is a Designated Multi-Exchange Index] ( <i>N.B. Designated Multi-Exchange Index only applies in relation to the Euro Stoxx Index unless otherwise specifically agreed</i> ) [Further information about the Index can be obtained at [●].]
(ii)	Valuation Date:	[The Scheduled Expiration Date]/ ( <i>For Interim Exercisable Warrants</i> ) Each Specified Interim Observation Date [and the Scheduled Expiration Date]/[●] ( <i>N.B. For Interim Exercisable Warrants, the Valuation Dates must match the Specified Interim Observation Dates</i> )
(iii)	Reference Price Averaging:	[Applicable/Not Applicable]
	(a) Averaging Dates:	[●]
	(b) Consequences of Disrupted Days:	[Omission]/[Postponement]/[Modified Postponement]
(iv)	Valuation Time:	[As per Condition 7(e)]/[●]
(v)	Correction of Index Levels:	Correction of Index Levels [applies, subject to Condition 7(c)(iii)/does not apply and the Reference Price shall be calculated without regard to any subsequently published correction].
(vi)	Correction Cut-Off Date:	[●] Business Days prior to the Scheduled Expiration Date/Not Applicable
18	Equity Linked Warrants	[Applicable/Not Applicable]
(i)	Identity of the relevant Equity Issuer:	[( <i>Give or annex details of the relevant Underlying Equity</i> ):  Underlying Equity: [name and short description of type of shares ( <i>which, if "ETF Share" is specified below as applicable, will be ETF Shares</i> )] issued by the Equity Issuer (ISIN: [●])  ETF Share [Applicable/Not Applicable] Underlying Equity [specify] Currency: Equity Issuer: [specify] ( <i>in the case of ETF Shares, specify the relevant ETF Issuer</i> )

	Exchange	[specify]
	Related Exchange:	[All Exchanges]/[specify]
	[(The following additional provisions apply only where the relevant equity component is an ETF Share):	
	ETF Adviser:	[specify]
	ETF Administrator:	[specify]
	Reference Index:	[specify]
(ii)	Potential Adjustment Events:	[Applicable, subject to Condition 8(c)(i)/Not Applicable]
(iii)	De-listing, Merger Event, Nationalisation and Insolvency:	[Applicable, subject to Condition 8(c)(ii)/Not Applicable]
(iv)	Tender Offer:	[Applicable/Not Applicable]
(v)	Valuation Date:	[The Scheduled Expiration Date]/ [(For Interim Exercisable Warrants) Each Specified Interim Observation Date [and the Scheduled Expiration Date]]/[●] <i>(N.B. For Interim Exercisable Warrants, the Valuation Dates must match the Specified Interim Observation Dates)</i>
(vi)	Reference Price Averaging:	[Applicable/Not Applicable]
	(a) Averaging Dates:	[●] [(For Interim Exercisable Warrants) Each Interim Observation Date [and [●]]]
	(b) Consequences of Disrupted Days:	[Omission][Postponement][Modified Postponement]
(vii)	Valuation Time:	[As per Condition 8(e)]/[●]
(viii)	Correction of Share Prices:	Correction of Share Prices [applies, subject to Condition 8(c)(iii)/does not apply and the Reference Price shall be calculated without regard to any subsequently published correction].
(ix)	Correction Cut-Off Date:	[[●] Business Days prior to the Scheduled Expiration Date]/[Not Applicable.]
(x)	Trade Date:	[●]
19	Currency Linked Warrants	[Applicable]/[Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Currency Rate:	[●]
	(ii) Currency Page:	[●]
	(iii) Event Currency:	[●]/[Reference Currency]
	(iv) Base Currency:	[●]/[Specified Currency]
	(v) Reference Currency:	[●]

- (vi) Valuation Date: [The Scheduled Expiration Date]/  
 [(For Interim Exercisable Warrants) Each Specified Interim Observation Date [and the Scheduled Expiration Date]]/[●]  
 (N.B. For Interim Exercisable Warrants, the Valuation Dates must match the Specified Interim Observation Dates)
- (vii) Reference Price Averaging: [Applicable/Not Applicable]
- (a) Averaging Dates: [●]
- (b) Consequences of Disrupted Days: [Omission][Postponement][Modified Postponement]
- (viii) Valuation Time: [As per Condition 9(e)]/[●]
- (ix) Currency Disruption Events: [Not Applicable]
- [Benchmark Obligation Default]  
 [Benchmark Obligation description: [●]] (if Benchmark obligation default applicable)
- [Dual Exchange Rate]
- [General Inconvertibility]
- [General Non-Transferability]
- [Governmental Authority Default]
- [Illiquidity]  
 [Minimum Amount: [●]]; [Illiquidity Valuation Date: [●]] (if Illiquidity applicable)
- [Material Change in Circumstances]
- [Nationalisation]
- [Price Materiality]  
 [Secondary Rate: [●]]  
 [Price Materiality Percentage [●]](if Price Materiality applicable)
- [Price Source Disruption]
- [Specific Inconvertibility]  
 [Minimum Amount:[●]] (if Specific Inconvertibility applicable)
- [Specific Non-Transferability]
- (x) Alternative Currency Provisions: [Applicable]/[Not Applicable]
- (a) [Maximum Alternative Currency Number: [●]]  
 (Delete if Alternative Currency Provisions not applicable)

**GENERAL PROVISIONS APPLICABLE TO THE WARRANTS**

- 20 Calculation Agent responsible for making calculations pursuant to [Condition 3(c)][Condition 6] [(Give name and address)]

- [Condition 7][Condition 8][Condition 9][Condition 10]
- 21 Additional Financial Centre(s) and/or other elections relating to Payment Days: [Not Applicable/give details] (Note that this item relates to the place of payment and not “Business Days” for the purposes of the Scheduled Expiration Date - please insert any additional financial centres required for the definition of Payment Day which applies to payments to be made to Warrantheolders and separate from the definition of “Additional Business Centre” and “Business Day”)
- [TARGET Not Required]
- [Principal Financial Centre Not Required]

## DISTRIBUTION

- 22 Name of relevant Dealer: [Not Applicable/give name]
- 23 Total commission and concession: [An annual running cost of [●]% of the Warrant Issue Price will be charged on a daily basis until the Scheduled Expiration Date of the Warrants for the service of providing liquidity on the Warrants.]/[Specify]
- 24 [Additional selling restrictions: [Not Applicable/give details]] (Only to be included in relation to Exempt Warrants.)
- 25 Public Offer Consent: [Not Applicable] [An offer of the Warrants may be made by the [Dealers/Managers] [and] [specify names and addresses of any financial intermediaries receiving specific consent] (the “**Initial Authorised Offerors**”)] [[and by any additional financial intermediaries who have or obtain the Issuer’s consent to use the Base Prospectus in connection with the Public Offer, and whose names and addresses are made available, on the website of the Issuer (at [www.kbc.com][●]) as an Authorised Offeror (together being persons to which the Issuer has given its consent, the “**Authorised Offerors**”)] other than pursuant to Article 3(2) of the Prospectus Directive in [Belgium/Luxembourg] (the “**Public Offer Jurisdictions**”) during the period from (and including) [specify date] to (and including) [specify date] (“**Offer Period**”). See further Paragraph 6 of Part B below.]
- 26 General consent: [Applicable][Not Applicable]
- 27 Other conditions to consent: [Not Applicable][●]

Signed on behalf of the Issuer:

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

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

Signed on behalf of the Guarantor:

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

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

## PART B – OTHER INFORMATION

### 1. ADMISSION TO TRADING:

Admission to trading: [Application [has been made]/[is expected to be made] by the Issuer (or on its behalf) for the Warrants to be admitted to trading on [specify relevant regulated market]/[the Regulated Market of Euronext Brussels] with effect from on or around [the Issue Date][●].] [Not Applicable.]

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

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

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

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

- (i) [Reasons for the offer: [●]]  
(See “Use of Proceeds” wording in Base Prospectus - if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)
- (ii) [Estimated net proceeds: [●]]  
(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)
- (iii) [Estimated total expenses: [●]]  
(Expenses are required to be broken down into each principal intended “use” and presented in order of priority of such “uses”.)

### 4. PERFORMANCE OF INDEX AND OTHER INFORMATION CONCERNING THE INDEX:

(Index-Linked Warrants only)

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

[Not Applicable]

### 5. PERFORMANCE OF THE UNDERLYING EQUITY AND OTHER INFORMATION CONCERNING THE UNDERLYING EQUITY (Equity Linked Warrants only)

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

[Not Applicable]

6. **[TERMS AND CONDITIONS OF THE OFFER:]**

[Total amount of the Offer:	[Specify] <i>(Note: where the total offer amount is not fixed, give details on the arrangements relating to the how the total offer amount will be determined and when the total offer amount will be announced to the public.)</i>
[Conditions to which the offer is subject:]	[Not Applicable/give details]
[Description of the application process:]	[Not Applicable/give details]
[Offer Period:]	[Not Applicable/give details] <i>(Note: include any possible amendments to the offer whilst the offer is open.)</i>
[Time period during which the offer will be open:]	[Not Applicable/give details]
[Details of the minimum and/or maximum amount of application:]	[Not Applicable/give details]
[Description of possibility to reduce: subscriptions and manner for refunding excess amount paid by applicants]	[Not Applicable/give details]
[Details of the method and time limits for paying up and delivering the Warrants:]	[Not Applicable/give details - where Additional Settlement Date(s) is/are specified as being applicable, insert the following paragraph:  The date of delivery of the Warrants to the investors' respective book-entry securities accounts will vary depending on the period during which the offer of the Warrants is accepted by the relevant investor. The Issuer estimates that the Warrants will be delivered on or around the Settlement Date.]
[Manner in and date on which results of the offer and the Additional Settlement Date(s) (if relevant) are to be made public:]	[Not Applicable/give details]
[Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:]	[Not Applicable/give details]
[Whether tranche(s) have been reserved for certain countries:]	[Not Applicable/give details]

[Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:] [Not Applicable/*give details*]

[Amount of any expenses and taxes specifically charged to the subscriber or purchaser:] [Not Applicable/*give details*]

[Name(s) and addresses, to the extent known to the Issuer, of the placers in the various countries where the offer takes place:] [Not Applicable/the financial intermediaries identified in or in the manner specified in paragraph [●] (*Public Offer Consent*)/*give details*]

**7. OPERATIONAL INFORMATION:**

(i) ISIN: [●]

(ii) Common Code: [●]

(iii) [CFI: [Not Applicable/[●]]]

(iv) [FISN: [Not Applicable/[●]]]

(v) Any clearing system(s) other than Interprofessionele Effectendeposito- en Girokas SA/NV (Euroclear Belgium) and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]

(vi) Delivery: Delivery [against][free of] payment

(vii) Warrant Agent: [KBC Bank NV]/[●]

(viii) Paying Agent: [KBC Bank NV]/[●]

(ix) Names and addresses of additional Paying Agent(s) (if any): [●] [Not Applicable] (*Insert here any other relevant codes such as CUSIP and CINS codes*)

(x) [Relevant Benchmark[s]: [Not Applicable]/[*specify benchmark*] is provided by [*administrator legal name*]. As at the date hereof, [*administrator legal name*][appears]/[does not appear] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (Register of administrators and benchmarks) of the Benchmark Regulation.]/[As far as the Issuer is aware, as at the date hereof, [*specify benchmark*] does not fall within the scope of the Benchmark Regulation.]

**ANNEX  
SUMMARY OF THE WARRANTS**

*[Insert completed summary for the Warrants]*

## TERMS AND CONDITIONS OF THE WARRANTS

*This section sets out the contractual terms and conditions of the Warrants. The subsections on automatic exercise and cancellation contain certain options for determining early cancellation rights, early settlement payments and final settlement payments. The Final Terms will indicate which of these options shall apply for each specific Warrants issuance.*

*The following are the Terms and Conditions of the Warrants which, as completed in accordance with the applicable Final Terms, will be incorporated by reference into the Global Warrant (as defined below) and each Definitive Warrant (as defined below), in the latter case only if permitted by the rules of the relevant stock exchange (if any) and agreed by the Issuer and the relevant Dealer(s) at the time of issue but if not so permitted and agreed, such Definitive Warrant will have endorsed upon or attached thereto such Terms and Conditions. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to each Permanent Global Warrant and Definitive Warrant. Reference should be made to “Form of Final Terms” above for a description of the content of Final Terms which will include the definitions of certain terms used in the following Terms and Conditions and/or will specify which of such terms are to apply in relation to the relevant Warrants.*

The Warrants are one of a Series (as defined below) of Warrants issued by KBC IFIMA S.A., a public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg, with registered address at 4 rue du Fort Wallis, L-2714 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Register of Commerce and Companies (RCS) under number B193577 (the “**Issuer**”) pursuant to the Agency Agreement (as defined below).

References herein to the “**Warrants**” shall be references to the Expiration Settlement Warrants (as defined below) and/or the Interim Exercisable Warrants (as defined below), as applicable (together, the “**Warrants**” and each, a “**Warrant**”) of this Series and shall mean (i) in relation to any Warrants represented by a global warrant (a “**Global Warrant**”), units of each Warrant in the Specified Currency, (ii) any definitive warrants issued in exchange for a Global Warrant (a “**Definitive Warrant**”) and (iii) any Global Warrant.

The Warrants (as defined below) are issued pursuant to and have the benefit of an Agency Agreement (the “**Agency Agreement**”) dated 21 September 2018 as amended and/or supplemented and/or restated from time to time in relation to the Issuer’s EUR 1,000,000,000 Warrant Programme, and made among the Issuer, KBC Bank NV (the “**Guarantor**”) as guarantor, KBC Bank NV as warrant agent (the “**Warrant Agent**”, which expression shall include any successor warrant agent specified in the applicable Final Terms) and KBC Bank NV as paying agent (the “**Paying Agent**”, which expression shall include any successor paying agent specified in the applicable Final Terms (and together with the Warrant Agent, the “**Agents**”).

The Warrants do not bear interest.

The final terms for a Series of Warrants (or the relevant provisions thereof) are set out in Part A of the Final Terms and are attached hereto or endorsed hereon and complete these Terms and Conditions (the “**Conditions**”) for the purposes of such Series of Warrants. References to the “applicable Final Terms” are to the Final Terms (or the relevant provisions thereof) attached hereto or endorsed hereon.

The payment and, where applicable, delivery of all amounts in respect of the Warrants has been guaranteed by the Guarantor pursuant to a deed of guarantee dated 21 September 2018 as amended and/or supplemented and/or restated from time to time (the “**Guarantee**”) executed by the Guarantor. The original of the Guarantee is held by the Warrant Agent on behalf of the Warrantholders at its specified office.

The Warrants are issued on an unsubordinated basis by the Issuer and guaranteed on an unsubordinated basis by the Guarantor as described in Condition 2 (*Status of the Warrants and the Guarantee*). Any reference to

“**Warrantholders**” or “**holders**” in relation to any Warrants shall mean the holders of the Warrants, and shall, in relation to any Warrants represented by a Global Warrant, be construed as provided below.

As used herein, “**Tranche**” means Warrants which are identical in all respects (including as to listing) and “**Series**” means a Tranche of Warrants together with any further Tranche or Tranches of Warrants which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except for their respective Issue Dates and/or Warrant Issue Prices.

The Warrantholders are entitled to the benefit of the Deed of Covenant executed by the Issuer (the “**Deed of Covenant**”) dated 21 September 2018 as amended and/or supplemented and/or restated from time to time. The original of the Deed of Covenant is held by Interprofessionele Effectendeposito- en Girokas SA/NV (Euroclear Belgium) (“**Euroclear**”) as central securities depository and securities settlement system (the “**Central Securities Depository and Securities Settlement System**”). Copies of the Agency Agreement, the Guarantee and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Agents. Copies of the applicable Final Terms are available for viewing at, and copies may be obtained from, the specified office of each of the Agents, save that a Final Terms relating to a Warrant which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a Warrantholder holding one or more Warrants of that Series and such Warrantholder must produce evidence satisfactory to the relevant Agent as to its holding of such Warrants and identity. Copies of the applicable Final Terms relating to Warrants which are admitted to trading on a regulated market in the European Economic Area and/or offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive are also available for viewing on the website of Euronext Brussels, [www.euronext.com](http://www.euronext.com). The Warrantholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Guarantee, the Deed of Covenant and the applicable Final Terms which are applicable to them. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

## **1 Form and Title**

The Warrants are in bearer form and, in the case of Definitive Warrants, serially numbered, in the Specified Currency.

Warrants may be Index Linked Warrants, Equity Linked Warrants or Currency Linked Warrants and may be either long warrants (“**Long Warrants**”) or short warrants (“**Short Warrants**”), as specified in the applicable Final Terms.

Subject as set out below, title to the Warrants will pass by delivery. The Issuer, the Guarantor and the Agents will (except as otherwise required by law) deem and treat the bearer of any Warrant as the absolute owner thereof, whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof, for all purposes but, in the case of any Global Warrant, without prejudice to the provisions set out in the next paragraph.

For so long as the Warrants are represented by a Global Warrant held by Euroclear, each person (other than Euroclear), who is for the time being shown in the records of Euroclear as the holder of a particular number of such Warrants (in which regard any certificate or other document issued by Euroclear as to the number of such

Warrants standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor, the Agents, Euroclear and all other people dealing with such person as the holder of the number of such Warrants for all purposes other than with respect to payment on the Warrants, for which purpose the bearer of the relevant Global Warrant shall be treated by the Issuer, the Guarantor and the Agents as the holder of such total number of Warrants in accordance with and subject to the terms of the relevant Global Warrant and the expressions “**Warrantholder**” and “**holder of Warrants**” and related expressions shall be construed accordingly. Warrants which are represented by a Global Warrant shall be held by, and immobilised in, Euroclear (or a custodian or depositary acting as an agent for Euroclear) under arrangements that prohibit the transfer of the Global Warrant, except to a successor clearing system subject to the same terms and in accordance with the rules and procedures for the time being of Euroclear.

References to Euroclear shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

## **2 Status of the Warrants and the Guarantee**

### *(a) Ranking of Warrants*

The Warrants constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and rank and will rank *pari passu* with all present and future unsecured and unsubordinated obligations of the Issuer and *pari passu* without any preference among themselves except for obligations given priority by law.

### *(b) Warrants Guaranteed*

The Warrants are guaranteed as to payment of the Early Cash Settlement Amount (in the case of Interim Exercisable Warrants), Cash Settlement Amount or the Early Cancellation Amount by the Guarantor upon the terms contained in the Guarantee.

### *(c) Ranking of Claims on the Guarantee*

Claims in respect of the Guarantee constitute direct, unconditional, unsecured and unsubordinated obligations of the Guarantor and rank and will rank *pari passu* with all present and future unsecured and unsubordinated obligations of the Guarantor, without any preference among themselves and *pari passu* without any preference one above the other by reason of priority of date of issue, currency of payment or otherwise, except for obligations given priority by law.

## **3 Exercise – Expiration Settlement Warrants**

If the applicable Final Terms specify that the Warrant(s) are Expiration Settlement Warrants (each, an “**Expiration Settlement Warrant**”), the provisions set out in sub-paragraphs (a) to (e) shall apply:

### *(a) Automatic Exercise*

Unless previously cancelled, in accordance with Condition 6 (*Cancellation and Adjustments*), each Expiration Settlement Warrant will be automatically exercised (with no requirement for the Warrantholder to deliver any form of notice) on the expiration date of the Expiration Settlement Warrant (the “**Expiration Date**”) which shall be the later of (i) the Scheduled Expiration Date (as specified in the Final Terms) and (ii) where the Valuation Date (or, where “Reference Price Averaging” is specified in the Final Terms, the Averaging Date) is postponed due to the occurrence of a Disrupted Day occurring in respect of the Index, Underlying Equity or Currency Rate (as applicable) on the Scheduled Expiration

Date, the Valuation Date or the Averaging Date (as applicable) determined in accordance with Conditions 7(e), 8(e) and 9(e) respectively.

(b) *Entitlement upon Automatic Exercise*

Expiration Settlement Warrants which have been exercised entitle the relevant Warrantholder to require the Issuer to pay, subject to the Conditions, the applicable Cash Settlement Amount on the Settlement Date, which shall be determined by the Calculation Agent in accordance with the provisions of Condition 3(c).

“**Settlement Date**” means the date specified as such in the applicable Final Terms, subject to adjustment in accordance with Conditions 17 (*Meetings of Warrantholders, Modification and Waiver*) and 18 (*Further Issues*).

(c) *Cash Settlement Amount*

The Cash Settlement Amount is an amount (which shall, for the avoidance of doubt, be converted into the Specified Currency at a ratio of 1:1 if the applicable Final Reference Price is in a currency which is different to the Specified Currency) determined by the Calculation Agent equal to:

$$\text{Number of Warrants} \times \text{Warrant Multiplier} \times \text{Reference Performance}$$

where:

“**Number of Warrants**” has the meaning given to it in the applicable Final Terms;

“**Reference Performance**” has the meaning given to it in either Condition 3(c)(i) (in the case of Long Warrants) or Condition 3(c)(ii) (in the case of Short Warrants) below;

“**Specified Currency**” has the meaning given to it in the applicable Final Terms; and

“**Warrant Multiplier**” has the meaning given to it in the applicable Final Terms, otherwise if not specified in such shall be equal to one.

(i) Long Warrants

If the Expiration Settlement Warrants are specified to be Long Warrants, the Calculation Agent shall (A) determine the relevant Final Reference Price, (B) compare the Final Reference Price with the Long Strikes and (C) apply the relevant formula below based on the value of the Final Reference Price in order to determine the Reference Performance.

(A) Where,

$$\text{Final Reference Price} \leq \text{Long Strike 1}$$

the Reference Performance shall be equal to the **Payoff\_LR**.

(B) Where,

$$\text{Long Strike 1} < \text{Final Reference Price} \leq \text{Long Strike 2}$$

the Reference Performance shall be equal to:

$$\text{Payoff\_LR} + X_1$$

where:

“**X<sub>1</sub>**” means:  $[\text{Final Reference Price} - \text{Long Strike 1}] \times \text{Long Payoff Multiplier 1}$

(C) Where,

$$\text{Long Strike 2} < \text{Final Reference Price} \leq \text{Long Strike 3}$$

the Reference Performance shall be equal to:

$$\text{Payoff}_{LR} + X_2 + Y_2$$

where:

“**X<sub>2</sub>**” means:  $[\text{Long Strike 2} - \text{Long Strike 1}] \times \text{Long Payoff Multiplier 1}$

“**Y<sub>2</sub>**” means:  $[\text{Final Reference Price} - \text{Long Strike 2}] \times \text{Long Payoff Multiplier 2}$

(D) Where,

$$\text{Long Strike 3} < \text{Final Reference Price}$$

the Reference Performance shall be equal to:

$$\text{Payoff}_{LR} + X_3 + Y_3 + Z_3$$

where:

“**X<sub>3</sub>**” means:  $[\text{Long Strike 2} - \text{Long Strike 1}] \times \text{Long Payoff Multiplier 1}$

“**Y<sub>3</sub>**” means:  $[\text{Long Strike 3} - \text{Long Strike 2}] \times \text{Long Payoff Multiplier 2}$

“**Z<sub>3</sub>**” means:  $[\text{Final Reference Price} - \text{Long Strike 3}] \times \text{Long Payoff Multiplier 3}$

For the purposes of this Condition 3(c)(i), the following definitions shall be applicable:

“**Final Reference Price**” means the applicable Reference Price for (i) the Index Linked Warrants, or (ii) the Equity Linked Warrants, or (iii) the Currency Linked Warrants, as applicable, to be determined on the applicable Valuation Date (or, where “Reference Price Averaging” is specified in the Final Terms, on the Averaging Date) in accordance with the Conditions 7(e), 8(e) and 9(e) respectively.

“**Long Strike 1**” has the meaning given to it in the applicable Final Terms.

“**Long Strike 2**” has the meaning given to it in the applicable Final Terms.

“**Long Strike 3**” has the meaning given to it in the applicable Final Terms.

“**Long Strikes**” means Long Strike 1, Long Strike 2 and Long Strike 3.

“**Payoff<sub>LR</sub>**” has the meaning given in the applicable Final Terms, and may be zero.

“**Long Payoff Multiplier 1**” has the meaning given in the applicable Final Terms.

“**Long Payoff Multiplier 2**” has the meaning given in the applicable Final Terms.

“**Long Payoff Multiplier 3**” has the meaning given in the applicable Final Terms.

(ii) *Short Warrants*

If the Expiration Settlement Warrants are specified to be Short Warrants, the Calculation Agent shall (A) determine the relevant Final Reference Price, (B) compare the Final Reference Price with the Short Strikes and (C) apply the relevant formula below based on the value of the Final Reference Price in order to determine the Reference Performance.

(A) Where,

$$\text{Final Reference Price} \geq \text{Short Strike 1}$$

the Reference Performance shall be equal to the **Payoff\_HR**.

(B) Where,

$$\text{Short Strike 1} > \text{Final Reference Price} \geq \text{Short Strike 2}$$

the Reference Performance shall be equal to:

$$\text{Payoff\_HR} + X_1$$

“**X<sub>1</sub>**” means:  $[\text{Short Strike 1} - \text{Final Reference Price}] \times \text{Short Payoff Multiplier 1}$

(C) Where,

$$\text{Short Strike 2} > \text{Final Reference Price} \geq \text{Short Strike 3}$$

the Reference Performance shall be equal to:

$$\text{Payoff\_HR} + X_2 + Y_2$$

“**X<sub>2</sub>**” means:  $[\text{Short Strike 1} - \text{Short Strike 2}] \times \text{Short Payoff Multiplier 1}$

“**Y<sub>2</sub>**” means:  $[\text{Short Strike 2} - \text{Final Reference Price}] \times \text{Short Payoff Multiplier 2}$

(D) Where,

$$\text{Short Strike 3} > \text{Final Reference Price}$$

the Reference Performance shall be equal to:

$$\text{Payoff\_HR} + X_3 + Y_3 + Z_3$$

“**X<sub>3</sub>**” means:  $[\text{Short Strike 1} - \text{Short Strike 2}] \times \text{Short Payoff Multiplier 1}$

“**Y<sub>3</sub>**” means:  $[\text{Short Strike 2} - \text{Short Strike 3}] \times \text{Short Payoff Multiplier 2}$

“**Z<sub>3</sub>**” means:  $[\text{Short Strike 3} - \text{Final Reference Price}] \times \text{Short Payoff Multiplier 3}$

For the purposes of this Condition 3(c)(ii), the following definitions shall be applicable:

“**Final Reference Price**” means the applicable Reference Price for (i) the Index Linked Warrants, or (ii) the Equity Linked Warrants, or (iii) the Currency Linked Warrants, as applicable, to be determined on the applicable Valuation Date (or, where “Reference Price Averaging” is specified in the Final Terms, on the Averaging Date) in accordance with the Conditions 7(e), 8(e) and 9(e) respectively.

“**Short Strike 1**” has the meaning given to it in the applicable Final Terms.

“**Short Strike 2**” has the meaning given to it in the applicable Final Terms.

“**Short Strike 3**” has the meaning given to it in the applicable Final Terms.

“**Payoff\_HR**” has the meaning given in the applicable Final Terms, and may be zero.

“**Short Payoff Multiplier 1**” has the meaning given in the applicable Final Terms.

“**Short Payoff Multiplier 2**” has the meaning given in the applicable Final Terms.

“**Short Payoff Multiplier 3**” has the meaning given in the applicable Final Terms.

(d) *Exercise Risk*

Exercise of the Expiration Settlement Warrants is subject to all applicable laws, regulations and practices in force on the relevant exercise date and neither the Issuer nor the Agents shall incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all efforts, as a result of any such laws, regulations or practices. None of the Issuer and the Agents shall under any circumstances be liable for any acts or defaults of Euroclear in relation to the performance of its duties in relation to the Expiration Settlement Warrants.

The Issuer will be discharged by payment to, or to the order of, Euroclear in respect of the amount so paid. Each of the persons shown in the records of Euroclear as the holder of a particular number of Expiration Settlement Warrants must look solely to Euroclear for its share of each such payment or delivery so made to, or to the order of, Euroclear.

(e) *General*

In relation to the Expiration Settlement Warrants, the expressions “exercise”, “due exercise” and related expressions shall be construed to apply to any such Expiration Settlement Warrants which are automatically exercised in accordance with the above provisions.

None of the Issuer, the Calculation Agent or the Agents shall have any responsibility for any errors or omissions in the calculation of any Cash Settlement Amount or Early Cancellation Amount.

The purchase of Expiration Settlement Warrants does not confer on any Warrantholder any rights (whether in respect of voting, distributions, conversion or otherwise) attaching to the relevant Index, Underlying Equity or Currency Rate.

#### 4 **Exercise – Interim Exercisable Warrants**

If the applicable Final Terms specify that the Warrant(s) are Interim Exercisable Warrants (each, a “**Interim Exercisable Warrant**”) and:

- (i) an Interim Exercise Event (as defined below) occurs, the provisions set out in sub-paragraphs (a) to (d), (h) and (i) below shall apply; or
- (ii) an Interim Exercise Event (as defined below) does not occur, the provisions set out in sub-paragraphs (e) to (i) below shall apply.

#### **Exercise of the Interim Exercisable Warrants on an Interim Observation Date**

(a) *Interim Automatic Exercise*

If the conditions in Condition 4(a)(i) (in the case of Long Warrants) or Condition 4(a)(ii) (in the case of Short Warrants) are satisfied (an “**Interim Exercise Event**”) and unless previously cancelled in accordance with Condition 6 (*Cancellation and Adjustments*) or exercised early in accordance with Condition 13 (*Events of Default*), each Interim Exercisable Warrant will be automatically exercised (with no requirement for the Warrantholder to deliver any form of notice) on the interim exercise date (“**Interim Exercise Date**”) of the Interim Exercisable Warrant which shall be the later of (i) the Specified Interim Observation Date on which an Interim Exercise Event occurs and (ii) where the Valuation Date (or, where “Reference Price Averaging” is specified in the Final Terms, the Averaging Date) is postponed due to the occurrence of a Disrupted Day occurring in respect of the Index, Underlying Equity or Currency Rate (as applicable) on a Specified Interim Observation Date on which an Interim Exercise Event occurs, the Valuation Date or the Averaging Date (as applicable) determined in accordance with Conditions 7(e), 8(e) and 9(e) respectively (such date, the “**Adjusted Interim Observation Date**”).

(i) *Long Warrants*

If the Interim Exercisable Warrants are specified to be Long Warrants, the Calculation Agent shall, on each Interim Observation Date (A) determine the relevant Interim Reference Price and (B) compare the Interim Reference Price with the applicable Intermediate Floor<sub>i</sub> and/or the applicable Intermediate Cap<sub>i</sub> in respect of the relevant Interim Observation Date.

The method of comparison shall be elected at the Issue Date in the Final Terms.

(1) If “Cap or Floor” is elected, where:

either

$$\text{Interim Reference Price} \geq \text{applicable Intermediate Floor}_i$$

or

$$\text{Interim Reference Price} \leq \text{applicable Intermediate Cap}_i$$

the Calculation Agent shall apply the relevant formula below based on the value of the Interim Reference Price and the value of the relevant Intermediate Floor<sub>i</sub> or the Intermediate Cap<sub>i</sub> (as applicable) in order to determine the Intermediate Reference Performance.

The Intermediate Reference Performance shall be equal to the **Payoff\_InterimLR<sub>i</sub>** specified in the applicable Final Terms as applicable to the relevant corresponding Intermediate Floor<sub>i</sub> or Intermediate Cap<sub>i</sub> (as applicable), and the corresponding Interim Observation Date.

For the avoidance of doubt, if Intermediate Floor<sub>i</sub> or Intermediate Cap<sub>i</sub> is not applicable, this shall be specified in the Final Terms.

(2) If “Cap and Floor” is elected, where:

$$\text{Interim Reference Price} \geq \text{applicable Intermediate Floor}_i$$

and

$$\text{Interim Reference Price} \leq \text{applicable Intermediate Cap}_i$$

the Calculation Agent shall apply the relevant formula below based on the value of the Interim Reference Price and the value of the relevant Intermediate Floor<sub>i</sub> and the Intermediate Cap<sub>i</sub> (as applicable) in order to determine the Intermediate Reference Performance.

The Intermediate Reference Performance shall be equal to the **Payoff\_InterimLR<sub>i</sub>** specified in the applicable Final Terms as applicable to the relevant corresponding Intermediate Floor<sub>i</sub>, Intermediate Cap<sub>i</sub> (as applicable) and the corresponding Interim Observation Date.

(3) If “Modified Cap or Floor” is elected, where:

either

$$\text{Interim Reference Price} \geq \text{applicable Intermediate Floor}_i$$

or

$$\text{Interim Reference Price} \leq \text{applicable Intermediate Cap}_i$$

the Calculation Agent shall apply the relevant formula below based on the value of the Interim Reference Price and the value of the relevant Intermediate Floor<sub>i</sub> or the Intermediate Cap<sub>i</sub> (as applicable) in order to determine the Intermediate Reference Performance.

Where the Interim Reference Price is more than or equal to the relevant Intermediate Floor<sub>i</sub>, the Intermediate Reference Performance shall be equal to the **Payoff\_InterimLR\_Floor\_i** specified in the applicable Final Terms as applicable to the relevant corresponding Intermediate Floor<sub>i</sub> and the corresponding Interim Observation Date.

Where the Interim Reference Price is less than or equal to the relevant Intermediate Cap<sub>i</sub>, the Intermediate Reference Performance shall be equal to the **Payoff\_InterimLR\_Cap\_i** specified in the applicable Final Terms as applicable to the relevant corresponding Intermediate Cap<sub>i</sub> (as applicable) and the corresponding Interim Observation Date.

For the avoidance of doubt, where the Interim Reference Price is neither more than or equal to the relevant Intermediate Floor<sub>i</sub> nor less than or equal to the applicable Intermediate Cap<sub>i</sub>, an Interim Exercise Event has not occurred. In addition, the applicable Intermediate Cap<sub>i</sub> value shall always be higher than the applicable Intermediate Floor<sub>i</sub> value such that both conditions will not be satisfied with respect to the same Interim Reference Price.

(ii) *Short Warrants*

If the Interim Exercisable Warrants are specified to be Short Warrants, the Calculation Agent shall, on each Interim Observation Date (A) determine the relevant Interim Reference Price and (B) compare the Interim Reference Price with the applicable Intermediate Floor<sub>i</sub> and the applicable Intermediate Cap<sub>i</sub> in respect of the relevant Interim Observation Date.

The method of comparison shall be elected at the Issue Date in the Final Terms.

(1) If “Cap or Floor” is elected, where:

either

$$\text{Interim Reference Price} \leq \text{applicable Intermediate Floor}_i$$

or

$$\text{Interim Reference Price} \geq \text{applicable Intermediate Cap}_i$$

the Calculation Agent shall apply the relevant formula below based on the value of the Interim Reference Price and the value of the relevant Intermediate Floor<sub>i</sub> or the Intermediate Cap<sub>i</sub> (as applicable) in order to determine the Intermediate Reference Performance.

The Intermediate Reference Performance shall be equal to the **Payoff\_InterimSR\_i** specified in the applicable Final Terms as applicable to the relevant corresponding Intermediate Floor<sub>i</sub> or Intermediate Cap<sub>i</sub> (as applicable), and the corresponding Interim Observation Date.

For the avoidance of doubt, if Intermediate Floor<sub>i</sub> or Intermediate Cap<sub>i</sub> is not applicable, this shall be specified in the Final Terms.

(2) If “Cap and Floor” is elected, where:

$$\text{Interim Reference Price} \leq \text{applicable Intermediate Floor}_i$$

and

$$\text{Interim Reference Price} \geq \text{applicable Intermediate Cap}_i$$

the Calculation Agent shall apply the relevant formula below based on the value of the Interim Reference Price and the value of the relevant Intermediate Floor<sub>i</sub> and the Intermediate Cap<sub>i</sub> (as applicable) in order to determine the Intermediate Reference Performance.

The Intermediate Reference Performance shall be equal to the **Payoff\_InterimSR\_i** specified in the applicable Final Terms as applicable to the relevant corresponding Intermediate Floor\_i and Intermediate Cap\_i (as applicable), and the corresponding Interim Observation Date.

(3) If “Modified Cap or Floor” is elected, where:

either

$$\text{Interim Reference Price} \leq \text{applicable Intermediate Floor}_i$$

or

$$\text{Interim Reference Price} \geq \text{applicable Intermediate Cap}_i$$

the Calculation Agent shall apply the relevant formula below based on the value of the Interim Reference Price and the value of the relevant Intermediate Floor\_i or the Intermediate Cap\_i (as applicable) in order to determine the Intermediate Reference Performance.

Where the Interim Reference Price is less than or equal to the relevant Intermediate Floor\_i, the Intermediate Reference Performance shall be equal to the **Payoff\_InterimSR\_Floor\_i** specified in the applicable Final Terms as applicable to the relevant corresponding Intermediate Floor\_i and the corresponding Interim Observation Date.

Where the Interim Reference Price is more than or equal to the relevant Intermediate Cap\_i, the Intermediate Reference Performance shall be equal to the **Payoff\_InterimSR\_Cap\_i** specified in the applicable Final Terms as applicable to the relevant corresponding Intermediate Cap\_i (as applicable) and the corresponding Interim Observation Date.

