



**KBC BANK NV**

*(Incorporated with limited liability in Belgium)*

## **Warrant Programme**

Under this Warrant Programme (the **Programme**), KBC Bank NV (the **Issuer** or **KBC Bank**) may from time to time issue call warrants (*koopwarranten/warrants d'achat*) relating to an Underlying Share or an Underlying ETF Share (each as defined hereinafter) (**Warrants**) denominated in euro (**euro, EUR or €**) or in any currency agreed between the Issuer and the relevant Dealer(s) (as defined below) or subscriber.

This document is a base prospectus (the **Base Prospectus**) for purposes of Regulation (EU) 2017/1129 (the **Prospectus Regulation**). Certain information is not set out in this document but is incorporated by reference and forms part of this Base Prospectus as set out in Section “Documents incorporated by reference” on page 121. The Issuer may also publish additional information from time to time in a supplement to this Base Prospectus in the event of certain significant new factors, material mistakes or material inaccuracies (as set out in Section “Supplements to this Base Prospectus” on page 123). Prospective investors should read this document together with all information incorporated by reference herein, any supplements to this Base Prospectus published by the Issuer, and the applicable Final Terms. See Section “Where more information can be found” on page 124.

The Warrants under the Programme may be issued on a continuing basis, by way of one or more separate issuances, to the Dealer specified below and to any additional dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis (each a **Dealer** and together the **Dealers**) or to a subscriber.

The English version of this Base Prospectus has been approved by the Financial Services and Markets Authority (*Autoriteit voor Financiële Diensten en Markten/Autorité des Services et Marchés Financiers*) (the **FSMA**) on 22 December 2020 in its capacity as competent authority under the Prospectus Regulation to approve this document as a base prospectus for the purposes of Article 8 of the Prospectus Regulation. The FSMA only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer or of the quality of the Warrants. Investors should make their own assessment as to the suitability of investing in the Warrants.

Application has been made to Euronext Brussels (**Euronext Brussels**) for the Warrants issued under the Programme during the period of 12 months from the date of approval of the Base Prospectus to be listed on Euronext Brussels and to be admitted to trading 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 (as amended) (**MiFID II**). As specified in the Final Terms, the Issuer may also issue Warrants which are not listed or admitted to trading on a regulated market or request the listing or admission to trading of the Warrants on any other stock exchange or market. The applicable Final Terms will state whether or not the relevant Warrants are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.

A Warrant constitutes a contractual claim (*schuldvordering/créance*) against the Issuer which is initially represented and evidenced by a registration in a register held by the Issuer (or by the Warrant Agent on its behalf) (the **Warrants Register**) in the name of the relevant Warrant Holder (a **Registered Warrant**). An electronic platform managed by (or on behalf of) KBC Bank (the **Electronic Platform**) has been implemented through which the Registered Warrants are initially registered in the name of and assigned to the individual

Warrant Holders using an individualised user name and password. The Warrant Holders will need to use this user name and password in case they wish to sell (or otherwise transfer) their Registered Warrants through the Electronic Platform. KBC Bank does not charge any fees for the creation and maintenance of the Warrants Register.

Upon the choice of the Warrant Holder, the form of a Registered Warrant can be changed by a process of dematerialisation potentially with a view of trading the relevant Warrant on Euronext Brussels (a **Dematerialised Warrant**). The Dematerialised Warrants will be represented exclusively by book entries in the records of the clearing system operated by Euroclear SA/NV or any successor thereto (the **Securities Settlement System**) and held by the Warrant Holder (or its successor or transferee) through a securities account with KBC Bank or with a direct or indirect participant in the Securities Settlement System. Access to the Securities Settlement System is available through those of its Securities Settlement System participants whose membership extends to securities such as the Dematerialised Warrants.

While it is possible for investors to trade (purchase and sell) Dematerialised Warrants through securities accounts held with Securities Settlement System participants other than KBC Bank, the exercise of the rights attached to a Warrant may or, in respect of certain rights, will require that the Warrant Holder disposes of or opens a securities and/or cash account with KBC Bank: (i) a securities account in case of the Exercise of a Warrant for the acquisition of the Underlying Share or Underlying ETF Share, as the case may be, as a consequence of such Exercise, (ii) a securities account for the delivery of a Dematerialised Warrant to the Issuer in case of a Sale thereof, and (iii) a cash account for the payment of the Actual Exercise Price, the Exercise Costs and the Exercise Expenses in case of the Exercise of a Warrant (unless a cash account held with another institution than KBC Bank would be permitted by the Issuer in the future in which case it will notify the Warrant Holders thereof in accordance with Condition (14)).

In relation to any Series of Warrants, this Base Prospectus must be read as a whole and together also with the applicable Final Terms (the **Applicable Final Terms**). A **Series** means Warrants which are identical in all respects.

Any Series of Warrants issued on or after the date of this Base Prospectus and which is the subject of Final Terms which refer to this Base Prospectus are issued subject to the provisions described herein. The Applicable Final Terms will be filed with the FSMA. Copies of Final Terms in relation to Warrants to be listed on the Euronext Brussels will also be published on the website at [www.kbc.com](http://www.kbc.com) (by clicking through to <https://www.kbc.com/en/kbc-bank-warrant-programme?agree=1>).

Unless otherwise stated, capitalised terms used in this Base Prospectus have the meanings set forth in this Base Prospectus. Where reference is made to the terms and conditions, reference is made to the Conditions of the Warrants.

**This Base Prospectus (as supplemented as at the relevant time, if applicable) is valid for 12 months from its date of approval in relation to Warrants which are to be admitted to trading on a regulated market in the European Economic Area (the EEA) and/or offered to the public in the EEA other than in circumstances where an exemption is available under Article 1(4) and/or Article 3(2) of the Prospectus Regulation. The obligation to supplement this Base Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Base Prospectus is no longer valid.**

The requirement to publish a prospectus under the Prospectus Regulation only applies to Warrants which are to be admitted to trading on a regulated market in the EEA and/or offered to the public in the EEA other than in circumstances where an exemption is available under Article 1(4) and/or Article 3(2) of the Prospectus Regulation. An offer of Warrants made in a Member State other than pursuant to an exemption under Article 1(4) of the Prospectus Regulation is hereinafter referred to as a “**Non-exempt Offer**”.

**Warrants involve a high degree of risk and potential investors should be prepared to sustain a loss of all or part of their investment. For a discussion of the risks see “Risk Factors” below. Investors should review and consider these risk factors carefully before purchasing any Warrants.**

This Base Prospectus will be published on the internet site [www.kbctop.com](http://www.kbctop.com) and a copy can be obtained free of charge at the offices of KBC Bank NV.

**The date of this Base Prospectus is 22 December 2020.**

## 1. IMPORTANT INFORMATION

### Restrictions on public offers

This Base Prospectus comprises a base prospectus in respect of Warrants issued under the Programme for the purposes of Article 8 of the Prospectus Regulation.

This Base Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “Documents incorporated by reference”). This Base Prospectus shall be read and construed on the basis that such documents are incorporated and form part of this Base Prospectus.

This Base Prospectus has been prepared on a basis that permits offers that are not made within an exemption from the requirement to publish a prospectus under Article 1(4) of the Prospectus Regulation (**Non-exempt Offers**) in Belgium and any other EEA Member State where this Base Prospectus has been notified in accordance with Article 25 of the Prospectus Regulation (the **Non-exempt Offer Jurisdictions**).

The Warrants may not be offered to the public in any Member State of the European Economic Area (**EEA**) or the United Kingdom (**UK**) except:

- (a) to any person in Belgium and/or any other Member State where this Base Prospectus has been notified in accordance with Article 25 of the Prospectus Regulation (as specified in the applicable Final Terms), provided that:
  - (i) the applicable Final Terms specify the “Non-exempt Offer” as “Applicable”;
  - (ii) such offer is made in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in the relevant Final Terms (subject to the validity period of this Base Prospectus); and
  - (iii) the Issuer has consented in writing to the use of this Base Prospectus for the purpose of that offer; or
- (b) to any legal entity which is a qualified investor as defined in the Prospectus Regulation; or
- (c) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation); or
- (d) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Warrants referred to in (a) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation, or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation. For the purposes of this provision, the expression an **offer of Warrants to the public** in relation to any Warrants in any Member State of the European Economic Area 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 for the Warrants. The Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Warrants to the public in the EEA or the UK except in the cases set out above.

### Consent to use this base prospectus

This Base Prospectus has been prepared on a basis that permits offers that are not made within an exemption from the requirement to publish a prospectus under Article 1(4) of the Prospectus Regulation in Belgium and any other EEA Member State where this Base Prospectus has been notified in accordance with Article 25 of

the Prospectus Regulation. Any person making or intending to make such non-exempt offer of Warrants on the basis of this Base Prospectus must do so only with the Issuer's consent – see "Consent to use this Base Prospectus" on page 117.

### **Restrictions on distribution**

The distribution of this Base Prospectus and the offering or sale of the Warrants in certain jurisdictions may be restricted by law. Persons into whose possession the Base Prospectus comes, are required by the Issuer, the Arranger and any Dealer to inform themselves about and to observe such restrictions. None of the Issuer, the Arranger nor any Dealer represents that this Base Prospectus may be lawfully distributed, or that any Warrants may be lawfully offered, or assumes any responsibility for facilitating any such distribution or offering, in any other jurisdiction. 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.

The Warrants have not been and will not be registered under the United States Securities Act of 1933 (the **Securities Act**). The Warrants may not be offered, sold or delivered within the United States or to a U.S. Person (as defined in the Conditions below). For a description of certain restrictions for offers and sales of Warrants and distribution of this Base Prospectus, see further "Selling Restrictions".

### **Forward-looking statements**

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 business strategies, trends in its business, competition and competitive advantage, regulatory changes and restructuring plans.

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

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other outcomes described or implied in forward-looking statements will not be achieved. A number of important factors could cause actual results, performance or achievements to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include: (i) the ability to maintain sufficient liquidity and access to capital markets; (ii) market and interest rate fluctuations; (iii) the strength of global economy in general and the strength of the economies of the countries in which the Issuer 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; (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 business and practices in one or more of the countries in which the Issuer conducts operations; (xi) the adverse resolution of litigation and other contingencies; (xii) the Issuer's success at managing the risks involved in the foregoing.

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

## **Rounding**

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.

## **Currencies**

In this Base Prospectus, references to “euro”, “EUR” and “€” are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union.

## **Investment considerations**

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Warrants, (a) is intended to provide the basis of any credit or other evaluation, or (b) should be considered as a recommendation by the Issuer, that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Warrant 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. This is without prejudice to the legal and regulatory obligations of the issuer and the financial intermediaries. These obligations may require the issuer and relevant financial intermediaries to assess whether an investment is suitable or appropriate for an investor. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Warrants constitutes an offer or invitation by or on behalf of the Issuer to subscribe for or to purchase any Warrants.

Other than in relation to the documents which are deemed to be incorporated by reference (see “Documents incorporated by reference”), the information on the websites to which this Base Prospectus refers does not form part of this Base Prospectus and has not been scrutinised or approved by the FSMA.

The Issuer accepts responsibility for the information contained in this Base Prospectus and the Final Terms for each Series of Warrants issued under the Programme. To the best of the knowledge of the Issuer, the information contained in this Base Prospectus is in accordance with the facts and the Base Prospectus makes no omission likely to affect the import of such information.

**No person is or has been authorised by the Issuer, the Arranger or any Dealer, the Warrant Agent or the Calculation Agent 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 Arranger or any Dealer, the Warrant Agent or the Calculation Agent. 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 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 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.**

An investment in the Warrants entails certain risks, which vary depending on the specification and type or structure of the Warrants. Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent, (a) Warrants are legal investments for it, (b) Warrants can be used as collateral for various types of

borrowing, and (c) 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.

### **References to the Issuer, KBC Bank Group, KBC Group NV and KBC Group**

In this Base Prospectus, the term **Issuer** refers to KBC Bank NV. The Issuer together with its subsidiaries are referred to in this Base Prospectus as **KBC Bank Group**. The Issuer is a wholly-owned subsidiary of **KBC Group NV**. KBC Group NV together with its subsidiaries (including the Issuer) are referred to as **KBC Group**. See Section “Corporate structure, share capital and credit ratings” on page 33 for more information regarding the Issuer’s corporate and group structure, and the relationship between the Issuer and KBC Group NV and between KBC Bank Group and KBC Group.

### **IMPORTANT INFORMATION RELATING TO THE WARRANTS**

#### ***Price in case of Sale to the Issuer is published on the KBC website***

A Warrant Holder who holds Warrants other than END Warrants and who wishes to offer its Warrant(s) for sale to the Issuer should itself consult the website [www.kbctop.com](http://www.kbctop.com) in order to know the Sale Price at which the Warrant(s) can be offered for Sale to the Issuer on a given Actual Sale Date.

A Warrant Holder who holds an END Warrant and who wishes to offer such Warrant for sale to the Issuer, should note that at the moment of its offer the applicable Sale Price will not yet be known, as this price shall only be determined at the end of the Business Day on which it makes the offer (or at the end of the following Business Day, if it makes the offer after 16:00h CET). The same risk applies to holders of other Warrants who offer their Warrants for sale in the period where the applicable Sale Price is not yet available (i.e. on any Business Day after 16:00 CET and before 09:00 CET on the following Business Day). Such Warrant Holders will therefore only be able to acknowledge the (potential) return on their investment after they have decided to sell the Warrant(s).

The Warrant Holder should thereby note that, in respect of a Sale of its Warrants to the Issuer in accordance with Condition (11)a and (11)bis a, it only has a right to offer the Warrant for Sale, but that the Issuer has no obligation to purchase its Warrant(s). Furthermore, even though the Issuer will publish once or twice a day the Sale Price at which it would in principle be prepared to purchase Warrants in case of a Sale by a Warrant Holder, the Issuer also expressly reserves the right to deviate from such posted prices in the event of significant market fluctuations.

#### ***Liability in case of Exercise or Sale of the Warrants***

Exercise or Sale of the Warrants and delivery of the Entitlement to the Underlying Shares or the Underlying ETF Shares, as the case may be, by the Issuer is subject to all applicable laws, regulations and practices in force on the relevant Actual Exercise Date or Actual Sale Date, as the case may be, and none of the Issuer, the Warrant Agent or the Calculation Agent shall incur any liability whatsoever if it is unable in case of force majeure to effect the transactions contemplated as a result of any such laws, regulations or practices. None of the Issuer, the Warrant Agent or the Calculation Agent shall under any circumstances, save in case of gross negligence or wilful misconduct, be liable for any acts or defaults of the Securities Settlement System or any Securities Settlement System participant in relation to the performance of its duties in relation to the Warrants.

#### ***Disclosure of beneficial ownership***

An investor in Warrants might in some jurisdictions be treated as the beneficial holder of the Underlying Shares or the Underlying ETF Shares, as the case may be, to which its Warrants relate. Consequently, depending on

the size of an investor's exposure to the Underlying Shares or the Underlying ETF Shares, as the case may be, an investor in Warrants is subject to the risk that it (or the Issuer/its Affiliates) may be required by laws, regulations, rules, guidelines or other administrative practice in any relevant jurisdiction to provide information regarding the beneficial holder and the Warrants to any governmental or regulatory authority in such jurisdiction. The Issuer and its Affiliates reserve the right to request further information regarding the investor and the Warrants from the investor in order to comply with such disclosure requirements.

***Exercise of certain rights only possible through KBC accounts***

Regardless whether a Warrant is held by the investor (a) as a Registered Warrant or (b) a Dematerialised Warrant on a securities account outside of KBC Bank, in order to be able to exercise the following rights attached to a Warrant, the Warrant Holder will in any event need to dispose of an account held with KBC Bank: (i) a securities account for purposes of the delivery of the Underlying Share or the Underlying ETF Shares, as the case may be, to the Warrant Holder in case of Exercise of the Warrant, (ii) a securities account in case of a Sale of a Dematerialised Warrant to the Issuer, and (iii) a cash account for the payment of the Actual Exercise Price, the Exercise Costs and the Exercise Expenses in case of the Exercise of a Warrant. While it is possible for investors to trade (purchase and sell) Dematerialised Warrants through securities accounts held with Securities Settlement System participants other than KBC Bank, the exercise of the aforementioned rights will require the opening of a securities account and a cash account with KBC Bank in case the Warrant holder does not have such account.

***Dematerialised Warrants – application of the regime of the Coordinated Royal Decree No. 62 of 10 November 1967 governing the custody of transferable financial instruments and the settlement of transactions on these instruments (“RD 62”)***

Upon dematerialisation in accordance with Condition (6), the Dematerialised Warrants will be represented exclusively by book entries in the records of the Securities Settlement System and held by the Warrant Holder (or its successor or transferee) through a securities account with KBC Bank or with a securities account of a direct or indirect participant in the Securities Settlement System. As a result, the Dematerialised Warrants can be transferred by transferring such Warrants between securities accounts held with direct or indirect participants in the Securities Settlement System.

RD 62 creates a legal framework for the custody and transfer of fungible financial instruments in a book entry system. RD 62 in particular defines the type of claims an account holder has against the intermediaries within the book entry system with whom it holds its financial instruments on account and creates certain *in rem* rights to reclaim the financial instruments in case of insolvency of the intermediary with whom the financial instruments are held, protecting the account holder.

RD 62 provides that certain rules of RD 62, including the aforementioned *in rem* rights to reclaim financial instruments in case insolvency of an intermediary can be made applicable contractually at the time of deposit by a party of financial instruments with a participant in the Securities Settlement System.

The Issuer, the Securities Settlement System and, by subscribing or acquiring the Warrants, the Warrant Holders will consent to the contractual application of the provisions of RD 62 to the Dematerialised Warrants. The Warrant Holders should therefore have the benefit of the relevant provisions of RD 62, including in case of insolvency of certain intermediaries with whom they hold their Registered Warrants account (provided such relevant account with the intermediary is located in Belgium). Warrant Holders should however be aware that to date there is no case law which has tested the contractual application of the rules of RD 62 to financial instruments.



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## 2. GENERAL DESCRIPTION OF THE PROGRAMME

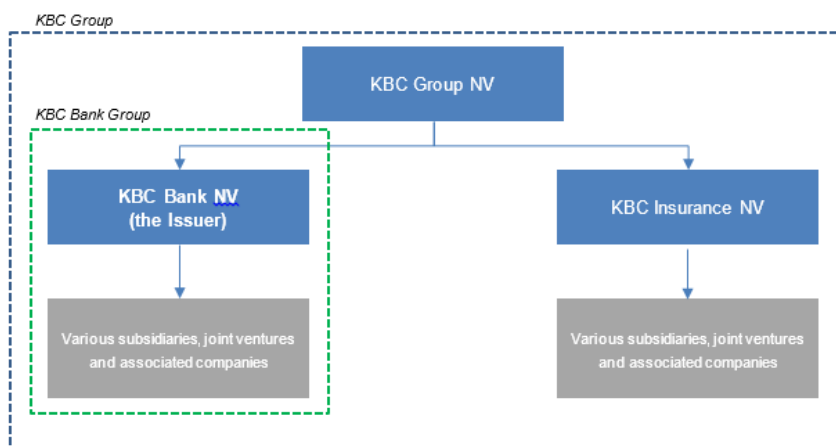
*This section is the general description of the Programme referred to in Article 25(1)(b) of Commission Delegated Regulation (EU) No 2019/980 supplementing the Prospectus Regulation. This section is qualified in its entirety by the rest of this Base Prospectus, including the Terms and Conditions of the Warrants as set out on page 63 and following.*

### Information relating to the Issuer

Issuer: KBC Bank NV

Description The Issuer is registered as a credit institution with the National Bank of Belgium. It is a wholly-owned subsidiary of KBC Group NV and is part of the KBC Group. The Issuer's strategy is fully embedded in the strategy of KBC Group NV, which includes offering a unique bank-insurance experience combining the Issuer's banking activities and the Issuer's sister company KBC Insurance NV's insurance activities.

A simplified schematic of KBC Group's legal structure is provided below:



Principal activities of the Issuer:

KBC Bank Group is a multi-channel banking group 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 (based on internal data). 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 the Issuer's 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.

*(See section “Information relating to the Issuer” on page 33 and following for more detailed information.)*

### Information relating to the Programme

Description: Warrant Programme.

Arranger and Dealer:	KBC Bank NV. The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme.
Warrant Agent:	KBC Bank NV.
Calculation Agent:	KBC Bank NV.
Series:	The Warrants will be issued in series (each a <b>Series</b> ), whether or not issued on the same date, that have identical terms on issue and are expressed to have the same series number. The final terms and conditions for each Series of Warrants (or the relevant provisions thereof) will be specified in the applicable Final Terms.
Distribution:	The Warrants will be distributed by way of an offer exempt from a prospectus requirement or an offer subject to a prospectus requirement on a syndicated or non-syndicated basis. The manner of distribution will be specified in the applicable Final Terms.
Currencies:	Subject to compliance with all relevant laws, regulations and directives, Warrants may be issued in any currency agreed between the Issuer and the relevant Dealers. The currency of each Series will be specified in the applicable Final Terms.
Maturity:	Subject to compliance with all relevant laws, regulations and directives and unless previously redeemed or purchased and cancelled, each Warrant will have the maturity as specified in the applicable Final Terms.
Issue Price:	Warrants will be issued at an amount specified in the applicable Final Terms.
Form of Warrants:	The Warrants will be issued in registered form and initially be represented by a registration in a register held by the Issuer or by the Warrant Agent on its behalf in the name of the relevant Warrant Holder(s). Upon the choice of the Warrant Holder, the form of the Registered Warrants can be changed by a process of dematerialisation potentially with a view of trading the relevant Warrants on Euronext Brussels. The Dematerialised Warrants will be represented exclusively by book entry in the records of the Securities Settlement System currently operated by Euroclear SA/NV. <i>See Condition (2) on page 74.</i>
Status of Warrants:	The Warrants constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> with all present and future unsecured obligations of the Issuer, without any preference among themselves and without any preference one above the other by reason of priority of date of issue, any currency or payment or otherwise, subject to any exceptions as from time to time under applicable law. <i>See Condition (5) on page 75.</i>
Interest:	The Warrants will not bear any interest.
Exercise and Sale of the Warrants:	A Warrant grants the Warrant Holder a right of Exercise of the Warrant. A Warrant Holder may sell the Warrant to a third party in the open market or to the Issuer.

*See Condition (7) on page 76.*

- Underlying: The Warrant Holders may exercise their rights to acquire an entitlement in an Underlying Share or Underlying ETF Share.
- Underlying ETF Shares: The Final Terms issued in respect of each issue of Warrants or Series of Warrants will specify which ETF share can be acquired by a warrant holder upon exercise.
- Underlying Shares: The Final Terms issued in respect of each issue of Warrants or Series of Warrants will specify which SICAV managed by KBC Asset Management SA/NV is the SICAV whose shares can be acquired by a warrant holder upon exercise.  
*See Condition (8) on page 77.*
- Ratings: Warrants issued under the Programme will be unrated.  
Also see the section “CORPORATE STRUCTURE, SHARE CAPITAL AND CREDIT RATINGS” for information regarding credit ratings assigned to the Issuer generally (but not to a specific issue of Warrants).
- Governing Law: The Warrants, the Warrant Agreement and all matters arising from or connected with the Warrants and the Warrant Agreement (and any non-contractual obligations arising out of or in connection with the Warrants) are governed by, and shall be construed in accordance with, Belgian law.
- Listing and Admission to Trading: Application has been made to Euronext Brussels for Warrants issued under the Programme to be listed and to be admitted to trading on the regulated market of Euronext Brussels. The applicable Final Terms will specify whether and where the Warrants will be admitted to trading and listing.
- Selling Restrictions: There are restrictions on the offer, sale and transfer of the Warrants. See “*Selling Restrictions*” on page 114 below.
- Bail-in: Because the Issuer is a credit institution and the Warrants are senior unsecured obligations of the Issuer, the Warrants are subject to “bail-in”. This means that when the Issuer is failing or likely to fail, the EU Single Resolution Board together with the National Bank of Belgium can decide to write down the Warrants (by reducing the outstanding principal amount) or to convert the Warrants into equity. See risk factor “*Warrant Holders may be required to absorb losses in the event the Issuer becomes non-viable or were to fail*” on page 24 and a more general description of the Issuer’s regulatory status in Section “*Banking supervision and regulation*” on page 46.

### 3. RISK FACTORS

*Text in italics below is an introduction to the “Risk Factors” section.*

#### ***Which risks are described in this section and in how are they presented?***

*The Issuer believes that the risk factors described in this section are risks which are specific to the Issuer and/or to the Warrants and which are material for taking an informed investment decision with respect to the Warrants. However, the inability of the Issuer to pay any amount or to deliver the Underlying Shares or the Underlying ETF Shares, as the case may be, may occur for other reasons which may not be considered significant risks by the Issuer based on the information currently available to it or which it may not currently be able to anticipate.*

*The risk factors are grouped in the following categories:*

- *Risks relating to the Issuer and the KBC Bank Group (page 15 and following)*
- *Risks relating to the Warrants (page 24 and following)*

*In each category the most material risk factors are mentioned first. The materiality of a risk factor is assessed by its expected negative impact on the Issuer (including any relevant mitigation measures) and the probability of its occurrence.*

*Some risk factors can be grouped into more than one category. In that case, the Issuer has only mentioned that risk factor in the most appropriate category, and not in the other categories. Potential investors should consult the risk factors in all categories.*

#### ***Does this section contain all risks that could result in adverse consequences for investors in the Warrants?***

*No. This section does not contain risks:*

- *that the Issuer does not consider material;*
- *that the Issuer does not consider to be specific to the Issuer or the Warrants;*
- *of which the Issuer is not aware; or*
- *that may arise in the future.*

*Although not mentioned in this section, these risks could in the future still result in adverse consequences for investors in the Warrants, for example an inability to pay the Sale Price or any other amount on or in connection with the Warrants.*

*The Issuer will publish a supplement to this Base Prospectus if such risks become material or specific to the Issuer or the Warrants, or when the Issuer becomes aware of them or when they arise, as explained in section “Supplements to this Base Prospectus” on page 123.*

#### ***What is meant by risks that are “material” for taking an informed investment decision?***

*The Issuer has assessed the materiality of the risks factors, taking into account the expected negative impact of such risks on the Issuer (including any relevant mitigation measures) and the probability of their occurrence. For the risk factor relating to the Issuer and the KBC Bank Group, the result of this assessment is mentioned behind each risk factor, using a scale of “low”, “medium” or “high”.*

***What does a “low”, “medium” or “high” materiality of a risk factor mean?***

*The qualitative scale of the materiality of a risk using the labels “low”, “medium” or “high” is only intended to compare the expected negative impact of such risks on the Issuer (including any relevant mitigation measures) and the probability of their occurrence among the risk factors included in this section. These labels do not correspond to certain amounts or percentages, and are based on a good faith judgment of the Issuer.*

## **I. RISKS RELATING TO THE ISSUER AND THE KBC BANK GROUP**

The overall management responsibility of a financial institution can be defined as managing capital, liquidity, return (income versus costs) and risks, which in particular arise from the special situation of banks as risk transformers. Taking risks and transforming risks is an integral part – and hence an inevitable consequence of – the business of a financial institution. Therefore, the KBC Bank Group (together with the KBC Group) does not aim to eliminate all the risks involved (risk avoidance) but instead looks to identify, control and manage them in order to make optimal use of its available capital (i.e. risk-taking as a means of creating value). Ergo it may leave the KBC Bank Group exposed to unidentified, unanticipated or incorrectly quantified risks.

### **1. Coronavirus (COVID-19) pandemic (high risk)**

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

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

The economic challenges, worldwide but also in the European Union resulting from this crisis undoubtedly have an impact on credit losses in general, including credit losses incurred by the KBC Bank Group, both as at the date of this Base Prospectus and in the coming years. Such credit losses include but may not be limited to credit losses situated in the KBC Bank Group's loan portfolio (see also the section "Credit risk").

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

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

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

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

- monitoring of IT systems performance and employee health to ensure operational continuity and critical services;

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

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

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

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

This might also finally be reflected in the credit ratings of the KBC Group, including the ratings of the Issuer, may be adversely affected by the coronavirus crisis. Such adverse effects may include but may not be limited to a downgrade in the credit ratings or the outlook currently assigned to the Issuer. There can thus be no assurance that the current credit ratings of the Issuer or the KBC Group will be maintained (see also the section “*Credit ratings*”).

The Issuer also refers to the half-year report of the Issuer for 2020 (which is incorporated by reference in this Base Prospectus) in its entirety, for the financial reporting on the first half-year of 2020 (in which the COVID-19 crisis started).

## **2. Performance risk (medium risk)**

Over the last years, the Issuer remained best in class in terms of performance, which underlines the resiliency of its business model in a challenging environment<sup>1</sup>.

Going forward the market environment is likely to remain challenging, especially taking into account the impact of the COVID-19 pandemic, both for the Issuer and its peers, which puts pressure on the Issuer’s profitability and/or credit ratings:

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<sup>1</sup> KBC measures performance based on the annual ROE (return on equity). When we consider page 5 of EBA’s Risk Dashboard (<https://eba.europa.eu/risk-analysis-and-data/risk-dashboard>), we can conclude that KBC is best in class amongst the European banks by showing a double digit ROE. Note that the EBA’s Risk Dashboard is not incorporated by reference in this Base Prospectus and has not been scrutinized or approved by the FSMA.



- (Longer than expected) low interest rates, negatively impacting the reinvestment yield and influencing client behaviour.
- Increasing political uncertainty, both on a global and European level (e.g. rising protectionism, trade war, etc). One of the factors that currently remain uncertain, is the structure of the future relationship of the United Kingdom with the European Union (the EU). Under the terms of an EU-UK agreement on the withdrawal of the United Kingdom from the European Union, a transition period applies which will last until 31 December 2020 and which may be extended once by up to two years. During this period, most EU rules and regulations will continue to apply to and in the United Kingdom and negotiations in relation to a free trade agreement will be ongoing. The Issuer is keeping track of possible consequences of several scenarios, with strategic contingency plans being developed. Domains that are expected to be affected most by an exit without agreement as to the EU-UK future relationship at the end of the transition period are: KBC Bank Ireland, the exposure to corporates and small and medium-sized enterprises (SMEs), net interest income and the asset management activities. The risk linked to derivatives clearing activities has temporarily decreased thanks to the temporary recognition of LCH as a qualified central clearing counterparty. The Issuer has also become a direct clearing member of Eurex as an additional mitigation measure.
- Higher competition affected by consumer demand, technological changes (including the growth of digital banking), regulatory action and changes in competitive behaviours due to new entrants to the market (including potential non-traditional financial services providers, such as large retailers or technology conglomerates) and new lending models (such as, for example, peer-to-peer lending). These competitive pressures could result in increased pricing pressures on a number of the Issuer's products and services and in the loss of market share in one or more such markets. Volatility on financial markets, putting pressure on the sales of investment products.
- Volatility on financial markets, putting pressure on the sales of investment products.
- An increasingly digital world, which offers opportunities but also challenges in terms of more and new competitors and changing client behaviour. Due to investments in digital transformation and mitigation risk measures, operational costs are expected to increase over the coming years. For some of these risks, please refer to the risk factor entitled "*Operational Risks*".
- Climate-related risks (and opportunities) remain high on the agenda. The Issuer has to deal with growing climate-related expectations of different stakeholders, such as institutional investors, governments and clients. These risks are expected to affect the activities and products of the Issuer in the coming years.
- Workforce mismatches due to the digital transformation and pressure on the labour market / war for talent making it more difficult to build a future-proof workforce. In addition, more staff needs to be involved in reporting towards regulators.

### 3. Credit risk (medium risk)

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.

The bank is subject to a wide range of credit risks, in particular taking into account the impact of the COVID-19 pandemic (see above). The main source of which is the bank's loan portfolio. It includes all

the loans and guarantees that the Issuer has granted to individuals, companies, governments and banks (including debt securities if they are issued by companies or banks). The aggregate outstanding amount of our loan portfolio amounted to EUR 179 billion on 30 June 2020. Most counterparties are private individuals (40.9%) and corporates (46.9%). Most counterparties are located in Belgium (65.2%) or in the Czech Republic (17.3%). 3.4% of this portfolio constitute impaired loans, (i.e., loans where it is unlikely that the full contractual principal and interest will be repaid/paid).

The main sources of other credit risks are trading book securities, counterparty risk of derivatives and government securities.

A more detailed breakdown of our loan portfolio, including information on impairments, can be found on page 58 and following of the Issuer's 2019 annual report. More information on credit risks relating to trading book securities, counterparty risk of derivatives and government securities can be found on page 57 of the Issuer's 2019 annual report. The Issuer's 2019 annual report is incorporated by reference into this Base Prospectus as set out in the section entitled "Documents incorporated by reference".

#### **4. Operational risk (medium risk)**

The Issuer is exposed to a large array of operational risks, which are defined as risk of loss resulting from inadequate or failed internal processes and systems, human errors or sudden man-made or natural external events, that could give rise to material losses in services to customer and to loss or liability to the Issuer. These events can potentially result in financial loss, liability to customers, administrative fines, penalties and/or reputational damages.

