KBC BANK NV

(Incorporated with limited liability in Belgium)

Warrant Programme

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 15 March 2016 in its capacity as competent authority under Article 23 of the Belgian Law dated 16 June 2006 concerning the public offer of investment securities and the admission of investment securities to trading on a regulated market, as last amended by the law dated 25 April 2014 (the **Belgian Prospectus Law**) to approve this document as a base prospectus (the **Base Prospectus**) for the purposes of Article 29 of the Belgian Prospectus Law and Article 5.4 of the Prospectus Directive (as defined herein). This approval cannot be considered as a judgement as to the opportunity or the quality of the transaction, nor on the situation of the Issuer. Application has also been made to Euronext Brussels for the Warrants issued under the Programme to be listed on Euronext Brussels. Application may also be made for the Warrants to be admitted to trading on Euronext Brussels following their dematerialisation. Euronext Brussels' regulated market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments.

Prospective purchasers of Warrants should ensure that they understand the nature of the relevant Warrants and the extent of their exposure to risks and that they consider the suitability of the relevant Warrants as an investment in the light of their own circumstances and financial condition. Warrants involve a high degree of risk and potential investors should be prepared to sustain a loss of all or part of their investment. It is the responsibility of prospective purchasers to ensure that they have sufficient knowledge, experience and professional advice to make their own legal, financial, tax, accounting and other business evaluation of the merits and risks of investing in the Warrants and are not relying on the advice of the Issuer, the Warrant Agent or any Dealer in that regard. 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 and a copy can be obtained free of charge at the offices of KBC Bank NV.

Arranger and Dealer

KBC Bank NV

The date of this Base Prospectus is 15 March 2016.

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 (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.

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 15 March 2016 in its capacity as competent authority under Article 23 of the Belgian Law dated 16 June 2006 concerning the public offer of investment securities and the admission of investment securities to trading on a regulated market, as last amended by the law dated 25 April 2014 (the **Belgian Prospectus Law**) to approve this document as a base prospectus (the **Base Prospectus**) for the purposes of Article 29 of the Belgian Prospectus Law and Article 5.4 of the Prospectus Directive (as defined herein). This approval cannot be considered as a judgement as to the opportunity or the quality of the transaction, nor on the situation of the Issuer.

Application has also been made to Euronext Brussels for the Warrants issued under the Programme during the period of 12 month from the date of approval of this Base Prospectus to be listed on Euronext Brussels. Application may also be made for the Warrants to be admitted to trading on Euronext Brussels following their dematerialisation. Euronext Brussels' regulated market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments. The Issuer may also issue Warrants which are not listed or admitted to trading on a regulated market or request the listing and admission to trading of the Warrants on any other stock exchange or market.

A Warrant constitutes a contractual claim (*schuldvordering/créance*) which will initially be evidenced by a registration in a register held by the Issuer (a **Registered Warrant**). 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 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.

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.

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.

The date of this Base Prospectus is 15 March 2016. The Base Prospectus shall be valid for a period of 12 months from its date of approval.

1. IMPORTANT INFORMATION

This Base Prospectus comprises a base prospectus in respect of Warrants issued under the Programme for the purposes of Article 5.4 of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented or applied in a Relevant Member State of the European Economic Area, the **Prospectus Directive**), in connection with Regulation 809/2004 of the European Commission.

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 the basis that any offer of Warrant in any Member State of the European Economic Area that has implemented the Prospectus Directive (each a **Relevant Member State**) will be made pursuant to an exemption from the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for the offer of Warrants. Accordingly any person making or intending to make an offer in that Relevant Member State of Warrants which are the subject of an offering contemplated in this Base Prospectus as completed by Final Terms in relation to the offer of Warrants, may only do so (i) in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to article 3 of the Prospectus Directive or supplement a prospectus pursuant to article 16 of the Prospectus Directive, in each case, in relation to such offer, or (ii) if a prospectus for such offer has been approved by the competent authority in that Relevant Member State, or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State and (in either case) published, all in accordance with the Prospectus Directive, provided that any such prospectus has subsequently been completed by final terms which specify that offers may be made other than pursuant to article 3(2) of the Prospectus Directive in that Relevant Member State and such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or final terms, as applicable, and the Issuer has consented in writing to its use for the purpose of such offer. Neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Warrants in circumstances in which an obligation arises for the Issuer or any Dealer to publish a prospectus or supplement for such offer.

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*”.

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. 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.

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.

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.

The Warrants may not be a suitable investment for all investors. In particular, each potential investor should, without reliance on KBC Bank:

- have sufficient knowledge and experience to make a meaningful evaluation of the Warrants, the merits and risks of investing in the Warrants and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Warrants and the impact the Warrants will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Warrants, including Warrants where the currency for payments is different from the potential investor's currency;

- understand thoroughly the terms of the Warrants and is familiar with the behaviour of financial markets; and

- be able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent, (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.

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2. SUMMARY

The following summary establishes in accordance with Articles 24 and 29 of the Belgian Prospectus Law, in a brief manner and in a non-technical language, the essential characteristics and risks associated with the Issuer and the Warrants.

The summary is made up of disclosure requirements known as "Elements". These Elements are numbered in Section A – E.

The summary contains all the Elements required to be included in a summary for the type of the securities and Issuer. There may be gaps in the numbering sequence of the Elements in cases where Elements are not required to be addressed.

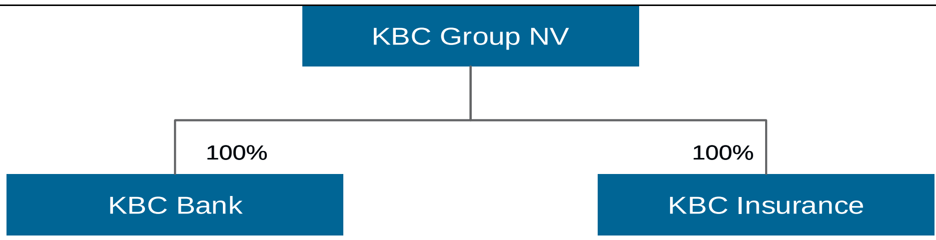
Even though an Element may be required to be inserted in the summary because of the type of instruments and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "not applicable". Certain provisions of this summary are in brackets. Such information will be completed or, where not relevant, deleted, in relation to a particular issue of Warrants, and the completed summary in relation to such issue of Warrants shall be appended to the Applicable Final Terms.

A. Introduction and Warnings		
A.1	Introduction and warnings	This summary should only be read as an introduction to the base prospectus dated 15 March 2016 as supplemented from time to time (the **Base Prospectus**). Any decision to invest in any Warrants should be based on a consideration of the Base Prospectus as a whole and of the Applicable Final Terms by any investors. Where a claim relating to the information contained in the Base Prospectus is brought before a court in a Member State, the plaintiff investor may, under the national legislation of the Member States, be required to bear the costs of translating the Base Prospectus before the legal proceedings are initiated. Nobody bears civil liability on the mere basis of this summary or its translation, except if this summary is misleading, incorrect or inconsistent when read together with other parts of the Base Prospectus or it does not provide, when read together with the other parts of the Base Prospectus, key information in order to aid investors when considering whether to invest in such Warrants. ***The purchase of Warrants may involve substantial risks and may be suitable only for investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and the merits of an investment in the Warrants. Prior to making an investment decision, prospective investors should consider carefully, in light of their own financial circumstances and investment objectives, (i) all the information set forth in this Base Prospectus (and any supplement, if applicable) and, in particular, the considerations set forth below and (ii) all the information set forth in the Applicable Final Terms. Prospective investors should make such enquiries as they deem necessary without relying on the Issuer or any Dealer. Investors should acquire the Warrants only if they are able to bear the risk of losing any amounts invested, including any transaction costs incurred.***

A.2	Consent to the use of the Prospectus	Not applicable. The Base Prospectus has been prepared solely in connection with the admission to trading of the Warrants on a regulated market pursuant to Article 3(3) of the Prospectus Directive and there will be no public offer for the Warrants. The Issuer does not consent to the use of the Base Prospectus for subsequent resales.

B. Issuer		
B.1	Legal and commercial name of the Issuer	KBC Bank NV (**KBC Bank** or the **Issuer**)
B.2	Domicile/legal form/legislation under which the Issuer operates /country of incorporation	KBC Bank is a limited liability company (*naamloze vennootschap/société anonyme*) incorporated under the laws of Belgium (number 0462.920.226). Its registered office is situated at Havenlaan 2, B-1080 Brussels, Belgium.
B.4b	Trend information	**Banking sector** After ongoing recapitalization in the aftermath of the Lehman and Eurocrisis, Eurozone banks continued with strengthening their balance sheet, building on the ECB's comprehensive assessment exercise in 2014. At the same time, they adjusted business models to the evolving regulatory and challenging operating environment. While overall progress is significant, the results remain uneven across institutions. Specifically in the Eurozone periphery, a large stock of legacy problem assets continue to weigh on banks' capacity to simultaneously build up capital buffers and provide credit to the real economy. On the other hand, banks' asset quality in core countries like Belgium withstood the recent crises years remarkably well. A similar heterogeneous picture is valid in Central Europe, with still high nonperforming loans and subdued lending activity in Hungary, but good asset quality and firm credit growth in the Czech Republic and Slovakia. Looking forward, macrofinancial risks have shifted to the emerging markets, while the macrofinancial environment in the Eurozone has improved, notwithstanding remaining challenges. Enhanced economic governance and the banking union, though still incomplete, significantly strengthened the Eurozone architecture and offer a more stable banking sector environment than in past years, as witnessed during the summer 2015 episode of the Greek crisis: although weighing on investor sentiment, the direct contagion to other periphery euro area sovereigns was limited and short-lived. In the meantime, signs are growing that the ECB's unconventional monetary policy is starting to work, resulting in gradually abating deflation risks and tempering fears of even lower interest rates. Credit growth is picking up. On the other hand, relatively low nominal economic growth and interest rates are expected to continue to offer a challenging environment for banks' revenue growth, while 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** From a macro-economic point of view, during Q4 the clear difference in growth performance between emerging and developed markets remained in place. In particular, the sustainability of Chinese economic growth was questioned by financial markets. However, the strong labour market reports in the US in the fourth quarter dampened financial markets' fear of a strong negative spill-over from emerging to developed markets. As a result, the Fed raised its policy rate on its December meeting by 25 basis points. After all, Q4 growth in the US turned out to be weaker than expected, mainly driven by weaker consumption, investment and net exports. The euro area continued its recovery as well and the unemployment rate fell to 10.6% at the end of 2015. The low inflation in the euro area, however, led the ECB to further ease its monetary policy stance in December by reducing its deposit rate further to -30 basis points. Headline inflation remains below the ECB's inflation target of just below 2%. The main reasons remained the sharply falling oil price and the still high unemployment level in the euro area, which prevents a meaningful wage growth. Q4 ended with a renewed increase of uncertainty on financial markets after the depreciation of the Chinese renminbi versus the US dollar. Although this depreciation was the result of a change of policy reference, away from only the US dollar towards a basket of currencies of China's main trading partners, it was enough the raise doubts again about the sustainability of the Chinese economic growth model. So far in 2016, uncertainty on financial markets, stock market corrections and falling benchmark bond yields has continued. In January the oil price temporarily fell to below 30 US dollar per barrel Brent, driving inflation to levels lower than anticipated. The ECB is therefore likely to ease its policy stance further, most likely by reducing its deposit rate again. On the other hand, the Fed is likely to continue cautiously its rate normalisation path in 2016. This policy divergence between the Fed and the ECB will probably weaken the euro versus the US dollar somewhat in 2016. Low inflation, accommodating monetary policy and fears of a global growth slowdown mean that bond yields will remain low during 2016. They will only rise very gradually once the unemployment rate in the euro area has fallen by enough to generate sustainable wage increases and the effect of the sharp fall of oil prices starts to drop out of the annual inflation rate. We expect the oil price to gradually rise again in the second half of 2016. Despite the expected continued turbulence in the emerging markets, we expect 2016 to be a year of sustained economic growth both in the euro area and in the US, with a broadly similar growth rate as in 2015. This growth will be mainly driven by domestic demand against the background of the expected weak contribution of international trade
B.5	Description of the group and position of Issuer within the group	KBC Bank, a wholly-owned subsidiary of KBC Group NV (**KBC Group**). A simplified schematic of KBC Group's legal structure is provided below.

<table>
<tr><td></td><td></td><td>

(simplified presentation)

As at the end of June 2015, the share capital of KBC Bank was EUR 8,948 million and consisted of 915,228,482 ordinary shares, one of which is held by its sister company KBC Insurance NV and the remainder are held by KBC Group NV. KBC Group NV's shares are listed on Euronext Brussels. An overview of the shareholding of KBC Group NV is available on the website at www.kbc.com. The core shareholders of KBC Group NV are KBC Ancora, CERA, MRBB and the other core shareholders. No specific measures are in place to prevent abuse of control. There are no arrangements in place the operation of which may at a subsequent date result in a change of control of KBC Bank.

KBC Bank, as full subsidiary of KBC Group NV, also has, besides its banking activities, a holding function for a wide range of group companies, mainly banking and other financial entities in Central and Eastern Europe and in other selected countries, such as Ireland. In its capacity of holding company, KBC Bank is affected by the cash flows from dividends received from these group companies. KBC Bank also functions as funding provider for a number of these group companies.

The major other subsidiary of KBC Group NV is KBC Insurance NV. KBC Bank co-operates closely with KBC Insurance NV, amongst others, in relation to distribution of insurance products.</td></tr>
<tr><td>**B.9**</td><td>Profit forecasts or estimates</td><td>Not applicable. The Issuer has not made any profit forecasts or estimates.</td></tr>
<tr><td>**B.10**</td><td>Qualifications in the auditor’s report</td><td>Not applicable. The auditor has not qualified its report on the historical financial information included in the Base Prospectus.</td></tr>
<tr><td>**B.12**</td><td>Selected financial information</td><td>The tables below each set out a summary of key financial information extracted from the Issuer’s Financial Reports (audited) for the fiscal years ended on 31 December 2013 and 31 December 2014 and from the Issuer’s interim financial report for the six month ended on 30 June 2014 and the six months ended on 30 June 2015 (unaudited):</td></tr>
</table>

Income Statement

Summary of consolidated profit and loss account data (in millions of EUR, IFRS)	FY 2013	FY 2014	1 H 2014	1 H 2015
Total income	6,240	5,734	2,637	3,302
Operating expenses	-3,252	-3,311	-1,648	-1,810
Impairment	-1,821	-472	-249	-219
Result after tax, group share	590	1,312	472	

Statement of Financial Position

Summary of consolidated balance sheet data (in millions of EUR, IFRS – audited)	31 December 2013	31 December 2014	30 June 2015
Total assets	206,087	211,116	221,639
Parent shareholders' equity	11,662	11,676	11,371

Material adverse change:

There has been no material adverse change in the prospects of the Issuer or KBC Bank Group since 31 December 2014.

Significant change in the financial or trading position:
There has been no significant change in the financial or trading position of the Issuer since 30 June 2015.

B.13	Recent material events particular to the Issuer's solvency	On 31 December 2014, the KBC Bank Groups consolidated total equity came to 13.3 billion euros. This figure included 11.7 billion euros in parent shareholders' equity, 1.4 billion euros in additional tier-1 instruments and 0.3 billion euros in minority interests. On balance, total equity grew by 1 billion euros in 2014. The most important components in this regard were the inclusion of the 1.4 billion euros in additional tier-1 instruments issued in March 2014, the inclusion of the annual profit (+1.5 billion euros, including minority interests), changes in the available-for-sale reserve and cashflow hedge reserve (-0.5 billion euros in total), the payment to KBC Group NV of a final dividend for 2013 (-0.7 billion euros), and the repurchase of Funding Trust securities (-0.4 billion euros in minority interests). The fully loaded common equity ratio under Basel III – including the available-for-sale reserve – amounted to 12.1% at year-end 2014.
B.14	Extent to which the Issuer is dependent upon other entities within KBC Group	The position of the Issuer is dependent on the results and financial position of its subsidiaries and sub-subsidiaries. The Issuer, as full subsidiary of KBC Group NV, has, besides its banking activity, also a holding function for a wide range of group companies, mainly banking and other financial entities in Central and Eastern Europe and in other selected countries, such as Ireland. In its capacity of holding company, the Issuer is affected by the cash flows from dividends received from these group companies. The Issuer also functions as funding provider for a number of these group companies.
B.15	Description of the Issuer's principal activities	The Issuer and its subsidiaries are part of the KBC Group, an integrated bank insurance group, catering mainly for retail, private banking, SME and mid cap clients. Geographically, the KBC Group focuses on its core markets of

		Belgium, the Czech Republic, Slovakia, Hungary and Bulgaria. Elsewhere in the world, the KBC Group is present in Ireland and, to a limited extent, in several other countries to support corporate clients from our core markets. The KBC Group's core activity is the retail and private bank-insurance (including asset management), although it is also active in providing services to corporations and market activities. Across its home market, the KBC Group is active in a large number of products and activities, ranging from plain vanilla deposit, credit, asset management and life and non-life insurance businesses to specialized activities such as, but non exclusively, payment services, dealing room activities (money and debt market activities), brokerage and corporate finance, foreign trade finance, international cash management, leasing, etc. KBC Bank Group has in the past years refocused its business on its core bank-insurance activities in Belgium and a number of countries in Central and Eastern Europe (i.e. the home markets of Czech Republic, Slovakia, Hungary and Bulgaria). Therefore, a number of subsidiaries and activities, many of which related to investment banking activities, have been scaled down or sold.
B.16	Extent to which the Issuer is directly or indirectly owned or controlled	As at the end of June 2015, the share capital of KBC Bank was EUR 8,948 million and consisted of 915,228,482 ordinary shares, one of which is held by its sister company KBC Insurance NV and the remainder are held by KBC Group NV. KBC Group NV's shares are listed on Euronext Brussels. An overview of the shareholding of KBC Group NV is available on the website at www.kbc.com. The core shareholders of KBC Group NV are KBC Ancora, CERA, MRBB and the other core shareholders. No specific measures are in place to prevent abuse of control. There are no arrangements in place the operation of which may at a subsequent date result in a change of control of KBC Bank.
B.17	Credit ratings assigned to the Issuer or its debt securities at the request or with the cooperation of the Issuer in the rating process.	The long-term unsecured, unsubordinated and unguaranteed debt obligations of the Issuer has been assigned the following credit ratings: A- (Stable Outlook) by Fitch Ratings A1 (Positive Outlook) by Moody's A (Negative Outlook) by S&P

C. Securities		
C.1	Type of the securities	The Warrants issued under the Programme will initially be represented by a registration in a Warrants Register held by the Issuer (or the Warrant Agent on its behalf) in the name of the Warrant Holder (**Registered Warrant**). Any transfer of a Registered Warrant will be registered in the Warrants Register in the name of the relevant transferee.