For the avoidance of doubt, where the Interim Reference Price is neither less than or equal to the relevant Intermediate Floor\_i nor more than or equal to the applicable Intermediate Cap\_i, an Interim Exercise Event has not occurred. In addition, the applicable Intermediate Cap\_i value shall always be higher than the applicable Intermediate Floor\_i value such that both conditions will not be satisfied with respect to the same Interim Reference Price.

If the Calculation Agent determines that an Interim Exercise Event has not occurred on an Interim Observation Date, the Interim Exercisable Warrants will not be automatically exercised in respect of such Interim Observation Date and no Early Cash Settlement Amount will be payable to the Warrantholders in respect of such Interim Observation Date.

Where, for the avoidance of doubt, an Interim Exercise Event has not occurred on any Interim Observation Date, the Interim Exercisable Warrants will be automatically exercised on the Expiration Date in accordance with Condition 4(e) below.

For the purposes of Condition 4(a)(i) and/or Condition 4(a)(ii), the following definitions shall be applicable:

“**Adjusted Interim Observation Date**” has the meaning given to it in Condition 4(a);

“**Interim Observation Date**” means either the Specified Interim Observation Date or the Adjusted Interim Observation Date, as applicable;

“**Interim Reference Price**” means the applicable Reference Price for (i) the Index Linked Warrants, or (ii) the Equity Linked Warrants, or (iii) the Currency Linked Warrants, as applicable, to be determined on the applicable Valuation Date (or, where “Reference Price Averaging” is specified in the Final Terms, on the Averaging Date) in accordance with the Conditions 7(e), 8(e) and 9(e) respectively;

“**Intermediate Cap<sub>i</sub>**” means each of the values specified as such next to each Interim Observation Date in the applicable Final Terms;

“**Intermediate Floor<sub>i</sub>**” means each of the values specified as such for each Interim Observation Date and with reference to the Long Strikes or Short Strikes (as applicable) in the applicable Final Terms;

“**Intermediate Reference Performance**” has the meaning given to it in either Condition 4(a)(i) (in the case of Long Warrants) or Condition 4(a)(ii) (in the case of Short Warrants);

“**Long Strikes**” means Long Strike 1, Long Strike 2 and Long Strike 3;

“**Long Strike 1**” has the meaning given to it in the applicable Final Terms;

“**Long Strike 2**” has the meaning given to it in the applicable Final Terms;

“**Long Strike 3**” has the meaning given to it in the applicable Final Terms;

“**Payoff\_InterimLR<sub>i</sub>**” has the meaning given to it in the applicable Final Terms with respect to the relevant corresponding Interim Observation Date and corresponding Intermediate Floor<sub>i</sub> and/or Intermediate Cap<sub>i</sub> (as applicable), and may be zero;

“**Payoff\_InterimLR\_Floor<sub>i</sub>**” has the meaning given to it in the applicable Final Terms with respect to the relevant corresponding Interim Observation Date and corresponding Intermediate Floor<sub>i</sub> and may be zero;

“**Payoff\_InterimLR\_Cap<sub>i</sub>**” has the meaning given to it in the applicable Final Terms with respect to the relevant corresponding Interim Observation Date and corresponding Intermediate Cap<sub>i</sub> (as applicable), and may be zero;

“**Payoff\_InterimSR<sub>i</sub>**” has the meaning given to it in the applicable Final Terms with respect to the relevant corresponding Interim Observation Date and corresponding Intermediate Floor<sub>i</sub> and/or Intermediate Cap<sub>i</sub> (as applicable), and may be zero;

“**Payoff\_InterimSR\_Floor<sub>i</sub>**” has the meaning given to it in the applicable Final Terms with respect to the relevant corresponding Interim Observation Date and corresponding Intermediate Floor<sub>i</sub> and may be zero;

“**Payoff\_InterimSR\_Cap<sub>i</sub>**” has the meaning given to it in the applicable Final Terms with respect to the relevant corresponding Interim Observation Date and corresponding Intermediate Cap<sub>i</sub> (as applicable), and may be zero;

“**Short Strikes**” means Short Strike 1, Short Strike 2 and Short Strike 3;

“**Short Strike 1**” has the meaning given to it in the applicable Final Terms;

“**Short Strike 2**” has the meaning given to it in the applicable Final Terms;

“**Short Strike 3**” has the meaning given to it in the applicable Final Terms; and

“**Specified Interim Observation Date**” means each of the dates specified as such in the applicable Final Terms.

(b) *Entitlement upon Interim Automatic Exercise*

Interim Exercisable Warrants which have been exercised pursuant to Condition 4(a) above entitle the relevant Warrantholder to require the Issuer to pay, subject to the Conditions, the applicable Early Cash

Settlement Amount on the Early Settlement Date, which shall be determined by the Calculation Agent in accordance with the provisions of Condition 4(c).

“**Early Cash Settlement Amount**” means an amount calculated in accordance with Condition 4(c).

“**Early Settlement Date**” means the date specified as such in the applicable Final Terms, subject to adjustment in accordance with Conditions 17 (*Meetings of Warrantholders, Modification and Waiver*) and 18 (*Further Issues*).

(c) *Early Cash Settlement Amount*

The Early Cash Settlement Amount is an amount (which shall, for the avoidance of doubt, be converted into the Specified Currency at a ratio of 1:1 if the applicable Interim Reference Price is in a currency which is different to the Specified Currency) determined by the Calculation Agent equal to:

$$\text{Number of Warrants} \times \text{Warrant Multiplier} \times \text{Intermediate Reference Performance}$$

where:

“**Number of Warrants**” has the meaning given to it in the applicable Final Terms;

“**Intermediate Reference Performance**” has the meaning given to it in Condition 4(a) above;

“**Specified Currency**” has the meaning given to it in the applicable Final Terms; and

“**Warrant Multiplier**” has the meaning given to it in the applicable Final Terms, otherwise if not specified in such shall be equal to one.

(d) *Interim Exercise Notices*

(i) The Calculation Agent shall provide notice of the occurrence of an Interim Exercise Event to the Issuer as soon as reasonably practicable following the determination of the occurrence of an Interim Exercise Event pursuant to Condition 4(a) above (the “**Calculation Agent Interim Exercise Notice**”).

(ii) The Issuer shall provide notice of the occurrence of an Interim Exercise Event to the Warrantholders in accordance with Condition 16 (*Notices*) as soon as reasonably practicable following the date on which it receives a Calculation Agent Interim Exercise Notice and in any case, no later than 7 days after its receipt of such notice (the “**Issuer Interim Exercise Notice**”).

(iii) Each of the Calculation Agent Interim Exercise Notice and the Issuer Interim Exercise Notice shall specify (i) the Interim Exercise Date; (ii) the Early Cash Settlement Amount and (iii) the Early Settlement Date.

(iv) For the avoidance of doubt, if the determination of the Interim Reference Price is postponed as a result of a Disrupted Day occurring in respect of the Index, Underlying Equity or Currency Rate (as applicable), the Early Cash Settlement Amount shall be paid without any interest amount or other sum in respect of the postponement thereof.

**Exercise of the Interim Exercisable Warrants at Expiration**

(e) *Expiration Automatic Exercise*

Unless previously cancelled, in accordance with Condition 6 (*Cancellation and Adjustments*), early exercised in accordance with Conditions 4(a) to 4(d) above or exercised early in accordance with Condition 13 (*Events of Default*), each Interim Exercisable Warrant will be automatically exercised (with no requirement for the Warrantholder to deliver any form of notice) on the expiration date of the Interim

Exercisable Warrant (the “**Expiration Date**”) which shall be the later of (i) the Scheduled Expiration Date (as specified in the Final Terms) and (ii) where the Valuation Date (or, where “Reference Price Averaging” is specified in the Final Terms, the Averaging Date) is postponed due to the occurrence of a Disrupted Day occurring in respect of the Index, Underlying Equity or Currency Rate (as applicable) on the Scheduled Expiration Date, the Valuation Date or the Averaging Date (as applicable) determined in accordance with Conditions 7(e), 8(e) and 9(e) respectively.

(f) *Entitlement upon Expiration Automatic Exercise*

Interim Exercisable Warrants which have been exercised at the Expiration Date pursuant to Condition 4(e) above entitle the relevant Warrantholder to require the Issuer to pay, subject to the Conditions, the applicable Cash Settlement Amount on the Settlement Date, which shall be determined by the Calculation Agent in accordance with the provisions of Condition 4(g).

“**Settlement Date**” means the date specified as such in the applicable Final Terms, subject to adjustment in accordance with Conditions 17 (*Meetings of Warrantholders, Modification and Waiver*) and 18 (*Further Issues*).

(g) *Cash Settlement Amount*

The Cash Settlement Amount is an amount (which shall, for the avoidance of doubt, be converted into the Specified Currency at a ratio of 1:1 if the applicable Reference Price is in a currency which is different to the Specified Currency) determined by the Calculation Agent equal to:

$$\text{Number of Warrants} \times \text{Warrant Multiplier} \times \text{Reference Performance}$$

where:

“**Number of Warrants**” has the meaning given to it in the applicable Final Terms;

“**Reference Performance**” has the meaning given to it in either Condition 4(g)(i) (in the case of Long Warrants) or Condition 4(g)(ii) (in the case of Short Warrants) below; and

“**Specified Currency**” has the meaning given to it in the applicable Final Terms.

“**Warrant Multiplier**” has the meaning given to it in the applicable Final Terms, otherwise if not specified in such shall be equal to one.

(i) *Long Warrants*

If the Interim Exercisable Warrants are specified to be Long Warrants, the Calculation Agent shall (A) determine the relevant Final Reference Price, (B) compare the Final Reference Price with the Long Strikes and (C) apply the relevant formula below based on the value of the Final Reference Price in order to determine the Reference Performance.

(A) Where,

$$\text{Final Reference Price} \leq \text{Long Strike 1}$$

the Reference Performance shall be equal to the **Payoff\_LR**.

(B) Where,

$$\text{Long Strike 1} < \text{Final Reference Price} \leq \text{Long Strike 2}$$

the Reference Performance shall be equal to:

$$\text{Payoff\_LR} + X_1$$

where:

“**X<sub>1</sub>**” means either:

1.  $[Final\ Reference\ Price - Long\ Strike\ 1] \times Long\ Payoff\ Multiplier\ 1$  (“**X<sub>1</sub>\_FRP**”); or
2.  $[Long\ Strike\ 2 - Long\ Strike\ 1] \times Long\ Payoff\ Multiplier\ 1$  (“**X<sub>1</sub>\_LS2**”),

such election to be made on the Issue Date, as specified in the applicable Final Terms.

(C) Where,

$$Long\ Strike\ 2 < Final\ Reference\ Price \leq Long\ Strike\ 3$$

the Reference Performance shall be equal to:

$$Payoff_{LR} + X_2 + Y_2$$

where:

“**X<sub>2</sub>**” means:  $[Long\ Strike\ 2 - Long\ Strike\ 1] \times Long\ Payoff\ Multiplier\ 1$

“**Y<sub>2</sub>**” means either:

1.  $[Final\ Reference\ Price - Long\ Strike\ 2] \times Long\ Payoff\ Multiplier\ 2$  (“**Y<sub>2</sub>\_FRP**”); or
2.  $[Long\ Strike\ 3 - Long\ Strike\ 2] \times Long\ Payoff\ Multiplier\ 2$  (“**Y<sub>2</sub>\_LS3**”),

such election to be made on the Issue Date, as specified in the applicable Final Terms.

(D) Where,

$$Long\ Strike\ 3 < Final\ Reference\ Price$$

the Reference Performance shall be equal to:

$$Payoff_{LR} + X_3 + Y_3 + Z_3$$

where:

“**X<sub>3</sub>**” means:  $[Long\ Strike\ 2 - Long\ Strike\ 1] \times Long\ Payoff\ Multiplier\ 1$

“**Y<sub>3</sub>**” means:  $[Long\ Strike\ 3 - Long\ Strike\ 2] \times Long\ Payoff\ Multiplier\ 2$

“**Z<sub>3</sub>**” means either:

1.  $[Final\ Reference\ Price - Long\ Strike\ 3] \times Long\ Payoff\ Multiplier\ 3$  (“**Z<sub>3</sub>\_FRP**”); or
2. the “Fixed Amount”, which shall be specified in the applicable Final Terms (“**Z<sub>3</sub>\_FIX**”),

such election to be made on the Issue Date, as specified in the applicable Final Terms.

For the purposes of this Condition 4(g)(i), the following definitions shall be applicable:

“**Final Reference Price**” means the applicable Reference Price for (i) the Index Linked Warrants, or (ii) the Equity Linked Warrants, or (iii) the Currency Linked Warrants, as applicable, to be determined on the applicable Valuation Date (or, where “Reference Price Averaging” is specified in the Final Terms, on the Averaging Date) in accordance with the Conditions 7(e), 8(e) and 9(e) respectively.

“**Long Strike 1**” has the meaning given to it in the applicable Final Terms.

“**Long Strike 2**” has the meaning given to it in the applicable Final Terms.

“**Long Strike 3**” has the meaning given to it in the applicable Final Terms.

“**Long Strikes**” means Long Strike 1, Long Strike 2 and Long Strike 3.

“**Payoff\_LR**” has the meaning given in the applicable Final Terms, and may be zero.

“**Long Payoff Multiplier 1**” has the meaning given in the applicable Final Terms.

“**Long Payoff Multiplier 2**” has the meaning given in the applicable Final Terms.

“**Long Payoff Multiplier 3**” has the meaning given in the applicable Final Terms.

(ii) *Short Warrants*

If the Interim Exercisable Warrants are specified to be Short Warrants, the Calculation Agent shall (A) determine the relevant Final Reference Price, (B) compare the Final Reference Price with the Short Strikes and (C) apply the relevant formula below based on the value of the Final Reference Price in order to determine the Reference Performance.

(A) Where,

$$\text{Final Reference Price} \geq \text{Short Strike 1}$$

the Reference Performance shall be equal to the **Payoff\_HR**.

(B) Where,

$$\text{Short Strike 1} > \text{Final Reference Price} \geq \text{Short Strike 2}$$

the Reference Performance shall be equal to:

$$\text{Payoff\_HR} + X_1$$

“**X<sub>1</sub>**” means either:

1.  $[\text{Short Strike 1} - \text{Final Reference Price}] \times \text{Short Payoff Multiplier 1}$  (“**X<sub>1</sub>\_FRP**”); or
2.  $[\text{Short Strike 1} - \text{Short Strike 2}] \times \text{Short Payoff Multiplier 1}$  (“**X<sub>1</sub>\_SS2**”),

such election to be made on the Issue Date, as specified in the applicable Final Terms.

(C) Where,

$$\text{Short Strike 2} > \text{Final Reference Price} \geq \text{Short Strike 3}$$

the Reference Performance shall be equal to:

$$\text{Payoff\_HR} + X_2 + Y_2$$

“**X<sub>2</sub>**” means:  $[\text{Short Strike 1} - \text{Short Strike 2}] \times \text{Short Payoff Multiplier 1}$

“**Y<sub>2</sub>**” means either:

1.  $[\text{Short Strike 2} - \text{Final Reference Price}] \times \text{Short Payoff Multiplier 2}$  (“**Y<sub>2</sub>\_FRP**”); or
2.  $[\text{Short Strike 2} - \text{Short Strike 3}] \times \text{Short Payoff Multiplier 2}$  (“**Y<sub>2</sub>\_SS3**”),

such election to be made on the Issue Date, as specified in the applicable Final Terms.

(D) Where,

*Short Strike 3 > Final Reference Price*

the Reference Performance shall be equal to:

$$\text{Payoff}_{HR} + X_3 + Y_3 + Z_3$$

“**X<sub>3</sub>**” means:  $[\text{Short Strike 1} - \text{Short Strike 2}] \times \text{Short Payoff Multiplier 1}$

“**Y<sub>3</sub>**” means:  $[\text{Short Strike 2} - \text{Short Strike 3}] \times \text{Short Payoff Multiplier 2}$

“**Z<sub>3</sub>**” means either:

1.  $[\text{Short Strike 3} - \text{Final Reference Price}] \times \text{Short Payoff Multiplier}$  (“**Z<sub>3</sub>\_FRP**”); or
2. the “Fixed Amount”, which shall be specified in the applicable Final Terms (“**Z<sub>3</sub>\_FIX**”),

such election to be made on the Issue Date, as specified in the applicable Final Terms.

For the purposes of this Condition 4(g)(ii), the following definitions shall be applicable:

“**Final Reference Price**” means the applicable Reference Price for (i) the Index Linked Warrants, or (ii) the Equity Linked Warrants, or (iii) the Currency Linked Warrants, as applicable, to be determined on the applicable Valuation Date (or, where “Reference Price Averaging” is specified in the Final Terms, on the Averaging Date) in accordance with the Conditions 7(e), 8(e) and 9(e) respectively.

“**Short Strike 1**” has the meaning given to it in the applicable Final Terms.

“**Short Strike 2**” has the meaning given to it in the applicable Final Terms.

“**Short Strike 3**” has the meaning given to it in the applicable Final Terms.

“**Short Strikes**” means Short Strike 1, Short Strike 2 and Short Strike 3.

“**Payoff<sub>HR</sub>**” has the meaning given in the applicable Final Terms, and may be zero.

“**Short Payoff Multiplier 1**” has the meaning given in the applicable Final Terms.

“**Short Payoff Multiplier 2**” has the meaning given in the applicable Final Terms.

“**Short Payoff Multiplier 3**” has the meaning given in the applicable Final Terms.

(h) *Exercise Risk*

Exercise of the Interim Exercisable Warrants is subject to all applicable laws, regulations and practices in force on the relevant exercise date and neither the Issuer nor the Agents shall incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all efforts, as a result of any such laws, regulations or practices. None of the Issuer and the Agents shall under any circumstances be liable for any acts or defaults of Euroclear in relation to the performance of its duties in relation to the Interim Exercisable Warrants.

The Issuer will be discharged by payment to, or to the order of, Euroclear in respect of the amount so paid. Each of the persons shown in the records of Euroclear as the holder of a particular number of Interim Exercisable Warrants must look solely to Euroclear for its share of each such payment or delivery so made to, or to the order of, Euroclear.

(i) *General*

In relation to the Interim Exercisable Warrants, the expressions “exercise”, “due exercise” and related expressions shall be construed to apply to any such Interim Exercisable Warrants which are automatically exercised in accordance with the above provisions.

None of the Issuer, the Calculation Agent or the Agents shall have any responsibility for any errors or omissions in the calculation of any Early Cash Settlement Amount (if applicable), Cash Settlement Amount or Early Cancellation Amount.

The purchase of Interim Exercisable Warrants does not confer on any Warrantholder any rights (whether in respect of voting, distributions, conversion or otherwise) attaching to the relevant Index, Underlying Equity or Currency Rate.

## **5 Payments**

(a) *Method of Payment*

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made 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 (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Wellington, respectively); and
- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee.

All payments will be subject in all cases to any fiscal or other laws, regulations or directives applicable thereto in the place of payment or other laws and regulations to which the Issuer, the Guarantor or its Agents agree to be subject and neither the Issuer nor the Guarantor will be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations or directives or agreements.

(b) *Presentation of Definitive Warrants*

Payments in respect of Definitive Warrants will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Definitive Warrants at the specified office of any Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

(c) *Payments in respect of Global Warrants*

Payments in respect of Warrants represented by any Global Warrant will (subject as provided below) be made in the manner specified above in relation to Definitive Warrants or otherwise in the manner specified in the relevant Global Warrant, where applicable, against presentation or surrender, as the case may be, of such Global Warrant at the specified office of any Agent outside the United States. A record of each payment made will be made on such Global Warrant either by the Agent to which it was presented or in the records of Euroclear.

(d) *General provisions applicable to payments*

The holder of a Global Warrant shall be the only person entitled to receive payments in respect of Warrants represented by such Global Warrant and the Issuer or, as the case may be, the Guarantor will be discharged by payment to, or to the order of, the holder of such Global Warrant in respect of each

amount so paid. Each of the persons shown in the records of Euroclear as the beneficial holder of a particular number of Warrants represented by such Global Warrant must look solely to Euroclear for their share of each payment so made by the Issuer or, as the case may be, the Guarantor to, or to the order of, the holder of such Global Warrant.

Notwithstanding the foregoing provisions of this Condition, if an Early Cash Settlement Amount (if applicable) and/or Cash Settlement Amount in respect of the Warrants is payable in U.S. dollars, such U.S. dollar payments in respect of such Warrants will be made at the specified office of an Agent in the United States if:

- (i) the Issuer has appointed Agents with specified offices outside the United States with the reasonable expectation that such Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of the Early Cash Settlement Amount (if applicable) and/or Cash Settlement Amount on the Warrants in the manner provided above when due;
- (ii) payment of the full amount of the Early Cash Settlement Amount (if applicable) and/or Cash Settlement Amount at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of the Early Cash Settlement Amount (if applicable) and/or Cash Settlement Amount in U.S. dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the Guarantor, adverse tax consequences to the Issuer or the Guarantor.

(e) *Payment Day*

If the date for payment of any amount in respect of any Warrant is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further payment in respect of such delay. For these purposes, “**Payment Day**” means any day which (subject to Condition 12 (*Prescription*)) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in:
  - (1) in the case of Definitive Warrants only, the relevant place of presentation; and
  - (2) each Additional Financial Centre specified in the applicable Final Terms; and
  - (3) a day on which the TARGET2 System is open, unless the applicable Final Terms specify “TARGET Not Required”; and
  - (4) where a sum is payable in a Specified Currency, a day on which 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 such Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Wellington, respectively) unless the applicable Final Terms specify “Principal Financial Centre Not Required”.

(f) *Interpretation of payments*

Any reference in these Conditions to payments in respect of the Warrants shall be deemed to include, as applicable, any premium and any other amounts which may be payable by the Issuer under or in respect of the Warrants.

## 6 Cancellation and Adjustments

### (a) *Early Cancellation*

In the event that any of the Warrants are cancelled early pursuant to any of Conditions 6(d), 7(c), 8(c), 9(c) and 10(a), the Issuer shall give a notice to the Warrantholders in accordance with Condition 16 (*Notices*) stipulating the reason for such cancellation and referencing the relevant Condition. Following delivery of such notice the Issuer shall cancel all, but not some only, of the Warrants.

The amount payable in respect of each Warrant shall be equal to an amount (which shall be a minimum of zero) which represents the fair market value of the Warrants (taking into account all relevant factors), determined at close of business on the Clearing System Business Day immediately prior to the day which the cancellation is made (the “**Early Cancellation Amount**”). The Warrantholder will not be charged any cost for the Early Cancellation.

“**Clearing System Business Day**” means each day from Monday to Friday inclusive except 25 December and 1 January.

### (b) *Condition for Early Cancellation*

Early Cancellation is conditional in each case upon the occurrence of a force majeure for which the Issuer is not accountable. In addition, the Issuer may not charge costs to the Warrantholder for any such early cancellation.

### (c) *Cancellation due to illegality*

In the event that the Calculation Agent determines that the performance of the Issuer’s obligations under the Warrants or, as the case may be, the Guarantor’s obligations under the Guarantee has or will become unlawful, illegal or otherwise prohibited in whole or in part as a result of compliance with any applicable present or future law, rule, regulation, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power, or in the interpretation thereof, the Issuer having given not less than 10 nor more than 30 days’ notice to Warrantholders in accordance with Condition 16 (*Notices*) (which notice shall be irrevocable), may, on expiry of such notice, in accordance with Condition 6 (*Cancellation and Adjustments*) above, cancel all, but not some only, of the Warrants. If the Issuer cancels the Warrants, then the Issuer will pay the Early Cancellation Amount to each Warrantholder in respect of each Warrant.

### (d) *Purchases*

The Issuer, the Guarantor or any of their respective subsidiaries may at any time purchase Warrants at any price in the open market or otherwise. Such Warrants may be held, reissued, resold or, at the option of the Issuer or the Guarantor, surrendered to the Warrant Agent for cancellation.

### (e) *Cancellation*

All Warrants which have been exercised will forthwith be cancelled. All Warrants so cancelled and purchased and cancelled pursuant to Condition 6(d) shall be forwarded to the Warrant Agent and cannot be reissued or resold.

### (f) *Conditions for Adjustments*

Adjustments and modifications require, if they relate to an essential feature of the Warrants, that the Calculation Agent determines that the relevant event significantly alters the economics of the Warrants as initially agreed between the parties and for which the Issuer is not accountable. In addition, any such adjustment or modification may not create a significant imbalance between the rights and obligations of

the parties to the detriment of the Warrantholder and the Issuer may not charge costs to the Warrantholder for any such adjustment or modification.

## **7 Index Linked Warrants**

If the Warrants are Index Linked Warrants then the provisions of this Condition 7 (*Index Linked Warrants*) apply, as applicable, as completed by the applicable Final Terms.

(a) *Exercise of Index Linked Warrants*

Unless previously cancelled, each Index Linked Warrant will be automatically exercised by the Issuer at its Early Cash Settlement Amount (if applicable and as defined in Condition 4(c)) on the Interim Exercise Date or at its Cash Settlement Amount (as defined in Condition 3(c) or 4(g) (as applicable)) on the Expiration Date.

(b) *Determination of the Reference Price on the Valuation Date or Averaging Date*

For the purposes of determining whether an Interim Exercise Event (if applicable) has occurred and/or calculating the Cash Settlement Amount relating to the Index Linked Warrants, the Calculation Agent shall determine the Reference Price of the relevant Index as at the Valuation Time on the Valuation Date or, where “Reference Price Averaging” is specified in the Final Terms, on the Averaging Date.

(c) *Adjustments to an Index*

(i) *Successor Index Sponsor Calculates and Reports of an Index*

If a relevant Index is (A) not calculated and announced by the Index Sponsor but is calculated and announced by a successor sponsor (a “**Successor Index Sponsor**”) acceptable to the Calculation Agent or (B) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of that Index, then, in each case, that index (the “**Successor Index**”) will be deemed to be the Index for the purposes of the Index Linked Warrants.

(ii) *Occurrence of an Index Adjustment Event*

If, on or prior to a Valuation Date (or, where “Reference Price Averaging” is specified in the Final Terms, on each date specified to be an ‘Averaging Date’ in the Final Terms), an Index Adjustment Event occurs, then the Issuer shall require the Calculation Agent to determine if such Index Adjustment Event has a material effect on the Index Linked Warrants and, if so, then the Issuer may, in accordance with Condition 6 (*Cancellation and Adjustments*), require the Calculation Agent to:

- (a) substitute that Index with a replacement index using, in the determination of the Calculation Agent, the same or a substantially similar method of calculation as used in the calculation of that Index and the Calculation Agent shall determine the adjustments, if any, to be made to these Conditions and/or the applicable Final Terms to account for such substitution; or
- (b) if the Calculation Agent is unable to substitute the Index in accordance with paragraph (a) above, calculate the Reference Price in relation to any Valuation Date or Averaging Date (as applicable) using, in lieu of a published level for that Index, the level for that Index as at the Valuation Time on that Valuation Date or Averaging Date (as applicable) as determined by the Calculation Agent in accordance with the formula for and method of calculating that Index last in effect prior to the change, failure or cancellation, but using

only those securities that comprised that Index immediately prior to that Index Adjustment Event.

If the Issuer is unable to either select a substitute Index in accordance with paragraph (a) above or calculate the Reference Price in accordance with paragraph (b) above or determine the adjustments, if any to be made to these Conditions and/or the applicable Final Terms to account for such substitution, or is able to do so but determines, in its discretion, (i) that such substitution or adjustment would not achieve a commercially reasonable result for either the Issuer or the Warrantholders or (ii) is or would be unlawful at any time under any applicable law or regulation or would contravene any applicable licensing requirements for the Issuer, the Calculation Agent or any other entity to perform the calculations required in respect of the Warrants (or it would be unlawful or would contravene those licensing requirements were a calculation to be made at such time), then the Issuer may give notice to the Warrantholders in accordance with Condition 16 (*Notices*) and cancel in accordance with Condition 6 (*Cancellation and Adjustments*) all, but not some only, of the Index Linked Warrants. If the Issuer cancels the Index Linked Warrants, then the Issuer will pay the Early Cancellation Amount to each Warrantholder in respect of each Index Linked Warrant.

The Issuer shall not have any duty to monitor, enquire or satisfy itself as to whether any Index Adjustment Event has occurred. If the Warrantholders provide the Issuer with details of the circumstances which could constitute an Index Adjustment Event, the Issuer will consider such notice, but will not be obliged to determine that an Index Adjustment Event has occurred solely as a result of receipt of such notice.

(iii) *Correction of an Index Level*

If Correction of Index Levels is specified to be applicable in the applicable Final Terms, with the exception of any correction published after the Correction Cut-Off Date specified in the applicable Final Terms, if the official closing level of an Index published on a Valuation Date or Averaging Date (as applicable) is subsequently corrected and the correction (the “**Corrected Index Level**”) is published by the Index Sponsor or (if applicable) the Successor Index Sponsor within one Settlement Cycle after the original publication, (A) the Issuer shall give notice as soon as practicable of that correction to the Warrantholders in accordance with Condition 16 (*Notices*), (B) such Corrected Index Level shall be deemed to be the closing level for such Index for that Valuation Date or Averaging Date (as applicable) and (C) the Calculation Agent shall use such Corrected Index Level in determining the relevant Cash Settlement Amount. Corrections published after the Correction Cut-Off Date will be disregarded by the Calculation Agent for the purposes of determining the relevant Cash Settlement Amount.

This Condition 7(c)(iii) shall not apply to the Interim Automatic Exercise of Interim Exercisable Warrants (pursuant to Conditions 4(a) to (d)) such that:

- (a) if it has already been determined that an Interim Exercise Event has occurred on an Interim Observation Date as a result of the calculation of the Interim Reference Price for the Index Linked Warrants on the applicable Valuation Date or Averaging Date (as applicable) such that the Interim Exercisable Warrants will be or have been automatically exercised on the Early Settlement Date; but application of the Corrected Index Level would reverse such determination of the occurrence of an Interim Exercise Event, the Corrected Index Level shall be ignored and the Interim Exercisable Warrants shall be exercised on the Early Settlement Date at the Early Cash Settlement Amount; and

- (b) if an Interim Exercise Event had been determined not to have occurred on an Interim Observation Date but application of the Corrected Index Level would have retrospectively resulted in the determination of the occurrence of an Interim Exercise Event on such Interim Observation Date, the Corrected Index Level shall be ignored and the Interim Exercisable Warrants shall not be early exercised retrospectively.

(iv) *Notice*

Upon the occurrence of an Index Adjustment Event, the Issuer shall give notice as soon as practicable to Warrantheolders in accordance with Condition 16 (*Notices*) giving details of the action proposed to be taken in relation thereto.

(d) *Consequences of Disrupted Days: Averaging*

(i) *Averaging Dates*

Where the Final Terms specify that “Reference Price Averaging” is applicable to the Index Linked Warrants, if the Calculation Agent determines that any Averaging Date is a Disrupted Day, then:

- (a) if “Omission” is specified to be applicable in the applicable Final Terms, such date shall be deemed not to be a relevant Averaging Date for the purposes of determining the relevant Reference Price in respect of such Averaging Date, provided that if through the operation of this provision there would not be any Averaging Date, then the sole Averaging Date shall be the Valuation Date (subject to adjustment);
- (b) if “Postponement” is specified to be applicable in the applicable Final Terms, the Averaging Date shall be the earlier of (A) the first Scheduled Trading Day following the Scheduled Averaging Date that is not a Disrupted Day and (B) the Valuation Cut-Off Date. Any day (including, for the avoidance of doubt, the Valuation Cut-Off Date) determined to be an Averaging Date as a result of the operation of this Condition 7(d) shall be an Averaging Date, irrespective of whether it falls on a day that already is or is deemed to be an Averaging Date; or
- (c) if “Modified Postponement” is specified to be applicable in the applicable Final Terms, the Averaging Date shall be the earlier of (A) the first Valid Date following the Scheduled Averaging Date and (B) the Valuation Cut-Off Date, irrespective of whether the Valuation Cut-Off Date falls on a day that already is or is deemed to be an Averaging Date.

(ii) *Notice of Disrupted Day*

The Calculation Agent shall give notice as soon as practicable to the Warrantheolders in accordance with Condition 16 (*Notices*) of the occurrence of a Disrupted Day on any day that, but for the occurrence of a Disrupted Day, would have been a Averaging Date or Valuation Date. Without limiting the obligation of the Calculation Agent to give notice to the Warrantheolders as set forth in the preceding sentence, failure by the Calculation Agent to notify the Warrantheolders of the occurrence of a Disrupted Day shall not affect the validity of the occurrence and effect of such Disrupted Day. For the avoidance of doubt, no additional sums shall be payable by the Issuer to the Warrantheolders as a result of such postponement.

(e) *Definitions applicable to Index Linked Warrants*

For the purposes of this Condition 7:

**“Administrator/Benchmark Event”** means the occurrence of a Non-Approval Event, a Rejection Event or a Suspension/Withdrawal Event.

**“Averaging Date”** has the meaning given to it in the applicable Final Terms.

**“Clearance System”** means, in respect of a security underlying an Index, the principal domestic clearance system customarily used for settling trades in such security.

**“Clearance System Business Day”** means, in respect of a Clearance System, any day on which such Clearance System is (or, but for the occurrence of an event which results in such Clearance System being unable to clear the transfer of a relevant security, would have been) open for the acceptance and execution of settlement instructions.

**“Correction Cut-Off Date”** has the meaning given to it in the applicable Final Terms.

**“Disrupted Day”** means:

- (a) where the Index is not specified in the applicable Final Terms as being a Designated Multi-Exchange Index, any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred; or
- (b) where the Index is specified in the applicable Final Terms as being a Designated Multi-Exchange Index, any Scheduled Trading Day on which (i) the Index Sponsor fails to publish the level of the Index, (ii) any Related Exchange fails to open for trading during its regular trading session or (iii) a Market Disruption Event has occurred.

**“Early Closure”** means the closure on any Exchange Business Day of the Exchange in respect of any Component Security or any Related Exchange prior to its Scheduled Closing Time unless such earlier closing is announced by such Exchange or Related Exchange, as the case may be, at least one hour prior to the earlier of: (a) the actual closing time for the regular trading session on such Exchange or Related Exchange, as the case may be, on such Exchange Business Day; and (b) the submission deadline for orders to be entered into the relevant Exchange or Related Exchange system for execution at the relevant Valuation Time on such Exchange Business Day.

**“Exchange”** means:

- (a) where the Index is not specified in the applicable Final Terms as being a Designated Multi-Exchange Index, each exchange or quotation system specified as such for such Index in the applicable Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the securities comprising such Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the securities comprising such Index on such temporary substitute exchange or quotation system as on the original Exchange); or
- (b) where the Index is specified in the applicable Final Terms as being a Designated Multi-Exchange Index, in relation to each component security of that Index (each a “Component Security”), the principal stock exchange on which such Component Security is principally traded, as determined by the Calculation Agent.

**“Exchange Business Day”** means:

- (a) where the Index is not specified in the applicable Final Terms as being a Designated Multi-Exchange Index, any Scheduled Trading Day on which each Exchange and each Related

Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time; or

- (b) where the Index is specified in the applicable Final Terms as being a Designated Multi-Exchange Index, any Scheduled Trading Day on which (i) the Index Sponsor publishes the level of the Index and (ii) each Related Exchange is open for trading during its regular trading session, notwithstanding any such Related Exchange closing prior to its Scheduled Closing Time.

**“Exchange Disruption”** means any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to effect transactions in, or obtain market values for: (a) any Component Security on the Exchange in respect of such Component Security; or (b) futures or options contracts relating to the Index on any Related Exchange.

**“Index”** means, subject to adjustment in accordance with Condition 7(c), the index specified in the applicable Final Terms and related expressions shall be construed accordingly.

**“Index Adjustment Event”** means, in respect of an Index, any of an Index Modification, an Index Cancellation, an Index Disruption and an Administrator/Benchmark Event.

**“Index Cancellation”** means the relevant Index Sponsor, on or prior to a Valuation Date (or, where “Reference Price Averaging” is specified in the Final Terms, on each date specified to be an ‘Averaging Date’ in the Final Terms), permanently cancels the Index and no Successor Index exists as at the date of such cancellation.

**“Index Disruption”** means, on a Valuation Date (or, where “Reference Price Averaging” is specified in the Final Terms, on each date specified to be an ‘Averaging Date’ in the Final Terms), the Index Sponsor or (if applicable) the Successor Index Sponsor fails to calculate and announce a relevant Index.

**“Index Linked Warrants”** means Warrants specified as such in the applicable Final Terms, the pay-out of which is linked to the relevant Index.

**“Index Modification”** means the relevant Index Sponsor, on or prior to a Valuation Date (or, where “Reference Price Averaging” is specified in the Final Terms, on each date specified to be an ‘Averaging Date’ in the Final Terms), makes or announces that it will make a material change in the formula for or the method of calculating a relevant Index or in any other way materially modifies that Index (other than a modification prescribed in that formula or method to maintain that Index in the event of changes in constituent stock and capitalisation or contracts and other routine events).