The Issuer endeavours to hedge such risks by implementing adequate systems, controls and processes tailored to its business. Nevertheless, it is possible that these measures prove to be ineffective in relation to operational risks to which the Issuer is exposed, also taking into account the potential impact of the COVID-19 pandemic (see above).

The main operational risks of the Issuer are as follows (in order of importance):

- *Information security risk*: The risk of losses due to an intentional or unintentional breach – originating from within or outside the institution – to the availability, confidentiality and integrity of the organisation's information assets.
- *IT (Information Technology) risk*: The risk of losses due to the unavailability of systems and data (without threatening the normal continuation of business, which is a business continuity risk) inappropriateness of systems or inability to change.
- *Process risk*: Risks of losses caused by insufficient, badly designed or poorly implemented processes and processing controls and unintentional human errors or omissions during normal (transaction) processing.
- *Model risk*: The Issuer is exposed to risks of losses or potential for adverse consequences arising from decisions based on incorrect or misused model outputs and model reports.
- *Outsourcing risk and third party risk*: Risks stemming from problems regarding continuity, integrity and/or quality of the activities outsourced to or partnered with third parties (whether or not within a group) or from the equipment or staff made available by these third parties.
- *Legal risk*: Risks of losses caused by bad management of disputes, the inability to protect our intellectual property (IP), failure to manage (non-)contractual obligations or failure to timely and correctly detect, assess and implement legislation and regulations.

- *Fraud risk*: Risks of deliberate abuse of procedures, systems, assets, products and/or services by one or more persons who intend to deceitfully or unlawfully benefit themselves or others.
- *Business continuity risk*: Risks of sudden (man-made or natural) external events (e.g. natural disasters, power outages, terrorism) leading to a situation that threatens the normal continuation of business of the Issuer.
- *Personal and physical security risk*: Risks of losses arising from acts inconsistent with employment, health or safety laws or agreements, from personal injury claims, or from diversity / discrimination events.

More information regarding operational risk can be found on pages 116 and following of the Issuer's 2019 annual report. The Issuer's 2019 annual report is incorporated by reference into this Base Prospectus as set out in the section entitled "Documents incorporated by reference".

## 5. Conduct and compliance risk (medium risk)

Conduct and compliance risk is defined as the risk of losses or sanctions due to failure (or the perceived failure) to comply with the statutory and regulatory codes of integrity and conduct or with the internal policy in this regard and with the institution's own values and codes of conduct in relation to the integrity of its activities. This also includes the current or prospective risk of losses arising from inappropriate supply of financial services, including cases of willful or negligent misconduct. Conduct risk covers many "hard" legal aspects, such as informing customers, providing the required transparency, avoiding misleading information and forced tying of products, selling the right product to the right customer and at the right time, conflicts of interest in doing business, manipulation of benchmarks, obstacles to changing financial products during their lifetime, automatic provision of products or unfair treatment of customers' complaints. There are also softer aspects to include in conduct risk. These are based specifically on behavior and are linked to people, culture and mindset.

More information regarding compliance and conduct risk can be found on pages 118 and following of the Issuer's 2019 annual report. The Issuer's 2019 annual report is incorporated by reference into this Base Prospectus as set out in the section entitled "Documents incorporated by reference".

## 6. Market risk in non-trading activities (medium risk)

Market risk is defined as the potential negative deviation from the expected value of a financial instrument (or portfolio of such instruments) due to changes in the level or in the volatility of market prices (e.g. interest rates, exchange rates and equity or commodity prices). Market risk is related to trading (which can be found in the risk factor entitled "*Market risk in trading activities*" below) and non-trading activities.

The Issuer is mainly exposed to interest rate risk, credit spread risk and equity price risk:

- Interest rate risk is the potential negative deviation from the expected value of a financial instrument or portfolio due to changes in the level or in the volatility of interest rates. The value of interest bearing positions will decrease when market interest rates increase and vice-versa, unless the position contains inherent protection against such decrease, such as a variable or floating interest rate mechanism. The Issuer estimates that, as at 30 June 2020, an increase of market interest rates by 10 basis points would lead to a decrease of the value of our total portfolio with -72 million euro.
- Credit spread risk is the risk due to changes in the level or in the volatility of credit spreads. The value of our positions will decrease when credit spread increases, and vice-versa. This is mainly relevant for our portfolio of sovereign and non-sovereign bonds. As at 30 June 2020, the total

carrying value (i.e., the amount at which an asset or liability is recognised in our accounts) of our sovereign and non-sovereign bond portfolio combined was 49.1 billion euro. The Issuer estimates that an increase in credit spread of 100 basis points across the entire curve would lead to a theoretical negative economic impact of 2.2 billion euro on the value of both portfolios combined.

- Equity risk is the risk due to changes in the level or in the volatility of equity prices. The total value of our equity portfolio as at 30 June 2020 was 0.19 billion euro. The Issuer estimates that a 25% drop in equity prices would have a negative impact of -47 million euro on the value of this portfolio.

More information regarding market risks in non-trading activities generally, and interest rate risk, credit spread risk and equity risk specifically, can be found on pages 58 and following of the Issuer's 2019 annual report. More information on credit risks relating to trading book securities, counterparty risk of derivatives and government securities can be found on page 57 of the Issuer's 2019 annual report. The Issuer's 2019 annual report is incorporated by reference into this Base Prospectus as set out in the section entitled "Documents incorporated by reference".

## 7. Liquidity risk (low risk)

Liquidity risk is the risk that the Issuer will be unable to meet its liabilities and obligations as they come due, without incurring higher-than-expected costs.

Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms 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 and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC (CRD IV) requires the Issuer to meet targets set for the Basel III liquidity related ratios, i.e., (i) the liquidity coverage ratio (LCR) which requires banks to hold sufficient unencumbered high quality liquid assets to withstand a 30-day stressed funding scenario and (ii) the net stable funding ratio (NSFR) which is calculated as the ratio of an institution's amount of available stable funding to its amount of required stable funding.

Any failure of the Issuer to meet the liquidity ratios could result in administrative actions or sanctions or it ultimately being subject to any resolution action.

Due to the challenges for the economy posed by the crisis resulting from the COVID-19 pandemic, the ECB decided in March 2020 to allow credit institutions to operate temporarily below the LCR targets. The KBC Bank Group participated in the targeted longer-term refinancing operations (TLTRO III operation) in June 2020, supporting its LCR and NSFR figures. In July 2020 the ECB updated its measures aiming at preserving banks' capacity to absorb losses and to support the economy, announcing that banks are allowed to use their liquidity buffers until at least the end of 2021.

Please also refer to the section entitled "*Liquidity risk*" on pages 76 to 78 of the Issuer's 2019 annual report. The Issuer's 2019 annual report is incorporated by reference into this Base Prospectus as set out in the section entitled "*Documents incorporated by reference*".

A group-wide Liquidity Risk Management Framework is in place to define the risk playing field. Liquidity management itself is organised within the Group Treasury function, which acts as a first line of defence and is responsible for the overall liquidity and funding management of the KBC Group. The Group Treasury function monitors and steers the liquidity profile on a daily basis and sets the policies and steering mechanisms for funding management (intra-group funding, funds transfer pricing).

These policies ensure that local management has an incentive to work towards a sound funding profile. The Group Treasury function also actively monitors its collateral on a group-wide basis and is

responsible for drafting the liquidity contingency plan that sets out the strategies for addressing liquidity shortfalls in emergency situations.

The second line of defence (which includes the Risk function) covers all independent Support & Oversight Functions. The Risk function:

- is responsible for identifying, measuring, monitoring, reporting and stress testing liquidity risk on a group-wide basis, independently from the first line of defence;
- sets the standards via the KBC Liquidity Risk Management Framework and supports the business with its implementation;
- challenges the business on their risk identification, measurement and response.

The third line of defence is provided by internal audit, assuring an independent review and challenge of the Group's first- and second-line liquidity (risk) management processes.

This group-wide Liquidity Risk Framework is based on the following pillars: contingency liquidity risk, structural liquidity risk and operational liquidity risk.

Contingency liquidity risk is the risk occurring when the Issuer may not be able to attract additional funds or replace maturing liabilities under stressed market conditions. This risk, assessed on the basis of liquidity stress tests, relates to changes to the liquidity buffer of a bank under extreme stressed scenarios.

Structural liquidity risk is the risk occurring when the Issuer's long-term assets and liabilities might not be (re)financed on time or can only be refinanced at a higher-than-expected cost. Typical for banking operations, funding sources generally have a shorter maturity than the assets that are funded, leading to a negative net liquidity gap in the shorter time buckets and a positive net liquidity gap in the longer-term buckets. This creates liquidity risk if the Issuer would be unable to renew maturing short-term funding.

Operational liquidity risk is the risk occurring when the Issuer's operational liquidity management cannot ensure that a sufficient buffer is available at all times to deal with extreme liquidity events, in which no wholesale funding can be rolled over.

Stressed or extreme market conditions as mentioned above can be triggered for example by the COVID-19 pandemic. So far the liquidity position of the KBC Bank Group was able to withstand the stress of the COVID-19 crisis and remains very strong. Please also refer to the risk factor entitled "*Coronavirus (COVID-19) pandemic*".

Besides a liquidity risk management framework and a funding management framework, standards for stress testing and policies on ILAAP (the internal liquidity adequacy assessment process), collateral management, use of public funding sources and intraday liquidity management are also in place to steer the overall liquidity risk management process.

## **8. Market risk in trading activities (low risk)**

The KBC Group is exposed to market risks via the trading activities of its dealing rooms in Belgium, the Czech Republic, Slovakia, Bulgaria and Hungary, as well as via a minor presence in the United Kingdom and Asia. Wherever possible and practical, the residual trading positions of the KBC Group's foreign entities are systematically transferred to the Issuer, reflecting that the KBC Group's trading activity is managed centrally both from a business and a risk management perspective. Consequently, the Issuer holds about 96% of the trading-book-related regulatory capital of the KBC Group.

Market risk exposures in the trading book are measured by the Historical Value-at-Risk (**HVaR**) method, which is defined as an estimate of the amount of economic value that might be lost due to market risk over a defined holding period. The Issuer uses the historical simulation method, based on patterns of experience over the previous two years. The Issuer's HVaR estimate, calculated on the basis of a one-day holding period, was 9 million euro as at 30 June 2020, and varied between 4 million euro and 11 million euro during the financial year of 2020.

## **9. Credit ratings (low risk)**

The credit ratings of the KBC Bank Group are important to maintain access to key markets and trading counterparties. Please also refer to the section "Corporate structure, share capital and credit ratings" on page 33 of this Base Prospectus for an overview of the KBC Bank Group's current credit ratings.

Any failure by the Issuer to maintain its credit ratings could adversely impact the competitive position of the 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 the KBC Bank Group to engage in funding transactions. In connection with certain trading agreements, the KBC Bank Group might also be required, if its current ratings are not maintained, to provide additional collateral.

## **10. Legal and regulatory risk**

### **10.1 Recent regulatory and legislative developments may adversely impact the Issuer and/or its subsidiaries, its business, financial condition or results of operation (medium risk)**

The Issuer's business activities are subject to substantial regulation and regulatory oversight in the jurisdictions in which it operates.

There have been significant regulatory developments in response to the global financial crisis of 2008-2009, including various initiatives, measures, stress tests and liquidity risk assessments taken at the level of the EU, national governments, the European Banking Authority and/or the European Central Bank (the **ECB**). This has led to the adoption of a new regulatory framework and the so-called "Banking Union", as a result of which the responsibility for the supervision of the major Eurozone credit institutions (including the Issuer) has been assumed at the European level.

Recent regulatory and legislative developments applicable to credit institutions, such as the Issuer may adversely impact the Issuer and/or its subsidiaries, its business, financial condition or results of operation. A non-exhaustive overview of certain important regulatory and legislative developments, such as changes to the prudential requirements for credit institutions, capital adequacy rules, recovery and resolution mechanisms, is set out in the section entitled "Banking supervision and regulation" on page 46 of this Base Prospectus.

Also the regulatory measures in response to the COVID-19 pandemic that were taken in the different jurisdictions in which the Issuer operates had an impact on the Issuer.

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. Such increased scrutiny or charges may require the Issuer to take additional measures which, in turn, may have adverse effects on its business, financial condition and results of operations.

Any failure of the Issuer to meet regulatory requirements could result in administrative actions or sanctions.

## **10.2 Capital adequacy (low risk)**

The requirements of CRD IV include a capital conservation buffer and, in certain circumstances, a systemic buffer and/or a countercyclical buffer which come on top of the minimum requirements. These additional requirements are being gradually phased in and have an impact on the Issuer and its operations, as it imposes higher capital requirements. Capital requirements will increase if economic conditions or trends in the financial markets worsen and as such, further capital increases may be difficult to achieve or only be raised at high costs in the context of adverse market circumstances.

Due to the challenges for the economy posed by the coronavirus crisis, the ECB decided in March 2020 to allow credit institutions to operate temporarily below the level of capital defined by the pillar 2 guidance (**P2G**), and the capital conservation buffer. These temporary measures were enhanced by the appropriate release of the countercyclical capital buffer by the National Bank of Belgium. Various local competent authorities in the Issuer's core markets also decided to release the countercyclical capital buffer.

So far the capital position of the Issuer remained very strong which was also influenced by the advice of the ECB to not to pay-out dividends until end of 2020<sup>2</sup>. In addition, on 15 December 2020, the ECB called on banks to refrain from or limit dividends until 30 September 2021<sup>3</sup>.

Please refer to the section entitled "Banking supervision and regulation" as from page 46 of this Base Prospectus in which a broader overview of the capital adequacy requirements is provided.

Any failure of the Issuer to meet the regulatory capital ratios could result in administrative actions or sanctions or it ultimately being subject to any resolution action.

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<sup>2</sup> European Banking Authority, "Statement on dividends distribution, share buybacks and variable remuneration", 31 March 2020; European Banking Authority, "EBA statement on actions to mitigate the impact of COVID-19 on the EU banking sector", 12 March 2020

<sup>3</sup> European Banking Authority, "ECB asks banks to refrain from or limit dividends until September 2021", 15 December 2020, available at: [https://www.bankingsupervision.europa.eu/press/pr/date/2020/html/ssm.pr201215-4742ea7c8a.en.html#:~:text=The%20European%20Central%20Bank%20\(ECB,distributions%2C%20until%2030%20September%202021](https://www.bankingsupervision.europa.eu/press/pr/date/2020/html/ssm.pr201215-4742ea7c8a.en.html#:~:text=The%20European%20Central%20Bank%20(ECB,distributions%2C%20until%2030%20September%202021).

## II. RISKS RELATING TO THE WARRANTS

### *1 General risks relating to the nature of the Warrants*

#### *1.1 Warrants track the value of the Underlying and involve a high degree of risk and investors must be prepared to sustain a total loss of their invested amounts*

The repayment of any amount invested in Warrants and any return on investment is variable and not guaranteed. Unlike a savings account or similar investment with little or no capital risk, Warrants may potentially have a greater return but there is a greater risk of loss of capital. Warrant Holders risk losing their entire investment if the Underlying does not perform as anticipated. This is because the Warrants are designed to track the price or level of the Underlying. Pursuant to a leverage effect (see paragraph 1.6(e) below), the occurrence of fluctuations or the non-occurrence of anticipated fluctuations in the Value of the Underlying will disproportionately affect the Warrant Value. As a result thereof the Warrant Value will be adversely affected and in a worst case scenario become zero as well. Investors in the Warrants would then lose all of their invested amounts.

An investment in Warrants is not the same as an investment in the Underlying and does not provide the Warrant Holder (prior to the Exercise of the Warrants) with any of the rights that a holder of the Underlying may have (such as voting rights and rights to receive dividends).

The Warrants are not covered by the Belgian deposit protection scheme.

#### *1.2 A Warrant comprises a derivative and the value of and return on investment in the Warrants is subject to significant fluctuations*

A Warrant is an asset which, other factors held constant, tends to decline in value over time and which becomes worthless if it cannot be Exercised prior to its expiry. Prospective Warrant Holders should be experienced with respect to options and option transactions and should understand the risks of transactions involving the relevant Warrants on the basis of this Prospectus.

The risk of loss of some or all of the purchase price of a Warrant upon expiration means that, in order to recover and realize a return upon its investment, a Warrant Holder must be correct about the direction, timing and magnitude of an anticipated change in the Value of the Underlying. Assuming all other factors are held constant, the more a Warrant is 'out-of-the-money' (meaning that the Value of the Underlying that can be acquired upon Exercise of the Warrant is below the Exercise Price of the Warrant) and the shorter its remaining term to expiration, the greater the risk that holder of such Warrants will lose all or part of its investment.

In addition, Warrant Holders should consider that the return on the investment in Warrants is reduced by the costs in connection with the purchase, exercise and/or sale of the Warrants.

#### *1.3 Warrant Holders may be required to absorb losses in the event the Issuer becomes non-viable or were to fail*

Warrant Holders may lose their investment in case the Issuer were to become non-viable or fail. In such circumstances and aside from parts of the Issuer that can still go through normal insolvency proceedings, resolution authorities may require senior debt instruments to be bailed-in, including (without limitation) the Warrants issued prior to the date of this Base Prospectus.



In order to safeguard financial stability and minimize taxpayers' exposure to losses, BRRD<sup>4</sup> as implemented in the Banking Law (as defined below) includes 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 recapitalize 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 power includes the power to cancel a liability or modify the terms of contracts for the purposes of reducing or deferring the liabilities of the relevant financial institution and the power to convert a liability from one form to another, all with a view to recapitalizing the failing credit institution.

The Resolution Authority (which for the Issuer means the EU Single Resolution Board together with the resolution committee of the National Bank of Belgium) has the power to bail-in (i.e. write down or convert) senior debt such as the Warrants, after having written down or converted tier 1 capital instruments and tier 2 capital instruments. On 31 December 2019, the Issuer's tier 1 and tier 2 capital amounted to EUR 16.7 billion in total.

The bail-in power enables the Resolution Authority to recapitalize a failed institution by allocating losses to its shareholders and unsecured creditors (including holders of the Warrants) 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.

Potential investors in the Warrants should consider the risk that a Warrant Holder may lose all of the invested amounts, if such statutory loss absorption measures are acted upon or that the Warrants may be converted into ordinary shares of the Issuer.

Warrant Holders 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.

#### **1.4 *The Warrants are not debt securities and do not pay any interest***

The terms of the Warrants differ from those of ordinary debt securities. The Warrants do not entitle the holder of the Warrants to receive a coupon payment or dividend yield and therefore do not constitute a regular source of income. Possible losses in connection with an investment in the Warrants can therefore not be compensated by other income from the Warrants.

#### **1.5 *Warrants are unsecured obligations and Warrant Holders are exposed to credit risk against the Issuer***

The Warrants are direct, unconditional, unsecured and unsubordinated obligations of the Issuer and will rank *pari passu* with all present and future unsecured and unsubordinated obligations of the Issuer, without any preference among themselves and without any preference one above the other by reason of priority of date of issue, any currency of payment or otherwise, except for obligations given priority by the applicable law.

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<sup>4</sup> 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 Warrants will not be secured by the Underlying to which such Warrant is linked. The Warrant Holder will not have recourse to any Underlying or any other security/collateral if the Issuer does not perform its obligations under the Warrants.

The Warrant Holder bears the risk that the financial situation of the Issuer declines or that insolvency or bankruptcy proceedings are instituted against the Issuer and that as a result the Issuer cannot fulfil its obligations under the Warrants (the Issuer's credit risk). If the Issuer were insolvent or defaulted on its obligations under the Warrants, in the worst case scenario, investors in the Warrants could lose all of their invested amounts.

#### **1.6 *The value and Trading Price of the Warrants are influenced by various factors and any of these can have a significant adverse effect on the price or value of the Warrants***

The difference between the Value of the Underlying that can be acquired upon Exercise of the Warrant and the Exercise Price (such difference constituting the Intrinsic Value of the Warrant) at any time prior to the Expiration Date is typically expected to be less than the Trading Price of the Warrant at such time. The difference between the Intrinsic Value and the Trading Price will reflect, among other things, the Time Value of a Warrant, which reflects the upward potential of the Value of the Underlying before the end of the Exercise Period. The Time Value of a Warrant will depend partly upon the length of the Exercise Period remaining to Expiration Date (as well as on certain of the other factors affecting the Warrant Value mentioned below).

Pursuant to what is set out above, at any time a Warrant Holder intends to exercise or sell a Warrant, it will be exposed to the following valuation and pricing factors that may affect the value of the Warrant: (i) the Value and volatility of the Underlying; (ii) the time remaining to the Expiration Date; (iii) the components of the Underlying; (iv) the dividends of the components of the Underlying; (v) any change in interest rates (if applicable); (vi) any change in currency exchange rates (if applicable); (vii) the depth of the market or liquidity of the Underlying and (viii) any related transaction costs. As a result of such factors, the price at which Warrant Holder may be able to Sell a Warrant prior to its Expiration Date may be less than the initial amount invested in the Warrant. Each of these factors interrelate in complex ways (for example, one factor may offset an increase in trading value of the Warrant caused by another factor).

Investors are at risk that the Warrant Value may be adversely affected by one or more of the following factors:

##### **(a) *Fluctuations in Value of the Underlying***

Fluctuations in Value of the Underlying may affect the Warrant Value. The Value of the Underlying may vary over time and may increase or decrease by reference to a variety of factors which may include corporate actions, macro-economic factors and speculation.

##### **(b) *Volatility of the Underlying***

If the size and frequency of market fluctuations of the Underlying decreases the trading value of the Warrants would likely decrease.

##### **(c) *Time remaining to the Expiration Date***

The Warrants may trade at a price above that which would be expected based on the level of the Value of the Underlying. Any such difference will reflect the *Time value* resulting from the length of the Exercise Period remaining prior to the Expiration Date. An investor in the Warrants should be aware of the risk that, as the time remaining to the Expiration Date of the

Warrants decreases, the Time Value would likely decrease, which would adversely affect the value of the Warrants. If all other circumstances remain equal, the value of the Warrants will in principle be decreasing overtime.

(d) *Interest rates*

Changes in interest rates will have a direct impact on the Time Value of the Warrants and hence have an impact on the Warrant Value. Changes in interest rates may also affect the economy of a country in which the Underlying is traded, which may adversely affect the Warrant Value

(e) *Dividend rates*

An investor in the Warrants is subject to the risk that changes in dividend or other distribution rates on the Underlying may adversely affect the trading price of the Warrants.

(f) *Currency rates*

Rising quoted currency rates may lower the value of the Warrants. Changes in currency rates may also affect the economy of a country in which the underlying is traded, and which may adversely affect the value of the Warrants.

(g) *Leverage effect*

Finally, investors should also consider the leverage effect of Warrants which can be explained as follows: the relatively lower investment required to obtain a Warrant (compared to a direct investment in the relevant Underlying) will allow the Warrant Holder, for a same investment amount, to invest in a relatively higher number of Warrants. Whereas it is normal for prices of a Warrant to move in parallel with the prices of the Underlying, the investment of an equal amount in Warrants compared to a direct investment in the Underlying will result in larger gains on the Warrants in the event the price of the Underlying increases, but also larger losses in case such price decreases.

**1.7 *The value of the Underlying may rapidly and/or significantly vary and this could have a significant adverse effect on the value or price of the Warrants***

As part of the valuation mechanism, Warrants may specify a Valuation Time and an Exchange and Related Exchange in which the Value of the Underlying is to be observed. Depending on how the Value of the Underlying is calculated, the Value of such Underlying may fluctuate throughout the Scheduled Trading Day, and may change rapidly. As a result, investors should note that return on any Warrants may be particularly sensitive to the choice of Valuation Times and valuation methods. The “price discovery” mechanism used to ascertain the Value of the Underlying at any given time on Exchanges or other venues may not be uniform throughout the trading day. This may affect the valuation of any issuance of Warrants. For example, Exchanges may conduct auctions to set an opening or closing price, and trading characteristics and participants in after-hours trading sessions may differ from those during regular hour sessions.

**1.8 *A Warrant which is not Exercised prior to or on the Expiration Date by the Warrant Holder, shall become void and expire worthless***

Prior to the Expiration Date, a Warrant grants the Warrant Holder a right of (i) Exercise of the Warrant; (ii) Sale of the Warrant to a third party in the open market; and (iii) Sale of the Warrant to the Issuer. In case the Warrant Holder would not Exercise the Warrants to acquire an Entitlement at a

predetermined Exercise Price during a predetermined Exercise Period or would not exercise its right to sell its Warrants to a third party or to the Issuer prior to or on the Expiration Date, the Warrants will become void and expire worthless.

**1.9 *The Warrant Holders may be bound by certain determinations and calculations made by the Issuer or an Agent's discretion***

Certain determinations and calculations under the Programme and the Conditions of the Warrants will be made by any of the Issuer, the Warrant Agent or the Calculation Agent acting in good faith. Accordingly, an investor in the Warrants is subject to the risk that such determinations and calculations under the Warrants are conclusively determined by one party which may be the Issuer itself and any of its Affiliates and the investor cannot object to such calculation or determination. Such situation could result in a potential conflict of interest in the person of the Warrant Agent (see also below 2.2–*Potential conflicts of interest*).

Furthermore, if a Potential Adjustment Event, De-listing, Merger Event, Nationalisation, Insolvency or, if Tender Offer is specified as applying in the Applicable Final Terms in respect of a particular Series of Warrants, a Tender Offer, occurs, prospective purchasers should note that the Warrants may be subject to either (i) adjustment by the Calculation Agent; or (ii) in the case of a De-listing, Merger Event, Nationalisation, Insolvency or Tender Offer, the Issuer may also cancel the Warrants as provided in the Conditions.

**1.10 *Trading or hedging transactions by the Issuer may have an adverse effect on the price of the Warrants***

The Issuer may in the course of its normal business activity engage in trading in the Underlying. In addition, the Issuer may conclude transactions in order to hedge itself partially or completely against the risks associated with the issue of the Warrants. These activities of the Issuer may have an influence on the market price of the Warrants. A possible negative impact of the conclusion or dissolution of these transactions on the Warrant Value cannot be excluded.

**1.11 *As the Issue Price may include commissions and costs, a Warrant Holder may not be able to sell its Warrants at a price higher than the Issue Price***

The original Issue Price of the Warrants may include certain commissions or fees charged by the Issuer and/or the Dealer(s) and the cost or expected cost of hedging the Issuer's obligations under the Warrants and may include a distribution fee payable to the distributor of the Warrants (such commissions or fees will be reflected in the difference between the Issue Price per Warrant and the Initial Warrant Value per Warrant as specified in the Applicable Final Terms). Accordingly, there is a risk that upon issue, the price, if any, at which the Issuer, the Dealer(s) or their affiliates would be willing to purchase Warrants from the Warrant Holder in the secondary market would be lower than the original Issue Price or the market price or quoted level of the Underlying.

**1.12 *The Warrants may not be a suitable hedging instrument against the market risk associated with the Underlying***

Investors intending to invest in the Warrants to hedge against the market risk associated with investing in an Underlying should recognize that there is a risk that the Warrant Value may not exactly correlate with the Value of the related Underlying.

This is, in part, due to fluctuating supply of and demand for the Warrants and any transaction and other costs reflected in the Warrant Value of the Warrants. For these reasons, among others, it may not be

possible to purchase or Exercise Warrants at the prices calculated on basis of the Value of any Underlying to which such Warrant relates. Accordingly, investors who invest in Warrants as a means of hedging may be exposed to risks arising out of such differences in value.

**1.13 *In the event of a Market Disruption Event, the calculation of the Underlying may be postponed or adjusted***

Investors in the Warrants are subject to the risk that a Market Disruption Event will occur. A Market Disruption Event may occur in respect of a listed Underlying if, in respect of a relevant stock exchange or as determined by the Calculation Agent: there is an early closure without notice; limitations are imposed on trading; trading is suspended; or market participants are prevented from obtaining valuations or effecting transactions. If the Calculation Agent determines that a Market Disruption Event has occurred, any consequential postponement of or adjustment of valuation provided in any Underlying may have an adverse effect on the Warrant Value of such Warrants.

**1.14 *In the event of a Settlement Disruption Event, the delivery of the Underlying may be postponed or replaced by a cash settlement***

If, following the Exercise of a Warrant, a Settlement Disruption Event occurs or exists on the Delivery Date of the Underlying, delivery of the Underlying will be postponed until the third Business Day following the date on which no Settlement Disruption Event occurs.

The Issuer may in these circumstances also have the right to pay the Disruption Cash Settlement Price *in lieu* of delivering the Underlying.

The Value of the Underlying may fluctuate during the period the Settlement Disruption Event continues and hence the investor in the Warrant is exposed that the Value of the Underlying during such period decreases.

**1.15 *In case of illiquidity it may be impossible to deliver the Underlying***

If Failure to Deliver is specified as applying in the Applicable Final Terms and, following the Exercise of relevant Warrant(s), the Calculation Agent establishes it is impossible to deliver, when due, some or all of the Underlying(s) comprising the Entitlement (the **Affected Underlyings**) due to illiquidity in the market for the Underlying, then

- (i) the Issuer will only deliver any Underlyings which are not Affected Underlyings and the Calculation Agent shall determine the Actual Exercise Price to be paid by the relevant Warrant Holder(s) in respect of that partial delivery; and
- (ii) in respect of any Affected Underlyings, *in lieu of* physical delivery, the Issuer will satisfy its obligations by payment to the relevant Warrant Holder(s) of the Failure to Deliver Settlement Price.

**1.16 *Additional Disruption Event***

The Issuer may specify in the Final Terms any of the following Additional Disruption Events: “Change in Law”, “Hedging Disruption”, “Increased Cost of Hedging”, “Increased Cost of Stock Borrow”, “Loss of Stock Borrow”, “Insolvency Filing”, “ETF Cross-contamination” (in the case of ETF Linked Warrants), “ETF Insolvency Event” (in the case of ETF Linked Warrants), “ETF Modification” (in the case of ETF Linked Warrants), “ETF Regulatory Action” (in the case of ETF Linked Warrants), and/or “ETF Strategy Breach” (in the case of ETF Linked Warrants) as an Additional Disruption Event.

Warrant Holders should note that Additional Disruption Events may occur in relation to the relevant Warrants in certain circumstances described in the Conditions. If an Additional Disruption Event occurs, the Issuer may take the action described in (i) or (ii) below:

- (i) *in the first instance*, require the Calculation Agent to determine the appropriate adjustment, if any, to be made to one or more of the Entitlement and/or the Exercise Price and/or the Actual Exercise Price and/or any of the other terms of these Conditions and/or the Applicable Final Terms to account for the Additional Disruption Event and determine the effective date of that adjustment; or
- (ii) *if the adjustment under (i) would not reasonably result in a repair of the contractual equilibrium (in line with the initially agreed terms of the Warrants)*, cancel the Warrants and pay an amount to each Warrant Holder based on the Fair Market Value of a Warrant taking into account the Additional Disruption Event, as the case may be, *plus*, if already paid, the Actual Exercise Price, the Exercise Cost and the Exercise Expenses, all as determined by the Calculation Agent.

In such case the Warrant Holders may suffer a loss of some or all of their investment and may forgo any appreciation in the Underlying that may occur following such Additional Disruption Event.

To the extent that the Warrant Holder is a Consumer, any adjustment pursuant to Condition (22) (*Additional Disruption Events*) may not relate to an essential feature of the Warrants, unless: (a) in the case of the occurrence of (i) a force majeure event or (ii) an event which substantially alters the economics of the contract as initially agreed between the parties and which is not attributable to the Issuer, (b) any such adjustment does not create an obvious imbalance between the rights and obligations of the parties to the detriment of the Warrant Holder, and (c) the Issuer does not charge costs to the Warrant Holder for any such adjustment. “Hedging Disruption”, “Increased Cost of Hedging”, “Increased Cost of Stock Borrow” and/or “Loss of Stock Borrow” are Additional Disruption Events that will not be applicable to the extent that the Warrant Holder is a Consumer.

#### **1.17 *Dematerialised Warrants are subject to the risks of the settlement procedures of the Securities Settlement System***

The Dematerialised Warrants will be represented exclusively by book entries in the records of Securities Settlement System and will be held by the Warrant Holder (or its successor or transferee) through a securities account with KBC Bank NV or with a direct or indirect participant in the Securities Settlement System. In case of transfers of Dematerialised Warrants between investors, the investors will have to rely on the procedures of the Securities Settlement System and the Securities Settlement System participants for settlement of such transfers. Transfers of Dematerialised Warrants are subject to the risk of those settlement procedures failing and that book entries in the records of the Securities Settlement System (or of the participants) are entered incorrectly which may lead to difficulties for an investor asserting ownership of its Warrants.

#### **1.18 *Tax laws of the investors’ jurisdiction and of the Issuer’s jurisdiction may have an impact on the value and liquidity of and return on the Warrants***

Withholding tax, income and capital gains tax, tax on stock exchange transactions, tax on securities accounts, financial transaction taxes and other present and future taxes imposed in the investor’s or the Issuer’s jurisdiction may affect the value and liquidity of and return on the Warrants. See “Taxation” on page 111 for an overview of certain Belgian tax aspects relating to the Warrants (but note that such overview is not exhaustive and does not cover tax aspects of any other jurisdiction).