		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 of the Warrant on Euronext Brussels (**Dematerialised Warrants**). 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. Administrative costs will be charged by the Issuer to the Warrant Holder for the dematerialisation of Registered Warrants. Such cost will be based on the tariffs applicable at the time of such dematerialisation request, 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
C.2	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 Share to which the Warrant is linked.
C.5	A description of any restrictions on the free transferability of the Warrants	Subject to the applicable restrictions in all jurisdictions in relation to offers, sales or transfers, the Warrants are freely transferrable. In all jurisdictions, offers, sales or transfers of Warrants may only be effected to the extent lawful in the relevant jurisdiction. The distribution of the Base Prospectus or its summary may be restricted by law in certain jurisdictions.
C.8	Description of the rights attached to the Warrants	Call Warrants (*koopwarranten/warrants d'achat*) providing the Warrant Holder a contractual right against the Issuer to acquire a (predetermined fraction of a) Share against a predetermined Exercise Price during a predetermined Exercise Period. <u>Status (Condition (5))</u>: The Warrants constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and will rank at all times *pari passu* and without any preference among themselves The Warrants will not be secured by the Underlying Share(s) to which such Warrant is linked. The Warrants will not bear any interest. <u>Exercise (Conditions (7) and (8))</u>: The Warrant Holder can autonomously choose to Exercise its Warrant(s) (both Registered Warrants and Dematerialised Warrants), at once or in multiple transactions, on any Business Days during the Exercise Period prior to

		the Expiration Date by delivering the Warrant Agent a duly signed Exercise Notice (in the form set out in the Warrant Agreement). Upon Exercise of its Warrant, the Warrant Holder will be entitled to acquire from the Issuer the fraction or number of the Underlying Share(s) per Warrant at the Exercise Price. Following Exercise and delivery of the Entitlement, the Warrant Holder will be directly exposed to any fluctuation in the Share Value of the Underlying Share. A Warrant Holder wishing to Exercise its Warrants will need to dispose of a securities and cash account held with KBC Bank (even if such Warrant Holder acquired a Dematerialised Warrant held in a securities account with a Securities Settlement System participant outside of KBC Bank). In case of Exercise of a Warrant, Exercise Costs and Exercise Expenses will be due by the Warrant Holder. The 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). <u>Sale (Conditions (7), (10) and (11))</u>: The Warrant Holder can also autonomously choose to Sell its Warrants (both Registered Warrants and Dematerialised Warrants), at once or in multiple transactions, on any Business Days during the Exercise Period (i) either on the open market to any third party or (ii) to the Issuer. In case the Warrant Holder wishes to offer its Warrant(s) for Sale to the Issuer, it will need to communicate this intention by orally providing a Sale Notice to the Warrant Agent by calling the telephone number(s) listed in 13 General Information of the Base Prospectus (during such call the Warrant Holder will need to provide the Warrant Agent with certain information on the Warrants it wishes to sell and its accounts allowing the Warrant Agent to carry out the Sale, if accepted by it).. The Issuer may agree to purchase the Warrants (without this being an obligation) at the Sale Price which will be formed and determined twice intra-day, 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. Such Sale Price will be based on KBC Bank's own pricing models. The Issuer shall ensure that at any time as long as Warrants are outstanding under the Programme in respect of which the Exercise Period has not lapsed, such Sale Price will continue to be posted. The discretion for the Issuer to accept any offer(s) made by the Warrant Holders to their Sell Warrants to the Issuer does not affect any obligations KBC Bank would have to purchase the Warrants on the secondary market in its role as market maker in respect of any Series of Warrants admitted to trading on Euronext Brussels in accordance with the applicable market rules). For any Series of Warrants admitted to trading on Euronext Brussels, there will systematically be a party that will be acting as market maker on the secondary market.

		In case of sale of the 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. The Warrants can, following dematerialisation in accordance with Condition (6) also be transferred by way of a stock exchange trade on 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). Governing Law (Condition (17): The Warrants will be governed by Belgian law. **Conditions allowing unilateral modification to the Warrants:** 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. The sole purpose of these provision is to allow the Issuer, the Calculation Agent and/or the Warrant Agent, as the case may be, upon the occurrence of certain events which are outside of the control of the Issuer, the Calculation Agent and/or the Warrant Agent and which were not reasonably foreseeable at the time of issuance of the relevant Warrants, 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 of the Warrants. These Conditions are the following: Settlement Disruption Event (Condition (8)d): If, following the Exercise of a Warrant, a Settlement Disruption Event occurs or exists on the Share Delivery Date of the Underlying Shares, delivery of the Underlying Shares may be postponed until the third Business Day following the date on which no Settlement Disruption Event occurs. The Issuer in these circumstances also has the right to pay the Disruption Cash Settlement Price based on the Fair Market Value of the Underlying Shares and costs. Failure to Deliver (Condition (8)e): 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 some or all of the Underlying Shares due to illiquidity in the market for the Underlying Shares, then (i) the Underlying Shares that are not affected by such event will be delivered against payment of the Actual Exercise Price for such partial delivery and (ii) instead of delivering the Affected Shares, the Issuer will satisfy its obligation by payment of the Failure to Deliver Settlement Price based on the Share Value of the Underlying Shares and costs.

		Modification (Condition (13)c): The Issuer may in some cases modify the Conditions and/or the Warrant Agreement without the consent of the Warrant Holders provided that, amongst others, such modification is not materially prejudicial to the interests of the Warrant Holders or required to correct a minor or formal error or an inconsistency between the Conditions and Applicable Final Terms of the Warrants issue and the relevant term sheet relating to the Warrants . Potential Adjustment Event (Condition (19)a): Subject to particular circumstances being declared in respect of the Underlying Share, the Issuer may be entitled to make certain adjustments to the Warrants or substitute the Underlying Share. De-listing, Merger, Nationalisation, Insolvency and, if specified in the Applicable Final Terms, Tender Offer (Condition (19)b): Subject to certain events affecting the Underlying Shares, the Issuer may in first instance be entitled to make certain adjustments to the Warrants and, if such adjustment would not reasonably result in a repair of the contractual equilibrium, cancel the Warrants. Additional Disruption Events (Condition (20)): Subject to particular disruption events occurring, the Issuer may in first instance be entitled to make certain adjustments to the Warrants and, if such adjustment would not reasonably result in a repair of the contractual equilibrium, cancel the Warrants. **Conditions allowing a cancellation of the Warrants:** 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. 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 which are outside of the control of the Issuer, the Calculation Agent and/or the Warrant Agent and which were not reasonably foreseeable at the time of issuance of the relevant Warrants 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. These Conditions are the following: Illegality (Condition (12)): if the performance of any obligations of the Issuer under any Warrants or any hedging relating thereto becomes illegal, the Issuer may cancel such Warrants and pay to the Warrant Holder the Fair Market Value (subject to certain adjustments). De-listing, Merger, Nationalisation, Insolvency and, if specified in the Applicable Final Terms, Tender Offer (Condition (19)b): Subject to certain events affecting the Underlying Shares, the Issuer may in first instance be entitled to make certain adjustments to the Warrants and, if such adjustment would not reasonably result in a repair of the contractual equilibrium, cancel the Warrants.

		Additional Disruption Events (Condition (20)): Subject to particular disruption events occurring, the Issuer may in first instance be entitled to make certain adjustments to the Warrants and, if such adjustment would not reasonably result in a repair of the contractual equilibrium, cancel the Warrants.
C.11	Admission to trading	Application for the Warrants to be admitted to trading on the regulated market of Euronext Brussels may be made after the dematerialisation of the relevant Warrants in accordance with Condition (6). See also C.1 above.
C.15	Description of how the value of the Warrants are affected by the value of the Underlying Share	Warrant Holders should note that in this Base Prospectus a number of different definitions are used to refer to the value or price of a Warrant at a given time: "Initial Warrant Value" which refers, in respect of a Warrant of a given Series, to the initial value per Warrant of a given Series as set by the Issuer on the Issue Date (and specified as such in the Applicable Final Terms of such Series). "Issue Price" means, in respect of a Warrant of a given Series, the issue price of the Warrant specified as such in the Applicable Final Terms of such Series and which is equal to the Initial Warrant Value of such Warrant plus any hedging costs, commission and other costs related to the issuance of the Warrant. "Sale Price" means, in respect of a Warrant of a given Series, the price formed and determined twice intra-day by the Issuer using its own pricing models and quoted at www.kbctop.com, at which the Issuer may purchase the Warrant if offered for Sale to it by the Warrant Holder. "Trading Price" means, in respect of a Warrant of a given Series, 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. The Trading Price of the Warrants should in principle not deviate much from the Sale Price as determined by the Issuer. "Warrant Value" refers generally to the value of a Warrant at a given time. A Warrant provides for a value which the Warrant Holder can realise by either Selling the Warrant to a third party in the open market (at the then applicable Trading Price) or to the Issuer (at the Sale Price as determined by the Issuer in accordance with Condition (11)a(i)). The Sale Price determined by the Issuer will not necessarily at all times be equal to the Trading Price which takes into account bid and offer quotes in the secondary markets). A Warrant can be attributed an Initial Warrant Value upon issuance.

		Thereafter, the two main components that affect the value and pricing of a Warrant are (i) the Intrinsic Value of the Warrant and (ii) the Time Value of the Warrant. Therefore the value of a Warrant and its Trading Price at any time after issuance may differ from the Issue Price. The Intrinsic Value of the Warrant is based on the difference between the Share Value of the Underlying Share and the Exercise Price of the Warrant. This Intrinsic Value fluctuates with the Share Value of the Underlying Share; it is a main component of the value and pricing of the Warrant. The value of the Warrant can be close to zero if the Share Value of the Underlying Share is well below the Exercise Price of the Warrant. Another main component affecting the value and pricing of the Warrant is the Time Value, that reflects the upward potential the Underlying Share has before the end of the Exercise Period; it reflects the possibility that the Share Value of the Share at the end of the Exercise Period exceeds the Exercise Price of the Warrant The value of the Warrants may be affected by (i) the Share Value of the Underlying Share; (ii) the volatility of the Underlying Share; (iii) the time remaining to Expiration Date; (iv) the components of the Underlying (fund) Share; (v) the dividends of the components of the Underlying (fund) Share; (vi) any changes of interest rates (if applicable); (vii) any change in currency exchange rates (if applicable); (viii) the depth of the market or liquidity of the Underlying Share and (ix) any related transaction costs. Furthermore, Warrants also have a “leverage effect” which can be explained as follows: the relatively lower investment required to obtain a Warrant (compared to a direct investment in the relevant Underlying Share) 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 Share, the investment of an equal amount in Warrants compared to a direct investment in the Underlying Share, will result in larger gains on the Warrants in the event the price of the underlying Share increases, but also larger losses in case such price decreases.
C.16	Exercise Period and Expiration Date	The Warrants can be Exercised on any Business Day during the Exercise Period, as stated in the relevant Final Terms. Any Warrant which is not exercised prior to the Expiration Date shall become shall become void and expire worthless.
C.17	Description of settlement procedures of the Warrants on the Issue Date	The Warrants sold will be delivered on the Issue Date against payment of the Issue Price of the Warrants by registration in the Warrants Register.

C.18	Description of how the return on the Warrants takes place	Each Warrant entitles its holder, upon due Exercise (prior to the Expiration Date), to receive from the Issuer on the Share Delivery Date the Entitlement against payment of the Exercise Price. The excess (if any) of the Share Value of the Underlying Share over the Exercise Price of the Warrant will determine whether a Warrant has an Intrinsic Value for the Warrant Holder upon Exercise of its Warrant. If the Warrant has an Intrinsic Value, the Warrant Holder should be able to realise a return by selling the Underlying Share it receives upon Exercise. The Warrant Holder can also autonomously choose to Sell its Warrant(s) (both Registered Warrants and Dematerialised Warrants) on any Business Days during the Exercise Period (i) either on the open market to any third party or (ii) to the Issuer at the Sale Price. The Warrant Holder can make a return if (a) the Trading Price at which it is able to Sell its Warrant(s) in the open market or (b) the Sale Price at which it is able to Sell its Warrant(s) to the Issuer, is higher than the Trading Price or the Issue Price (as applicable) at which it acquired its Warrant(s). The Issuer has the right, without this being an obligation, to accept such offer (the discretion for the Issuer to accept any offer(s) made by the Warrant Holders to Sell their Warrants to the Issuer does not affect any obligations KBC Bank would have in its role as market maker to purchase Warrants in respect of any Series of Warrants admitted to trading on Euronext Brussels in accordance with the applicable market rules). See Element C.8 above for the rights attached to the Warrants.
C.19	Exercise Price	The Exercise Price of each Warrant of a Series is as stated in the Applicable Final Terms.
C.20	Description of the Underlying Share and where information on Underlying Share can be found	The Underlying Shares are the shares in a company or a fund as set out in the relevant Final Terms [issuer, ISIN]. Information on the Underlying Share(s) is available on the website as set out in the relevant Final Terms.

D. Risk Factors		
D.2	Key risks specific to the Issuer	The Issuer believes that the factors described below represent the principal risks each of which may affect the KBC Group's business and financial condition, and therefore the Issuer ability to perform its obligations under the Warrants issued under the Programme. The Issuer's inability to perform its obligations under the Warrants may occur for other reasons which may not be considered significant risks by the Issuer based on the information currently available or which it may not currently be able to anticipate. The sequence in which the risk

		factors are listed is not an indication of their likelihood to occur or of the extent of their consequences: 1) The KBC Group is subject to economic and market conditions which may pose significant challenges and adversely affect its results, due to, amongst others, the highly competitive market in which the KBC Group operates, liquidity and funding risk, counterparty risk (including in respect of Belgian and European sovereigns), interest rate risk, foreign exchange risk and general market risks. General business and economic conditions that may affect the KBC Group include the level of volatility of interest and foreign exchange rates, inflation, employment levels, bankruptcies, household income, consumer spending, fluctuations in both debt and equity capital markets, liquidity of the global financial markets, the availability and cost of funding, investor confidence, credit spreads (e.g. corporate, sovereign), and the strength of the economies in which the KBC Group operates. In addition, the KBC Group's business activities are dependent upon the level of banking, finance, financial and insurance services required by its customers. The KBC Group's principal credit risk exposure is to retail and corporate customers, including in its mortgage and real estate portfolio, as well as towards other financial institutions and sovereigns. 2) Increased regulation of the financial services industry and changes thereto could adversely affect the KBC Group; there is an increased risk of regulatory and compliance breaches, uncertainty in the KBC Group's ability to (timely) meet new regulatory capital requirements and, for its insurance business, upcoming solvency requirements. Although the KBC Group works closely with its regulators, there can be no assurance that additional regulatory or capital requirements will not have an adverse impact on the KBC Group, its business, financial conditions or results of operation. 3) A downgrading in the credit rating of the KBC Group or its subsidiaries may limit access to certain markets and counterparties and may necessitate the posting of additional collateral to counterparties or exchanges. 4) The KBC Group's risk management procedures and processes may not capture all possible risks, or may not quantify such risks correctly. In addition, operational risks remain inherent to its business, such as the possibility of inadequate or failed internal or external processes or systems, human error, regulatory breaches, the loss of key personnel, employee misconduct, or external events such as fraud or cyber crime. 5) Litigation or other proceedings may adversely affect the KBC Groups business or financial condition, as it is difficult to predict the outcome thereof or the time when such liability risk may materialise. As a result, there can be no assurance that provisions will be sufficient to cover resulting losses.

		6) The acceptance of government support by the KBC Group included the acceptance of related risks and obligations. The ability of the KBC Group to successfully execute its strategic plan is not assured.
D.6	Key risks specific to the Warrants	<u>General risk relating to Warrants:</u> <u>Warrants may not be a suitable investment for all investors:</u> Warrants are complex financial instruments. A potential investor should not invest in Warrants which are complex financial instruments unless it has the expertise (either alone or with a financial adviser(s)) to evaluate how the Warrants will perform under changing conditions, the resulting effects on the value of the Warrants and the impact this investment will have on the potential investor's overall investment portfolio. <u>Warrants involve a high degree of risk and investors must be prepared to sustain a total loss of the purchase price of their Warrants</u> Warrants involve a high degree of risk. Warrants have a leverage effect, meaning that the investment of an amount in Warrants compared to a direct investment of the same amount in the Underlying Share(s) may result in significantly higher gains but also in significantly higher losses. The (non-)occurrence of anticipated fluctuations in the price of the Underlying Share may disproportionately affect the value of Warrants. Warrants may expire worthless if the Underlying Share does not perform as anticipated. If not Exercised in accordance with the Conditions prior to the Expiration Date, a Warrant will become void and expire worthless. 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 Share underlying the Warrants. Warrant Holders should also 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. <u>Exposure to the Underlying Share</u>: Following Exercise of the Warrant and delivery of the Entitlement, the Warrant Holder will be directly exposed to any fluctuation in the Share Value of the Underlying Share. 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 Share in the open market, in which case it will be exposed to any illiquidity in the market for the Underlying Share and will need to bear any costs, expenses and/or taxes that would be incurred in respect of the sale of such Underlying Share. <u>Credit Risk:</u> The Warrant Holder also 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.

		Warrants are unsecured obligations: The Warrants are direct, unconditional, unsecured and unsubordinated obligations of the Issuer. The purchase of Warrants does not confer the Warrant Holder any rights (whether in respect of voting, distributions or otherwise) or recourse attaching to any Shares or security in the underlying Shares. The Warrants does neither provide (prior to its Exercise) any ownership rights in the Underlying Shares. Certain factors affecting the value and Trading Price of the Warrants: The difference between the Share Value of the Underlying Share that can be acquired upon Exercise of a Warrant and the Exercise Price (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. 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). Before Exercising or Selling Warrants, Warrant Holders should carefully consider, among others, the following factors which may affect the value of the Warrant: (i) the Share Value and volatility of the Underlying Share; (ii) the time remaining to the Expiration Date; (iii) the components of the Underlying Share; (iv) the dividends of the components of the Underlying Share; (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 Share 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 Pricing: As part of the valuation mechanism, Warrants may specify a Valuation Time and an Exchange and Related Exchange in which the Share Value of the Underlying Shares are to be observed. Depending on how the Share Value of the Underlying Shares is calculated, the Share Value of such Underlying Shares may fluctuate throughout the Scheduled Trading Day, and they 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 Share Value of the Underlying Shares 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.

		Specific risks relating to the Underlying Shares where the Underlying Shares are units in a fund: in respect of Warrants where the Underlying Shares are units in a fund (as specified in the Applicable Final Terms) certain specific risks may occur, including, but without limitation, breach of the operating documents of the fund, resignations of the investment manager, dissolution, etc. Issuer and Agents' discretion and valuation: 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 in their sole and absolute discretion 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. The influence of trading or hedging transactions of the Issuer on the Warrants: The Issuer may in the course of its normal business activity engage in trading in the underlying Shares or hedge itself in relation to 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. Commission and Cost of Hedging: 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 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 Share. Hedging against the market risk: Due to fluctuating supply and demand for the Warrants, there is no assurance that their value will correlate with movements of the Underlying Shares. Settlement Disruption Event: In the case of a Settlement Disruption Event, settlement will be postponed until the Business Day falling three (3) Business Days after the date in respect of which no such Settlement Disruption Event applies. The Issuer in these circumstances also has the right to pay the Cash Settlement Disruption Price in lieu of delivering the Underlying Shares. Such a determination may have an adverse effect on the value of the relevant Warrants. 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 Underlying Shares comprising the Entitlement (the Affected Shares) due to illiquidity in the market for the

		Underlying Shares, then (i) the Issuer will only deliver any Underlying Shares which are not Affected Shares and the Calculation Agent shall determine the Actual Exercise Price to be paid in respect of such partial delivery; and (ii) in respect of any Affected Shares, 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. Discretion for replacement of the Underlying Share: Upon the occurrence of certain events (including, but not limited to, Merger, Nationalisation, Insolvency), the Warrants may be subject to either (i) adjustments as determined by the Calculation Agent; or (ii) the substitution of the Share the subject of such an event by a replacement share selected by the Calculation Agent; or (iii) cancellation. Illegality: If the Issuer determines that its performance under any Warrant has or that any arrangements made to hedge the Issuer's obligations under any Warrants have become illegal in whole or in part for any reason, the Issuer may cancel such Warrants and, if permitted by applicable law, pay the holder of each such Warrants an amount equal to the Fair Market Value of such Warrants subject to certain adjustments. Potential conflicts of interest: The Issuer (or its Affiliates) may also engage in trading activities (including hedging activities) and other instruments or derivative products based on or related to the Underlying Share for their proprietary accounts or for other accounts under their management. The Issuer may also issue other derivative instruments in respect of the Underlying Share. The Issuer may also act as underwriter in connection with future offerings of the Underlying Shares or other securities related to the Shares underlying the Warrants 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 Shares or other securities referring to the Underlying Share 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. Modifications and substitutions: investors in the Warrants are subject to the risk that the Conditions may be modified without the consent of any Warrant Holder if such modification is not materially prejudicial to the interests of the Warrant Holders or required to correct a minor or formal error or an inconsistency between the Conditions and Applicable Final Terms of the Warrants issue and the relevant term sheet relating to the Warrants. Price in case of Sale to the Issuer: Limit orders are not accepted in respect of a Sale of Warrants to the Issuer. A Warrant Holder that wishes to offer its Warrant(s) for sale to the Issuer should itself consult the website 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.

The Warrant Holder should thereby note that, in case it wishes to Sell its Warrant(s) to the Issuer in accordance with Condition (11)a, it only has a right to offer the Warrant for Sale to the Issuer, but that the Issuer has no obligations to purchase its Warrant(s) (except for any obligations KBC Bank would have in its role as market maker in respect of any Series of Warrants admitted to trading on Euronext Brussels in accordance with the applicable market rules, to purchase on the secondary market). Furthermore, even though the Issuer will publish twice a day 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.

<u>Exercise Expenses, Sale Expenses, charges and costs:</u> a Warrant Holder must pay all Exercise Expenses (in case of the Exercise of a Warrant) and all Sale Expenses (in case of using its right of Sale of a Warrant to the Issuer) relating to the Warrants. The Warrant Holder shall also be liable for any and all present, future, prospective, contingent or anticipated Taxes.

<u>Exercise Risk and Sale Risk:</u> Exercise or Sale of the Warrants and delivery of the Entitlement to the Underlying Shares 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 to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, regulations or practices.