**“Index Sponsor”** means, in relation to an Index, the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to such Index and (b) announces (directly or through an agent) the level of such Index on a regular basis during each Scheduled Trading Day, which as of the Issue Date is the index sponsor specified for such Index in the applicable Final Terms.

**“Market Disruption Event”** means:

- (a) in respect of an Index other than a Designated Multi-Exchange Index:
  - (i) the occurrence or existence at any time during the one hour period that ends at the relevant Valuation Time of:
    - (A) any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price

exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise:

- (x) on any relevant Exchange(s) relating to securities that comprise 20 per cent. or more of the level of the relevant Index; or
  - (y) in futures or options contracts relating to the relevant Index on any relevant Related Exchange; or
- (B) any event (other than an event described in (ii) below) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (x) to effect transactions in, or obtain market values for, on any relevant Exchange(s) securities that comprise 20 per cent. or more of the level of the relevant Index, or (y) to effect transactions in, or obtain market values for, futures or options contracts relating to the relevant Index on any relevant Related Exchange,

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

- (ii) the closure on any Exchange Business Day of any relevant Exchange(s) relating to securities that comprise 20 per cent. or more of the level of the relevant Index or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or such Related Exchange(s), as the case may be, at least one hour prior to the earlier of (A) the actual closing time for the regular trading session on such Exchange(s) or such Related Exchange(s) on such Exchange Business Day or, if earlier, (B) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day; or

- (b) in respect of a Designated Multi-Exchange Index either:

- (i) the occurrence or existence, in respect of any Component Security, of:
  - (A) a Trading Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Exchange in respect of such Component Security;
  - (B) an Exchange Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Exchange in respect of such Component Security; or
  - (C) an Early Closure in respect of such Component Security, which the Calculation Agent determines is material; and

the aggregate of all Component Securities in respect of which a Trading Disruption, an Exchange Disruption or an Early Closure occurs or exists, comprises 20 per cent. or more of the level of the Index; or

- (ii) the occurrence or existence, in respect of futures or options contracts relating to the Index, of: (A) a Trading Disruption at any time during the one hour period that ends at the Valuation Time in respect of any Related Exchange, (B) an Exchange Disruption at any time during the one hour period that ends at the Valuation Time in respect of any Related

Exchange or (C) an Early Closure, in each case in respect of such futures or options contracts and which the Calculation Agent determines is material.

**“Non-Approval Event”** means, in respect of an Index, the determination by the Issuer that one or more of the following events has occurred:

- (a) any authorisation, registration, recognition, endorsement, equivalence decision or approval in respect of the Index or the administrator or sponsor of the Index is not obtained;
- (b) the Index or the administrator or sponsor of the Index is not included in an official register; or
- (c) the Index or the administrator or sponsor of the Index does not fulfil any legal or regulatory requirement applicable to the Index Linked Warrants, the Issuer or the Calculation Agent or the Index,

in each case, as required under any applicable law or regulation in order for the Issuer, the Calculation Agent or any other entity to perform its or their respective obligations under the Index Linked Warrants. For the avoidance of doubt, a Non-Approval Event shall not occur if the Index or the administrator or sponsor of the Index is not included in an official register because its authorisation, registration, recognition, endorsement, equivalence decision or approval is suspended if, at the time of such suspension, the continued provision and use of the Index is permitted in respect of the Warrants under the applicable law or regulation during the period of such suspension or withdrawal.

**“Reference Price”** means:

- (a) where Reference Price Averaging is specified as not applicable in the applicable Final Terms, in relation to a Valuation Date, the official closing level of the Index as determined by the Calculation Agent (or if a Valuation Time other than the Scheduled Closing Time is specified in the applicable Final Terms, the level of the Index determined by the Calculation Agent at such Valuation Time) on that Valuation Date (as defined below), without regard to any subsequently published correction; and
- (b) where Reference Price Averaging is specified as applicable in the applicable Final Terms, the Reference Price shall be the arithmetic average of each amount equal to the official closing level of the Index on each Averaging Date, as specified in the applicable Final Terms (or if a Valuation Time other than the Scheduled Closing Time is specified in the applicable Final Terms, the level of the Index determined by the Calculation Agent at such Valuation Time on each Averaging Date), as determined by the Calculation Agent.

**“Rejection Event”** means, in respect of an Index, the determination by the Issuer that the relevant competent authority or other relevant official body rejects or refuses any application for authorisation, registration, recognition, endorsement, an equivalence decision, approval or inclusion in any official register which, in each case, is required in relation to the Index or the administrator of the Index under any applicable law or regulation for the Issuer, the Calculation Agent to perform or any other entity to perform its or their respective obligations under the Index Linked Warrants.

**“Related Exchange”** means, in relation to an Index, each exchange or quotation system specified as such for such Index in the applicable Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Index on such temporary substitute exchange or quotation system as on the original Related Exchange), provided that where “All Exchanges” is specified as the Related Exchange in the applicable Final Terms, “Related

Exchange” shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Index.

“**Scheduled Averaging Date**” means, in relation to an Averaging Date, any original date that, but for the occurrence of an event causing a Disrupted Day, would have been that Averaging Date.

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

“**Scheduled Trading Day**” means:

- (a) where the Index is not specified in the applicable Final Terms as being a Designated Multi-Exchange Index, any day on which each Exchange and each Related Exchange are scheduled to be open for trading for their respective regular trading sessions; or
- (b) where the Index is specified in the applicable Final Terms as being a Designated Multi Exchange Index, (i) any day on which the Index Sponsor is scheduled to publish the level of that Index and (ii) each Related Exchange is scheduled to be open for trading for its regular trading session.

“**Scheduled Valuation Date**” means, in relation to a Valuation Date, any original date that, but for the occurrence of an event causing a Disrupted Day, would have been that Valuation Date.

“**Settlement Cycle**” means, in respect of an Index, the period of Clearance System Business Days following a trade in the securities underlying such Index on the Exchange in which settlement will customarily occur according to the rules of such Exchange (or, if there are multiple Exchanges in respect of an Index, the longest such period).

“**Suspension/Withdrawal Event**” means, in respect of the Index, the determination by the Issuer that one or more of the following events has occurred:

- (a) the relevant competent authority or other relevant official body suspends or withdraws any authorisation, registration, recognition, endorsement, equivalence decision or approval in relation to the Index or the administrator or sponsor of the Index which is required under any applicable law or regulation in order for the Issuer, the Calculation Agent or any other entity to perform its or their respective obligations under the Index Linked Warrants; or
- (b) the Index or the administrator or sponsor of the Index is removed from any official register where inclusion in such register is required under any applicable law or regulation in order for the Issuer, the Calculation Agent or any other entity to perform its or their respective obligations under the Index Linked Warrants.

For the avoidance of doubt, a Suspension/Withdrawal Event shall not occur if such authorisation, registration, recognition, endorsement, equivalence decision or approval is suspended or where inclusion in any official register is withdrawn if, at the time of such suspension or withdrawal, the continued provision and use of the Index is permitted in respect of the Index Linked Warrants under the applicable law or regulation during the period of such suspension or withdrawal.

“**Trading Disruption**” means any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange, as the case may be, or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise: (a)

relating to any Component Security on the Exchange in respect of such Component Security; or (b) in futures or options contracts relating to the Index on any Related Exchange.

For the purposes of determining whether a Market Disruption Event in respect of an Index or a Component Security exists at any time, if a Market Disruption Event occurs in respect of a security included in the Index or such Component Security at that time, then the relevant percentage contribution of that security or Component Security, as the case may be, to the level of the Index shall be based on a comparison of (a) the portion of the level of the Index attributable to that security or Component Security, as the case may be, and (b) the overall level of the Index, in each case either (i) except where the Index is a Designated Multi-Exchange Index, immediately before the occurrence of such Market Disruption Event or (ii) where the Index is a Designated Multi-Exchange Index, using the official opening weightings as published by the Index Sponsor as part of the market “opening data”.

“**Valid Date**” means a Scheduled Trading Day that is not a Disrupted Day and on which another Averaging Date does not or is not deemed to occur.

“**Valuation Cut-Off Date**” means the eighth Scheduled Trading Day following the Scheduled Valuation Date.

“**Valuation Date**” means the earlier of (x) the date specified as such in the applicable Final Terms and (y) the date on which notice is received by the Warrant Agent that an Event of Default has occurred, provided such Event of Default is still continuing, and if any such date in (x) or (y) above is not a Scheduled Trading Day, the next following Scheduled Trading Day unless, in the opinion of the Calculation Agent, such day is a Disrupted Day.

If such day is a Disrupted Day, then the Valuation Date shall be the earlier of (i) the first succeeding Scheduled Trading Day that is not a Disrupted Day; and (ii) the Valuation Cut-Off Date. If the earlier of such dates is the Valuation Cut-Off Date, (A) the Valuation Cut-Off Date shall be deemed to be that Valuation Date notwithstanding the fact that such day is a Disrupted Day and (B) the Calculation Agent shall determine the Reference Price by determining the level of the Index as of the Valuation Time on the Valuation Cut-Off Date in accordance with the formula for and method of calculating the Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on the Valuation Cut-Off Date of each security comprised in the Index (or if an event giving rise to a Disrupted Day has occurred in respect of the relevant security on the Valuation Cut-Off Date, its good faith estimate of the value for the relevant security as of the Valuation Time on the Valuation Cut-Off Date).

“**Valuation Time**” means:

- (a) where the Index is not specified in the applicable Final Terms as being a Designated Multi-Exchange Index, the Valuation Time specified in the applicable Final Terms or, if no Valuation Time is specified, the Scheduled Closing Time on the relevant Exchange on the relevant Valuation Date in relation to each Index to be valued. If the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time; or
- (b) where the Index is specified in the applicable Final Terms as being a Designated Multi-Exchange Index, the Valuation Time specified in the applicable Final Terms or, if no Valuation Time is specified, (i) for the purposes of determining whether a Market Disruption Event has occurred: (A) in respect of a Component Security, the Scheduled Closing Time on the relevant Exchange and (B) in respect of any options contracts or futures contracts on the Index, the close of trading on the relevant Related Exchange, and (ii) in all other circumstances, the time at which the official

closing level of the Index is calculated and published by the Index Sponsor. If, for the purposes of (i) above, the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time.

## **8 Equity Linked Warrants**

If the Warrants are specified to be Equity Linked Warrants then the provisions of this Condition 8 apply, as applicable, as completed by the applicable Final Terms.

(a) *Exercise of the Equity Linked Warrants*

Unless previously cancelled, each Equity Linked Warrant will be automatically exercised by the Issuer at its Early Cash Settlement Amount (if applicable and as defined in Condition 4(c)) on the Interim Exercise Date or at its Cash Settlement Amount (as defined in Condition 3(c) or 4(g) (as applicable)) on the Expiration Date.

(b) *Determination of the Reference Price on the Valuation Date or Averaging Date*

For the purposes of determining whether an Interim Exercise Event (if applicable) has occurred and/or calculating the Cash Settlement Amount in relation to the Equity Linked Warrants, the Calculation Agent shall determine the Reference Price of the Underlying Equity as at the Valuation Time on the Valuation Date or, where “Reference Price Averaging” is specified in the Final Terms, on the Averaging Date.

(c) *Potential Adjustment Events, De-listing, Merger Event, Tender Offer, Nationalisation and Insolvency, Correction of Share Prices, Adjustments for Equity Linked Warrants*

(i) If Potential Adjustment Events are specified to be applicable in the applicable Final Terms, then following the declaration by an Equity Issuer of the terms of any Potential Adjustment Event, the Calculation Agent will determine whether such Potential Adjustment Event has a diluting, concentrative or other effect on the theoretical value of the Underlying Equity or Equities and, if so, will, in accordance with Condition 6 (*Cancellation and Adjustments*), without additional cost for the Warrantholders, (a) either (A) make the corresponding adjustment, if any, to the Cash Settlement Amount and/or any of the other terms of these Conditions and/or the applicable Final Terms as the Calculation Agent determines appropriate to account for that diluting, concentrative or other effect (provided that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Underlying Equity) or (B) substitute the Underlying Equity the subject of the Potential Adjustment Event with a replacement equity security selected by the Calculation Agent and the Calculation Agent shall determine the adjustments, if any, to be made to these Conditions and/or the applicable Final Terms to account for such substitution and (b) determine the effective date of that adjustment or substitution, as the case may be. With respect to an adjustment pursuant to (A) above, the Calculation Agent may (but need not) determine the appropriate adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an options exchange to options on the Underlying Equity or Equities traded on that options exchange.

Upon making any such adjustment, the Issuer shall give notice as soon as practicable to the Warrantholders in accordance with Condition 16 (*Notices*), stating the adjustment to the Cash Settlement Amount and/or any of the other terms of these Conditions and/or the applicable Final Terms and giving brief details of the Potential Adjustment Event.

This Condition 8(c)(i) shall not apply to the Interim Automatic Exercise of Interim Exercisable Warrants (pursuant to Conditions 4(a) to (d)) such that:

- (a) if it has already been determined that an Interim Exercise Event has occurred on an Interim Observation Date as a result of the calculation of the Interim Reference Price for the Equity Linked Warrants on the applicable Valuation Date or Averaging Date (as applicable) such that the Interim Exercisable Warrants will be or have been automatically exercised on the Early Settlement Date; but application of the effects of a Potential Adjustment Event would reverse such determination of the occurrence of an Interim Exercise Event, the Potential Adjustment Event shall be ignored and the Interim Exercisable Warrants shall be exercised on the Early Settlement Date at the Early Cash Settlement Amount; and
- (b) if an Interim Exercise Event had been determined not to have occurred on an Interim Observation Date but application of the effects of a Potential Adjustment Event would have retrospectively resulted in the determination of the occurrence of an Interim Exercise Event on such Interim Observation Date, the Potential Adjustment Event shall be ignored and the Interim Exercisable Warrants shall not be early exercised retrospectively.

If the corresponding adjustment of a Potential Adjustment Event applies prior to the applicable Valuation Date or Averaging Date (as applicable), such adjustment shall be taken into account in the Calculation Agent's determination of whether an Interim Exercise Event (if applicable) has occurred and upon making such adjustment, the Issuer shall give notice as soon as practicable to the Warrantholders in accordance with Condition 16 (*Notices*), stating the adjustment in the Calculation Agent's determination of the occurrence of an Interim Exercise Event (if applicable) and giving brief details of the Potential Adjustment Event.

For the purposes of this Condition 8:

**“Potential Adjustment Event”** means any of the following events:

- (a) a subdivision, consolidation or reclassification of a relevant Underlying Equity (unless resulting in a Merger Event), or a free distribution or dividend of any such Underlying Equity to existing holders by way of bonus, capitalisation or similar issue;
- (b) a distribution, issue or dividend to existing holders of a relevant Underlying Equity of (1) an additional amount of such Underlying Equity or (2) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the relevant Equity Issuer equally or proportionately with such payments to holders of such Underlying Equity or (3) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the relevant Equity Issuer as a result of a spin-off or other similar transaction or (4) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or other consideration) at less than the prevailing market price as determined by the Calculation Agent;
- (c) the declaration or payment of any dividend (or portion thereof) that the Calculation Agent determines to be an extraordinary dividend;
- (d) a call by an Equity Issuer (other than an ETF Issuer) in respect of a relevant Underlying Equity that is not fully paid;
- (e) a repurchase by an Equity Issuer or any of its subsidiaries of a relevant Underlying Equity whether out of profits or capital and whether the consideration for such repurchase is cash,

securities or otherwise (excluding any redemption of ETF Shares initiated by an investor on terms consistent with the relevant ETF Documents);

- (f) in respect of an Equity Issuer (other than an ETF Issuer), an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of such Equity Issuer, pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred stock, warrants, debt instruments or stock rights at a price below their market value as determined by the Calculation Agent, provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights; or
  - (g) any other event that has or may have a diluting, concentrative or other effect on the theoretical value of the relevant Underlying Equity.
- (ii) If (x) De-listing, Merger Event, Nationalisation and Insolvency and/or (y) Tender Offer is specified to be applicable in the applicable Final Terms and (in the case of (x)), a De-listing, Merger Event, Nationalisation or (other than in respect of an ETF Share) Insolvency occurs or (in the case of (y)) a Tender Offer occurs, in each case, in relation to an Underlying Equity then the Issuer may take one or all of the actions described below, without any additional cost for the Warrantheolders, in accordance with Condition 6 (*Cancellation and Adjustments*):
- (a) require the Calculation Agent to determine the appropriate adjustment, if any, to be made to the Cash Settlement Amount or any of the other terms of these Conditions and/or the applicable Final Terms to account for the Delisting, Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, and determine the effective date of that adjustment. The relevant adjustments may (i) include, without limitation, the substitution of the Underlying Equity the subject of the De-listing, Merger Event, Nationalisation, Insolvency or Tender Offer by a replacement equity security selected by the Calculation Agent and the Calculation Agent shall determine the adjustments, if any, to be made to these Conditions and/or the applicable Final Terms to account for such substitution or (ii) in the case of adjustments following a Merger Event or Tender Offer include, without limitation, adjustments to account for changes in volatility, expected dividends, stock loan rate or liquidity relevant to the Underlying Equities; and/or
  - (b) the Issuer may give notice to the Warrantheolders in accordance with Condition 16 (*Notices*) and cancel all, but not some only, of the Equity Linked Warrants. If the Issuer cancels the Warrants, then the Issuer will pay the Early Cancellation Amount to each Warrantheolder in respect of each Warrant.

If the provisions of Condition 8(c)(ii)(a) apply, the Calculation Agent may (but need not) determine the appropriate adjustment by reference to the adjustment in respect of the De-listing, Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, made by an options exchange to options on the Underlying Equity or Equities traded on that options exchange.

Upon the occurrence (if applicable) of a De-listing, Merger Event, Tender Offer, Nationalisation or Insolvency referred to above, the Issuer shall give notice as soon as practicable to the Warrantheolders in accordance with Condition 16 (*Notices*) stating the occurrence of the De-listing, Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, giving details thereof and the action proposed to be taken in relation thereto.

This Condition 8(c)(ii) shall not apply to the Interim Automatic Exercise of Interim Exercisable Warrants (pursuant to Conditions 4(a) to (d)) such that:

- (a) if it has already been determined that an Interim Exercise Event has occurred on an Interim Observation Date as a result of the calculation of the Interim Reference Price for the Equity Linked Warrants on the applicable Valuation Date or Averaging Date (as applicable) such that the Interim Exercisable Warrants will be or have been automatically exercised on the Early Settlement Date; but application of the effects of a De-listing, Merger Event, Tender Offer, Nationalisation or Insolvency (as applicable) would reverse such determination of the occurrence of an Interim Exercise Event, the De-listing, Merger Event, Tender Offer, Nationalisation or Insolvency (as applicable) shall be ignored and the Interim Exercisable Warrants shall be exercised on the Early Settlement Date at the Early Cash Settlement Amount; and
- (b) if an Interim Exercise Event had been determined not to have occurred on an Interim Observation Date but application of the effects of a De-listing, Merger Event, Tender Offer, Nationalisation or Insolvency (as applicable) would have retrospectively resulted in the determination of the occurrence of an Interim Exercise Event on such Interim Observation Date, the De-listing, Merger Event, Tender Offer, Nationalisation or Insolvency (as applicable) shall be ignored and the Interim Exercisable Warrants shall not be early exercised retrospectively.

If the corresponding adjustment of a De-listing, Merger Event, Tender Offer, Nationalisation or Insolvency (as applicable) applies prior to the applicable Valuation Date or Averaging Date (as applicable), such adjustment shall be taken into account in the Calculation Agent's determination of whether an Interim Exercise Event (if applicable) has occurred and upon making such adjustment, the Issuer shall give notice as soon as practicable to the Warrantheolders in accordance with Condition 16 (*Notices*), stating the occurrence of the De-listing, Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, giving details thereof and the action proposed to be taken in relation thereto.

For the purposes of these Conditions:

“**Averaging Date**” has the meaning given to it in the applicable Final Terms.

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

“**Insolvency**” means, other than in respect of an ETF Share, that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of, or any analogous proceeding affecting an Equity Issuer (A) all the Underlying Equities of that Equity Issuer are required to be transferred to a trustee, liquidator or other similar official or (B) holders of the Underlying Equities of that Equity Issuer become legally prohibited from transferring them;

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

“**Merger Event**” means, in respect of any relevant Underlying Equities, any (a) reclassification or change of such Underlying Equities that results in a transfer of, or an irrevocable commitment to transfer, all such Underlying Equities outstanding to another entity or person, (b) consolidation, amalgamation, merger or binding share exchange of the relevant Equity Issuer with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Equity Issuer is the continuing entity and which does not result in any such reclassification or change of all such Underlying Equities outstanding), (c) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Underlying Equities of the relevant Equity Issuer that results in a transfer of or an irrevocable commitment to transfer all such Underlying Equities (other than such Underlying Equities owned or controlled by such other entity or person), or (d) consolidation, amalgamation, merger or binding share exchange of the relevant Equity Issuer or its subsidiaries (if any) with or into another entity in which such Equity Issuer is the continuing entity and which does not result in a reclassification or change of all such Underlying Equities outstanding but results in the outstanding Underlying Equities (other than those Underlying Equities owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Underlying Equities immediately following such event, in each case if the Merger Date is on or before the relevant Valuation Date or Averaging Date (as applicable);

“**Nationalisation**” means that all the Underlying Equities or all or substantially all the assets of an Equity Issuer are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof; and

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

- (iii) If Correction of Share Prices is specified to be applicable in the applicable Final Terms, with the exception of any corrections published after the Correction Cut-Off Date specified in the applicable Final Terms, if the price of an Underlying Equity published on a Valuation Date or Averaging Date (as applicable) is subsequently corrected and the correction (the “**Corrected Share Price**”) is published on the relevant Exchange within one Settlement Cycle after the original publication, (A) the Issuer shall give notice as soon as practicable of that correction to the Warrantheolders in accordance with Condition 16 (*Notices*), (B) such Corrected Share Price shall be deemed to be the closing price for such Underlying Equity for that Valuation Date or Averaging Date (as applicable) and (C) the Calculation Agent shall use such Corrected Share Price in determining the Cash Settlement Amount. Corrections published after the Correction Cut-Off Date will be disregarded by the Calculation Agent for the purposes of determining the Cash Settlement Amount.

This Condition 8(c)(iii) shall not apply to the Interim Automatic Exercise of Interim Exercisable Warrants (pursuant to Conditions 4(a) to (d)) such that:

- (a) if it has already been determined that an Interim Exercise Event has occurred on an Interim Observation Date as a result of the calculation of the Interim Reference Price for the Equity Linked Warrants on the applicable Valuation Date or Averaging Date (as

applicable) such that the Interim Exercisable Warrants will be or have been automatically exercised on the Early Settlement Date; but application of the Corrected Share Price would reverse such determination of the occurrence of an Interim Exercise Event, the Corrected Share Price shall be ignored and the Interim Exercisable Warrants shall be exercised on the Early Settlement Date at the Early Cash Settlement Amount; and

- (b) if an Interim Exercise Event had been determined not to have occurred on an Interim Observation Date but application of the Corrected Share Price would have retrospectively resulted in the determination of the occurrence of an Interim Exercise Event on such Interim Observation Date, the Corrected Share Price shall be ignored and the Interim Exercisable Warrants shall not be early exercised retrospectively.
- (iv) In respect of Equity Linked Warrants relating to Underlying Equities originally quoted, listed and/or dealt as of the Trade Date in a currency of a member state of the European Union that has not adopted the single currency in accordance with the Treaty establishing the European Community, as amended, if such Underlying Equities are at any time after the Trade Date quoted, listed and/or dealt exclusively in euro on the relevant Exchange, then the Calculation Agent will adjust, without additional cost for the Warrantholders, the Early Cash Settlement Amount (if applicable) and/or the Cash Settlement Amount and/or any of the other terms of these Conditions and/or the applicable Final Terms as appropriate to preserve the economic terms of such Equity Linked Warrants. The Calculation Agent will make any conversion necessary for the purposes of any such adjustment as of the Valuation Time at an appropriate mid-market spot rate of exchange determined by the Calculation Agent prevailing as of the Valuation Time. No adjustments under this Condition 8(c)(iv) will affect the currency denomination of any payments in respect of the Equity Linked Warrants.

(d) *Consequences of Disrupted Days: Averaging*

(i) *Averaging Dates*

Where the Final Terms specify that “Reference Price Averaging” is applicable to the Equity Linked Warrants, if the Calculation Agent determines that any Averaging Date is a Disrupted Day, then:

- (a) if “Omission” is specified to be applicable in the applicable Final Terms, such date shall be deemed not to be a relevant Averaging Date for the purposes of determining the relevant Reference Price in respect of such Averaging Date, provided that if through the operation of this provision there would not be any Averaging Date, then the sole Averaging Date shall be the Valuation Date (subject to adjustment);
- (b) if “Postponement” is specified to be applicable in the applicable Final Terms, the Averaging Date shall be the earlier of (A) the first Scheduled Trading Day following the Scheduled Averaging Date that is not a Disrupted Day and (B) the Valuation Cut-Off Date. Any day (including, for the avoidance of doubt, the Valuation Cut-Off Date) determined to be an Averaging Date as a result of the operation of this Condition 8(d) shall be an Averaging Date, irrespective of whether it falls on a day that already is or is deemed to be an Averaging Date; or
- (c) if “Modified Postponement” is specified to be applicable in the applicable Final Terms, the Averaging Date shall be the earlier of (A) the first Valid Date following the Scheduled Averaging Date and (B) the Valuation Cut-Off Date, irrespective of whether the Valuation Cut-Off Date falls on a day that already is or is deemed to be an Averaging Date.

(ii) *Notice of Disrupted Day*

The Calculation Agent shall give notice as soon as practicable to the Warrantholders in accordance with Condition 16 (*Notices*) of the occurrence of a Disrupted Day on any day that, but for the occurrence of a Disrupted Day, would have been a Averaging Date or Valuation Date. Without limiting the obligation of the Calculation Agent to give notice to the Warrantholders as set forth in the preceding sentence, failure by the Calculation Agent to notify the Warrantholders of the occurrence of a Disrupted Day shall not affect the validity of the occurrence and effect of such Disrupted Day. For the avoidance of doubt, no additional sums shall be payable by the Issuer to the Warrantholders as a result of such postponement.

(e) *Definitions applicable to Equity Linked Warrants*

For the purposes of this Condition 8:

“**Additional ETF Documents**” means, in respect of an ETF, any documents of such ETF which are determined to be Additional ETF Documents by the Calculation Agent.

“**Clearance System**” means, in respect of an Underlying Equity, the principal domestic clearance system customarily used for settling trades in such Underlying Equity.

“**Clearance System Business Day**” means, in respect of a Clearance System, any day on which such Clearance System is (or, but for the occurrence of an event which results in such Clearance System being unable to clear the transfer of the relevant Underlying Equity, would have been) open for the acceptance and execution of settlement instructions.

“**Correction Cut-Off Date**” has the meaning given to it in the applicable Final Terms.

“**Disrupted Day**” means, in respect of an Underlying Equity, any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred.

“**Equity Issuer**” means, in respect of an Underlying Equity, the issuer of such Underlying Equity (which, in the case of Underlying Equity that is specified as an ETF Share in the applicable Final Terms, will be an ETF Issuer) specified as such in the applicable Final Terms.

“**Equity Linked Warrants**” means the Warrants specified as such in the applicable Final Terms, the pay-out of which is linked to a single Underlying Equity.

“**ETF**” means an exchange traded fund.

“**ETF Administrator**” means, in respect of an ETF Share and the related ETF, any person so specified in the applicable Final Terms or, if no person is so specified, the fund administrator, manager, trustee or similar person with the primary administrative responsibilities for such ETF according to the ETF Documents.

“**ETF Adviser**” means, in respect of an ETF Share and the related ETF, any person so specified in the applicable Final Terms or, if no person is so specified, any person appointed in the role of discretionary investment manager or non-discretionary investment adviser (including a non-discretionary investment adviser to a discretionary investment manager or to another non-discretionary investment adviser) for such ETF.

“**ETF Documents**” means, in respect of an ETF Share and the related ETF, the constitutive and governing documents, subscription agreements and other agreements of the ETF specifying the terms

and conditions relating to such ETF Share and any Additional ETF Documents, in each case, as amended from time to time.

“**ETF Issuer**” means, in respect of an ETF Share, the issuer of such ETF Share specified as the Equity Issuer in the applicable Final Terms.

“**ETF Share**” means each ETF share specified as an Underlying Equity in the applicable Final Terms.

“**Exchange**” means, in respect of an Underlying Equity, each exchange or quotation system specified as such for such Underlying Equity in the applicable Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Underlying Equity has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Underlying Equity on such temporary substitute exchange or quotation system as on the original Exchange).

“**Exchange Business Day**” means, in respect of an Underlying Equity, any Scheduled Trading Day on which each Exchange and each Related Exchange for such Underlying Equity is open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time.

“**Index Sponsor**” means the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the relevant Reference Index, and (b) announces (directly or through an agent) the level of the relevant Reference Index on a regular basis during each Scheduled Trading Day.

“**Market Disruption Event**” means, in respect of an Underlying Equity:

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

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

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

“**Reference Index**” means, in respect of an ETF Share and the related ETF, the index tracked by such ETF as of the Trade Date, as specified in the applicable Final Terms.

“**Reference Price**” means:

- (a) where Reference Price Averaging is specified as not applicable in the applicable Final Terms in relation to a Valuation Date and subject to adjustment in accordance with the other provisions of this Condition 8 an amount equal to the official closing price on that Valuation Date (or, if a Valuation Time is specified in the applicable Final Terms, the price at such Valuation Time on that Valuation Date) of the Underlying Equity quoted on the Exchange without regard to any subsequently published correction as determined by the Calculation Agent (or if, in the opinion of the Calculation Agent, no such price (or, as the case may be, no such official closing price) can be determined at such time on the Valuation Date and, if either Disrupted Day is specified to be applicable in the applicable Final Terms and that Valuation Date is not a Disrupted Day or if Disrupted Day is specified as not applicable in the applicable Final Terms, the Reference Price shall be an amount determined by the Calculation Agent to be equal to the arithmetic mean of the fair market buying price at the Valuation Time on that Valuation Date and the fair market selling price at the Valuation Time on that Valuation Date for the Underlying Equity based, at the Calculation Agent’s discretion, either on the arithmetic mean of the foregoing prices or the middle market quotations provided to it by two or more financial institutions (as selected by the Calculation Agent) engaged in the trading of the Underlying Equity or on such other factors as the Calculation Agent shall decide); and
- (b) where Reference Price Averaging is specified as being applicable in the applicable Final Terms, the Reference Price shall be the arithmetic average of each amount equal to the official closing price on each Averaging Date, as specified in the applicable Final Terms (or, if a Valuation Time is specified in the applicable Final Terms, the price at such Valuation Time on that Averaging Date) of the Underlying Equity quoted on the Exchange without regard to any subsequently published correction, as determined by the Calculation Agent.

“**Related Exchange**” means, in relation to an Underlying Equity, each exchange or quotation system specified as such in relation to such Underlying Equity in the applicable Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Underlying Equity has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Underlying Equity on such temporary substitute exchange or quotation system as on the original Related Exchange), provided that where “All Exchanges” is specified as the Related Exchange in the applicable Final Terms, “Related Exchange” shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Underlying Equity.

“**Scheduled Averaging Date**” means, in relation to an Averaging Date, any original date that, but for the occurrence of an event causing a Disrupted Day, would have been that Averaging Date.

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

“**Scheduled Trading Day**” means any day on which each Exchange and each Related Exchange is scheduled to be open for trading for its respective regular trading session.

“**Scheduled Valuation Date**” means, in relation to a Valuation Date, any original date that, but for the occurrence of an event causing a Disrupted Day, would have been that Valuation Date.

“**Settlement Cycle**” means, in respect of an Underlying Equity, the period of Clearance System Business Days following a trade in such Underlying Equity on the Exchange in which settlement will customarily occur according to the rules of such Exchange.

“**Underlying Equity**” means the equity security or unit specified as such in the applicable Final Terms, which may comprise an ETF Share, and related expressions shall be construed accordingly.

“**Valid Date**” means a Scheduled Trading Day that is not a Disrupted Day and on which another Averaging Date does not or is not deemed to occur.

“**Valuation Cut-Off Date**” means the eighth Scheduled Trading Day following the Scheduled Valuation Date.

“**Valuation Date**” means the earlier of (x) the date specified as such in the applicable Final Terms and (y) the date on which notice is received by the Warrant Agent that an Event of Default has occurred, provided such Event of Default is still continuing, and if any such date in (x) or (y) above is not a Scheduled Trading Day, the next following Scheduled Trading Day unless, in the opinion of the Calculation Agent, such day is a Disrupted Day.

If such day is a Disrupted Day, the Valuation Date shall be the earlier of (i) first succeeding Scheduled Trading Day that is not a Disrupted Day; and (ii) the Valuation Cut-Off Date. If the earlier of such dates is the Valuation Cut-Off Date (i) the Valuation Cut-Off Date shall be deemed to be that Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall, where practicable, determine the Reference Price using its good faith estimate of the Reference Price as of the Valuation Time on that Valuation Cut-Off Date.

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

## **9 Currency Linked Warrants**

If the Warrants are specified to be Currency Linked Warrants then the provisions of this Condition 9 apply, as applicable, as completed by the applicable Final Terms.

### *(a) Exercise of Currency Linked Warrants*

Unless previously cancelled, each Currency Linked Warrant will be automatically exercised by the Issuer at its Early Cash Settlement Amount (if applicable and as defined in Condition 4(c)) on the Interim Exercise Date or at its Cash Settlement Amount (as defined in Condition 3(c) or 4(g) (as applicable)) on the Expiration Date.

### *(b) Determination of the Reference Price on the Valuation Date or Averaging Date*

For the purposes of determining whether an Interim Exercise Event (if applicable) has occurred and/or calculating the Cash Settlement Amount in relation to the Currency Linked Warrants, the Calculation Agent shall determine the Reference Price of the Currency Rate as at the Valuation Time on the Valuation Date or, where “Reference Price Averaging” is specified in the Final Terms, on the Averaging Date.

(c) *Market Disruption*

Where Reference Price Averaging is specified as not applicable in the applicable Final Terms, with respect to any Currency Linked Warrant, if any Valuation Date on which a Reference Price (as defined in Condition 9(d) below) is scheduled to be determined is a Disrupted Day, the Calculation Agent may take any one or more of the following actions, without cost for the Warrantholders, in accordance with Condition 6 (*Cancellation and Adjustments*):

- (i) make the appropriate adjustments, if any, to its determination of the occurrence of an Interim Exercise Event (if applicable) and/or the Cash Settlement Amount determined on the basis of such Reference Price to account for the Currency Disruption Event(s); and/or
- (ii) postpone any Interim Observation Date for the purpose of determining whether an Interim Exercise Event has occurred and/or any date for payment of the Cash Settlement Amount; and/or
- (iii) in the case of a Price Source Disruption specify and adopt:
  - (A) an appropriate alternate fallback or alternative price or rate source or method of determination selected by the Calculation Agent in its sole discretion; and/or
  - (B) a replacement of any one or more relevant currencies, as the case may be; and/or
- (iv) the Issuer may give notice to the Warrantholders in accordance with Condition 16 (*Notices*) and cancel all, but not some only, of the Currency Linked Warrants. If the Issuer cancels the Warrants, then the Issuer will pay the Early Cancellation Amount to each Warrantholder in respect of each Warrant.

For the avoidance of doubt, no additional sums shall be payable by the Issuer and/or the Warrantholders as a result of such adjustment and/or postponement.

(d) *Disruption of Averaging Dates*

Where Reference Price Averaging is specified as applicable in the applicable Final Terms, if any Averaging Date is determined to be a Disrupted Day, such date will be deemed not to be a relevant Averaging Date for the purposes of determining the relevant Reference Price. If through the operation of this provision there would not be any Averaging Date, then the sole Averaging Date shall be the Valuation Date and the provisions of Condition 9(c) (*Market Disruption*) shall apply if such date is a Disrupted Day.

(e) *Definitions applicable to Currency Linked Warrants*

“**Averaging Date**” has the meaning given to it in the applicable Final Terms.

“**Base Currency**” means the Currency specified as such in the applicable Final Terms.

“**Benchmark Obligation(s)**” means the obligation(s) so specified in the applicable Final Terms in relation to the Reference Currency.

“**Benchmark Obligation Default**” means, with respect to any Benchmark Obligation, the occurrence of a default, event of default or other similar condition or event (however described) including, but not limited to, (A) the failure of timely payment in full of any notional or other amounts due (without giving effect to any applicable grace periods) in respect of such Benchmark Obligation, (B) a declared moratorium, standstill, waiver, deferral, Repudiation or rescheduling of any notional or other amounts due in respect of such Benchmark Obligation or (C) the amendment or modification of the terms and conditions of payment of any notional or other amounts due in respect of such Benchmark Obligation

without the consent of all holders of such Benchmark Obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of the relevant entity to issue or enter into such Benchmark Obligation.