## **2 Risks related to the Underlying**

### **2.1 *Exposure to the Underlying***

Following Exercise of the Warrant and delivery of the Entitlement, the Warrant Holder will be directly exposed to any fluctuation in the Value of the Underlying. Furthermore, in order to obtain any cash (return) from its investment following the Exercise of the Warrant, the investor will need to be able to sell the Underlying in the open market, in which case it will be exposed to any illiquidity in the market for the Underlying. Furthermore, the investor will need to bear any costs, expenses and/or taxes that would be incurred in respect of the sale of such Underlying, and will hence be exposed to the risk that its return will be lower than its initial investment in the Warrant, or bear the risk that it will lose its entire investment.

### **2.2 *Potential conflicts of interest***

The Issuer (or its Affiliates) may also engage in trading activities (including hedging activities) related to the Underlying and other instruments or derivative products based on or related to the Underlying for their proprietary accounts or for other accounts under their management. The Issuer may also issue other derivative instruments in respect of the Underlying. The Issuer may also act as underwriter in connection with future offerings of the Underlying or other securities related to the Underlying or may act as financial adviser to certain companies or in a commercial banking capacity for certain companies. Such activities could present certain conflicts of interest, could influence the prices of the Underlying or other securities referring to the Underlying and could adversely affect the value of such Warrants. In case the Calculation Agent should make determinations and calculations in respect of the Warrants, the Calculation Agent shall act at all times in good faith and a commercially reasonable manner, but not necessarily in the interest of the Warrant Holder.

Any Affiliates of the Issuer may have existing or future business relationships with the Underlying and will pursue actions and take steps that they deem necessary or appropriate to protect their interests arising therefrom without regard to the consequences for a Warrant Holder.

### **2.3 *Where the Underlying is an Underlying 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 Underlying ETF Share rather than the underlying share or index such Underlying 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 Underlying 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 Underlying ETF Share directly.

### **2.4 *Action by ETF Adviser, ETF Administrator or sponsor of an ETF may adversely affect ETF Linked Warrants***

Any relevant ETF Adviser, ETF Administrator or sponsor of an ETF will have no involvement in the offer and sale of the ETF Linked 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 Warrant Holders, and any of these actions could adversely affect the market value of the Warrants.

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

#### **3.1 Possible illiquidity of the Warrants in the Secondary Market**

It is not possible to predict the price at which Warrants will trade in the secondary market or whether such market will be liquid or illiquid. The Issuer may, but is not obliged to (except to the extent that the Issuer acts as market-maker for an issue of Warrants admitted to trading on Euronext Brussels), at any time purchase Warrants at any price in the open market or by tender or private treaty. Any Warrants so purchased may be held or resold or surrendered for cancellation. Even if the Issuer is a market-maker for an issue of Warrants, the secondary market for such Warrants may be limited. To the extent that an issue of Warrants becomes illiquid, an investor may have to exercise such Warrants to realize value.

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

In the event of Exercising the Warrants or Selling the Warrants to the Issuer, the Warrant Holder will pay the Actual Exercise Price or the Issuer will pay the Sale Price in the specified Currency provided in the Applicable Final Terms (**Specified Currency**). This presents certain risks relating to currency conversions if the Underlying is denominated principally in a currency or currency unit other than the Specified Currency (the **Underlying Currency**). These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Underlying Currency) and the risk that authorities with jurisdiction over the Underlying Currency may impose or modify exchange controls.

If an investor anticipates that it will need to convert payments made to it under the Warrants to it into a currency of its choice, then the investor is subject to the risk that the currency conversion rate which it must pay for exchanging the obtained currency into the chosen currency becomes less attractive and therefore decreased the realisable value of its investment.

Government and monetary authorities may impose exchange controls that could adversely affect an applicable exchange rate. As a result, the amount that investors may receive from the Issuer in the event of selling the Warrants back to the Issuer may be less than expected or zero.

#### **3.3 There may be no active trading market for the Warrants**

Upon the choice of the Warrant Holder, the form of a Registered Warrant can be changed by a process of dematerialisation into a Dematerialised Warrants with a view of trading the relevant Warrant on Euronext Brussels. The Issuer has filed an application to have Warrants issued under the Programme listed and admitted to trading on the regulated market of Euronext Brussels. If the Warrants are admitted to trading after their issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. There is no assurance that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Warrants. Furthermore, it cannot be guaranteed that a listing once approved will be maintained.



## 4. INFORMATION RELATING TO THE ISSUER<sup>5</sup>

*This section provides a description of the Issuer's business activities as well as certain financial information in respect of the Issuer*

*In this section, as in the rest of this Base Prospectus, the term **Issuer** refers to KBC Bank NV. The Issuer together with its subsidiaries are referred to in this Base Prospectus as the **KBC Bank Group**. The Issuer is a wholly-owned subsidiary of **KBC Group NV**. KBC Group NV together with its subsidiaries (including the Issuer) are referred to as the **KBC Group**.*

### 4.1 CORPORATE STRUCTURE, SHARE CAPITAL AND CREDIT RATINGS

#### General information

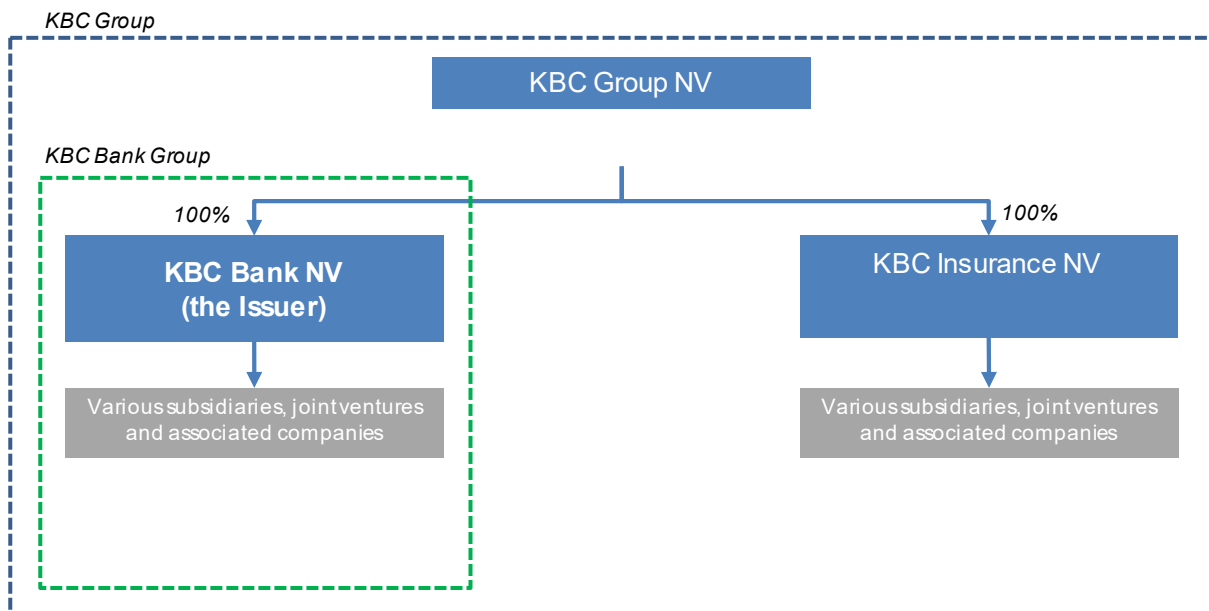
The Issuer was established in Belgium in 1998 as a bank in the form of a limited liability company (*naamloze vennootschap / société anonyme*) for an unlimited duration and operates under the laws of Belgium. The Issuer's Belgian enterprise number is 0462.920.226 and its LEI code is 6B2PBRV1FCJDMR45RZ53. The Issuer is registered in the register of legal persons (*rechtspersonenregister (RPR) / registre des personnes morales (RPM)*) of the Dutch-speaking enterprise court of Brussels. The Issuer's registered office is at Havenlaan 2, B-1080 Brussels, Belgium, its telephone number is (+32) (0) 2 429 11 11 and its website is [www.kbc.com](http://www.kbc.com). The information on the Issuer's website does not form part of this Base Prospectus and has not been scrutinised or approved by the FSMA, except to the extent that such information is explicitly incorporated by reference in this Base Prospectus (see Section "Documents incorporated by reference" on page 121 of this Base Prospectus). The Issuer is registered as a credit institution with the National Bank of Belgium.

#### The Issuer as a wholly-owned subsidiary of KBC Group NV and part of the KBC Group

The Issuer is a wholly-owned subsidiary of KBC Group NV and is part of the KBC Group, on which it depends for certain group functions and because of the integrated regulatory and solvency supervision. A simplified schematic of KBC Group's legal structure is provided below.

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<sup>5</sup> Any documentation referred to in this Base Prospectus, but not incorporated by reference, shall not be part of this Base Prospectus. The documentation that is not incorporated by reference has not been scrutinised or approved by the FSMA.



The major other subsidiary of KBC Group NV is KBC Insurance NV. The Issuer co-operates closely with KBC Insurance NV, amongst others, in relation to distribution of insurance products and depends on it for the further implementation of the bank-insurance model.

The Issuer and KBC Insurance NV each have a number of subsidiaries. The Issuer's subsidiaries are mainly banking and other financial entities in Central and Eastern Europe and in other selected countries, such as Ireland. The Issuer also acts as funding provider for a number of its subsidiaries.

A list of the subsidiaries of the Issuer can be found on pages 170 and following of the Issuer's 2019 Annual Report.

### Share capital and shareholder

As at the date of this Base Prospectus, the Issuer's share capital was EUR 9,732 million and consisted of 995,371,469 ordinary shares, which all are held by KBC Group NV. The share capital is fully paid up.

The shares of the Issuer's parent company, KBC Group NV, 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 a group of legal entities and individuals referred to as 'Other core shareholders'. The overview of shareholding is not incorporated in and do not form part of this Base Prospectus and it has not been and will not be scrutinised or approved by the FSMA.

### Credit ratings

As at the date of this Base Prospectus, the following long term credit ratings have been assigned to the Issuer with the cooperation of the Issuer in the rating process:

Fitch

A+

According to Fitch's Rating Definitions, an A rating is described as high credit quality. 'A' ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings. The modifiers "+" or "-" may be appended to a rating to denote relative status within major rating categories.

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Moody's

A1

According to Moody's Rating Symbols and Definitions, obligations rated A are judged to be upper-medium grade and are subject to low credit risk. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category.

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Standard and Poor's

A+

According to Standard and Poor's Global Ratings Definitions, an obligor rated 'A' has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories. The addition of a plus (+) or minus (-) sign shows relative standing within the rating categories.

More information regarding the Issuer's long term credit ratings can be found in the latest credit opinion from the relevant credit rating agencies, available at <https://www.kbc.com/en/credit-ratings> and in the applicable rating methodologies published by the relevant credit rating agencies. None of that website, those credit opinions or those rating methodologies are incorporated by reference in or form part of this Base Prospectus, and they have not been scrutinised or approved by the FSMA.

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. The Issuer does not represent that it will maintain any level of credit rating, or any credit rating at all, with any credit rating agency.

These credit ratings relate to the Issuer's financial obligations generally, and not to any specific financial obligation such as the Warrants or any Series thereof. If a certain Series of Warrants is assigned an issue-specific credit rating on or prior to the issuance with the cooperation of the Issuer in the rating process, this may be specified in the applicable Final Terms.

Each credit rating agency referred to above is established in the EEA and is listed on the "List of Registered and Certified CRA's" as published by ESMA in accordance with Article 18(3) of Regulation (EC) No. 1060/2009 on credit rating agencies (the **CRA Regulation**). If an issue-specific credit rating is specified in the applicable Final Terms, then those Final Terms will also specify whether that credit rating is (1) issued by a credit rating agency established in the EEA and registered under the CRA Regulation, or (2) issued by a credit rating agency which is not established in the EEA but will be endorsed by a credit rating agency which is established in the EEA and registered under the CRA Regulation or (3) issued by a credit rating agency which is not established in the EEA but which is certified under the CRA Regulation.

## **4.2 ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES**

### **Board of Directors and Executive Committee**

The Issuer is administered by a Board of Directors and an Executive Committee in accordance with the relevant legal requirements.

The Issuer's Board of Directors is empowered to determine the company's general policy and strategy and to perform all acts which, by law, are reserved specifically for it. The Board of Directors is responsible for supervising the Executive Committee.

The Issuer's Executive Committee is empowered to perform all acts that are necessary or useful in achieving the company's object, apart from those that the General Meeting of Shareholders is empowered to perform by law and those reserved for the Board of Directors by law.

The Issuer's corporate purpose 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 the Issuer, the Issuer complies with the laws and regulations of Belgium regarding corporate governance. As at the date of this Base Prospectus, the members of the Board of Directors are the following:

Name and business address	Position	Expiry date of current term of office	External offices
DEBACKERE Koenraad Oude Markt 13 3000 Leuven	Non-executive director	2024	KBC Verzekeringen NV, non-executive director KBC Groep NV, non-executive director Umicore, non-executive director
HOLLOWS John CSOB Ceskoslovenska obchodni banka Radlicka 333/150 Praha 5 150 57 Czech Republic	Executive director	2021	KBC Verzekeringen NV, executive director KBC Groep NV, member of the executive committee Ceskoslovenska Obchodni Banka a.s. (CR), CEO (non-director)
PEPELIER Luc KBC Bank NV Havenlaan 2 1080 Brussel	Executive director	2021	KBC Verzekeringen NV, executive director KBC Groep NV, member of the executive committee K&H Bank Zrt., Chairman of the Board of Directors K&H Biztosito Zrt., Chairman of the Supervisory Board KBC Asset Management NV, Chairman of the Board of Directors KBC Bank NV, Dublin Branch, member of the Management Board KBC Bank Ireland plc, Chairman of the Board of Directors KBC Securities NV, Chairman of the Board of Directors Ceskoslovenska Obchodna Bank a.s. (SR), Chairman of the Supervisory Board United Bulgarian Bank AD, Chairman of the Supervisory Board CSOB Poistovna a.s., member of the Management Board KBC Group NV - Branch Bulgaria, Senior General Manager
THIJS Johan KBC Bank NV Havenlaan 2 1080 Brussel	Executive director/CEO	2021	KBC Verzekeringen NV, executive director/CEO Febelfin, Chairman of the Board of Directors KBC Group NV, executive director/CEO VOKA, non-executive director VBO, non-executive director Museum Nicolaas Rockox, non-executive director Gent Festival van Vlaanderen, non-executive director
VAN RIJSSEGHEM Christine KBC Bank NV Havenlaan 2 1080 Brussel	Executive director	2022	KBC Group NV, executive director KBC Verzekeringen NV, executive director K&H Bank Zrt, non-executive director KBC Bank Ireland plc, non-executive director Ceskoslovenska Obchodni Banka a.s. (CR), non-executive director Ceskoslovenska Obchodna Bank a.s. (S.R.), member of the Supervisory Board KBC Bank NV, Dublin Branch, member of the

Name and business address	Position	Expiry date of current term of office	External offices
			Management Board United Bulgarian Bank AD, non-executive director
ARISS Nabil 16 Chiddingstone street London SW6 3TG United Kingdom	Independent director	2022	Executive Director AF Law Executive Director of Fresnel 1823 Limited
DEPICKERE Franky Cera-KBC Ancora Muntstraat 1 3000 Leuven	Non-executive director <sup>6</sup>	2023	Cera CV, executive director Cera Beheersmaatschappij NV, executive director BRS Microfinance Coop CV, non-executive director KBC Group NV, non-executive director KBC Verzekeringen NV, non-executive director Almancora Beheersmaatschappij NV, executive director International Raiffeisen Union e.V., non-executive director Ceskoslovenska Obchodni Banka a.s. (CR), member of the Supervisory Board KBC Ancora NV, executive director CBC Banque SA, non-executive director United Bulgarian Bank AD, non-executive director
CALLEWAERT Katelijn Cera Beheersmaatschappij Muntstraat 1 3000 Leuven	Non-executive director	2021	Cera Beheersmaatschappij NV, executive director Cera CV, member of the executive committee KBC Group NV, non-executive director KBC Verzekeringen NV, non-executive director Almancora Beheersmaatschappij NV, executive director Non-executive Director CBC Banque SA
DE BECKER Sonja M.R.B.B. CV Diestsevest 40 3000 Leuven	Non-executive director	2024	Acerta BV, non-executive director M.R.B.B. CV – Maatschappij voor Roerend Bezit van de Boerenbond, non-executive director SBB Accountants en Belastingconsulenten BV CV, non-executive director Agri Investment Fund CV, non-executive director KBC Group NV, non-executive director KBC Verzekeringen NV, non-executive director SBB Bedrijfsdiensten CV, executive director BB-Patrim CV, non-executive director Boerenbond, Chairman of the Board of Directors
WITTEMANS Marc M.R.B.B. CV Diestsevest 40 3000 Leuven	Non-executive director	2022	KBC Group NV, non-executive director Arda Immo BV, non-executive director Acerta BV, non-executive director Acerta Consult CV, non-executive director SBB Accountants en Belastingconsulenten BV CV, non-executive director M.R.B.B. CV - Maatschappij voor Roerend Bezit van

<sup>6</sup> [As at the date of this Base Prospectus and until the Board of Directors appoints Mr Koenraad Debackere as Chairman of the Board of Directors, Mr Franky Depickere acts as Chairman *ad interim* of the Board of Directors of the Issuer.]

Name and business address	Position	Expiry date of current term of office	External offices
			de Boerenbond, executive director/CEO Aktiefinvest CV, executive director/CEO KBC Verzekeringen NV, non-executive director Acerta Consult CV, non-executive director Acerta Verzekeringen, non-executive director AVEVE BV – Aan- en verkoopvennootschap van de Belgische Boerenbond, non-executive director KBC Bank Ireland Plc, non-executive director SBB Bedrijfsdiensten CV, non-executive director K&H Bank Zrt, non-executive director
FALQUE Daniel KBC Bank NV Havenlaan 2 1080 Brussels	Executive director	2028	KBC Verzekeringen NV, executive director KBC Group NV, member of the executive committee Union Wallonne des Entreprises ASBL, non-executive director
MAGNUSSON Bo KBC Bank NV Havenlaan 2 1080 Brussels	Independent director	2024	Bmag AB, non-executive director Rikshem AB, Chairman of the Board of Directors Rikshem Intressenter AB, Chairman of the Board of Directors Swedbank AB, non-executive director
LUTS Erik KBC Bank NV Havenlaan 2 1080 Brussels	Executive director	2021	De Bremberg VZW, non-executive director Thanksys NV, non-executive director Joyn Belgium NV, non-executive director KBC Verzekeringen NV, executive director KBC Group NV, member of the executive committee Isabel NV, non-executive director Belgian Mobile ID NV, non-executive director Bancontact Payconiq Company NV, non-executive director
SCHEERLINCK Hendrik KBC Bank NV Havenlaan 2 1080 Brussels	Executive director	2021	KBC Group NV, executive director KBC Verzekeringen NV, executive director KBC Credit Investments NV, non-executive director
KIRALY Julia Záhony utca 7 H1031 Budapest Hungary	Independent director	2023	Fintor Holding Ltd., executive director KBC Group NV, non-executive director
PAPIRNIK Vladimira KBC Group NV Havenlaan 2 1080 Brussels	Independent director	2023	KBC Group NV, non-executive director

### Audit Committee

The Audit Committee has been set up by the Board of Directors and has – with some limited exceptions – an advisory role. The Audit Committee, among other things, monitors the financial reporting process and submits recommendations or proposals to ensure its integrity, and monitors the effectiveness of the internal control and the risk management in place.

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 the Issuer which is published on [www.kbc.com](http://www.kbc.com). The Corporate Governance Charter is not incorporated by reference and does not form part of this Base Prospectus, and it has not been scrutinised or approved by the FSMA.

The members of the Issuer’s Audit Committee are:

- Marc Wittemans (chairman);
- Nabil Ariss (independent director); and
- Bo Magnusson (independent director).

### 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 appetite and risk strategy.

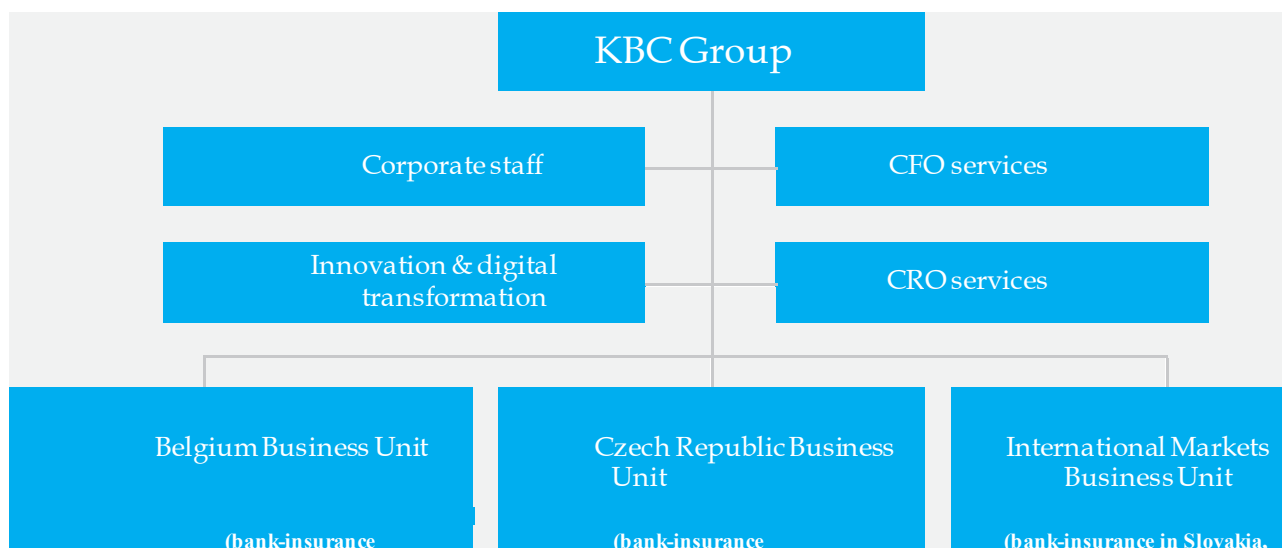
The powers and composition of the Risk and Compliance Committee, as well as its way of functioning, are extensively dealt with in the Issuer’s Corporate Governance Charter, which is available on [www.kbc.com](http://www.kbc.com). The Corporate Governance Charter is not incorporated by reference and does not form part of this Base Prospectus, and it has not been scrutinised or approved by the FSMA.

The members of the Issuer’s Risk and Compliance Committee are:

- Franky Depickere (chairman);
- Nabil Ariss (independent director); and
- Bo Magnusson (independent director).

### Management structure

The KBC Group’s strategic choices are fully reflected in the group structure, which consists, as at the date of this Base Prospectus, of a number of business units and support services and which are presented in simplified form as follows:



The management structure of both the KBC Group and the KBC Bank Group essentially comprises:

- the three business units, which focus on local business and are expected to contribute to sustainable profit and growth:
  - Belgium Business Unit;
  - Czech Republic Business Unit; and
  - International Markets Business Unit: this encompasses the other core countries in Central and Eastern Europe (the Slovak Republic, Hungary and Bulgaria) and Ireland;
- the pillars ‘CRO Services’ and ‘CFO Services’ (which act as an internal regulator, and whose main role is to support the business units), ‘Corporate Staff’ (which is a competence centre for strategic know-how and best practices in corporate organisation and communication) and ‘Innovation and digital transformation’.

Each business unit is headed by a Chief Executive Officer (CEO), and these CEOs, together with the CEO, the Chief Risk Officer (CRO), the Chief Innovation Officer (CIO) and the Chief Financial Officer (CFO) constitute the executive committee.

### **Conflicts of interest**

The Issuer is not aware of any potential conflicts of interest between the duties to the Issuer of the members of the Board of Directors detailed above and their private interests or other duties.

## **4.3 THE ISSUER’S BUSINESS**

### **The strategy of KBC Group**

The Issuer’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 the Issuer is essentially responsible for the banking business and KBC Insurance NV for the insurance business.

KBC Group’s strategy rests on four principles:

- We place our clients at the centre of everything we do.
- We look to offer our clients a unique bank-insurance experience.
- We focus on our group’s long-term development and aim to achieve sustainable and profitable growth.
- We meet our responsibility to society and local economies.

We implement our strategy within a strict risk, capital and liquidity management framework.

A summary of KBC Group’s strategy is set out on pages 18 to 34 of the Issuer’s 2019 Annual Report, which is incorporated by reference into this Base Prospectus as set out in Section “Documents incorporated by reference” on page 121. See Section “Where more information can be found” on page 124 for information on where you can find the Issuer’s 2019 annual report.

More detailed information regarding KBC Group’s strategy can be found on pages 32 to 67 of KBC Group’s 2019 Annual Report, which is available at <https://www.kbc.com/content/dam/kbccom/doc/investor->



[relations/Results/JVS-2019/JVS\\_2019\\_GRP\\_en.pdf](#). KBC Group's 2019 Annual Report is not incorporated by reference into and does not form part of this Base Prospectus, and it has not been scrutinised or approved by the FSMA for purposes of this Base Prospectus. On 6 August 2020, KBC Group NV announced that it would provide a strategy update together with the results for the third quarter of 2020 (12 November 2020), while new long-term guidance and the capital deployment plan will be updated when the results for full-year 2020 are published (11 February 2021).

## General description of the Issuer's activities

The KBC Bank Group is a multi-channel banking group 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, the Czech Republic, the Slovak Republic, Hungary, Bulgaria and Ireland, the KBC Bank Group has important and (in some cases) even leading positions (based on internal data). The KBC Bank Group is also present in other countries where the primary focus is on supporting the corporate clients of the home markets.

The 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, the 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 the Issuer's 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.

## Activities in Belgium

Market position of the bank network in Belgium, end of 2019	
Market share (estimates by the Issuer)	Banking products* 20% Investment funds 30%
Bank branches	518

\* Average of the share in credits and the share in deposits.

The KBC Bank Group had, at the end of 2019, a network of 518 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 the Issuer's sister company, KBC Insurance NV) and other specialised financial banking products and services. The 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 3.3 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 the 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 2019, the KBC Bank Group had, based on its own estimates (see table above), 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, the KBC Bank Group has built up a strong position in investment funds too, with an estimated market share of approximately 30%.

The 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.

With more and more customers opting for digital channels, the KBC Bank Group is gradually aligning its omni-channel distribution network with this changing customer behaviour. The KBC Bank Group is in the process of converting a number of smaller branches into unstaffed ones and closing some of the existing unstaffed branches in Flanders. At the same time, it continues to invest in its full-service branches, in KBC Live (online contact service with specialists from KBC) and in its digital channels. The KBC Group also optimised its group-wide governance model at management level and is in the process of further improving operational efficiency throughout the entire organisation in order to take customer service to an even higher level. This adaptation is essential in response to the new environment in which organisations are expected to be more agile, take decisions more quickly and thus continue to meet the expectations of customers and society.

In the 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 the Issuer, and its Belgian subsidiaries, the most important of which are CBC Banque, KBC Asset Management, KBC Lease Group (Belgium) and KBC Securities.

The KBC 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 Group is also investing specifically in the further digital development of its banking and insurance services and exploiting new technologies and data to provide clients with more targeted and proactive advice;
- to expand its service provision via own and other channels. KBC Bank collaborates to this end with partners through 'ecosystems' that enable it to offer its clients comprehensive solutions. To integrate a range of selected partners in its own mobile app (see further) and for its products and services to be present in the distribution channels of selected third parties (e.g., cycle loans and insurance at cycle dealers);
- 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 grow bank-insurance further at CBC 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
- to express its commitment to Belgian society by taking initiatives in areas including environmental awareness, financial literacy, entrepreneurship and demographic ageing, and to actively participate in the mobility debate and develop solutions.

## Activities in Central and Eastern Europe

Market position of the bank network in the home countries of Central and Eastern Europe, at the end of 2019		Czech Republic	Slovak Republic	Hungary	Bulgaria
Market share (estimates by the Issuer)	Banking products*	21%	10%	10%	10%
	Investment funds	24%	7%	13%	16%
Bank branches	Total	225**	117	208	183

\* Average of the share in credits and the share in deposits

\*\* ČSOB Bank branches + Postal Savings Bank financial centres.

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 in Bulgaria, ČSOB in the Slovak Republic, ČSOB in the Czech Republic and K&H Bank in Hungary.

In its four home countries, the KBC Bank Group caters to close to six 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 Group 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.

The 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 21% in the Czech Republic, 10% in the Slovak Republic, 10% in Hungary, and 10% in Bulgaria (rounded figures). The KBC Bank Group also has a strong position in the investment fund market in Central and Eastern Europe (estimated at 24% in the Czech Republic, 7% in the Slovak Republic, 13% in Hungary and 16% in Bulgaria).

In the 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 the KBC Bank Group's activities in the Czech Republic, consisting primarily of the activities of the ČSOB group (under the ČSOB, Postal Savings Bank, Hypoteční banka, Patria and ČMSS brands). 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 in Bulgaria, plus KBC Bank Ireland's Irish operations.

The focus of the KBC Bank Group in the future is the following:

- in relation to the Czech Republic Business Unit:
  - to maintain its position as the reference for bank-insurance by offering integrated, client-centric solutions;
  - to continue to digitalise services and to introduce new innovative products and services, including open bank-insurance solutions;
  - to concentrate on further simplifying products, processes (including application of Robotic Process Automation and Intelligent Process Automation (RPA and IPA)), head office, distribution model and branding, with a view to achieving even greater cost efficiency;
  - to unlock business potential through advanced use of data and to leverage its position as market leader in home finance;
  - to strengthen its business culture, with the goal of becoming even more flexible, agile and diverse; and
  - to express its social engagement by focusing on environmental awareness, financial literacy, entrepreneurship and demographic ageing;
- in relation to the International Markets Business Unit (excluding Ireland):
  - to pursue an omnichannel distribution model, with particular attention being paid to digital solutions. With a view to supporting commercial growth and enhancing the client experience, increased attention will also be paid to commercial leads;
  - to simplify products and processes in all countries. This is being supported by a specific business transformation project and software. The KBC Group is also striving to achieve additional synergies via shared service centres, competence centres and group projects;
  - to become the undisputed leader in the area of innovation in Hungary. It is aiming to raise profitability by targeting income through vigorous client acquisition in all banking segments and through more intensive cross-selling;
  - to maintain its robust growth in strategic products in the Slovak Republic (i.e. home loans, consumer finance, SME funding and leasing), partly through cross-selling to ČSOB group and via digital clients. Other priorities include the sale funds and increased fee income;
  - to focus on increasing its share of the lending market in all segments in Bulgaria, while applying a robust risk framework;
  - to implement a socially responsible approach in all countries, with a particular focus on environmental awareness, financial literacy, entrepreneurship and health;

An overview of KBC Bank Group's recent acquisitions is set out in the "We focus on sustainable and profitable growth" section of the Issuer's 2019 Annual Report, which is incorporated by reference into this Base Prospectus as set out in Section "Documents incorporated by reference" on page 121.

### **Activities in the rest of the world**

A number of companies belonging to the KBC Bank Group are also active in, or have outlets in, countries outside the home markets, among which the Issuer, which has a network of foreign branches and KBC Bank Ireland.

## ***KBC Bank Ireland***

As regards the KBC Group's strategy in Ireland, the main objective is to further implement the "Digital First" strategy in order to ensure an outstanding client experience. The aim is to differentiate ourselves through the instant and proactive delivery of products and services through a high level of accessibility (including mobile and contact centre). The KBC Group will further develop its strong position in home loans and is fully committed, as in the other core countries, to bank-insurance. The loan portfolio of KBC Bank Ireland plc stood at approximately EUR 10 billion as at the end of June 2020, almost entirely relating to mortgage loans. At the end of June 2020, approximately 15% (EUR 9 billion) of the total Irish loan portfolio was impaired (of which EUR 0.8 billion more than 90 days past due). For the impaired loans, approximately EUR 0.4 billion impairments have been booked (0.5 billion if stage 1 and 2 impairments are also taken into account). The KBC Bank Group estimates its share of the Irish retail market in 2019 at 9%. It caters to 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 the Issuer's segment reporting (see page 120 and following of the Issuer's 2019 Annual Report and page 26 of the Issuer's half-year report for the first six months ended on 30 June 2020, which are incorporated by reference into this Base Prospectus as set out in Section "Documents incorporated by reference" on page 121).

As regards the KBC Group's strategy in Ireland, please refer to Section "The strategy of KBC Group" on page 40.

In the KBC Bank Group's financial reporting, KBC Bank Ireland is included in the International Markets Business Unit.

## ***Foreign branches of the Issuer***

The foreign branches of the Issuer are located mainly in Western Europe, Southeast Asia and the U.S. and focus on serving customers that already do business with the KBC Bank Group's Belgian or Central and Eastern European network. In the past years, many of the other (niche) activities of these branches have been built down, stopped or sold, and the pure international credit portfolio has been scaled down. In the KBC Bank Group's financial reporting, the foreign branches of the Issuer are part of the Belgium Business Unit.