<u>Additional Disruption Events:</u> Subject to particular disruption events occurring ("Change in Law", "Hedging Disruption", "Increased Cost of Hedging", "Increased Cost of Stock Borrow", "Insolvency Filing" and/or "Loss of Stock Borrow"), the Issuer may be entitled to make certain adjustments to, or cancel the Warrants.

<u>Governing Law:</u> The Conditions are based on the laws of Belgium in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to the Belgian law or administrative practice after the date of this Base Prospectus.

<u>Disclosure of beneficial ownership:</u> An investor in Warrants might in some jurisdictions be treated as the beneficial holder of the Underlying Shares to which its Warrants relate and thereby become 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.

<u>Exercise of certain rights only possible through KBC securities account:</u> 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 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 an account with KBC Bank in case the Warrant holder does not have such account. Dematerialised Warrant – 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 The Issuer also has no responsibility or liability for the records relating to, or payments made in respect of, the Dematerialised Warrants through the Securities Settlement System. Dematerialised Warrants – application of the regime of RD 62: 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. 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 though for any Series of Warrants admitted to trading on Euronext Brussels, there will systematically be a party that will be acting as market maker on the secondary market, the secondary market for such Warrants may remain limited. To the extent that an issue of Warrants becomes illiquid, an investor may have to exercise such Warrants to realize value. 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. This presents certain risks relating to currency conversions if the Underlying Shares are denominated principally in a currency or currency unit other

		than the Specified Currency (i.e. the Share Currency). These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Share Currency) and the risk that authorities with jurisdiction over the Share 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.

Section E – Offer		
E.2b	Reasons for the offer and use of proceeds	The Base Prospectus has been prepared solely in connection with the admission of the Warrants to trading on a regulated market pursuant to Article 3(3) of the Prospectus Directive. There will be no public offer of the Warrants and thus reasons for the offer and the use of the proceeds are not required. 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.
E.3	Description of the terms and conditions of the offer	Not applicable. The Base Prospectus has been prepared solely in connection with the admission of the Warrants to trading on a regulated market pursuant to Article 3(3) of the Prospectus Directive. There will be no public offer of the Warrants and thus a description of the terms and conditions of the offer is not required.
E.4	Interest of natural and legal persons involved in the issue/offer	[The Dealer(s) may be paid commissions in relation to any Warrants issued under the Programme.] [As far as the Issuer is aware, no person involved in the issue of the Warrants has an interest material to the offer, including conflicting interests.][Any Dealer [and its Affiliates] may also have engaged, and may in the future engage, in [transactions or perform other services for] [the Issuer and its Affiliates] in the ordinary course of business in relation to the Shares.]
E.7	Estimated expenses charged by the Issuer to the investor	The Base Prospectus has been prepared solely in connection with the admission of the Warrants to trading on a regulated market pursuant to Article 3(3) of the Prospectus Directive. There will be no public offer

		of the Warrants and a description of the estimated expenses charged by the Issuer to the investor is not required.

3. RISK FACTORS

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

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

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

The purchase of Warrants may involve substantial risks and may be suitable only for investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and the merits of an investment in the Warrants. Prior to making an investment decision, prospective investors should consider carefully, in light of their own financial circumstances and investment objectives, (i) all the information set forth in this Base Prospectus (and any supplement, if applicable) and, in particular, the considerations set forth below and (ii) all the information set forth in the Applicable Final Terms. Prospective investors should make such enquiries as they deem necessary without relying on the Issuer or any Dealer. Investors should acquire the Warrants only if they are able to bear the risk of losing any amounts invested, including any transaction costs incurred.

Words and expressions defined in the Conditions of the Warrants below or elsewhere in this Base Prospectus have the same meanings in this Risk Factors section, unless the contrary intention appears.

Risk factors have been grouped as set out below:

I. Risks relating to the Issuer

- Risk relating to the market in which KBC Bank Group operates
- Risk relating to KBC Bank Group and its business

II. Risks relating to the Warrants

- General risks relating to the Warrants
- Risks related to the market generally

I. RISKS RELATING TO THE ISSUER

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

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

The global economy, the condition of the financial markets and adverse macro-economic developments can all significantly influence KBC Bank Group's performance. In recent years, the financial markets have experienced unprecedented levels of market volatility. The after-effects of the financial crisis on the wider economy have led to more difficult earnings conditions for the financial sector. In the past few years, the tightening of credit, increased market volatility and widespread reduction of business activity have adversely affected KBC Bank Group's financial condition, results of operations, liquidity and access to capital and credit.

Furthermore, certain countries in Europe have relatively large sovereign debts or fiscal deficits, or both, which has in the recent past led to tensions in the EU bond markets, the interbank lending market and to credit spread volatility and constrained the availability of wholesale debt funding at reasonable cost. The peripheral crisis of 2010 also affected countries in which KBC Bank Group operates, such as Ireland.

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

The losses and asset impairments resulting from the financial crisis forced many banks, including KBC Bank Group, to raise additional capital in order to maintain appropriate capital adequacy and solvency ratios. Nonetheless, KBC Bank Group and/or certain of its regulated subsidiaries may need to raise additional capital, either as a result of further asset impairments or other factors. Further infusions of additional equity capital, if necessary, may be difficult to achieve. Any failure by KBC Bank Group to maintain its minimum regulatory capital ratios could result in administrative actions or sanctions, which in turn may have a material adverse effect on operating results, financial condition and prospects.

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

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

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

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

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

Amongst others, Basel III was implemented in the European Union through the adoption of Regulation (EU) n°575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (**CRR**), supplemented by Regulation (EU) 2015/61 of the Commission and Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions on prudential requirements for credit institutions and investment firms (**CRD**, and together with CRR, **CRD IV**). It is further completed by Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council (**RRD**). The European Central Bank assumed supervisory responsibility as from November 2014 pursuant to Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (the **Single Supervision Mechanism** or **SSM**) and Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Bank Resolution Fund and amending Regulation (EU) No 1093/2010 of the European Parliament and of the Council (the **Single Resolution Mechanism** or **SRM**). Furthermore, changes are also being made to the International Financial Accounting Standards (**IFRS**). Although the KBC Bank Group works closely with its regulators and continually monitors regulatory developments, there can be no assurance that additional regulatory or capital requirements will not have an adverse impact on the KBC Bank Group, its business, financial condition or results of operations.

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

In addition, the Banking Law also puts a lot of emphasis on the solid and efficient organisation of credit institutions and introduces to that effect a dual governance structure at management level, specialised advisory committees within the Board of Directors (audit committee, risk committee, remuneration committee and nomination committee), independent control functions, and strict remuneration policies (including limits on the amount of variable remuneration, the form and timing for vesting and payment of variable remuneration, as well as claw-back mechanics). The Banking Law makes a fundamental distinction between the management of banking activities, which is within the competence of the Executive Committee, and the supervision of management and the definition of the credit institution's general and risk policy, which is entrusted to the Board of Directors. Pursuant to the Banking Law, the members of the Executive Committee and the Board of Directors need to permanently have the required professional reliability and appropriate experience. The same goes for the responsible persons of the independent control functions. The fit and proper standards have been further elaborated by the NBB in a circular of 17 June 2013. The circular of 30 march 2007 regarding prudential expectations with regard to corporate governance (Circular Corporate Governance) contains recommendations to assure the autonomy of the banking function, the organisation of the independent control functions and the proper governance of the credit institution.

There can be no assurance that the implementation of these new standards, or any other new regulation, will not require KBC Bank Group to issue securities that qualify as regulatory capital or to liquidate assets or curtail business, all of which may have adverse effects on its business, financial condition and results of operations.

Furthermore, KBC Bank Group conducts its businesses subject to on-going regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies and interpretations in Belgium and the other regions in which KBC Bank Group conducts its business. Changes in supervision and regulation, in particular in Belgium and Central and Eastern Europe (e.g. Hungary), could materially affect KBC Bank Group's business, the products and services offered by it or the value of its assets. In addition to the above, since the start of the global economic downturn, there seems to be 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. There can be no assurance that such increased scrutiny or charges, will not require KBC Bank Group to take additional measures which, in turn, may have adverse effects on its business, financial condition and results of operations.

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

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

In its Belgian home market, KBC Bank Group faces substantial competition, mainly from BNP Paribas Fortis, ING Group and Belfius Bank. In addition, KBC Bank Group faces increased competition in the Belgian savings market from smaller-scale banking competitors (and internet bank competitors) seeking to enlarge their respective market shares by offering higher interest rates. In Central and Eastern Europe, KBC Bank Group faces competition from the regional banks in each of the jurisdictions in which it operates and from international competitors such as UniCredit, Erste Bank and Raiffeisen International. Competition is also affected by consumer demand, technological changes, regulatory actions and/or limitations and other factors. These competitive pressures could result in increased pricing pressures on a number of KBC Bank Group's products and services and in the loss of market share in one or more such markets.

2 Risks relating to KBC Bank Group and its business

2.1 KBC Bank Group has significant credit default risk exposure

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

Credit institutions have witnessed a significant increase in default rates over the past few years as a result of worsening economic conditions. This increase in the scope and scale of defaults is evidenced by the significant increase in the amount of impaired loans in the portfolio of KBC Bank Group in 2013, although this has been decreasing again since 2014. This trend remains visible, particularly in Ireland. In some of the Central and Eastern European countries where KBC Bank Group is active in, credit is also granted in a currency other than the local currency. Changes in exchange rates between the local and such other currency can also have an impact on the credit quality of the borrower. Any further adverse changes in the credit quality of KBC Bank Group's borrowers, counterparties or other obligors could affect the recoverability and value of its assets and require an increase in KBC Bank Group's provision for bad and doubtful debts and other provisions. In addition to the credit quality of the borrower, adverse market conditions such as declining real estate prices negatively affect the results of KBC Bank Group's credit portfolio since these conditions impact the recovery value of the collateral. All this could be further exacerbated in the case of a prolonged economic downturn or worsening market conditions.

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

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

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

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

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

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

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

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

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

2.3 KBC Bank Group is exposed to counterparty credit risk in derivative transactions

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

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

Counterparty credit risk has increased due to recent volatility in the financial markets and may be further exacerbated if the collateral held by KBC Bank Group cannot be realised or liquidated at a value that is sufficient to cover the full amount of the counterparty exposure.

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

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

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

2.5 KBC Bank Group is subject to foreign exchange risk

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

2.6 KBC Bank Group is subject to market risk

The most significant market risks KBC Bank Group faces are interest rate, spread, foreign exchange and bond and equity price risks. Changes in interest rate levels, yield curves and spreads may affect the interest rate margin realised between lending and borrowing costs. Changes in currency rates affect the value of assets and liabilities denominated in foreign currencies and may affect income from foreign exchange dealing. The performance of financial markets may cause changes in the value of KBC Bank Group's investment and trading portfolios.

KBC Bank Group uses a range of instruments and strategies to partly hedge against certain market risks. If these instruments and strategies prove ineffective or only partially effective KBC Bank Group may suffer losses. Unforeseen market developments such as those in relation to the government bonds of various countries which occurred in 2011 and 2012 may significantly reduce the effectiveness of the measures taken by KBC Bank Group to hedge risks. Gains and losses from ineffective risk-hedging measures may heighten the volatility of the results achieved by KBC Bank Group and could therefore have a material adverse effect on KBC Bank Group's business, results of operations and financial condition.

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

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

KBC Group NV's or its subsidiaries' failure to maintain their credit ratings could adversely affect 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 KBC Bank Group to engage in funding transactions. A further reduction in an entity of the KBC Bank Group's or credit ratings also could have a significant impact on certain trading revenues, particularly in those businesses where longer term counterparty performance is critical. In connection with certain trading agreements, an entity of the KBC Bank Group may be required to provide additional collateral in the event of a credit ratings downgrade.

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

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

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

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

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

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

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

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

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

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

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

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

2.12 *Minimum regulatory capital and liquidity requirements*

KBC Bank Group is subject to the risk, inherent in all regulated financial businesses, of having insufficient capital resources to meet the minimum regulatory capital requirements. Under Basel II and Basel III, capital requirements are inherently more sensitive to market movements than under previous regimes. Capital requirements will increase if economic conditions or negative trends in the financial markets worsen. Moreover, KBC Bank Group is required to meet certain capital and liquidity requirements under CRD IV, which implements the Basel III requirements. Such requirements are being gradually phased in and have an impact on KBC Bank Group and its operations, as it imposes higher capital requirements.

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

Under CRD IV, KBC Bank Group became subject to binding public reporting requirements with regard to its leverage ratio (which compares Tier 1 capital to total assets).

2.13 *KBC Bank Group could become subject to the exercise of "bail-in" powers or other resolution measures by the resolution authorities. The potential impact thereof is inherently uncertain, including in certain significant stress situations*

The recovery and resolution directive RRD, which was adopted in May 2014 and implemented in the Banking Law, provides common tools and powers to so-called supervisory and resolution authorities to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses. The powers granted to resolution authorities under the RRD include a "bail-in" power and a statutory "write-down and conversion power". These are the power to write down the claims of unsecured creditors (including the rights of Warrant Holders) of a failing institution in order to recapitalise the institution by allocating losses to its shareholders and unsecured creditors, or to convert debt into equity, as a means of restoring the institution's capital position. The bail-in power is applicable to all eligible liabilities as defined in the RRD. Pursuant to Article 44 (2) of the RRD, certain liabilities of credit institutions are however excluded from the scope of the "eligible liabilities" and therefore not subject to the bail-in. The write-down and conversion power is applicable towards additional Tier 1 and Tier 2 capital instruments. The bail-in power was introduced with effect on 1 January 2016.

As these are new rules, and certain aspects relating amongst others to the types of liabilities that will be subject to the bail-in powers need to be further implement by means of technical standards, considerable uncertainty remains about the potential effect thereof on the business and operations of KBC Bank Group and how the authorities may choose to exercise the powers afforded to them under such rules.

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

Furthermore, there are still a number of important implementation rules that need to be adopted under CRD IV, RRD and the Banking Law (including in relation to future liquidity and leverage requirements) and interpretational issues to be resolved through the adoption of binding technical standards. A number of important matters are being left to the discretion of the regulator.

In addition, the European Central Bank assumed in November 2014 under the Single Supervision Mechanism certain supervisory responsibilities in relation to KBC, which were formerly handled by the National Bank of Belgium. The European Central Bank may interpret CRD IV, or exercise discretions accorded by the regulator under CRD IV (including options with respect to the treatment of assets of other affiliates) in a different manner than the National Bank of Belgium. Moreover, Eurozone credit institutions of a certain size (including the Issuer) are to fall under the competences of the Single Resolution Mechanism at the European level as from January 2016. The resolution board will replace national resolution authorities and will be in charge of assessing whether the conditions for any write down or bail-in are met and whether any credit institution must be placed under resolution.

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

2.14 Belgian bank recovery and resolution regime

RRD had been transposed into Belgian law as from 6 March 2015. Under the Belgian bank recovery and resolution regime, the supervisory and resolution authorities (which includes the National Resolution Authority) are able to take a number of measures in respect of any credit institution it supervises if deficiencies in such credit institution's operations are not remedied. Such measures include: the appointment of a special commissioner whose consent is required for all or some of the decisions taken by all the institution's corporate bodies; the imposition of additional requirements in terms of solvency, liquidity, risk concentration and the imposition of other limitations; the limitations on variable remuneration; the complete or partial suspension or prohibition of the institution's activities; the requirement to transfer all or part of the institution's participations in other companies; the replacement of the institution's directors or managers; the revocation of the institution's licence; and the right to impose the reservation of distributable profits, or the suspension of dividend distributions or interest payments to holders of additional Tier 1 capital instruments.

Furthermore, the lead regulators can impose specific measures on important financial institutions (including the Issuer, and whether systemic or not), when the resolution authority is of the opinion that (a) such financial institution has an unsuitable risk profile or (b) the policy of the financial institution can have a negative impact on the stability of the financial system.

The Banking Law allows the National Resolution Authority to take resolution actions (in which respect please see paragraph (13) above). Such powers include the power to (i) direct the sale of the relevant financial institution or the whole or part of its business on commercial terms without requiring the consent of the shareholders or complying with procedural requirements that would otherwise apply, (ii) transfer all or part of the business of the relevant financial institution to a "bridge institution" (an entity created for that purpose which is wholly or partially in public control) and (iii) separate assets by transferring impaired or problem assets to a bridge institution or one or more asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down. In addition, the Banking Law grants a "bail-in" power to the NRA as set out in paragraph (13) above. These bail-in powers will, at the earliest, enter into force on 1 January 2016. As indicated above, under the Banking Law, the powers of the supervisory and resolution authorities are significantly expanded. Implementation by the supervisory and/or resolution authorities of any of their powers of intervention could have an adverse effect on the interests of the Noteholders.

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

KBC Bank Group conducts the vast majority of its business in the European Union. Part of that business has led to an exposure by KBC Bank Group towards various countries in the European

Union, including certain countries which have come under market pressure. Given the recent political, economic and financial developments in most of the European countries, KBC Bank Group incurs a risk that those countries will no longer be able to comply with the terms and conditions of their exposure vis-à-vis KBC Bank Group. If such sovereign risk would materialise, KBC Bank Group's business, financial condition and results of operation could be materially adversely affected.

2.16 KBC Bank Group is exposed to potential losses stemming from previous activities in structured products portfolios, including its ABS and CDO portfolios

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

- ABSs are bonds or notes backed by loans or accounts receivable originated by providers of credit, such as banks and credit card companies. Typically, the originator of the loans or accounts receivable transfers the credit risk to a trust, which pools these assets and repackages them as securities. These securities are then underwritten by brokerage firms which offer them to the public.

- CDOs are a type of asset-backed security and a structured finance product in which a distinct legal entity, a Special Purpose Vehicle ("**SPV**"), issues bonds or notes against an investment in an underlying asset pool. Pools may differ with regard to the nature of their underlying assets and can be collateralised either by a portfolio of bonds, loans and other debt obligations, or be backed by synthetic credit exposures through use of credit derivatives and credit-linked notes.

KBC Bank Group has gradually been running down its CDO portfolio over the past few years. In September 2014, KBC Bank Group collapsed the last two CDOs in its portfolio. Collapsing these CDOs also released KBC Bank Group from the CDO guarantee agreement with the Belgian Federal Government (see also "*Description of the Issuer*", Subsection "*Risk Management – Structured Credit Exposure KBC Group (CDOs and other ABS)*") and completely eliminated the group's exposure to MBIA. Standing at more than 25 billion euros in 2008, KBC Bank Group has fully scaled down the CDO portfolio in the space of five years. It should be noted that KBC is the counterparty to and issuer of a further 0.3 billion euros' worth of CDO notes held by investors that will remain outstanding until year-end 2017. Consequently, negligible movements may yet be recorded in KBC's income statement in the coming quarters based on changes in the value of these notes (due primarily to credit spreads on the underlying portfolio).

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

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

2.17 Risks associated with the government support and the associated EU Plan

The acceptance of government support also includes the acceptance of related risks and obligations.

The acceptance of government support and the approval of these measures under European Union state aid rules were subject to submission by the Belgian authorities of a restructuring plan for KBC Bank Group containing measures to safeguard its long-term viability and to ensure its capacity to repay within a reasonable timeframe the capital received. This restructuring plan was approved on 18 November 2009, as amended on 27 July 2011 and on 22 December 2011 and further amended on 20 December 2012 in relation to the State guarantee. Under the terms of such approval, the European

Commission imposed a range of conditions on KBC Bank Group, including divestment, conduct of business and other restrictions.

Following the completion of the sale of KBC Bank Deutschland, KBC Bank Group has successfully implemented its full restructuring plan and fulfilled all the commitments as agreed between KBC Bank Group and the European Commission in November 2009 and amended later. Please also refer to the section "KBC Group Strategy" in the part "Description of the Issuer" in this Base Prospectus. With effect from 19 November 2014, KBC Bank Group is also no longer subject to any behavioural measures (such as the price leadership and acquisition bans).

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

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

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

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

II. RISKS RELATING TO THE WARRANTS

1. General risk relating to Warrants

1.1 The Warrants may not be a suitable investment for all investors

Each potential investor in the Warrants must determine the suitability of the investment in light of its own circumstances. In particular, each potential investor should, without reliance on KBC Bank:

(1) have sufficient knowledge and experience to make a meaningful evaluation of the Warrants, the merits and risks of investing in the Warrants and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement and all information contained in the Applicable Final Terms;

(2) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Warrants and the impact the Warrants will have on its overall investment portfolio;

(3) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Warrants;

(4) understand thoroughly the terms and conditions of the Warrants and be familiar with the behaviour of any relevant indices and financial markets; and

(5) be able to evaluate (either alone or with the help of a financial adviser(s)) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Warrants are complex financial instruments. A potential investor should not invest in Warrants which are complex financial instruments unless it has the expertise (either alone or with a financial adviser(s)) to evaluate how the Warrants will perform under changing conditions, the resulting effects on the value of the Warrants and the impact this investment will have on the potential investor's overall investment portfolio.