**“Currency Disruption Event”** means the occurrence with respect to the Issuer of a (A) Benchmark Obligation Default, (B) Dual Exchange Rate, (C) General Inconvertibility, (D) General Non-Transferability, (E) Governmental Authority Default, (F) Illiquidity, (G) Material Change In Circumstances, (H) Nationalisation, (I) Price Materiality, (J) Price Source Disruption, (K) Specific Inconvertibility, or (L) Specific Non-Transferability in each case, if specified as being applicable in the applicable Final Terms.

**“Currency Linked Warrants”** means the Warrants specified as such in the applicable Final Terms, the pay-out of which is linked to the Reference Currency.

**“Currency Page”** means the page of the relevant screen provider as specified in the applicable Final Terms or any successor page on which the Calculation Agent determines that the relevant Currency Rate is displayed.

**“Currency Rate”** means, as at any time, the currency exchange rate between the Reference Currency and the Base Currency as specified for the Currency Rate on the Currency Page specified in the applicable Final Terms in the form “Base Currency/Reference Currency”.

**“Disrupted Day”** means a day on which one or more relevant Currency Disruption Events has occurred and is continuing.

**“Dual Exchange Rate”** means the relevant Reference Price splits into dual or multiple currency exchange rates.

**“Event Currency”** means the currency specified as such in the applicable Final Terms.

**“Event Currency Jurisdiction”** means, in respect of an Event Currency, the country for which the Event Currency is the lawful currency.

**“General Inconvertibility”** means the occurrence of any event that generally makes it impossible to convert the Event Currency into the Non-Event Currency in the Event Currency Jurisdiction through customary legal channels.

**“General Non-Transferability”** means the occurrence of any event that generally makes it impossible to deliver (A) the Non-Event Currency from accounts inside the Event Currency Jurisdiction to accounts outside the Event Currency Jurisdiction or (B) the Event Currency between accounts inside the Event Currency Jurisdiction or to a party that is a non-resident of the Event Currency Jurisdiction.

**“Governmental Authority”** means any de facto or de jure government (or any agency, instrumentality, ministry or department thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of the Event Currency Jurisdiction.

**“Governmental Authority Default”** means, with respect to any security or indebtedness for borrowed money of, or guaranteed by, any Governmental Authority, the occurrence of a default, event of default or other similar condition or event (however described) including, but not limited to, (A) the failure of timely payment in full of any notional or other amounts due (without giving effect to any applicable grace periods) in respect of any such security, indebtedness for borrowed money or guarantee, (B) a declared moratorium, standstill, waiver, deferral, Repudiation or rescheduling of any notional or other

amounts due in respect of any such security, indebtedness for borrowed money or guarantee or (C) the amendment or modification of the terms and conditions of payment of any notional or other amounts due in respect of any such security, indebtedness for borrowed money or guarantee without the consent of all holders of such obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for borrowed money or guarantee.

**“Illiquidity”** means it becomes impossible to obtain a firm quote of the Reference Price for the Minimum Amount (either in one transaction or a commercially reasonable number of transactions that, when taken together, total the Minimum Amount) on the Valuation Date (or, if different, the day on which rates for that Valuation Date would, in the ordinary course, be published or announced by the relevant price source) or by such other date (the **“Illiquidity Valuation Date”**) as is specified for such purpose in the applicable Final Terms. If an Illiquidity Valuation Date is specified in the applicable Final Terms and an Illiquidity Market Disruption Event occurs on such date, then the Illiquidity Valuation Date will be deemed to be the Valuation Date for such Warrants.

**“Material Change in Circumstances”** means the occurrence of any event (other than those events specified as Currency Disruption Events in the applicable Final Terms) in the Event Currency Jurisdiction beyond the control of the Issuer which makes it impossible (A) for the Issuer to fulfil its obligations under the Currency Linked Warrants, and (B) generally to fulfil obligations similar to the Issuer’s obligations under the Currency Linked Warrants.

**“Minimum Amount”** means the amount specified as such in the applicable Final Terms.

**“Nationalisation”** means any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives the Issuer of all or substantially all of its assets in the Event Currency Jurisdiction.

**“Non-Event Currency”** means the currency for any Reference Price that is not the Event Currency.

**“Price Materiality”** means the Primary Rate differs from the Secondary Rate by at least the Price Materiality Percentage.

**“Price Materiality Percentage”** means the percentage specified as such in the applicable Final Terms.

**“Price Source Disruption”** means it becomes impossible to obtain the Reference Price on the Valuation Date (or, if different, the day on which rates for that Valuation Date would, in the ordinary course, be published or announced by the relevant price source).

**“Primary Rate”** means, in respect of a Warrants and for the purposes of the definition of Price Materiality, the Currency Rate.

**“Rate Calculation Date”** means any Valuation Date specified as such in the applicable Final Terms or any other date on which a Reference Price in respect of Currency Linked Warrants is required to be determined in accordance with the Conditions.

**“Reference Currency”** means the currency specified as the Reference Currency in the applicable Final Terms.

**“Reference Price”** means:

- (a) where Reference Price Averaging is specified as not applicable in the applicable Final Terms in relation to any Rate Calculation Date but subject to adjustment in accordance with Condition

9(c), the currency exchange rate equal to (A) the Currency Rate, or (B) if a Currency Rate is not specified, the Spot Rate for that Valuation Date; and

- (b) where Reference Price Averaging is specified as being applicable in the applicable Final Terms, the Reference Price shall be the arithmetic average of the sum of each currency exchange rate equal to (A) the Currency Rate, or (B) if a Currency Rate is not specified, the Spot Rate, on each Averaging Date, as specified in the applicable Final Terms, as determined by the Calculation Agent.

**“Repudiation”** means that, in respect of a Series of Warrants, (A) for purposes of the definition of Benchmark Obligation Default, the issuer of or any party to, as the case may be, the relevant Benchmark Obligation disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of the Benchmark Obligation in any material respect, and (B) the relevant Governmental Authority disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of any security, indebtedness for borrowed money or guarantee of such Governmental Authority in any material respect.

**“Secondary Rate”** means, in respect of the Warrants and for the purpose of the definition of Price Materiality, the currency exchange rate specified for such purposes in the applicable Final Terms.

**“Specific Inconvertibility”** means the occurrence of any event that makes it impossible for the Issuer to convert the Minimum Amount of the Event Currency into the Non-Event Currency in the Event Currency Jurisdiction, other than where such impossibility is due solely to the failure by the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the Currency Linked Warrants and it is impossible for the Issuer, due to an event beyond the control of the Issuer, to comply with such law, rule or regulation).

**“Specific Non-Transferability”** means the occurrence of any event that makes it impossible for the Issuer to deliver (A) the Non-Event Currency from accounts inside the Event Currency Jurisdiction to accounts outside the Event Currency Jurisdiction, or (B) the Event Currency between accounts inside the Event Currency Jurisdiction or to a party that is a non-resident of the Event Currency Jurisdiction, other than where such impossibility is due solely to the failure by the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the Currency Linked Warrants and it is impossible for the Issuer, due to an event beyond the control of the Issuer, to comply with such law, rule or regulation).

**“Spot Rate”** means, for any Rate Calculation Date, the currency exchange rate at the Valuation Time of one currency for another expressed as a number of units of the Reference Currency (or fractional amounts thereof) per unit of the Base Currency, as determined in good faith and in a commercially reasonable manner by the Calculation Agent.

**“Valuation Date”** means the earlier of (x) the date specified as such in the applicable Final Terms (or, if applicable, the Illiquidity Valuation Date) and (y) the date on which notice is received by the Warrant Agent that an Event of Default has occurred, provided such Event of Default is still continuing, subject to adjustment in accordance with the Preceding Business Day Convention unless another Business Day Convention is specified to be applicable to that Valuation Date.

**“Valuation Time”** means, in respect of a Currency Rate or Spot Rate, the time specified as such in the applicable Final Terms or such other time as the Calculation Agent may select in its absolute discretion and notify to Warrant holders in accordance with the General Conditions.

## 10 Additional Disruption Events and Alternative Currency Provisions

### (a) *Additional Disruption Events*

If Additional Disruption Events are specified as applicable in the applicable Final Terms, then if an Additional Disruption Event occurs, the Issuer may take the one or all of the actions described in (i) and (ii) below, in accordance with Condition 6 (*Cancellation and Adjustments*):

- (i) require the Calculation Agent to determine the appropriate adjustment, if any, to be made to any of the terms of these Conditions and/or the applicable Final Terms (including to the determination of the occurrence of an Interim Exercise Event (if applicable) and/or the Cash Settlement Amount) to account for the Additional Disruption Event, without cost for the Warrantholders, and determine the effective date of that adjustment; and/or
- (ii) the Issuer may give notice to the Warrantholders in accordance with Condition 16 (*Notices*) and cancel all, but not some only, of the Warrants. If the Issuer cancels the Warrants, then the Issuer will pay the Early Cancellation Amount to each Warrantholder in respect of each Warrant.

Upon the occurrence of an Additional Disruption Event referred to above, the Issuer shall give notice as soon as practicable to the Warrantholders in accordance with Condition 16 (*Notices*) stating the occurrence of the Additional Disruption Event, as the case may be, giving details thereof and the action proposed to be taken in relation thereto.

This Condition 10(a) shall not apply to the Interim Automatic Exercise of Interim Exercisable Warrants (pursuant to Conditions 4(a) to (d)) such that:

- (A) if it has already been determined that an Interim Exercise Event has occurred on an Interim Observation Date as a result of the calculation of the Interim Reference Price for the Interim Exercisable Warrants on the applicable Valuation Date or Averaging Date (as applicable) such that the Interim Exercisable Warrants will be or have been automatically exercised on the Early Settlement Date; but application of the effects of the Additional Disruption Event would reverse such determination of the occurrence of an Interim Exercise Event, the Additional Disruption Event shall be ignored and the Interim Exercisable Warrants shall be exercised on the Early Settlement Date at the Early Cash Settlement Amount; and
- (B) if an Interim Exercise Event had been determined not to have occurred on an Interim Observation Date but application of the effects of the Additional Disruption Event would have retrospectively resulted in the determination of the occurrence of an Interim Exercise Event on such Interim Observation Date, the Additional Disruption Event shall be ignored and the Interim Exercisable Warrants shall not be early exercised retrospectively.

If the corresponding adjustment of the Additional Disruption Event applies prior to the applicable Valuation Date or Averaging Date (as applicable), such adjustment shall be taken into account in the Calculation Agent's determination of whether an Interim Exercise Event (if applicable) has occurred and upon making such adjustment, the Issuer shall give notice as soon as practicable to the Warrantholders in accordance with Condition 16 (*Notices*), stating the occurrence of the Additional Disruption Event, as the case may be, giving details thereof and the action proposed to be taken in relation thereto.

### (b) *Definitions applicable to Additional Disruption Events*

**"Additional Disruption Event"** means any of the following events, (A) Change in Law, (B) Insolvency Filing (applicable only for Equity Linked Warrants), (C) ETF Cross-contamination (applicable only for Equity Linked Warrants with an ETF Share specified in the applicable Final Terms as an Underlying

Equity), (D) ETF Insolvency Event (applicable only for Equity Linked Warrants with an ETF Share specified in the applicable Final Terms as an Underlying Equity), (E) ETF Modification (applicable only for Equity Linked Warrants with an ETF Share specified in the applicable Final Terms as an Underlying Equity), (F) ETF Regulatory Action (applicable only for Equity Linked Warrants with an ETF Share specified in the applicable Final Terms as an Underlying Equity) and/or (G) ETF Strategy Breach (applicable only for Equity Linked Warrants with an ETF Share specified in the applicable Final Terms as an Underlying Equity), in each case if specified in the applicable Final Terms.

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

“**Change in Law**” means that, on or after the Trade Date (as specified in the applicable Final Terms) (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Calculation Agent determines that it has become illegal to hold, acquire or dispose of any relevant Underlying Equity (in the case of Equity Linked Warrants), any relevant security comprised in an Index (in the case of Index Linked Warrants) or any relevant asset with respect to the Inflation Index (in the case of Inflation Linked Warrants).

“**ETF Cross-contamination**” means, in respect of an ETF Share and the related ETF (each as defined in Condition 8), the occurrence of a cross-contamination or other failure to segregate effectively assets between different classes, series or sub-funds of such ETF, and such event continues, in the determination of the Calculation Agent, for the foreseeable future.

“**ETF Insolvency Event**” means, in respect of an ETF Share, that the ETF Issuer of such ETF Share (each as defined in Condition 8) or any other entity specified in the applicable Final Terms as an “ETF Insolvency Entity” (a) is dissolved or has a resolution passed for its dissolution, winding up, official liquidation (other than pursuant to a consolidation, amalgamation or merger), (b) makes a general assignment or arrangement with or for the benefit of its creditors, (c)(i) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors’ rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official, or (ii) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors’ rights, or a petition is presented for its winding-up or liquidation, and such proceeding or petition is instituted or presented by a person or entity not described in clause (i) above and either (A) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation, or (B) is not dismissed, discharged, stayed or restrained in each case within fifteen days of the institution or presentation thereof, (d) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets, (e) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within fifteen days thereafter, or (f) causes or is

subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (a) through (e) above.

“**ETF Modification**” means, in respect of an ETF Share and the related ETF (each as defined in Condition 8), any change or modification of the ETF Documents (as defined in Condition 8) of such ETF which could reasonably be expected to affect (a) the value of such ETF Share, or (b) the rights or remedies of any holder of any ETF Share as compared with those rights and remedies prevailing on the Trade Date, in each case, as determined by the Calculation Agent.

“**ETF Strategy Breach**” means, in respect of an ETF Share and the related ETF (each as defined in Condition 8), any breach or violation of any strategy or investment guidelines stated in the ETF Documents (as defined in Condition 8) of such ETF in respect of such ETF Share which is reasonably likely, in the determination of the Calculation Agent, to affect (a) the value of such ETF Share, or (b) the rights or remedies of any holder of any such ETF Share as compared with those rights or remedies prevailing on the Trade Date.

“**ETF Regulatory Action**” means, in respect of an ETF Share and the related ETF (each as defined in Condition 8), (a) the cancellation, suspension, revocation of the registration or approval of such ETF or such ETF Share by any governmental, legal or regulatory entity with authority over such ETF or such ETF Share, (b) any change in the legal, tax, accounting or regulatory treatment of such ETF Share, such ETF or its ETF Adviser (as defined in Condition 8) which is reasonably likely, in the determination of the Calculation Agent, to have an adverse impact on the value of such ETF Share or on any investor in such ETF Share, or (c) such ETF or any of its ETF Administrator (as defined in Condition 8) or its ETF Adviser becomes subject to any investigation, proceeding or litigation by any relevant governmental, legal or regulatory authority involving the alleged violation of applicable law for any activity relating to or resulting from the operation of such ETF, ETF Administrator or ETF Adviser.

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

(c) *Alternative Currency Provisions*

If the Alternative Currency Provisions are specified to be applicable in the applicable Final Terms, then if the Issuer in agreement with the Calculation Agent determines that it would be impossible for the Issuer to pay the Early Cash Settlement Amount (if applicable) and/or the Cash Settlement Amount in respect of the Warrants when due in the Specified Currency as a result of a Specified Currency Disruption Event, then the Issuer may take any one or more of the actions described in Conditions 10(c)(i) or (ii):

- (i) determine that the payment of the Early Cash Settlement Amount (if applicable) and/or the Cash Settlement Amount by the Issuer in respect of the Warrants be postponed to a later date when the relevant Specified Currency Disruption Event has ceased to exist (in the determination of the Calculation Agent), provided that such payment will not be postponed beyond the date falling the Maximum Alternative Currency Number (as specified in the applicable Final Terms) of Clearing System Business Days after the original due date (such date, the “**Postponement Longstop Date**”), in which case the relevant payment will be due on the date as so postponed, without any other sum payable in respect of the postponement of the payment of such amount; or

- (ii) determine that the Issuer's obligation to make any payment in respect of the Warrants in the Specified Currency, whether or not previously postponed in accordance with Condition 10(c)(i) above, be replaced by an obligation to make payment of the Alternative Currency Equivalent of such payment, in which case, it will settle any such obligation by payment of the relevant Alternative Currency Equivalent not later than the Postponement Longstop Date.

Any payment made in the Alternative Currency under such circumstances will constitute valid payment, and will not constitute a default in respect of the Warrants.

Upon the occurrence of a Specified Currency Disruption Event and the Issuer in agreement with the Calculation Agent making a determination that such Specified Currency Disruption Event makes it impossible for the Issuer to pay the Early Cash Settlement Amount (if applicable) and/or the Cash Settlement Amount in respect of the Warrants when due in the Specified Currency, the Issuer shall give notice as soon as practicable to Warranholders in accordance with Condition 16 (*Notices*) stating the occurrence of the Specified Currency Disruption Event, giving details thereof and the action proposed to be taken in relation thereto. Where the Issuer determines to take further action in accordance with Condition 10(c)(i) to (ii), a further notice shall be given to Warranholders as soon as reasonably practicable in accordance with Condition 16 (*Notices*).

In making any determination in respect of any Specified Currency Disruption Event, neither the Issuer nor the Calculation Agent shall have regard to any interest arising from circumstances particular to any one or more Warranholders (whatever their number), and, in particular, but without limitation, shall not have regard to the consequences of any such determination for any one or more Warranholders (whatever their number), resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and no Warranholder shall be entitled to claim, from the Issuer or the Calculation Agent or any other person any indemnification or payment in respect of any tax consequences or other losses of any such determination upon any Warranholders.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of Condition 10(c) by the Issuer or the Calculation Agent will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agents and all Warranholders.

- (d) *Definitions applicable to the Alternative Currency Provisions*

**“AC Rate Calculation Date”** means the date specified as such in the applicable Final Terms.

**“AC Rate Calculation Business Day”** means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in the AC Rate Calculation Jurisdiction(s).

**“AC Rate Calculation Date”** means the day which is the number of AC Rate Calculation Business Days specified in the relevant Final Terms before the due date for payment of the relevant amount under the Warrants or, if the relevant Alternative Currency FX Rate is not available on such day, the last preceding AC Rate Calculation Business Day on which the relevant Alternative Currency FX Rate was most recently available, as determined by the Calculation Agent.

**“AC Rate Calculation Jurisdiction(s)”** means the jurisdiction(s) that are relevant for determining whether a day is an AC Rate Calculation Business Day, as specified in the relevant Final Terms.

**“AC USD Rate Calculation Date”** means the date specified as such in the applicable Final Terms.

**“AC USD Rate Calculation Business Day”** means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in the AC USD Rate Calculation Jurisdiction(s).

**“AC USD Rate Calculation Date”** means the day which is the number of AC USD Rate Calculation Business Days specified in the relevant Final Terms before the due date for payment of the relevant amount under the Warrants or, if the relevant Alternative Currency USD FX Rate is not available on such day, the last preceding AC USD Rate Calculation Business Day on which the relevant Alternative Currency USD FX Rate was most recently available, as determined by the Calculation Agent.

**“AC USD Rate Calculation Jurisdiction(s)”** means the jurisdiction(s) that are relevant for determining whether a day is an AC USD Rate Calculation Business Day, as specified in the relevant Final Terms.

**“Alternative Currency”** means the currency specified as such in the relevant Final Terms (or any lawful successor currency to that currency).

**“Alternative Currency Equivalent”** means, (i) where the Alternative Currency is U.S. dollars, in respect of an amount denominated in the Specified Currency, such amount converted into the Alternative Currency using the Alternative Currency FX Rate for the relevant Rate Calculation Date, all as determined by the Calculation Agent, and (ii) where the Alternative Currency is a currency other than U.S. dollars, in respect of an amount denominated in the Specified Currency, such amount converted into the Alternative Currency by converting such amount into an amount expressed in U.S. dollars using the Alternative Currency FX Rate for the relevant Rate Calculation Date, and multiplying the resultant U.S. dollar amount by the Alternative Currency USD FX Rate for the relevant Rate Calculation Date, all as determined by the Calculation Agent.

**“Alternative Currency FX Rate”** means the currency exchange rate at the Valuation Time on the AC Rate Calculation Date for foreign exchange transactions of the Specified Currency into U.S. dollars as determined by the Calculation Agent in good faith and in a reasonable manner, taking into consideration all available information that it deems relevant.

**“Alternative Currency USD FX Rate”** means the currency exchange rate at the Valuation Time on the AC USD Rate Calculation Date for foreign exchange transactions of U.S. dollars into the Alternative Currency as determined by the Calculation Agent in good faith and in a reasonable manner, taking into consideration all available information that it deems relevant.

**“Governmental Authority”** means any de facto or de jure government (or any agency, instrumentality, ministry or department thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of the Specified Currency Jurisdiction.

**“Illiquidity”** means (i) in respect of the obligation to pay the Early Cash Settlement Amount (if applicable) and/or the Cash Settlement Amount in respect of the Warrants, foreign exchange markets for the Specified Currency becoming illiquid (including, without limitation, the existence of any significant price distortion) or unavailable as a result of which it is impossible for the Issuer and/or any of its Affiliates to obtain a sufficient amount of the Specified Currency in order to satisfy any such obligation or (ii) it becomes impossible to obtain a firm quote for exchange of the Specified Currency into the Alternative Currency.

**“Inconvertibility”** means, in respect of any payment or obligation in respect of the Warrants, the occurrence of any event that makes it impossible, illegal or commercially impracticable for the Issuer and/or any of its Affiliates to convert any amount due in respect of the Warrants in the foreign exchange markets for the Specified Currency (including, without limitation, any event that has the direct or indirect

effect of hindering, limiting or restricting convertibility by way of any delays, increased costs or discriminatory rates of exchange or any current or future restrictions on repatriation of one currency into another currency) other than where such impossibility or illegality is due solely to the failure of the Issuer and/or any of its Affiliates to comply with any law, rule or regulation enacted by any relevant Governmental Authority (unless such law, rule or regulation becomes effective on or after the Trade Date and it is impossible or commercially impracticable for the Issuer and/or any of its Affiliates, due to an event beyond its control, to comply with such law, rule or regulation);

“**Non-Transferability**” means, in respect of the obligation to pay the Early Cash Settlement Amount (if applicable) and/or the Cash Settlement Amount in respect of the Warrants, the occurrence of any event that makes it impossible or commercially impracticable for the Issuer and/or any of its Affiliates to deliver the Specified Currency in relation to such payment between accounts inside the Specified Currency Jurisdiction or between an account inside the Specified Currency Jurisdiction and an account outside the Specified Currency Jurisdiction, other than where such impossibility is due solely to the failure of the Issuer and/or any of its Affiliates to comply with any law, rule or regulation enacted by any relevant Governmental Authority (unless such law, rule or regulation becomes effective on or after the Trade Date and it is impossible for the Issuer and/or any of its Affiliates, due to an event beyond its control, to comply with such law, rule or regulation).

“**Rate Calculation Date**” means an AC Rate Calculation Date or an AC USD Rate Calculation Date;

“**Specified Currency Disruption Event**” means, in respect of the Specified Currency:

- (i) Inconvertibility;
- (ii) Non-Transferability;
- (iii) Illiquidity; and/or
- (iv) the Issuer and/or any of its Affiliates is unable to acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) necessary to realise, recover or remit the proceeds of any such transaction(s) or asset(s).

“**Specified Currency Jurisdiction**” means the primary jurisdiction for which the Specified Currency is the lawful currency.

## **11 Taxation**

Neither the Issuer nor the Guarantor shall be liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer, presentation and surrender for payment, or enforcement of any Warrant and all payments made by the Issuer or, as the case may be, the Guarantor shall be made subject to any tax, duty, withholding or other payment which may be required to be made, paid, withheld or deducted.

In addition, in determining the amount of withholding or deduction required pursuant to Section 871(m) of the U.S. Internal Revenue Code of 1986, as amended (the “**U.S. Internal Revenue Code**”), imposed with respect to any amounts paid on the Warrants, the Issuer shall be entitled to withhold on any “dividend equivalent” (as defined for purposes of Section 871(m) of the U.S. Internal Revenue Code) at the highest rate applicable to such payments regardless of any exemption from, or reduction in such withholding otherwise available under, applicable law. Neither the Issuer nor any other person shall be obligated to pay any additional amounts in respect of any amount of withholding or deduction required pursuant to Section 871(m) of the U.S. Internal Revenue Code.

## **12 Prescription**

Claims against the Issuer for payment in respect of the Warrants shall be prescribed and become void unless made within a period of 10 years after the Relevant Date (as defined below) therefor.

For the purpose of this Condition 12:

“**Relevant Date**” means in respect of any Warrant, the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Warrantholder payment is in fact made.

## **13 Events of Default**

If any of the following events (each an “**Event of Default**”) should occur and is continuing, the holder of this Warrant may, upon written notice to the Warrant Agent, elect to exercise such warrant for the Event of Default Cancellation Amount (in the case of both the Expiration Settlement Warrants and/or the Interim Exercisable Warrants), as of the date on which said notice is received by the Warrant Agent, unless prior to such date the Issuer or the Guarantor, as the case may be, shall have cured or otherwise made good such Event of Default in respect of the Warrants:

- (i) the Issuer shall fail duly to perform or observe any term, covenant or agreement contained in the Warrants (other than in relation to any payment due) or the Guarantor shall fail to perform or observe any other term, covenant or agreement contained in the Guarantee relating to the Warrants, in either case for a period of 90 days after the date on which written notice of such failure, requiring the Issuer or the Guarantor, as the case may be, to remedy the same, shall first have been given to the Warrant Agent by the holder of any Warrant at the time outstanding; or
- (ii) an order is made or an effective resolution passed for winding up the Issuer or the Guarantor except for the purpose of a reconstruction or amalgamation and the entity resulting from such reconstruction or amalgamation assumes all the rights and obligations of, as the case may be, the Issuer (including its obligations under the Warrants) or the Guarantor (including its obligations under the Guarantee); or
- (iii) the Issuer or the Guarantor shall be unable to pay its debts or becomes insolvent or bankrupt or the Guarantor applies for a “*gerechtelijke reorganisatie*” or “*faillissement*” or any similar procedure shall be initiated in respect of the Issuer or the Guarantor unless it is being contested in good faith by the Issuer or the Guarantor, as the case may be; or
- (iv) a distress, execution or other process is levied or enforced upon or sued out against all or any material part of the property of the Issuer or the Guarantor unless it is removed, discharged or paid out within 60 days or is being contested in good faith by the Issuer or the Guarantor, as the case may be.

For the purposes of this Condition 13, the following definition shall be applicable:

“**Event of Default Cancellation Amount**” means an amount determined by the Calculation Agent using its internal models and methodologies which represents the fair market value of the Expiration Settlement Warrants or the Interim Exercisable Warrants, as applicable, immediately prior to their exercise, for which purpose no account shall be taken of the financial condition of the Issuer, which shall be presumed to be able to perform fully its obligations in respect of the Expiration Settlement Warrants or the Interim Exercisable Warrants, as applicable, converted, if necessary, for settlement purposes into the Specified Currency at the prevailing market rate of exchange determined by the Calculation Agent in good faith, provided that where the Calculation Agent is unable to make any such conversion of the Event of Default Cancellation Amount due to the existence of an

Specified Currency Disruption Event, such Event of Default Cancellation Amount shall be determined in accordance with Condition 10(c);

“**Specified Currency**” has the meaning given to it in the applicable Final Terms; and

“**Specified Currency Disruption Event**” has the meaning given to it in Condition 10(d).

#### **14 Replacement of Warrants**

Should any Warrant be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Warrant Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Warrants must be surrendered before replacements will be issued.

#### **15 Provisions relating to the Agents**

(a) *The Warrant Agent and Paying Agent*

The names of the initial Warrant Agent and the initial Paying Agent and their initial specified offices are set out below.

The Issuer and the Guarantor are entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

- (i) so long as the Warrants are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange (or any other relevant authority); and
- (ii) there will at all times be a Warrant Agent.

In addition, the Issuer and the Guarantor shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5(d). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Warrantheolders in accordance with Condition 16 (*Notices*).

(b) *Calculation Agent Provisions*

Whenever the Calculation Agent is required to act or exercise judgement, it will do so in good faith and in a commercially reasonable manner. The Calculation Agent shall, as soon as practicable after making any determination pursuant to these Conditions, notify the Issuer, the Guarantor and the Warrantheolders of such determination. The Calculation Agent is not acting as a fiduciary for or as an advisor to the Warrantheolders in respect of its duties as Calculation Agent in connection with any Warrants.

The determination by the Calculation Agent of any amount or of any state of affairs, circumstance, event or other matter, or the formation of any opinion or the exercise of any discretion required or permitted to be determined, formed or exercised by the Calculation Agent pursuant to these Conditions shall (in the absence of manifest error) be final and binding on the Issuer, the Guarantor and the Warrantheolders. In performing its duties pursuant to the Warrants, the Calculation Agent shall act in its sole and absolute discretion. Any delay, deferral or forbearance by the Calculation Agent in the performance or exercise of any of its obligations or its discretion under the Warrants including, without limitation, the giving of any notice by it to any person, shall not affect the validity or binding nature of any later performance or

exercise of such obligation or discretion, and none of the Calculation Agent, the Issuer and the Guarantor shall, in the absence of wilful misconduct and gross negligence, bear any liability in respect of, or consequent upon, any such delay, deferral or forbearance.

## **16 Notices**

All notices regarding the Warrants will be deemed to be validly given if published (i), if and for so long as the Warrants are listed on Euronext Brussels, either in a daily newspaper of general circulation in Belgium or on the website of Euronext Brussels, [www.euronext.com](http://www.euronext.com), or (ii), in the case of Warrants not listed on a stock exchange, in a daily newspaper of general circulation in such place or places as the Issuer may deem appropriate. It is expected that such publication will be made either in the *De Tijd* in Belgium or on the website of Euronext Brussels, [www.euronext.com](http://www.euronext.com). The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange (or other relevant authority) on which the Warrants are for the time being admitted to trading. Any such notice will be deemed to have been given on the date of the first publication in accordance with the above provisions.

Until such time as Definitive Warrants are issued, there may, so long as any Global Warrant(s) representing the Warrant(s) is or are held in its/their entirety by Euroclear there may be substituted for such publication in such newspaper(s), the delivery of the relevant notice to Euroclear for communication by them to the holders of the Warrants and, in addition, for so long as any Warrants are listed on a stock exchange and the rules of that stock exchange or any other applicable regulations so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules or in such other manner as may be permitted by those rules. In the case of Warrants listed on Euronext Brussels, it is expected that such publication will be made either in the *De Tijd* in Belgium or on the website of Euronext Brussels, [www.euronext.com](http://www.euronext.com). Any such notice shall be deemed to have been given to the holders of the Warrants on the seventh day after the day on which the said notice was given to Euroclear.

Notices to be given by any Warrantholder shall be in writing and given by lodging the same, together with the relative Warrant or Warrants, with the Warrant Agent. Whilst any of the Warrants are represented by a Global Warrant, such notice may be given by any holder of a Warrant to the Warrant Agent through Euroclear in such manner as the Warrant Agent and Euroclear may approve for this purpose.

## **17 Meetings of Warrantholders, Modification and Waiver**

The Agency Agreement contains provisions for convening meetings of the Warrantholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Warrants, the Guarantee, the Deed of Covenant or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer, the Guarantor or Warrantholders holding not less than ten per cent. of the total number of Warrants for the time being remaining outstanding. The quorum at any such meeting, will be one or more persons holding or representing a majority in the total number of Warrants for the time being outstanding, or at any adjourned such meeting one or more persons being or representing Warrantholders whatever the number of Warrants so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Warrants, the quorum shall be one or more persons holding or representing not less than two-thirds of the total number of Warrants for the time being outstanding, or at any adjourned such meeting, one or more persons holding or representing not less than one-third of the total number of Warrants for the time being outstanding. The Agency Agreement provides that (a) a resolution passed at a meeting of the Warrantholders duly convened and held in accordance with the Agency Agreement contained by a majority consisting of not less than 75 per cent. of the persons voting thereat upon a show of hands or if a poll be duly demanded then by a majority consisting of not less than 75 per cent. of the votes given on such poll or (b) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. of the notional

amount of the Warrants for the time being outstanding, all as more fully described in the Agency Agreement, shall, in each case, be effective as an Extraordinary Resolution. An Extraordinary Resolution passed at any meeting of the Warrantholders or pursuant to a resolution in writing shall be binding on all the Warrantholders, whether or not they vote on such resolution.

The Warrant Agent and the Issuer may agree, without the consent of the Warrantholders, to:

- (i) any modification (except such modifications in respect of which an increased quorum is required, as mentioned above) of the Agency Agreement which is not prejudicial to the interests of the Warrantholders; or
- (ii) any modification of the Warrants, the Agency Agreement, the Guarantee or the Deed of Covenant which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law.

Any such modification shall be binding on the Warrantholders and any such modification shall be notified to the Warrantholders in accordance with Condition 16 (*Notices*) as soon as practicable thereafter.

## **18 Further Issues**

The Issuer shall be at liberty from time to time without the consent of the Warrantholders to create and issue further Warrants having terms and conditions the same as the Warrants or the same in all respects so that the same shall be consolidated and form a single Series with the outstanding Warrants.

## **19 Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of this Warrant under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## **20 Governing Law and Submission to Jurisdiction**

- (a) The Agency Agreement, the Warrants (except Condition 2(c)) and the Guarantee (except Clause 6 (*Status of Guarantee*)) (and, in each case, any non-contractual obligations arising therefrom or in connection therewith) shall be governed by, and construed in accordance with, English law. Condition 2(c) of the Warrants, Clause 6 (*Status of Guarantee*) of the Guarantee and any non-contractual obligations arising therefrom or in connection therewith shall be governed by, and construed in accordance with, Belgian law. The provisions of the Belgian Economic Law Code applicable to financial services, including the provisions in Book VI “Market practices and consumer protection” applicable to financial services, shall be applicable. The provisions of articles 470-3 to 470-19 of the Luxembourg law of 10 August 1915 on commercial companies, as amended, are excluded.
- (b) The Issuer agrees, for the exclusive benefit of the Warrantholders that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Agency Agreement and/or the Warrants (including, in each case, any dispute relating to any non-contractual obligations arising therefrom or in connection therewith) and that accordingly any suit, action or proceedings (together referred to as “**Proceedings**”) arising out of or in connection with the Agency Agreement and/or the Warrants (including, in each case, any Proceedings relating to any non-contractual obligation arising therefrom or in connection therewith) may be brought in such courts. The Issuer hereby irrevocably waives any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and hereby further irrevocably agrees that a judgment in any such Proceedings

brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction. Nothing contained in this Condition shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not. The Issuer appoints the Guarantor at its London branch at 111 Old Broad Street, London EC2N 1BR as its agent for service of process for Proceedings in England, and undertakes that, in the event of the Guarantor ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings in England. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

**USE OF PROCEEDS**

*This section explains what the net proceeds from the sale of the Warrants issued under the Programme will be used for.*

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

## FORM OF THE GUARANTEE

*This section sets out the form of the guarantee the Guarantor will provide under the Programme.*

THIS DEED OF GUARANTEE (the “**Deed of Guarantee**”) is made on 21 September 2018 by KBC Bank NV (the “**Guarantor**”) in favour of (1) the Relevant Account Holders (as defined in the Deed of Covenant referred to below), (2) the holders for the time being of the Warrants (as defined below) and (3) the Accountholders (as defined in Clause 1 (B) below). Each Relevant Account Holder, each holder of a Warrant is a “Holder”.

WHEREAS:

- (A) KBC IFIMA S.A., a public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg, whose registered office is at 4 rue du Fort Wallis, L-2714 Luxembourg, Grand Duchy of Luxembourg and who is registered with the Luxembourg Register of Commerce and Companies (RCS) under number B-193577 (the “**Issuer**”) and the Guarantor have entered into a programme agreement pursuant to which the Issuer may from time to time issue Warrants (the “**Programme Agreement**”, which expression includes the same as it may be amended, supplemented or restated from time to time) dated 21 September 2018 with the Dealers named therein under which the Issuer proposes from time to time to issue Warrants (the “**Warrants**”, such expression to include each definitive warrant issued by the Issuer and each warrant issued by the Issuer).
- (B) This Deed of Guarantee will apply to all Warrants issued pursuant to the Issuer’s EUR 1,000,000,000 Warrant Programme (the “**Programme**”) on or after the date hereof, other than any Warrants issued so as to be consolidated and form a single Series with any Warrants issued prior to the date hereof.
- (C) The Issuer has executed a Deed of Covenant on 21 September 2018 (the “**Deed of Covenant**”, which expression includes the same as it may be amended, supplemented or restated from time to time) relating to global warrants issued by the Issuer pursuant to the Programme Agreement.
- (D) The Issuer and the Guarantor have entered into an agency agreement (the “**Agency Agreement**”, which expression includes the same as it may be amended, supplemented or restated from time to time) dated 21 September 2018 with KBC Bank NV (the “**Warrant Agent**”) and the other warrant agents named therein in relation to the Programme.
- (E) Terms defined in the Conditions of the Warrants (the “**Conditions**”), the Programme Agreement, the Agency Agreement and/or the Deed of Covenant and not otherwise defined in this Deed of Guarantee shall have the same meanings when used in this Deed of Guarantee.