## **Group Centre**

The three business units (Belgium, Czech Republic and International Markets) are supplemented by the group centre. The group centre includes, among other things, costs related to the holding of participations and the results of the remaining companies or activities earmarked for divestment or in run-down.

## **Competition**

All of the 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, specialised finance companies, asset managers, private bankers, investment companies, fintech and e-commerce companies, etc.

In both Belgium and Central and Eastern Europe, the KBC Bank Group has an extensive network of branches and the KBC Bank Group believes most of its companies have strong name brand recognition in their respective markets.

In Belgium, the KBC Bank Group is perceived as belonging to the top three (3) financial institutions. For certain products or activities, the 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, the KBC Bank Group is one of the important financial groups, occupying significant positions in banking. In this respect, the 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, the 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, the 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% (KBC estimate). Its main competitors are the large domestic banks (such as Allied Irish Banks plc and Bank of Ireland plc).

## **Staff**

In 2019, the KBC Bank Group had, on average and on a consolidated basis, about 29,500 employees (in full time or equivalent-numbers), the majority of whom were located in Belgium (largely employed by the Issuer) and Central and Eastern Europe. In addition to consultations, at works council meetings and at meetings with union representatives and with other consultative bodies, the KBC Bank Group also works closely in other areas with employee associations. There are various collective labour agreements in force.

## **Risk management**

Mainly active in banking and asset management, the KBC Bank Group is exposed to a number of typical industry-specific risks such as – but certainly not exclusively – credit risk, market risks, movements in interest rates and exchange rates, currency risk, liquidity risk, operational risk, exposure to emerging markets, changes in regulations and customer litigation as well as the economy in general. Material risk factors affecting the Issuer are mentioned in the section “Risk Factors” on page 13 and following of this Base Prospectus.

Risk management in the KBC Group is effected group-wide. As a consequence, the risk management for the Issuer and the KBC Bank Group is embedded in the KBC Group's risk management and cannot be seen separately from it.

An overview of KBC (Bank) Group's risk management approach is set out in the “Risk management” section on pages 46 to 78 of the Issuer's 2019 Annual Report, which is incorporated by reference into this Base Prospectus as set out in Section “Documents incorporated by reference” on page 121. See Section “Where more information can be found” on page 124 for information on where you can find the Issuer's 2019 annual report.

More detailed information can be found in KBC Group NV's 2019 Risk Report, available at <https://www.kbc.com/content/dam/kbccom/doc/investor-relations/Results/JVS-2019/Risk-report-2019.pdf>. This document is not incorporated by reference and does not form part of this Base Prospectus, and it has not been scrutinised or approved by the FSMA.

## **Banking supervision and regulation**

### **Introduction: supervision by the European Central Bank**

The Issuer, 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 (the **ECB**), acting as the supervisory authority for prudential supervision of significant financial institutions. The ECB exercises its prudential supervisory powers by means of application of EU rules and national (Belgian) legislation. The supervisory powers conferred to the ECB include, amongst others, the granting and withdrawal of 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.

Since November 2014 the ECB holds certain supervisory responsibilities 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 ECB concerning policies relating to the prudential supervision of credit institutions (the **Single Supervision Mechanism** or **SSM**). 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 the Issuer (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.

EU directives (as implemented through legislation adopted in each Member State, including Belgium) and regulations have had and will continue to have a significant impact on the regulation of the banking business in the EU. The general objective of these EU directives and regulations is to promote the 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 implements various EU directives, including, without limitation:

- (i) Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013, as amended by Directive (EU) 2019/878 of 20 May 2019, and as may be further amended or replaced from time to time (**CRD**) and, where applicable, Regulation (EU) n° 575/2013 of the European Parliament and of the Council of 26 June 2013, as amended by Regulation (EU) 2019/876 of 20 May 2019, and as may be further amended or replaced from time to time (**CRR**, and together with CRD, **CRD IV**), implementing the revised regulatory framework of Basel III in the European Union and
- (ii) Directive 2014/59 of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms, as amended by Directive (EU) 2019/879 of 20 May 2019 (**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.

The Financial Services and Markets Authority (**FSMA**), an autonomous public agency, alongside the NBB, supervises the Belgian financial sector. The FSMA's competences fall within the following six domains:

- surveillance of the financial markets and supervision of the financial information disseminated by companies,
- supervision of compliance with conduct of business rules,
- product supervision,
- supervision of financial service providers and intermediaries,

- supervision of supplementary pensions, and
- contribution to improving financial education

### ***Supervision of credit institutions***

All Belgian credit institutions must obtain a license from the ECB before they may commence operations. In order to obtain a license and maintain it, each credit institution must fulfil numerous conditions, including certain minimum paid-up capital requirements.

In addition, any shareholder holding 10% or more (directly or indirectly, alone, together with affiliated persons or in concert with third parties) of the capital or the voting rights of the institution must be of “fit and proper” character to ensure proper and prudent management of the credit institution. The ECB therefore requires the disclosure of the identity and participation of any shareholder with a 10% or greater capital or voting interest. If the ECB considers that the participation of a shareholder in a credit institution jeopardises its sound and prudent management, it may suspend the voting rights attached to this participation and, if necessary, request that the shareholder transfers to a third party its participation in the credit institution. Prior notification to and non-opposition by the ECB is required each time a person intends to acquire shares in a credit institution, resulting either in the direct or indirect ownership of a qualified holding of the capital or voting rights (i.e., 10% or more), or in an increase of such qualified holding thereby attaining or surpassing 20%, 30% or 50%, or when the credit institution would become his subsidiary. Furthermore, a shareholder who wishes to directly or indirectly sell his participation or a part thereof, which would result in his shareholding dropping below any of the above-mentioned thresholds, must notify the ECB thereof. The Belgian credit institution itself is obliged to notify the ECB of any such transfer when it becomes aware thereof. Moreover, every shareholder acquiring, decreasing or increasing its holding (directly or indirectly, alone, together with affiliated persons or in concert with third parties) to 5% or more of voting rights or capital without reaching the qualifying holding threshold of 10%, must notify the ECB thereof within 10 working days.

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.



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.

### **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. In accordance with the Banking Law, the Issuer 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 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 Group has drafted a Group Internal Governance Memorandum<sup>7</sup> (the **Governance Memorandum**), which sets out the corporate governance policy applying to KBC Group and its subsidiaries and of which the governance memorandum of the Issuer 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 19 December 2019 by the Board of Directors of KBC Group NV, KBC Bank NV and KBC Insurance NV.

The Issuer also has a Corporate Governance Charter which is published on [www.kbc.com](http://www.kbc.com). This Corporate Governance Charter is not incorporated by reference and does not form part of this Base Prospectus, and has not been scrutinised or approved by the FSMA.

### ***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 take 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

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<sup>7</sup> This document is not incorporated by reference and does not form part of the base prospectus, and has hence not been scrutinised or approved by the FSMA.

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 KBC Group to maintain higher minimum ratios (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%, 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).

Due to the challenges for the economy posed by the coronavirus crisis, the ECB has decided in March 2020 to allow banks to operate temporarily below the level of capital defined by the pillar 2 guidance (P2G), the capital conservation buffer and the liquidity coverage ratio. These temporary measures were enhanced by the appropriate release of the countercyclical capital buffer by the NBB. Various local competent authorities in the KBC Group's core markets have also decided to release the countercyclical capital buffer.

For an overview of the regulatory capital requirements at the level of KBC Bank for 2020, as well as a breakdown of the total regulatory capital and solvency ratios at the level of KBC Bank as at 30 June 2020, please refer to page 79 of the Issuer's 2019 Annual Report and to page 41 of the Issuer's half-year report for the first six months ended 30 June 2020, respectively, both of which are incorporated by reference into this Base Prospectus as set out in Section "Documents incorporated by reference" on page 121.

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.

In March 2020, ECB published a 'Recommendation on dividend distributions during the COVID-19 pandemic' in which the ECB recommends that at least until 1 October 2020 no dividends are paid out and no irrevocable commitment to pay out dividends is undertaken by institutions (on a consolidated level) for the financial year 2019 and 2020 and that institutions refrain from share buy-backs aimed at remunerating shareholders<sup>8</sup>. In July 2020, ECB decided to extend this recommendation until 1 January 2021. On 15 December 2020, the ECB called on banks to refrain from or limit dividends until 30 September 2021 and recommended that banks exercise extreme prudence on dividends and share buy-backs<sup>9</sup>.

For completeness, we note that in 2020 the Issuer has paid a dividend of EUR 1.1 bio to its parent company KBC Group NV (intragroup payment).

## 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

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<sup>8</sup> European Banking Authority, "Statement on dividends distribution, share buybacks and variable remuneration", 31 March 2020; European Banking Authority, "EBA statement on actions to mitigate the impact of COVID-19 on the EU banking sector", 12 March 2020

<sup>9</sup> European Banking Authority, "ECB asks banks to refrain from or limit dividends until September 2021", 15 December 2020, available at: [https://www.bankingsupervision.europa.eu/press/pr/date/2020/html/ssm.pr201215-4742ea7c8a.en.html#:~:text=The%20European%20Central%20Bank%20\(ECB,distributions%2C%20until%2030%20September%202021](https://www.bankingsupervision.europa.eu/press/pr/date/2020/html/ssm.pr201215-4742ea7c8a.en.html#:~:text=The%20European%20Central%20Bank%20(ECB,distributions%2C%20until%2030%20September%202021).

also require that the credit institutions establish procedures to contain concentrations on economic activity sectors and geographic areas.

### **Anti-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, as amended (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. Legal entities and individuals subject to the Law of 18 September 2017 (known as “obliged entities”) must carry out an overall risk assessment to identify the money laundering and terrorism financing risks they are facing and manage these risks in an appropriate manner. Belgium has also set up a central register which identifies the ultimate beneficial owner of companies and other legal entities. Moreover, the legislation provides restrictions on the use of cash, for example payments or donations in cash are capped at EUR 3,000. Obligated entities must also provide for enhanced customer due diligence measures in certain cases that intrinsically entail a high risk, for example when dealing with a politically exposed person, or with natural persons or legal entities established in high-risk third countries.

When, after investigation, an obliged entity suspects or has reasonable grounds to suspect that funds or transactions are linked to money laundering or financing of terrorism, they 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 8) or, for legal entities, a fine of a minimum of EUR 500 and a maximum of EUR 200,000 (to be multiplied by 8).

### **Consolidated supervision – supplementary supervision**

The Issuer 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, the Issuer 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.

### ***Bank recovery and resolution***

The Banking Law establishes a range of instruments to tackle potential crises of credit institutions at three stages:

#### **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 SRB will have to prepare a resolution plan for each significant Belgian credit institution, laying out the actions it may take if it were to meet the conditions for resolution. The resolution college of the NBB has the same powers with regard to the non-significant Belgian credit institutions. If the SRB or the Resolution College identifies material impediments to resolvability during the course of this planning process, it can require a credit institution to take appropriate measures, including changes to corporate and legal structures.

#### **Early intervention**

The ECB/NBB disposes of a set of powers to intervene if a credit institution faces financial distress (e.g. when a credit institution is not operating in accordance with the provisions of the 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.

## Resolution

Pursuant to the 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 the Regulation (EU) No 1093/2010 of the European Parliament and of the Council (the **Single Resolution Mechanism** or **SRM**), as amended by Regulation (EU) 2019/877 of 20 May 2019<sup>10</sup>, the Single Resolution Mechanism entered into force on 19 August 2014 and applies to credit institutions which fall under the supervision of the ECB. It established a Single Resolution Board (**SRB**), a resolution decision-making authority replacing national resolution authorities (such as the Resolution College of the NBB) for resolution decisions with regard to significant credit institutions. The SRB 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**).

The Issuer and KBC Group NV are credit institutions falling within the scope of the Single Supervisory Mechanism.

The resolution authority can decide to take resolution measures if it considers that all of the following circumstances are present: (i) the determination has been made by the resolution authority, after consulting the competent authority, that a credit institution is failing or is likely to fail, (ii) there is no reasonable prospect that any alternative private sector measures or supervisory action can be taken to prevent the failure of the institution, and (iii) resolving the credit institution is necessary from a public interest perspective. The resolution tools are: (i) the sale of (a part of) the assets/liabilities or the shares of the credit institution without the consent of shareholders, (ii) the transfer of business to a temporary structure (“bridge bank”), (iii) the separation of clean and toxic assets and the transfer of toxic assets to an asset management vehicle and (iv) bail-in. 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) or to convert debt into equity, as a means of restoring the institution’s capital position. The resolution authority is also empowered (and in certain circumstances required) to write down or convert capital instruments (such as Common Equity Tier 1-, Additional Tier 1- and Tier 2-instruments), before or together with the use of any resolution tools, if it determines that a credit institution becomes non-viable, that the conditions for the exercise of the resolution powers are fulfilled and/or that a credit institution has asked for public support.

The applicability of the resolution tools and measures to credit institutions that are part of a cross-border group are regulated by the Royal Decree of 26 December 2015 amending the Banking Law, which entered into force on 1 January 2016.

## Material contracts

No member of the KBC Bank Group has entered into any material contracts outside the ordinary course of its business which could result in any member of the KBC Bank Group being under an obligation or entitlement that is material to the Issuer’s ability to meet its obligations under the Warrants.

## Recent events

### *Coronavirus (COVID-19) pandemic*

Since December 2019, a significant increase of cases of pneumonia associated with the coronavirus (COVID-19) has been reported worldwide. Initially reported in the province of Hubei in the People’s Republic of China,

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<sup>10</sup> This Regulation will apply from 28 December 2020.

it has spread across other countries, resulting in reported infections and deaths in numerous countries and leading to a global pandemic.

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

As the coronavirus pandemic and the ensuing global health crisis have led to a massive impact on economic activity, the Belgian Federal Government, the NBB and Febelfin (the Belgian banking federation) reached an agreement at the end of March 2020 on a number of measures for banks.

As set out in a charter on the payment moratorium for corporate credits, the Belgian financial sector committed to providing viable (i.e., if there were no payment arrears on 1 February 2020 or payment arrears of less than 30 days on 29 February 2020) non-financial companies, self-employed persons and individuals with mortgage credit which have payment problems due to the coronavirus crisis with a temporary deferment of payment until 30 September 2020 without charge. In light of the continuing economic repercussions of the coronavirus pandemic, the payment moratorium was extended until 31 December 2020. Non-financial companies are required to have a permanent establishment in Belgium. Borrowers are required to evidence the fact that they are in distress because of the coronavirus crisis and request their bank for a postponement of payment. Pursuant to the Belgian Royal Decree of 14 April 2020 granting a State guarantee for certain credits in the combat against the consequences of the corona virus, qualifying short-term credits granted by credit institutions to viable non-financial companies could benefit from a State guarantee. The regime extends to new credits granted by either Belgian credit institutions or Belgian branches of foreign credit institutions between 1 April 2020 and 30 September 2020 with a maturity of up to twelve months. The so-called “first State guarantee regime” was extended and will apply to eligible loans granted until 31 December 2020. Only companies which are deemed viable (i.e., which do not have pre-existing financial difficulties) could benefit from the State guarantee. Furthermore, the Royal Decree requires that the companies are registered in the Belgian Crossroads Bank for Enterprises, covering both Belgian companies as well as foreign companies which have activities in Belgium.

Pursuant to the Belgian Law of 20 July 2020 granting a State guarantee for certain credits granted to SMEs in the combat against the consequences of the corona virus, a dedicated State guarantee was introduced for qualifying credits granted by credit institutions to viable non-financial companies qualifying as SMEs or micro enterprises under the General Block Exemption Regulation (Regulation (EU) No 651/2014). This so-called “second State guarantee regime” extends to new credits granted by either Belgian credit institutions or Belgian branches of foreign credit institutions between 24 July 2020 and 31 December 2020 with a maturity of more than 12 months and not more than 36 months. Only credits that are expressly selected at the time of origination can benefit from the State guarantee. Only companies which are deemed viable (i.e., which are not subject to a collective insolvency procedure, which did not receive government aid which has not yet been reimbursed or which received reorganisation support and are still subject to the reorganisation scheme) can benefit from the State guarantee. As for the first State guarantee regime, the Law requires that the SMEs are registered in the Belgian Crossroads Bank for Enterprises, covering both Belgian SMEs as well as foreign SMEs which have activities in Belgium.

In addition, Belgium’s four largest banks (Belfius, BNP Paribas Fortis, ING and the Issuer), as well as certain other banks, agreed on measures to support companies facing difficulties due to the coronavirus crisis, such as the granting of extensions for the repayment of interest and/or capital and the granting of additional credit. Each bank will act on a case-by-case basis and will invite its client companies to contact it to find the appropriate solution.

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

As stated in the section “Risk statement, economic views and guidance” on page 10 of the Issuer’s half-year report for the first six months ended on 30 June 2020 which is incorporated by reference into this Base Prospectus as set out in Section “Documents incorporated by reference” on page 121, the Issuer estimates loan loss impairment charges of approximately 1.1 billion euro for full-year 2020. Depending on a number of events such as the length and depth of the economic downturn, the significant number of government measures in each of the KBC Group’s core countries, and the unknown number of customers who will call upon these mitigating actions, the Issuer estimates loan loss impairment for full-year 2020 to range between approximately 0.8 billion euro (optimistic scenario) and approximately 1.6 billion euro (pessimistic scenario). For more information on the financial impact of the coronavirus pandemic on the KBC Bank Group, as well as a status overview of the different government and sector measures in each of the KBC Bank Group’s core countries, please refer to pages 20 to 25 of the Issuer’s half-year report for the first six months ended on 30 June 2020.

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

### **Trend information**

The main sources for this section are the European Banking Authority, the ECB and the European Commission.

## **Banking sector**

Although the banking sector in some EU countries is still dealing with a legacy of non-performing loans dating from the global financial crisis of 2008-2009 (GFC), the European banking sector is in much better shape to deal with the economic harm of the COVID-19 pandemic than on the eve of the GFC. Despite differences across countries, the capital ratio of the banking sector is now significantly higher than a decade ago. A vulnerability analysis of 86 euro area banks directly supervised within the ECB shows that, overall, “the euro area banking sector can withstand the pandemic-induced stress”.

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 very uncertain macroeconomic environment with the impact of the coronavirus crisis lingering on, bank profitability faces significant challenges 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 world economy remains under the spell of the COVID-19 pandemic. It has caused not only a historically unprecedented decline in economic activity, but also an exceptional degree of uncertainty about the economic recovery in the second half of 2020 and in 2021. The downside risks remain significant.

Globally, the peak of the economic downturn caused by COVID-19 was probably reached in the second quarter of 2020. Economic growth already fell in all major economies in the first quarter of 2020, but as expected, this downturn only foreshadowed a much more drastic economic downturn in the second quarter.

An important exception was China. As the first hotspot of the COVID-19 virus, China saw a relatively much weaker Q1, and then experienced a strong economic recovery in the second quarter of 2020. An entirely different picture can be seen in the large western economies. Compared to the first quarter, real GDP fell by 12.1% in the euro area and 9.5% in the US in the second quarter. Such economic shocks obviously leave their traces, also in the longer term. Western economies also started to recover strongly in the second half of the second quarter, following the lifting or easing of lockdown measures, but the contraction was still substantial.

After an economic rebound during the third quarter of 2020, the recent evolution of the pandemic suggests a weaker outlook during the fourth quarter of 2020 and the first quarter of 2021. The expectation for a nevertheless continued economic recovery through 2021 is based on the crucial assumption that the COVID-19 pandemic will remain more or less manageable. Under this assumption, it is unlikely that the economy will return to a standstill of the same magnitude as in the second quarter of 2020. The possible availability of a workable vaccine in the course of 2021 increases the plausibility of that assumption.

The economic recovery from the COVID-19 shock is crucially determined by the behaviour of consumers and producers. The increased unemployment rate and uncertainty about the final impact of the pandemic on employment may prevent private consumption from experiencing the hoped-for V-shaped recovery. Fears of contagion while shopping also play a role in this. Support measures such as temporary unemployment benefits cannot neutralise these fears. Even without a new formal lockdown, such consumer reluctance may weigh on the recovery. The great uncertainty about the further development of the pandemic also weighs on business investment. It remains to be seen to what extent all these factors will lead to pent-up demand coming from consumption and investment as the pandemic becomes more manageable.

The COVID-19 pandemic and the policy measures taken to deal with it are both negative supply and demand shocks to the economy. In the short term, the demand-side effect is likely to prevail, leading to persistently low core inflation for the rest of 2020. The negative supply shock is likely to become more noticeable in 2021. However, we assume that the pandemic will remain manageable overall, and will therefore not require new drastic measures, as was the case in March 2020. As a result, these negative supply-side effects and their potential inflationary effect are likely to remain limited. In 2021, economic capacity will remain largely under-



utilised, keeping underlying core inflation low. On the other hand, headline inflation, which also takes into account more volatile energy prices, will face temporary upward pressure in 2021. However, this upward oil price effect on inflation will gradually fade out in the course of 2021. Nevertheless, a number of potentially inflationary trends, already visible before the pandemic, are still present. This is particularly true for protectionism and deglobalisation.

The strength and speed of economic recovery is also determined by the macroeconomic policy response. In the first phase of the crisis, it was mainly the economic shock that had to be absorbed. After that, support for the recovery will take centre stage. After all, we assume that the COVID-19 shock is temporary. As a result, it is important for policy measures to prevent temporary liquidity problems from leading to bankruptcies or credit repayment problems for private individuals in the first instance. Such measures exist in many, but not all, European countries.

The political agreement for an EU recovery fund to tackle the effects of the pandemic is encouraging. It must now be approved by the national parliaments and the European Parliament. This means that its effective economic boost will not come until 2021 at the earliest. In the US, on the other hand, the protracted political debate on the specifics of extending temporary budgetary support measures creates considerable uncertainty.

In addition to the fiscal authorities, the major central banks are also contributing to the recovery. Such tandem efforts are essential for tackling a crisis of this magnitude. On the basis of central bankers' forward guidance, we assume that this will continue to be the case for a long time to come. The Fed is already taking their quantitative easing a step further. It announced in March 2020 that it is prepared, if necessary, to buy government bonds without restriction in order to safeguard the functioning of the financial markets and to provide the necessary stimulus to the real economy.

Policy rates of both the ECB and the Fed will therefore remain around their current levels for an extended period of time. As a result, there is hardly any upward potential for government bond yields especially as continued quantitative easing by both central banks will keep the yield curve relatively flat.

## **Litigation**

This section sets out material litigation to which the Issuer or any of its companies (or certain individuals in their capacity as current or former employees or officers of the Issuer or any of its companies) are party. It describes all claims, quantified or not, that could lead to the impairment of the company's reputation or to a sanction by an external regulator or governmental authority, or that could present a risk of criminal conviction for the company, the members of the board or the management.

Although the outcome of these matters is uncertain and some of the claims concern relatively substantial amounts in damages, the management does not believe that the liabilities arising from these claims will adversely affect the Issuer's consolidated financial position or results, given the provisions that, where necessary, have been set aside for these disputes.

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

Lazare Kaplan International Inc. 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 the Issuer and *Antwerpse Diamantbank NV* (**ADB**) on 1 July 2015 entails that the Issuer 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 the Issuer 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 approximately USD 45,000,000 in principal, 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 the Issuer 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)

##### A.1. Company Court of Antwerp, section Antwerp

On 16 March 2010, 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).

LKI and/or LKB started numerous satellite proceedings with the sole aim to delay the decision of the Company Court of Antwerp, section Antwerp regarding ADB's recovery claim. (see also proceedings described under point A.2., A.3., A.4. and B.)

Numerous times LKI and/or LKB were convicted for reckless and vexatious legal actions and were ordered to pay the Issuer in damages for a total amount of EUR 595,000 and legal expenses (including the legal representation costs) of EUR 222,015.51 (including the amounts granted by the decisions described under A.3 below).

All decisions (45) regarding these proceedings rejected LKI and/or LKB's claims and legal actions. Only two decisions were rendered in favor of LKI. The first was a decision of the United States Court of Appeals for the Second Circuit in 2013 whereby the RICO case was reversed and remanded back to the District Court on legal technical grounds. (see further below under point B)

The second decision was the ruling of Court of Cassation dated 19 December 2019 which only partially annulled the Antwerp Court of Appeal decision of 13 December 2018 regarding the lack of reasoning in relation to the order of LKI and LKB to pay the Issuer damages for vexatious reckless proceedings. The case was only sent to the Brussel Court of Appeal on this aspect.

As of today after almost 10 years of litigation the Company Court of Antwerp, section Antwerp has still not been able to decide on the merits of the case.

##### A.2. Company Court of Antwerp, section Antwerp

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

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

### A.3. Company Court of Antwerp, section Antwerp

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

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

LKB appealed against the decision of 7 February 2017. On 28 February 2019, the Antwerp Court of Appeals dismissed LKB's appeal. LKB was ordered to pay the legal representation cost for the appeal proceedings of EUR 18,000. On 18 June 2019 LKB initiated proceedings before the Court of Cassation against the decision of the Antwerp Court of Appeals dated 28 February 2019. These proceedings are still pending.

LKI – which was not a party to the first instance proceedings – commenced third-party opposition proceedings against the same decision with the Commercial Court (now Company Court). By decision of 7 May 2019, the Company Court dismissed the third-party opposition proceedings initiated by LKI. The Court ordered LKI to pay the legal representation cost of EUR 1,440.

### A.4. Criminal complaint

On 13 October 2016 LK filed a criminal complaint with the Investigating Magistrate at the Dutch speaking Court of First Instance of Brussels against the Issuer. The criminal complaint is based on: embezzlement, theft and money-laundering.

Although this investigation started at the 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 the Issuer 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 the Issuer'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 the Issuer moved to dismiss.

By Opinion and Order of 29 August 2018, the District Court granted the Issuer / 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.

On 27 September 2018, LKI filed a notice of appeal against the Opinion and Order of 29 August 2018. On 19 November 2019 the US Court of Appeals dismissed LKI's appeal and affirmed the decision of the District Court of 29 August 2018.

On 27 September 2018, LKI also requested a pre-motion conference before the District Court to file a motion in order to vacate its judgement dated 29 August 2018. Following the decision of the District Court dated 4 February 2020 allowing LKI to file a motion to seek relief from its judgement, LKI decided not to file a motion to reopen the case.

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

On 6 October 2011, Irving H. Picard, trustee for the substantively consolidated SIPA (Securities Investor Protection Corporation Act) liquidation of Bernard L. Madoff Investments Securities LLC and Bernard L. Madoff, sued KBC Investments Ltd (a wholly-owned subsidiary of KBC Bank) before the bankruptcy court in New York to recover approximately USD 110,000,000 worth of transfers made to KBC entities. The basis for this claim were the subsequent transfers that KBC Investments Ltd had received from Harley International, a Madoff feeder fund established under the laws of the Cayman Islands. This claim is one of a whole set made by the trustee against several banks, hedge funds, feeder funds and investors. In addition to the issues addressed by the district court, briefings were held on the applicability of the Bankruptcy Code's 'safe harbor' and 'good defenses' rules to subsequent transferees (as is the case for KBC Investments Ltd). KBC Investments Ltd, together with numerous other defendants, filed motions for dismissal. District court Judge Jed Rakoff has made several intermediate rulings in this matter, the most important of which are the rulings on extraterritoriality and good faith defences.

On 27 April 2014, Judge Rakoff issued an opinion and order regarding the 'good faith' standard and pleading burden to be applied in the Picard/SIPA proceeding based on sections 548(b) and 559(b) of the Bankruptcy Code. As such, the burden of proof that lies on Picard/SIPA is that KBC Investments Ltd should have been aware of the fraud perpetrated by Madoff. On 7 July 2014, Judge Rakoff ruled that Picard/SIPA's reliance on section 550(a) does not allow for the recovery of subsequent transfers received abroad by a foreign transferee from a foreign transferor (as is the case for KBC Investments Ltd.). Therefore, the trustee's recovery claims have been dismissed to the extent that they seek to recover purely foreign transfers. In June 2015, the trustee filed a petition against KBC Investments Ltd to overturn the ruling that the claim fails on extraterritoriality grounds. In this petition, the trustee also amended the original claim including the sum sought. The amount has been increased to USD 196,000,000.

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

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

In April 2019 a request for rehearing was denied.

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

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

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

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

KBC Investments Ltd still believes there is a strong basis to get the action against KBC Investments Ltd dismissed as there are a number of other defenses that can be raised together with the joint defense group. The procedure may still take several years.

#### **4.4 FINANCIAL INFORMATION OF THE ISSUER**

##### **Financial statements**

The Issuer's 2018 and 2019 annual reports contain:

- the Issuer's audited consolidated financial statements drawn up in accordance with International Financial Reporting Standards (**IFRS**) for the last two financial years (2018 and 2019); and
- the Issuer's audited non-consolidated financial statements drawn up in accordance with Belgian Generally Accepted Accounting Principles (**GAAP**) for the last two financial years (2018 and 2019).

Additionally, the Issuer has published unaudited semi-annual consolidated financial statements for the six months ended on 30 June 2020, drawn up in accordance with International Accounting Standard (**IAS**) 34, in its semi-annual report for the first half of 2020.

These (semi)-annual reports of the Issuer are incorporated by reference into this Base Prospectus as set out in Section "Documents incorporated by reference" on page 121. See Section "Where more information can be found" on page 124 for information on where you can find these reports.

##### **Audit and review by the Issuer's statutory auditors**

PricewaterhouseCoopers Bedrijfsrevisoren BV (*erkend revisor/réviseur 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 the Issuer for the financial years 2016-2018 and this appointment has been extended for the financial years 2019-2021. The financial statements of the Issuer have been audited in accordance with International Standards on Auditing by PwC for the financial years ended 31 December 2018 and 31 December 2019 and resulted in an unqualified audit opinion (with an emphasis of matter paragraph on the financial statements for the financial year ended 31 December 2019).

PwC is a member of the *Instituut van de Bedrijfsrevisoren/Institut des Réviseurs d'Entreprises*.

The report of the Issuer's auditor on (i) the audited consolidated annual financial statements of the Issuer and its consolidated subsidiaries for the financial years ended 31 December 2018 and 31 December 2019, (ii) the audited non-consolidated annual financial statements of the Issuer for the financial years ended 31 December 2018 and 31 December 2019, and (iii) the unaudited consolidated interim financial statements of the Issuer and its consolidated subsidiaries for the first six months ended 30 June 2020 are incorporated by reference in this Base Prospectus (as set out in Section "Documents incorporated by reference" on page 121), with the consent of the auditor.

##### **Changes since the most recent published financial statements**

Save as disclosed in this Base Prospectus, there has been no material adverse change in the prospects of the Issuer since 31 December 2019, i.e. the date of its last published audited financial statements.

There has been no significant change in the financial position of the group nor in the insolvency of the Issuer since 30 June 2020, i.e. the end of the last financial period for which financial information has been published.

## 5. TERMS AND CONDITIONS OF THE WARRANTS

*The following are the terms and conditions of the Warrants (the **Conditions**) which will apply to each Series of Warrants issued under the Programme. Certain information which is applicable to each Series of Warrants will be set out in a final terms document (the **Final Terms**). Since the Final Terms that are applicable to a particular Series of the Warrants (the **Applicable Final Terms**) may only be determined when such Series of Warrants is issued, the Conditions set out below should be read in conjunction with the relevant Applicable Final Terms which will be published upon each issue of Warrants in accordance with Article 21 of the Prospectus Regulation.*

KBC Bank NV (the **Issuer**) has established a programme (the **Programme**) for the issuance of call warrants (*koopwarranten/warrants d'achat*) linked to an Underlying (as defined in Condition 1 below) (the **Warrants**).

The Warrants are one of a Series of Warrants issued by the Issuer pursuant to a Warrant Agreement dated on or about 22 December 2020 (such Warrant Agreement as amended and/or supplemented and/or restated from time to time, the **Warrant Agreement**) between, *inter alia*, the Issuer and KBC Bank NV as Warrant Agent. In accordance with the provisions of the Warrant Agreement, additional Warrant Agents may be appointed from time to time in respect of a particular Series as set out in the Applicable Final Terms of such Series. KBC Bank NV shall also, in accordance with the provisions of the Warrant Agreement, undertake the duties of Calculation Agent as set out in these Conditions and in the Applicable Final Terms. In accordance with the provisions of the Warrant Agreement, additional Calculation Agents may be appointed from time to time in respect of a particular Series as set out in the Applicable Final Terms of such Series (in which case a separate calculation agency agreement will be concluded between the Issuer and such Calculation Agent in the form set out in the schedule to the Warrant Agreement, the **Calculation Agency Agreement**). The expression Calculation Agent shall, in relation to the relevant Warrants, include such other specified calculation agent.

The Applicable Final Terms for a particular Series of Warrants (or the relevant provisions thereof) are set out in Part A of the Final Terms and are attached hereto and complete these Conditions for the purposes of such particular Series of Warrants.

As used herein, a **Series** means Warrants which are identical in all respects (including, for the avoidance of doubt, as to the Issue Date and Issue Price (such terms as defined below)).