1.2 *Warrants involve a high degree of risk and investors must be prepared to sustain a total loss of the purchase price of their Warrants*

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 a lower return and little or no capital risk, Warrants may potentially have a greater return but there is a greater risk of loss of capital. This is because the Warrants are designed to track the price or level of the Underlying Share. The occurrence of fluctuations or the non-occurrence of anticipated fluctuations in the Share Value of the Underlying Share 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 equivalent to an investment in a time deposit. Warrants do not pay any interest. The Warrants are not covered by the Belgian deposit protection scheme.

If not Exercised in accordance with the Conditions prior to the Expiration Date, a Warrant will become void and expire worthless.

Warrant Holders risk losing their entire investment if the Underlying Share does not perform as anticipated. Further risks may include, among others, interest rate, foreign exchange, time value and political risks. 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, should understand the risks of transactions involving the relevant Warrants and should reach an investment decision only after careful consideration, with their financial and tax advisers, of the suitability of such Warrants in light of their particular financial circumstances.

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 Share Value of the Underlying. Assuming all other factors are held constant, the more a Warrant is 'out-of-the-money' (meaning that the Share Value of the Underlying Share 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.

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.

1.3 Exposure to the Underlying Share

Following Exercise of the Warrant and delivery of the Entitlement, the Warrant Holder will be directly exposed to any fluctuation in the Share Value of the Underlying Share. 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 Share in the open market, in which case it will be exposed to any illiquidity in the market for the Underlying Share and will need to bear any costs, expenses and/or taxes that would be incurred in respect of the sale of such Underlying Share.

1.4 Credit Risk

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.

1.5 Warrants are unsecured obligations

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.

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

1.6 No ownership rights

An investment in Warrants is not the same as an investment in the Underlying Share 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 Share may have (such as voting rights and rights to receive dividends).

1.7 Certain factors affecting the value and Trading Price of the Warrants

The difference between the Share Value of the Underlying Share 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 Share Value of the Underlying Share 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).

Before Exercising or Selling Warrants, Warrant Holders should carefully consider, among others, the following factors which may affect the value of the Warrant: (i) the Share Value and volatility of the Underlying Share; (ii) the time remaining to the Expiration Date; (iii) the components of the Underlying Share; (iv) the dividends of the components of the Underlying Share; (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 Share 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 Share Value of the Underlying Share*

Fluctuations in Share Value of the Underlying Share may affect the Warrant Value. The Share Value of the Underlying Share 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 Share*

If the size and frequency of market fluctuations of the Underlying Share 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 Share Value of the Underlying Share. 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 decreases, 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 Share 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 Share 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 Share) 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 Share, the investment of an equal amount in Warrants compared to a direct investment in the Underlying Share, will result in larger gains on the Warrants in the event the price of the Underlying Share increases, but also larger losses in case such price decreases.

1.8 Pricing

As part of the valuation mechanism, Warrants may specify a Valuation Time and an Exchange and Related Exchange in which the Share Value of the Underlying Shares are to be observed. Depending on how the Share Value of the Underlying Shares is calculated, the Share Value of such Underlying Shares may fluctuate throughout the Scheduled Trading Day, and they 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 Share Value of the Underlying Shares 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.

1.9 Specific risks relating to the Underlying Shares where the Underlying Shares are units in a fund

In respect of Warrants where the Underlying Shares are units in a fund (as specified in the Applicable Final Terms) one of the following events may occur:

(i) breach by the relevant fund of any applicable provisions of its operating documents, including any strategy or investment guidelines;

(ii) partial or non-execution of a redemption or subscription order of a hypothetical investor in the fund;

(iii) dissolution, winding up, liquidation or analogous proceedings being commenced in respect of the fund;

(iv) investment manager, manager or custodian of the fund ceases to act in such capacity;

(v) material modification of the investment programme, objectives, policies, strategy, process or guidelines of the fund;

(vi) failure by the fund to comply with its reporting obligations;

(vii) material modification of the fund's operating documents or articles of association or other constitutional documents;

(viii) material modification of the type of assets in which the fund invests or the trading practices of the fund;

(ix) suspensions or redemptions of shares in the fund, repurchase or compulsory redemption of shares in the fund or analogous restrictions;

(x) loss of authorisation or registration in respect of the fund or its investment manager;

(xi) the fund or its investment manager or administration agent being subject to regulatory or legal proceedings or investigations;

(xii) cancellation, suspension or revocation of the registration or approval of the fund or change in tax, legal or regulatory treatment of the fund; and

(xiii) expropriation of the shares or the assets of the fund.

Following the occurrence of such event, the Calculation Agent may make certain adjustments or substitutions for the Affected Shares as the Calculation Agent may determine, or under certain circumstances the Calculation Agent may determine that the relevant Warrants shall be terminated upon payment to the Warrant Holders of the Fair Market Value of the Warrants. In exercising such discretion, the Warrant Agent shall in any event be bound to comply with the mandatory provisions of the Belgian Code of Economic Law to the extent applicable.

1.10 Issuer and Agents' discretion and valuation

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 *1.20– Potential conflicts of interest*).

1.11 The influence of trading or hedging transactions of the Issuer on the Warrants

The Issuer may in the course of its normal business activity engage in trading in the Underlying Shares. 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.

1.12 Commission and cost of hedging

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 Share.

1.13 Hedging against the market risk

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

This is, in part, due to fluctuating supply 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 Share Value of any Underlying Share 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.

1.14 Market Disruption Event

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 Share 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 Share may have an adverse effect on the Warrant Value of such Warrants.

1.15 Settlement Disruption Event

If, following the Exercise of a Warrant, a Settlement Disruption Event occurs or exists on the Share Delivery Date of the Underlying Shares, delivery of the Underlying Shares 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 Shares.

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

1.16 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 Underlying Shares comprising the Entitlement (the **Affected Shares**) due to illiquidity in the market for the Underlying Shares, then

(i) the Issuer will only deliver any Underlying Shares which are not Affected Shares 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 Shares, *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.

1.17 Discretion for replacement of an Underlying Share

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) the substitution of the Underlying Share which is the subject of such an event by a replacement share selected by the Calculation Agent; or (iii) 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.

1.18 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” and/or “Loss of Stock Borrow” as 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 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 Share that may occur following such Additional Disruption Event.

1.19 Illegality

If the performance by the Issuer under any Warrants has or any arrangements made to hedge the Issuer's obligations under any Warrants have become illegal in whole or in part for any duly documented reason, the Issuer may cancel such Warrants and, if permitted by applicable law, pay the holder of each such Warrants an amount equal to the Fair Market Value of such Warrants notwithstanding such illegality, plus, if already paid, the Actual Exercise Price, the Exercise Cost and the Exercise Expenses, all as determined by the Calculation Agent in its sole and absolute discretion.

1.20 Potential conflicts of interest

The Issuer (or its Affiliates) may also engage in trading activities (including hedging activities) related to the Underlying Share and other instruments or derivative products based on or related to the Underlying Shares for their proprietary accounts or for other accounts under their management. The Issuer may also issue other derivative instruments in respect of the Underlying Shares. The Issuer may also act as underwriter in connection with future offerings of the Underlying Shares or other securities related to the Underlying Shares 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 Shares or other securities referring to the Underlying Share 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.

1.21 Modifications and substitutions

Investors in the Warrants are subject to the risk that the Conditions may be modified without the consent of any Warrant Holder where the Issuer determines 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.

1.22 Price in case of Sale to the Issuer

Limit orders are not accepted in respect of a Sale of Warrants to the Issuer. A Warrant Holder that wishes to offer its Warrant(s) for sale to the Issuer should itself consult the website 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.

The Warrant Holder should thereby note that, in respect of a Sale of its Warrants to the Issuer in accordance with Condition (11)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 twice a day 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.

1.23 Exercise Expenses, Sale Expenses and other charges and costs

A Warrant Holder must pay all Exercise Expenses (in case of the Exercise of a Warrant) and all Sale Expenses (in case of using its right of Sale of a Warrant to the Issuer) relating to the Warrants. The Warrant Holder shall also be liable for any and all present, future, prospective, contingent or anticipated Taxes. For a further description of the Exercise Expenses, Sale Expenses and Taxes, please refer to the Conditions.

The Issuer will deduct from amounts payable to the Warrant Holder all Exercise Expenses, Sale Expenses and Taxes not previously paid by, or deducted from amounts paid to Warrant Holders as the Calculation Agent in its sole and absolute discretion determines are attributable to the Warrants.

1.24 Exercise Risk and Sale Risk

Exercise or Sale of the Warrants and delivery of the Entitlement to the Underlying Shares 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 to effect the transactions contemplated, after using all reasonable efforts, 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.

1.25 Governing Law

The Conditions are based on the laws of Belgium in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to Belgian law or administrative practice after the date of this Base Prospectus. Such decision or change may result in a Change in Law and constitute an Additional Disruption Event.

1.26 Disclosure of beneficial ownership

An investor in Warrants might in some jurisdictions be treated as the beneficial holder of the Underlying Shares to which its Warrants relate. Consequently, depending on the size of an investor's exposure to the Underlying Shares, 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.

1.27 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 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 an account with KBC Bank in case the Warrant holder does not have such account.

1.28 Dematerialised Warrant – 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.

The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, the Dematerialised Warrants. Warrant Holders should also inform themselves about any costs of holding the Dematerialised Warrants on a securities account outside of KBC Bank. The Issuer does not bear any responsibility in respect of such costs.

1.29 Dematerialised Warrants – application of the regime of 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 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.

2 Risks related to the market generally

2.1 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.

2.2 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 Shares are denominated principally in a currency or currency unit other than the Specified Currency (the **Share Currency**). These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Share Currency) and the risk that authorities with jurisdiction over the Share 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.

4. RESPONSIBILITY STATEMENT

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.

5. 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.

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

The Issuer has not authorised any offer to the public of Warrants in any Member State of the European Economic Area. In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), an offer to the public of any Warrant may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any Warrant may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(i) to legal entities which are qualified investors as defined under the Prospectus Directive;

(ii) to fewer than 100, or, if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive (as defined below), 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant dealer;

(iii) in respect of an offer of securities whose denomination per unit amounts to at least EUR 100,000; or

(iv) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of the Warrants shall result in a requirement for the Issuer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of the provisions above, the expression an **offer to the public** in relation to any Warrants in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Warrants to be offered so as to enable an investor to decide to purchase any Warrants, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State.

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 or 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.

6. DOCUMENTS INCORPORATED BY REFERENCE

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

- The audited consolidated annual financial statements of the Issuer for the financial years ended 31 December 2013 together with the related statutory auditors' report;
- the audited consolidated annual financial statements of the Issuer for the financial years ended and 31 December 2014, together with the related statutory auditors' report;
- the semi-annual financial statements of the Issuer for the half year ended 30 June 2015; and
- the unaudited interim financial statement of the Issuer for the full year ended 31 December 2015, set out in the Extended Quarterly Report 4Q2015 of KBC Group NV.

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

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the registered office of the Issuer and on the website at www.kbc.com.

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

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

Specific items contained in *Documents Incorporated by Reference*

Documents

Audited consolidated annual financial statements of the Issuer and its consolidated subsidiaries for the financial year ended 31 December 2014 *	**Page number**
report of the board of directors	4-72
consolidated balance sheet	77
consolidated income statement	75
consolidated statement of comprehensive income	76
consolidated cash flow statement	80-81
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*Audited consolidated annual financial statements of the Issuer and its consolidated subsidiaries for the financial year ended 31 December 2013**	**Page number**
report of the board of directors	4-65
consolidated balance sheet	71
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consolidated cash flow statement	74-76
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Unaudited Interim financial report for the half year to June 30, 2015 of the Issuer *	**Page number**
report for the six months of 2015	2-8
consolidated financial statements according to IFRS	9
consolidated income statement	10
condensed consolidated statement of comprehensive income	11

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

Information contained in the documents incorporated by reference other than information listed in the table above is for information purposes only.

7. 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 14 of the Prospectus Directive.*

KBC Bank NV (the **Issuer**) has established a programme (the **Programme)** for the issuance of call warrants (*koopwarranten/warrants d'achat*) relating to certain Underlying Shares (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 8 March 2016 (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)).

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, 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.

By subscribing for or otherwise acquiring the Warrants, the Warrant Holders will be deemed to have had the possibility to take knowledge of, accept and be bound by all the provisions of, the Conditions, the Applicable Final Terms, all provisions of the Warrant Agreement (insofar they relate to the Warrants) and (if applicable in respect of a particular Series) any Calculation Agency Agreement, which are binding on them.

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 in Belgium.

Especially with regard to an unilateral modification of essential features of a financial product, the Articles VI.82 to VI.84 of the Belgian Code of Economic Law provide that, except in the case of a force majeure event, the Issuer may not make a unilateral modification to a product if it concerns an essential feature of the product.

Furthermore, the cancellation of the Warrants provided for in these Conditions is, to the extent the Warrant Holder is a consumer in Belgium, possible only upon a decision of the Issuer or the Calculation Agent as a consequence of a force majeure event or with indemnification of the loss suffered by the Warrant Holder because of the cancellation. More generally, such modification or cancellation may not in any way disrupt the contractual equilibrium between the rights and obligations of the parties to the contract, to the detriment of the consumer-Warrant Holder.

The Warrants are instruments that allow the Warrant Holder to gain an exposure on an Underlying Share. Their value may fluctuate based on, *inter alia*, fluctuations in the Share Value of the Underlying Share. 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)). In case of an Exercise of the Warrants, the Warrant Holders may realise a return by selling the Underlying Shares they receive upon Exercise provided the Warrants have an Intrinsic Value at such time. 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 Share Delivery Date, provide for a cash settlement rather than a physical delivery of the Underlying Share 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)d (*Modifications*);

(d) Condition (19)a (*Potential Adjustment Events*);

(e) Condition (19)b (*De-Listing, Merger Event, Tender Offer (if specified in the Applicable Final Terms), Insolvency and Nationalisation*);

(f) Condition (20) (*Additional Disruption Events*): “Change in Law”, “Hedging Disruption”, “Increased Cost of Hedging”, “Increased Cost of Stock Borrow” and/or “Loss of Stock Borrow”, in each case if specified in the Applicable Final Terms.

The sole purpose of these provision is to allow the Issuer, the Calculation Agent and/or the Warrant Agent, as the case may be, upon the occurrence of certain events which are outside of the control of the Issuer, the Calculation Agent and/or the Warrant Agent and which were not reasonably foreseeable at the time of issuance of the relevant Warrants, 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:

(g) Condition (12) (*Illegality*);

(h) Condition (19)b (*De-Listing, Merger Event, Tender Offer (if specified in the Applicable Final Terms), Insolvency and Nationalisation*);

(i) Condition (20) (*Additional Disruption Events*): "Change in Law", "Hedging Disruption", "Increased Cost of Hedging", "Increased Cost of Stock Borrow" and/or "Loss of Stock Borrow", 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 which are outside of the control of the Issuer, the Calculation Agent and/or the Warrant Agent and which were not reasonably foreseeable at the time of issuance of the relevant Warrants 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.

(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(ii);

Additional Disruption Event means any of Change in Law, Hedging Disruption, Increased Cost of Hedging, Increased Cost of Stock Borrow and/or Loss of Stock Borrow, in each case if specified in the Applicable Final Terms.

Affiliate means in relation to any entity (the **First Entity**), any entity controlled, directly or indirectly, by the First Entity, any entity that controls, directly or indirectly, the First Entity or any entity directly or indirectly under common control with the First Entity. For 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 relevant 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 Notes, 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) (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), (X) it has become illegal to hold, acquire or dispose of any relevant Underlying Share or Warrant or (Y) the 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).

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.

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 quotes 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 whether the Exchange is within the European Union, in a member state of the European Union).

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

Dematerialised Warrants has the meaning 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 Underlying Shares comprising the Entitlement and such non-affected Shares have been duly delivered, the value of such affected Underlying Shares), as determined by the Calculation Agent plus, if already paid, the Actual Exercise Price, the Exercise Cost and Exercise Expenses (or, where some Shares 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).

Entitlement means, in respect of a Warrant of a Series, the number of the Underlying Shares or fraction of the Underlying Share which a Warrant Holder is entitled to receive upon Exercise of such Warrant.

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 Share 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 Share).

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 Shares 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 Underlying Shares 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 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 Share, 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 Shares 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 nay 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 Share 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 Share, the Initial Stock Loan Rate specified in relation to such Share in the Applicable Final Terms.

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

Insolvency Filing means that a Share Company 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 shall not be deemed an Insolvency.

Intrinsic Value, in respect a Warrant, the value that is based on the difference between the Share Value of the Underlying Share 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 Share 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 Share when this Underlying Share is listed:

(a) the occurrence or existence at any time during the one hour period that ends at the relevant Valuation Time of:

(i) any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise:

(A) relating to the Underlying Share on the Exchange; or

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

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

(b) the closure on any Exchange Business Day of 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 Share, the Maximum Stock Loan Rate specified in the Applicable Final Terms.

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 percent 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 percent of the outstanding Underlying Shares immediately following such event, in each case if the Merger Date is on or before the relevant Share 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.

Net Asset Value means, in respect of any Underlying Share in a fund, 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.

Potential Adjustment Event means any of the following (in each case, provide 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 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; or

(vi) in respect of a Share Company, an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of such Share Company pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred stock, warrants, debt instruments or stock rights at a price below their market value as determined by the Calculation Agent, provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights; and

(vii) any other event having, in the opinion of the Calculation Agent, a diluting or concentrative effect on the theoretical value of the relevant Shares.

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 Share, 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 Share.

Sale Expenses has the meaning set out in Condition (11)h(vi).

Sale Notice means 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.

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

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).

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, in the opinion of the Calculation Agent, 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 Shares (using the method for delivery of such Entitlement in the Underlying Shares 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 a company or companies which issue(s) the Underlying Shares.

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

Share Value means, in respect of an Underlying Share, the value of such Underlying Share 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 in a fund, the Net Asset Value.

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.

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 percent and less than 100 percent 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.

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

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 Share means, in respect of a Warrant of a Series, the underlying share or unit in a company or fund, 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: (aa) the Valuation Date shall be the Eighth Scheduled Trading Day; or (bb) the Valuation Date shall be 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 Share 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.

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 Notes, 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 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. For further information on the dematerialisation process please refer to Condition (6) hereinafter.

(3) Title and Transfer

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, 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 Share 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 Share(s) 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 Share (except for the right to acquire an Entitlement in the Underlying Share at the Exercise Price).

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. 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.

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.

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 27*

January 2004 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.

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 Shares 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

i. 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.

ii. 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).

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 Share 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 Share (except for the right to acquire an Entitlement in the Underlying Share 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 Share by Exercising the Warrant will have full title to the Entitlement in Underlying Share and all rights attached thereto.

a. <u>Exercise Period</u>

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, 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. <u>Exercise Price, Entitlement and Actual Exercise Price</u>

The Exercise Price for a Warrant of a given Series will be set by the Issuer on the relevant Issue Date based on the Share Value of the Underlying Share (and will hence be expressed by reference to an entire share or unit in the Underlying Share). 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 Shares 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. <u>Physical Delivery of the Underlying Shares following Exercise</u>

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. 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.

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 Shares 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 Shares executed on the relevant Actual Exercise Date and to be delivered in the same manner as such relevant Underlying Shares. 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 Shares. Following Exercise of its Warrant and physical delivery of its Entitlement to the Underlying Shares, the investor will be exposed to fluctuations in the Share Value of the Underlying Share and will have to sell such Underlying Share in the open market in order to receive cash.

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 Share Delivery Date, then the Share 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 Share 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 the avoidance of doubt, where a Settlement Disruption Event affects some but not all of the Underlying Shares comprising the Entitlement, the Share Delivery Date for the Underlying Shares not affected by the Settlement Disruption Event will be the originally designated Share Delivery Date. In the event that a Settlement Disruption Event will result in the delivery on a Share Delivery Date of some but not all of the Underlying Shares comprising the Entitlement, the Calculation Agent shall determine the Actual Exercise Price to be paid by the relevant Warrant Holder in respect of that partial delivery.

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^{th}) 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 Underlying Shares comprising the Entitlement (the **Affected Shares**), where such failure to deliver is due to illiquidity in the market for the Underlying Shares (a **Failure to Deliver**), then

(i) subject as provided elsewhere in these Conditions, any Underlying Shares which are not Affected Shares, will be delivered on the originally designated Share 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 Shares, *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^{th}) 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. <u>Costs and Expenses</u>

In case of Exercise of a Warrant, an administrative cost will be due by the Warrant Holder (the **Exercise Costs**). 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).