NOW THIS DEED WITNESSES as follows:

### 1. Guarantee

- (A) Subject as set out in Clause 6 (*Status of Guarantee*), the Guarantor hereby unconditionally and irrevocably guarantees by way of deed poll to each Holder (i) all sums payable by the Issuer to such Holder or (ii) performance of any delivery obligation owed by the Issuer to such Holder, in each case in respect of any Warrant relating thereto or under the Deed of Covenant in respect thereof, as the case may be, (including any premium or any other amounts of whatever nature or additional amounts which may become payable under any of the foregoing) when and as the same shall become due and payable in accordance with the terms thereof. In case of the failure of the Issuer punctually (x) in the case of (i) above, to make any such payment, the Guarantor hereby undertakes to cause such payment to be made punctually when and as the same shall become due and payable and (y) in the case of (ii) above, to perform or procure the performance of any delivery obligation, the Guarantor hereby undertakes to cause such performance or the procurement of such performance to occur punctually when and as the same

shall become due to be performed, in each case whether at maturity, upon redemption by acceleration of maturity or otherwise, as if such payment or delivery, as the case may be, were made or performed by the Issuer in accordance with the terms thereof. The Guarantor hereby waives any requirement that any Holder, in the event of any default of such payment or delivery as the case may be by the Issuer, first makes demand upon or seeks to enforce remedies against the Issuer before seeking to enforce this Guarantee; agrees that its obligations under this Guarantee shall be unconditional and irrevocable irrespective of the validity, regularity or enforceability of such Warrants or of the Deed of Covenant in respect thereof, the absence of any action to enforce the same, any waiver or consent by any Holder with respect to any provisions thereof, the recovery of any judgment against the Issuer or any action to enforce the same, any consolidation, merger, conveyance or transfer by the Issuer or any other circumstance which might otherwise constitute a legal or equitable discharge or defence of a guarantor; and covenants that this Guarantee will not be discharged except by complete performance of the obligations contained in such Warrants, the Deed of Covenant and this Guarantee.

- (B) For so long as any of the Warrants is represented by a global warrant held by Interprofessionele Effectendeposito- en Girokas SA/NV (Euroclear Belgium) (“**Euroclear**”) each person (other than Euroclear) who is for the time being shown in the records of Euroclear as the holder of a particular total number of Warrants (each an “**Accountholder**”) (in which regard any certificate or other document issued by Euroclear as to the total number of Warrants standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Guarantor as the holder of such total number of Warrants for all purposes other than with respect to the payments due under the Warrants, for which purpose the bearer of the relevant global warrant shall be treated by the Guarantor as the holder of such Warrants in accordance with and subject to the terms of the relevant global warrant.

References to Euroclear shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer and the Warrant Agent.

The Guarantor covenants in favour of each Accountholder that it will (i) make all payments (if any) under this Guarantee in respect of the notional amount of Warrants for the time being shown in the records of Euroclear as being held by the Accountholder and represented by a global warrant to the holder of the warrant in global form and (ii) perform or procure the performance of all delivery obligations (if any) in accordance with the Conditions, in each case, in accordance with the terms of this Guarantee and acknowledges that each Accountholder may take proceedings to enforce this covenant and any of the other rights which it has under this Guarantee directly against the Guarantor.

## **2. The Guarantor as principal Debtor**

Without affecting the Issuer’s obligations, the Guarantor will be liable under this Guarantee as if it were the sole principal debtor and not merely a surety. Accordingly, it will not be discharged, nor will its liability be affected, by anything which would not discharge it or affect its liability if it were the sole principal debtor (including (a) any time, indulgence, waiver or consent at any time given to the Issuer or any other person, (b) any amendment to any Warrant or the Deed of Covenant or to any security or other guarantee or indemnity, (c) the making or absence of any demand on the Issuer or any other person for payment, (d) the enforcement or absence of enforcement of any Warrant, the Deed of Covenant or of any security or other guarantee or indemnity, (e) the release of any such security, guarantee or indemnity, (f) the dissolution, amalgamation, reconstruction or reorganisation of the Issuer or any other person or (g) the illegality, invalidity or unenforceability of or any defect in any provision of any Warrant or the Deed of Covenant or any of the Issuer’s obligations under any of them).

### **3. The Guarantor's obligations continuing**

The Guarantor's obligations under this Guarantee are and will remain in full force and effect by way of continuing security until no sum remains payable or delivery obligation in respect of any Warrant or the Deed of Covenant remains owing. Furthermore, these obligations of the Guarantor are additional to, and not instead of, any security or other guarantee or indemnity at any time existing in favour of a Holder, whether from the Guarantor or otherwise. The Guarantor irrevocably waives all notices and demands whatsoever.

### **4. Repayment to the Issuer**

If any payment or other consideration received by a Holder is, on the subsequent liquidation or insolvency of the Issuer, avoided under any laws relating to liquidation or insolvency, such payment or other consideration will not be considered as having discharged or diminished the liability of the Guarantor and this Guarantee will continue to apply as if such payment or other consideration had at all times remained owing by the Issuer.

### **5. Indemnity**

As a separate and alternative stipulation, the Guarantor unconditionally and irrevocably agrees that any sum expressed to be payable or delivery obligation expressed to be owed by the Issuer under any Warrant, or the Deed of Covenant but which is for any reason (whether or not now known or becoming known to the Issuer, the Guarantor or any Holder) not recoverable from the Guarantor on the basis of a guarantee will nevertheless be recoverable from it as if it were the sole principal debtor and will be paid by it to the Holder or otherwise delivered by it on demand. This indemnity constitutes a separate and independent obligation from the other obligations in this Guarantee, gives rise to a separate and independent cause of action and will apply irrespective of any indulgence granted by any Holder.

### **6. Status of Guarantee**

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

### **7. Withholding or deduction**

The Guarantor shall not be liable for or otherwise be obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer, presentation and surrender for payment, or enforcement of any Warrant and all payments made by the Guarantor shall be made subject to any tax, duty, withholding or other payment which may be required to be made, paid, withheld or deducted.

### **8. Power to execute**

The Guarantor hereby warrants, represents and covenants with each Holder and Accountholder that it has all power, that it has obtained all necessary governmental consents and authorisations, and that it has taken all necessary steps, in each case to enable it to execute, deliver and perform this Guarantee and that this Guarantee constitutes legal, valid and binding obligations of the Guarantor in accordance with its terms.

### **9. Deposit of guarantee**

This Guarantee shall take effect as a deed poll for the benefit of the Holders and Accountholders from time to time and for the time being. This Guarantee shall be deposited with and held by KBC Bank NV as Warrant Agent until all the obligations of the Guarantor have been discharged in full.

## 10. Production of guarantee

The Guarantor hereby acknowledges the right of every Holder and Accountholder to the production of, and the right of every Holder and Accountholder to obtain (upon payment of a reasonable charge) a copy of, this Guarantee, and further acknowledges and covenants that the obligations binding upon it contained herein are owed to, and shall be for the account of, each and every Holder and Accountholder, and that each Holder and Accountholder shall be entitled severally to enforce the said obligations against the Guarantor.

## 11. Subrogation

Until all amounts which may be payable under the Warrants and/or the Deed of Covenant have been irrevocably paid in full and all delivery obligations of the Issuer thereunder have been performed in full, the Guarantor shall not by virtue of this Guarantee be subrogated to any rights of any Holder or claim in competition with the Holders against the Issuer.

## 12. Contracts (rights of third parties) Act 1999

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

## 13. Governing law and jurisdiction

- (i) This Guarantee (and any non-contractual obligations arising out of or in connection with this Guarantee), except Clause 6 (*Status of Guarantee*), shall be governed by, and construed in accordance with, English law. Clause 6 (*Status of Guarantee*) (and any non-contractual obligations arising out of or in connection with Clause 6 (*Status of Guarantee*)) shall be governed by, and construed in accordance with, Belgian law.
- (ii) The Guarantor agrees, for the exclusive benefit of the Holders and the Accountholders that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with this Guarantee (including any dispute relating to any non-contractual obligations arising out of or in connection with this Guarantee) and that accordingly any suit, action or proceedings (together referred to as “**Proceedings**”) arising out of or in connection with this Guarantee (including any Proceedings relating to any non-contractual obligation arising out of or in connection with this Guarantee) may be brought in such courts. The Guarantor hereby irrevocably waives any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and hereby further irrevocably agrees that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction. Nothing contained in this Clause shall limit any right to take Proceedings against the Issuer or the Guarantor in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not. The Guarantor undertakes that, in the event of it ceasing so to act or ceasing to be registered in England, it will appoint a person as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

IN WITNESS whereof this Guarantee has been manually executed as a deed poll on behalf of the Guarantor.

Executed as a deed by

KBC Bank NV

acting by

acting under the

authority of that company

in the presence of:

Witness's Signature:

Name:

Address:

Dated 21 September 2018

## DESCRIPTION OF THE ISSUER

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

### KBC IFIMA S.A.

#### History and Development

The Issuer's legal and commercial name is KBC IFIMA S.A. The Issuer is currently incorporated in the form of a limited liability company under the laws of the Grand Duchy of Luxembourg and is registered with the Luxembourg Register of Commerce and Companies (*Registre de Commerce et des Sociétés de Luxembourg*) under registration number B 193.577. The Issuer's LEI code is 213800PN8BSF31FXFM06.

The Issuer was incorporated in the form of a limited liability company and was registered in The Netherlands on 15 April 1982. On 31 December 2014 at midnight, the Issuer changed its legal and commercial name, domicile, legal form and country of incorporation from KBC Internationale Financieringsmaatschappij N.V. to KBC IFIMA S.A.

On 26 May 2016, the board of directors of the Issuer gave a favourable opinion on the merger of the Issuer with its Luxembourg sister company KBC Financial Products International S.A. KBC Financial Products International S.A. was dissolved, with the Issuer being the absorbing company. The merger became effective (i) between the merging companies and towards third parties on publication of the resolutions of the sole shareholder of the Issuer, approving the merger, on the *Recueil Electronique des Sociétés et Associations* platform on 5 July 2016 at midnight and (ii) from an accounting and tax perspective, retroactively, on 1 January 2016 at midnight.

The Issuer has its registered office at 4, rue du Fort Wallis, L-2714 Luxembourg, Grand-Duchy of Luxembourg, telephone number +352/266442 and is incorporated in the Grand Duchy of Luxembourg as a limited liability company. The Issuer has an unlimited duration and operates under the laws of the Grand Duchy of Luxembourg.

#### Recent Events

There have not been any recent events relevant to the evaluation of the Issuer's solvency, nor has there been any material adverse change in the prospects of the Issuer, since 31 December 2017.

#### Investments

There has been no relevant investment made by the Issuer since the date of its last published financial statements (31 December 2017).

The Issuer has not resolved upon making any future investments since the date of its last published financial statements.

#### Business Overview

- The Issuer's principal objects, as set out in Article 3 of its articles of association are the issue of bonds, warrants, debentures and any other financial instruments and the on-lending of the proceeds to the Guarantor, its subsidiaries and associated companies, as well as the issue of other financial instruments. The Issuer's principal activity consists of the administration of the financial instruments issued, in particular bonds, and the loans made.

- The Issuer is directly owned by the Guarantor and its debt is fully guaranteed by the Guarantor. The Issuer is accordingly dependent on the Guarantor and other members of KBC Bank Group servicing those loans.
- The Issuer is indirectly controlled by KBC Group NV and ultimately by the shareholders of KBC Group NV. An overview of the shareholding of KBC Group NV is available on [www.kbc.com](http://www.kbc.com). At the date of the Base Prospectus and based on the notifications made in accordance with the Belgian law of 2 May 2007 on disclosure of major holdings in issuers whose shares are admitted to trading on a regulated market, the major shareholders of KBC Group NV are KBC Ancora, Cera, MRBB and the other core shareholders.
- This Base Prospectus does not contain statements regarding the competitive position of the Issuer or forecasts or estimates in respect of the Issuer.

### **Trend Information**

There are no trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Issuer's prospects for at least the current financial year.

### **Board of Directors of the Issuer**

The Issuer is managed by a Board of Directors of at least three (3) members, which is not supervised by a supervisory board. The members of the Board of Directors are appointed by the General Meeting of the Shareholders.

As at the date of approval of this Base Prospectus, the composition of the Management Board of the Issuer is set out in table below:

<b>Name</b>	<b>Position</b>	<b>Principal Activities outside the Issuer</b>
Ivo Irma BAUWENS	Company Director	Chief Executive Officer, KBC Group Re S.A. Executive director, Kredietcorp S.A. Executive director, KBC Participations Renta S.A. Executive director, KBC Asset Management S.A.
Fatima BOUDABZA	Company Director	None
Frank Maria CAESTECKER	Company Director	Executive director, KBC Investments Limited
Rik Jos JANSSEN	Company Director	Executive director, Galloway Bulgaria OOD Executive director, KBC Credit Investments NV
Sabrina GOCKEL	Company Director	None

The business address of each Company Director of the Issuer in his/her capacity as such is 4, rue du Fort Wallis, L-2714 Luxembourg, the Grand Duchy of Luxembourg. The Issuer shall be bound by the joint signature of two Company Directors. The Issuer's Board of Directors has an audit committee.

There are no conflicts of interest between the duties of the persons listed above to the Issuer and their private interests or other duties. The Issuer is not aware of any affiliations/associations of the members of the Board of Directors outside the Issuer which are relevant to the Issuer.

The Issuer has adopted corporate governance policies which comply with the laws and regulations of the Grand Duchy of Luxembourg regarding corporate governance.

The Issuer has three (3) permanent employees. Terms of employment are governed by the Collective Labour Agreement pertaining to the Luxembourgish insurance sector. There have been no employee related disputes.

### **Audit Committee**

Under Luxembourg law the Issuer is considered as a public interest entity. Consequently, the Issuer needs to have in place an audit committee. The audit committee is set up pursuant to the Group Internal Governance Memorandum and the Luxembourg Law of 23 July 2016 concerning the audit profession.

As at the date of this Base Prospectus, the audit committee is composed of the members of the Board of Directors. The audit committee steers the internal audit function and oversees the external audit function of the Issuer. Its functions include (i) ensuring that adequate and effective internal control systems are established and maintained, (ii) monitoring the integrity of financial information, (iii) monitoring the effectiveness of structures, processes and controls, (iv) supervising compliance with procedures, laws and regulations, (v) monitoring the respect of the internal audit charter and (vi) supervising the functioning of the external auditor.

### **Organisational Structure**

The KBC group consists of KBC Group NV (the holding company) and its wholly-owned subsidiaries KBC Bank NV and KBC Insurance NV. The Issuer is a wholly-owned subsidiary of the Guarantor and acts as a financing vehicle for the Guarantor and its subsidiaries. The Issuer complies with the control requirements and standards of KBC Group with regard to accounting, operations, internal controls and risk management. For a description of the KBC Bank Group, please see the section titled “*Description of the Guarantor*” below.

### **Capital Structure**

<b>Authorised</b>	
42,340 ordinary shares of EUR 453.78	
.....	EUR 19,213,045
<b>Paid-in and called-up share capital</b>	
22,679 ordinary shares of EUR 454	
.....	EUR 10,296,266

The paid-in and called-up share capital consists of 22,679 ordinary shares of EUR 454 each, which are fully held by the Guarantor.

### **Major Shareholders**

The Guarantor holds 100 per cent. of the share capital of the Issuer. The Issuer is not aware of any arrangements the operation of which may result in a change of control of the Issuer. No specific measures are in place to prevent abuse of control.

## FINANCIAL STATEMENTS AND SELECTED FINANCIAL INFORMATION OF THE ISSUER

### Historical Financial Information

The Issuer's economic, asset and financial information for the 2017 financial year is contained in the Issuer's Financial Report 2017, which is available to the public.

### Financial Statements

The Issuer prepares audited non-consolidated annual financial statements. The latest audited non-consolidated financial information relating to the Issuer is the Issuer's Financial Report 2017 and is dated 21 March 2018.

### Auditing of historical annual financial information

The report of the independent registered public accounting firm (PricewaterhouseCoopers, *société coopérative, Cabinet de revision agréé, expert-comptable*) contained in the Issuer's Financial Report 2017 (pages 6 to 9), is available to the public and incorporated by reference in this Base Prospectus.

The report dated 26 March 2018 on the financial information for the Issuer's Financial Report 2016 issued by PricewaterhouseCoopers, *société coopérative*, expressed an unqualified opinion on the above mentioned financial information.

### Selected Financial Information

The tables below set out the key financial information extracted from (i) the Issuer's audited financial statements for the fiscal years ended on 31 December 2016 and 31 December 2017 and (ii) the Issuer's unaudited financial statements for the fiscal years ended on 30 June 2017 and 30 June 2018, in each case prepared in accordance with generally accepted accounting principles applicable in the Grand Duchy of Luxembourg ("Luxembourg GAAP").

KBC IFIMA S.A.	HIGHLIGHTS OF THE BALANCE SHEET			
	Full year 2016 prepared under Luxembourg GAAP (audited)	Full year 2017 prepared under Luxembourg GAAP (audited)	First half year of 2017 prepared under Luxembourg GAAP (unaudited)	First half year of 2018 prepared under Luxembourg GAAP (unaudited)
<b>Assets</b>	EUR	EUR	EUR	EUR
<b>Fixed assets</b>				
Financial asset	2,285,288,148	1,280,705,176	2,281,546,102	1,380,965,617
Tangible fixed assets	N/A	N/A	N/A	N/A
Financial fixed assets	N/A	N/A	N/A	N/A
Long term bank deposits	4,803,264	N/A	4,803,264	N/A
Derivatives	N/A	N/A	N/A	N/A
<b>Total fixed assets</b>	<b>2,290,091,412</b>	<b>1,208,705,176</b>	<b>2,286,349,366</b>	<b>1,380,965,617</b>

<b>KBC IFIMA S.A.</b>	<b>HIGHLIGHTS OF THE BALANCE SHEET</b>			
	<b>Full year 2016 prepared under Luxembourg GAAP (audited)</b>	<b>Full year 2017 prepared under Luxembourg GAAP (audited)</b>	<b>First half year of 2017 prepared under Luxembourg GAAP (unaudited)</b>	<b>First half year of 2018 prepared under Luxembourg GAAP (unaudited)</b>
<b>Current assets</b>				
Derivatives	N/A	N/A	N/A	N/A
Loans falling due within one year	1,751,976,476	1,037,368,471	453,276,279	882,396,814
Short term deposits	10,404,185	6,338,775	10,384,617	6,327,532
Interest receivable	52,550,085	18,800,581	33,428,418	29,317,821
Interests receivable and prepaid expenses	N/A	N/A	N/A	N/A
Cash	6,940,050	5,028,400	5,604,382	4,281,126
<b>Total current assets</b>	<b>1,821,870,796</b>	<b>1,067,536,227</b>	<b>502,693,696</b>	<b>922,323,139</b>
<b>Prepayments</b>	<b>6,888,909</b>	<b>6,776,036</b>	<b>6,240,842</b>	<b>7,004,021</b>
<b>Total assets</b>	<b>4,118,851,117</b>	<b>2,335,017,439</b>	<b>2,795,283,904</b>	<b>2,310,292,777</b>
<b>Liabilities</b>	EUR	EUR	EUR	EUR
<b>Capital and reserves</b>				
Paid-in and called-up share capital	10,296,266	10,296,266	10,296,266	10,296,266
Share premium account	4,928,345	N/A	4,928,345	N/A
Reserves	396,814	968,460	968,460	1,351,696
Retained earnings	3,920,761	N/A	3,920,761	N/A
<b>Net profit for the year</b>	<b>1,107,928</b>	<b>1,355,223</b>	<b>312,814</b>	<b>230,626</b>
	<b>20,650,114</b>	<b>12,619,949</b>	<b>20,426,646</b>	<b>11,878,588</b>
<b>Provisions</b>				
Provision for costs relating to the transfer of the company's corporate seat	N/A	N/A	N/A	N/A
Provisions for taxation	2,139,583	956,201	599,630	569,193
Other provisions	145,755	141,818	151,270	153,016
	<b>2,285,338</b>	<b>1,098,019</b>	<b>750,900</b>	<b>722,209</b>
<b>Long Term Liabilities</b>				
Bond issued	N/A	N/A	N/A	N/A

KBC IFIMA S.A.	HIGHLIGHTS OF THE BALANCE SHEET			
	Full year 2016 prepared under Luxembourg GAAP (audited)	Full year 2017 prepared under Luxembourg GAAP (audited)	First half year of 2017 prepared under Luxembourg GAAP (unaudited)	First half year of 2018 prepared under Luxembourg GAAP (unaudited)
Derivatives	N/A	N/A	N/A	N/A
Non convertible loans	2,285,276,206	1,280,705,176	2,281,534,416	1,380,965,617
<b>Current liabilities</b>				
Derivatives	N/A	N/A	N/A	N/A
Issued bonds falling due within one year	N/A	N/A	N/A	N/A
Other current liabilities	N/A	N/A	N/A	N/A
Non convertible bonds	1,803,537,635	1,054,714,001	486,183,761	911,272,809
Other liabilities	6,259	6,074	7,642	8,557
Deferred income	7,095,565	5,874,220	6,380,538	5,444,997
<b>Total liabilities</b>	<b>4,118,851,117</b>	<b>2,355,017,439</b>	<b>2,795,283,904</b>	<b>2,310,292,777</b>

	HIGHLIGHTS OF THE PROFIT AND LOSS ACCOUNT			
	Full year 2016 prepared under Luxembourg GAAP (audited)	Full year 2017 prepared under Luxembourg GAAP (audited)	First half year of 2017 prepared under Luxembourg GAAP (unaudited)	First half year of 2018 prepared under Luxembourg GAAP (unaudited)
	EUR	EUR	EUR	EUR
<b>Interest Income</b>	N/A	N/A	N/A	N/A
<b>Interest expense</b>	N/A	N/A	N/A	N/A
<b>Gross margin</b>	N/A	N/A	N/A	N/A
<b>Total Expenses</b>	N/A	N/A	N/A	N/A
<b>Profit before taxation</b>	N/A	N/A	N/A	N/A
<b>Corporation tax</b>	N/A	N/A	N/A	N/A
<b>Net profit for the year</b>	N/A	N/A	N/A	N/A
<b>Charges</b>	EUR	EUR	EUR	EUR

<b>HIGHLIGHTS OF THE PROFIT AND LOSS ACCOUNT</b>				
	<b>Full year 2016 prepared under Luxembourg GAAP (audited)</b>	<b>Full year 2017 prepared under Luxembourg GAAP (audited)</b>	<b>First half year of 2017 prepared under Luxembourg GAAP (unaudited)</b>	<b>First half year of 2018 prepared under Luxembourg GAAP (unaudited)</b>
Operating expenses	555,878	382,350	213,209	276,156
Value adjustments	N/A	N/A	N/A	N/A
Interest and other financial charges	133,396,160	71,261,133	41,943,559	27,101,729
Income tax	479,819	426,849	71,035	79,476
Profit for the financial year	1,107,928	1,355,223	312,814	230,625
<b>Total charges</b>	<b>135,539,786</b>	<b>73,425,555</b>	<b>42,540,617</b>	<b>27,687,986</b>
<b>Income</b>	EUR	EUR	EUR	EUR
Income from financial assets	135,350,968	73,366,821	42,471,121	27,676,338
Other interest and other financial income	188,818	58,734	69,496	11,650
<b>Total income</b>	<b>135,539,786</b>	<b>73,425,555</b>	<b>42,540,617</b>	<b>27,687,988</b>

<b>HIGHLIGHTS OF THE CASH FLOW STATEMENT</b>		
	<b>Full year 2016 prepared under Luxembourg GAAP (audited)</b>	<b>Full year 2017 prepared under Luxembourg GAAP (audited)</b>
	EUR	EUR
Net profit	1,107,928	1,355,223
Adjustment for:		
Depreciation	N/A	N/A
Interests income/charges	(1,954,808)	(2,105,688)
Net amortisation on loans and bonds	(241,678)	(122,089)
Other provision	965	(3,936)
Other – adjustment	-	-
	<b>(1,087,593)</b>	<b>(876,490)</b>

	<b>HIGHLIGHTS OF THE CASH FLOW STATEMENT</b>	
	<b>Full year 2016 prepared under Luxembourg GAAP (audited)</b>	<b>Full year 2017 prepared under Luxembourg GAAP (audited)</b>
Merger	10,421,347	(8,849,110)
Other advance	(18,013)	1,165
Change in other assets and liabilities	(110,492)	(6,017)
Taxes (paid)/received	678,025	(948,320)
Tax provision	515,884	(1,183,383)
<b>Net cash flow from operational activities</b>	<b>10,399,158</b>	<b>(11,862,157)</b>
Distribution on liquidation of subsidiaries		
Financial fixed assets – issued	(91,200,650)	(101,963,015)
Financial fixed assets – repaid	2,558,509,585	1,830,022,665
Interest received	177,378,562	107,082,935
<b>Net cash flow from investment activities</b>	<b>2,644,687,497</b>	<b>1,835,142,585</b>
Bonds issued	80,796,465	100,427,504
Bonds repaid	(2,558,356,950)	(1,819,585,435)
Dividend paid	(2,181,881)	(536,282)
Interest paid	(174,876,082)	(105,497,868)
<b>Net cash flow from financing activities</b>	<b>(2,654,618,448)</b>	<b>(1,825,192,080)</b>
<b>Net cash flow</b>	<b>468,208</b>	<b>(1,911,650)</b>
Cash balance as at 1 January	6,471,842	6,940,049
Cash balance as at 31 December	6,940,050	5,028,400
<b>Net cash flow</b>	<b>468,208</b>	<b>(1,911,650)</b>

A dividend of EUR 971,987 was paid on 18 June 2018 out of net profit after tax 2017. As at 30 June 2018, the Issuer issued notes amounting in total to EUR 88,740,575 (first half year of 2017: EUR 33,422,477), the

interest income of the Issuer amounted to EUR 27,676,338, as compared to EUR 42,471,121 in the first half year of 2017.

No further important events, material or financial, occurred relating to the company since 30 June 2018.

### **Litigation**

In June 2012, the Issuer and the Guarantor were summoned to appear before the court in Brussels on foot of a claim brought on behalf of former bondholders. The claim amounting to EUR 1,306,137 relates to losses incurred by the investors on early redemption of the bonds held by them. The lawsuit is being contested by the Issuer and the Guarantor. Based on the information available to the directors, they are of the opinion that it is unlikely the company will suffer a loss and therefore no provision has been made in the accounts for this. After many changes in the timeline, the judgment has been interrupted due to the decease of two litigants and the fact that there was no regularisation. In March 2017, the Issuer received a formal notice of default from WATT Legal to indemnify 104 clients for an amount of EUR 1,150,585.46, a non-payment triggering a new proceeding or an extension of the existing one.

Except for the above mentioned litigation, the Issuer is not involved in any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) which may have or have had in the twelve months preceding the date of this Base Prospectus a significant effect on the financial position or profitability of the Issuer.

## DESCRIPTION OF THE GUARANTOR

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

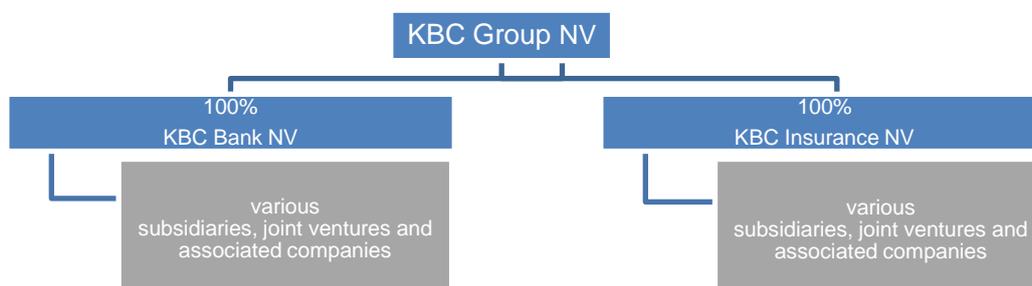
### KBC BANK

#### 1. Creation

KBC Bank NV (“**KBC Bank**”), a wholly-owned subsidiary of KBC Group NV, was established in Belgium in 1998 as a bank (with enterprise number 0462.920.226) for an unlimited duration and operates under the laws of Belgium. KBC Bank’s LEI code is 6B2PBRV1FCJDMR45RZ53. KBC Bank’s registered office is at Havenlaan 2, B-1080 Brussels, Belgium and KBC Bank’s telephone number is (+32) (0) 2 429 11 11. As KBC Bank is a wholly-owned subsidiary of KBC Group NV, KBC Bank is indirectly controlled by the shareholders of KBC Group NV (in this Base Prospectus KBC Group NV together with its subsidiaries is referred to as “**KBC Group**” or “**KBC**”).

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

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



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

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

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

## **2. The strategic plan of KBC Group**

KBC Bank's strategy is fully embedded in the strategy of its parent company, KBC Group NV. A summary is given below of the strategy of KBC Group, where KBC Bank is essentially responsible for the banking business and KBC Insurance NV for the insurance business.

- On 17 June 2014, KBC Group organised an Investor Day in Brussels and on 21 June 2017 KBC Group organised an Investor Visit in Dublin. On both occasions KBC Group presented, among other things, an update of its strategy and targets. The presentations and press releases from both events are available on the website at [www.kbc.com](http://www.kbc.com). The main messages are the following: KBC Group wants to build on its strengths and be among Europe's best-performing, retail focused financial institutions. It intends to achieve this aim by further strengthening its bank insurance business model for retail, small and medium-sized enterprises ("SMEs") and mid-cap clients in its core markets in a highly cost-efficient way. The model has reached different stages of implementation in the different core countries. In Belgium, the bank and the insurance company already act as a single operational unit, achieving both commercial and non-commercial synergies. In its other Central European core countries (the Czech Republic, the Slovak Republic, Hungary and Bulgaria), KBC Group is targeting at least integrated distribution, so that commercial synergies can be realised as soon as possible. In Ireland, insurance products are offered through partnerships.
- Having both banking and insurance activities integrated within one group creates added value for both clients and KBC Group. Going forward, KBC Group will put further emphasis on the seamless fulfilment of client needs through its bank-insurance offering in the core countries, with the aim of creating sustainable, long-term client relationships and to diversify its income streams.
- KBC Group will focus on sustainable and profitable growth within a solid risk, capital and liquidity framework. Profitability should take priority over growth or increasing market shares. Risk management is already fully embedded in KBC Group's strategy and decision-making process and KBC Group wishes to secure the independence of the embedded risk framework through closer monitoring by the Group Chief Risk Officer ("CRO") and by reporting to the Board of Directors of each business entity.
- In recent years, KBC Group has invested heavily in its various distribution channels, i.e. its bank branches and insurance agencies, client contact/service centres, websites and mobile apps. KBC Group wants to create added value for its clients by accurately meeting their needs in terms of financial products. Therefore, everything at KBC needs to be based on the client's needs and not on the banking or insurance products and services. That is why the different channels are accorded equal status at KBC and need to seamlessly complement and reinforce each other. Because KBC Group is strongly embedded in its local markets, and clients' needs are defined by their local environment, each core country will make the necessary changes and investments in its own way and at its own pace.
- The seamless integration of the distribution channels creates a dynamic and client-driven distribution model. The client is at the centre of what KBC Group does. Everything starts from their needs. This is supported by a performance and client-driven corporate culture that will be implemented throughout the Group, with the focus on building long-term client bank insurance relationships.
- KBC Group has no plans to expand beyond its current geographical footprint. In its core markets (Belgium, Ireland, the Czech Republic, Hungary, the Slovak Republic and Bulgaria), it will strengthen its bank-insurance presence through organic growth or through acquisitions, if attractive opportunities arise (and based on clear and strict financial criteria). As announced in February 2017,

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

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

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

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

- Moreover, KBC Group aims to be one of the better capitalised financial institutions in Europe. Therefore as a starting position, it assesses each year the common equity tier 1 ("CET1") ratios of a peer group of European banks active in the retail, SME, and corporate client segments and positions itself on the fully loaded median CET1 ratio of the peer group. KBC summarises this capital policy in its 'Own Capital Target', which currently amounts to 14% CET1. On top of this KBC wants to keep a flexible additional buffer of up to 2% CET1 for potential add-on mergers and acquisitions in its core markets. This buffer comes on top of the 'Own Capital Target' of KBC Group, and all together forms the Reference Capital Position, which hence currently amounts to 16%. KBC Group reconfirmed its pay-out ratio policy (i.e. dividend + coupon paid on the outstanding Additional Tier 1 instruments) of at least 50% of consolidated profit, including an annual interim dividend of 1 euro

per share paid in November of each accounting year as an advance on the total dividend. On top of the pay-out ratio of 50% of consolidated profit, each year the Board of Directors will take a decision, at its discretion, on the distribution of the capital above the Reference Capital Position.

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

Sustainability is embedded in the strategy of KBC Group. This primarily means the ability to live up to the expectations of all stakeholders and to meet obligations, not just today but also in the future. KBC Group’s sustainability strategy has three cornerstones:

- enhancing the positive impact on society;
- limiting the negative impact KBC Group might have; and

- encouraging responsible behaviour on the part of all employees.

KBC Group's summarises its strategy as follows: KBC Group's strategy rests on four principles:

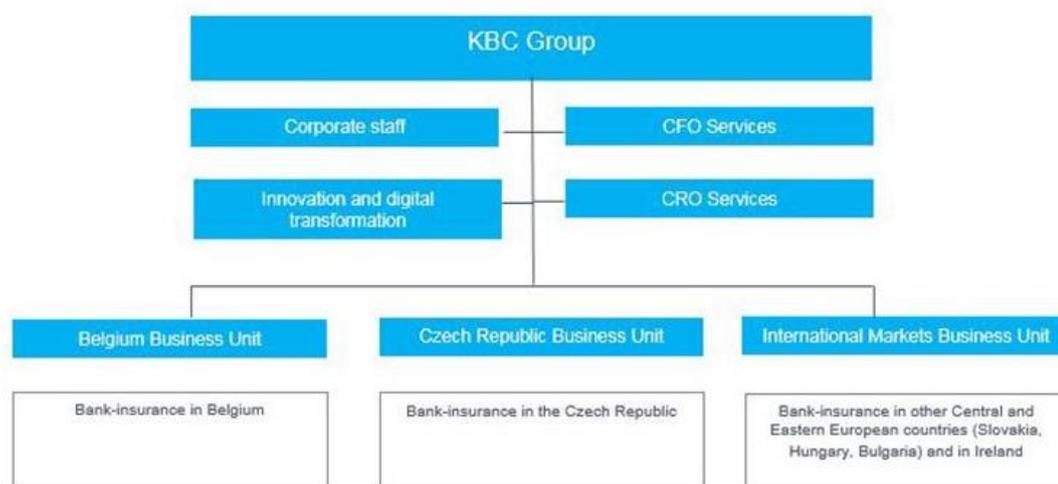
- it places its clients at the centre of everything it does;
- it looks to offer its clients a unique bank-insurance experience;
- it focuses on KBC Group's long-term development and aims to achieve sustainable and profitable growth;
- it meets its responsibility to society and local economies; and
- it implements its strategy within a strict risk, capital and liquidity management framework.

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

### 3. Management structure

KBC Group's strategic choices are fully reflected in the group structure, which consists of a number of business units and support services and which are presented in simplified form as follows:

Structure as at the date of this Base Prospectus:



The management structure essentially comprises:

- (i) the three business units, which focus on local business and are expected to contribute to sustainable profit and growth:
  - Belgium Business Unit;
  - Czech Republic Business Unit; and
  - International Markets Business Unit: this encompasses the other core countries in Central and Eastern Europe (the Slovak Republic, Hungary and Bulgaria) and in Ireland;
- (ii) the pillars 'CRO Services' and 'CFO Services' (which act as an internal regulator, and whose main role is to support the business units), 'Corporate Staff' (which is a competence centre for

strategic know-how and best practices in corporate organisation and communication) and ‘Innovation and digital transformation’.

Each business unit is headed by a Chief Executive Officer (CEO), and these CEOs, together with the CEO, the Chief Risk Officer (CRO), the Chief Innovation Officer (CIO) and the Chief Financial Officer (CFO) constitute the executive committee.