Certain provisions of these Conditions include summaries of, and are subject to, the detailed provisions of the Warrant Agreement. The Warrant Agreement and the Applicable Final Terms (and, if applicable in respect of a particular Series, any Calculation Agency Agreement) are available for inspection at and copies thereof may be obtained from the specified office of the Warrant Agent set out at the end of these Conditions during normal business hours, save that if the relevant Warrants are not admitted to trading on a regulated market in the European Economic Area and the relevant Warrants are offered pursuant to an offer that is not a Non-exempt Offer (as specified in the Final Terms), the Applicable Final Terms will only be obtainable by a Warrant Holder (as defined below) holding one or more Warrants and such Warrant Holder must produce evidence satisfactory to the Warrant Agent as to its holding of such Warrants and identity.

*Where applicable, the Issuer and the Calculation Agent undertake to comply with Book VI of the Belgian Code of Economic Law in respect of Warrants issued under the Programme and subscribed to by Consumers.*

*To the extent the Warrant Holder is a Consumer, the Issuer may not unilaterally modify an essential feature of the Warrants, unless: (a) in the case of the occurrence of (i) a force majeure event or (ii) an event which substantially alters the economics of the contract as initially agreed between the parties and which is not attributable to the Issuer, (b) any such modification does not create an obvious imbalance between the rights and obligations of the parties to the detriment of the Warrant Holder, and (c) the Issuer does not charge costs to the Warrant Holder for any such modification.*

Furthermore, to the extent the Warrant Holder is a Consumer, the cancellation of the Warrants provided for in the Conditions is only possible upon a decision of the Issuer or the Calculation Agent: (a) if (i) a force majeure event has occurred and (ii) the Issuer does not charge additional costs to the Warrant Holder for such cancellation; or (b) if (i) an event has occurred which substantially alters the economics of the contract as initially agreed between the parties and which is not attributable to the Issuer, (ii) such cancellation does not create an obvious imbalance between the rights and obligations of the parties to the detriment of the Warrant Holder, (iii) the Issuer does not charge costs to the Warrant Holder for such cancellation, and (iv) the Issuer reimburses the Warrant Holder the costs (other than the Actual Exercise Price, the Exercise Costs and the Exercise Expenses) already paid by such Warrant Holder pro rata in the following proportion: (total initial term MINUS the period elapsed at the time of such cancellation) / total initial term.

The Warrants are instruments that allow the Warrant Holder to gain an exposure on an Underlying. Their value may fluctuate based on, *inter alia*, fluctuations in the Value of the Underlying. The Warrants grant the Warrant Holders a right of Exercise of the Warrants (see Conditions (7)a), (8) and (9)) and a right to sell the Warrants either to the Issuer (see Conditions (7)b)ii and (11)) or to third parties in the open market (see Conditions (7)b)i and (10)). Subject to the applicable costs and expenses as referred to in these Conditions, in case of an Exercise of the Warrants, the Warrant Holders may realise a return by selling the relevant Underlying they receive upon Exercise provided the Warrants have an Intrinsic Value at such time. Subject to the applicable costs and expenses as referred to in these Conditions, in case of a sale of the Warrant, the Warrant Holders can make a return if (a) the Trading Price at which they are able to Sell their Warrant(s) to a third party in the open market or (b) the Sale Price at which they are able to Sell their Warrant(s) to the Issuer, is higher than the Trading Price or the Issue Price (as applicable) at which the relevant Warrant(s) was (were) acquired.

As set out above, a number of Conditions grant or may grant the Issuer, the Calculation Agent and/or the Warrant Agent a unilateral right to modify certain features of the Warrants (including, but not limited to, the postponement of the Delivery Date, provide for a cash settlement rather than a physical delivery of the Underlying or making adjustments to the Entitlement and/or the Exercise Price, which are to be considered as substantial features of the Warrants):

- (a) Condition (8)d (*Settlement Disruption*);
- (b) Condition (8)e (*Failure to Deliver*), if specified in the Applicable Final Terms;
- (c) Condition (13)cd (*Modification*);
- (d) Condition (20)a (*Potential Adjustment Events*) (for Share Linked Warrants);
- (e) Condition (20)b (*De-Listing, Merger Event, Tender Offer (if specified in the Applicable Final Terms), Insolvency and Nationalisation*) (for Share Linked Warrants);
- (f) Condition (21)a (*Potential Adjustment Events*) (for ETF Linked Warrants);
- (g) Condition (21)b (*De-listing, Merger Event, Tender Offer (if specified in the Applicable Final Terms), Insolvency and Nationalisation*) (for ETF Linked Warrants);
- (h) Condition (22) (*Additional Disruption Events*): “Change in Law”, “Hedging Disruption”, “Increased Cost of Hedging”, “Increased Cost of Stock Borrow”, “Loss of Stock Borrow”, “Insolvency Filing”, “ETF Cross-contamination” (for ETF Linked Warrants), “ETF Insolvency Event” (for ETF Linked Warrants), “ETF Modification” (for ETF Linked Warrants), “ETF Regulatory Action” (for ETF Linked Warrants) and/or “ETF Strategy Breach” (for ETF Linked Warrants), in each case if specified in the Applicable Final Terms.



The sole purpose of these provisions is to allow the Issuer, the Calculation Agent and/or the Warrant Agent, as the case may be, upon the occurrence of certain events (i) which are outside of the control of the Issuer, the Calculation Agent and/or the Warrant Agent, (ii) which were not reasonably foreseeable at the time of issuance of the relevant Warrants, and (iii) to the extent that the Warrant Holder is a consumer (*consument/consommateur*) within the meaning of the Belgian Code of Economic Law (*Wetboek van economisch recht/Code de droit économique*) in Belgium (a **Consumer**), which significantly alters the economics of the contract as initially agreed between the parties, to make modifications to the Warrants that would allow the rights and obligations under the Warrants to be exercised and performed by the Warrant Holders in view of realising a return to the extent possible in accordance with the initially agreed terms and contractual equilibrium.

Furthermore, a number of Conditions grant or may grant the Issuer, the Calculation Agent and/or the Warrant Agent a right to terminate and cancel the Warrants under certain circumstances:

- (i) Condition (12) (*Illegality*);
- (j) Condition (20)b (*De-Listing, Merger Event, Tender Offer (if specified in the Applicable Final Terms), Insolvency and Nationalisation*) (for Share Linked Warrants);
- (k) Condition (21)b (*De-listing, Merger Event, Tender Offer (if specified in the Applicable Final Terms), Insolvency and Nationalisation*) (for ETF Linked Warrants);
- (l) Condition (22) (*Additional Disruption Events*): “Change in Law”, “Hedging Disruption”, “Increased Cost of Hedging”, “Increased Cost of Stock Borrow”, “Loss of Stock Borrow”, “Insolvency Filing”, “ETF Cross-contamination” (for ETF Linked Warrants), “ETF Insolvency Event” (for ETF Linked Warrants), “ETF Modification” (for ETF Linked Warrants), “ETF Regulatory Action” (for ETF Linked Warrants) and/or “ETF Strategy Breach” (for ETF Linked Warrants), in each case if specified in the Applicable Final Terms.

Such termination and cancellation rights are only intended to be invoked by the Issuer, the Calculation Agent and/or the Warrant Agent, as the case may be, upon the occurrence of certain events (i) which are outside of the control of the Issuer, the Calculation Agent and/or the Warrant Agent, (ii) which were not reasonably foreseeable at the time of issuance of the relevant Warrants, and (iii) to the extent that the Warrant Holder is a Consumer, which significantly alters the economics of the contract as initially agreed between the parties, and provided that all reasonable efforts were otherwise made that would allow the rights and obligations under the Warrants to be exercised and performed by the Warrant Holders in view of realising a return to the extent possible in accordance with the initially agreed terms and contractual equilibrium. In case of cancellation, the Issuer is required to indemnify the Warrant Holder for the loss suffered by the Warrant Holder because of the cancellation. An amount based on the Fair Market Value of the Warrant (*plus*, if already paid, the Actual Exercise Price, the Exercise Cost and the Exercise Expenses) will be paid as a minimum to compensate the Warrant Holder. To the extent the Warrant Holder is a Consumer, if the Issuer cancels the Warrants as a result of the occurrence of an event which substantially alters the economics of the contract as initially agreed between the parties and which is not attributable to the Issuer, the Issuer may not charge costs to the Warrant Holder for such cancellation, and the Issuer will reimburse the Warrant Holder the costs (other than the Actual Exercise Price, the Exercise Costs and the Exercise Expenses) already paid by such Warrant Holder *pro rata* in the following proportion: (total initial term MINUS the period elapsed at the time of such cancellation) / total initial term.

## **(1) Definitions**

For the purpose of these Conditions, the following definitions have the following meanings:

**Actual Exercise Date** has the meaning set out in Condition (8)a.

**Actual Exercise Price** has the meaning set out in Condition (8)b.

**Actual Sale Date** has the meaning set out in the Condition (11)a and (11)bis(ii);

**Additional Disruption Event** means any of Change in Law, Hedging Disruption, Increased Cost of Hedging, Increased Cost of Stock Borrow, Loss of Stock Borrow, Insolvency Filing, ETF Cross-contamination (in the case of ETF Linked Warrants), ETF Insolvency Event (in the case of ETF Linked Warrants), ETF Modification (in the case of ETF Linked Warrants), ETF Regulatory Action (in the case of ETF Linked Warrants) and/or ETF Strategy Breach (in the case of ETF Linked Warrants), in each case if specified in the Applicable Final Terms. To the extent that the Warrant Holder is a Consumer, Hedging Disruption, Increased Cost of Hedging, Increased Cost of Stock Borrow, Loss of Stock Borrow and/or ETF Modification will not be deemed to be an Additional Disruption Event.

**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.

**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 those purposes **Control** means ownership of a majority of the voting power of an entity.

**Agent** means any of the Warrant Agent or the Calculation Agent.

**Applicable Final Terms** has the meaning set out in the introduction to these Conditions.

**Belgian Code of Economic Law** means the Belgian code of economic law (*Wetboek Economisch Recht / Code de Droit Économique*) dated 28 February 2013.

**Business Day** means (i) a day (other than Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in Brussels (Belgium) and in the relevant Business Day Centre(s) and Euroclear SA/NV is open for business and (ii) for the purpose of making payments in euro, any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System is open.

**Business Day Centre** means the city or cities specified as such in the Applicable Final Terms.

**Calculation Agency Agreement** has the meaning set out in the introduction of these Conditions.

**Calculation Agent** means KBC Bank NV in respect of any Series of Warrants issued under the Programme unless, in respect of a particular Series of Warrants, another party is appointed as the Calculation Agent in the Applicable Final Terms for such Series, and any successor Calculation Agent from time to time.

**Cash Settlement Date** has the meaning set out in Condition (11)e.

**Change in Law** means that, on or after the Issue Date (as specified in the Applicable Final Terms) due to:

- (i) the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law); or

- (ii) 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),
  - (A) it has become illegal to hold, acquire or dispose of any relevant Underlying or Warrant; or
  - (B) the Issuer will incur a materially increased cost in performing its obligations in relation to the Warrants (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on the tax position of the Issuer and/or any of its Affiliates),

and, for the purposes of this definition, sub-paragraph (B) will not be considered as a “Change in Law” if the Warrant Holder is a Consumer.

**Closing Price** means, in respect of an Underlying ETF Share and a Scheduled Trading Day, the official Value in respect of the relevant Underlying ETF Share at the Valuation Time on such day, as determined by the Calculation Agent, subject as provided in Valuation Date below.

**Conditions** has the meaning set out in the introduction to these Conditions.

**Dealer(s)** means KBC Bank and any additional dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis.

**Delivery Date** means, in case of Exercise of a Warrant, the date for delivery of the Entitlement in the relevant Underlying as set out in Conditions (8)c and (9)d.

**Delivery Valuation Date** means the Delivery Date, provided that the Delivery Valuation Date shall be deemed to be a Valuation Date and the provisions of that definition shall apply.

**Dematerialisation Notice** has the meaning set out in Condition (6).

**Dematerialised Warrants** has the meaning set out in Condition (2).

**Disrupted Day** means any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session.

**Disruption Cash Settlement Price** in respect of any relevant Warrant shall be the Fair Market Value of such Warrant (taking into account, where the Settlement Disruption Event affected some but not all of the Underlyings comprising the Entitlement and such non-affected Underlyings have been duly delivered, the value of such affected Underlyings), as determined by the Calculation Agent plus, if already paid, the Actual Exercise Price, the Exercise Cost and Exercise Expenses (or, where some Underlyings have been delivered, and a *pro rata* portion of the Actual Exercise Price, the Exercise Cost and/or Exercise Expenses has been paid, such *pro rata* portion).

**END Warrant** means a Warrant identified in the Applicable Final Terms as an END Warrant (i.e. a Warrant whose Sale Price is formed and determined once intra-day by the Issuer in accordance with Condition (11)a(i) for Dematerialised Warrants and Condition (11)bis a(i) for Registered Warrants).

**Entitlement** means, in respect of a Warrant of a Series, the number of the Underlyings (including, in the case of Share Linked Warrants, fractions of the Underlying) which a Warrant Holder is entitled to receive upon Exercise of such Warrant, provided that, in the case of ETF Linked Warrants, fractions of the relevant Underlying ETF Share shall not be delivered and in lieu thereof a cash adjustment, calculated in accordance with Condition (8)g, shall be paid.

**ETF** means any exchange traded fund specified in the Applicable Final Terms.

**ETF Administrator** means, in respect of an Underlying 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 Underlying 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 Cross-contamination** means, in respect of an Underlying ETF Share and the related ETF, 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 is expected to continue, in the determination of the Calculation Agent, for the foreseeable future.

**ETF Documents** means, in respect of an Underlying 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 Underlying ETF Share and any Additional ETF Documents, in each case, as amended from time to time.

**ETF Insolvency Event** means, in respect of an Underlying ETF Share and the related ETF, that the ETF 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 Linked Warrants** means Warrants in respect of which "Underlying ETF Share" is specified as the Underlying in the Applicable Final Terms.

**ETF Modification** means, in respect of an Underlying ETF Share and the related ETF, any change or modification of the ETF Documents of such ETF which could reasonably be expected to affect (a) the value of such Underlying ETF Share, or (b) the rights or remedies of any holder of any Underlying ETF Share as

compared with those rights and remedies prevailing on the Trade Date, in each case, as determined by the Calculation Agent.

**ETF Regulatory Action** means, in respect of an Underlying ETF Share and the related ETF, (a) the cancellation, suspension, revocation of the registration or approval of such ETF or such Underlying ETF Share by any governmental, legal or regulatory entity with authority over such ETF or such Underlying ETF Share, (b) any change in the legal, tax, accounting or regulatory treatment of such Underlying ETF Share, such ETF or its ETF Adviser which is reasonably likely, in the determination of the Calculation Agent, to have an adverse impact on the value of such Underlying ETF Share or on any investor in such Underlying ETF Share, or (c) such ETF or any of its ETF Administrator 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.

**ETF Strategy Breach** means, in respect of an Underlying ETF Share and the related ETF, any breach or violation of any strategy or investment guidelines stated in the ETF Documents of such ETF in respect of such Underlying ETF Share which is reasonably likely, in the determination of the Calculation Agent, to affect (a) the value of such Underlying ETF Share, or (b) the rights or remedies of any holder of any such Underlying ETF Share as compared with those rights or remedies prevailing on the Trade Date.

**Euro, EUR** or **€** means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty, as amended.

**Exchange** means each exchange or quotation system, any successor or any substitute exchange or quotation system, including for the avoidance of doubt but without limitation, any regulated market.

**Exchange Business Day** means a day on which the Exchange is open for business.

**Exercise** or **Exercise of a Warrant** has the meaning set out in Condition (8).

**Exercise Cost** means the administrative cost that will be borne by the Warrant Holder upon its exercise of a Warrant as set out in Condition (8)f.

**Exercise Expenses** has the meaning set out in Condition (9)a(vii).

**Exercise Notice** has the meaning set out in Condition (9)a.

**Exercise Period** means, in respect of a Warrant of a Series, the period specified in the Applicable Final Terms during which the Warrant Holder has the right to acquire the Entitlement in the Underlying at the Exercise Price.

**Exercise Price** means, in respect of a Warrant of a Series, the price specified in the Applicable Final Terms at which the Warrant Holder is entitled to acquire the Entitlement during the Exercise Period (whereby such Exercise Price is expressed by reference to an entire share or unit of the relevant Underlying).

**Expiration Date** means, in respect of a Warrant of a Series, 15:00h (CET) on the last Business Day falling within the Exercise Period.

**Failure to Deliver** has the meaning set out in Condition (8)e.

**Failure to Deliver Notice** means a written notice sent by the Calculation Agent to the relevant Warrant Holder(s) informing that a Failure to Deliver has occurred.

**Failure to Deliver Settlement Price** in respect of any relevant Warrant shall be the Fair Market Value of such Warrant on the Actual Exercise Date (taking into account, the Underlying(s) comprising the Entitlement which have been duly delivered), plus, if already paid, the Actual Exercise Price, the Exercise Cost and Exercise Expenses (or, where some Underlyings have been delivered, and a *pro rata* portion of the Actual Exercise Price, the Exercise Cost and/or Exercise Expenses has been paid, such *pro rata* portion).

**Fair Market Value**, in respect of a Warrant, means the fair market value determined by KBC Bank based on an internal model (such model is a generally accepted valuation model and is in scope of different internal processes at the KBC Bank's side; where the Issuer will be the only provider of Warrants on an Underlying, the Issuer bears the risk to hedge the market exposure via proxy hedging) and which is the result of the Intrinsic Value and the Time Value of the Warrant.

**Final Terms** means has the meaning set out in the introduction of these Conditions.

**Hedging Disruption** means that the Issuer and/or any of its Affiliates is unable, after using all commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it seems necessary to hedge the equity or other price risk of the Issuer issuing and performing its obligations with respect to the Warrants, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s).

**Hedging Shares** means the number of Underlyings that the Issuer deems necessary to hedge the equity or other price risk of entering into and performing its obligations with respect to the Warrants.

**Increased Cost of Hedging** means that the Issuer and/or any of its Affiliates would incur a materially increased (as compared with circumstances existing on the Issue Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity or other price risk of the Issuer issuing and performing its obligations with respect to the Warrants, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s), provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer and/or any of its Affiliates shall not be deemed an Increased Cost of Hedging.

**Increased Cost of Stock Borrow** means that the Issuer and/or any of its Affiliates would incur a rate to borrow any Underlying that is greater than the Initial Stock Loan Rate.

**Issue Date** means, in respect of a Series of Warrants, the Business Day on which such Series of Warrants is issued as specified in the Applicable Final Terms.

**Issue Price** means, in respect of a Warrant of a Series, the amount per Warrant as specified in the Applicable Final Terms.

**Issuer** has the meaning set out in the introduction to these Conditions.

**Initial Stock Loan Rate** means, in respect of an Underlying, the Initial Stock Loan Rate specified in relation to such Underlying in the Applicable Final Terms.

**Initial Warrant Value** has the meaning set out in Condition (8)b.

**Insolvency Filing** means, in respect of an Underlying and the related Share Company or ETF, that such Share Company or ETF, as the case may be, 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 judgement 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 Share Company or ETF, as the case may be, shall not be deemed an Insolvency Filing.

**Intrinsic Value**, in respect a Warrant, the value that is based on the difference between the Value of the Underlying and the Exercise Price of the Warrant.

**KBC Bank** means KBC Bank NV.

**KBC Bank Group** means KBC Bank and all its subsidiaries.

**KBC Group** means KBC Group NV and its subsidiaries.

**Loss of Stock Borrow** means that the Issuer and/or any Affiliate is unable, after using all commercially reasonable efforts, to borrow (or maintain a borrowing of) any Underlying in an amount equal to the Hedging Shares at a rate equal to or less than the Maximum Stock Loan Rate.

**Market Disruption Event** means, in respect of an Underlying when such Underlying is listed:

- (m) 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 on the Exchange; or
    - (B) in futures or options contracts relating to the Underlying 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 on the Exchange, or (B) to effect transactions in, or obtain market values for, futures or options contracts relating to the relevant Underlying on any relevant Related Exchange,

which in either case the Calculation Agent determines is material; or

- (n) the closure on any Exchange Business Day of the relevant Exchange or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Scheduled Closing Time on such Exchange Business Day.

**Maximum Stock Loan Rate** means, in respect of an Underlying, the Maximum Stock Loan Rate specified in the Applicable Final Terms.

**Net Asset Value** means, in respect of any Underlying Share, the value of such Underlying Share determined on the basis of the value of the relevant fund's assets minus the relevant fund's liabilities and as made available by the provider of financial services in respect of the relevant fund.

**Programme** has the meaning set out in the introduction of these Conditions.

**RD 62** has the meaning set out in Condition (6).

**Registered Warrants** has the meaning set out in Condition (2).

**Related Exchange** means, in respect of the Underlying, 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.

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

**Sale Expenses** has the meaning set out in Condition (11)b(v).

**Sale Notice** means, in relation to (a) the Dematerialised Warrants or (b) the Registered Warrants issued prior to the full implementation of the Electronic Platform, an oral notice given by the Warrant Holder to the Warrant Agent for the sale of the Warrants to the Issuer in accordance with Condition (11)a and (11)bis a.

**Sale of a Warrant** or **Sale** has the meaning set out Condition (11) and (11)bis.

**Sale Price** means the price at which the Issuer may purchase a Warrant if offered to it for Sale by the Warrant Holder, as determined in accordance with Condition (11)a(i) and (11)bis a(i).

**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) any day on which the relevant Exchange and the relevant Related Exchange are scheduled to be open for trading for their respective regular trading sessions notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time and (ii) the Related Exchange is scheduled to be open for trading for its regular trading session.

**Securities Act** means the United States Securities Act of 1933 as amended.

**Securities Settlement System** means the clearing system operated by Euroclear SA/NV or any successor thereto.

**(to) Sell** means, in respect of a Warrant, performing the transaction of a Sale of a Warrant.

**Series** has the meaning set out in the introduction to these Conditions.

**Settlement Disruption Event** means following the Exercise of the Warrant an event beyond the control of the Issuer as a result of which the Issuer cannot make delivery of the Entitlement to the Underlying (using the method for delivery of such Entitlement in the Underlying as specified in the Applicable Final Terms).



**Settlement Disruption Event Notice** means a written notice sent by the Warrant Agent to the Warrant Holder(s) informing that a Settlement Disruption Event has occurred.

**Share Company** means the fund which issues the Underlying Shares.

**Share Linked Warrants** means Warrants in respect of which "Underlying Share" is specified as the Underlying in the Applicable Final Terms.

**SICAV** means an investment company with variable capital (*beleggingsvennootschap met veranderlijk kapitaal/société d'investissement à capital variable*) within the meaning of the Law of 3 August 2012 regarding collective investment undertakings that comply with the conditions of Directive 2009/65/EC and the undertakings for the investment in receivables.

**Taxes** means taxes, levies, imposts, duties, deductions, withholdings, assessments or other charges (including any stamp, registration or transfer tax, duty or other charge or tax on income, payments (or deliveries of assets), profits or capital gains) together with any interest, additions to tax or penalties.

**Time Value** means, in respect of a Warrant, the value that reflects the upward potential of the Value of the Underlying before the end of the Exercise Period; it reflects the possibility that the Value the Underlying at the end of the Exercise Period exceeds the Exercise Price of the Warrant.

**Trade Date** means the date specified as such in the Applicable Final Terms.

**Trading Price** means in respect of a Warrant, the price for such Warrants as quoted either on any Stock Exchange or other trading venue where such Warrant is listed and/or admitted to trading or as determined by a market-maker for such Warrant.

**Underlying** means, in respect of a Warrant of a Series, the Underlying Share or Underlying ETF Share specified as such in the Applicable Final Terms.

**Underlying ETF Share** means, in respect of a Warrant of a Series, the underlying ETF share specified in the Applicable Final Terms, that can be acquired by the Warrant Holder upon Exercise.

**Underlying Share** means, in respect of a Warrant of a Series, the underlying share in a SICAV managed by KBC Asset Management SA/NV, as specified in the Applicable Final Terms, that can be acquired by the Warrant Holder upon Exercise.

**U.S. Person** means a U.S. person as defined in Rule 902(k) promulgated under the Securities Act.

**Valuation Date** means each date specified as such in the Applicable Final Terms (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day) unless if any such date is a Disrupted Day, then the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day (such eighth day, the **Eighth Scheduled Trading Day**). In that case, the Calculation Agent shall determine in its absolute discretion that the Valuation Date shall be the earlier of: (aa) the Eighth Scheduled Trading Day, in which case the Calculation Agent shall determine the relevant Value using its good faith estimate of such Value as of the Valuation Time on the Eighth Scheduled Trading Day; and (bb) the first succeeding Exchange Business Day on which there is no Market Disruption Event.

**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 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.

**Value** means, in respect of an Underlying, the value of such Underlying based on (i) the price quoted on such exchange or trading venue as specified in the Applicable Final Terms or (ii) in case of an Underlying Share, the Net Asset Value.

**Warrant** has the meaning set out in the introduction to these Conditions.

**Warrant Agent** means KBC Bank NV in respect of any Series of Warrants issued under the Programme unless, in respect of a particular Series of Warrants, another party is appointed as the warrant agent in the Applicable Final Terms for such Series, and any successor Warrant Agent from time to time.

**Warrant Agreement** has the meaning set out in the introduction of these Conditions.

**Warrant Holder** means any holder of a Warrant from time to time.

**Warrants Register** has the meaning set out in Condition (2).

**Warrant Value** means, in respect of a Warrant of a Series, the value of such Warrant.

## **(2) Form**

The Warrants will be issued in registered form (**Registered Warrants**) and initially be represented by a registration in a register held by the Issuer or by the Warrant Agent on its behalf (the **Warrants Register**) in the name of the relevant Warrant Holder(s)).

Upon the choice of the Warrant Holder, the form of the Registered Warrants can be changed by a process of dematerialisation potentially with a view of trading the relevant Warrants on Euronext Brussels (such Warrants the form of which has been changed by the dematerialisation process, **Dematerialised Warrants**). For these purposes, the Issuer will enter into a framework dematerialisation agreement with Euroclear SA/NV which will allow for the Warrants to be represented exclusively by book entries in the records of Euroclear SA/NV (or any successor Securities Settlement System) and held by the Warrant Holder through its securities account with the Securities Settlement System or with a direct or indirect participant in the Securities Settlement System. For further information on the dematerialisation process please refer to Condition (6) hereinafter.

## **(3) Title and Transfer**

An electronic platform managed by (or on behalf of) KBC Bank NV (the **Electronic Platform**) has been implemented through which the Registered Warrants are initially registered in the name of and assigned to the individual Warrant Holders using an individualised user name and password. The Warrant Holders will need to use this individual user name and password in case they wish to sell (or otherwise transfer) their Registered Warrants through the Electronic Platform. KBC Bank NV does not charge any fees for the creation and maintenance of the Warrants Register.

Title to and transfer of Registered Warrants shall pass by registration of the transfer by the Issuer (or by the Warrant Agent on its behalf) in the Warrants Register. Upon a sale or transfer of Registered Warrants, which will take place on the Electronic Platform, the parties to such sale or transfer will be required to complete the relevant transfer documents and certificates which can be obtained for free from the Warrant Agent.

Title to and transfer of Dematerialised Warrants will be evidenced only by records maintained by the Securities Settlement System or any Securities Settlement System participants and in accordance with the applicable

rules and procedures for the time being of the Securities Settlement System or the other Securities Settlement System participants, as the case may be.

Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Warrants shall be deemed to be and may be treated as its absolute owner for all purposes and regardless of any notice of ownership, trust or an interest in it, or its theft or loss and no person shall be liable for so treating the holder.

#### **(4) Currency**

Subject to compliance with all relevant laws, regulations and directives, a Warrant may be issued, and its Warrant Value (and its Issue Price, Exercise Price and Actual Exercise Price) may be expressed, in euro or in any other currency agreed between the Issuer and the relevant Dealer(s) or subscriber of the relevant Series as specified in the Applicable Final Terms. Such currency in which a Warrant is issued and the Exercise Price at which the Warrant can be exercised can be different from the currency of the Underlying to which the Warrant is linked.

#### **(5) Status**

The Warrants constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank and will rank at all times *pari passu* with all present and future unsecured obligations of the Issuer, without any preference among themselves and without any preference one above the other by reason of priority of date of issue, any currency or payment or otherwise, subject to any exceptions as from time to time under applicable law.

The Warrants will not be secured by the Underlying to which such Warrant is linked. Prior to the Exercise of a Warrant, the Warrant does not confer on the Warrant Holder any rights (whether in respect of voting, distributions or otherwise) attaching to the relevant Underlying (except for the right to acquire an Entitlement in the Underlying at the Exercise Price).

The Warrant Holders are qualified as senior preferred creditors under article 389/1, 1° of the Banking Law, and such creditors have a higher priority ranking than the so-called senior non-preferred creditors defined under article 389/1, 2° of the Banking Law.

The Warrants will not bear any interest.

#### **(6) Dematerialisation process of the Registered Warrant**

In order to obtain a Dematerialised Warrant, the Warrant Holder will need to provide a duly completed dematerialisation request notice (**Dematerialisation Notice**) in the form set out in the Warrant Agreement (copies of which form may be obtained from the Warrant Agent) to the Warrant Agent. The dematerialisation request notice cannot be given through the Electronic Platform, but notice details for providing this Dematerialisation Notice can be found on the Electronic Platform. Upon the receipt of a duly completed Dematerialisation Notice from a Warrant Holder by the Warrant Agent, the Warrant Agent will (i) verify whether the relevant Warrant Holder is recorded as a Warrant Holder in the Warrants Register for the relevant Warrants and (ii) upon confirmation thereof, instruct the Securities Settlement System to proceed with the dematerialisation of the relevant Warrants. Upon confirmation of completion of the dematerialisation of the relevant Warrants within the books of the Securities Settlement System, the Warrant Agent will eliminate the relevant number of Registered Warrants from the Warrants Register and the Issuer will deliver the Dematerialised Warrants within ten (10) Business Days as from the day of receipt of the Dematerialisation Notice by the Warrant Agent request into the securities account of the Warrant Holder held with KBC Bank or another financial institution. Such Dematerialisation Notice cannot be given through the Electronic Platform.

Administrative costs will be charged by the Issuer and/or the Warrant Agent to the Warrant Holder for the dematerialisation of Registered Warrants. Such costs will be based on the tariffs applicable at the time of receipt of such Dematerialisation Notice by the Warrant Agent and which are set out (and updated from time to time) in the tariff card published by the Issuer on the Issuer's website under page: [https://kbc-pdf.kbc.be/vermogensopbouw/tarieven\\_effecten\\_nl.pdf](https://kbc-pdf.kbc.be/vermogensopbouw/tarieven_effecten_nl.pdf).

By delivery of the Dematerialisation Notice by the Warrant Holder, the Warrant Holder shall be deemed to have acknowledged that the provisions referred to in article 17 of the *Coordinated Royal Decree No. 62 of 10 November 1967 governing the custody of transferable financial instruments and the settlement of transactions on these instruments (RD 62)* apply to the relevant Dematerialised Warrants after dematerialisation and consented thereto. RD 62 creates a legal framework for the custody and transfer of fungible financial instruments in a book entry system. RD 62 in particular defines the type of claims an account holder (in the present case, the Warrant Holder) has against the intermediaries within the book entry system with whom it holds its financial instruments on account (in the present case, the financial institution with whom the Warrant Holder holds the Dematerialised Warrants) and creates certain *in rem* rights to reclaim the financial instruments in case of insolvency of the intermediary with whom the financial instruments are held, protecting the account holder.

### **(7) Exercise and Sale**

Prior to the Expiration Date, a Warrant grants the Warrant Holder a right of (i) Exercise of the Warrant; (ii) Sale of the Warrant to a third party in the open market; and (iii) Sale of the Warrant to the Issuer. The Sale of Registered Warrants to the Issuer is initiated through the Electronic Platform (while the Exercise of Warrants, the Sale of Dematerialised Warrants to the Issuer and the sale of Dematerialised Warrants to a third party in the open market cannot be initiated through the Electronic Platform. For further information on the initiation of the Exercise of Warrants please refer to Condition (9) *a juncto* Condition (8)a. For further information on the initiation of the Sale of Dematerialised Warrants to the Issuer, please refer to Condition (11)a. For further information on the initiation of the sale of Dematerialised Warrants to a third party in the open market, please refer to Condition (10)).

#### **a) Exercise of Warrants**

The Warrants – both the Registered Warrants and the Dematerialised Warrants - of each Series are call warrants (*koopwarranten/warrants d'achat*) linked to an Underlying providing the relevant Warrant Holder a contractual right (*schuldvordering/créance*) against the Issuer to acquire an Entitlement at a predetermined Exercise Price during a predetermined Exercise Period. For further information on the right to Exercise a Warrant and the procedure governing such Exercise, please refer to Condition (8) and Condition (9) hereinafter.