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

(9) Exercise Procedure

a. <u>Exercise Notice</u>

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) to the Warrant Agent, in accordance with the provisions set out in Condition (8) and this Condition.

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 Share 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 Share Delivery Date the Warrant Holders' 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;

(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. <u>Verification of Exercise Notice and Warrant Holder</u>

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 that a new duly completed Exercise Notice must be submitted if Exercise of the Warrant Holder's Warrants is still desired.

c. <u>Notification to the Issuer</u>

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 Share

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 6.c, the Issuer shall on the Share 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 Shares 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).

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)e. 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 in Belgium) 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 in Belgium, 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 Shares 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 to effect the transactions contemplated, after using all reasonable efforts, 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 Share Register or the holder of the relevant securities account into which the relevant Warrant are 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 Warrants in the open market

The Warrants (both Registered Warrants and Dematerialised Warrants) may be freely transferred between parties in the open market.

Following dematerialisation in accordance with Condition (6), the Warrants may also be admitted to trading on 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.

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).

(11) Sale of Warrants to the Issuer

a. Sale

Besides a sale of the Warrants in the open market (as set out in Condition (10) above), a Warrant Holder also has the right to offer its Warrants – both Registered Warrants and 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 Warrants admitted to be traded on Euronext Brussels), at any time purchase Warrants at any price in the open market or otherwise (including, but without limitation, by tender or private transaction). Any Warrants so purchased may be held or resold or surrendered for cancellation.

A Warrant Holder can autonomously choose to Sell its 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 orally giving a Sale Notice to the Warrant Agent by calling the telephone number(s) listed in

13General Information of the Base Prospectus. The call can be made by the Warrant Holder on any Business Day from 8:00h (CET) until 20:00h (CET). The Sale Notice is deemed to be orally given at the time of the call. 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.

The Issuer may agree to purchase the Warrants (without this being an obligation, except to the extent the Issuer acts as market-maker in respect of Warrants admitted to trading on Euronext Brussels) at the Sale Price indicatively mentioned on the website: 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 Warrants is subject to stock exchange fluctuations throughout the day. The Sale Price of the Warrants shall be formed and determined 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. Such Sale Price will be based on KBC Bank's own pricing models. The Issuer shall ensure that at any time as long as Warrants are outstanding under the Programme in respect of which the Exercise Period has not lapsed, such Sale Price will continue to be posted.

(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 at the following times:

	Time of receipt of Sale Notice	**Sale Price at www.kbctop.com**
1.	8.00h (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 20.00 (CET)	Sale Price at 9.00h (CET) on the immediately following Business Day during the Sale Period

(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.

Limit orders are not accepted.

The Issuer expressly reserves the right to deviate from the aforementioned prices in the event of significant market fluctuations (for these purpose a 2,5% move of the Euro Stoxx 50 index 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 calls the Warrant Agent to give the Sale Notice, 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 Warrants being Sold to the Issuer;

(ii) in case of Registered Warrants, the irrevocable instruction to the Warrant Agent to deregister on or before the Cash Settlement Date the Warrants Register with the Warrants being Sold;

(iii) in case of Dematerialised Warrants, the number of the Warrant Holder's securities account at KBC Bank to be debited with the Warrants being sold;

(iv) in case of Dematerialised Warrants, the irrevocable instruction to the Warrant Agent to transfer on the Cash Settlement Date the Warrants to the designated account of the Warrant Agent as communicated to the Warrant Holder during call during which the Sale Notice is provided;

(v) the number of the Warrant Holder's cash account at KBC Bank to be credited with the Sale Price of such Warrants being sold as determined in accordance with Condition (11)a.(i);

(vi) 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 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 Warrants, the Warrant Holder must duly provide a Sale Notice and must own and be able to dispose of Warrants in the amount being Sold, 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 Sale Date. The Warrant Agent will, in accordance with its normal operating procedures, verify that each person Selling 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 Sale Notice).

If sufficient Warrants are not available as reflected in the Warrants Register or 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 that a new duly completed Sale Notice must be submitted if Sale of the Warrant Holder's 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 Warrants to the Issuer, the Sale Price as determined in accordance with Condition (11)a(i) shall be deposited in the specified KBC Bank 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 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 to effect the transactions contemplated, after using all reasonable efforts, 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 Warrants, the 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 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 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 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.

h. Costs

In case of sale of the 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.

(12) Illegality

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 by giving notice to Warrant Holders in accordance with Condition (14)a.

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 in Belgium) 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 in Belgium, 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 but failure to give, or non-receipt of, such notice will not affect the validity of any such modification.

(14) Notices and Addresses

a. <u>Notices</u>

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.

(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 (or such other website as may be communicated to the Warrant Holders in the future).

b. <u>Addresses</u>

Any notifications (including for the Exercise, Sale or other transfer of the Warrants or for an address modification) to the Warrant Agent or the Issuer by the Warrant Holder shall be made to the address or facsimile number of KBC Bank office where the cash account of the Warrant Holder is held.

(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. <u>Applicable law</u>

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. <u>Jurisdiction</u>

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).

(18) Market Disruption

If the Underlying Share 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 Share may consequentially be postponed or adjusted which may have an adverse effect on the value of such Warrant.

(19) Events affecting the Underlying Share

a. <u>Potential Adjustment Event</u>

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) either (A) 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) or (B) substitute the Underlying Share affected by the Potential Adjustment Event with a replacement share selected by the Calculation Agent and the Calculation Agent shall determine the adjustments, if any, to be made to these Conditions and/or the Applicable Final Terms to account for such substitution and (ii) determine the effective date of that adjustment or substitution, as the case may be. With respect to an adjustment pursuant to (i)(A) above, the Calculation Agent may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an options exchange to options on the 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.

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 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 (A) include, without limitation, the substitution of the Underlying Share the subject of the De-listing, Merger Event, Insolvency, Tender Offer or Nationalisation by a replacement share selected by the Calculation Agent and the Calculation Agent shall determine the adjustments, if any, to be made to these Conditions and/or the Applicable Final Terms to account for such substitution or (B) in the case of adjustments following a Merger Event or Tender Offer, include, without limitation, adjustments to account for changes in volatility, expected dividends, stock loan rate or liquidity relevant to the Underlying 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.

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, Tender Offer, Nationalisation or, as the case may be, Tender Offer, giving details thereof and the action proposed to be taken in relation thereto.

(20) 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.

8. 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 Directive (Directive 2003/71/EC) (the **Prospectus Directive**) as amended which includes the amendments made by Directive 2010/73/EU (the **2010 PD Amending Directive**) to the extent that such amendments have been implemented in a relevant Member State. This document constitutes the Final Terms of the Warrants described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Warrants is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. [A summary of the issue of the Warrants (which comprises the summary in the Base Prospectus as amended to reflect the provisions of these Final Terms) is annexed to these Final Terms.] Copies of the Base Prospectus [and the supplement to the Base Prospectus] are available free of charge to the public at the registered office of the Issuer [and on the website at www.kbc.com.]

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

GENERAL DESCRIPTION OF THE WARRANTS

1.	Series Number	[•]
2.	Number of Warrants being issued	[•]
3.	Issue Date	[•]
4.	Exercise Period	From (and including) [•] until (and including) [•]
5.	Business Day Centre(s)	[•]
6.	Currency of the Warrant (of the Warrant Value, Initial Warrant Value, Exercise Price	[•]

	and Actual Exercise Price)	
7.	Details of the Underlying Share to which the Warrants relate	
	a. Identification code Underlying Share (if applicable)	[*ISIN/other identification code*]
	b. Share Company (or fund)	[_____]
	c. Exchange	[_____]
	d. Related Exchange	[_____]
	e. Currency	[_____]
	f. Exchange Business Day	[_____]
	g. Source for determining Value of the Underlying Share	[_____]
8.	Initial Warrant Value per Warrant	[•]
9.	Issue Price per Warrant	[•] (including hedging costs, commission and other costs related to the issuance of the Warrant)
10.	Exercise Price per Warrant	[•] [subject to adjustment in accordance with Condition [16]]
11.	Entitlement per Warrant	[*fraction/number*] of the Underlying Share(s)
12.	Actual Exercise Price per Warrant	[•]
13.	Method for delivery of the Entitlement	[____]
14.	Details as to how the Entitlement will be evidenced	[____]
15.	Details of the Warrant Agent (if not KBC Bank NV)	[____]
16.	Details of the Calculation Agent (if not KBC Bank NV)	[____]

17.	Whether Failure to Deliver applies (as defined in Condition (8)e)	[*Applicable/Non Applicable*]
18.	Whether Tender Offer (as defined in Condition (19)b applies)	
19.	For the purpose of Condition (20) (Additional Disruption Events)	
	(i) Details of any Additional Disruption Event Change in Law Hedging Disruption Increased Cost of Hedging Increased Cost of Stock Borrow Insolvency Loss of Stock Borrow	(*specify each of the following which applies*)
	(ii) If Loss of Stock Borrow is applicable, the Maximum Loan Stock rate in respect of each relevant Underlying Share; and	
	(iii) If Increased Cost of Stock Borrow is applicable, the Initial Loan Stock Rate in respect of each relevant Underlying Share	
20.	Valuation Date(s)	[_____]
21.	Valuation Time	[•]
22.	ISIN Code	[•]

DISTRIBUTION

23.	(i) If Syndicated, give names and addresses of Dealers	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*)

(ii) Date of Subscription Agreement

24. If non-syndicated, name and address of the relevant Dealer

25. Details of any total commission and concession

26. Details of any addition selling restriction

Signed on behalf of the Issuer:

By:______________________________ By:

Duly authorised *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 16 of the Prospectus Directive.*)]

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

(i)	[Reasons for the offer:	[●]] (*See "Use of Proceeds" wording in Base Prospectus* - *if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.*)
(ii)	[Estimated net proceeds:	[●]] (*If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other*

funding.)

(iii) [Estimated total expenses: [●]]

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

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

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

[*Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.*]

[(*When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.*)]][Not Applicable]

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

9. 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.

10. INFORMATION RELATING TO THE ISSUER

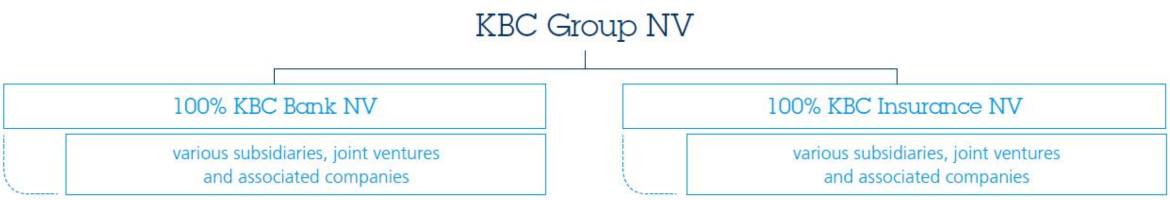
This section provides a description of the Issuer's business activities as well as certain financial information in respect of the Issuer

1. CREATION

KBC Bank NV (**KBC Bank**), a wholly-owned subsidiary of KBC Group NV, was established in Belgium in 1998 as a bank (with number BE-0462.920.226) for an unlimited duration and operates under the laws of Belgium. KBC Bank's registered office is at Havenlaan 2, B-1080 Brussels, Belgium and it can be contacted via its Telecenter (+32) (0) 16 43 29 15. As KBC Bank is a wholly owned subsidiary of KBC Group NV, KBC Bank is indirectly controlled by the shareholders of KBC Group NV (KBC Group NV together with its subsidiaries, **KBC Group** or **KBC**).

In short, KBC Bank was initially formed through the merger of the banking operations of the Almanij Kredietbank group and CERA Bank group (**CERA**). The merger combined the operations of four Belgian banks: Kredietbank, CERA, Bank van Roeselare and CERA Investment Bank. KBC Bank is registered as a credit institution with the National Bank of Belgium (**NBB**).

A simplified schematic of KBC Group's legal structure is provided below. KBC Bank and KBC Insurance NV each have a number of subsidiaries. A list of the subsidiaries of KBC Bank and KBC Insurance NV is available on the website at www.kbc.com. KBC Bank including all companies in the scope of consolidation will henceforth be called "KBC Bank Group" in this chapter.



As at the end of June 2015, the share capital of KBC Bank was EUR 8,948 million and consisted of 915,228,482 ordinary shares, one of which is held by its sister company KBC Insurance NV and the remainder are held by KBC Group NV. KBC Group NV's shares are listed on Euronext Brussels. An overview of the shareholding of KBC Group NV is available on the website at www.kbc.com. The core shareholders of KBC Group NV are KBC Ancora, CERA, MRBB and the other core shareholders.

KBC Bank, as full subsidiary of KBC Group NV, also has, besides its banking activities, a holding function for a wide range of group companies, mainly banking and other financial entities in Central and Eastern Europe and in other selected countries, such as Ireland. In its capacity of holding company, KBC Bank is affected by the cash flows from dividends received from these group companies. KBC Bank also functions as funding provider for a number of these group companies.

The major other subsidiary of KBC Group NV is KBC Insurance NV. KBC Bank co-operates closely with KBC Insurance NV, amongst others, in relation to distribution of insurance products.

In light of the developments relating to the global economic and the financial turmoil in the past years and as a result of the subsequent acceptance of financial support from the Belgian State and Flemish Region in 2008 and 2009, KBC Group was required to submit a restructuring plan for review and approval by the European Commission. The European Commission approved the plan (which also affects KBC Bank) on 18 November

2009. The government support and the restructuring plan are discussed further under the sections *"The EU Plan of KBC Group"* (Section 2 – The EU Plan of KBC Group), *"Capital Transactions and Portfolio Protection Agreement with the Government in 2008 and 2009"* (Section 13 – Banking supervision and regulation) and *"The EUR 7 billion core capital securities subscribed by the Belgian State and the Flemish Region of Belgium"* (Section 13 – Banking supervision and regulation).

2. THE EU PLAN OF THE KBC GROUP

Since 2009, KBC Group has been working on a strategic analysis of its group-wide activities and of the economic and financial environment KBC Group operates in. This effort has resulted in a strategic plan, which has been tested under different macroeconomic scenarios. The plan also served as a basis for the European Commission to assess KBC Group's capacity to redeem the capital securities subscribed by the Belgian State and the Flemish Region of Belgium within a reasonable timeframe. The initial plan was cleared by European regulatory authorities on 18 November 2009. A number of changes were proposed later on and the amended plan was accepted by the EC Commission on 27 July 2011 (**EU Plan**).

In the EU Plan, KBC Group refocuses on its core bank-insurance activities in Belgium and four selected countries in Central and Eastern Europe (Czech and Slovak Republics, Hungary and Bulgaria). A number of subsidiaries and activities, many of which related to investment banking activities, had to be scaled down or sold. International corporate lending outside the home markets had to be scaled down.

More specifically, the restructuring plan agreed with the European Commission included a list of activities that had to be divested. The following list contains the principal divestments (for KBC Bank Group) since 2010: KBC Peel Hunt, various specialised merchant banking activities at KBC Financial Products, KBC Asset Management's UK and Irish activities, KBC Securities Baltic Investment Company, KBC Business Capital, Centea, KBC Concord Asset Management, KBC Securities' Serbian and Romanian operations, KBC Goldstate, Żagiel, Kredyt Bank, KBC Autolease Polska, KBC Lease Deutschland, participating interests held by KBC Private Equity, Absolut Bank, the minority stake in NLB, KBC Bank Deutschland.

By early October 2014, the KBC Group had implemented all of the divestments. As regards Antwerp Diamond Bank (**ADB**) however, given that its previously announced sale to Yinren Group could not be successfully completed, it was decided, in implementation of the agreement made with the European Commission, to run down the loan portfolio and activities of ADB in a gradual and orderly manner. On 1 July 2015, ADB was merged with KBC Bank via absorption.

Over and above the divestments foreseen in the EU Plan, KBC Group also managed to fully scale down its portfolio of CDOs in the space of five years. This also released KBC from the Portfolio Protection Agreement entered into with the Belgian Federal Government on 14 May 2009 (**Portfolio Protection Agreement**) and completely eliminates the KBC Group's exposure to MBIA. Note that KBC is the counterparty to and issuer of further CDO notes - which CDO notes were not covered by the Portfolio Protection Agreement - that are held by investors and will remain outstanding until year-end 2017. Consequently, negligible movements may yet be recorded in KBC Group's income statement in the coming quarters based on changes in the value of these notes.

3. KBC GROUP STRATEGY

KBC Bank's strategy is fully embedded in the strategy of its parent company, KBC Group NV. A summary is given below of the strategy of the KBC Group, where KBC Bank is essentially responsible for the banking business and KBC Insurance NV for the insurance business.

On 17 June 2014, KBC Group organised an Investor Day, at which occasion (among other things) KBC Group presented an update of its strategy and targets. The presentations and press release of the Investor Day are available on the website at www.kbc.com. Below follows a summary:

- KBC Group wants to build on its strengths and be among Europe's best-performing, retail-focused financial institutions. It will achieve this aim by further strengthening its bank-insurance business model for retail, SME and mid-cap clients in its core markets in a highly cost-efficient way. The model has reached different stages of implementation in the different core countries. In Belgium, the bank and the insurance company already act as a single operational unit, achieving both commercial and non-commercial synergies. In its other core countries (the Czech Republic, Slovak Republic, Hungary and Bulgaria), KBC Group is targeting at least integrated distribution, so that commercial synergies can be realised by 2017 at the latest.

- Having both banking and insurance activities integrated within one group creates added value for both clients and KBC Group. Going forward, KBC Group will put further emphasis on the seamless fulfilment of client needs through its bank-insurance offering in the core countries, allowing it to create sustainable, long-term client relationships and to diversify its income streams.

- KBC Group will focus on sustainable and profitable growth within a solid risk, capital and liquidity framework. Profitability will take priority over growth or increasing market shares. Risk management is already fully embedded in KBC Group's strategy and decision-making process and KBC Group wishes to secure the independence of the embedded risk framework through closer monitoring by the Group CRO and by reporting to the Board of Directors of each business entity.

- In recent years, KBC Group has invested heavily in its various distribution channels, i.e. its bank branches and insurance agencies, client contact/service centres, websites and mobile apps. KBC Group wants to create added value for its clients by accurately meeting their needs in terms of financial products. Therefore, everything at KBC is based on the client's needs and not on its banking or insurance products and services. To ensure this happens, KBC analyses a raft of information in its databases. KBC wants to allow clients to decide for themselves whether they want a more personalised approach and the resultant offering. It is also the client who chooses how and when these products and services are provided and through which distribution channel. That is why the different channels are accorded equal status at KBC and need to seamlessly complement and reinforce each other. Because KBC Group is strongly embedded in its local markets, and clients' needs are defined by their local environment, each core country will make the necessary changes and investments in its own way and at its own pace.

- The seamless integration of the distribution channels will create a dynamic and client-driven distribution model. The client is at the centre of what KBC Group does. Everything starts from their needs. This will be supported by a performance and client-driven corporate culture that will be implemented throughout the group, with the focus on building long-term client bank-insurance relationships.

- KBC Group has no plans to expand beyond its current geographical footprint. In its core markets (Belgium, the Czech Republic, Hungary, Slovak Republic, Bulgaria), it will strengthen its bank-insurance presence through organic growth or through acquisitions, if attractive opportunities arise (and based on clear and strict financial criteria), and strive for market leadership (a top 3 bank and top 4 insurer) by 2020. For Ireland, KBC's first priority is to become profitable from 2016 onwards (in fact, this has already been reached by the end of 2015). As of then, all available options will be considered (i.e. whether to organically grow a profitable bank, build a captive bank-insurance group or sell a profitable bank).

- The profit, capital and liquidity targets, which the group aims to achieve at the highest level, can be found here. Note that the target for the common equity ratio has been brought in line with the recent regulatory requirements, i.e. the announcement of the ECB's new minimum capital requirements for 2016 (a common equity ratio of at least 9.75%, phased in according to the Danish compromise method) and added to that is the National Bank of Belgium's new capital buffer for systemically important banks (an additional 0.5% in common equity for 2016 to be built up over three years on a straight-line basis to 1.5% in 2018).