#### 4. Short presentation of KBC Bank Group

Shareholders (as at 30 June 2018)	Number of shares
KBC Group NV	915,228,481
KBC Insurance NV	1
Total	915,228,482

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

#### Network

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

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

\* including branches of KBC Bank and KBC Bank Ireland

#### 5. Selected financial information of the Guarantor

##### *Income Statement*

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

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

Highlights of the consolidated income statement KBC Bank (in millions of EUR)	Full year 2016	Full year 2017	First half year 2017	First half year 2018
Net interest income	3,635	3,546	1,762	1,989
Dividend income	27	20	15	18

*Description of the Guarantor*

Net result from financial instruments at fair value through profit or loss	551	860	443	86
Net realised result from available-for-sale assets	134	114	50	-
Net realised result from debt instruments at fair value through other comprehensive income	-	-	-	8
Net fee and commission income	1,753	2,023	1,017	1,050
Other net income	140	25	82	83
<b>TOTAL INCOME</b>	<b>6,240</b>	<b>6,588</b>	<b>3,368</b>	<b>3,233</b>
Operating expenses	-3,399	-3,568	-1,893	-2,001
Impairment	-145	44	67	57
Share in results of associated companies and joint-ventures	23	8	6	8
<b>RESULT BEFORE TAX</b>	<b>2,719</b>	<b>3,073</b>	<b>1,549</b>	<b>1,297</b>
Income tax expense	-525	-891	-273	-262
<b>RESULT AFTER TAX</b>	<b>2,195</b>	<b>2,182</b>	<b>1,276</b>	<b>1,035</b>
Attributable to minority interest	169	179	89	88
Attributable to equity holders of the parent	2,026	2,003	1,187	947

***Balance Sheet***

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

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

<b>Highlights of the consolidated balance sheet, KBC Bank (in millions of EUR)</b>	<b>Full year 2016</b>	<b>Full year 2017</b>	<b>First half year 2017</b>	<b>First half year 2018</b>
Total assets	239,333	256,322	260,522	266,379
Loans and advances to customers, (excluding reverse repos)	131,528	139,090	136,885	143,277

*Description of the Guarantor*

Securities (equity and debt instruments)	52,180	47,995	50,969	45,390
Deposits from customers and debt securities (excluding repos)	178,388	194,257	189,352	193,862
Risk weighted assets (Basel III, fully loaded)	78,482	83,117	82,256	83,624
Total equity	14,158	15,656	14,987	15,724
of which parent shareholders' equity	12,568	14,083	13,344	13,115

## 6. Ratings of KBC Bank

Long-term credit ratings (as at the date of this Base Prospectus)	
Fitch	A
Moody's	A1
Standard and Poor's	A+

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

Each such credit rating agency is established in the European Union and is registered under Regulation (EC) No. 1060/2009 and listed on the “**List of Registered and Certified CRA's**” as published by ESMA in accordance with Article 18(3) of such Regulation.<sup>1</sup>

## 7. Main companies which are subsidiaries of KBC Bank or in which it has significant holdings as of 30 June 2018

Company	Registered office	Ownership percentage of KBC Bank	Activity (simplified)
CBC Banque SA	Brussels – BE	100.00	Credit institution
ČSOB a.s. (Czech Republic)	Prague – CZ	100.00	Credit institution
ČSOB a.s. (Slovak Republic)	Bratislava – SK	100.00	Credit institution
KBC Asset Management NV	Brussels – BE	51.86	Asset management
KBC Autolease NV	Leuven – BE	100.00	Leasing
KBC Bank NV	Brussels – BE	100.00	Credit institution
KBC Bank Ireland Plc.	Dublin – IE	100.00	Credit institution
KBC Commercial Finance NV	Brussels – BE	100.00	Factoring

<sup>1</sup> A list of credit rating agencies registered under Regulation (EC) No. 1060/2009 is published on the website of ESMA (<https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>).

Company	Registered office	Ownership percentage of KBC Bank	Activity (simplified)
KBC Credit Investments NV	Brussels – BE	100.00	Investment firm
KBC IFIMA SA	Luxemburg - LU	100.00	Funding
KBC Securities NV	Brussels – BE	100.00	Stock exchange broker/corporate finance
K&H Bank Rt.	Budapest – HU	100.00	Credit institution
Loan Invest NV	Brussels – BE	100.00	Securitisation
United Bulgarian Bank	Sofia - BG	99.91	Credit institution

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

## 8. General description of activities of KBC Bank Group

KBC Bank Group is a multi-channel bank that caters primarily to private persons, small and medium-sized enterprises (SMEs) and midcaps.

Its geographic focus is on Europe. In its “home” (or “core”) markets Belgium, Czech Republic, Slovak Republic, Hungary, Bulgaria and Ireland, KBC Bank Group has important and (in some cases) even leading positions.<sup>2</sup> KBC Bank Group is also present in other countries where the primary focus is on supporting the corporate clients of the home markets.

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

## 9. Principal markets and activities

### Activities in Belgium

Market position of the bank network in Belgium, end of 2017	
Market share (own KBC Bank estimates)	Banking products* 20% Investment funds 33%
Bank branches	659

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

KBC Bank Group has a network of 659 bank branches in Belgium: KBC Bank branches in Flanders, CBC Banque branches in Wallonia and KBC Brussels branches in the Brussels area. The branches focus on providing clients with a broad area of credit (including mortgage loans), deposit, investment fund and other asset management products, insurance products (in cooperation with KBC Bank’s sister company, KBC

<sup>2</sup> Source: KBC Bank NV.

Insurance NV) and other specialised financial banking products and services. KBC Bank Group's bricks-and-mortar networks in Belgium are supplemented by electronic channels, such as ATMs, telephones and the Internet (including a mobile banking app). KBC Bank, CBC Banque and KBC Brussels serve, based on their own estimates, approximately 3.2 million clients.

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

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

KBC Bank Group believes in the power of a physical presence through a branch and agency network that is close to its clients. At the same time, however, it expects the importance of online and mobile bank-insurance to grow further and it is constantly developing new applications in these areas. That includes the various mobile banking apps for smartphones and tablets, which are being continuously improved and expanded.

In KBC Bank Group's financial reporting, the Belgian activities are combined into a single Belgium Business Unit. The results of the Belgium Business Unit essentially comprise the activities of KBC Bank, and their Belgian subsidiaries, the most important of which are CBC Banque, KBC Asset Management, KBC Lease Group (Belgium) and KBC Securities.

The KBC Bank Group's aim in Belgium is:

- to focus on an omnichannel approach and invest in the seamless integration of the different distribution channels (bank branches, insurance agencies of KBC Insurance, regional advisory centres, websites and mobile apps). KBC is also investing specifically in the further digital development of its banking and insurance services. Where necessary, KBC will collaborate with partners through 'eco-systems' which enable it to offer its clients comprehensive solutions;
- to exploit the potential in Brussels more efficiently via the separate new brand, KBC Brussels, which reflects the capital's specific cosmopolitan character and is designed to better meet the needs of the people living there;
- to expand bank-insurance services at CBC Banque in specific market segments and to expand its presence and accessibility in Wallonia;
- to work on the ongoing optimisation of the bank-insurance model in Belgium;
- to continue the pursuit of becoming the reference bank for SME's and mid-cap enterprises based on thorough knowledge of the client and a personal approach; and
- that its commitment to Belgian society is reflected in initiatives in areas including environmental protection, financial literacy, entrepreneurship and demographic ageing, as well as in KBC's active participation in the mobility debate.

**Activities in Central and Eastern Europe**

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

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

\*\* ČSOB Bank branches + Postal Savings Bank financial centres + Era branches

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

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

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

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

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

namely ČSOB in the Slovak Republic, K&H Bank in Hungary and UBB (including CIBANK) in Bulgaria, plus KBC Bank Ireland's Irish operations.

The focus of KBC Bank Group in the future is the following:

- in relation to the Czech Republic Business Unit:
  - to move from largely channel-centric solutions to solutions that are client-centric and are based on an integrated model that brings together clients, third parties and KBC Bank Group's bank-insurer;
  - to offer new non-financial products and services to add value for clients and to further enhance client satisfaction, taking use of digital opportunities and taking account of new trends, shifting client behaviour and new regulations;
  - to continue to concentrate on simplifying products, IT capabilities, organisation, the bank distribution network, the head office and branding in order to achieve even greater cost efficiency;
  - to expand the bank-insurance activities through steps like introducing a progressive and flexible pricing model, developing combined banking and insurance products, and strengthening the insurance sales teams;
  - to keep expanding in traditionally strong fields, such as lending to businesses and providing home loans. KBC Bank Group also wants to advance in areas – for example in relation to SME and consumer loans – where it has yet to tap its full potential; and
  - its social commitment is expressed in the focus on environmental awareness, financial literacy, entrepreneurship and demographic ageing;
- in relation to the International Markets Business Unit (excluding Ireland):
  - to move from a branch-oriented distribution model to an omnichannel model;
  - to target income growth in Hungary through vigorous client acquisition in all banking segments and through more intensive cross-selling, in order to raise market share and profitability, and to simplify products and processes;
  - to maintain robust growth in strategic products in the Slovak Republic (e.g., home loans, consumer finance, SME funding and leasing), partly through cross-selling to ČSOB group clients. As is the case in Hungary, simplifying products and processes is another key focus;
  - to focus in Bulgaria on substantially increasing the share of the lending market in all segments, while applying a strict risk framework. The acquisition of United Bulgarian Bank fits this strategy perfectly; and
  - to implement a socially responsible approach in all relevant countries, with a particular focus on environmental awareness, financial literacy, entrepreneurship and health.

On 30 December 2016, KBC Group NV announced that it and the National Bank of Greece S.A. (“**NBG**”), the Greek parent company of United Bulgarian Bank (“**UBB**”), reached an agreement for KBC Group NV to acquire ownership of 99.9% of the shares in the share capital of UBB, the fourth largest bank in Bulgaria in terms of assets. KBC Group NV also acquired all shares in Interlease, the third largest provider of leasing services in Bulgaria. The total consideration amounted to EUR 610 million. This acquisition was completed mid-June 2017.

With these acquisitions, KBC aims to become the reference in bank-insurance in Bulgaria, a country with strong macroeconomic fundamentals and attractive opportunities for the further development of financial services. This also results in KBC now being active in leasing, asset management and factoring in Bulgaria, enabling the Group to offer its clients a full range of financial services there.

In December 2017, KBC Asset Management sold 100% of the shares in its wholly-owned subsidiary KBC TFI in Poland to the PKO Bank Polski group, the largest bank in Poland. This deal is fully in line with the strategy of KBC Group, which focuses on retail clients, SMEs and midcaps in its core markets of Belgium, the Czech Republic, the Slovak Republic, Hungary, Bulgaria and Ireland. The deal had a negligible impact on KBC Group's results. KBC TFI was established in 2002, targeting private and professional clients with a broad range of investment products through a diverse distribution network of primarily leading Polish banks, but also insurers, brokers and financial intermediaries. KBC TFI manages local funds and private mandates, but also distributes foreign funds denominated in PLN.

### **Activities in the rest of the world**

A number of companies belonging to KBC Bank Group are also active in, or have outlets in, countries outside the home markets, among which KBC Bank, which has a network of foreign branches and KBC Bank Ireland. See also the list of main companies (under Section 7 – “*Main companies which are subsidiaries of KBC Bank Group or in which it has significant holdings as of 31 December 2017*”) or the full list in the 2017 annual report of KBC Bank.

The loan portfolio of KBC Bank Ireland plc stood at approximately EUR 12 billion as at the end of June 2018, approximately 90% of which relates to mortgage loans. At the end of June 2018, approximately 36% (EUR 4.4 billion) of the total Irish loan portfolio was impaired (of which EUR 2.3 billion more than 90 days past due). For the impaired loans, approximately EUR 1.9 billion impairments have been booked. The Group estimates its share of the Irish retail market in 2017 at 8%. It caters for around 0.3 million clients there. KBC Bank Ireland has sixteen branches (hubs) in Ireland, next to its digital channels. A full profit and loss scheme for Ireland is available in KBC Bank's segment reporting<sup>3</sup>.

On 8 August 2018, KBC Bank Ireland reached an agreement with Goldman Sachs to sell part of its legacy portfolio (approximately EUR 1.9 billion), comprising of non-performing corporate loans, non-performing Irish buy-to-let mortgage loans and performing & non-performing UK buy-to-let mortgage loans. As a result of the transaction, KBC Bank Ireland's impaired loans ratio reduces by roughly 11 percentage points to around 25% pro forma at end of the second quarter of 2018. The transaction is expected to result in a net profit impact of EUR +14 million (based on figures of the first quarter of 2018 and including all costs related to the transaction), a release of risk-weighted assets of approximately EUR 0.4 billion at KBC Bank, leading to an improvement of the KBC Bank's common equity ratio of 8 basis points. The transaction is expected to close in the fourth quarter of 2018.

As regards KBC Group's strategy in Ireland, please refer to section 2 ‘*The strategic plan of KBC Group*’.

The foreign branches of KBC Bank are located mainly in Western Europe, Southeast Asia and the U.S. and focus on serving customers that already do business with KBC Bank's Belgian or Central and Eastern European network. In the past years, many of the other (niche) activities of these branches have been built down, stopped or sold, and the pure international credit portfolio has been scaled down.

In KBC Group's financial reporting, KBC Bank Ireland is included in the International Markets Business Unit, while the foreign branches of KBC Bank are part of the Belgium Business Unit. The three business units (Belgium, Czech Republic and International Markets) are supplemented by the group centre (the

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<sup>3</sup> Segment reporting based on the management structure in the Financial Statements of the annual and semi-annual reports, available on [www.kbc.com](http://www.kbc.com).

“**Group Centre**”). The Group Centre includes the operational costs of the holding activities of the group, certain capital and liquidity management related costs, costs related to the holding of participations and the results of the remaining companies or activities earmarked for divestment or in run-down. It also includes results related to the legacy businesses (CDOs, divestment results; both immaterial since 2015) and the valuation of own credit risk.

## **10. Competition**

All of KBC Bank Group’s operations face competition in the sectors they serve.

Depending on the activity, competitor companies include other commercial banks, saving banks, loan institutions, consumer finance companies, investment banks, brokerage firms, insurance companies, specialised finance companies, asset managers, private bankers, investment companies, fintech companies, etc.

In both Belgium and Central and Eastern Europe, KBC Bank Group has an extensive network of branches and KBC Bank Group believes most of its companies have strong name brand recognition in their respective markets.

In Belgium, KBC Bank Group is perceived as belonging to the top three (3) financial institutions. For certain products or activities, KBC Bank Group estimates it has a leading position (e.g. in the area of investment funds). The main competitors in Belgium are BNP Paribas Fortis, Belfius and ING, although for certain products, services or markets, other financial institutions may also be important competitors.

In its Central and Eastern European home markets, KBC Bank Group is one of the important financial groups, occupying significant positions in banking. In this respect, KBC Bank Group competes, in each of these countries, against local financial institutions, as well as subsidiaries of other large foreign financial groups (such as Erste Bank, Unicredit and others).

In the rest of the world, KBC Bank Group’s presence mainly consists of KBC Bank Ireland plc, which is active in Ireland, and a limited number of branches and subsidiaries. In the latter case, KBC Bank Group faces competition both from local companies and international financial groups.

KBC Bank Ireland plc is a challenger bank. Given that it has only launched its retail strategy in 2014, it has a small single digit market share of the outstanding stock in all products except mortgage loans, in which it has a market share of approximately 10%. Its main competitors are the large domestic banks such as Allied Irish Banks plc and Bank of Ireland plc.

## **11. Staff**

As at the end of 2017, KBC Bank Group had, on average and on a consolidated basis, about 29,000 employees (in full time or equivalent numbers), the majority of whom were located in Belgium (largely in KBC Bank) and Central and Eastern Europe. These figures take account of all acquisitions and divestments. More specifically, they include the acquisition of UBB and Interlease in Bulgaria (as these companies were only acquired mid 2017, only their figures of the last six months of 2017 have been included in the KBC Bank Group’s average figures mentioned above (1,156 full time or equivalent). In addition to consultations, at works council meetings and at meetings with union representatives and with other consultative bodies, KBC Bank Group also works closely in other areas with employee associations. There are various collective labour agreements in force.

## **12. Risk management**

Mainly active in banking, insurance and asset management, KBC Group is exposed to a number of typical risks such as – but certainly not exclusively – credit risk, market risks, movements in interest rates and

exchange rates, currency risk, liquidity risk, insurance underwriting risk, operational risk, exposure to emerging markets, changes in regulations and customer litigation as well as the economy in general.

Risk management in KBC Group is effected group-wide. As a consequence, the risk management for KBC Bank is embedded in KBC Group risk management and cannot be seen separately from it. A description of the risk management is available in the 2017 Risk Report, which is available on the website at [www.kbc.com](http://www.kbc.com)<sup>4</sup>.

### **Risk governance**

Below follows a description of credit risk, market risk (relating to trading and non-trading activities), liquidity risk and operational risk. A selection of figures on credit risk, asset and liability management (“ALM”) and market risk in trading activities are provided under “*Credit Risk*” and “*Asset and Liability Management (market risks in non-trading activities)*”.

- Credit risk is the potential negative deviation from the expected value of a financial instrument arising from the non-payment or non-performance by a contracting party (for instance, a borrower), due to that party’s insolvency, inability or lack of willingness to pay or perform, or to events or measures taken by the political or monetary authorities of a particular country (country risk). Credit risk thus encompasses default risk and country risk, but also includes migration risk which is the risk for adverse changes in credit ratings.
- Market risk in trading activities is defined as the potential negative deviation from the expected value of a financial instrument (or portfolio of such instruments) due to changes in the level or in the volatility of market prices, e.g. interest rates, exchange rates, equity or commodity prices. The interest rate, foreign exchange and equity risks of the non-trading positions in the banking book are all included in ALM exposure.
- Market risk in non-trading activities (also known as Asset and Liability Management) is the process of managing the KBC Bank Group’s structural exposure to market risks. These risks include interest rate risk, equity risk, real estate risk, foreign exchange risk and inflation risk.
- Liquidity risk is the risk that an organisation will be unable to meet its payment obligations as they come due, without incurring unacceptable losses. The principal objective of KBC Bank Group’s liquidity management is to be able to fund such needs and to enable the core business activities of KBC Bank Group to continue to generate revenue, even under adverse circumstances.
- Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, human error or from sudden external events, whether man-made or natural. Operational risks exclude business, strategic and reputational risks.

KBC Group’s risk governance framework defines the responsibilities and tasks required to manage value creation and the associated risks. In recent years, KBC Group’s risk management framework underwent significant changes with regard to governance and structure. The goal of these changes was to further improve KBC Group’s ability to deal decisively with major economic events in the future by creating an adjusted and comprehensive integrated model that aligns all dimensions of risk, capital and value management.

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<sup>4</sup> [www.kbc.com/en/risk-reports](http://www.kbc.com/en/risk-reports).

## Credit risk

The main source of credit risk is the loan & investment portfolio of KBC Bank Group. A snapshot of this portfolio is shown in the table below.

### Loan & investment portfolio:

As far as the banking activities are concerned, the main source of credit risk is the loan portfolio. It includes all payment credit, guarantee credit, standby credit and credit derivatives, granted by KBC to private persons, companies, governments and banks. Bonds held in the investment portfolio are included, except for the corporate or bank issued, hence governments bonds and trading book exposure.

Since the first quarter of 2018, a switch has been made in the reported 'outstanding' figures from drawn principal to the new IFRS9 definition of gross carrying amount ("GCA"), i.e., including reserved and accrued interests. The additional inclusion of reserved interests increased amongst others the reported amount of impaired loans. Furthermore, the transaction scope of the credit portfolio was extended and this includes now the following four elements: (1) bank exposure (money market placements, documentary credit, accounts), (2) debtor risk KBC Commercial Finance, (3) unauthorised overdrafts and (4) reverse repos (excluding the central bank exposure).

	31 December 2015	31 December 2016	31 December 2017	30 June 2018
<b>Total loan portfolio (in billions of euro)</b>				
Portfolio outstanding and undrawn	174	181	191	207
Portfolio outstanding	143	148	154	167
<b>Loan portfolio breakdown by business unit (as a % of the portfolio of credit outstanding)</b>				
Belgium	65%	65%	63%	65%
Czech Republic	14%	15%	16%	15%
International Markets	18%	17%	18%	17%
Group Centre (IFRS 5 scope)	3%	3%	3%	2%
Total	100%	100%	100%	100%
<b>Loan portfolio breakdown by counterparty sector (as a % of the portfolio of credit outstanding)</b>				
Non-financial services	11%	12%	12%	11%
Retail and wholesale trade	8%	8%	8%	7%
Real estate (risk)	7%	7%	7%	7%
Construction	4%	4%	4%	4%
<b>Impaired loans (in millions of euro or %)</b>				
Amount outstanding	12,305	10,583	9,186	9,175
Stage 3 loan impairments	5,517	4,874	4,039	4,403
<b>Credit cost ratio, per business unit</b>				
Belgium	0.19%	0.12%	0.09%	0.08%
Czech Republic	0.18%	0.11%	0.02%	0.03%

*Description of the Guarantor*

International Markets	0.32%	-0.16%	-0.74%	-0.71%
Group Centre	0.54%	0.67%	0.40%	0.93%
Total	0.23%	0.09%	-0.06%	0.10%
<b>Impaired loans that are more than 90 days past due (PD 11 + 12; in millions of euro or %)</b>				
Impaired loans that are more than 90 days past due	6,936	5,711	5,242	5,348
Stage 3 loan impairments	4,183	3,603	3,361	3,621
Ratio of impaired loans that are more than 90 days past due, per business unit				
Belgium	2.2%	1.7%	1.4%	1.2%
Czech Republic	2.5%	1.9%	1.6%	1.5%
International Markets	16.0%	13.4%	11.3%	11.5%
Group Centre	6.1%	5.8%	7.3%	8.9%
Total	4.8%	3.9%	3.4%	3.2%
<b>Cover ratio (Stage 3 loan loss impairment)/(impaired loans)</b>				
Total	45%	46%	44%	48%
Total, excluding mortgage loans	53%	54%	54%	57%

The normal loan portfolio is split into internal rating classes ranging from 1 (lowest risk) to 9 (highest risk) reflecting the probability of default (“PD”). An internal rating ranging from PD 10 to PD 12 is assigned to a defaulted obligor. PD class 12 is assigned when either one of the obligor’s credit facilities is terminated by the bank, or when a court order is passed instructing repossession of the collateral. PD class 11 is assigned to obligors that are more than 90 days past due (in arrears or overdrawn), but that do not meet PD 12 criteria. PD class 10 is assigned to obligors for which there is reason to believe that they are unlikely to pay (on time), but that do not meet the criteria for classification as PD class 11 or PD class 12. ‘Defaulted’ status is fully aligned with ‘non-performing’ status and ‘impaired’ status. Obligor in PD classes 10, 11 and 12 are therefore referred to as ‘defaulted’ and ‘impaired’. Likewise, ‘performing’ status is fully aligned with ‘non-defaulted’ and ‘non-impaired’ status.

Loans to large corporations are reviewed at least once a year, with the internal rating being updated as a minimum. If the ratings are not updated in time, a capital add-on is imposed. Loans to SME’s and to private individuals are reviewed periodically. During this review, any new information that is available (such as arrears, financial data or a significant change in the risk class) will be taken into account. This monthly exercise can trigger a more in-depth review or may result in action being taken towards the client.

For credit linked to defaulted borrowers in PD classes 10 to 12, the impairment losses are recorded based on an estimate of the net present value of the recoverable amount. This is done on a case-by-case basis and on a statistical basis for smaller credit facilities. In addition, for non-defaulted credit in PD class 1 to 9 impairment losses are recorded on a portfolio basis, using a formula based on the IRB advanced models used internally, or an alternative method if a suitable IRB advanced model is not yet available. The “credit cost ratio” is defined as net changes in specific and portfolio-based impairment for credit risks divided by the average outstanding loan portfolio.

As of 2018, impairment losses are recorded according to the IFRS9 requirements (calculated on a lifetime expected credit loss (“ECL”) basis for defaulted borrowers and on a twelve-month or lifetime ECL basis

for non-defaulted borrowers depending on whether there has been a credit risk deterioration and a corresponding shift from ‘stage 1’ to ‘stage 2’.

Under IFRS9, files are allocated in three stages: ‘stage 1’ allocates performing files, ‘stage 2’ allocates underperforming files and ‘stage 3’ allocates non-performing files (PD 10-12, as mentioned above). At origination, all files are allocated to ‘stage 1’. If a file experiences a negative change in credit risk, compared to its origination, it will shift from ‘stage 1’ to ‘stage 2’, or to ‘stage 3’ in case the file would go into default.

### **Structured credit exposure KBC Group (CDOs and other ABS)**

As at 31 December 2017, at EUR 1.0 billion, the total net portfolio (i.e., excluding de-risked positions) of structured credit products (consisting primarily of European residential mortgage-backed securities (RMBS)) decreased EUR 0.4 billion on its level at year-end 2016, due to redemptions. No new investments have been made in 2017.

### **Asset and Liability Management (market risks in non-trading activities)**

The main technique KBC uses to measure interest rate risks is the 10 basis point value (“BPV”). The 10 BPV measures the extent to which the value of the portfolio would change if interest rates were to go up by ten basis points across the entire curve (negative figures indicate a decrease in the value of the portfolio). KBC also uses other techniques such as the gap analysis, scenario analysis and stress testing (both from a regulatory capital perspective and from a net income perspective). More details are available in the 2017 annual report of KBC Bank.

### **BPV (10 basis points) of the ALM-book of KBC Bank Group (in millions of euro) (unaudited figures, except for those ‘As at 31 December’)**

Average of 1Q 2015	-63
Average of 2Q 2015	-46
Average of 3Q 2015	-33
Average of 4Q 2015	-30
As at 31 December 2015	-30
Average of 1Q 2016	-24
Average of 2Q 2016	-35
Average of 3Q 2016	-50
Average of 4Q 2016	-83
As at 31 December 2016	-83
Average of 1Q 2017	-79
Average of 2Q 2017	-74
Average of 3Q 2017	-73
Average of 4Q 2017	-76
As at 31 December 2017	-76

### **Market risk management**

KBC Bank Group is exposed to market risk via the trading books of our dealing rooms in Belgium, the Czech Republic, the Slovak Republic and Hungary, as well as via a minor presence in the UK. and Asia. Limited trading activities are also carried out at the recently acquired United Bulgarian Bank (UBB) in Bulgaria (regulatory capital charges for market risk amounted to EUR 6 million at the end of 2017). The dealing rooms, with the dealing room in Belgium accounting for the lion’s share of the limits and risks, focus on trading in interest rate instruments, while activity on the foreign exchange markets has traditionally been limited. All dealing rooms focus on providing customer service in money and capital market products and on funding the bank activities.

As regards the legacy CDO business, the remaining small positions were completely closed out in April 2017, which resulted in the definitive and complete closure of this business line. The reverse mortgages and insurances derivatives legacy business lines have been transferred from KBC Investments Limited to KBC Bank, as only a small quantity of contracts remain (accounting for approximately 1% of the total regulatory capital charges for market risk set out in the table at the end of this section). The fund derivatives legacy business line has been almost completely wound down, which means that KBC Investments Limited will be dissolved in the near future.

The table below shows the Historical Value-at-Risk (HVaR; 99% confidence interval, ten-day holding period, historical simulation) for the linear and non-linear exposure of all the dealing rooms of KBC Group.

More details are available in the 2017 annual report of KBC Bank.

**Market risk HVaR <sup>1</sup> (Ten-day holding period, in millions of euro)**

	<b>KBC Bank</b>
Average, 1Q 2015.....	14
Average, 2Q 2015.....	15
Average, 3Q 2015.....	15
Average, 4Q 2015.....	16
<i>End of period</i> .....	18
<i>Maximum in year</i> .....	21
<i>Minimum in year</i> .....	12
Average, 1Q 2016	16
Average, 2Q, 2016	15
Average, 3Q 2016	15
Average, 4Q 2016	14
<i>End of period</i>	20
<i>Maximum in year</i>	20
<i>Minimum in year</i>	11
Average, 1Q 2017	19
Average, 2Q 2017	26
Average, 3Q 2017	27
Average, 4Q 2017	22
<i>End of period</i>	18
<i>Maximum in year</i>	31
<i>Minimum in year</i>	15
Average, 1Q 2018	18
Average, 2Q 2018	16

### Regulatory capital charges for market risk

As shown in the table below, in 2017 approximately 90% of the regulatory capital requirements were calculated using Approved Internal Models (“AIMs”). In previous years, this used to be the sum of the regulatory capital requirements calculated using the AIMs of KBC Bank NV, KBC Investments Limited – both models were authorised by the Belgian regulator – and ČSOB in the Czech Republic, whose model was authorised by the Czech Republic regulator. In June 2017, the ECB approved the integration of the European equity derivatives trading activities (the only trading activity in KBC Investments Limited’s AIM) into KBC Bank’s AIM, thus resulting in two AIMs instead of three (cutting costs and reducing complexity). The two AIMs are also used for the calculation of Stressed VaR (“SVaR”), which is one of the CRD III Regulatory Capital charges that entered into effect at year-end 2011. The calculation of an SVaR measure is based on the normal VaR calculations and follows the same methodological assumptions, but is constructed as if the relevant market factors were experiencing a period of stress. The period of stress is calibrated at least once a year by determining which 250-day period between 2006 and the (then) present day produces the severest losses for the relevant positions.

The resulting capital requirements for trading risk at year-end 2016 and 2017 are shown in the table below. It shows the regulatory capital requirements by risk type, as assessed by the internal model. The regulatory capital requirements for the trading risk of local KBC entities (where, for reasons of materiality, approval was not sought from the regulator to use an internal model for capital calculations), as well as the business lines not included in the VaR calculations, are measured according to the Standardised approach and likewise shown by risk type.

### Trading Regulatory Capital Requirements by risk type for KBC Group (in millions of euro)

		Interest rate risk	Equity risk	FX risk	Commodity risk	Resecuritisation	Total
<i>31-12-2016</i>							
Market risks assessed by internal model	HVaR	57	2	7	-	-	156
	SVaR	74	2	14	-	-	
Market risks assessed by the Standardised Approach		18	4	13	0	1	37
Total		150	8	34	0	1	193
<i>31-12-2017</i>							
Market risks assessed by internal model	HVaR	77	3	5	-	-	235
	SVaR	129	7	14	-	-	
Market risks assessed by the Standardised Approach		18	6	9	0	0	33
Total		225	16	28	0	0	269

## 13. Banking supervision and regulation

### Introduction

KBC Bank, a credit institution governed by the laws of Belgium, is subject to detailed and comprehensive regulation in Belgium, and is supervised by the European Central Bank (“ECB”), acting as the supervisory authority for prudential supervision of significant financial institutions. The ECB exercises its prudential supervisory powers by means of application of EU rules and national (Belgian) legislation. The supervisory powers conferred to the ECB include, amongst others, the granting and withdrawal of authorisations to and from credit institutions, the assessment of acquisitions and disposals of qualifying holdings in credit institutions, ensuring compliance with the rules on equity, liquidity, statutory ratios and the carrying out of supervisory reviews (including stress tests) for credit institutions.

Pursuant to Regulation (EU) n° 468/2014 of 16 April 2014 establishing a framework for cooperation within the Single Supervisory Mechanism between the ECB and national competent authorities, a joint supervisory team has been established for the prudential supervision of KBC Bank (and KBC Group NV). This team is composed of staff members from the ECB and from the national supervisory authority (in casu the NBB) and working under the coordination of an ECB staff member.

The Financial Services and Markets Authority (“**FSMA**”), an autonomous public agency, is in charge of the supervision of conduct of business rules for financial institutions and financial market supervision.

EU directives have had and will continue to have a significant impact on the regulation of the banking business in the EU, as such directives are implemented through legislation adopted in each Member State, including Belgium. The general objective of these EU directives is to promote the realisation of a unified internal market for banking services and to improve standards of prudential supervision and market efficiency through harmonisation of core regulatory standards and mutual recognition among EU Member States of regulatory supervision and, in particular, licensing.

### **Supervision and regulation in Belgium**

The banking regime in Belgium is governed by the Law of 25 April 2014 on the legal status and supervision of credit institutions and stockbroking firms (the “**Banking Law**”). The Banking Law replaces the Law on the legal status and supervision of credit institutions of 22 March 1993 and implements various EU directives, including, without limitation, Directive 2013/36/EU of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (“**CRD**”) and, where applicable, Regulation (EU) n° 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms (“**CRR**”, and together with CRD, “**CRD IV**”), and Directive 2014/59 of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (“**BRRD**”). CRD IV applies in Belgium since 1 January 2014, subject to certain requirements being phased in over a number of years, as set out therein. BRRD has formally been transposed into Belgian Law by amending the Banking Law with effect from 16 July 2016.

The Banking Law sets forth the conditions under which credit institutions may operate in Belgium and defines the regulatory and supervisory powers of the ECB and the NBB. The main objective of the Banking law is to protect public savings and the stability of the Belgian banking system in general.

### **Supervision of credit institutions**

- (1) All Belgian credit institutions must obtain a license from the ECB before they may commence operations. In order to obtain a license and maintain it, each credit institution must fulfil numerous conditions, including certain minimum paid-up capital requirements. In addition, any shareholder holding 10% or more (directly or indirectly, alone, together with affiliated persons or in concert with third parties) of the capital or the voting rights of the institution must be of “fit and proper” character to ensure proper and prudent management of the credit institution. The ECB therefore requires the disclosure of the identity and participation of any shareholder with a 10% or greater capital or voting interest. If the ECB considers that the participation of a shareholder in a credit institution jeopardises its sound and prudent management, it may suspend the voting rights attached to this participation and, if necessary, request that the shareholder transfers to a third party its participation in the credit institution. Prior notification to and non-opposition by the ECB is required each time a person intends to acquire shares in a credit institution, resulting either in the direct or indirect ownership of a qualified holding of the capital or voting rights (i.e., 10% or more), or in an increase of such qualified holding thereby attaining or surpassing 20%, 30% or 50%, or when the credit institution would become his subsidiary. Furthermore, a shareholder who wishes to directly or indirectly sell his participation or a part thereof, which would result in his shareholding dropping below any of the

above-mentioned thresholds, must notify the ECB thereof. The Belgian credit institution itself is obliged to notify the ECB of any such transfer when it becomes aware thereof. Moreover, every shareholder acquiring, decreasing or increasing its holding (directly or indirectly, alone, together with affiliated persons or in concert with third parties) to 5% or more of voting rights or capital without reaching the qualifying holding threshold of 10%, must notify the ECB thereof within ten (10) working days.

- (2) The Banking Law requires credit institutions to provide detailed periodic financial information to the ECB and, under certain circumstances, the FSMA. The ECB also supervises the enforcement of laws and regulations with respect to the accounting principles applicable to credit institutions. The ECB sets the minimum capital adequacy ratios applicable to credit institutions. The ECB may also set other ratios, for example, with respect to the liquidity and gearing of credit institutions. It also sets the standards regarding solvency, liquidity, risk concentration and other limitations applicable to credit institutions and the publication of this information. The NBB may in addition impose capital requirements for capital buffers (including countercyclical buffer rates and any other measures aimed at addressing systemic or macro-prudential risks). In order to exercise its prudential supervision, the ECB may require that all information with respect to the organisation, the functioning, the position and the transactions of a credit institution be provided to it. Further, the ECB supervises, among other things, the management structure, the administrative organisation, the accounting and the internal control mechanisms of a credit institution. In addition, the ECB may conduct on-site inspections (with or without the assistance of NBB staff). The comprehensive supervision of credit institutions is also exercised through statutory auditors who cooperate with the supervisor in its prudential supervision. A credit institution selects its statutory auditor from the list of auditors or audit firms accredited by the NBB. Within the context of the European System of Central Banks, the NBB issues certain recommendations regarding monetary controls.
- (3) The Banking Law has introduced a prohibition in principle on proprietary trading as from 1 January 2015. However, certain proprietary trading activities are excluded from this prohibition. Permitted proprietary trading activities (including certified market-making, hedging, treasury management, and long-term investments) are capped, and these types of activities must comply with strict requirements on reporting, internal governance and risk management.
- (4) The Banking Law establishes a range of instruments to tackle potential crises of credit institutions at three stages:

- (a) Preparation and prevention

Credit institutions have to draw up recovery plans, setting out the measures they would take to restore their financial position in the event of a significant deterioration to their financial position. These recovery plans must be updated at least annually or after a change to the legal or organisational structure of the institution, its business or its financial situation, which could have a material effect on, or necessitates a change to, the recovery plans. In its review of the recovery plan, the ECB pays particular attention to the appropriateness of the capital and financing structure of the institution in relation to the degree of complexity of its organisational structure and its risk profile.

The Single Resolution Board will have to prepare a resolution plan for each significant Belgian credit institution, laying out the actions it may take if it were to meet the conditions for resolution (as set out in (c) below). The resolution college of the NBB has the same powers with regard to the non-significant Belgian credit institutions. If the Single Resolution Board or the Resolution College identifies material impediments to resolvability during the course

of this planning process, it can require a credit institution to take appropriate measures, including changes to corporate and legal structures.

(b) Early intervention

The ECB and the NBB dispose of a set of powers to intervene if a credit institution faces financial distress (e.g. when a credit institution is not operating in accordance with the provisions of the Banking Law or CRD IV), but before its financial situation deteriorates irreparably. These powers include the ability to dismiss the management and appoint a special commissioner, to convene a meeting of shareholders to adopt urgent reforms, to suspend or prohibit all or part of the credit institution's activities (including a partial or complete suspension of the execution of current contracts), to order the disposal of all or part of the credit institution's shareholdings, and finally, to revoke the license of the credit institution.

(c) Resolution

In relation to credit institutions falling within the scope of the Single Supervisory Mechanism, such as KBC Bank NV (and KBC Group NV), the Single Resolution Board is the resolution decision-making authority since 1 January 2016. Pursuant to Regulation (EU) No 806/2014 of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund, the Single Resolution Board replaced national resolution authorities (such as the Resolution College of the NBB) for resolution decisions with regard to significant credit institutions.