#### **b) Sale of Warrants**

- Sale of Warrants to a third party in the open market

The Warrant Holder has the right to sell its Warrant(s) – both the Registered Warrants and the Dematerialised Warrants - to a third party in the open market. For a further description on the right of Sale of a Warrant to a third party, please refer to Condition (10) hereinafter.

- Sale of Warrants to the Issuer

In addition, the Warrant Holder may offer its Warrant(s) – both the Registered Warrants and the Dematerialised Warrants – for sale to the Issuer and the Issuer has the right, without this being an obligation, to accept such offer as provided in Condition (11) and Condition (11)bis.

**A Warrant which is not Exercised prior to or on the Expiration Date by the Warrant Holder, shall become void and expire worthless.**

**(8) Exercise Rights**

On the basis of a Warrant, the Warrant Holder may on any Business Day during the Exercise Period exercise the right to acquire an Entitlement in the Underlying at a predetermined Exercise Price (**Exercise of a Warrant or Exercise**).

Prior to the Exercise of a Warrant, the Warrant does not confer on the Warrant Holder any rights (whether in respect of voting, distributions or otherwise) attaching to the relevant Underlying (except for the right to acquire an Entitlement in the Underlying at the Exercise Price).

Following the Exercise of a Warrant in accordance with the Conditions, the Warrant Holder who is acquiring the Entitlement in the Underlying by Exercising the Warrant will have full title to the Entitlement in the Underlying and all rights attached thereto.

a. Exercise Period

A Warrant is Exercisable on any Business Day during the Exercise Period (until the Expiration Date).

A Warrant Holder can autonomously choose to Exercise its Warrants of a particular Series at once or in multiple transactions.

In order to Exercise a Warrant, the Warrant Holder will need to provide an Exercise Notice to the Warrant Agent and respect the other Exercise procedures as specified in Condition (9). Any Warrant with respect to which no Exercise Notice has been delivered in the manner set out in Condition (9) prior to the Expiration Date shall become void and expire worthless.

The Business Day during the Exercise Period on which an Exercise Notice is delivered prior to 15:00h (CET) to the Warrant Agent (by e-mail or physically at the address set out in Condition (14)), is referred to herein as the **Actual Exercise Date**. If any Exercise Notice is received by the Warrant Agent after 15:00h (CET) on any Business Day during the Exercise Period, such Exercise Notice will be deemed to have been delivered on the immediately succeeding Business Day (which Business Day shall in such case be deemed to be the Actual Exercise Date, provided that any Warrant in respect of which no Exercise Notice has been delivered in the manner set out in Condition (9) prior to the Expiration Date shall become void).

The Exercise Notice will be deemed to have been delivered at such time it is personally delivered by the Warrant Holder at the KBC branch where the Warrant Holder holds its securities account.

**Any damage due to the Exercise Notice being sent outside the agreed Exercise Period cannot be recovered in any way from the Issuer save in case of gross negligence or wilful misconduct of the Issuer or its agents.**

b. Exercise Price, Entitlement and Actual Exercise Price

The Exercise Price for a Warrant of a given Series will be set by the Issuer on the relevant Issue Date based on the Value of the Underlying (and will hence be expressed by reference to an entire share or unit in the Underlying). The Issuer will also set an initial value for a Warrant of such Series, which is equal to the Issue Price excluding any hedging costs, commission and other costs related to the issuance of the Warrant) (the **Initial Warrant Value**). The Issuer will then determine the Entitlement in the Underlying that can be acquired upon Exercise of such Warrant (by calculating the proportion of the Initial Warrant Value compared to the Issue Price on the Issue Date). The **Actual Exercise Price** is the actual proportion of the Exercise Price that needs to be paid by the Warrant Holder upon Exercise of a single Warrant for the acquisition of the Entitlement.

c. Physical Delivery of the Underlying following Exercise

A Warrant entitles its Warrant Holder, upon due Exercise of such Warrant, to receive from the Issuer on the third Business Day following the Actual Exercise Date (in case of a Registered Warrant) or on the fifth Business Day following the Actual Exercise Date (in case of a Dematerialised Warrant) the Entitlement per Warrant subject to payment of the relevant Actual Exercise Price and any other sums payable in accordance with Condition (8)f. The method of delivery of the Entitlement is set out in the Applicable Final Terms.

Warrants of the same Series Exercised at the same time by the same Warrant Holder will be aggregated for the purpose of determining the aggregate Entitlements in respect of such Warrants.

In the case of Share Linked Warrants, the exact aggregate Entitlements of the same Warrant Holder will be delivered without any rounding up or down to the nearest whole share or unit of the relevant Underlying Share.

In the case of ETF Linked Warrants, the Entitlement or the aggregate Entitlements of the same Warrantholder will be rounded down to the nearest whole unit of the relevant Underlying ETF Share, in such manner as the Calculation Agent shall determine acting in good faith and in a commercially reasonable manner. Fractions of the Underlying ETF Share will not be delivered and in lieu thereof a cash adjustment calculated by the Calculation Agent in accordance with Condition (8)g below shall be paid to the Warrantholder.

A Warrant can only be Exercised by the Warrant Holder and the Issuer is only required to deliver the Entitlement to the Warrant Holder provided the Warrant Holder pays the full amount of Actual Exercise Price and any other sums payable and any other sums payable in accordance with Condition (8)f to the Issuer. In order to be able to pay such amounts, a Warrant Holder will need to dispose of a cash account held with KBC Bank credited with sufficient funds which can be debited by the Issuer on the Actual Exercise Date.

Following Exercise of a Warrant, all dividends relating to the relevant Underlying to be delivered will be payable to the party that would be entitled to receive such dividends in accordance with market practice applicable to a sale of the Underlying executed on the relevant Actual Exercise Date and to be delivered in the same manner as such relevant Underlying. Any such dividends to be paid to a Warrant Holder will be paid to the account specified by the Warrant Holder in the relevant Exercise Notice as referred to in Condition (9)a.

The Conditions do not provide for a cash settlement of the Warrants following their Exercise, only for a physical delivery of the Entitlement to the Underlying. Following Exercise of its Warrant and physical delivery of its Entitlement to the Underlying, the investor will be exposed to fluctuations in the Value of the Underlying and will have to sell such Underlying in the open market in order to receive cash, which will entail certain costs.

d. Settlement Disruption

If, following the Exercise of a Warrant, delivery of the Entitlement is not possible by reason of a Settlement Disruption Event having occurred and continuing prior to such Delivery Date, then the Delivery Date for such Warrant shall be postponed until the Business Day falling three (3) Business Days after the date in respect of which no such Settlement Disruption Event applies, provided that the Issuer shall make all commercially reasonable efforts to satisfy its obligations in respect of the relevant Warrant by delivering the Entitlement using such other commercially reasonable manner as is available to it and in such event the Delivery Date shall be such day on which the Issuer is able to proceed with the delivery of the Entitlement in such other commercially reasonable manner.

For so long as delivery of the Entitlement is not possible by reason of a Settlement Disruption Event and it is not reasonably to be expected that the Issuer shall be able to satisfy its obligations in respect of the relevant Warrant by delivering the Entitlement using such other commercially reasonable manner as are available to it, then *in lieu* of physical delivery and notwithstanding any other provision hereof, the Issuer may also elect satisfy its obligations in respect of the relevant Warrant by payment to the relevant Warrant Holder of the Disruption Cash Settlement Price on the fifth (5<sup>th</sup>) Business Day following the date that notice of such election is given to the relevant Warrant Holder(s) in accordance with Condition (14)a. Payment of the Disruption Cash Settlement Price will be made in such manner as shall be notified to the relevant Warrant Holder(s) in accordance with (14)a.

The Calculation Agent shall give the Settlement Disruption Event Notice to the relevant Warrant Holder(s) in accordance with Condition (14)a as soon as practicable after that a Settlement Disruption Event has occurred. No Warrant Holder shall be entitled to any payment in respect of the relevant Warrant(s) in the event of any delay in the delivery of the Entitlement due to the occurrence of a Settlement Disruption Event and no liability in respect thereof shall attach to the Issuer.

e. Failure to Deliver

If “**Failure to Deliver**” is specified as applying in the Applicable Final Terms and, following the Exercise of relevant Warrant(s), the Calculation Agent establishes it is impossible to deliver, when due, some or all of the Underlyings comprising the Entitlement (the **Affected Underlyings**), where such failure to deliver is due to illiquidity in the market for the Underlying (a **Failure to Deliver**), then

- (i) subject as provided elsewhere in these Conditions, any Underlyings which are not Affected Underlyings, will be delivered on the originally designated Delivery Date and the Calculation Agent shall determine the Actual Exercise Price to be paid by the relevant Warrant Holder(s) in respect of that partial delivery; and
- (ii) in respect of any Affected Underlyings, *in lieu of* physical delivery and notwithstanding any other provision hereof, the Issuer will satisfy its obligations in respect of the relevant Warrant(s) by payment to the relevant Warrant Holder(s) of the Failure to Deliver Settlement Price on the fifth (5<sup>th</sup>) Business Day following the date that notice of such election is given to the Warrant Holders in accordance with Condition (14)a.

The Calculation Agent shall give a Failure to Deliver Notice as soon as practicable to the Warrant Holders in accordance with Condition (14)a.

f. Costs and Expenses

In case of Exercise of a Warrant, an administrative cost will be due by the Warrant Holder (the **Exercise Costs**), as well as a flat fee. Such Exercise Costs will be based on the tariffs applicable at the Actual

Exercise Date and which are set out (and updated from time to time) in the tariff card published by the Issuer on the Issuer's website under page:

[https://kbc-pdf.kbc.be/vermogensopbouw/tarieven\\_effecten\\_nl.pdf](https://kbc-pdf.kbc.be/vermogensopbouw/tarieven_effecten_nl.pdf).

Furthermore, the Warrant Holder will be liable for any Exercise Expenses (as defined in Condition (9)a) that would become due.

g. Cash Adjustment for ETF Linked Warrants

In the case of ETF Linked Warrants where the Entitlement or aggregate Entitlements of the same Warrant Holder comprise a fraction of the relevant Underlying ETF Share (the **Fractional Entitlement**), the Calculation Agent shall determine the cash adjustment due to the relevant Warrant Holder upon Exercise of the relevant ETF Linked Warrant(s) by multiplying the Fractional Entitlement by the result of (x) the Closing Price on the Delivery Valuation Date (y) less the Exercise Price.

**(9) Exercise Procedure**

a. Exercise Notice

Warrants may only be Exercised by the delivery of a duly completed exercise notice (an **Exercise Notice**) in the form set out in the Warrant Agreement (copies of which form may be obtained from the Warrant Agent at the KBC Bank office where the cash account of the Warrant Holder is held (or at such other places as would be notified to the Warrant Holders in accordance with Condition (14)) to the Warrant Agent, in accordance with the provisions set out in Condition (8) and this Condition. The Exercise Notice cannot be delivered through the Electronic Platform (but contact details to obtain the Exercise Notice are available on the Electronic Platform).

The Exercise Notice shall:

- (i) specify the Series number of the Warrants and the number of Warrants being Exercised;
- (ii) specify the number of the Warrant Holder's cash account at KBC Bank to be debited with the Actual Exercise Price, Exercise Costs and Exercise Expenses in accordance with Condition (8)c;
- (iii) in case of Registered Warrants, irrevocably instruct the Warrant Agent to deregister on or before the Delivery Date the Warrants Register with the Warrants being Exercised;
- (iv) in case of Dematerialised Warrants, specify the number of the Warrant Holder's securities account at KBC Bank on which the Warrants are held that are being Exercised;
- (v) in case of Dematerialised Warrants, irrevocably instruct the Warrant Agent to debit on or before the Delivery Date the Warrant Holder's securities account with the Warrants being Exercised;
- (vi) irrevocably instruct the Issuer to debit on the Actual Exercise Date, the Actual Exercise Price, the Exercise Costs and the Exercise Expenses in respect of the Warrants that are being Exercised from the cash account of the Warrant Holder;
- (vii) include an undertaking to pay, in addition to the Actual Exercise Price and the Exercise Costs, all taxes, duties and/or expenses, as applicable, including, without limitation, any applicable depository charges, transaction or exercise charges, stamp duty, stamp duty reserve tax, issue, registrations, securities transfer and/or other taxes or duties arising from the Exercise of such



Warrants and/or the delivery or transfer of the Entitlement pursuant to the terms of such Warrants (**Exercise Expenses**) and an authority to the Issuer to debit a specified account of the Warrant Holder at KBC Bank to pay such Actual Exercise Price, Exercise Costs and Exercise Expenses;

- (viii) specify the name and the number of the Warrant Holder's securities account with KBC Bank for the delivery of the Entitlement, or any dividends relating to the Entitlement, and the name and the number of the Warrant Holder's cash account with KBC Bank for any cash amount as a result of the occurrence of a Settlement Disruption Event or a Failure to Deliver and the Issuer electing to pay the Disruption Cash Settlement Price or Failure to Deliver Settlement Price, as applicable, or, in the case of ETF Linked Warrants, for any cash amount due as a result of the relevant Entitlement or aggregate Entitlements comprising a fraction of the relevant Underlying ETF Share;
- (ix) certify, *inter alia*, that the beneficial owner of each Warrant being Exercised is not a U.S. Person; and
- (x) authorise the production of such certification in any applicable administrative or legal proceedings,

all as provided in the Warrant Agreement.

b. Verification of Exercise Notice and Warrant Holder

To Exercise Warrants, the Warrant Holder must duly complete an Exercise Notice and must own and be able to dispose of Warrants in the amount being Exercised, as reflected in the Warrants Register (in respect of Registered Warrants) or in its securities account with KBC Bank (in respect of Dematerialised Warrants) on the Actual Exercise Date. The Warrant Agent will, in accordance with its normal operating procedures, verify that each person Exercising such Warrants is the holder of the corresponding Warrants (either, by verifying the Warrants Register in case of Registered Warrants or by verifying, in case of Dematerialised Warrants, the securities account of such Warrant Holder at KBC Bank in which the Dematerialised Warrants are held as designated in the Exercise notice).

If the Exercise Notice is, in the determination of the Warrant Agent, improperly completed, or sufficient Warrants are not available as reflected in the Warrants Register or in the designated securities account on the Actual Exercise Date, the Exercise Notice will be treated as null and void and the Warrant Agent will inform the Warrant Holder, as soon as reasonably practicable, that a new duly completed Exercise Notice must be submitted if Exercise of the Warrant Holder's Warrants is still desired.

c. Notification to the Issuer

The Warrant Agent shall notify the Issuer in writing not later than the Actual Exercise Date of the effectiveness of the Exercise Notice, as well as the number of the cash account and securities account of the Warrant Holder.

d. Delivery of the Underlying

Subject to payment of the aggregate Actual Exercise Price(s) and payment of any Exercise Costs and Exercise Expenses with regard to the relevant Warrants and subject to Condition (8)c, the Issuer shall on the Delivery Date deliver, or procure the delivery of, the Entitlement for each duly Exercised Warrant pursuant to the details specified in the Exercise Notice to a securities account held with KBC Bank.

The Issuer may refuse to comply with an Exercise Notice and deliver the Entitlement of the Underlying if the necessary amounts required to settle the aggregate amount of the Actual Exercise Price(s), the Exercise Expenses and the Exercise Costs, payable upon Exercise by the Warrant Holder are not available in the designated account with KBC Bank on the Actual Exercise Date. In such the Warrant Agent will inform the Warrant Holder of the missing amounts that must still be made available in the designated account if Exercise of the Warrant Holder's Warrants is still desired or indicate that alternatively the Warrant Holder can Sell its Warrants in accordance with Condition (11) and (11)bis.

e. Determinations

Any determination as to whether an Exercise Notice is duly completed shall be made by the Warrant Agent, and shall be conclusive and binding on the Issuer, the Warrant Agent and the relevant Warrant Holder. Subject as set out below, any Exercise Notice so determined to be incomplete or not in proper form, shall be null and void.

If such Exercise Notice is subsequently corrected to the satisfaction of the Warrant Agent, it shall be deemed to be a new Exercise Notice submitted at the time such correction was delivered to the Warrant Agent. If any such corrected Exercise Notice is received after the Expiration Date specified in Condition (8)a, it shall still be accepted provided that the Warrant Agent receives such corrected Exercise Notice at the latest on the Business Day following the day of receipt by the Warrant Holder of the request by the Warrant Agent in accordance with Condition (9)b that a new Exercise Notice is to be submitted.

In the absence of negligence or wilful misconduct on its part, none of the Issuer or the Warrant Agent, shall be liable to any person (except to any Warrant Holder which is a Consumer) with respect to any action taken or omitted to be taken by it in connection with the determination whether the Exercise Notice was duly completed or the notification of such determination to a Warrant Holder. In respect of any Warrant Holder that is a Consumer, the Issuer shall be responsible for any action taken or omitted to be taken by it or its agents in connection with the determination whether the Exercise Notice was duly completed or the notification of such determination to a Warrant Holder, save in case of force majeure.

f. Exercise Risk

Exercise of the Warrants and delivery of the Entitlement to the Underlying by the Issuer is subject to all applicable laws, regulations and practices in force on the relevant Actual Exercise Date and none of the Issuer, the Warrant Agent or the Calculation Agent shall incur any liability whatsoever if it is unable in case of force majeure to effect the transactions contemplated as a result of any such laws, regulations or practices. Notwithstanding such applicable laws, regulations and practices in force on the relevant Actual Exercise Date which would affect the Exercise of the Warrants and delivery of the Entitlement on the Actual Exercise Date, the Warrants will in such case however remain valid and exercisable on a later date until the Expiration Date. None of the Issuer, the Warrant Agent or the Calculation Agent shall under any circumstances, save in case of their gross negligence or wilful misconduct, be liable for any acts or defaults of the Securities Settlement System or any Securities Settlement System participant in relation to the performance of its duties in relation to the Warrants. Each of the Issuer, the Warrant Agent and the Calculation Agent however undertake to use all reasonable efforts in such case to assist the Warrant Holder(s) in recovering their losses from the Securities Settlement System or any Securities Settlement System participant.

g. Effect of Exercise Notice

Delivery of an Exercise Notice shall constitute an irrevocable election and undertaking by the Warrant Holder to Exercise the Warrant(s) specified herein, provided that the person Exercising and delivering such Exercise Notice is the person then appearing in the Warrants Register or the holder of the relevant

securities account into which the relevant Warrant is held. If the person Exercising and delivering the Exercise Notice is not the person so appearing, such Exercise Notice shall for all purposes become null and void and shall be deemed not to have been so delivered.

After the delivery of an Exercise Notice (other than an Exercise Notice delivered after the Expiration Date), the Warrant Holder specified in such Exercise Notice may not otherwise transfer such Warrants. Notwithstanding this, if any Warrant Holder does so transfer or attempt to transfer such Warrants, the Warrant Holder will be liable to the Issuer for any losses, costs and expenses suffered or incurred by the Issuer including those suffered or incurred as a consequence thereof.

#### ***(10) Sale of Dematerialised Warrants in the open market***

Following dematerialisation in accordance with Condition (6), the Warrants may also be traded and sold to a third party through the regulated market of Euronext Brussels. The market for the Warrants is a fixing market with the relevant sale prices being fixed twice a day.

A Warrant Holder wishing to sell its Registered Warrants through the regulated market of Euronext Brussels, will first need to contact its contact person on [kbcoptionplan@kbc.be](mailto:kbcoptionplan@kbc.be) or on another mail-address as mentioned on the Electronic Platform. The Issuer will provide the Warrant Holder with the required documentation. Per request of the Warrant Holder, the Warrants will be dematerialised in accordance with Condition (6) and will be booked on a securities account of such Warrant Holder at KBC Bank in order to sell to a third party through the regulated market of Euronext Brussels.

In case of a transfer of a Warrant by way of a stock exchange trade on Euronext Brussels, administrative cost will be due by the Warrant Holder as set out (and updated from time to time) in the tariff card published by the Issuer on the Issuer's website under page:

[https://kbc-pdf.kbc.be/vermogensopbouw/tarieven\\_effecten\\_nl.pdf](https://kbc-pdf.kbc.be/vermogensopbouw/tarieven_effecten_nl.pdf).

#### ***(11) Sale of Dematerialised Warrants to the Issuer***

##### **a. Sale**

This Condition (11) is only applicable to Dematerialised Warrants.

Besides a sale of the Dematerialised Warrants in the open market (as set out in Condition (10) above), a Warrant Holder also has the right to offer its Dematerialised Warrants for sale to the Issuer in accordance with the terms of this Condition (11) and the Issuer has the right, without this being an obligation, to accept such offer (**Sale of a Warrant** or **Sale**).

Each of the Issuer or any person directly or indirectly connected with the Issuer may also, but is not obliged (except to the extent the Issuer acts as market-maker in respect of Dematerialised Warrants admitted to be traded on Euronext Brussels), at any time purchase Dematerialised Warrants at any price in the open market or otherwise (including, but without limitation, by tender or private transaction). Any Dematerialised Warrants so purchased may be held or resold or surrendered for cancellation.

The Issuer may agree to purchase the Dematerialised Warrants (without this being an obligation, except to the extent the Issuer acts as market-maker in respect of Dematerialised Warrants admitted to trading on Euronext Brussels) at the Sale Price indicatively mentioned on the website: [www.kbctop.com](http://www.kbctop.com) at such time as determined in accordance with the table set out in Condition (11)a(i). The Sale Price of the Dematerialised Warrants is subject to stock exchange fluctuations throughout the day. The Sale Price of the Dematerialised Warrants shall be formed and determined:

(a) for Warrants other than END Warrants, twice intra-day by KBC Bank, a first time at 9:00h (CET) in the morning and the second time at 12:00h (CET) noon, and posted on the Issuer's website at: [www.kbctop.com](http://www.kbctop.com) (x) for Warrants other than END Warrants, at 09:00h (CET) and 12:00h (CET) noon; and (y) for END Warrants, on the Business Day after the Business Day on which the price was calculated, at 09:00h (CET);

(b) for END Warrants, once intra-day by KBC Bank, at or about 23:30 (CET). The applicable Sale Price shall depend on the time the Warrant Agent receives a duly completed Sale Notice, as further specified in the following section (11)a(i).

Such Sale Price will be based on KBC Bank's own pricing models. The Issuer shall ensure that at any time as long as Dematerialised Warrants are outstanding under the Programme in respect of which the Exercise Period has not lapsed, such Sale Price will continue to be posted.

A Warrant Holder can autonomously choose to sell its Dematerialised Warrants of a same Series to the Issuer, at once or in multiple transactions, on any Business Days during the Exercise Period (prior to the Expiration Date) by physically giving a Sale Notice to the Warrant Agent in his local KBC branch. The order can be made by the Warrant Holder on any Business Day during the opening hours of the local KBC branch. A Sale Notice for Dematerialised Warrants cannot be given through the Electronic Platform. The Warrant Agent shall have the right to make available other channels and/or media for delivery of the Sale Notice, which, in such case, will be specified on the Issuer's website at: [www.kbctop.com](http://www.kbctop.com).

(i) Determination of the Sale Price

A Sale Notice received by the Warrant Agent on any Business Day during the Exercise Period (prior to the Expiration Date) will be executed (if accepted by the Issuer) at the price posted on the website [www.kbctop.com](http://www.kbctop.com) at the following times:

(a) for Warrants other than END Warrants:

	<b>Time of receipt of Sale Notice</b>	<b>Sale Price at <a href="http://www.kbctop.com">www.kbctop.com</a></b>
1.	00.00h (CET) to 12.00h (CET)	Sale Price at 9.00h (CET) of the same Business Day
2.	12.00h (CET) to 16.00h (CET)	Sale Price at 12.00h (CET) of the same Business Day
3.	16.00h (CET) to 24.00 (CET)	Sale Price at 9.00h (CET) on the immediately following Business Day during the Sale Period

(b) for END Warrants:

	<b>Time of receipt of Sale Notice</b>	<b>Sale Price at <a href="http://www.kbctop.com">www.kbctop.com</a></b>
1.	9.00h (CET) to 16.00h (CET)	Sale Price calculated at or about 23:30 (CET) of the same Business Day, published at 9.00h (CET)

		on the immediately following Business Day during the Sale Period
2.	16.00h (CET) to 09.00h (CET) (on the following Business Day)	Sale Price calculated at or about 23:30 CET (CET) on the immediately following Business Day during the Sale Period, published at 9.00h (CET) on the Business Day following the Business Day on which the Sale Price is calculated

(ii) Actual Sale Date

The Actual Sale Date is the Business Day on which the Sale Price is determined as in accordance with Condition (11)a(i) above.

**The Issuer expressly reserves the right to deviate from the aforementioned prices in the event of significant market fluctuations (for these purposes a 2,5% move of the Euro Stoxx 50 index occurring on the Actual Sale Date will be deemed a significant market fluctuation).**

**Any damage due to the Sale Notice being received after the Expiration Date (i.e. at or after 15.00h (CET)) cannot be recovered in any way from the Issuer (save in case of gross negligence or wilful misconduct of the Issuer or its agents).**

b. Sale Notice

When the Warrant Holder wants to give the Sale Notice to the Warrant Agent, the Warrant Holder will need to have the following information available which shall be requested by the Warrant Agent:

- (i) the Series number of the relevant Warrant(s) and the number of the Dematerialised Warrants being Sold to the Issuer;
- (ii) the number of the Warrant Holder's securities account at KBC Bank to be debited with the Dematerialised Warrants being sold;
- (iii) the irrevocable instruction to the Warrant Agent to transfer on the Cash Settlement Date the Dematerialised Warrants to the designated account of the Warrant Agent as communicated to the Warrant Holder during call during which the Sale Notice is provided;
- (iv) the number of the Warrant Holder's cash account at KBC Bank or at another Securities Settlement System participant to be credited with the Sale Price of such Dematerialised Warrants being sold as determined in accordance with Condition (11)a.(i);
- (v) an undertaking to pay all taxes, duties and/or expenses, including any applicable depository charges, transaction or exercise charges, stamp duty, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties arising in connection with the Sale of such Dematerialised Warrants (**Sale Expenses**) and an authority to KBC Bank to deduct an amount in respect thereof from the Sale Price, as determined in accordance with Condition (11)a(i), due to such Warrant Holder and/or to debit any specified account of the Warrant Holder at KBC Bank in respect thereof and to pay such Sale Expenses, all as provided in the Warrant Agreement.

c. Verification of Sale Notice and Warrant Holder

To sell Dematerialised Warrants, the Warrant Holder must duly provide a Sale Notice and must own and be able to dispose of Dematerialised Warrants in the amount being Sold, as reflected in its securities account with KBC Bank on the Actual Sale Date. The Warrant Agent will, in accordance with its normal operating procedures, verify that each person Selling such Dematerialised Warrants is the holder of the corresponding Dematerialised Warrants (by verifying the securities account of such Warrant Holder at KBC Bank in which the Dematerialised Warrants are held as designated in the Sale Notice).

If sufficient Dematerialised Warrants are not available as reflected in the designated securities account on the Actual Sale Date, the Sale Notice will be treated as null and void and the Warrant Agent will inform the Warrant Holder as soon as reasonably practicable that a new duly completed Sale Notice must be submitted if Sale of the Warrant Holder's Dematerialised Warrants to the Issuer is still desired.

d. Notification to the Issuer

The Warrant Agent shall notify the Issuer in writing not later than the Actual Sale Date of the effectiveness of the Sale Notice, as well as the number of the cash account and securities account of the Warrant Holder.

e. Payment of the Sale Price

In the case of a Sale of Dematerialised Warrants to the Issuer, the Sale Price as determined in accordance with Condition (11)a(i) shall be deposited in the specified account of the Warrant Holder as communicated by the Warrant Holder in the Sale Notice. The sum will be made available with value date three (3) Business Days after the Actual Sale Date (the **Cash Settlement Date**).

f. Sale Risk

Sale of the Dematerialised Warrants to the Issuer is subject to all applicable laws, regulations and practices in force on the relevant Actual Sale Date and none of the Issuer, the Warrant Agent or the Calculation Agent shall incur any liability whatsoever if it is unable in case of force majeure to effect the transactions contemplated as a result of any such laws, regulations or practices. Notwithstanding such applicable laws, regulations and practices in force on the relevant Actual Sale Date which would affect the Sale of the Dematerialised Warrants, the Dematerialised Warrants will in such case however remain valid and exercisable and can be Sold on a later date until the Expiration Date. None of the Issuer, the Warrant Agent or the Calculation Agent shall under any circumstances, save in case of their gross negligence or wilful misconduct, be liable for any acts or defaults of the Securities Settlement System or any Securities Settlement System participant in relation to the performance of its duties in relation to the Dematerialised Warrants. Each of the Issuer, the Warrant Agent and the Calculation Agent however undertake to use all reasonable efforts in such case to assist the Warrant Holder(s) in recovering their losses from the Securities Settlement System or any Securities Settlement System participant.

g. Effect of Sale Notice

Giving of a Sale Notice in a manner set forth in Condition (11)b shall constitute an irrevocable election and undertaking by the Warrant Holder to Sell the Dematerialised Warrants to the Issuer, provided that the person giving such Sale Notice is the Warrant Holder of the relevant Warrant. If the person giving the Sale Notice is not the person appearing, such Sale Notice shall for all purposes become null and void and shall be deemed not to have been so given.

After giving a Sale Notice, (other than a Sale Notice given after Exercise Period), the Warrant Holder may not otherwise transfer such Dematerialised Warrants. Notwithstanding this, if any Warrant Holder does so transfer or attempt to transfer such Dematerialised Warrants, the Warrant Holder will be liable to the Issuer for any losses, costs and expenses suffered or incurred by the Issuer including those suffered or incurred as a consequence thereof.

h. Costs

In case of sale of the Dematerialised Warrants to the Issuer, no additional costs will be due by the Warrant Holder. The Warrant Holder will however be liable for any Sale Expenses that would become due.

***(11)bis Sale of Registered Warrants to the Issuer***

a. Sale

This Condition (11)bis is only applicable to the Registered Warrants.

A Warrant Holder wishing to sell its Registered Warrants to the Issuer will need to use the Electronic Platform accessible by every Warrant Holder using an individualised user name and password.

A Warrant Holder has the right to offer its Registered Warrants for sale to the Issuer in accordance with the terms of this Condition (11)bis and the Issuer has the right, without this being an obligation, to accept such offer.

Any Registered Warrants so purchased may be held or resold or surrendered for cancellation.

The Issuer may agree to purchase the Registered Warrants (without this being an obligation) at the sale price indicatively mentioned on the website: [www.kbctop.com](http://www.kbctop.com) at such time as determined in accordance with the table set out in paragraph (a)(i) of this Condition (11)bis. The sale price of the Registered

Warrants is subject to stock exchange fluctuations throughout the day. The sale price of the Registered Warrants shall be formed and determined (a) for Warrants other than END Warrants, twice intra-day by KBC Bank, a first time at 9:00h (CET) in the morning and the second time at 12:00h (CET) noon; or (b) for END Warrants, once intra-day by KBC Bank, at or about 23:30 CET (CET), and posted on the Issuer's website at: [www.kbctop.com](http://www.kbctop.com) (x) for Warrants other than END Warrants, at 09:00h (CET) and 12:00h (CET) noon; and (y) for END Warrants, on the Business Day after the Business Day on which the price was calculated, at 09:00h (CET). The applicable Sale Price shall depend on the time the Warrant Agent receives a duly completed Sale Notice, as further specified in the following section (11)a(i). Such sale price will be based on KBC Bank's own pricing models. The Issuer shall ensure that at any time as long as Registered Warrants are outstanding under the Programme in respect of which the Exercise Period has not lapsed, such sale price will continue to be posted.

A sale notice in relation to a Registered Warrant offered for sale to the Issuer through the Electronic Platform is deemed to be given at the time confirmed by the Electronic Platform (an **Electronic Sale Notice**).

(i) Determination of the sale price

An Electronic Sale Notice received by the Warrant Agent through the Electronic Platform on any Business Day during the Exercise Period (prior to the Expiration Date) will be executed (if accepted by the Issuer) at the price posted on the website [www.kbctop.com](http://www.kbctop.com) at the following times:

(a) for Warrants other than END Warrants:

	<b>Time of receipt of Sale Notice</b>	<b>Sale Price at <a href="http://www.kbctop.com">www.kbctop.com</a></b>
1.	00.00h (CET) to 12.00h (CET)	Sale Price at 9.00h (CET) of the same Business Day
2.	12.00h (CET) to 16.00h (CET)	Sale Price at 12.00h (CET) of the same Business Day
3.	16.00h (CET) to 24.00 (CET)	Sale Price at 9.00h (CET) on the immediately following Business Day during the Sale Period

(b) for END Warrants:

	<b>Time of receipt of Sale Notice</b>	<b>sale price at <a href="http://www.kbctop.com">www.kbctop.com</a></b>
1.	9.00h (CET) to 16.00h (CET)	sale price calculated at or about 23:30 CET (CET) of the same Business Day, published at 9.00h (CET) on the immediately following Business Day during the sale period
2.	16.00h (CET) to 09.00h (CET) (on the following Business Day)	sale price calculated at or about 23:30 CET (CET) on the immediately following Business Day during the sale period, published at 9.00h (CET)



		on the Business Day following the Business Day on which the sale price is calculated
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(ii) Actual sale date

The actual sale date of a Registered Warrant offered for sale to the Issuer through the Electronic Platform is the Business Day on which the sale price is determined as in accordance with paragraph (a)(i) above of this Condition (11)bis.