Financial targets		By
CAGR total income ('13*-'17) *(excl. MTM valuation of ALM derivatives)*	≥ 2.25%	2017
CAGR bank-insurance gross income ('13-'17)	≥ 5%	2017
Cost/income ratio	≤ 53%	2017
Combined ratio	≤ 94%	2017
Common equity ratio *(phased-in, Danish compromise)*	≥ 10.25%	2016
Total capital ratio *(fully loaded, Danish compromise)*	≥ 17%	2017
NSFR	≥ 105%	2014
LCR	≥ 105%	2014
Dividend payout ratio *(incl. coupon paid on state support and AT1)*	≥ 50%	2016

* 2013: adjusted result

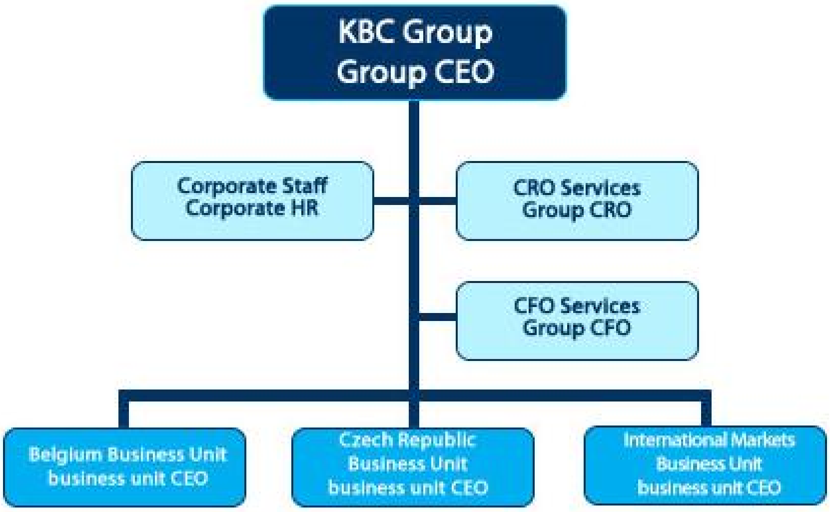
A definition of the above-mentioned ratios can be found in the Investor Day presentation, on the website at www.kbc.com.

The specific strategic focus and initiatives per business unit (Belgium, Czech Republic, International Markets) are highlighted in the press release dd. 17 June 2014, available on the website at www.kbc.com.

4. MANAGEMENT STRUCTURE

KBC Group's strategic choices are fully reflected in the group structure, which consists of a number of new business units and support services and which are presented in simplified form as follows:

Structure as from May 1st 2014.



The management structure essentially comprises:

(i) The three business units. These business units focus on local business and should contribute to sustainable profit and growth by catering for clients' needs.

The Belgium Business Unit and Czech Republic Business Unit: both mature market leaders, must ensure stable, growing, high-level profitability.

The International Markets Business Unit: contains the other core Central and Eastern European countries (Slovak Republic, Hungary and Bulgaria) and are viewed as growth generators. KBC Bank Ireland also belongs to this business unit.

(ii) The pillars '*CRO Services*' and '*CFO Services*' (act as an internal regulator, and must above all support the business units), and '*Corporate Staff*' and '*Corporate HR*'.

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

5. SHORT PRESENTATION OF KBC BANK GROUP

Shareholders (31 December 2015)	Number of shares
KBC Group NV	915,228,481
KBC Insurance NV	1
Total	**915,228,482**

The shareholdership of KBC Group NV (parent company of KBC Bank) is available on the website at www.kbc.com.

Network

Network (as at 31 December 2015)	
Bank branches in Belgium	783
Bank branches in Central and Eastern Europe (Czech Republic, Slovak Republic, Hungary and Bulgaria)	750
Bank branches in the rest of the world (incl. rep. offices)	27*

** including branches of KBC Bank and KBC Bank Ireland.*

Income Statement

The table below sets out highlights of the information extracted from KBC Bank's consolidated income statement for each of the two years ended 31 December 2013 and 31 December 2014, and each of the half-year periods ended 30 June 2014 and 30 June 2015, respectively:

Highlights of the consolidated income statement, KBC Bank Group (in millions of EUR)	**Full year 2013**	**Full year 2014**	**Half year 1H2014**	**Half year 1H2015**
Net interest income	3,402	3,648	1,743	1,860
Dividend income	18	14	7	13
Net result from financial instruments at fair value through profit or loss	884	195	60	238
Net realised result from available-for-sale assets	202	49	34	52
Net fee and commission income	1,685	1,822	883	1,047
Other net income	51	5	-89	93
TOTAL INCOME	**6,240**	**5,734**	**2,637**	**3,302**
Operating expenses	-3,252	-3,311	-1,698	-1,810
Impairment	-1,821	-472	-249	-219
Share in results of associated companies and joint-ventures	30	22	12	12
RESULT BEFORE TAX	**1,196**	**1,973**	**703**	**1,285**
Income tax expense	-479	-504	-188	-302
RESULT AFTER TAX	**717**	**1,469**	**515**	**983**
Attributable to minority interest	128	157	76	88
Attributable to equity holders of the parent	**590**	**1,312**	**439**	**895**

The financial highlights for 1H2015 are, compared to 1H2014:

- All core markets and core activities turned in a strong performance.
- KBC Bank Group granted more loans in Belgium (+4%), the Czech Republic (+10%), Slovakia (+9%)

and Bulgaria (+9%), while clients increased their deposits in all countries: Belgium (+12%), the Czech Republic (+7%), Hungary (+6%), Slovakia (+10%), Bulgaria (+16%) and Ireland (+26%).

- Net interest income remained firm (+7%), and the net interest margin widened from 2.01% to 2.08%
- As clients further increased their assets managed by KBC, total assets under management of KBC Group ended at 204 billion euros. Net fee and commission income remained very strong, up by 19%.
- Increasing interest rates had a beneficial effect on the valuation of the derivatives used for asset/liability management purposes.
- Excluding special bank taxes, costs were up only 1%. The cost/income ratio stood at a favourable 55% year-to-date.
- Loan losses decreased. The cost of credit amounted to 0.30% of the loan portfolio year-to-date.
- Continued strong liquidity and capital position. LCR, NSFR and common equity ratio (fully loaded, Basel III), stand at 130%, 126% and 12.8%.

Balance Sheet

The table below sets out highlights of the information extracted from KBC Bank's consolidated balance sheet statement as at 31 December 2013, 31 December 2014 and 30 June 2015:

Highlights of the consolidated balance sheet, KBC Bank Group (in millions of EUR)	**31-12-2013**	**31-12-2014**	**30-06-2015**
Total assets	206,087	211,116	221,639
Loans and advances to customers	120,784	125,550	126,973
Securities (equity and debt instruments)	46,002	50,175	50,530
Deposits from customers and debt securities	162,412	163,647	172,494
Risk weighted assets (Basel III)	79,822	80,232	77,275
Total equity	12,313	13,336	13,038
of which parent shareholders' equity	11,662	11,676	11,371

6. RATINGS OF KBC BANK NV

Long-term credit ratings (as at 17 February 2016)	
Fitch	A-
Moody's	A1
Standard and Poor's	A

Ratings can change. Various ratings exist. Investors should look at www.kbc.com for the most recent ratings and for the underlying full analysis of each rating agency to understand the meaning of each rating.

Each such credit rating agency[1] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 and listed on the "List of Registered and Certified CRA's" as published by ESMA in accordance with Article 18(3) of such Regulation.

7. MAIN COMPANIES WHICH ARE SUBSIDIARIES OF KBC BANK GROUP OR IN WHICH IT HAS SIGNIFICANT HOLDINGS AS OF 31 DECEMBER 2015

Company	**Registered office**	**Ownership percentage of KBC Bank**	**Activity (simplified)**

[1] A list of credit rating agencies registered under Regulation (EC) No. 1060/2009 and listed on the "*List of Registered and Certified CRA's*" is published on the ESMA website (http://esma.europa.eu/page/List-registered-and-certified-CRAs)

CBC Banque SA	Brussels – BE	100.00	Credit institution
CIBANK AD	Sofia – BG	100.00	Credit institution
ČSOB a.s. (Czech Republic)	Prague – CZ	100.00	Credit institution
ČSOB a.s. (Slovak Republic)	Bratislava – SK	100.00	Credit institution
KBC Asset Management NV	Brussels – BE	51.86	Asset management
KBC Bank NV	Brussels – BE	100.00	Credit institution
KBC Bank Ireland Plc	Dublin – IE	100.00	Credit institution
KBC Commercial Finance NV	Brussels – BE	100.00	Factoring
KBC Credit Investments NV	Brussels – BE	100.00	Investment firm
IIB Finance Ireland	Dublin – IE	100.00	Lending
KBC Financial Products (group)	Various locations	100.00	Shares and derivatives trading
KBC IFIMA SA	Luxemburg - LU	100.00	Issuance of bonds
KBC Lease (group)	Various locations	100.00	Leasing
KBC Securities NV	Brussels – BE	100.00	Stock exchange broker/corporate finance
K&H Bank Rt.	Budapest – HU	100.00	Credit institution

A full list of companies belonging to KBC Bank Group at year end 2015 is provided in its 2015 annual report.

8. GENERAL DESCRIPTION OF ACTIVITIES OF KBC BANK GROUP

KBC Bank Group is a multi-channel bank that caters primarily to private persons, small and medium-sized companies (SMEs) and midcaps.

Its geographic focus is on Europe. In its "*home*" (or “*core*”) markets Belgium, Czech Republic, Slovak Republic, Hungary and Bulgaria, KBC Bank Group has important and (in some cases) even leading positions. The KBC Bank Group is also present in Ireland and in certain 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 its home markets, KBC Bank Group is active in a large number of products and activities, ranging from the plain vanilla deposit, credit, asset management and insurance businesses (via its sister company, KBC Insurance NV), to specialised activities such as, but not exclusively, payments services, dealing room activities (money and debt market activities), brokerage and corporate finance, foreign trade finance, international cash management, leasing, etc.

As set out in Section 2 above “*The EU Plan of KBC Group*”, the KBC Bank Group has refocused its business on its core bank-insurance activities in Belgium and a number of countries in Central and Eastern Europe (i.e. the home markets of Czech Republic, Slovak Republic, Hungary and Bulgaria). Therefore, a number of subsidiaries and activities, many of which related to investment banking activities, have been scaled down or sold in the past years. International corporate lending outside the home markets has been also downscaled.

9. PRINCIPAL MARKETS AND ACTIVITIES

Activities in Belgium

Market position of the bank network in Belgium, end 2015	
Market share (own KBC Bank estimates)	Credits 23% Deposits 18% Investment funds 40%
Bank branches	783

KBC Bank Group has a network of around 800 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 co-operation with KBC Bank's sister company, KBC Insurance NV) and other specialised financial banking products and services. KBC Bank Group’s bricks-and-mortar networks in Belgium are supplemented by electronic channels, such as ATMs, telephones and the Internet (including a mobile banking app). KBC/CBC/KBC Brussels serve, based on their own estimates, approximately 3.2 million clients.

KBC Group considers itself to be an integrated bank-insurer. Certain shared and support services are organised at group level, serving the entire group, and not just the bank or insurance businesses separately. It is KBC Group's aim to continue to actively encourage the cross-selling of bank and insurance products. The success of KBC Group's integrated bank-insurance model is in part due to the co-operation that exists between the bank branches and the insurance agents (of KBC Insurance NV/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.

End of 2015, the KBC Bank Group had (see table), based on its own estimates, a 21% share of traditional banking activities in Belgium (18% share of the Belgian deposit market and a 23% share of the lending market). Over the past few years, KBC Bank has built up a strong position in investment funds too, and leads according to its own estimates the Belgian market with an estimated share of close to 40%.

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. This includes the various mobile banking apps for smartphones and tablets, which are being continuously improved and expanded. KBC-Online is also providing clients with information and facilities to perform their own banking and/or insurance transactions.

In KBC Bank Group’s financial reporting, the Belgian activities are combined into a single Belgium Business Unit. The results of the Belgium Business Unit essentially comprise the activities of KBC Bank, and its Belgian subsidiaries, the most important of which are CBC Banque, KBC Asset Management, KBC Lease Group (Belgium) and KBC Securities.

Focus on the future:

- New technologies are considered an important means to focus even more on client-centric solutions. In this regard, various initiatives to enhance client centricity have been launched or are planned. For example, a new simplified offering of current account packages (including a charge-free current account) is being provided to clients as of today to better respond to their current needs, a new responsive and convenient bank-insurance platform (Touch) was launched, and the Start it @kbc initiative for people starting up a business has proven to be a success and is growing steadily.

- The KBC Group used to be active in Brussels under the 'KBC' and 'CBC' brands. However, the decision has been taken to more efficiently exploit the full – but currently undertapped – potential of Brussels**.** As of 2015, a new separate 'KBC Brussels' was launched, reflecting the specific cosmopolitan character of Brussels and the needs of its population. Retail and SME clients receive a single, unified bank-insurance product and service offering and existing KBC/CBC branches are being repositioned.
- In Wallonia, CBC – with its autonomous operational and commercial model and strong embeddedness in the local economy – has recorded solid and constant year-on-year gross revenue growth. It also boasts strong solvency and liquidity positions, and has significant market shares in the professional sector, in the agricultural sector and in the retail client sector. Building on these strong fundamentals, CBC wishes to further mine the growth potential in selected market segments in banking and insurance. As of 2015, CBC is increasing its footprint in Wallonia and enhances its availability and service offering**.** CBC will open a number of new bank branches and relocate existing ones.

Activities in Central and Eastern Europe

Market position of the bank network in the home countries of Central and Eastern Europe, end 2015		**Czech Republic**	**Slovak Republic**	**Hungary**	**Bulgaria**
Market share (own KBC Bank estimates)	Banking products*	19%	11%	10%	3%
	Investment funds	26%	7%	18%	-
Bank branches	Total	316**	125	209	100

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

*** CSOB Bank+ Era.*

In the Central and Eastern European region, the KBC Bank Group focuses on four home countries, being the Czech Republic, Hungary, Slovak Republic and Bulgaria. The main KBC Bank Group Central and Eastern European entities in those home markets are CIBANK (in Bulgaria), ČSOB (in the Slovak Republic), ČSOB (in the Czech Republic), and K&H Bank (in Hungary).

In its four home countries, KBC Bank Group caters to roughly 4.5 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 & 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. Just as in Belgium, the bricks-and-mortar networks in Central and Eastern Europe are supplemented by electronic channels, such as ATMs, telephone and the Internet.

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, the Group's insurer is ČSOB Pojist'ovňa, in the Slovak Republic it is ČSOB Poist'ovňa, in Hungary it is K&H Insurance and in Bulgaria it is DZI Insurance. Contrary to the situation of KBC Bank in Belgium, the 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) amounted to 19% in the Czech Republic, 11% in the Slovak Republic, 10% in

Hungary, and 3% in Bulgaria (rounded figures). KBC Bank Group also has a strong position in the investment fund market in Central and Eastern Europe (estimated at 26% in the Czech Republic, 7% in Slovak Republic, and 18% in Hungary).

In KBC Bank Group's financial reporting, the Czech activities are separated in a single Czech Republic Business Unit, whereas the activities in the other Central and Eastern European countries, together with Ireland (see further) are combined into the International Markets business unit. The Czech Republic Business Unit hence comprises all KBC Bank Group's activities in the Czech Republic, consisting primarily of the activities of the ČSOB group (under the ČSOB, Era, Postal Savings Bank, Hypotečni banka, Patria and ČMSS brands) and ČSOB Asset Management. The International Markets Business Unit comprises the activities conducted by entities in the other (non-Czech) Central and Eastern European core countries, namely ČSOB in the Slovak Republic, K&H Bank in Hungary and CIBank in Bulgaria, plus KBC Bank Ireland's Irish operations.

Focus on the future:

- The Czech Republic Business Unit's ambition is to create value for its clients by moving from a primarily channel-driven to a client-driven solution, based on the creation of an integrated model, which brings together clients, third parties and bank-insurance. New types of non-financial, service-oriented products will be integrated to create superior client satisfaction and provide added value for clients. On the one hand, ČSOB will increasingly focus on reducing complexity (in products, IT, organisation, bank/distribution network, head office and branding) to generate cost-efficiency benefits. On the other, the business unit will further enhance and accelerate bank-insurance in a number of ways, including introducing an advanced and flexible pricing model, developing combined bank-insurance products, and strengthening the insurance sales force. ČSOB wishes to maintain growth in the areas where it traditionally has been very strong, such as corporate loans and mortgages. On top of that, ČSOB will mine the currently undertapped potential in the attractive SME loans market by focusing on sustainable client relationships. In the consumer finance market, too, ČSOB is aiming to increase its current market share, while observing an acceptable cost of risk.
- In the International Markets Business Unit, K&H (Hungary) and ČSOB Slovakia intend to transform their branch-centric model to a hybrid distribution model. K&H plans to further support the Hungarian economy and grow its market shares in all key segments, with continuous improvements in efficiency and profitability. In Slovakia, business income is expected to increase above market expectations, especially in retail asset classes (home loans, consumer finance, SMEs and leasing). CIBANK (Bulgaria) is following the same path as K&H and ČSOB, but with slower dynamics due to a less mature market. The bank-insurance partnership between DZI and CIBANK has grown strongly over the past few years and they plan to extend this partnership by further developing products and distribution channels.

Early July 2015, an acquisition in Slovakia marked KBC's ambition to grow both externally and organically in its core markets. KBC (via ČSOB Leasing) and Volksbank Leasing International reached agreement for the acquisition of Volksbank Leasing Slovakia and its insurance brokerage subsidiary. Volksbank Leasing Slovakia is a universal leasing company ranked 7th on the Slovak leasing market with a market share of approximately 6% and a balance sheet total of approximately 170 million euros. KBC is the clear leader on the Slovak leasing market through ČSOB Leasing. The deal has no material impact on the KBC Group's earnings and capital.

Activities in the rest of the world

A number of companies belonging to KBC Bank Group are also active in, or have outlets in, countries outside the home markets, among which KBC Bank, which has a network of foreign branches and KBC Bank Ireland. See also the list of main companies (under Section 7: Main companies which are subsidiaries of KBC Bank Group or in which it has significant holdings as of 31 December 2015) or the full year-end list on the website at www.kbc.com.

The loan portfolio of KBC Bank Ireland stood at about EUR 13.9 billion at the end of December 2015, circa 84% of which relates to mortgage loans. At the end of December 2015, some 47% (EUR 6.6 billion) of the total Irish loan portfolio was impaired (of which EUR 3.3 billion more than 90 days past due). For the impaired loans, some EUR 2.8 billion (specific and portfolio-based) impairments have been booked. In addition to the ongoing management of the problem real estate portfolio, the group started work in 2013 on transforming and developing KBC in Ireland into an important retail bank (see below). The Group estimates its share of the Irish market in 2015 at 11% for retail mortgage loans and 6% for retail deposits. It caters for around 0.2 million clients there. In 2015, the contribution of KBC Bank Ireland to KBC Bank's net result was EUR 13 million compared to EUR -179 million in 2014. A full profit and loss scheme for Ireland is available in KBC Bank's segment reporting[2].

Focus on the future:

- KBC Bank Ireland's main strategic goal is to make the transition from a digitally led mono-liner (mortgage and deposits) bank to a full retail bank, with a complete retail product offering and a limited bricks-and-mortar presence. By not having the heritage of a large branch network, KBC Bank Ireland can make a fresh start in developing a complete retail product offering through digital channels. The multi-platform distribution reach will be digitally led via online and mobile solutions and a contact centre supported by an agile physical presence (hubs, mobile banks and mobile advisers) in key urban areas. The bank has the ambition to grow strongly in retail mortgages while expanding its overall retail product offering. KBC Bank Ireland will continue to reduce its existing corporate and SME loan portfolio in line with its deleveraging strategy. It has a clear focus on cost control given the significant investment in staff, IT and marketing to implement its retail strategy.

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

In KBC Bank Group's financial reporting, KBC Bank Ireland is included in the International Markets Business Unit, the foreign branches of KBC Bank are part of the Belgium Business Unit.

The three business units (Belgium, Czech Republic and International Markets) are supplemented by the Group Centre. The Group Centre includes the operational costs of the holding activities of the group, certain capital and liquidity management-related costs, costs related to the holding of participations and the results of the remaining companies or activities earmarked for divestment or in run-down. It also includes results related to the legacy businesses (CDOs, divestment results; both immaterial since 2015) and the valuation of own credit risk.

Note: in July 2015, KBC Asset Management agreed to sell its 49% stake in Union KBC AM to Union Bank of India. This did not have any material impact on KBC Banks's earnings and capital.

10. COMPETITION

All of KBC Bank Group's operations face competition in the sectors they serve.

Depending on the activity, competitor companies include other commercial banks, saving banks, loan institutions, consumer finance companies, investment banks, brokerage firms, insurance companies, specialised finance companies, asset managers, private bankers, investment companies, etc.