The resolution authority can decide to take resolution measures if it considers that all of the following circumstances are present: (i) the determination has been made by the resolution authority, after consulting the competent authority, that a credit institution is failing or is likely to fail; (ii) there is no reasonable prospect that any alternative private sector measures or supervisory action can be taken to prevent the failure of the institution, and (iii) resolving the credit institution is necessary from a public interest perspective.

The resolution tools are: (i) the sale of (a part of) the assets/liabilities or the shares of the credit institution without the consent of shareholders, (ii) the transfer of business to a temporary structure ("bridge bank"), (iii) the separation of clean and toxic assets and the transfer of toxic assets to an asset management vehicle and (iv) bail-in. Each decision will be subject to prior judicial control.

The fourth resolution tool, i.e. the bail-in tool, entered into force on 1 January 2016. It was implemented into Belgian law through the Royal Decree of 18 December 2015 implementing the Banking Law. Bail-in is a mechanism to write down the eligible liabilities (subordinated debt, senior debt and eligible deposits, including the Warrants) or to convert debt into equity, as a means of restoring the institution's capital position. The bail-in tool also applies to existing debt instruments.

The resolution authority is also empowered (and in certain circumstances required) to write down or convert capital instruments (such as Common Equity Tier 1-, Additional Tier 1- and Tier 2-instruments), before or together with the use of any resolution tools, if it determines that a credit institution becomes non-viable, that the conditions for the exercise of the resolution powers are fulfilled and/or that a credit institution has asked for public support.

The applicability of the resolution tools and measures to credit institutions that are part of a cross-border group are regulated by the Royal Decree of 26 December 2015 amending the Banking Law, which entered into force on 1 January 2016.

### **Bank governance**

The Banking Law also puts a lot of emphasis on the solid and efficient organisation of credit institutions and introduces to that effect, a dual governance structure at management level, specialised advisory committees within the Board of Directors (Audit Committee, Risk Committee, Remuneration Committee and Nomination Committee), independent control functions, and strict remuneration policies (including limits on the amount of variable remuneration, the form and timing for vesting and payment of variable remuneration, as well as claw-back mechanics).

The Banking Law makes a fundamental distinction between the management of banking activities, which is within the competence of the Executive Committee, and the supervision of management and the definition of the credit institution's general and risk policy, which is entrusted to the Board of Directors. According to the Banking Law, KBC Bank has an Executive Committee of which each member is also a member of the Board of Directors.

Pursuant to the Banking Law, the members of the Executive Committee and the Board of Directors need to permanently have the required professional reliability and appropriate experience. The same goes for the responsible persons of the independent control functions. The fit and proper standards have been further elaborated by the NBB in a circular of 17 June 2013.

The NBB Governance Manual for the Banking Sector (the “**Governance Manual**”) contains recommendations to assure the suitability of shareholders, management and independent control functions and the appropriate organisation of the business.

As required by the Banking Law and the Governance Manual, KBC has drafted a Group Internal Governance Memorandum (the “**Governance Memorandum**”), which sets out the corporate governance policy applying to KBC Group NV and its subsidiaries and of which the governance memorandum of KBC Bank forms part. The corporate governance policy of a credit institution must meet the principles set out in the law and the Governance Manual. The most recent version of the Governance Memorandum was approved on 14 December 2017 by the Board of Directors of KBC Group NV, KBC Bank NV and KBC Insurance NV and has been sent to the NBB.

KBC Bank also has a Corporate Governance Charter which is published on [www.kbc.com](http://www.kbc.com).

### **Solvency supervision**

Capital requirements and capital adequacy ratios are provided for in the CRR, transposing the Basel III regulation into European law. CRR requires that credit institutions must comply with several minimum solvency ratios. These ratios are defined as Common Equity Tier 1, Tier 1 or Total Capital divided by risk weighted assets. Risk weighted assets are the sum of all assets and off-balance sheet items weighted according to the degree of credit risk inherent in them. The solvency ratios also takes into account market risk with respect to the bank's trading book (including interest rate and foreign currency exposure) and operational risk in the calculation of the weighted risk. On top of the capital requirements defined by the solvency ratios, the regulation imposes a capital conservation buffer and, in certain cases a systemic risk buffer and/or a countercyclical buffer.

Solvency is also limited by the leverage ratio, which compares Tier 1 capital to non-risk weighted assets.

The minimum solvency ratios required under CRD IV/CRR are 4.5% for the common equity tier-1 (“**CET1**”) ratio, 6.0% for the tier-1 capital ratio and 8.0% for the total capital ratio (i.e., the pillar 1 minimum

ratios). As a result of its supervisory review and evaluation process (“SREP”), the competent supervisory authority (in KBC Group’s case, the ECB) can require that higher minimum ratios be maintained (i.e., the pillar 2 requirements which in 2016 have been split by the ECB in a pillar 2 requirement and a pillar 2 guidance) because, for instance, not all risks are properly reflected in the regulatory pillar 1 calculations. On top of this, a number of additional buffers have to be put in place, including a capital conservation buffer of 2.5% (to be phased in between 2016 and 2019), a buffer for systemically important banks (“O-SII buffer”, to be determined by the national competent authority) and a countercyclical buffer in times of credit growth (between 0% and 2.5%, likewise to be determined by the national competent authority). These buffers need to be met using CET1 capital, the strongest form of capital.

In the context of its supervisory authority, the ECB requires KBC Group to maintain (i) a pillar 2 requirement (P2R) of 1.75% CET1 and (ii) a pillar 2 guidance (P2G) of 1.0% CET1.

The capital requirement for KBC Group is not only determined by the ECB but also by decisions of the various local competent authorities in KBC’s core markets. The Czech and Slovak competent authorities require a countercyclical buffer requirement of 1.25% on relevant credit exposures in their jurisdiction, which corresponds with an additional CET1 requirement at Group level of 0.35%. The NBB requires an additional capital buffer for other systemically important banks of 1.5% in 2018.

The capital conservation buffer currently stands at 1.875% for 2018, and will increase to 2.50% in 2019. These buffers come on top of the minimum CET1 requirement of 4.5% under pillar 1. Altogether, this brings the fully loaded CET1 requirement (under the Danish compromise) to 10.60% with an additional 1% pillar 2 guidance.

Furthermore, since part of the requirements are gradually built up by 2019, the relevant requirement (under the Danish compromise) for 2018 on a phased-in basis is at a lower level, i.e., 9.875% CET1.

The following table provides an overview of the phased CET1 requirement for 2018 and the fully loaded CET1 requirement:

KBC Group	2018	Fully loaded
Pillar 1 minimum requirement (P1 min)	4.50%	4.50%
Pillar 2 requirement (P2R)	1.75%	1.75%
Conservation buffer	1.875%	2.50%
O-SII buffer	1.50%	1.50%
Countercyclical buffer	0.25%	0.35%
Overall capital requirement (OCR) = MDA threshold*	9.875%	10.60%

\*Maximum Distributable Amount under CRD IV

KBC Group clearly exceeds these targets: at year-end 2017, the fully loaded CET1 ratio for KBC Group came to 16.3%, which represented a capital buffer of EUR 5,309 million relative to the minimum requirement of 10.60%.

At year-end 2017, the phased CET1 ratio came to 16.5%, which represented a capital buffer of EUR 6,049 million relative to the minimum requirement of 9.875%.

The payment of dividends by Belgian credit institutions is not limited by Belgian banking regulations, except indirectly through capital adequacy and solvency requirements when capital ratios fall below certain thresholds. The pay-out is further limited by the general provisions of Belgian company law.

### **Large exposure supervision**

European regulations ensure the solvency of credit institutions by imposing limits on the concentration of risk in order to limit the impact of failure on the part of a large debtor. For this purpose, credit institutions must limit the amount of risk exposure to any single counterparty to 25% of the total capital. European regulations also require that the credit institutions establish procedures to contain concentrations on economic activity sectors and geographic areas.

### **Money laundering**

Belgium has implemented Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing by the law of 18 September 2017 on the prevention of money laundering, terrorist financing and on the limitation of the use of cash (the “**Law of 18 September 2017**”). This legislation contains a preventive system imposing a number of obligations in relation to money laundering and the financing of terrorism. These obligations are related, among other things, to the identification of the client, special attention for unusual transactions, internal reporting, processing and compliance mechanisms with the appointment of a compliance officer, and employee training requirements. A risk-based approach assumes that the risks of money laundering and terrorism financing may take various forms. Accordingly, businesses/individuals subject to the Law of 18 September 2017 do have to proceed to a global assessment of the risks they are facing and formulate efficient and adequate measures. The definition of politically exposed people is being broadened. It will encompass not only national persons who are or who have been entrusted with prominent public functions residing abroad, but also those residing in the country. Member States also have to set up a central register which identifies the ultimate beneficial owner of companies and other legal entities. Payments/donations in cash are capped at EUR 3,000. Member States must also provide for enhanced customer due diligence measures for the obliged entities to apply when dealing with natural persons or legal entities established in high-risk third countries.

When, after investigation, a credit or financial institution suspects money laundering to be the purpose of a transaction, it must promptly notify an independent administrative authority, the Financial Intelligence Unit. This Unit is designated to receive reports on suspicious transactions, to investigate them and, if necessary, to report to the criminal prosecutors to initiate proceedings. The NBB has issued guidelines for credit and financial institutions and supervises their compliance with the legislation. Belgian criminal law specifically addresses criminal offences of money-laundering (Article 505, subsection 1, 2°-4° of the Criminal Code) and sanctions them with a jail term of a minimum of fifteen days and a maximum of five years and/or a fine of a minimum of EUR 26 and a maximum of EUR 100,000 (to be multiplied by 6) or, for legal entities, a fine of a minimum of EUR 500 and a maximum of EUR 200,000 (to be increased with the additional penalty or, in other words, to be multiplied by 6).

### **Consolidated supervision – supplementary supervision**

KBC Bank is subject to consolidated supervision by the ECB on the basis of the consolidated financial situation of KBC Group NV, which covers, among other things, solvency as described above, pursuant to Articles 165 and following of the Banking Law. As a subsidiary of a Belgian mixed financial holding company (KBC Group NV) and part of a financial conglomerate, KBC Bank is also subject to the supplementary supervision by the ECB, according to Directive 2011/89/EU of 16 November 2011 amending Directives 98/78/EC, 2002/87/EC, 2006/48/EC and 2009/138/EC as regards the supplementary supervision of financial entities in a financial conglomerate (implemented in Articles 185 and following of the Banking Law). The supplementary supervision relates to, among other things, solvency, risk concentration and intra-group transactions and to enhanced reporting obligations.

The consolidated supervision and the supplementary supervision will be aligned as much as possible, as described in Article 170 of the Banking Law.

### **KBC Asset Management**

As from June 2005, the status of KBC Asset Management has been changed from “investment firm” to a “management company of undertakings for collective investment in transferable securities (UCITS)” (a “**UCITS-management company**”). Its activities are, inter alia, the management of UCITS and the management of portfolios of investments in accordance with mandates given by investors on a discretionary, client-by-client basis. KBC Asset Management is subject to detailed, comprehensive regulation in Belgium, supervised by the FSMA.

The UCITS-management company regime in Belgium is governed by the Law of 3 August 2012 on certain forms of collective management of investment portfolios (the “**Law of 3 August 2012**”). The Law of 3 August 2012 implements European Directive 2001/107/EC of 21 January 2002 relating to UCITS, as amended from time to time. The Law of 3 August 2012 regulates management companies and sets forth the conditions under which UCITS-management companies may operate in Belgium; furthermore, it defines the regulatory and supervisory powers of the FSMA.

The regulatory framework concerning supervision on UCITS-management companies is mostly similar to the regulation applicable to investment firms. The Law of 3 August 2012 contains, inter alia, the following principles:

- certain minimum paid-up capital requirements and rules relating to changes affecting capital structure;
- obligation for management companies to carry out their activities in the interests of their clients or of the UCITS they manage (e.g. creation of Chinese walls);
- obligation to provide, on a periodical basis, a detailed financial statement to the FSMA;
- supervision by the FSMA; and
- subjection to the control of the statutory auditor.

## **14. Material contracts**

KBC Bank has not entered into any material contracts outside the ordinary course of its business which could result in any member of KBC Bank Group being under an obligation or entitlement that is material to KBC Bank’s ability to meet its obligations to Warranholders.

## **15. Recent events**

Information about recent events in relation to the Guarantor can be found in the following sections: “2. The strategic plan of KBC Group” (pages 176 to 179), “3. Management structure” (pages 179 to 180), “4. Short presentation of KBC Bank Group” (page 180), “8. General description of activities of KBC Bank Group” (page 183), “9. Principal markets and activities” (pages 183 to 188), “12. Risk management” (pages 188 to 194), “13. Banking supervision and regulation” (pages 194 to 201) and “21. Litigation” (pages 208 to 214). Detailed information is set out in KBC Group’s and KBC Bank’s press releases and financial reports, all of which are available on [www.kbc.com](http://www.kbc.com). For the avoidance of doubt, the information available on the KBC website, [www.kbc.com](http://www.kbc.com), shall not be incorporated by reference in, or form part of, this Base Prospectus, unless otherwise specified in the “Documents Incorporated By Reference” section.

## **16. Trend information**

The main sources for this section are the European Banking Authority, the European Central Bank (the “**ECB**”) and the European Commission.

### **Banking sector**

After ongoing recapitalisation in the aftermath of the Eurocrisis, banks in the Eurozone continued to strengthen their balance sheet, closely monitored by the European Single Supervisor. At the same time, they adjusted their business models to the evolving regulatory and challenging operating environment. While overall progress is significant, the results remain uneven across institutions and countries, with Italian and Portuguese banks still facing the toughest challenges. On the other hand, the asset quality of banks in core countries such as Belgium withstood the recent crises years remarkably well and continue to be very good. The Czech and Slovakian banking systems are also characterised by good asset quality, while in Hungary and Bulgaria high non-performing loans are decreasing.

Loan growth in the Eurozone, is strengthening. Looking forward, enhanced economic governance and the banking union, which still needs to be completed, significantly strengthened the Eurozone architecture and offer a more stable banking sector environment than in the pre-crisis years. Amid a benign macroeconomic environment – despite significant emerging risks – profitability continues to improve, but significant challenges remain to enhance cost efficiency in a competitive environment and to withstand ongoing pressure on revenue growth. At the same time new technologies trigger new challenges to business models. Banks with a large customer and diversified income base are likely best suited to cope with these challenges.

### **General economic environment and risks**

The global economy continues to perform solidly. In the United States, annual real gross domestic product (“**GDP**”) growth in 2017 accelerated to 2.3% after its dip in 2016 (1.5%). Growth in the United States was driven primarily by strong private consumption, which was underpinned by improving labour market conditions. Additionally, business spending picked up markedly. After a somewhat weaker growth figure in the first quarter of 2018, GDP growth reached 1.0% in the second quarter of 2018 (quarter-on-quarter; 4.2% annualised). The sharp acceleration was driven by the large growth contribution from private consumption, strong federal spending and an exceptionally high growth contribution of net trade. Corporate sentiment indicators – although down from their recent highs – also continue to signal optimism. Furthermore, the tax reform which the Republicans approved in the United States at the end of 2017 together with more government spending is expected to deliver some additional, albeit modest, boost to growth in 2018-2019. Therefore, average annual GDP growth in the United States is expected to slightly accelerate and reach its peak in 2018. The growth pace will then likely decline in the following years, reflecting the late-cyclical state of the United States economy, the tighter policy of the Federal Reserve System (“**Fed**”) and tightness of the United States labour market. For now, activity and inflation trends will support the Fed to continue with their gradual monetary policy path as planned. Also for the Eurozone economy, 2017 was a very strong year with an average annual growth rate of 2.5%, the highest pace in a decade and beyond any expectations. Private demand played an important role in the growth uptick, but net trade also made a substantial growth contribution. Moreover, business investment, although not fully recovered from the crisis, was an essential growth contributor during the year. In the first half of 2018, Eurozone GDP growth was somewhat lacklustre compared to the strong 2017 figures, with domestic demand as the main driver. Economic sentiment in the Eurozone declined in the first half of 2018. However, it remains at elevated levels, after having reached a seventeen-year high in December 2017. Nevertheless, optimism remains for the Eurozone economy and

above-potential growth in the coming years is still expected. The main risks for the Eurozone economy will be the adverse effects of the ongoing trade conflicts and negative consequences from Brexit.

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

Momentum remains supportive for the US dollar in the short-term as the interest rate differentials with the Eurozone have again reached multi-year highs. However, in the medium to longer term, most factors are pointing to an appreciation of the euro against the US dollar. Expectations of a first ECB rate hike and the consequences of late-cyclical fiscal stimulus (twin deficits) in the United States will lead to a strengthening of the euro.

## **17. Management of KBC Bank**

The Board of Directors of KBC Bank has the powers to perform everything that is necessary or useful to achieve the corporate purpose of KBC Bank, with the exception of those powers of which, pursuant to the law and its Articles of Association, solely another body is empowered to perform.

The corporate purpose of KBC Bank is set out in Article 2 of its Articles of Association. It includes the execution of all banking operations in the widest sense, as well as the exercise of all other activities which banks are or shall be permitted to pursue and all acts that contribute directly or indirectly thereto.

To the extent these laws and regulations apply to KBC Bank, KBC Bank complies with the laws and regulations of Belgium regarding corporate governance.

Pursuant to Article 24 of the Banking Law and Article 524bis of the Belgian Companies Code, the Board of Directors of KBC Bank has conferred powers on the Executive Committee to perform the acts referred to in Article 522 of the Belgian Companies Code and Article 18 of the Articles of Association of KBC Bank. However, this transfer of powers relates neither to the definition of general policy, nor to the powers which are reserved to the Board of Directors by law. The Board of Directors is responsible for the supervision of the Executive Committee. KBC Bank is not aware of any potential conflicts of interest between the duties to KBC Bank of the Members of the Board of Directors of KBC Bank detailed below and their private interests or other duties.

As at the date of this Base Prospectus, the members of the Board of Directors of KBC Bank are the following:

<b>Name and business address</b>	<b>Position</b>	<b>Expiry date of current term of office</b>	<b>External offices</b>
LEYSEN Thomas KBC Bank NV Havenlaan 2 1080 Brussel	Chairman	2019	Non-executive Director of Umicore NV Chairman of the Board of Directors of Corelio NV Non-executive Director of Booischoot NV Chairman of the Board of Directors of KBC Verzekeringen NV

HOLLOWS John CSOB Radlicka 333/150 Praha 5 150 57 Czech Republic	Executive Director	2021	Chairman of the Board of Directors of KBC Group NV Chairman of the Board of Directors of Mediahuis NV Executive Director of KBC Verzekeringen NV Member of the Executive Committee of KBC Groep NV CEO (non-director) of Ceskoslovenska Obchodni Banka a.s. (CR)
POPELIER Luc KBC Bank NV Havenlaan 2 1080 Brussel	Executive Director	2021	Executive Director of KBC Verzekeringen NV Member of the Executive Committee of KBC Groep NV Chairman of the Board of Directors of K&H Bank Zrt. Chairman of the Supervisory Board of K&H Biztosito Zrt. Chairman of the Board of Directors of Start it Fund NV Chairman of the Board of Directors of KBC Asset Management NV Member of the Management Board of KBC Bank NV, Dublin Branch Chairman of the Board of Directors of KBC Bank Ireland plc Chairman of the Board of Directors of KBC Securities NV Chairman of the Supervisory Board of Ceskoslovenska Obchodna Bank a.s. (SR) Chairman of the Supervisory Board of United Bulgarian Bank AD Member of the Management Board of CSOB Poistovna a.s. Chairman of the Supervisory Board of DZI General Insurance JSC Chairman of the Supervisory Board of DZI Life Insurance JSC
THIJS Johan KBC Bank NV Havenlaan 2 1080 Brussel	Executive Director/CEO	2021	Executive Director/CEO of KBC Verzekeringen NV Chairman of the Board of Directors of Febelfin Executive Director/CEO of KBC Group NV Non-executive Director of VOKA Non-executive Director of European Banking Federation Non-executive Director of Museum Nicolaas Rockox Non-executive Director of Gent Festival van Vlaanderen
VAN RIJSEGGHEM Christine KBC Bank NV Havenlaan 2 1080 Brussel	Executive Director	2022	Executive Director KBC Group NV Executive Director KBC Verzekeringen NV Non-executive Director of K&H Bank Zrt Non-executive Director of KBC Bank Ireland plc Member of the Supervisory Board of Ceskoslovenska Obchodni Bank a.s. (CR) Non-executive Director of Ceskoslovenska Obchodna Bank a.s. (SR) Member of the Management Board of KBC Bank NV, Dublin Branch

ARISS Nabil 16 Chiddingstone street London SW6 3TG Verenigd Koninkrijk	Non- executive Director	2022	Member of the Supervisory Board of United Bulgarian Bank AD Executive Director AF Law
DEPICKERE Franky Cera-KBC Ancora Muntstraat 1 3000 Leuven	Non- executive Director	2019	Executive Director of Cera CVBA Executive Director of Cera Beheersmaatschappij NV Non-executive Director of BRS Microfinance Coop CVBA Non-executive Director of CBC Banque SA Non-executive Director of KBC Group NV Non-executive Director of KBC Verzekeringen NV Executive Director of Almancora Beheersmaatschappij NV Non-executive Director of International Raiffeisen Union e.V. Non-executive Director of Euro Pool System International BV Member of the Supervisory Board of Ceskoslovenska Obchodni Banka a.s. (CR) Executive Director of KBC Ancora Comm.VA
CALLEWAERT Katelijn Cera Beheersmaatschappij Muntstraat 1 3000 Leuven	Non- executive Director	2021	Executive Director of Cera Beheersmaatschappij NV Member of the Executive Committee of Cera CVBA Non-executive Director of KBC Group NV Non-executive Director of KBC Verzekeringen NV Executive Director of Almancora Beheersmaatschappij NV
DE BECKER Sonja MRBB CVBA Diestsevest 40 3000 Leuven	Non- executive Director	2020	Non-executive Director of Acerta CVBA Chairman of the Board of Directors of M.R.B.B. CVBA – Maatschappij voor Roerend Bezit van de Boerenbond Chairman of the Board of Directors of SBB Accountants en Belastingconsulenten BV CVBA Non-executive Director of Agri Investment Fund CVBA Non-executive Director of KBC Group NV Non-executive Director of KBC Verzekeringen NV Executive Director of SBB Bedrijfsdiensten CVBA Chairman of the Board of Directors of BB-Patrim CVBA
WITTEMANS Marc MRBB cvba Diestsevest 40 3000 Leuven	Non- executive Director	2022	Chairman of the Board of Directors of Boerenbond Non-executive Director of KBC Group NV Chairman of the Board of Directors of Arda Immo NV Non-executive Director of Acerta CVBA Non-executive Director of Acerta Consult CVBA Non-executive Director of SBB Accountants en Belastingconsulenten BV CVBA Executive Director/CEO of M.R.B.B. CVBA - Maatschappij voor Roerend Bezit van de Boerenbond

			<p>Non-executive Director of Agri Investment Fund CVBA</p> <p>Chairman of the Board of Directors of Aktiefinvest CVBA</p> <p>Non-executive Director of KBC Verzekeringen NV</p> <p>Non-executive Director Acerta Public NV</p> <p>Non-executive Director of Shéhérazade Développement CVBA</p> <p>Non-executive Director of AVEVE NV – Aan- en verkoopvennootschap van de Belgische Boerenbond</p> <p>Member of the Supervisory Board of Ceskoslovenska Obchodni Banka a.s. (CR)</p>
FALQUE Daniel KBC Bank NV Havenlaan 2 1080 Brussels	Executive Director	2020	<p>Chairman of the Board of Directors of CBC Banque SA</p> <p>Executive Director of KBC Verzekeringen NV</p> <p>Member of the Executive Committee of KBC Group NV</p> <p>Non-executive Director of BVB</p> <p>Non-executive Director of Union Wallonne des Entreprises ASBL</p>
MAGNUSSON Bo KBC Bank NV Havenlaan 2 1080 Brussels	Non- executive Director	2020	<p>Chairman of the Board of Directors of Carnegie Holding AB</p> <p>Chairman of the Board of Directors of Carnegie Investment Bank AB</p> <p>Chairman of the Board of Directors of SBAB AB</p> <p>Chairman of the Board of Directors of Sveriges Sakerstallda obligationer AB</p> <p>Non-executive Director of Bmag AB</p> <p>Chairman of the Board of Directors of Rikshem AB</p> <p>Chairman of the Board of Directors of Rikshem Intressenter AB</p>
NONNEMAN Walter Universiteit Antwerpen Prinsstraat 13 2000 Antwerpen	Non- executive Director	2021	<p>Non-executive Director of Cera Beheersmaatschappij NV</p> <p>Non-executive Director of KBC Group NV</p> <p>Non-executive Director of KBC Verzekeringen NV</p> <p>Non-executive Director of Fluxys NV</p>
VANHOVE Matthieu Cera Muntstraat 1 3000 Leuven	Non- executive Director	2021	<p>Non-executive Director of BRS Microfinance Coop CVBA</p> <p>Non-executive Director of KBC Group NV</p> <p>Non-executive Director of KBC Verzekeringen NV</p> <p>Non-executive Director of MetaLogic</p> <p>Non-executive Director Cera Beheersmaatschappij NV</p>

LUTS Erik	Executive	2021	Executive Director of Ambassadors Club Slovenia in Belgium ASBL
KBC Bank NV	Director		Non-executive Director of Thanksys NV
Havenlaan 2			Non-executive Director of Joyn International NV
1080 Brussels			Non-executive Director of KBC Start it Fund NV
			Non-executive Director of Storesquare NV
			Executive Director of KBC Verzekeringen NV
			Member of the Executive Committee of KBC Group NV
			Non-executive Director of Isabel NV
			Non-executive Director of Belgian Mobile ID NV
			Non-executive Director of Bancontact Company NV
SCHEERLINCK	Executive	2021	Executive Director of KBC Group NV
Hendrik	Director		Executive Director of KBC Verzekeringen NV
KBC Bank NV			Non-executive Director of KBC Credit Investments NV
Havenlaan 2			
1080 Brussels			

## 18. Members of the Audit Committee

The Audit Committee has been set up by the Board of Directors and has – with some limited legal exceptions – an advisory role. The Audit Committee, among other things, supervises the integrity and effectiveness of the internal control measures and the risk management in place, paying special attention to correct financial reporting.

The powers and composition of the Audit Committee, as well as its way of functioning, are extensively dealt with in the Corporate Governance Charter of KBC Bank which is published on [www.kbc.com](http://www.kbc.com).

The members of the Audit Committee of KBC Bank are:

- Marc Wittemans (chairman);
- Nabil Ariss (independent director); and
- Bo Magnusson (independent director).

## 19. Members of the Risk and Compliance Committee

The Risk and Compliance Committee has been set up by the Board of Directors and has an advisory role. The Risk and Compliance Committee, among other things, provides advice to the Board of Directors about the current and future risk tolerance and risk strategy.

The powers and composition of the Risk and Compliance Committee, as well as its way of functioning, are extensively dealt with in the Corporate Governance Charter of KBC Bank, which is available on [www.kbc.com](http://www.kbc.com).

The members of the Risk and Compliance Committee of KBC Bank are:

- Franky Depickere (chairman);
- Nabil Ariss (independent director); and
- Bo Magnusson (independent director).

## 20. Statutory auditors

On 27 April 2016, PricewaterhouseCoopers Bedrijfsrevisoren BCVBA (*erkend revisor/révisieur agréé*), represented by R. Jeanquart and G. Joos, with offices at Woluwedal 18, B-1932 Sint-Stevens-Woluwe, Belgium (“PwC”), has been appointed as auditor of KBC Bank for the financial years 2016-2018. The financial statements of KBC Bank have been audited in accordance with International Standards on Auditing by PwC for the financial years ended 31 December 2016 and 31 December 2017 and resulted in an unqualified audit opinion.

PwC is a member of the *Instituut van de Bedrijfsrevisoren/Institut des Réviseurs d'Entreprises*.

The report of the auditor of KBC Bank on (i) the audited consolidated annual financial statements of KBC Bank and its consolidated subsidiaries for the financial years ended 31 December 2016 and 31 December 2017 and (ii) the unaudited consolidated interim financial statements of KBC Bank and its consolidated subsidiaries for the six months ended 30 June 2018 are incorporated by reference in this Base Prospectus, with the consent of the auditor.

## 21. Litigation

This section sets out material litigation to which KBC Bank or any of its companies (or certain individuals in their capacity as current or former employees or officers of KBC Bank or any of its companies) are party. It describes all claims, quantified or not, that could lead to the impairment of the company’s reputation or to a sanction by an external regulator or governmental authority, or that could present a risk of criminal prosecution for the company, the members of the board or the management.

Although the outcome of these matters is uncertain and some of the claims concern relatively substantial amounts in damages, the management does not believe that the liabilities arising from these claims will adversely affect KBC Bank’s consolidated financial position or results, given the provisions that, where necessary, have been set aside for these disputes.

### Other litigation

- (i) In March 2000, the Belgian State, Finance Department, summoned Rebeo (currently Almafin Real Estate Services) and Trustimmo, two former subsidiaries of former Almafin, now KBC Real Estate, a Belgian subsidiary of KBC Bank, before the civil court in Brussels, together with four former directors of Broeckdal Vastgoedmaatschappij (a real estate company), for not paying approximately EUR 16.7 million in taxes due by Broeckdal Vastgoedmaatschappij. In November 1995, this company had been converted into a cash company and sold to Mubavi België (currently BeZetVe), a subsidiary of Mubavi Nederland (a Dutch real estate investment group). According to the Belgian State, Finance Department, Mubavi België did not make real investments and failed to file proper tax returns. A criminal investigation has been conducted. However Broeckdal Vastgoedmaatschappij contested the tax claims and in December 2002 commenced a lawsuit before the civil court in Antwerp against the Belgian State, Finance Department.

On 9 May 2014 the civil court in Antwerp decided that Broeckdal Vastgoedmaatschappij NV, which was no longer represented as it was dissolved and liquidated, implicitly renounced its claim in refuting the taxation.

On 22 February 2017, the Belgian State reactivated the civil lawsuit which was pending in Brussels between itself, Rebeo, Trustimmo and the four former members of the board and which had been suspended pending a final judgment in the tax lawsuit in Antwerp.

The civil lawsuit pending in Brussels has been suspended pending a final judgement in the tax lawsuit in Antwerp. An adjusted provision of EUR 28.4 million (at 30 June 2018) has been reserved to cover the potential impact of liability with respect to these actions.

In July 2003, Broeckdal Vastgoedmaatschappij, Mubavi België and Mubavi Nederland summoned KBC Bank, KB Consult, Rebeo and Trustimmo before the commercial court in Brussels in order to indemnify them against all damages the former would suffer if the tax claims were approved by the court in Antwerp. In March 2005, Mubavi Nederland was declared bankrupt by the court of 's-Hertogenbosch in the Netherlands.

In November 2005, KBC Bank, KB Consult, Rebeo and Trustimmo and the four former directors of Broeckdal Vastgoedmaatschappij summoned the auditor of Broeckdal Vastgoedmaatschappij, Deloitte & Touche, before the civil court in Brussels in order to indemnify them for any amount they should be ordered to pay as a result of the aforementioned claims. In November 2008, Mubavi België (currently BeZetVe) was also declared bankrupt by the commercial court in Antwerp.

On 2 November 2010 Broeckdal Vastgoedmaatschappij was declared dissolved by the commercial court in Antwerp and the liquidation of the company was closed by judgment of 13 September 2011 by the same court.

- (ii) In 2009, KBC Bank and subsidiaries such as K&H Bank and ČSOB SK received numerous complaints about CDO notes issued by KBC Financial Products that were sold to private banking and corporate clients and which have now been downgraded. Such clients have been asking for their notes to be bought back at their original value.

In 2010, KBC Bank decided to examine all CDO related files with respect to private banking and retail clients on a case-by-case basis and to settle the disputes as much as possible out of court.

In Belgium settlements were reached with clients in KBC Bank Private Banking and Retail Banking. As a result of complaints, some Corporate Banking files were also examined. Subsequently negotiations started in the files where a decision to propose a settlement was taken and in a limited number of files settlements were reached. Only a few lawsuits are on-going. In nine cases the courts rendered judgments in favour of KBC. At this stage one case is pending in first instance, two cases are still pending in degree of appeal. In June 2018, the Court of Cassation refuted the appeal of corporate.

In Hungary a marketing brochure was used which could be misinterpreted as a guarantee on a secondary market and contained a possibly misleading comparison with state bonds. In more than 94% of the files, a settlement has been reached. A limited number of clients started a lawsuit. Most of the lawsuits were terminated by a settlement out of court; a few remaining court cases were lost and settled. All court proceedings are finished.

On 10 December 2009, the Hungarian Competition Authority (“HCA”) passed a resolution whereby K&H was ordered to pay a fine of HUF 40,000,000 (approximately EUR 150,000) based on the violation of the Hungarian Act on the prohibition of unfair and restrictive market practices in relation to K&H’s trade in CDO bonds. The appeal filed by K&H against the HCA resolution was rejected by the Budapest Metropolitan Court. K&H Bank submitted a revision claim before the Supreme Court which approved in May 2012 the second level decision.

In ČSOB SK a similar approach as in Belgium was followed and in all cases of CDO investments with Private Banking and Retail clients, settlements were reached. No lawsuit in respect of CDO investments is pending.

- (iii) Lazare Kaplan International Inc. is a U.S. based diamond company (“**LKI**”). Lazare Kaplan Belgium NV is LKI’s Belgian affiliate (“**LKB**”). LKI and LKB together are hereinafter referred to as “**LK**”. The merger between KBC Bank and Antwerpse Diamantbank NV (“**ADB**”) on 1 July 2015 entails that KBC Bank is now a party to the proceedings below, both in its own name and in its capacity as legal successor to ADB.

However, for the sake of clarity, further reference is made to ADB on the one hand and KBC Bank on the other hand as they existed at the time of the facts described.

***Fact summary***

Since 2008, LKB has been involved in a serious dispute with its former business partners, DD Manufacturing NV and KT Collection BVBA (“**Daleyot**”), Antwerp based diamond companies belonging to Mr. Erez Daleyot. This dispute relates to a joint venture LK and Daleyot set up in Dubai (called “**Gulfdiam**”).

LKB and Daleyot became entangled in a complex litigation in Belgium, each claiming that the other party is their debtor. Daleyot initiated proceedings before the Commercial Court of Antwerp for payment of commercial invoices for an amount of (initially) approximately USD 9 million. LKB launched separate proceedings for payment of commercial invoices for (initially) an amount of approximately USD 38 million.

At the end of 2009, ADB terminated LK’s credit facilities. After LK failed to repay the amount outstanding of USD 45 million, ADB started proceedings before the Commercial Court of Antwerp, section Antwerp for the recovery of said amount. In a bid to prevent having to pay back the amount owed, LK in turn initiated several legal proceedings against ADB and/or KBC Bank in Belgium and the USA. These proceedings, which are summarised below, relate to, inter alia, the dispute between ADB and LKI with regard to the termination of the credit facility and the recovery of all the monies LKI owes under the terminated credit facility as well as allegations that LK was deprived out of circa USD 140 million by DD Manufacturing and other Daleyot entities in cooperation with ADB.

***Overview Legal Proceedings***

**A.** Belgian proceedings (overview per court entity)

*Commercial Court of Antwerp, section Antwerp*

Proceedings were initiated by ADB against LKI in order to recover the monies owed to it under the terminated credit facility (approximately USD 45 million in principal). LKB voluntarily intervened in this proceeding and claimed an amount of USD 350 million from ADB. LKI launched a counterclaim of USD 500 million against ADB (from which it claims any amount awarded to LKB must be deducted).

On 23 January 2014, LK appealed a decision of the Commercial Court of 23 October 2013 in which a briefing round was scheduled. On 15 July 2016 LKI issued a summons against Ernst & Young to intervene in these appeal proceedings before the Antwerp Court of Appeals and to indemnify LKI in case LKI would be ordered to pay the amounts claimed by KBC Bank. On 24 October 2016, the Court of Appeals declared the appeal of LKI and LKB inadmissible given the fact that the decision of the Commercial Court regarding the briefing round was not susceptible to appeal in the first place. Furthermore, the Court granted KBC Bank’s counterclaim for damages for reckless and vexatious appeal and ordered LKI and LKB jointly to pay an amount of EUR 5,000 in damages to KBC Bank.

LK filed an appeal with the Court of Cassation against this judgment of the Antwerp Court of Appeals. On 14 September 2017, the Court of Cassation dismissed the appeal. Moreover, the Court decided that LK's appeal was reckless and vexatious and ordered LK to pay EUR 10,000 in damages.

As a result of the judgment of 24 October 2016 of the Antwerp Court of Appeals, the case was again brought before the Commercial Court of Antwerp, section Antwerp. KBC Bank then took procedural measures to reactivate the case.

By decision of 2 January 2017, the Commercial Court postponed its decision to set a briefing schedule and a hearing date to 30 March 2017. However, LK appealed this decision with the Antwerp Court of Appeals. This appeal was scheduled for an introductory hearing before the Antwerp Court of Appeals on 18 September 2017. A briefing round and a hearing were scheduled for 16 November 2017. However, the case before the Court of Appeals was suspended given the proceedings started by LK before the Court of Cassation to have the case withdrawn from the Court of Appeals.