**The Issuer expressly reserves the right to deviate from the aforementioned prices in the event of significant market fluctuations (for these purposes a 2,5% move of the Euro Stoxx 50 index occurring on the actual sale date will be deemed a significant market fluctuation).**

**Any damage due to the sale notice being received after the Expiration Date (i.e. at or after 15.00h (CET)) cannot be recovered in any way from the Issuer (save in case of gross negligence or wilful misconduct of the Issuer or its agents).**

b. Payment of the sale price

In the case of a sale of Registered Warrants to the Issuer through the Electronic Platform, the sale price as determined in accordance with paragraph (a)(i) above of this Condition (11)bis shall be deposited in the specified account of the Warrant Holder as communicated by the Warrant Holder in the Electronic Sale Notice. The sum will be made available with value date three (3) Business Days after the actual sale date as determined in accordance with paragraph (a)(ii) above of this Condition (11)bis.

c. Sale Risk

Sale of the Registered Warrants to the Issuer through the Electronic Platform is subject to (i) all applicable laws, regulations and practices and (ii) the applicable user guidelines of the Electronic Platform, in each case, in force on the relevant the actual sale date of the Registered Warrants as determined in accordance with paragraph (a)(ii) above of this Condition (11)bis. None of the Issuer, the Warrant Agent or the Calculation Agent shall incur any liability whatsoever if it is unable in case of force majeure to effect the transactions contemplated as a result of (i) any such laws, regulations or practices or (ii) any such user guidelines of the Electronic Platform. Notwithstanding (i) such laws, regulations or practices or (ii) such user guidelines of the Electronic Platform, in each case, in force on the relevant the actual sale date of the Registered Warrants as determined in accordance with paragraph (a)(ii) above of this Condition (11)bis, which would affect the Sale of the Registered Warrants, the Registered Warrants will in such case however remain valid and exercisable and can be sold on a later date until the Expiration Date.

None of the Issuer, the Warrant Agent or the Calculation Agent shall under any circumstances, save in case of their gross negligence or wilful misconduct, be liable for any acts or defaults of the Securities Settlement System or any Securities Settlement System participant in relation to the performance of its duties in relation to the Registered Warrants. Each of the Issuer, the Warrant Agent and the Calculation Agent however undertake to use all reasonable efforts in such case to assist the Warrant Holder(s) in recovering their losses from the Securities Settlement System or any Securities Settlement System participant.

d. Effect of Electronic Sale Notice

Giving of an Electronic Sale Notice using the Electronic Platform shall constitute an irrevocable election and undertaking by the Warrant Holder to sell the Registered Warrants to the Issuer, provided that the person giving such Electronic Sale Notice is the Warrant Holder of the relevant Registered Warrant. If

the person giving the Electronic Sale Notice is not the person appearing, such Electronic Sale Notice shall for all purposes become null and void and shall be deemed not to have been so given.

After giving an Electronic Sale Notice, (other than an Electronic Sale Notice given after Exercise Period), the Warrant Holder may not otherwise transfer such Registered Warrants. Notwithstanding this, if any Warrant Holder does so transfer or attempt to transfer such Registered Warrants, the Warrant Holder will be liable to the Issuer for any losses, costs and expenses suffered or incurred by the Issuer including those suffered or incurred as a consequence thereof.

e. Costs

In case of sale of the Registered Warrants to the Issuer through the Electronic Platform, no additional costs will be due by the Warrant Holder.

However, the Warrant Holder undertakes to pay all taxes, duties and/or expenses, including any applicable depository charges, transaction or exercise charges, stamp duty, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties arising in connection with the sale of Registered Warrants through the Electronic Platform, and it authorises KBC Bank to deduct an amount in respect thereof from the sale price, as determined in accordance with paragraph (a)(i) above of this Condition (11)bis, due to such Warrant Holder and/or to debit any specified account of the Warrant Holder at KBC Bank in respect thereof and to pay such taxes, duties and/or expenses, all as provided in the Warrant Agreement.

**(12) *Illegality***

- a. In the case of a Warrant Holder who is not a Consumer, if the performance by the Issuer of its obligations under the Warrants or any arrangements made to hedge the Issuer's obligations under the Warrants has or will become unlawful, illegal or otherwise prohibited in whole or in part for any duly documented reason, including, without limitation, as a result of compliance with any applicable present or future law, rule, regulation, judgment, order or directive or with any requirement or request of any governmental, administrative, legislative or judicial authority or power, the Issuer may terminate and cancel the Warrants held by Warrant Holders who are not Consumers by giving notice to such Warrant Holders in accordance with Condition (14)a.
- b. In the case of a Warrant Holder who is a Consumer, if the performance by the Issuer of its obligations under the Warrants has or will become unlawful, illegal or otherwise prohibited for any duly documented reason, including, without limitation, as a result of compliance with any applicable present or future law, rule, regulation, judgment, order or directive or with any requirement or request of any governmental, administrative, legislative or judicial authority or power, the Issuer may terminate and cancel the Warrants held by Warrant Holders who are Consumers by giving notice to such Warrant Holders in accordance with Condition (14)a.
- c. If the Issuer terminates and cancels the Warrants then the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Warrant Holder in respect of each Warrant held by such holder, which amount shall be the Fair Market Value of a Warrant notwithstanding such illegality plus, if already paid by or on behalf of the Warrant Holder (when such illegality occurs or is established after the initiation of the Exercise by the Warrant Holder), the Actual Exercise Price, the Exercise Cost and the Exercise Expenses, as determined by the Calculation Agent. Payment will be made in such manner as shall be notified to the Warrant Holders in accordance with Condition (14)a.

**(13) *Agents, Determinations and Modifications***

a. Warrant Agent

The specified office of KBC Bank as initial Warrant Agent is as set out on the back of the Base Prospectus (or, in case of additional Warrant Agents appointed in respect of a specific Series, as set out in the Applicable Final Terms).

The Issuer reserves the right at any time to vary or terminate the appointment of the Warrant Agent and to appoint further or additional warrant agents, provided that no termination of appointment of the Warrant Agent shall become effective until a replacement Warrant Agent shall have been appointed and provided that, so long as any of the Warrants are listed on a stock exchange, there shall be a Warrant Agent having a specified office in each location required by the rules and regulations of the relevant stock exchange. Notice of any termination of appointment and of any changes in the specified office of the Warrant Agent will be given to Warrant Holders in accordance with Condition (14)a.

In acting under the Warrant Agreement, the Warrant Agent acts solely as agent of the Issuer and does not assume any obligation or duty to, or any relationship of agency or trust for or with, the Warrant Holders and any determinations and calculations made in respect of the Warrants by the Warrant Agent shall (save in the case of manifest error) be final, conclusive and binding on the Issuer and the Warrant Holder.

b. Calculation Agent

In relation to each issue of Warrants, the Calculation Agent (whether it be KBC Bank NV or another entity) acts solely and its sole discretion as agent of the Issuer and does not assume any obligation or duty to, or any relationship of agency or trust for or with, the Warrant Holders. All calculations and determinations made in respect of the Warrants by the Calculation Agent shall (save in the case of manifest error) be final, conclusive and binding on the Issuer and the Warrant Holder.

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 and the Warrant Holder of such determination. 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 or the Issuer 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.

c. Determinations and calculations

Any determination made by the Issuer pursuant to these Conditions shall (save in the case of manifest error) be final, conclusive and binding on the Issuer and the Warrant Holders.

None of the Issuer, the Calculation Agent and the Warrant Agent shall have any responsibility to any person (except to any Warrant Holder which is a Consumer) for any errors or omissions in the calculation of any Entitlement, save in case of negligence or wilful misconduct. In case the Warrant Holder is a Consumer, the Issuer shall be responsible for any errors or omissions in the calculation of any Entitlement, save in case of force majeure.

d. Modifications

The Issuer may modify these Conditions and/or the Warrant Agreement without the consent of the Warrant Holders provided that (i) such modification is not materially prejudicial to the interests of the Warrant Holders as a whole; or (ii) such modification is of a formal, minor or technical nature or to correct a manifest or proven error, to cure, correct or supplement any defective provision contained herein and/or therein or to comply with mandatory provisions of the law; or (iii) such modification is made to correct an inconsistency between the

final terms and the conditions of the Warrant issue (comprising these Conditions as completed by the relevant Final Terms) and the relevant term sheet relating to the Warrants.

Any such modification shall furthermore only be binding on the Warrant Holders if it allows the rights and obligations under the Warrants to be exercised and performed by the Warrant Holders in accordance with the initially agreed terms and contractual equilibrium.

Any such modification shall be binding on the Warrant Holders and a notice of any such modification will be given to the Warrant Holder in accordance with Condition (14)a as soon as practicable thereafter.

To the extent the Warrant Holder is a Consumer, any modification pursuant to this Condition 13(d) may not relate to an essential feature of the Warrants, unless: (a) in the case of the occurrence of (i) a force majeure event or (ii) an event which substantially alters the economics of the contract as initially agreed between the parties and which is not attributable to the Issuer, (b) any such modification does not create an obvious imbalance between the rights and obligations of the parties to the detriment of the Warrant Holder, and (c) the Issuer does not charge costs to the Warrant Holder for any such modification.

#### ***(14) Notices and Addresses***

##### **a. Notices**

In order to receive any communication from, and execute any transaction with, the Issuer, the Warrant Holder will need to hold at all times a cash account with KBC Bank or with another Securities Settlement System participant.

##### **(i) In respect of Registered Warrants**

All notices to holders of Registered Warrants will be mailed by regular post or by fax to the holders at their respective addresses or fax numbers appearing in the Warrants Register. If sent by post, notices will be deemed to have been given on the fourth Business Day (being a day other than a Saturday or a Sunday) after the date of mailing. If sent by fax, notices will be deemed to have been given upon receipt of a confirmation of the transmission.

##### **(ii) In respect of Dematerialised Warrants**

Notices to be given to the holders of Dematerialised Warrants shall be deemed to have been duly given to the relevant Warrant Holders if delivered to the Securities Settlement System for communication by it to the holders of the Dematerialised Warrants and shall be deemed to be given on the date immediately following the date of delivery.

So long as the Warrants are listed on any stock exchange or admitted to listing by any other relevant authority and if the rules of the exchange so require, any notice shall also be published in accordance with the rules and regulations of such stock exchange or other relevant authority.

Financial information in respect of the Warrants may also be made available by the Issuer on the website [www.kbctop.com](http://www.kbctop.com) (or such other website as may be communicated to the Warrant Holders in the future).

b. Addresses

Any notifications in relation to the offer, acceptance or Sale (other than a Sale on a stock exchange) of the Warrants by or to the Warrant Agent, the Issuer or the Warrant Holder shall be made via the webtool KBC ESOP Online (accessible with a username and a password).

Any notifications in relation to the Exercise, dematerialisation process and Sale of the Warrants on a stock exchange to the Warrant Agent or the Issuer by the Warrant Holder shall be made via an email sent to kbcoptionplan@kbc.be or by phone (+ 32 2 429 96 00).

***(15) Expenses and Taxation***

A Warrant Holder must pay all Exercise Expenses and Sale Expenses relating to such Warrants as provided above (see Conditions (8)f and (11)h).

The Issuer shall deduct from amounts payable or from assets deliverable to Warrant Holders all Exercise Expenses and/or Sale Expenses not previously paid by, or deducted from amounts paid to Warrant Holders as the Calculation Agent shall in its sole and absolute discretion determine are attributable to the Warrants.

The Issuer shall not be liable for any Exercise Expenses, Sale Expenses or any other applicable costs and/or expenses that may arise in relation of Selling, Exercising or holding the Warrant by the Warrant Holders (except as provided otherwise in these Conditions in relation to unilateral modifications made to the terms of the Warrants or in case of cancellation of the Warrants) and the Warrant Holders shall be liable to bear such cost and/or expenses.

The Warrant Holder shall also be liable for any and all present, future, prospective, contingent or anticipated Taxes.

Warrant Holders should finally note that the original Issue Price of a Warrants may include certain commissions or fees charged by the Issuer and/or the Dealer(s) in respect of a Series of Warrants and the cost or expected cost of hedging the Issuer's obligations under the Warrants and may include a distribution fee payable to the distributor of the Warrants.

***(16) Entirety of the Conditions***

Should any one or more of the provisions contained in these Conditions be or become invalid, the validity of the remaining provisions shall not in any way be affected thereby.

***(17) Governing law and Jurisdiction***

a. Applicable law

The Warrants, the Warrant Agreement and all matters arising from or connected with the Warrants and the Warrant Agreement (and any non-contractual obligations arising out of or in connection with the Warrants) are governed by, and shall be construed in accordance with, Belgian law.

b. Jurisdiction

The courts of Brussels, Belgium (Dutch speaking chambers) are to have exclusive jurisdiction to settle any dispute, arising from or connected with the Warrants (including any disputes relating to any non-contractual obligations arising out of or in connection with the Warrants), without prejudice to any party's rights under article 624, 1°, 2° and 4°, of the Belgian Judicial Code and without restricting the competence of any court which is competent under article 624, 1°, 2° and 4°, of the Belgian Judicial Code.

### ***(18) Acknowledgement of the bail-in power***

Notwithstanding and to the exclusion of any other term of the Warrants or any other agreements, arrangements or understanding between the Issuer and any Warrant Holder (which, for the purposes of this Condition, includes each holder of a beneficial interest in the Warrants), by its acquisition of the Warrants, each Warrant Holder acknowledges and accepts that any liability arising under the Warrants may be subject to the exercise of the Bail-in Power by the Resolution Authority and acknowledges, accepts, consents to and agrees:

- (a) to be bound by the effect of the exercise of any Bail-in Power by the Resolution Authority, which exercise may (without limitation) include and result in any of the following, or a combination thereof:
  - i. the reduction of all, or a portion, of the Relevant Amounts in respect of the Warrants;
  - ii. the conversion of all, or a portion, of the Relevant Amounts in respect of the Warrants into shares, other securities or other obligations of the Issuer or another person, and the issue to or conferral on the Warrant Holder of such shares, securities or obligations, including by means of an amendment, modification or variation of the terms of the Warrants;
  - iii. the cancellation of the Warrants or the Relevant Amounts in respect of the Warrants; and
  - iv. the amendment or alteration of the maturity of the Warrants or amendment of the amount of interest payable on the Warrants, or the date on which interest becomes payable, including by suspending payment for a temporary period; and
- (b) to the variation of the terms of the Warrants, as deemed necessary by the Resolution Authority, to give effect to the exercise of any Bail-in Power by the Resolution Authority.

For the purpose of this Condition:

**Bail-in Power** means any power existing from time to time under applicable Loss Absorption Regulations or under applicable laws, regulations, requirements, guidelines, rules, standards and policies relating to the transposition of the BRRD pursuant to which the obligations of the Issuer (or an affiliate of the Issuer) can be reduced (in part or in whole), cancelled, suspended, transferred, varied or otherwise modified in any way, or converted into shares, other securities or other obligations of the Issuer or any other person, whether in connection with the implementation of a bail-in tool following placement in resolution or otherwise;

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

**Relevant Amounts** the amounts payable by the Issuer or (in the case of an Exercise) the Entitlement to be delivered on exercise of each Warrant.

### ***(19) Market Disruption***

If the Underlying of the Warrant is a listed financial instrument, the Warrant Holders are subject to the risk that a Market Disruption Event will occur.

If the Issuer or the Calculation Agent determines that a Market Disruption Event has occurred, a valuation in the relevant Underlying may consequentially be postponed or adjusted which may have an adverse effect on the value of such Warrant.

### ***(20) Events affecting the Underlying Share***

If "Underlying Share" is specified as the Underlying in the Applicable Final Terms, then the provisions of this Condition 20 shall apply.

To the extent that the Warrant Holder is a Consumer, any adjustment pursuant to this Condition (20) may not relate to an essential feature of the Warrants, unless (a) in the case of the occurrence of (i) a force majeure event or (ii) an event which substantially alters the economics of the contract as initially agreed between the parties and which is not attributable to the Issuer, (b) any such adjustment does not create an obvious imbalance between the rights and obligations of the parties to the detriment of the Warrant Holder, and (c) the Issuer does not charge costs to the Warrant Holder for such adjustment.

#### **a. Potential Adjustment Event**

Following the declaration by the Share Company of the terms of any Potential Adjustment Event, the Calculation Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the Underlying Shares and if so, will (i) make the corresponding adjustment, if any, to any one or more of the Entitlement and/or the Exercise Price (and/or the Actual Exercise Price) 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 or concentrative effect (which adjustment may include, without limitation, adjustments to account for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Underlying Share) and (ii) determine the effective date of that adjustment. 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 shares traded on that options exchange.

Upon the making of any such adjustment by the Calculation Agent, the Calculation Agent shall give notice as soon as practicable to the Warrant Holders in accordance with Condition (14)a, stating the adjustment to the Entitlement and/or the Exercise Price (and/or the Actual Exercise Price) 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.

For the purposes of this Condition 20:

**Potential Adjustment Event** means any of the following events (in each case, provided that such event falls outside of the control of the Issuer and was not reasonably foreseeable at the time of issuance of the relevant Warrant):

- (i) a subdivision, consolidation or reclassification of relevant Underlying Shares (unless resulting in a Merger Event or, if Tender Offer is specified as applying in the Applicable Final Terms, a Tender Offer), or a free distribution or dividend of any such Underlying Shares to existing holders by way of bonus, capitalisation or similar issue;
- (ii) a distribution, issue or dividend to existing holders of the relevant Underlying Shares of (a) such Underlying Shares or (b) other share capital or securities granting the right to payment of dividends

and/or the proceeds of liquidation of the Share Company, as the case may be, equally or proportionately with such payments to holders of such Underlying Shares or (c) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Share Company, as the case may be, as a result of a spin-off or other similar transaction or (d) any other type of securities, rights and 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;

- (iii) an extraordinary dividend as determined by the Calculation Agent;
- (iv) a call by a Share Company in respect of relevant Underlying Shares that are not fully paid;
- (v) a repurchase by a Share Company or any of its subsidiaries of relevant Underlying Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;
- (vi) breach by the relevant Share Company of any applicable provisions of its operating documents, including any strategy or investment guidelines;
- (vii) partial or non-execution of a redemption or subscription order of a hypothetical investor in the Share Company;
- (viii) dissolution, winding up, liquidation or analogous proceedings being commenced in respect of the Share Company;
- (ix) investment manager, manager or custodian of the Share Company ceases to act in such capacity;
- (x) material modification of the investment programme, objectives, policies, strategy, process or guidelines of the Share Company;
- (xi) failure by the fund to comply with its reporting obligations;
- (xii) material modification of the Share Company's operating documents or articles of association or other constitutional documents;
- (xiii) material modification of the type of assets in which the Share Company invests or the trading practices of the Share Company;
- (xiv) suspensions or redemptions of shares in the Share Company, repurchase or compulsory redemption of shares in the Share Company or analogous restrictions;
- (xv) loss of authorisation or registration in respect of the Share Company or its investment manager;
- (xvi) the Share Company or its investment manager or administration agent being subject to regulatory or legal proceedings or investigations;
- (xvii) cancellation, suspension or revocation of the registration or approval of the Share Company or change in tax, legal or regulatory treatment of the Share Company; or
- (xviii) expropriation of the shares or the assets of the Share Company; or
- (xix) any other event having, in the opinion of the Calculation Agent, a diluting or concentrative effect on the theoretical value of the relevant Underlying Shares.



b. De-listing, Merger Events, Tender Offer, Insolvency and Nationalisation

If (x) a De-listing, Merger Event, Nationalisation, Insolvency and/or (y) if Tender Offer is specified as applying in the Applicable Final Terms, a Tender Offer occurs in relation to a Underlying Share, the Issuer may take the action described in (i) or (ii) below:

- (i) *in the first instance*, require the Calculation Agent to determine the appropriate adjustment, if any, to be made to the Entitlement and/or the Exercise Price (and/or the Actual Exercise Price) and/or any of the other terms of these Conditions and/or the Applicable Final Terms to account for the De-listing, Merger Event, Insolvency, Tender Offer or Nationalisation, as the case may be, and determine the effective date of that adjustment. The relevant adjustment may include, without limitation, adjustments to account for changes in volatility, expected dividends, stock loan rate or liquidity relevant to the Underlying Shares or to the Warrants. 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 or Nationalisation made by any options exchange to options on the shares traded on that options exchange; or
- (ii) *if the adjustment under (i) would not reasonably result in a repair of the contractual equilibrium (in line with the initially agreed terms of the Warrants)*, cancel the Warrants by giving notice to Warrant Holders in accordance with Condition (14)a. If the Warrants are so cancelled the Issuer will pay an amount to each Warrant Holder in respect of each Warrant held by him which amount shall be the Fair Market Value of a Warrant taking into account the De-Listing, Merger Event, Insolvency, Tender Offer or Nationalisation, as the case may be, *plus*, if already paid, the Actual Exercise Price, the Exercise Cost and the Exercise Expenses, all as determined by the Calculation Agent. Payments will be made in such manner as shall be notified to the Warrant Holders in accordance with Condition (14)a.

For the purposes of this Condition 20:

**De-listing** means, in respect of any Underlying Shares, that the Exchange announces that pursuant to the rules of the Exchange such Underlying Shares 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 if the Exchange is within the European Union, in a member state of the European Union).

**Insolvency** means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of, or any analogous proceeding affecting a Share Company (A) all the Underlying Shares of that Share Company are required to be transferred to a trustee, liquidator or other similar official or (B) holders of the Underlying Shares of that Share Company 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 Underlying Shares, any (i) reclassification or change of such Underlying Shares that results in a transfer of or an irrevocable commitment to transfer all of such Underlying Shares outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of a Share Company, with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Share Company as the case may be, is the continuing entity and which does not result in a reclassification or change of all such Underlying Shares outstanding), (iii) 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 Shares of the Share Company that results in a transfer of or an irrevocable commitment to transfer all such Underlying Shares (other than such

Underlying Share owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Share Company or its subsidiaries with or into another entity in which the Share Company is the continuing entity and which does not result in a reclassification or change of all of such Underlying Shares outstanding but results in the outstanding Underlying Share (other than Underlying Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Underlying Shares immediately following such event, in each case if the Merger Date is on or before the relevant Delivery Date or Actual Sale Date.

**Nationalisation** means that all the Underlying Shares or all or substantially all the assets of the Share Company are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof.

**Tender Offer** means 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 the Share Company 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.

c. Notice

Upon the occurrence of a De-listing, Merger Event, Insolvency, Nationalisation, or, if applicable, a Tender Offer, the Issuer shall give notice as soon as practicable to the Warrant Holders in accordance with Condition (14)a stating the occurrence of the De-listing, Merger Event, Insolvency, Nationalisation or, as the case may be, Tender Offer, giving details thereof and the action proposed to be taken in relation thereto.

***(21) Events affecting the Underlying ETF Share***

If "Underlying ETF Share" is specified as the Underlying in the Applicable Final Terms, then the provisions of this Condition 21 shall apply.

To the extent that the Warrant Holder is a Consumer, any adjustment pursuant to this Condition (21) may not relate to an essential feature of the Warrants, unless (a) in the case of the occurrence of (i) a force majeure event or (ii) an event which substantially alters the economics of the contract as initially agreed between the parties and which is not attributable to the Issuer, (b) any such adjustment does not create an obvious imbalance between the rights and obligations of the parties to the detriment of the Warrant Holder, and (c) the Issuer does not charge costs to the Warrant Holder for such adjustment.

a. Potential Adjustment Event

Following the declaration by the ETF of the terms of any Potential Adjustment Event, the Calculation Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the Underlying ETF Share and if so, will (i) make the corresponding adjustment, if any, to any one or more of the Entitlement and/or the Exercise Price (and/or the Actual Exercise Price) 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 or concentrative effect (which adjustment may include, without limitation, adjustments to account for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Underlying ETF Share) and (ii) determine the effective date of that adjustment. 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 ETF shares traded on that options exchange.

Upon the making of any such adjustment by the Calculation Agent, the Calculation Agent shall give notice as soon as practicable to the Warrant Holders in accordance with Condition (14)a, stating the adjustment to the Entitlement and/or the Exercise Price (and/or the Actual Exercise Price) and/or any of the other terms of these Conditions and/or the Applicable Final Terms, giving brief details of the Potential Adjustment Event.

For the purposes of this Condition 21:

**Potential Adjustment Event** means any of the following events (in each case, provided that such event falls outside of the control of the Issuer and was not reasonably foreseeable at the time of issuance of the relevant Warrant):

- (i) a subdivision, consolidation or reclassification of relevant Underlying ETF Shares (unless resulting in a Merger Event or, if Tender Offer is specified as applying in the Applicable Final Terms, a Tender Offer), or a free distribution or dividend of any such Underlying ETF Shares to existing holders by way of bonus, capitalisation or similar issue;
- (ii) a distribution, issue or dividend to existing holders of the relevant Underlying ETF Shares of (a) an additional amount of such Underlying ETF Shares or (b) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the relevant ETF, as the case may be, equally or proportionately with such payments to holders of such Underlying ETF Shares or (c) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the relevant ETF, as the case may be, as a result of a spin-off or other similar transaction or (d) any other type of securities, rights and 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;
- (iii) an extraordinary dividend as determined by the Calculation Agent;
- (v) a repurchase by an ETF or any of its subsidiaries of relevant Underlying ETF Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise (excluding any redemption of Underlying ETF Shares initiated by an investor on terms consistent with the relevant ETF Documents); or
- (vi) any other event having, in the opinion of the Calculation Agent, a diluting or concentrative effect on the theoretical value of the relevant Underlying ETF Shares.

b. De-listing, Merger Events, Tender Offer, Insolvency and Nationalisation

If (x) a De-listing, Merger Event, Insolvency, Nationalisation and/or (y) if Tender Offer is specified as applying in the Applicable Final Terms, a Tender Offer occurs in relation to an Underlying ETF Share, the Issuer may take the action described in (i) or (ii) below:

- (i) *in the first instance*, require the Calculation Agent to determine the appropriate adjustment, if any, to be made to the Entitlement and/or the Exercise Price (and/or the Actual Exercise Price) and/or any of the other terms of these Conditions and/or the Applicable Final Terms to account for the De-listing, Merger Event, Tender Offer, Insolvency or Nationalisation, as the case may be, and determine the effective date of that adjustment. The relevant adjustment may include, without limitation, adjustments to account for changes in volatility, expected dividends, stock loan rate or liquidity relevant to the Underlying ETF Shares or to the Warrants. 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 or Nationalisation made by any options exchange to options on the ETF shares traded on that options exchange; or

- (ii) *if the adjustment under (i) would not reasonably result in [a repair of the contractual equilibrium (in line with the initially agreed terms of the Warrants)]*, cancel the Warrants by giving notice to Warrant Holders in accordance with Condition (14)a. If the Warrants are so cancelled the Issuer will pay an amount to each Warrant Holder in respect of each Warrant held by him which amount shall be the Fair Market Value of a Warrant taking into account the De-Listing, Merger Event, Tender Offer, Insolvency or Nationalisation, as the case may be, plus, if already paid, the Actual Exercise Price, the Exercise Cost and the Exercise Expenses, all as determined by the Calculation Agent. Payments will be made in such manner as shall be notified to the Warrant Holders in accordance with Condition (14)a.

For the purposes of this Condition 21:

**De-listing** means, in respect of any Underlying ETF Shares, that the Exchange announces that pursuant to the rules of the Exchange such Underlying ETF Shares 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 if the Exchange is within the European Union, in a member state of the European Union).

**Insolvency** means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of, or any analogous proceeding affecting an ETF (A) all the Underlying ETF Shares of that ETF are required to be transferred to a trustee, liquidator or other similar official or (B) holders of the Underlying ETF Shares of that ETF 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 Underlying ETF Shares, any (i) reclassification or change of such Underlying ETF Shares that results in a transfer of or an irrevocable commitment to transfer all of such Underlying ETF Shares outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of an ETF, with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such ETF is the continuing entity and which does not result in a reclassification or change of all such Underlying ETF Shares outstanding), (iii) 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 ETF Shares of the relevant ETF that results in a transfer of or an irrevocable commitment to transfer all such Underlying ETF Shares (other than such Underlying ETF Shares owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the ETF or its subsidiaries with or into another entity in which the ETF is the continuing entity and which does not result in a reclassification or change of all of such Underlying ETF Shares outstanding but results in the outstanding Underlying ETF Shares (other than Underlying ETF Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Underlying ETF Shares immediately following such event, in each case if the Merger Date is on or before the relevant Delivery Date or Actual Sale Date.

**Nationalisation** means that all the Underlying ETF Shares or all or substantially all the assets of the ETF are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof.

**Tender Offer** means, in respect of an ETF, 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 the ETF 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.

c. Notice

Upon the occurrence of a De-listing, Merger Event, Insolvency, Nationalisation, or, if applicable, a Tender Offer, the Issuer shall give notice as soon as practicable to the Warrant Holders in accordance with Condition (14)a stating the occurrence of the De-listing, Merger Event, Insolvency, Nationalisation or, as the case may be, Tender Offer, giving details thereof and the action proposed to be taken in relation thereto.

**(22) Additional Disruption Events**

If an Additional Disruption Event occurs, the Issuer may take the action described in (i) or (ii) below:

- (i) *in first instance*, require the Calculation Agent to determine the appropriate adjustment, if any, to be made to the Entitlement and/or the Exercise Price (and/or the Actual Exercise Price) and/or any of the other terms of these Conditions and/or the Applicable Final Terms to account for the Additional Disruption Event and determine the effective date of that adjustment; or
- (ii) *if the adjustment under (i) would not reasonably result in a repair of the contractual equilibrium (in line with the initially agreed terms of the Warrants)*, cancel the Warrants by giving notice to Warrant Holders in accordance with Condition (14)a. If the Warrants are so cancelled the Issuer will pay an amount to each Warrant Holder in respect of each Warrant held by him which amount shall be the Fair Market Value of a Warrant taking into account the Additional Disruption Event, as the case may be, *plus*, if already paid (when such Additional Disruption Event occurs after the initiation of the Exercise by the Warrant Holder), the Actual Exercise Price, the Exercise Cost and the Exercise Expenses, all as determined by the Calculation Agent. Payments will be made in such manner as shall be notified to the Warrant Holders in accordance with Condition (14)a.

Upon the occurrence of an Additional Disruption Event, the Issuer shall give notice as soon as practicable to the Warrant Holders in accordance with Condition (14)a 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.

To the extent that the Warrant Holder is a Consumer, any adjustment pursuant this Condition (22) (*Additional Disruption Events*) may not relate to an essential feature of the Warrants, unless: (a) in the case of the occurrence of (i) a force majeure event or (ii) an event which substantially alters the economics of the contract as initially agreed between the parties and which is not attributable to the Issuer, (b) any such adjustment does not create an obvious imbalance between the rights and obligations of the parties to the detriment of the Warrant Holder, and (c) the Issuer does not charge costs to the Warrant Holder for any such adjustment.

## 6. FORM OF FINAL TERMS

*Set out below is the form of Final Terms which will be completed for each Series of Warrants issued under the Programme. Text in this section appearing in italics does not form part of the Final Terms but denotes directions for completing the Final Terms.*

[Date]

**KBC Bank NV**

**Issue of [Number of Warrants]**

**[Title of Warrants] Warrants under the KBC Bank Warrants Programme**

### PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated [date] [and the supplement to the Base Prospectus dated [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Regulation (the **Base Prospectus**). This document constitutes the Final Terms of the Warrants described herein for the purposes of the Prospectus Regulation and must be read in conjunction with the Base Prospectus in order to obtain all relevant information. The Base Prospectus has been published on the Issuer's website [www.kbc.com]<sup>11</sup>.

In case of any inconsistency between the Base Prospectus and the Final Terms, the Final Terms shall prevail.