[2] Segment reporting based on the management structure in the Financial Statements of the annual and semi-annual reports , available on www.kbc.com

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

In Belgium, KBC Bank Group is perceived as belonging to the top three (3) financial institutions. For certain products or activities, KBC Bank Group estimates it has a leading position (e.g. in the area of investment funds). The main competitors in Belgium are BNP Paribas Fortis, Belfius and ING, although for certain products, services or markets, other financial institutions may also be important competitors.

In its Central and Eastern European home markets, KBC Bank Group is one of the important financial groups, occupying significant positions in banking. In this respect, KBC Bank Group competes, in each of these countries, against local financial institutions, as well as subsidiaries of other large foreign financial groups (such as Erste Bank, Unicredit and others).

In the rest of the world, KBC Bank Group's presence mainly consists of a limited number of branches and subsidiaries. In this case, KBC Bank Group faces competition both from local companies and international financial groups.

11. STAFF

In 2014, KBC Bank Group had, on average and on a consolidated basis, about 27,000 employees (full time or equivalent), the majority of who were located in Belgium (largely in KBC Bank) and Central and Eastern Europe. In addition to consultations at works council meetings and at meetings with union representatives and with other consultative bodies, KBC Bank Group also works closely in other areas with employee associations. There are various collective labour agreements in force.

12. RISK MANAGEMENT

Mainly active in banking, insurance and asset management, KBC Group is exposed to a number of typical risks such as – but certainly not exclusively – credit risk, market risks, movements in interest rates and exchange rates, currency risk, liquidity risk, insurance underwriting risk, operational risk, exposure to emerging markets, changes in regulations and customer litigation as well as the economy in general.

Risk management in KBC Group is effected group-wide. As a consequence, the risk management for KBC Bank is embedded in KBC Group risk management and cannot be seen separately from it. A description of risk management is available in the 2014 risk report, available on the website at www.kbc.com.

Risk governance

Below follows a description of credit risk, market risk (trading & non-trading activities), liquidity risk and operational risk. A selection of figures on credit risk, asset and liability management (ALM) and market risk in trading activities are provided further on.

- Credit risk is the potential negative deviation from the expected value of a financial instrument arising from the non-payment or non-performance by a contracting party (for instance, a borrower), due to that party's insolvency, inability or lack of willingness to pay or perform, or to events or measures taken by the political or monetary authorities of a particular country (country risk). Credit risk thus encompasses default risk and country risk, but also includes migration risk which is the risk for adverse changes in credit ratings.
- Market risk in trading activities is defined as the potential negative deviation from the expected value of a financial instrument (or portfolio of such instruments) due to changes in the level or in the

volatility of market prices, e.g. interest rates, exchange rates, equity or commodity prices. The interest rate, foreign exchange and equity risks of the non-trading positions in the banking book are all included in ALM exposure.

- Market risk in non-trading activities (also known as Asset and Liability Management) is the process of managing the Group's structural exposure to market risks. These risks include interest rate risk, equity risk, real estate risk, foreign exchange risk and inflation risk.
- Liquidity risk is the risk that an organisation will be unable to meet its payment obligations as they come due, without incurring unacceptable losses. The principal objective of liquidity management is to be able to fund the group and to enable the core business activities of KBC Bank Group to continue to generate revenue, even under adverse circumstances.
- Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, human error or from sudden external events, whether man-made or natural. Operational risks exclude business, strategic and reputational risks.

KBC Group's risk governance framework defines the responsibilities and tasks required to manage value creation and the associated risks. In recent years, KBC Group's risk management framework underwent significant changes with regard to governance and structure. The goal of these changes was to further improve KBC Group's ability to deal decisively with major economic events in the future by creating an adjusted and comprehensive integrated model that aligns all dimensions of risk, capital and value management.

Credit risk

The main source of credit risk is the loan & investment portfolio of KBC Bank Group. A snapshot of this portfolio is shown in the table below.

Loan & investment portfolio:

As far as the banking activities are concerned, the main source of credit risk is the loan and investment portfolio. The loan & investment portfolio is mainly the result of what can be considered as pure, traditional lending activities. It includes all retail lending such as mortgage loans and consumer loans, all corporate lending such as (committed and uncommitted) working capital credit lines, investment credit, guarantee credit and credit derivatives (protection sold) and all non-government debt securities in the investment books of the KBC Group's bank entities. The table below excludes other credit risks, such as trading exposure (issuer risk), counterparty risk associated with inter-professional transactions, international trade finance (documentary credit, etc.) and government bonds.

Loan & investment portfolio of KBC Bank Group*

	31 December 2012	31 December 2013	31 December 2014	31 December 2015
Total loan portfolio (in billions of euro)				
Amount granted	167	161	166	174
Amount outstanding	141	135	139	143
Loan & investment portfolio breakdown by business unit (as a %. of the portfolio of credit granted)				
Belgium	63%	64%	64%	65%
Czech Republic	15%	13%	14%	14%
International Markets	19%	19%	18%	18%
Group Centre (IFRS 5 scope)	3%	4%	4%	3%
Total	100%	100%	100%	100%
Loan & investment portfolio breakdown by counterparty				

	31 December 2012	31 December 2013	31 December 2014	31 December 2015
sector (as a %. of the portfolio of credit granted)				
Non-financial services	11%	11%	11%	11%
Retail and wholesale trade	7%	8%	8%	8%
Real estate (risk)	8%	8%	7%	7%
Construction	4%	4%	4%	4%
Impaired loans (in millions of euro or %)				
Amount outstanding	10,757	13,871	13,692	12,305
Specific loan impairments	4,614	5,521	5,709	5,517
Portfolio-based loan impairments	244	284	215	229
Credit cost ratio, per business unit				
Belgium	0.28%	0.37%	0.23%	0.19%
Czech Republic	0.31%	0.26%	0.18%	0.18%
International Markets	2.26%	4.48%	1.06%	0.32%
Group Centre	1.06%	2.40%	1.17%	0.54%
Total	0.69%	1.21%	0.41%	0.30%
Total (including entities classified as 'disposal groups' under IFRS 5)	0.70%	1.21%	0.42%	0.23%
Impaired loans that are more than 90 days past due (PD 11 + 12; in millions of euro or %)				
Impaired loans that are more than 90 days past due	-	8,086	7,676	6,936
Specific loan impairments	-	4,046	4,384	4,183
Non-performing ratio, per business unit				
Belgium	-	2.5%	2.2%	2.2%
Czech Republic	-	3.1%	2.9%	2.5%
International Markets	-	19.2%	19.0%	16%
Group Centre	-	8.5%	6.3%	6.1%
Total	-	6.0%	5.5%	4.8%
Cover ratio (Specific loan loss impairment)/(impaired loans)				
Total	-	40%	42%	45%
Total, excluding mortgage loans	-	47%	51%	53%

** Excluding KBC Bank Deutschland (classified as a 'disposal group' under IFRS 5 in 2013, sold in 2014). In 2013, KBC Bank Deutschland (see the relevant remark at the start of this section) accounted for 3.3 billion euros' worth of credit granted, 2.3 billion euros of which was outstanding.*

KBC Bank Group uses the output generated by models to split the normal loan portfolio into internal rating classes ranging from 1 (lowest risk) to 9 (highest risk) for the PD. An internal rating ranging from PD 10 to PD 12 is assigned to a defaulted obligor. PD class 12 is assigned when either one of the obligor's credit facilities is terminated by the bank, or when a court order is passed instructing repossession of the collateral. PD class 11 groups obligors that are more than 90 days past due (in arrears or overdrawn), but that do not meet PD 12 criteria. PD class 10 is assigned to obligors for which there is reason to believe that they are unlikely to pay (on time), but that do not meet the criteria for classification as PD 11 or PD 12. Loans in PD classes 10, 11 and 12 are referred to as 'impaired loans' and are equivalent to 'non-performing loans' under the (new) definition used by the European Banking Authority (EBA).

KBC Bank Group reviews loans to large corporations (including Financial Institutions) at least once a year, with the internal rating being updated as a minimum. If ratings are not updated in time, a capital add-on is imposed. Loans to small and medium-sized enterprises and to private individuals are reviewed periodically, with account being taken of any new information that is available (such as arrears, financial data, a significant change in the risk class). This monthly exercise can trigger a more in-depth review or may result in action being taken towards the client.

For credit linked to defaulted borrowers in PD classes 10, 11 and 12, impairment losses are recorded based on an estimate of the net present value of the recoverable amount. This is done on a case-by-case basis, and on a statistical basis for smaller credit facilities. In addition, for non-defaulted credit in PD classes 1 to 9, we record impairment losses on a 'portfolio basis' (IBNR impairments), using a formula based on the IRB Advanced models used internally, or an alternative method if a suitable IRB Advanced model is not yet available.

Other credit risks

As mentioned above, the loan portfolio clearly constitutes the main source of credit risk for the KBC Bank Group. However, a number of activities that are excluded from the credit portfolio figures also contain an element of credit risk, such as short-term commercial transactions (this activity involves export or import finance (documentary credit, pre-export and post-import finance, etc.) and only entails exposure to financial institutions. Risks associated with this activity are managed by setting limits per financial institution and per country or group of countries), the counterparty risk of inter-professional transactions (refers to placements and the pre-settlement risk of derivatives), trading book securities – issuer risk (refers to the potential loss on default by the issuer of the trading securities) and the government securities in the investment portfolio of banking entities. Information on these risks can be found in the 2014 annual report of KBC Bank.

Structured credit exposure KBC Group (CDOs and other ABS)

The total net portfolio amount (i.e. excluding de-risked positions) of structured credit products (consisting predominantly of European residential mortgage-backed securities (RMBS) decreased 0.1 billion euros versus December 2014, standing at 1.6 billion euros as at 31 December 2015. Redemptions were slightly higher than new investments to the tune of 0.1 billion euros. In 2013, KBC decided to lift the strict moratorium on investments in ABS and to allow treasury investments in liquid, high-quality, non-synthetic European ABS, which are also accepted as eligible collateral by the ECB. This allows for further diversification in the investment portfolios. The moratorium on investments in synthetic securitizations or re-securitizations continues to exist.

Standing at more than 25 billion euros in 2008, KBC has fully scaled down its CDO portfolio with the last action taking place in September 2014 by collapsing the last two remaining CDOs originated by KBC FP. These collapses ended the guarantee agreement with the Belgian State for KBC and completely eliminates the group's exposure to MBIA. For the record, KBC wishes to point out that it is the counterparty to and issuer of a further 0.2 billion euros' worth of CDO notes issued by KBC FP and held by third-party investors that will remain outstanding until November 2017.

Asset and Liability Management (market risks in non-trading activities)

The main technique we use to measure interest rate risks is the 10 BPV. The 10 **BPV** (**basis point value**) measures the extent to which the value of the portfolio would change if interest rates were to go up by ten basis points across the entire curve (negative figures indicate a decrease in the value of the portfolio). We also use other techniques such as gap analysis, the duration approach, scenario analysis and stress testing (both from a regulatory capital perspective and from a net income perspective).More details are available in the 2015 annual report of KBC Bank.

BPV (10 basis points) of the ALM-book of KBC Bank Group (in millions of euro)

End of quarter, 1Q 2012	-55
End of quarter, 2Q 2012	-50
End of quarter, 3Q 2012	-51
End of quarter, 4Q 2012	-44

End of quarter, 1Q 2013	-33
End of quarter, 2Q 2013	-28
End of quarter, 3Q 2013	-21
End of quarter, 4Q 2013	-22
End of quarter, 1Q 2014	-55
End of quarter, 2Q 2014	-61
End of quarter, 3Q 2014	-71
End of quarter, 4Q 2014	-57
End of quarter, 1Q 2015	-59
End of quarter, 2Q 2015	-40
End of quarter, 3Q 2015	-34
End of quarter, 4Q 2015	-25

Market risk management

The KBC Bank Group is exposed to market risk via the trading books of our dealing rooms in Belgium, the Czech Republic, Slovakia and Hungary, as well as via a minor presence in the UK and Asia. The traditional dealing rooms, with the dealing room in Belgium accounting for the lion's share of the limits and risks, focus on trading in interest rate instruments, while activity on the FX markets has traditionally been limited. All dealing rooms focus on providing customer service in money and capital market products and on funding the bank activities.

The market risk and regulatory capital in the four legacy business lines of KBC Investments Limited (formerly KBC Financial Products), namely the CDO, fund derivatives, reverse mortgages and insurance derivatives businesses have been reduced in recent years and are now almost equal to zero. This is especially the case for the fund derivatives, reverse mortgages and insurance derivatives businesses (please note that the reverse mortgages and insurance derivatives businesses were transferred to KBC Bank NV in December 2015 due to the closing of some subsidiaries) where the market risk regulatory capital charges represent only 1% of the total. These legacy business lines continue to be monitored and wound down by dedicated teams.

Regarding the CDO business – and as mentioned in other parts of this report – KBC has now fully scaled down its CDO portfolio. However, the position pertaining to the remaining 0.2 billion euros (per 31 December 2015) of CDO notes held by investors is located in the trading books of KBC Investments Limited. Consequently, the market risk regulatory capital for this position is recorded under the re-securitisation column (15 million euros per 31 December 2015) in the 'Trading regulatory capital requirements' table.

The table below shows the Historical Value-at-Risk (HVaR; 99% confidence interval, ten-day holding period, historical simulation) for the linear and non-linear exposure of all the dealing rooms of KBC Group (KBC Securities was included from April 2013 onwards). To allow a year-on-year comparison, the HVaR for KBC Investments Limited (relating to KBC's discontinued CDO business) is also shown.

As of October 2013, the HVaR for KBC Investment Limited's credit derivatives had fallen to zero due to a series of trades with external counterparties that generated an exact match of the offsetting positions in the scope of KBC Investment Limited's VaR model (perfect Back-to-Back positions). As a result, and due to the above-mentioned inclusion of KBC Securities in the HVaR for KBC Bank, all trading activity for the KBC Group measured by HVaR has been included in the "KBC Bank" figure from that point on, and thus this figure represents the HVaR for KBC Group.

More details are available in the 2015 annual report of KBC Bank.

Market risk HVaR [1] (Ten-day holding period, in millions of euro)

	KBC Bank	KBC Investments Limited
Average, 1Q 2012	30	12
Average, 2Q 2012	34	2
Average, 3Q 2012	30	2
Average, 4Q 2012	30	1
End of period	*37*	*2*
Maximum in year	*39*	*18*
Minimum in year	*23*	*1*
Average, 1Q 2013	37	1
Average, 2Q 2013	37	1
Average, 3Q 2013	34	1
Average, 4Q 2013	29	-
End of period	*28*	-
Maximum in year	*50*	*5*
Minimum in year	*26*	*0*
Average, 1Q 2014	24	-
Average, 2Q 2014	19	-
Average, 3Q 2014	15	-
Average, 4Q 2014	15	-
End of period	*15*	-
Maximum in year	*29*	-
Minimum in year	*11*	-
Average, 1Q 2015	14	-
Average, 2Q 2015	15	-
Average, 3Q 2015	15	-
Average, 4Q 2015	16	-
End of period	18	-
Maximum in year	21	-
Minimum in year	12	-

Regulatory capital charges for market risk

National regulators have authorised KBC Bank, KBC Investments, and ČSOB (Czech Republic) to use their respective VaR models to calculate regulatory capital requirements for part of their trading activities. ČSOB (Czech Republic) has also received approval from the local regulator to use its VaR model for capital requirement purposes. These models are also used for the calculation of Stressed VaR (SVaR), which is one of the CRD III Regulatory Capital charges that entered into effect at year-end 2011. The calculation of the SVaR measure is based on the normal VaR calculations and follows the same methodological assumptions, but is constructed as if the relevant market factors were experiencing a period of stress. This period of stress is based on recent history and it is calibrated regularly.

The resulting capital requirements for trading risk are shown in the table below. The regulatory capital requirements for the trading risk of local KBC entities that did not receive approval from their respective regulator to use an internal model for capital calculations, as well as the business lines not included in the HVaR calculations, are measured according to the Standardised approach. This approach sets out general and specific risk weightings per type of market risk (interest risk, equity risk, foreign exchange risk and commodity risk). Note that, as mentioned earlier in this section, the re-securitisation regulatory capital for 2015 (15 million euros) emanates from the counterposition for the 0.2 billion euros of CDO notes held by investors (the counterposition is located in the trading books of KBC Investments Limited).

Trading Regulatory Capital Requirements by risk type for the KBC Group (in millions of euro)

		Interest rate risk	Equity risk	FX risk	Commodity risk	Re-securitisation	Total
31-12-2013							
Market risks assessed by internal model	HVaR	83	2	13	-	-	226
	SVaR	100	6	22	-		
Market risks assessed by the Standardised Approach		39	7	12	2	59	119
Total		222	15	47	2	59	345
31-12-2014							
Market risks assessed by internal model	HVaR	68	3	0	-	-	192
	SVaR	84	2	26	-		
Market risks assessed by the Standardised Approach		18	5	16	2	15	56
Total		171	10	50	2	15	248

13. BANKING SUPERVISION AND REGULATION

Introduction

KBC Bank, a credit institution governed by the laws of Belgium, is subject to detailed and comprehensive regulation in Belgium, and is supervised by the ECB, the European Central Bank, acting as the supervisory authority for prudential supervision of significant financial institutions

The supervisory powers conferred to the ECB include, amongst others, the granting and withdrawal of authorisations to and from credit institutions, the assessment of acquisitions and disposals of qualifying holdings in credit institutions, ensuring compliance with the rules on equity, liquidity, statutory ratios and the carrying out of supervisory reviews (including stress tests) for credit institutions.

Pursuant to Regulation (EU) n°468/2014 of 16 April 2014 establishing a framework for cooperation within the Single Supervisory Mechanism between the ECB and national competent authorities, a joint supervisory team has been established for the prudential supervision of KBC Bank (and KBC Group NV). This team is composed of staff members from the ECB and from the national supervisory authority (the National Bank of Belgium (NBB)) and working under the coordination of an ECB staff member.

The FSMA, an autonomous public agency, is in charge of the supervision with regard to conduct of business rules for financial institutions and financial market supervision.

EU directives have had and will continue to have a significant impact on the regulation of the banking business in the EU, as such directives are implemented through legislation adopted within each Member State, including Belgium. The general objective of these EU directives is to promote the realisation of a unified internal market and to improve standards of prudential supervision and market efficiency through harmonisation of core regulatory standards and mutual recognition among EU Member States of regulatory supervision and, in particular, licensing.

Supervision and regulation in Belgium

The banking regime in Belgium is governed by the Law on the Legal Status and Supervision of Credit Institutions of 25 April 2014 (the **Banking Law**). The Banking Law replaces the Law on the Legal Status and Supervision of Credit Institutions of 22 March 1993 and implements various EU directives, including (without limitation) Directive 2013/36/EU of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (**CRD**) and, where applicable, Regulation (EU) n° 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms (**CRR**, together with CRD, **CRD IV**), and Directive 2014/59 of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (**RRD**). CRD IV applies in Belgium since 1 January 2014, subject to certain requirements being phased in over a number of years, as set out therein. The provisions of the Banking Law which implement the RRD have fully entered into force on 1 January 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 NBB/ECB. The main objective of the Banking Law is to protect public savings and the stability of the Belgian banking system in general.

Supervision of credit institutions

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

(2) The Banking Law requires credit institutions to provide detailed periodic financial information to the ECB and, under certain circumstances, the FSMA. The ECB also supervises the enforcement of laws and regulations with respect to the accounting principles applicable to credit institutions. The ECB sets the minimum capital adequacy ratios applicable to credit institutions. The ECB may also set other ratios, for example, with respect to the liquidity and gearing of credit institutions. It also sets the standards regarding solvency, liquidity, risk concentration and other limitations applicable to credit institutions and the publication of this information. The NBB may in addition impose capital requirements for capital buffers (including countercyclical buffer rates and any other measures aimed at addressing systemic or macro-prudential risks). In order to exercise its prudential supervision, the ECB may require that all information with respect to the organisation, the functioning, the position and the transactions of a credit institution be provided to it. Further, the ECB supervises, among other things, the management structure, the administrative organization, 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 co-operate with the supervisor in its prudential supervision. A credit institution selects its Statutory Auditor from the list of auditors or audit firms accredited by the NBB. Within the context of the European System of Central Banks, the NBB issues certain

recommendations regarding monetary controls.

(3) The Banking Law has introduced a prohibition in principle on proprietary trading. However, some proprietary trading activities are excluded from this prohibition. Permitted proprietary trading activities (including certified market-making, hedging, treasury management, and long-term investments) are capped, and these types of activities must comply with strict requirements on reporting, internal governance and risk management.