On 30 March 2017, the Commercial Court set a briefing schedule and a hearing date on 12 December 2017. LK also appealed this decision. This appeal was scheduled for an introductory hearing before the Antwerp Court of Appeals on 2 October 2017. On 26 October 2017, the Court of Appeals set a briefing round and a hearing for 16 November 2017. However, the case before the Court of Appeals was also suspended given the proceedings started by LK before the Court of Cassation to have the case withdrawn from the Court of Appeals.

On 16 November 2017, 7 December 2017, 11 December 2017 and 21 February 2018 LK filed twenty-two separate petitions with the Court of Cassation to have the case withdrawn from both the Commercial Court of Antwerp and the Antwerp Court of Appeals in this case and all satellite cases. After having considered that twenty petitions were not manifestly inadmissible, the Court of Cassation scheduled hearings on the merits for these twenty cases on 22 February 2018. During this hearing the Public Prosecutor (*'Advocaat Generaal'*) asked the Court of Cassation to reject all petitions and to condemn LK for reckless and vexatious appeal. By judgments of 29 March 2018, the Court of Cassation rejected the 20 admissible requests. KBC was granted compensation of EUR 10,000 per petition for reckless and vexatious appeal. LK was also condemned to a fine of EUR 2,500 per petition to the Belgian State for using judicial proceedings only for manifestly delaying and unlawful purposes. The two remaining cases were heard by the Court of Cassation on 19 April 2018. By judgments of the same day, the Court of Cassation decided that those two petitions were clearly inadmissible and LK was dismissed.

After cassation the Court of Appeals set a new briefing schedule and a hearing date on 16 November 2018.

*Commercial Court of Antwerp, section Antwerp*

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

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

*Commercial Court of Antwerp, section Antwerp*

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

By decision of 7 February 2017, the Commercial Court dismissed LK's claim. Moreover, the court decided that the proceedings initiated by LK were reckless and vexatious and ordered LK to pay EUR 250,000 in damages, as well as the maximum indemnity allowed for legal expenses, being EUR 72,000.

LKB appealed against the decision of 7 February 2017. This appeal is still pending before the Antwerp Court of Appeals. Parties are exchanging briefs and the court set hearing for 10 January 2019.

LKI – which was not a party to the first instance proceedings - commenced third-party opposition proceedings against the same decision with the Commercial Court of Antwerp, section Antwerp. These proceedings are still pending. Parties are exchanging briefs and a court hearing is set for 9 April 2019.

*Commercial Court of Antwerp, section Antwerp*

LKB initiated proceedings against KBC Bank claiming that the bank acted as *de facto* director of the bankrupted Daleyot entities. LKB filed a damage claim against KBC Bank for a provisional amount of USD 90 million. Moreover, LKB contests KBC Bank's claim and preferential position in the bankruptcy proceedings of DD Manufacturing and KT Collections (which are Daleyot entities). The liquidators of both bankrupted companies were also involved in these proceedings, so that the decisions to be taken by the Commercial Court could be declared binding on them. By decision of 14 February 2018, the Commercial Court dismissed LKB's claim and ordered LKB to pay an indemnity for legal expenses, being EUR 18,000. This decision cannot be appealed and is therefore final.

*Court of First Instance of Antwerp, section Antwerp*

Proceedings launched by LK against KBC Bank, ADB and Erez Daleyot, his wife and certain Daleyot entities. This claim was aimed at having the security interests granted in favour of either KBC Bank or ADB declared null and void or at least not opposable against LK. LK also filed claims against ADB for a provisional amount of USD 120 million and against both ADB and KBC Bank for a provisional amount of USD 60 million based on the alleged third-party complicity of ADB. By decision of 18 January 2018, the Court dismissed LK's claim. Moreover, the Court decided that the proceedings initiated by LK were reckless and vexatious and ordered LK to pay a compensation of EUR 30,000, as well as the maximum indemnity for legal expenses allowed, being EUR 33,000. This decision is final since LK did not file a timely notice of appeal.

*Criminal complaint*

At the end of March 2017, KBC Bank was informed by the Investigating Magistrate at the Dutch speaking Court of First Instance of Brussels that a criminal complaint was brought against KBC Bank. This complaint was already filed on 13 October 2016.

At the end of May 2018, KBC Bank at its request received a copy of the criminal complaint and was granted permission by the investigating magistrate to have access to the criminal file. The criminal complaint is based on embezzlement, theft and money-laundering.

KBC Bank has lent its full co-operation to the investigation and is convinced that it has always complied with all legal and regulatory requirements in this case. This investigation is still ongoing and although it started on initiative of LK, it follows its own course and will be submitted at the end of it to the chambers section of the criminal court for a judgment (either dismissal of charges or referral to the criminal court).

**B.** US proceedings

A complaint of USD 500 million was initiated by LKI against both ADB and KBC Bank in 2011, alleging violations of the RICO Act (which provides for trebling of any damage award) and numerous other claims under state law. This complaint is, in fact, a non-cumulative duplicate of the one LKI brought before the Commercial Court of Antwerp, section Antwerp.

The United States District Court for the Southern District of New York granted ADB's and KBC Bank's motions to dismiss in 2012 on the basis of the doctrine of *forum non conveniens*, holding that the case should be heard in Belgium. In 2013, the United States Court of Appeals for the Second Circuit reversed and remanded the case back to the District Court for further proceedings. The Court of Appeals ordered the District Court to first resolve which of two contested forum selection clauses applied to LKI's claims prior to ruling on *forum non conveniens* or any other grounds on which ADB and KBC Bank moved to dismiss.

Following the remand, and in accordance with the Court of Appeals's order, the District Court ruled that the parties were to engage in limited discovery related to the contested forum selection clauses. This included both document discovery and limited depositions. This limited discovery was completed by April 2016. The District Court stayed LKI's discovery related to the merits of the complaint, which is still in effect.

On 14 and 15 February 2017, an evidentiary hearing took place to determine which of the two disputed forum selection clauses applied. After the hearing, the parties submitted proposed findings of fact for the District Court to rule on. In addition, shortly after the hearing, LKI moved to strike the testimony of one of KBC Bank's witnesses and filed a motion for sanctions against KBC Bank alleging nondisclosure of an agreement related to the relationship between KBC Bank and ADB (KBC Bank disclosed the agreement years ago, and the District Court considered the agreement in making its findings of fact).

On 30 June 2017, the District Court issued its Findings of Facts and denied LKI's motion to strike the testimony of KBC Bank's witness. The District Court's Findings of Fact rejected all of the facts that supported LKI's arguments and agreed with KBC Bank's description of those facts.

On 14 July 2017, LKI filed a motion for reconsideration in connection with the District Court's Findings of Fact. The District Court denied this motion on 16 August 2017.

*Description of the Guarantor*

The District Court allowed LKI to file a motion for leave to amend its complaint on 8 September 2017. By order dated 25 September 2017, the District Court granted LKI's motion for leave to file an amended complaint which was filed on 26 September 2017. The District Court set a briefing schedule with regard to the motion to dismiss and the motion for sanctions. At the end of December 2017, all briefs were exchanged and parties are awaiting a judgement. On 28 March 2018, LKI's 'motion for sanctions' was dismissed.

By Opinion and Order of 29 August 2018, the District Court granted KBC Bank and ADB's motion to dismiss, ruling that the case must be heard in Belgium. This ruling is based on an analysis of the forum selection clauses and a forum non conveniens analysis. LKI has now until 28 September 2018 to file a notice of appeal in the United States Court of Appeals for the Second Circuit.

## TAXATION

*This section sets out an overview of certain taxation considerations relating to the Warrants.*

*Prospective purchasers of the Warrants are advised to consult their own tax advisers as to the tax consequence of purchasing, holding or selling the Warrants under the tax laws of the country of which they are resident, including, without limitation, the consequences of receipt of payment amounts and premium, if any, on and sale or cancellation of, the Warrants. The discussions that follow do not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase, hold or sell Warrants. In particular, these discussions do not consider any specific facts or circumstances that may apply to a purchaser of the Warrants. The discussions that follow for each jurisdiction are based upon the applicable laws and interpretations thereof as in effect as of the date of this Base Prospectus. These tax laws and interpretations are subject to change, possibly with retroactive or retrospective effect.*

### **Belgium**

*This section provides a general description of the main Belgian tax aspects of acquiring, holding and/or disposing of the Warrants. This overview provides general information only and is restricted to the matters of Belgian taxation stated herein. It is intended neither as tax advice nor as a comprehensive description of the Belgian tax treatment related to or resulting from any of the above-mentioned transactions.*

*This general description is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date. Potential investors should appreciate that, as a result of changing law or practice, the tax consequences may be otherwise than as stated below.*

*Potential investors are recommended to consult their tax or other advisers and to make any assessment regarding the purchase of the Warrants on the basis of their own particular situation.*

### **General**

For the purposes of the below overview, (i) a Belgian resident individual is an individual subject to Belgian personal income tax (i.e., an individual who has his domicile in Belgium or has his seat of wealth in Belgium, or a person assimilated to a Belgian resident), (ii) a Belgian resident corporation is a legal entity subject to Belgian corporate income tax (i.e., a company that has its registered or principal office in Belgium), and (iii) a Belgian resident legal entity is a legal entity subject to Belgian legal entities tax (i.e., an entity other than a legal entity subject to corporate income tax having its registered or principal office in Belgium). A non-resident is a person who is not a Belgian resident.

### **Income tax regime applicable to Belgian resident individuals**

The purchase of the Warrants by a Belgian resident individual is in principle not subject to Belgian personal income tax. Any capital gains realised by the relevant individual upon the transfer of the Warrants and/or the automatic exercise of the Warrants into the Early Cash Settlement Amount (if applicable) and/or the Cash Settlement Amount on the relevant expiration dates are, as a matter of principle, not subject to Belgian personal income tax provided that the transaction concerned falls within the scope of the exemption for normal management of the relevant individual's private estate. Any capital losses realised by the individual upon the transfer of the Warrants and/or the automatic exercise of the Warrants into the Early Cash Settlement Amount (if applicable) and/or the Cash Settlement Amount on the relevant expiration dates are generally not tax deductible.

Different rules apply to Belgian resident individuals holding the Warrants as a professional investment.

The relevant individual will not receive an investment income as defined in the Belgian Tax Income Code upon the transfer of the Warrants and/or the automatic exercise of the Warrants into the Early Cash Settlement Amount (if applicable) and/or the Cash Settlement Amount on the relevant expiration dates. The Belgian withholding tax is consequently not applicable to the amounts received by such individual pursuant to the transfer of the Warrants and/or the automatic exercise of the Warrants into the Early Cash Settlement Amount (if applicable) and/or the Cash Settlement Amount on the relevant expiration dates.

#### **Income tax regime applicable to Belgian resident corporations**

The purchase of the Warrants by a Belgian resident corporation does in principle not give rise to any Belgian corporate income tax.

Any capital gains realised by a Belgian resident corporation upon the transfer of the Warrants will be taxable at the ordinary corporate income tax rate of, as a rule, 29.58%. Any capital losses realised upon the transfer of the Warrants are, as a matter of principle, tax deductible.

#### **Income tax regime applicable to Belgian resident legal entities**

Any capital gains realised by Belgian resident legal entities on the Warrants are as a rule not subject to Belgian legal entities tax. Any capital losses realised on the Warrants are as a rule not tax deductible.

#### **Income tax regime applicable to non-residents**

Capital gains realised on the Warrants by a non-resident investor that has not acquired the Warrants in connection with a business conducted in Belgium through a fixed base in Belgium are generally not subject to Belgian income tax provided that, for investors that are individuals, the realisation of these capital gains fits within the scope of the normal management of the investor's private estate. Conversely, capital losses realised by non-residents upon the disposal of the Warrants are generally not tax deductible for Belgian tax purposes.

#### **Tax on stock exchange transactions and tax on repurchase transactions**

A tax on stock exchange transactions (*taks op de beursverrichtingen/taxe sur les opérations de bourse*) will be levied on the purchase and sale of Warrants on the secondary market if entered into or settled in Belgium through a professional intermediary. The tax is due at a rate of 0.35 per cent. on each purchase and sale separately, with a maximum amount of EUR 1,600 per transaction and per party and collected by the professional intermediary. No tax will be due on the issuance of the Warrants (primary market).

As from 1 January 2017, the scope of the tax on stock exchange transactions has been extended. The tax on stock exchange transactions will henceforth also apply to Belgian investors investing through a foreign intermediary as from 1 January 2017. As a result, an investor shall have to fulfill a monthly filing and pay the tax to the Belgian tax authorities unless he can prove the foreign intermediary has paid this tax.

However, the tax on stock exchange transactions will not be payable by exempt persons acting for their own account including investors who are not Belgian residents, provided they deliver an affidavit to the financial intermediary in Belgium confirming their non-resident status and certain Belgian institutional investors as defined in article 126.1 2° of the Code of miscellaneous duties and taxes (*wetboek diverse rechten en taksen/code des droits et taxes divers*) for the tax on stock exchange transactions.

As stated below, the European Commission has published a proposal for a Directive for a common financial transactions tax (the "FTT"). The proposal currently stipulates that once the FTT enters into force, the participating Member States shall not maintain or introduce taxes on financial transactions other than the FTT (or VAT as provided in the Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax). For Belgium, the tax on stock exchange transactions should thus be abolished once the FTT enters into force. The proposal is still subject to negotiation between the participating Member States and therefore may be changed at any time.

## **Luxembourg**

*The following overview is of a general nature and is included herein solely for information purposes. It is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Warrants should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.*

### **Withholding Tax**

Under Luxembourg tax law currently in effect, there is no Luxembourg withholding tax on repayments of notional.

### **Income Taxation on Notional, Gains on Sales or Redemption**

#### ***Luxembourg tax residency of the Warranholders***

Warranholders will not be deemed to be resident, domiciled or carrying on business in Luxembourg solely by reason of holding, execution, performance, delivery, exchange and/or enforcement of the Warrants.

#### ***Taxation of Luxembourg non-residents***

Warranholders who are non-residents of Luxembourg and who do not have a permanent establishment, a permanent representative or a fixed place of business in Luxembourg with which the holding of the Warrants is connected, will not be subject to taxes (income taxes and net wealth tax) or duties in Luxembourg with respect to payments of notional, payments received upon exercise, repurchase or exchange of the Warrants or capital gains realised upon disposal or repayment of the Warrants.

#### ***Taxation of Luxembourg residents***

Warranholders who are residents of Luxembourg will not be liable for any Luxembourg income tax on repayment of notional.

Luxembourg resident individual Warranholders are not subject to taxation on capital gains upon the disposal of the Warrants, unless the disposal of the Warrants precedes the acquisition of the Warrants or the Warrants are disposed of within six months of the date of acquisition of these Warrants.

Luxembourg resident corporate Warranholders, or non-resident Warranholders which have a permanent establishment, a permanent representative or a fixed base of business in Luxembourg with which the holding of the Warrants is connected, must for income tax purposes include in their taxable income as well as the difference between the sale or exercise price and the lower of the cost or book value of the Warrants sold or cancelled.

Luxembourg resident corporate Warranholders which are companies benefiting from a special tax regime (such as (a) family wealth management companies subject to the law of 11 May 2007, (b) undertakings for collective investment subject to the law of 17 December 2010, (c) specialised investment funds subject to the law of 13 February 2007 or (d) reserved alternative investment funds governed by the law of 23 July 2016 on reserved alternative investment funds (provided it is not foreseen in the incorporation documents that (i) the exclusive object is the investment in risk capital and that (ii) article 48 of the aforementioned law of 23 July 2016 applies)) are tax exempt entities in Luxembourg, and are thus not subject to any Luxembourg tax (i.e., corporate income tax, municipal business tax and net wealth tax) other than the annual subscription tax calculated on their (paid up) share capital (and share premium) or net asset value.

### **Net Wealth tax**

Luxembourg net wealth tax will not be levied on the Warrants held by a corporate Warrantholder, unless (a) such Warrantholder is a Luxembourg resident other than a corporate Warrantholder governed by (i) the laws of 17 December 2010 and 13 February 2007 on undertakings for collective investment; (ii) the law of 22 March 2004 on securitisation; (iii) the law of 15 June 2004 on the investment company in risk capital; (iv) the law of 11 May 2007 on family estate management companies; or (v) by the law of 23 July 2016 on reserved alternative investment funds, or (b) the Warrants are attributable to an enterprise or part thereof which is carried on in Luxembourg through a permanent establishment or a permanent representative.

However, a securitisation company subject to the amended law of 22 March 2004 and a company subject to the amended law of 15 June 2004 on venture capital vehicles are, as from 1 January 2016, subject to an annual minimum net wealth tax, as well as reserved alternative investment funds subject to the law of 23 July 2016, provided it is foreseen in the incorporation documents that (i) the exclusive object is the investment in risk capital and that (ii) article 48 of the aforementioned law of 23 July 2016 applies.

### **Other taxes**

No stamp, registration, transfer or similar taxes or duties will be payable in Luxembourg by Warrantholders in connection with the issue of the Warrants, nor will any of these taxes be payable as a consequence of a subsequent transfer or cancellation of the Warrants, unless the documents relating to the Warrants are voluntarily registered in Luxembourg.

There is no Luxembourg value added tax payable in respect of payments in consideration for the issuance of the Warrants or in respect of the payment of notional under the Warrants or in respect of the transfer of the Warrants. Luxembourg value added tax may, however, be payable in respect of fees charged for certain services rendered to the Issuer, if for Luxembourg value added tax purposes such services are rendered or are deemed to be rendered in Luxembourg and an exemption from Luxembourg value added tax does not apply with respect to such services.

Warrantholders not permanently resident in Luxembourg at the time of death will not be subject to inheritance or other similar taxes in Luxembourg in respect of the Warrants. No Luxembourg gift tax is levied upon a gift or donation of the Warrants, if the gift is not passed before a Luxembourg notary or recorded in a deed registered in Luxembourg.

### **The proposed financial transactions tax (“FTT”)**

The European Commission has published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and the Slovak Republic. In December 2015 Estonia withdrew from the group of states willing to introduce the FTT (the “**Participating Member States**”).

The proposed FTT has a very broad scope and could, if introduced in its current form, apply to certain dealings in the Warrants (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

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

However, the FTT proposal remains subject to negotiation between the Participating Member States, and the scope of any such tax is uncertain. Additional EU Member States may decide to participate.

Prospective holders of Warrants are advised to seek their own professional advice in relation to the FTT.

### **Common Reporting Standard – Exchange of information**

The exchange of information is governed by the Common Reporting Standard (“**CRS**”). In this context, a number of jurisdictions signed the multilateral competent authority agreement (“**MCAA**”), which is a multilateral framework agreement to automatically exchange financial and personal information, with the subsequent bilateral exchanges coming into effect between those signatories that file the subsequent notifications. Many of them have committed to a specific and ambitious timetable leading to the first automatic information exchanges in 2017 (“**early adopters**”) or as from 2018.

Under CRS, financial institutions resident in a CRS country are required to report, according to a due diligence standard, financial information with respect to reportable accounts, which includes interest, dividends, account balance or value, income from certain insurance products, sales proceeds from financial assets and other income generated with respect to assets held in the account or payments made with respect to the account. Reportable accounts include accounts held by individuals and entities (which includes trusts and foundations) with fiscal residence in another CRS country. The standard includes a requirement to look through passive entities to report on the relevant controlling persons.

On 9 December 2014, EU Member States adopted Directive 2014/107/EU on administrative cooperation in direct taxation (“**DAC2**”), which provides for mandatory automatic exchange of financial information between the EU Member States as foreseen in CRS. DAC2 amends the previous Directive on administrative cooperation in direct taxation, Directive 2011/16/EU. DAC2 requires EU member states to establish an automatic exchange of information effective as from 1 January 2016 (and in the case of Austria as from 1 January 2017).

On 27 May 2015, Switzerland signed an agreement with the European Union in order to implement, as from 1 January 2017, an automatic exchange of financial information based on the CRS. This new agreement replaces the agreement on the taxation of savings that entered into force in 2005.

Luxembourg implemented the provisions of DAC2 as well as the MCAA into domestic law on 18 December 2015.

The Belgian government has implemented DAC2, respectively the CRS, pursuant to the law of 16 December 2015 regarding the exchange of information on financial accounts by Belgian financial institutions and by the Belgian tax administration, in the context of an automatic exchange of information on an international level and for tax purposes (the “**Law of 16 December 2015**”).

As a result of the Law of 16 December 2015, the mandatory automatic exchange of information applies in Belgium (i) as of financial year 2016 (first information exchange in 2017) towards the EU Member States (including Austria, irrespective of the fact that the automatic exchange of information by Austria towards other EU Member States is only foreseen as of income year 2017), (ii) as of financial year 2014 (first information exchange in 2016) towards the US and (iii) with respect to any other jurisdictions that have signed the MCAA, as of a date to be further determined by Royal Decree. In a Royal Decree of 14 June 2017, it was determined that the automatic provision of information has to be provided as from 2017 (for the 2016 financial year) for a first list of eighteen jurisdictions, and as from 2018 (for the 2017 financial year) for a second list of 44 jurisdictions.

Investors who are in any doubt as to their position should consult their professional advisers.

## U.S. Withholding on Dividend Equivalent Payments

A “dividend equivalent” payment is treated as a dividend from sources within the United States and will generally be subject to U.S. withholding tax. A “dividend equivalent” payment is defined under the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) as (i) a substitute dividend payment made pursuant to a securities lending or a sale-repurchase transaction that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States, (ii) a payment made pursuant to a “specified notional principal contract” (a “**specified NPC**”) that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States, and (iii) any other payment determined by the U.S. Internal Revenue Service (the “**IRS**”) to be substantially similar to a payment described in the preceding clauses (i) and (ii).

Final U.S. Treasury regulations expand the definition of dividend equivalent payment to include any payment that references the payment of a dividend from an underlying security pursuant to a specified equity-linked instrument (a “**specified ELI**”), and any other substantially similar payment. An underlying security is any interest in an entity if a payment with respect to that interest could give rise to a U.S. source dividend pursuant to U.S. Treasury regulations Section 1.861-3. An equity-linked instrument (“**ELI**”) is a financial instrument (other than a securities lending or sale-repurchase transaction or a notional principal contract (“**NPC**”)) that references the value of one or more underlying securities, including a futures contract, forward contract, option, debt instrument, or other contractual arrangement. A “Section 871(m) transaction” is any securities lending or sale-repurchase transaction, specified NPC, or specified ELI.

With respect to transactions issued prior to 1 January 2019, (a) a “simple” NPC or “simple” ELI that has a delta of 1 or greater with respect to an underlying security when the NPC or ELI is issued is a specified NPC or specified ELI, respectively, and (b) a “complex” NPC or “complex” ELI that meets a substantial equivalence test with respect to an underlying security at the time of issuance is a specified NPC or specified ELI, respectively. For transactions issued on or after 1 January 2019, the delta threshold is lowered to 0.8 for purposes of determining whether a transaction is a specified NPC or specified ELI.

A “simple” NPC or “simple” ELI is an NPC or ELI for which, with respect to each underlying security, (i) all amounts to be paid or received on maturity, exercise, or any other payment determination date are calculated by reference to the appropriate single, fixed number of shares of the underlying security, provided that the number of shares can be ascertained when the contract is issued, and (ii) the contract has a single maturity or exercise date with respect to which all amounts (other than any upfront payment or any periodic payments) are required to be calculated with respect to the underlying security. A contract has a single exercise date even though it may be exercised by the Warrantholder at any time on or before the stated expiration of the contract. An NPC or ELI that includes a term that discontinuously increases or decreases the amount paid or received (such as a digital option), or that accelerates or extends the maturity is not a simple ELI or simple NPC. A “complex” NPC or “complex” ELI is any NPC or ELI, respectively, that is not a simple NPC or a simple ELI, respectively. Delta is the ratio of the change in the fair market value of the contract to a small change in the fair market value of the number of shares of the underlying security.

The substantial equivalence test measures the change in value of a complex contract when the price of the underlying security referenced by that contract is hypothetically increased by one standard deviation or decreased by one standard deviation and compares the change in value with the change in value of the shares of the equity that would be held to hedge the complex contract over an increase or decrease in the price of the equity by one standard deviation. If the proportionate difference between (a) the change in value of the complex contract and (b) the change in value of its hedge, is no greater than the proportionate difference between (i) the change in value of a “benchmark simple contract” with respect to the same shares with a delta of .8 and (ii) the change in value of its hedge, then the complex contract is substantially equivalent to the underlying security

and dividend equivalent payments with respect to it are subject to withholding. The “benchmark simple contract” is a closely-comparable simple contract that, at the time the complex contract is issued, has a delta of 0.8, references the applicable underlying security referenced by the complex contract, and has the same maturity as the complex contract with respect to the applicable underlying security.

If an NPC or ELI contains more than one reference to a single underlying security, all references to that underlying security are taken into account in determining the delta with respect to that underlying security. If an NPC or ELI references more than one underlying security or other property, the delta with respect to each underlying security must be determined without taking into account any other underlying security or property. The applicable U.S. Treasury regulations provide an exception for qualified indices that satisfy certain criteria. The applicable U.S. Treasury regulations provide that a payment includes a dividend equivalent payment whether there is an explicit or implicit reference to a dividend with respect to the underlying security.

Upon the issuance of a Warrant, the Issuer will state in an attachment to the Final Terms or on the Issuer’s website if it has determined that such issuance constitutes a Section 871(m) transaction and may provide additional information regarding the application of the applicable U.S. Treasury regulations to the Warrants. The Issuer’s determination regarding the application of Section 871(m) is binding on Warrantholders, but it is not binding on the IRS.

Withholding in respect of dividend equivalents may be required on any portion of a payment or deemed payment under a Section 871(m) transaction, including, if appropriate, the payment of the purchase price, or upon the date of maturity, lapse, disposition settlement or other resolution to a non-U.S. person. If the underlying or referenced U.S. security or securities are expected to be treated as paying dividends during the term of the Section 871(m) transaction, withholding generally will still be required even if the Section 871(m) transaction does not provide for payments explicitly linked to such dividends. If the Issuer or a party acting on behalf of the Issuer determines that withholding is required on payments to Warrantholders under the Warrants, neither the Issuer nor any other party will be required to pay any additional amounts with respect to amounts so withheld. If withholding applies, the rate of any withholding may not be reduced even if the holder is otherwise eligible for a reduction under an applicable treaty, although Warrantholders that are entitled to a lower rate of withholding under a tax treaty may be able to claim a refund for any excess amounts withheld by filing a U.S. tax return. However, Warrantholders may not receive the necessary information to properly claim a refund for any withholding in excess of the applicable treaty-based amount. In addition, the IRS may not credit a holder with withholding taxes remitted in respect of its Warrants for purposes of claiming a refund. Finally, a Warrantholder’s resident tax jurisdiction may not permit the Warrantholder to take a credit for U.S. withholding taxes related to the dividend equivalent amount. Prospective investors should consult their tax advisers regarding the consequences of the potential application of Section 871(m) to the Warrants, including their ability to claim refunds or credits in respect of amounts withheld, under an applicable tax treaty with the United States.

THE REGULATIONS REGARDING DIVIDEND EQUIVALENT PAYMENTS ARE EXTREMELY COMPLEX. WARRANTHOLDERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE U.S. FEDERAL INCOME TAX CONSEQUENCES TO THEM OF THESE REGULATIONS AND WHETHER PAYMENTS OR DEEMED PAYMENTS ON THE SECURITIES CONSTITUTE DIVIDEND EQUIVALENT PAYMENTS.

## **SUBSCRIPTION AND SALE**

*This section provides an overview of certain restrictions around who can purchase the Warrants in certain jurisdictions.*

The Issuer and the Guarantor may agree to reimburse a Dealer for certain of its expenses in connection with the issue of Warrants under the Programme and to indemnify such Dealer against certain liabilities incurred by it in connection therewith.

### **General**

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

None of the Issuer, the Guarantor nor any Dealer represents that Warrants may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

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

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

### **United States**

The Warrants have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Dealer Agreement, it will not offer or sell Warrants as part of their distribution at any time within the United States or to, or for the account or benefit of, U.S. persons.

The Warrants are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S.

This Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Warrants outside the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Warrants, in whole or in part, for any reason. This Prospectus does not constitute an offer to any person in the United States. Distribution of this Prospectus by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States, is unauthorised and any disclosure without the prior

written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, is prohibited.

### **Non-exempt Offer Selling Restriction under the Prospectus Directive**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Warrants which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Warrants to the public in that Relevant Member State:

- (a) if the Final Terms in relation to the Warrants specify that an offer of those Warrants may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a “**Non-exempt Offer**”), following the date of publication of a prospectus in relation to such Warrants which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Warrants referred to in (b) to (d) shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Warrants to the public” in relation to any Warrants in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Warrants to be offered so as to enable an investor to decide to purchase or subscribe the Warrants, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

### **United Kingdom**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the UK Financial Services and Markets Act 2000) received by it in connection with the

issue or sale of any Warrants in circumstances in which Section 21(1) of the UK Financial Services and Markets Act 2000 would not, if the Issuer was not an authorised person apply to the Issuer; and

- (b) it has complied and will comply with all applicable provisions of the UK Financial Services and Markets Act 2000 with respect to anything done by it in relation to any Warrants in, from or otherwise involving the United Kingdom.

## GENERAL INFORMATION

*This section provides certain additional general information relating to all Warrants.*

### Authorisation

The establishment and update of the Programme and the issue of Warrants have been duly authorised by written resolutions of the Board of Directors of the Issuer dated 15 May 2017. The giving of the Guarantee has been authorised by resolutions of the Guarantor's Executive Committee dated 2 May 2017.

### Approval, listing and admission to trading of Warrants on the regulated market of Euronext Brussels

Application has been made to the CSSF for the approval of this document as a base prospectus for the purposes of Article 5.4 of the Prospectus Directive. Application has also been made to Euronext Brussels for Warrants issued under the Programme during the period of twelve months from the date of approval of this Base Prospectus to be admitted to trading on Euronext Brussels' regulated market. Euronext Brussels' regulated market is a regulated market for the purposes of MiFID II.

### Documents Available

For the period of twelve months following the date of this Base Prospectus, copies of the following documents will be available during normal business hours at the registered office of the Issuer and from the specified office of the Warrant Agent (where applicable, with an English translation thereof):

- (i) the constitutional documents of the Issuer and the constitutional documents of the Guarantor; and
- (ii) the Programme Agreement, the Agency Agreement (including as Schedules the forms of the permanent global warrant, the definitive warrant, the Guarantee and the Deed of Covenant.

For the period of twelve months following the date of this Base Prospectus, copies and, where appropriate, English translations of the following documents will be available on the website of Euronext Brussels at [www.euronext.com](http://www.euronext.com), on the website of the Issuer at [www.kbc.com](http://www.kbc.com) and during normal business hours at the registered office of the Issuer:

- (i) a copy of this Base Prospectus;
- (ii) the audited annual non-consolidated financial statements of the Issuer in respect of the financial years ended 31 December 2016 and 31 December 2017 together, in each case, with the notes and the related auditors' report;
- (iii) the audited annual consolidated financial statements of the Guarantor in respect of the financial years ended 31 December 2016 and 31 December 2017 together, in each case, with the notes and the related auditors' report and the ratios set out in "Additional Information"; and
- (iv) any future prospectuses, base prospectuses, information memoranda and supplements including Final Terms relating to Warrants which admitted to trading on the regulated market of Euronext Brussels or offered in a Member State of the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive (whether or not listed on the official list of Euronext Brussels).

This Base Prospectus, any future prospectuses, base prospectuses, information memoranda, supplements, including Final Terms, and documents incorporated by reference will be published on the website of the

Luxembourg Stock Exchange (www.bourse.lu). Copies of each Final Terms (together with the relevant Base Prospectus) relating to Warrants which are either admitted to trading on any other regulated market in the European Economic Area or offered in any other Member State of the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will be available for viewing in accordance with Article 14(2) of the Prospectus Directive and the rules and regulations of the relevant regulated market. Copies of each Final Terms relating to any other Warrants (together with the relevant Base Prospectus) will be available for viewing on the website of Euronext Brussels at www.euronext.com, the website of the Issuer at www.kbc.com and at the specified office of the Warrant Agent by a holder of such Warrants upon production of evidence satisfactory to the Warrant Agent as to the identity of such holder.

### **Clearing System**

The Warrants have been accepted for clearance through Interprofessionele Effectendeposito- en Girokas SA/NV (Euroclear Belgium) (“**Euroclear**”). The appropriate Common Code and ISIN for each Tranche allocated by Euroclear will be specified in the applicable Final Terms. If the Warrants are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms. Euroclear is the entity in charge of keeping the records.

The address of Euroclear is 1 Boulevard du Roi Albert III, B-1210 Brussels, Belgium.

### **Conditions for Determining Price**

The price and amount of Warrants to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

### **Significant or Material Adverse Change**

There has been:

- (i) no significant change in the financial or trading position of the Issuer, the Guarantor or the KBC Bank Group since 30 June 2018; and
- (ii) no material adverse change in the prospects of the Issuer, the Guarantor or the KBC Bank Group since 31 December 2017.

### **Litigation**

#### **KBC IFIMA S.A.**

Other than as set out in Section “Description of the Issuer”, subsection “Litigation” on page 174 of the Base Prospectus, the Issuer is not involved in any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) which may have or have had in the twelve months preceding the date of this Base Prospectus a significant effect on the financial position or profitability of the Issuer.

#### **KBC Bank NV**

Other than as set out in Section “Description of the Guarantor”, subsection “Litigation” on pages 208 to 214 of the Base Prospectus, the Guarantor is not involved in any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Guarantor is aware) which may have or have had in the twelve months preceding the date of this Base Prospectus a significant effect on the financial position or profitability of the Guarantor.

### **Statutory Auditors**

The Issuer's financial statements for the years ended 31 December 2016 and 31 December 2017 and the related auditors' reports are incorporated by reference. The financial statements of the Issuer for the years ended 31 December 2016 and 31 December 2017 have been audited by PricewaterhouseCoopers, société cooperative (*Cabinet de révision agréé, expert-comptable*), represented by Mr. M. Voncken, member of the *Institut des Réviseurs d'Entreprises*, with offices at 2 rue Gerhard Mercator, L-1014 Luxembourg and resulted, in each case, in an unqualified opinion.

The Guarantor's financial statements for the years ended 31 December 2016 and 31 December 2017 and the related auditors' reports are incorporated by reference. The financial statements of the Guarantor for the years ended 31 December 2016 and 31 December 2017 have been audited by PricewaterhouseCoopers Bedrijfsrevisoren BCVBA, members of the *Instituut van de Bedrijfsrevisoren/Institut des Réviseurs d'Entreprises*, represented by R. Jeanquart and G. Joos, with offices at Woluwedal 18, B-1932 Sint-Stevens-Woluwe, Belgium ("PwC") and resulted, in each case, in an unqualified opinion. The unaudited consolidated interim financial statements of KBC Bank and its consolidated subsidiaries for the six months ended 30 June 2018 have been subject to a limited review.

The reports of the auditors of each of the Issuer and the Guarantor are included or incorporated by reference in the form and context in which they are included or incorporated by reference, with the consent of the auditors.

### **Third party information**

Where information in this Base Prospectus has been sourced from third parties, this information has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from the information published by such third parties no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.

### **Post-issuance information**

The Issuer does not intend to provide any post-issuance information in relation to any assets underlying any Warrants constituting Derivative Securities, except if required by any applicable laws and regulations.

### **Investors**

The Warrants can be sold to retail and/or institutional investors subject to the selling restrictions set out in "Subscription and sale" and as may be applicable for a Series of Warrants, in each case on a non-syndicated basis.

### **Dealers transacting with the Issuer and the Guarantor**

Certain of the Dealers and their Affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer, the Guarantor and their Affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealers and their Affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Guarantor or their Affiliates. Certain of the Dealers or their Affiliates that have a lending relationship with the Issuer or Guarantor routinely hedge their credit exposure to the Issuer or Guarantor consistent with their customary risk management policies. Typically, such Dealers and

their Affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Warrants issued under the Programme. Any such short positions could adversely affect future trading prices of Warrants issued under the Programme. The Dealers and their Affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. For the purposes of this paragraph, “Affiliates” means any entity controlled, directly or indirectly, by a Dealer, any entity that controls, directly or indirectly, a Dealer or any entity directly or indirectly under common control with a Dealer. For these purposes “control” means ownership of a majority of the voting power of an entity.

**THE ISSUER**

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Grand Duchy of Luxembourg

**THE GUARANTOR**

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**DEALER**

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**WARRANT AGENT**

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**CALCULATION AGENT**

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**LEGAL ADVISER**

*To the Dealer as to Belgian, English and Luxembourg law*

**Linklaters LLP**

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Grand Duchy of Luxembourg

**AUDITORS**

*To the Issuer*

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L1014 Luxembourg  
Grand Duchy of Luxembourg

*To the Guarantor*

**PricewaterhouseCoopers Bedrijfsrevisoren BCVBA**

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