### GENERAL DESCRIPTION OF THE WARRANTS

- |    |                                 |   |
|----|---------------------------------|---|
| 1. | END Warrants                    | [Yes/No]  |
| 2. | Series Number                   | [•]   |
| 3. | Number of Warrants being issued | [[•]/[The maximum number of Warrants being issued in this Series is [•]]  |
| 4. | Issue Date                      | [•]   |
| 5. | Trade Date                      | [•/Not applicable] ( <i>specify a Trade Date if ETF Modification and/or ETF Strategy Breach is Applicable</i> ) |
| 6. | Exercise Period                 | From (and including) [•] until (and including) [•]  |
| 7. | Business Day Centre(s)          | [•]   |

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<sup>11</sup> This website is not incorporated by reference and does not form part of this Base Prospectus

8. Currency of the Warrant (of the Warrant Value, Initial Warrant Value, Exercise Price and Actual Exercise Price) [•]
9. Underlying [Underlying Share/Underlying ETF Share]
10. Details of the Underlying to which the Warrants relate

[Underlying Share:

- a. Identification code Underlying Share (if applicable) [*ISIN/other identification code*]
- b. Share Company [\_\_\_\_\_]
- c. Exchange [\_\_\_\_\_]
- d. Related Exchange [\_\_\_\_\_]
- e. Currency [\_\_\_\_\_]
- f. Exchange Business Day [\_\_\_\_\_]
- g. Source for determining Value of the Underlying Share [\_\_\_\_\_]

[Underlying ETF Share: [*name and description of the Underlying ETF Share*]

- a. Identification code of the Underlying ETF Share (if applicable) [*ISIN/other identification code*]
- b. ETF [\_\_\_\_\_]
- c. Exchange [\_\_\_\_\_]
- d. Related Exchange [\_\_\_\_\_]
- e. Currency [\_\_\_\_\_]

- f. Exchange Business Day
- g. Source for determining Value of the Underlying ETF Share
- h. ETF Administrator
- i. ETF Adviser
- j. ETF Insolvency Entity
11. Initial Warrant Value per Warrant
12. Issue Price per Warrant  (including hedging costs, commission and other costs related to the issuance of the Warrant)
13. Exercise Price per Warrant  [subject to adjustment in accordance with Condition 16]
14. Entitlement per Warrant  of the Underlying
15. Actual Exercise Price per Warrant
16. Method for delivery of the Entitlement
17. Details as to how the Entitlement will be evidenced
18. Details of the Warrant Agent (if not KBC Bank NV)
19. Details of the Calculation Agent (if not KBC Bank NV)
20. Whether Failure to Deliver applies (as defined in Condition (8)e)  [Applicable/Non Applicable]
21. Whether Tender Offer (for the purposes of Condition (20)b or Condition (21)b applies)  [Applicable/Non Applicable]



22. For the purpose of Condition (22)  
(Additional Disruption Events)
- (i) Details of any Additional Disruption Event *(specify each of the following which applies)*
- Change in Law  
Hedging Disruption  
Increased Cost of Hedging  
Increased Cost of Stock Borrow  
Loss of Stock Borrow  
Insolvency Filing
- (the following may be specified only if "Underlying ETF Share" is specified as the Underlying)*  
ETF Cross-contamination  
ETF Insolvency Event  
ETF Modification  
ETF Regulatory Action  
ETF Strategy Breach
- (ii) If Loss of Stock Borrow is applicable, the Maximum Stock Loan rate in respect of each relevant Underlying; and [•]
- (iii) If Increased Cost of Stock Borrow is applicable, the Initial Stock Loan Rate in respect of each relevant Underlying [•]
23. Valuation Date(s) [\_\_\_\_\_]
24. Valuation Time [•]
25. ISIN Code [•]

Signed on behalf of the Issuer:

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

By:  
*Duly authorised*

## PART B – OTHER INFORMATION

### 1. ADMISSION TO TRADING:

- (i) Listing [Euronext Brussels/other (*specify*)/None]
- (ii) Admission to trading: [Application is expected to be made by the Issuer (or on its behalf) for the Warrant to be admitted to trading on [*specify relevant regulated market*] 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 Dealer(s)(if any) so far as the Issuer is aware, no person involved in the issue of the Warrants has an interest material to the offer. The Dealer(s) 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 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 23 of the Prospectus Regulation.*]

### 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 such as hedging costs, commissions, ...are required to be broken down into each principal intended “use” and presented in order of priority of such “uses”.)*

### 4. DISTRIBUTION

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) (A) If Syndicated, give names and addresses of Dealers (A) Applicable/Not Applicable  
*(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of*

*the entities agreeing to place the issue without a firm commitment or on a “best efforts” basis if such entities are not the same as the dealers. Describe underwriting)*

(B)[●]

(B) Date of Subscription Agreement

- (iii) If non-syndicated, name and address of the relevant Dealer [●]
- (iv) Details of any total commission and concession [●]
- (v) Non-exempt Offer [Applicable/Non Applicable]  
*(if not applicable, delete subparagraphs (vi) to and including iv) and also paragraph 4 (“TERMS AND CONDITIONS OF THE OFFER”) below)*
- (vi) Non-exempt Offer Jurisdictions: [Specify relevant Member State(s) where the Issuer intends to make Non-exempt Offers, which must therefore be jurisdictions where the Base Prospectus and any supplements have been passported (in addition to the jurisdiction where approved and published)]
- (vii) Offer Period [Specify date] until [specify date]
- (viii) General Consent [Not Applicable][Applicable]
- (ix) Other Authorised Offeror Terms [Not Applicable][Add here any other Authorised Offeror Terms] (Authorised Offeror Terms should only be included here where General Consent is applicable.)
- (x) Details of any additional selling restriction [●]

## 5. TERMS AND CONDITIONS OF THE OFFER

- (i) Offer Price Issue Price per Warrant
- (ii) Conditions to which the offer is subject [Not Applicable/give details]
- (iii) Description of the application process [Not Applicable/give details]
- (iv) Details of the minimum and/or maximum amount of the application [Not Applicable/give details]
- (v) Manner in and date on which results of the offer are to be made public [Not Applicable/give details]

(vi) Amount of any expenses and [Not Applicable/give details]  
taxes charged to the  
subscriber or purchaser

**6. PERFORMANCE OF THE UNDERLYING, EXPLANATION OF THE EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING THE UNDERLYING]**

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

*[Need to include the name of [the/each] issuer of the relevant Underlying and the ISIN or other identification code]*

*[Include other information concerning the underlying required by Annex 17 of the Prospectus Commission Delegated Regulation (EU) 2019/980.]*

*[(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 23 of the Prospectus Regulation.)]]*[Not Applicable]

**[ANNEX TO THE FINAL TERMS  
SUMMARY OF THE WARRANTS]**

## **7. USE OF PROCEEDS**

The net proceeds from each issue of Warrants will be used by the Issuer for profit making 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.

## 8. TAXATION

**This section provides a general description of the main Belgian tax aspects of acquiring, holding and/or disposing of the Warrants. This summary 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 summary, (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 realized by the relevant individual upon the transfer of the Warrants, the Exercise of the Warrants and/or upon the transfer of the Underlying Shares or the Underlying ETF Shares, as the case may be, 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 realized by the individual upon the transfer of the Warrants, the Exercise of the Warrants and/or upon the transfer of the Underlying Shares or the Underlying ETF Shares, as the case may be, are generally not tax deductible.

Different rules apply to Belgian resident individuals holding the Warrants and/or the Underlying Shares or the Underlying ETF Shares, as the case may be, as a professional investment.

### *Income tax regime applicable to Belgian resident corporations*

The purchase, or Exercise, of the Warrants by a Belgian resident corporation does in principle not give rise to any Belgian corporate income tax.

Any capital gains realized 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, 25% (with a reduced rate of 20% applying to the first tranche of EUR 100,000 of taxable income of qualifying small corporations) as from assessment year 2021 for financial years starting on or after 1 January 2020. Any capital losses realized 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 realized by Belgian resident legal entities on the Warrants are as a rule not subject to Belgian legal entities tax. Any capital losses realized on the Warrants are as a rule not tax deductible.

### ***Income tax regime applicable to non-residents***

Capital gains realized 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 realization of these capital gains fits within the scope of the normal management of the investor's private estate. Conversely, capital losses realized 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).

Transactions that are entered into or carried out by an intermediary that is not established in Belgium are considered to be entered into or carried out in Belgium if the order to execute the transaction is directly or indirectly given by either a natural person that has its habitual residence in Belgium or by a legal entity on behalf of its registered office or establishment in Belgium. In such a scenario, foreign intermediaries have the possibility to appoint a Belgian tax representative that is responsible for collecting the stock exchange tax due and for paying it to the Belgian treasury on behalf of clients that fall within one of the aforementioned categories (provided that these clients do not qualify as exempt persons for stock exchange tax purposes – see below). If no such permanent representative is appointed, the relevant parties themselves are, as a general rule, responsible for the filing of a stock exchange tax return and for the timely payment of the amount of stock exchange tax due.

No tax on stock exchange transactions will however 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*).

It should be noted that 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.

### ***Exchange of information – Common Reporting Standard***

The exchange of information is governed by the Common Reporting Standard (**CRS**).

On 29 September 2020, 109 jurisdictions have signed the multilateral competent authority agreement (**MCAA**), which is a multilateral framework agreement to automatically exchange financial and personal information, with the subsequent bilateral exchanges coming into effect between those signatories that file the subsequent notifications.

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



balance or value, income from certain insurance products, sales proceeds from financial assets and other income generated with respect to assets held in the account or payments made with respect to the account. Reportable accounts include accounts held by individuals and entities (which include 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 (the **DAC2**), which provides for mandatory automatic exchange of financial information as foreseen in CRS. DAC2 amends the previous Directive on administrative cooperation in direct taxation, Directive 2011/16/EU and replaces the EC Council Directive 2003/48/EC on the taxation of savings income (commonly referred to as the **Savings Directive**).

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. 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. This data was exchanged for the first time in autumn 2018.

The first mandatory automatic exchange of financial information by EU Member States as foreseen in DAC2 had to take place at the latest as of 30 September 2016, except with regard to Austria. However, Austria has been allowed to exchange information under DAC2 as from 1 January 2017.

The Belgian government has implemented said Directive 2014/107/EU, respectively the Common Reporting Standard, per the law of 16 December 2015 regarding the exchange of information on financial accounts by Belgian financial institutions and by the Belgian tax administration, in the context of an automatic exchange of information on an international level and for tax purposes (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 income year 2016 (first information exchange in 2017) towards the EU Member States, (ii) since 1 July 2014 (first information exchange in 2016) towards the US and (iii) with respect to any other jurisdictions that have signed the MCAA, as of income year 2016 (first information exchange in 2017) for a first list of 18 countries, as of income year 2017 (first information exchange in 2018) for a second list of 44 countries, and as of income year 2018 (first information exchange in 2019) for a third list of 1 country.

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

## 9. SELLING RESTRICTIONS

The 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 laws and legal 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 or any other Dealer shall have any responsibility therefor.

No representation is made that any action has been taken in any jurisdiction that would permit an offer to the public of any of the Warrants, or possession or distribution of the Base Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

None of the Issuer or 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 Series, 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 in respect of the issue of any Series, 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.

### **Selling restriction in the EEA**

If the Final Terms in respect of any Warrants specify “Non-exempt Offer” as “Not Applicable”, in relation to each Member State of the EEA, an offer to the public of Warrants which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto, cannot be made in that Member State except that an offer of such Warrants to the public in that Member State may be made under the following exemptions under the Prospectus Regulation:

- (i) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (ii) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant dealer(s) nominated by the Issuer for any such offer; or
- (iii) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Warrants shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

If the Final Terms in respect of any Warrants specify “Non-exempt Offer” as “Applicable”, in relation to each Member State of the EEA, 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 Member State cannot be made in that Member State except that an offer of such Warrants to the public in that Member State may be made:

- (i) if the final terms in relation to the Warrants specify that an offer of those Warrants may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that 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 Member State or, where appropriate, approved in another

Member State and notified to the competent authority in that Member State, provided that any such prospectus has subsequently been completed by final terms contemplating such Non-exempt Offer, in accordance with Prospectus Regulation, 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;

- (ii) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (iii) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant dealer(s) nominated by the Issuer for any such offer; or
- (iv) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Warrants referred to in (ii) to (iv) above shall require the Issuer or any dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression “an offer of Warrants to the public” in relation to any Warrants in any 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 for the Warrants.

## **Belgium**

No Warrants can be offered to investors in Belgium unless the relevant Underlying ETF Share or Underlying Share is registered in Belgium with the Belgian FSMA in accordance with Articles 33 or 149 of the Belgian law of 3 August 2012 on the collective investment undertakings satisfying the conditions set out in Directive 2009/65/EC and undertakings for investment in receivables, as amended or replaced from time to time (the **UCITS Law**) or Articles 200 or 260 of the Belgian law of 19 April 2014 on alternative collective investment undertakings and their managers, as amended or replaced from time to time (the **AIFM Law**), as applicable, and the shares of such fund can be offered to investors in Belgium in compliance with the UCITS Law or the AIFM law, as applicable.

## **United Kingdom**

The Issuer and each Dealer has represented and agreed that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the **Financial Services and Markets Act**)) received by it in connection with the issue or sale of any Warrants in circumstances in which Section 21(1) of the Financial Services and Markets Act does not apply to the Issuer; and
- (ii) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act with respect to anything done by it in relation to the Warrants in, from or otherwise involving the United Kingdom.

## **United States**

In particular, and without prejudice to the foregoing, the Warrants have not been, and will not be, registered under the United States Securities Act of 1933 as amended (the **Securities Act**) and may not be offered, sold within the United States of America to, or for the account or benefit of, U.S. Persons (as such term is defined

in the Conditions). Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

## 10. CONSENT TO USE THIS BASE PROSPECTUS

### Restrictions on Non-exempt Offers of Warrants in relevant Member States

This Base Prospectus has been prepared on a basis that permits offers that are not made within an exemption from the requirement to publish a prospectus under Article 1(4) of the Prospectus Regulation (**Non-exempt Offers**) in Belgium and any other Member State where this Base Prospectus has been notified in accordance with Article 25 of the Prospectus Regulation (each specified Member State a “**Non-exempt Offer Jurisdiction**” and together the “**Non-exempt Offer Jurisdictions**”). Any person making or intending to make a Non-exempt Offer of Warrants on the basis of this Base Prospectus must do so only with the Issuer’s consent to the use of this Base Prospectus as provided under “*Consent given in accordance with Article 5(1) of the Prospectus Regulation*” below and provided such person complies with the conditions attached to that consent.

### Consent given in accordance with Article 5(1) of the Prospectus Regulation

In the context of a Non-exempt Offer of Warrants, the Issuer accepts responsibility, in each of the Non-exempt Offer Jurisdictions, for the content of this Base Prospectus in relation to any person (an “**Investor**”) who purchases any Warrants in a Non-exempt Offer made by a Dealer or an Authorised Offeror (as defined below), where that offer is made during the Offer Period specified in the applicable Final Terms and provided that the conditions attached to the giving of consent for the use of this Base Prospectus are complied with. The consent and conditions attached to it are set out under “*Consent*” and “*Common Conditions to Consent*” below.

**Except in the circumstances described below, the Issuer has not authorised the making of any Non-exempt Offer by any offeror and the Issuer has not consented to the use of this Base Prospectus by any other person in connection with any Non-exempt Offer of Warrants. Any Non-exempt Offer made without the consent of the Issuer is unauthorised and neither the Issuer nor, for the avoidance of doubt, any Dealer accepts any responsibility or liability in relation to such offer or for the actions of the persons making any such unauthorised offer.**

If, in the context of a Non-exempt Offer, an Investor is offered Warrants by a person which is not an Authorised Offeror, the Investor should check with that person whether anyone is responsible for this Base Prospectus for the purposes of the relevant Non-exempt Offer and, if so, who that person is. If an 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

The Issuer consents and (in connection with paragraph (d) below) offers to grant its consent, to the use of this Base Prospectus (as supplemented at the relevant time, if applicable) in connection with any Non-exempt Offer of a Tranche of Warrants in the Non-exempt Offer Jurisdictions specified in the relevant Final Terms during the Offer Period specified in the relevant Final Terms by:

- (a) the Dealer(s) specified in the relevant Final Terms;
- (b) any financial intermediaries specified in the relevant Final Terms;
- (c) any other financial intermediary appointed after the date of the relevant Final Terms and whose name is published on the website of the Issuer (see “Where more information can be found” on page 124) and identified as an Authorised Offeror in respect of the relevant Non-exempt Offer; and
- (d) if General Consent is specified in the relevant Final Terms as applicable, any other financial intermediary which (a) is authorised to make such offers under MiFID II, including under any applicable implementing measure in each relevant jurisdiction; and (b) accepts such offer by

publishing on its website the following statement (with the information in square brackets duly completed with the relevant information) (the **Acceptance Statement**):

“We, [*specify name of financial intermediary*], refer to the offer of [*specify title of Warrants*] (the “**Warrants**”) described in the Final Terms dated [*specify date*] (the **Final Terms**) published by KBC Bank NV (the **Issuer**). In consideration of the Issuer offering to grant its consent to our use of the Base Prospectus (as defined in the Final Terms) in connection with the offer of the Warrants in [*specify Member State(s)*] during the Offer Period in accordance with the Authorised Offeror Terms (as specified in the Base Prospectus), we accept the offer by the Issuer. We confirm that we are authorised under MiFID II (as defined in the Base Prospectus), including under any applicable implementing measure in each relevant jurisdiction, to make, and are using the Base Prospectus in connection with, the Non-exempt Offer accordingly. Terms used herein and otherwise not defined shall have the same meaning as given to such terms in the Base Prospectus.”

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

- (i) acts in accordance with all applicable laws, rules, regulations and guidance of any applicable regulatory bodies (the **Rules**) from time to time including, without limitation and in each case, Rules relating to both the appropriateness or suitability of any investment in the Warrants by an Investor and disclosure to any potential Investor;
- (ii) complies with the restrictions set out under “Selling Restrictions” in this Base Prospectus which would apply as if it were a relevant Dealer;
- (iii) considers the relevant manufacturer’s target market assessment and distribution channels identified under the “MiFID II product governance” legend set out in the Final Terms;
- (iv) ensures that any fee, commission, benefits of any kind, rebate received or paid by that financial intermediary in relation to the offer or sale of the Warrants does not violate the Rules and is fully and clearly disclosed to Investors or potential Investors;
- (v) holds all licences, consents, approvals and permissions required in connection with solicitation of interest in, or offers or sales of, the Warrants under the Rules;
- (vi) complies with, and takes appropriate steps in relation to, applicable anti-money laundering, anti-bribery, prevention of corruption and “know your client” Rules, and does not permit any application for Warrants in circumstances where the financial intermediary has any suspicions as to the source of the application monies;
- (vii) retains investor identification records for at least the minimum period required under applicable Rules, and shall, if so requested and to the extent permitted by the Rules, make such records available to the relevant Dealer and the Issuer or directly to the appropriate authorities with jurisdiction over the Issuer and/or the relevant Dealer in order to enable the Issuer and/or the relevant Dealer to comply with anti-money laundering, anti-bribery, anti-corruption and “know your client” Rules applying to the Issuer and/or the relevant Dealer;
- (viii) does not, directly or indirectly, cause the Issuer or the relevant Dealer to breach any Rule or subject the Issuer or the relevant Dealer to any requirement to obtain or make any filing, authorisation or consent in any jurisdiction;

- (ix) immediately gives notice to the Issuer and the relevant Dealer if at any time it becomes aware or suspects that it is or may be in violation of any Rules or the terms of this sub-paragraph, and takes all appropriate steps to remedy such violation and comply with such Rules and this sub-paragraph in all respects;
- (x) does not give any information other than that contained in this Base Prospectus (as may be amended or supplemented by the Issuer from time to time) or make any representation in connection with the offering or sale of, or the solicitation of interest in, the Warrants;
- (xi) agrees that any communication in which it attaches or otherwise includes any announcement published by the Issuer at the end of the Offer Period will be consistent with the Base Prospectus, and (in any case) must be fair, clear and not misleading and in compliance with the Rules and must state that such Authorised Offeror has provided it independently from the Issuer and must expressly confirm that the Issuer has not accepted any responsibility for the content of any such communication;
- (xii) does not use the legal or publicity names of the relevant Dealer, the Issuer or any other name, brand or logo registered by any entity within their respective groups or any material over which any such entity retains a proprietary interest or in any statements (oral or written), marketing material or documentation in relation to the Warrants;
- (xiii) agrees to any other conditions set out in paragraph 8(vi) of Part B of the relevant Final Terms;
- (xiv) agrees and accepts that the Dealers will be entitled to enforce those provisions of the contract between the Issuer and the financial intermediary, formed upon acceptance by the financial intermediary of the Issuer's offer to use of the Base Prospectus with its consent in connection with the relevant Non-exempt Offer, 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;
- (xv) agrees and undertakes to indemnify each of the Issuer and the relevant Dealers (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 or the relevant Dealers; and
- (xvi) agrees and accepts that:
  - (I) 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 Non-exempt 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, Belgian law,

- (II) the courts of Brussels, Belgium 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**),
- (III) it waives any objection to the courts of Brussels, Belgium on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute,
- (IV) this paragraph (xvi) is for the benefit of the Issuer and each relevant Dealer. To the extent allowed by law, the Issuer and each relevant Dealer may, in respect of any Dispute or Disputes, take proceedings in any other court with jurisdiction and concurrent proceedings in any number of jurisdictions;

The financial intermediaries referred to in paragraphs (b), (c) and (d) above are together referred to herein as the **Authorised Offerors**.

**Any Authorised Offeror falling within paragraph (d) above who wishes to use this Base Prospectus in connection with a Non-exempt Offer as set out above is required, for the duration of the relevant Offer Period, to publish on its website the Acceptance Statement.**

The consent referred to above relates to Offer Periods occurring within 12 months from the date of this Base Prospectus.

#### **Arrangements between an Investor and the Authorised Offeror who will distribute the Warrants**

Neither the Issuer nor, for the avoidance of doubt, any of the Dealers 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 offer.

An Investor intending to acquire or acquiring any Warrants from an Authorised Offeror will do so, and offers and sales of the Warrants to such Investor by an Authorised Offeror will be made, in accordance with any terms and other arrangements in place between that Authorised Offeror and such Investor including as to price, allocations and settlement arrangements (the **Terms and Conditions of the Non-exempt Offer**). The Issuer will not be a party to any such arrangements with such Investor and, accordingly, this Base Prospectus does not, and any Final Terms] will not, contain such information. The Terms and Conditions of the Non-exempt Offer shall be provided to such Investor by that Authorised Offeror at the time the offer is made. None of the Issuer or, for the avoidance of doubt, any of the Dealers or other Authorised Offerors has any responsibility or liability for such information.



## 11. DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated by reference and form part of this Base Prospectus:

**The Issuer's annual report for the financial year ended 31 December 2018 (FY 2018)<sup>12</sup> and the Issuer's annual report for the financial year ended 31 December 2019 (FY 2019)<sup>13</sup>, which includes the following information (without limitation):**

	FY 2018	FY 2019
<i>Report of the Board of Directors</i>		
Group profile	p. 6 – 29	p. 6 – 34
Review of the consolidated financial statements	p. 30 – 34	p. 35 – 38
Review of the business units	p. 35 – 41	p. 39 – 45
Risk management	p. 42 – 70	p. 46 – 78
Capital adequacy	p. 71 – 74	p. 79 – 82
Corporate governance statement	p. 75 – 83	p. 83 – 91
<i>Consolidated financial statements (IFRS)</i>		
Consolidated income statement	p. 85	p. 93
Consolidated statement of comprehensive income	p. 86-87	p. 94 – 95
Consolidated balance sheet	p. 88 – 89	p. 96
Consolidated statement of changes in equity	p. 90 – 92	p. 97 – 98
Consolidated cashflow statement	p. 93 – 95	p. 99 – 101
Notes on the accounting policies, segment reporting, income statement, financial assets and liabilities on the balance sheet, other balance sheet items, and other notes	p. 95 – 172	p. 102 – 174
<i>Statutory auditor's report on the consolidated accounts</i>	p. 173 – 180	p. 175 – 182
<i>Non-consolidated statutory annual accounts (Belgian GAAP)</i>		
Balance sheet after appropriation	p. 185 – 187	p. 187 – 189
Income statement	p. 188 – 189	p. 190 – 191
Appropriation account	p. 190	p. 192
Notes	p. 191 – 265	p. 193 – 269
Social balance sheet	p. 267 – 270	p. 270 – 273
<i>Statutory auditor's report on the non-consolidated statutory annual accounts</i>	p. 271 – 277	p. 275 – 281
<i>Ratios used</i>	p. 279 – 281	p. 283 – 286

**The Issuer's half-year report for the first six months ended on 30 June 2020<sup>14</sup>, which includes the**

<sup>12</sup> Available at: [https://www.kbc.com/content/dam/kbcom/doc/investor-relations/Results/JVS\\_2018/JVS\\_2018\\_BNK\\_en.pdf](https://www.kbc.com/content/dam/kbcom/doc/investor-relations/Results/JVS_2018/JVS_2018_BNK_en.pdf)

<sup>13</sup> Available at: [https://www.kbc.com/content/dam/kbcom/doc/investor-relations/Results/JVS-2019/JVS\\_2019\\_BNK\\_en.pdf](https://www.kbc.com/content/dam/kbcom/doc/investor-relations/Results/JVS-2019/JVS_2019_BNK_en.pdf)

<sup>14</sup> Available at: <https://www.kbc.com/content/dam/kbcom/doc/investor-relations/9-Bank-info/20200820-2020-1h-bnk-en.pdf>

**following information (without limitation):**

*Report for the first six months of 2020*

Summary	p. 5
Analysis of the results and balance sheet	p. 6 – 8
Risk statement, economic view and guidance	p. 9 – 10

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*Consolidated financial statements (IFRS)*

Consolidated income statement	p. 12
Condensed consolidated statement of comprehensive income	p. 13
Consolidated balance sheet	p. 14
Consolidated statement of changes in equity	p. 15 – 17
Condensed consolidated cash flow statement	p. 18 – 19
Notes on statement of compliance and changes in accounting policies	p. 20
Notes on segment reporting	p. 26
Other notes	p. 27
Report of the statutory auditor	p. 37 – 38

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*Other information*

Overview of the loan portfolio	p. 40
Solvency	p. 41
Details of ratios and terms	p. 42 – 44

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

## **12. SUPPLEMENTS TO THIS BASE PROSPECTUS**

### **Obligation to publish a supplement**

Every significant new factor, material mistake or material inaccuracy relating to the information included in this Base Prospectus which may affect the assessment of the Warrants and which arises or is noted between the time when this Base Prospectus is approved and the closing of the offer period or the time when trading on a regulated market begins, whichever occurs later, shall be mentioned in a supplement to this Base Prospectus without undue delay, in accordance with Article 23 of the Prospectus Regulation.

The obligation to supplement this Base Prospectus shall no longer apply after the expiry of the validity period of this Base Prospectus as specified on the front cover of this Base Prospectus.

### **Investors' right of withdrawal**

In case of an offer of Warrants to the public, investors who have already agreed to purchase or subscribe for the Warrants before the supplement is published shall have the right, exercisable within two working days after the publication of the supplement, to withdraw their acceptances, provided that the significant new factor, material mistake or material inaccuracy referred above arose or was noted before the closing of the offer period or the delivery of the Warrants, whichever occurs first. That period may be extended by the Issuer.

Where the Issuer prepares a supplement concerning information in the Base Prospectus that relates to only one or several individual issues of Warrants, the right of investors to withdraw their acceptances shall only apply to the relevant issue(s) and not to any other issue of Warrants under the Base Prospectus.

The supplement shall specify to which issue(s) of Warrants the right to withdraw applies (if any) and the final date on which investors can exercise their right of withdrawal.

### **Where the supplement will be published**

Following approval by the FSMA, the supplement shall be published in accordance with at least the same arrangements as were applied when this Base Prospectus was published. See Section "Where more information can be found" on page 124 below for information on where copies of any supplements can be obtained.

### 13. WHERE MORE INFORMATION CAN BE FOUND

#### The website of the Issuer

The following documents and information can be obtained from the website [www.kbc.com](http://www.kbc.com) for a period of ten years after their publication on that website:

1. This Base Prospectus.
2. All documents containing information incorporated by reference into this Base Prospectus as set out in “Documents incorporated by reference” on page 121 above.
3. Any supplements to this Base Prospectus published from time to time by the Issuer after approval by the FSMA, as set out in “Supplements to this Base Prospectus” on page 123 above (including any documents containing information that may be incorporated by reference into those supplements).
4. The Final Terms for each Series of Warrants that is offered to the public in the European Economic Area and/or admitted to trading on a regulated market in the European Economic Area. These documents are not incorporated by reference and has not been scrutinised or approved by the FSMA.
5. A separate copy of the issue-specific summary for each Series of Warrants that is offered to the public in the European Economic Area. This document is not incorporated by reference and has not been scrutinised or approved by the FSMA.
6. The up to date articles of association of the Issuer. This document is not incorporated by reference and has not been scrutinised or approved by the FSMA.

#### The website of Euronext Brussels

The information referred to in paragraphs 1 to 5 above (as applicable) will also be published on the website of Euronext Brussels ([www.euronext.com](http://www.euronext.com)) in relation to Warrants that are admitted to trading on the regulated market of Euronext Brussels. The information contained on the website of Euronext Brussels ([www.euronext.com](http://www.euronext.com)) does not form part of this Base Prospectus and has not been scrutinised or approved by the FSMA.

#### Copies of the Base Prospectus on a durable medium on request

Any potential investor in Warrants offered to the public in the European Economic Area and/or admitted to trading on a regulated market in the European Economic Area, can request a copy of the Base Prospectus on a durable medium (including an electronic copy by e-mail or a copy printed on paper) to be delivered free of charge to that potential investor. Delivery shall be limited to jurisdictions in which the offer of the Warrants to the public is made or where admission to trading on a regulated market is taking place. Such requests can be made by e-mail to [IR4U@kbc.be](mailto:IR4U@kbc.be).

#### Post-issuance information

Subject to any periodic or *ad hoc* reporting obligations under applicable laws or under the “*Moratorium op de commercialisering van bijzonder ingewikkelde gestructureerde producten*”/”*Moratoire sur la commercialisation de produits structurés particulièrement complexes*” (as published by the FSMA on 20 June 2011), if applicable, the Issuer does not intend to provide any post-issuance information in relation to any issues of Warrants.

**Warrant Agreement**

The Warrant Agreement will, so long as any Warrants are outstanding, be available for inspection during usual business hours on any weekday (Saturdays and public holidays excepted) at the registered office of the Warrant Agent.

**Other information**

No person is or has been authorised to give any information or to make any representation other than those contained in the documents referred to in paragraphs 1 to 6 above in connection with the issue or sale of the Warrants and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Dealers or the Arranger.

## 14. RESPONSIBILITY STATEMENT

### **The Issuer**

The Issuer accepts responsibility for the information contained in this Base Prospectus and each relevant Final Terms. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Market data and other statistical information used in this Base Prospectus has been extracted from a number of sources, including independent industry publications, government publications, reports by market research firms or other independent publications (each an **Independent Source**). The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the relevant Independent Source, no facts have been omitted which would render the reproduced information inaccurate or misleading.

### **KBC Group NV**

KBC Group NV nor any other member of the KBC Group (other than the Issuer) has approved or authorised this Base Prospectus, or accepts any responsibility in connection with this Base Prospectus.

The Issuer is solely responsible for the information in this Base Prospectus relating to KBC Group NV as set out above.

## 15. GENERAL INFORMATION

### Authorisation

The update of the Programme and the issue of Warrants have been duly authorised by resolutions of the Issuer's Executive Committee (*directiecomité/comité de direction*) dated 26 February 2019 (decision Nr. 40).

### Listing and admission to trading of Warrants on Euronext Brussels

The English version of this Base Prospectus has been approved by the FSMA on 22 December 2020 in its capacity as competent authority under the Prospectus Regulation to approve this document as a base prospectus. Application has been made to Euronext Brussels for the Warrants issued under this Base Prospectus to be listed and admitted to trading on 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. As specified in the Final Terms, the Issuer may also issue Warrants which are not listed or admitted to trading on a regulated market or request the listing or admission to trading of the Warrants on any other stock exchange or market. The applicable Final Terms will state whether or not the relevant Warrants are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.

The FSMA only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Approval by the FSMA should not be considered as an endorsement of the Issuer or of the quality of the Warrants. Investors should make their own assessment as to the suitability of investing in the Warrants.

### Documents Available

See Section "Where more information can be found" on page 124 for information on where you can find the available documents.

### Conditions for determining Price

The Exercise Price, the Initial Warrant Value, the Entitlement and the Actual Exercise Price, and the Issue Price of Warrants to be issued under the Programme will be determined by the Issuer at the time of issue in accordance with prevailing market conditions.

### Securities Settlement System

Upon the choice of the Warrant Holder, the form of a Registered Warrant can be changed by a dematerialisation process potentially with a view of trading the relevant Warrant on Euronext Brussels. For this purposes, the Issuer will enter into a framework dematerialisation agreement with Euroclear SA/NV which will allow for the Warrants to be represented exclusively by book entries in the records of Euroclear SA/NV (or any successor Securities Settlement System) and held by the Warrant Holder through its securities account with the Securities Settlement System or with a direct or indirect participant in the Securities Settlement System.

The address of the Securities Settlement System is Euroclear SA/NV, Koning Albert II Laan, 1, 1210 Brussels, Belgium.

### Significant or Material Change

There has been:

- (b) no significant change in the financial or trading position of the Issuer or the KBC Bank Group since 30 June 2020; and
- (c) save as disclosed in this Base Prospectus, no material adverse change in the financial position, business or prospects of the Issuer since 31 December 2019.



**THE ISSUER**

**KBC Bank NV**  
Havenlaan 2  
B-1080 Brussels  
Belgium  
RPR 0462.920.226

**LISTING AGENT**

**KBC Bank NV**  
Havenlaan 2  
B-1080 Brussels  
Belgium  
RPR 0462.920.226

**WARRANT AGENT**

**KBC Bank NV**  
  
Havenlaan 2  
B-1080 Brussels  
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