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

(a) Preparation and prevention

Credit institutions have to draw up recovery plans, setting out the measures they would take to restore their financial position in the event of a significant deterioration. 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 position. In its review of the recovery plan, the ECB pays particular attention to the adequacy of the capital and financing structure of the institution in relation to the degree of complexity of its organisation and its risk profile.

The Single Resolution Board will have to prepare a resolution plan for each significant Belgian credit institution, laying out the actions it might take if it were to meet the conditions for resolution (as set out in (c) below). The Resolution College of the NBB has the same powers with regard to the non-significant Belgian credit institutions. If the Single Resolution Board/ Resolution College identify obstacles to resolvability during the course of this planning process, it can require a credit institution to take appropriate measures, including changes to corporate and legal structures.

(b) Early intervention

The ECB/NBB 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.

(c) Resolution

In relation to credit institutions falling within the scope of the Single Supervisory Mechanism, such as KBC Bank (and KBC Group NV), the Single Resolution Board is the resolution decision-making authority since 1 January 2016. Pursuant to Regulation (EU) No 806/2014 of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund, the Single Resolution Board **(SRB)** replaced national resolution authorities (such as the Resolution College of the NBB) for resolution decisions with regard to significant credit institutions.

The SRB/Resolution College can decide to take resolution measures when the three following circumstances are cumulatively present: (i) The competent authority or the SRB/Resolution College has made the determination (in each case, after consulting each other), that a credit institution is failing or is likely to fail; (ii) there is no reasonable prospect that other private sector measures or supervisory intervention can be taken to prevent the failure of the institution;

(iii) resolving the credit institution would be better from a public interest perspective than winding up the institution.

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*") and (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 via the Royal Decree of 18 December 2015 amending the Banking Law. Bail-in is a mechanism to write down the liabilities (subordinated debt, senior debt and eligible deposits) or to convert debt into equity, as a means of restoring the institution's capital position. The bail-in tool applies to existing debt instruments as well.

The SRB/Resolution College 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 will no longer be viable if no measures are taken, that the resolution conditions are fulfilled and/or that a credit institution has asked for public support.

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

Bank governance

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

The Banking Law makes a fundamental distinction between the management of banking activities, which is within the competence of the Executive Committee, and the supervision of management and the definition of the credit institution's general and risk policy, which is entrusted to the Board of Directors. According to the Banking Law KBC Bank has an Executive Committee of which each member is also a member of the Board of Directors.

Pursuant to the Banking Law, the members of the Executive Committee and the Board of Directors need to permanently have the required professional reliability and appropriate experience. The same goes for the responsible persons of the independent control functions. The fit and proper standards have been further elaborated by the NBB in a circular of 17 June 2013.

The circular of 30 march 2007 regarding prudential expectations with regard to corporate governance (**Circular Corporate Governance**) contains recommendations to assure the autonomy of the banking function, the organisation of the independent control functions and the proper governance of the credit institution.

As required by the Banking Law and the Circular Corporate Governance, KBC has drafted a Group Internal Governance Memorandum (**Governance Memorandum**), which sets out the corporate governance policy applying to KBC Group NV and its subsidiaries and of which the governance memorandum of KBC Bank forms part. The corporate governance policy of a credit institution must meet the principles set out in the law and the Circular Corporate Governance.

KBC Bank also has a Corporate Governance Charter which has been published on the website at www.kbc.com.

Solvency supervision

Capital requirements and capital adequacy ratios are provided for in the CRR, transposing the Basel III regulation into European law. CRR requires that credit institutions must comply with several minimum solvency ratios. These ratios are defined as Common Equity Tier 1, Tier 1 or Total capital divided by risk weighted assets. The absolute minimum is a Common Equity Tier 1 ratio of 4.5%. Risk weighted assets are the sum of all assets and off-balance sheet items weighted according to the degree of credit risk that is inherent in it. The solvency ratios also takes into account market risk with respect to the bank's trading book (including interest rate and foreign currency exposure) and operational risk in the calculation of the weighted risk. On top of the capital requirements defined by the solvency ratios, the regulation imposes a capital conservation buffer and in certain cases a systemic risk buffer and/or a countercyclical buffer.

Solvency is also limited by the leverage ratio, which compares Tier 1 capital to non-risk weighted assets.

The payment of dividends by Belgian credit institutions is not limited by Belgian banking regulations, except indirectly through capital adequacy and solvency requirements when capital ratios fall below certain thresholds. The pay-out is further limited by the general provisions of Belgian company law.

Large exposure supervision

European regulations ensure the solvency of credit institutions by imposing limits on the concentration of risk in order to limit the impact of failure on the part of a large debtor. For this purpose, credit institutions must limit the amount of risk exposure to any single counterparty to 25% of the total capital. European regulations also require that the credit institutions establish procedures to contain concentrations on economic activity sectors and geographic areas.

Money laundering

Belgium has implemented Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing by adjusting an Act of 11 January 1993 (as amended from time to time). 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. When, after investigation, a credit or financial institution suspects money laundering to be the purpose of a transaction, it must promptly notify an independent administrative authority, the Financial Intelligence Unit. This Unit is designated to receive reports on suspicious transactions, to investigate them and, if necessary, to report to the criminal prosecutors to initiate proceedings. The NBB has issued guidelines for credit and financial institutions and supervises their compliance with the legislation. Belgian criminal law specifically addresses criminal offences of money-laundering (Article 505, paragraph 1, 2, 3 and 4 of the Criminal Code) and sanctions them with a jail term of a minimum of 15 days and a maximum of 5 years and/or a penalty of a minimum of EUR 26 and a maximum of EUR 100,000 (to be increased with the additional penalty, or – in other words – to be multiplied by 6) or, for legal entities, a fine of a minimum of EUR 500 and a maximum of EUR 200,000 (to be increased with the additional penalty or, in other words, to multiplied by 6)

Consolidated supervision – supplementary supervision

KBC Bank is subject to consolidated supervision by the ECB on the basis of the consolidated financial situation of KBC Group NV, which covers among other things solvency as described above, pursuant to Articles 165 and following of the Banking Law. As a subsidiary of a mixed financial holding company (KBC Group NV) and part of a financial conglomerate, KBC Bank is also subject to the supplementary supervision of 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)*" (**UCITS-management company**). Its activities are, inter alia, the management of UCITS and the management of portfolios of investments in accordance with mandates given by investors on a discretionary, client-by-client basis. KBC Asset Management is subject to detailed, comprehensive regulation in Belgium, supervised by the FSMA.

The UCITS-management company regime in Belgium is governed by the Law on certain forms of collective management of investment portfolios of 3 August 2012, as amended from time to time (**Law of 3 August 2012**). The Law of 3 August 2012 implements European Directive 2001/107/EC of 21 January 2002 relating to UCITS, as amended from time to time. The **Law of 3 August 2012**regulates management companies and sets forth the conditions under which UCITS-management companies may operate in Belgium; furthermore, it defines the regulatory and supervisory powers of the FSMA.

The regulatory framework concerning supervision on UCITS-management companies is mostly similar to the regulation applicable to investment firms. The Law of 3 August 2012 contains, inter alia, the following principles:

- certain minimum paid-up capital requirements and rules relating to changes affecting capital structure;
- obligation for management companies to carry out their activities in the interests of their clients or of the UCITS they manage (e.g. creation of Chinese walls);
- obligation to provide, on a periodical basis, a detailed financial statement to the FSMA;
- supervision by the FSMA; and
- subjection to the control of Statutory Auditors.

14. MATERIAL CONTRACTS

KBC Bank has not entered into any material contracts outside the ordinary course of its business which could result in any member of KBC Bank Group being under an obligation or entitlement that is material to KBC Bank's ability to meet its obligations to Warrantholders.

15. RECENT EVENTS

Important events in the last quarter of 2015:

- November 2015: announcement that KBC will liquidate KBC Financial Holding Inc., triggering the recognition of a deferred tax asset and leading to a net positive impact on the results of 765 million euros.

- November 2015: announcement of the ECB's new minimum capital requirements for 2016 (a common equity ratio of at least 9.75%, phased in according to the Danish compromise method). Added to that is the National Bank of Belgium's new capital buffer for systemically important banks (an additional 0.5% in common equity for 2016 to be built up over three years on a straight-line basis to 1.5% in 2018).
- December 2015: repayment by KBC Group (KBC Bank's parent company) of the final outstanding instalment of 2 billion euros of state aid (plus a 50% penalty) to the Flemish Regional Government.
- On 31 March 2016, KBC Bank will publish its full 2015 annual report.

16. TREND INFORMATION

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

Banking sector

After ongoing recapitalization in the aftermath of the Lehman and Eurocrisis, Eurozone banks continued with strengthening their balance sheet, building on the ECB's comprehensive assessment exercise in 2014. At the same time, they adjust business models to the evolving regulatory and challenging operating environment. While overall progress is significant, challenges remain. Specifically in the Eurozone periphery, a legacy of problem assets continues to weigh on banks' capacity to simultaneously build up capital buffers and provide credit to the real economy. On the other hand, banks' asset quality in core countries like Belgium withstood the recent crises years remarkably well. A similar heterogeneous picture is valid in Central Europe, with declining, yet still high nonperforming loans and subdued lending activity in Hungary, but good asset quality and firm credit growth in the Czech Republic and Slovakia.

Looking forward, the macrofinancial environment in the Eurozone looks better than during past years, notwithstanding remaining challenges. Enhanced economic governance and the banking union, though still incomplete, significantly strengthened the Eurozone architecture and offer a more stable banking sector environment than in past years, as witnessed during the summer 2015 episode of the Greek crisis: although weighing on investor sentiment, the direct contagion to other periphery euro area sovereigns was limited and short-lived. In the meantime, evidence is growing that the low interest rate environment, including negative central bank rates, will be there for longer than assumed before, continuing to offer a challenging environment for banks' revenue growth. Also new technologies trigger new challenges to banks' business models, while regulatory requirements remain tough. Banks with a large customer and diversified income base are likely best suited to cope with these challenges.

General economic environment and risks

From a macro-economic point of view, during Q4 the clear difference in growth performance between emerging and developed markets remained in place. In particular, the sustainability of Chinese economic growth was questioned by financial markets. However, the strong labour market reports in the US in the fourth quarter dampened financial markets' fear of a strong negative spill-over from emerging to developed markets. As a result, the Fed raised its policy rate on its December meeting by 25 basis points. After all, Q4 growth in the US turned out to be weaker than expected, mainly driven by weaker consumption, investment and net exports. The euro area continued its recovery as well and the unemployment rate fell to 10.6% at the end of 2015. The low inflation in the euro area, however, led the ECB to further ease its monetary policy stance in December by reducing its deposit rate further to -30 basis points. Headline inflation remains below the ECB's inflation target of just below 2%. The main reasons remained the sharply falling oil price and the still high unemployment level in the euro area, which prevents a meaningful wage growth. Q4 ended with a renewed increase of uncertainty on financial markets after the depreciation of the Chinese renminbi versus the US dollar. Although this depreciation was the result of a change of policy reference, away from only the US dollar towards a basket of currencies of China's main trading partners, it was enough the raise doubts again about the sustainability of the Chinese economic growth model.

So far in 2016, uncertainty on financial markets, stock market corrections and falling benchmark bond yields has continued. In January the oil price temporarily fell to below 30 US dollar per barrel Brent, driving inflation to levels lower than anticipated. The ECB is therefore likely to ease its policy stance further, most likely by reducing its deposit rate again. On the other hand, the Fed is likely to continue cautiously its rate normalisation path in 2016. This policy divergence between the Fed and the ECB will probably weaken the euro versus the US dollar somewhat in 2016.

Low inflation, accommodating monetary policy and fears of a global growth slowdown mean that bond yields will remain low during 2016. They will only rise very gradually once the unemployment rate in the euro area has fallen by enough to generate sustainable wage increases and the effect of the sharp fall of oil prices starts to drop out of the annual inflation rate. We expect the oil price to gradually rise again in the second half of 2016. Despite the expected continued turbulence in the emerging markets, we expect 2016 to be a year of sustained economic growth both in the euro area and in the US, with a broadly similar growth rate as in 2015. This growth will be mainly driven by domestic demand against the background of the expected weak contribution of international trade

17. MANAGEMENT OF KBC BANK

The Board of Directors of KBC Bank has the powers to perform everything that is necessary or useful to achieve the corporate purpose of KBC Bank, with exception of those powers of which, pursuant to the law and the Articles of Association, solely another body is empowered to perform.

The corporate purpose of KBC Bank is set out in Article 2 of its Articles of Association. It includes the execution of all banking operations in the widest sense, as well as the exercise of all other activities which banks are or shall be permitted to pursue and all acts that contribute directly or indirectly thereto.

To the extent these laws and regulations apply to KBC Bank, KBC Bank complies with the laws and regulations of Belgium regarding corporate governance.

Pursuant to Article 24 of the Banking Law and Article 524bis of the Belgian Companies Code, the Board of Directors of KBC Bank has conferred powers on the Executive Committee to perform the acts referred to in Article 522 of the Belgian Companies Code and Article 18 of the Articles of Association of KBC Bank. However, this transfer of powers relates neither to the definition of general policy, nor to the powers which are reserved to the Board of Directors by the other provisions of the Belgian Companies Code. The Board of Directors is responsible for the supervision of the Executive Committee. KBC Bank is not aware of any potential conflicts of interest between the duties to KBC Bank of the Members of the Board of Directors of KBC Bank detailed below and their private interests or other duties.

Members of the Board of Directors of KBC Bank are as follows:

Name and business address	Position	Expiry date of current term of office	External offices
LEYSEN Thomas Dennenlaan 9a Antwerpen 2020	Chairman	2019	Chairman of the Board of Directors of Umicore NV Chairman of the Board of Directors of Corelio NV Non-executive Director of Booischot NV Chairman of the Board of Directors of KBC Verzekeringen NV Chairman of the Board of Directors of KBC Groep NV Executive Director of Tradicor NV Non-executive Director of Mediahuis NV
GIJSENS Lucien KBC	Executive	2019	Member of the Executive Committee of KBC Groep

Bank NV Havenlaan 2 1080 Brussel	Director		NV Executive Director of KBC Verzekeringen NV Chairman of the Board of Directors of K&H Biztosito Zrt Non-executive Director of Ceskoslovenska Obchodna Banka a.s. (SR) Member of the Board of CSOB Poist'ovna a.s. Non-executive directorof K&H Bank Zrt Non-executive Director of CIBANK EAD Non-executive Director of KBC Bank Ireland plc. Non-executive director of DZI-General Insurance JSC Non-executive director of DZI Life Insurance JSC Non-executive director of KBC Asset Management NV Member of the Management Board of KBC Bank NV Dublin Branch Non-executive director of KBC Securities NV Non-executive director of KBC Start it Fund NV
HOLLOWS John KBC Bank NV Havenlaan 2 1080 Brussel	Executive Director	2017	Executive Director of KBC Verzekeringen NV Member of the Executive Committee of KBC Groep NV CEO (non-director) of Ceskoslovenska Obchodni Banka a.s. (CR)
POPELIER Luc KBC Bank NV Havenlaan 2 1080 Brussel	Executive Director	2017	Executive Director of KBC Verzekeringen NV Executive Director of KBC Groep NV Non-executive Director of KBC Credit Investments NV
THIJS Johan KBC Bank NV Havenlaan 2 1080 Brussel	Executive Director/CEO	2017	Executive Director/CEO of KBC Verzekeringen NV Non-executive Director Febelfin Executive Director/CEO of KBC Groep NV
VAN RIJSSEGHEM Christine KBC Bank NV Havenlaan 2 1080 Brussel	Executive Director	2018	Executive Director KBC Groep NV Executive Director KBC Verzekeringen NV Non-executive director of K&H Bank Zrt Non-executive director CIBANK EAD Non-executive Director KBC Bank Ireland Plc. Non-executive Director of Ceskoslovenska Obchodni Banka a.s. (CR) Non-executive Director of Ceskoslovenska Obchodna Banka a.s. (SR) Member of the Management Board of KBC Bank NV Dublin Branch
ARISS Nabil	Non-executive Director	2018	
DEPICKERE Franky Cera	Non-executive Director	2019	Executive Director of FWR Consult cvba Executive Director of Cera cvba

Philipssite 5/10 3001 Leuven			Executive Director of Cera Beheersmaatschappij NV Executive Director of BRS Microfinance Coop cvba Non-executive Director CBC BANQUE SA Non-executive Director of KBC Groep NV Non-executive Director of KBC Verzekeringen NV Executive Director of Almancora Beheersmaatschappij NV Non-executive Director of International Raiffeisen Union e.V. Non-executive Director of Euro Pool System International BV Non-executive Director of Ceskoslovenska Obchodni Banka a.s. (CR) Member of management of KBC Ancora commanditaire vennootschap op aandelen
DISCRY Luc Cera Philipssite 5 B 10 3001 Leuven	Non-executive Director	2018	Non-executive Director of KBC Verzekeringen NV Non-executive Director of KBC Groep NV Non-executive Director of Precura Verzekeringen NV Executive Director Cera Beheersmaatschappij NV Executive Director Cera cvba
VANTHEMSCHE Pieter MRBB Diestsevest 40 3000 Leuven	Non-executive Director	2019	Non-executive director Agricord VZW Non-executive Director of KBC Groep NV Non-executive Director of KBC Verzekeringen NV Non-executive director Wit-Gele Kruis Vlaanderen Executive director Lukoban bvba
WITTEMANS Marc MRBB cvba Diestsevest 40 3000 Leuven	Non-executive Director	2018	Non-executive Director of KBC Groep NV Non-executive Director of Arda Immo NV Non-executive Director of Acerta cvba Non-executive Director of Acerta Consult cvba Non-executive Director of SBB Accountants en Belastingconsulenten cvba Executive Director of M.R.B.B. cvba - Maatschappij voor Roerend Bezit van de Boerenbond Non-executive Director of Agri Investment Fund cvba Non-executive Director of Aktiefinvest cvba Non-executive Director of KBC Verzekeringen NV Non-executive Director Acerta Public NV Non-executive Director Shéhérazade Développement cvba Non-exécutive Director SBB Bedrijfsdiensten cvba
FALQUE Daniel Bovenbosstraat 78 3053 Haasrode Belgium	Executive Director	2016	Non-executive Director of CBC BANQUE SA Executive Director of KBC Verzekeringen NV Member of the Executive Committee of KBC Group NV Non-executive Director of BVB Non-executive Director of Union Wallonne des

			Entreprises asbl
MORLION Lode Weststraat 18 8647 Lo-Reninge Belgium	Non-executive Director	2016	Non-executive Director Financieringsvereniging voor de gemeenten van Gaselwest Non-executive Director of Cera Beheersmaatschappij NV Non-executive Director of Woonmaatschappij Ijzer en Zee bv cvba Non-executive Director of KBC Verzekeringen NV Non-executive Director of KBC Group NV Non-executive Director of M&D Invest NV
VAN KERCKHOVE Ghislaine Wegvoeringstraat 62 9230 Wetteren	Non-executive director	2016	Non-executive Director of Almancora Beheersmaatschappij NV Non-executive Director of Cera Beheersmaatschappij NV Non-executive Director of KBC Groep NV Non-executive Director of KBC Verzekeringen NV

18. MEMBERS OF AUDIT COMMITTEE

The members of the Audit Committee of KBC Bank are:

Nabil Ariss
Marc Wittemans

19. MEMBERS OF THE RISK AND COMPLIANCE COMMITTEE

The members of the Risk and Compliance Committee of KBC Bank are:

Franky Depickere
Nabil Ariss
Marc Wittemans

Pursuant to the new Banking Law, the former Audit, Risk and Compliance Committee has been split into an Audit Committee on the one hand and a Risk and Compliance Committee on the other hand. Both Committees are set up by the Board of Directors and have an advisory role. The Audit Committee, among other things, supervises the integrity and effectiveness of the internal control measures and the risk management in place, paying special attention to correct financial reporting. The Risk and Compliance Committee, among other things, provides advice to the Board of Directors about the current and future risk tolerance and risk strategy. The powers and composition of the Audit Committee and the Risk and Compliance Committee, as well as their way of functioning, are extensively dealt with in the Corporate Governance Charter of KBC Bank NV which is published on www.kbc.com.

20. STATUTORY AUDITORS

The auditors of KBC Bank are Ernst & Young Bedrijfsrevisoren BCVBA (e*rkend revisor/réviseur agréé*), represented by by P. Vanderbeek and/or C. Weymeersch, with offices at De Kleetlaan 2, B-1831 Diegem Brussels. The auditors of the Issuer are members of the *Instituut van de Bedrijfsrevisoren/Institut des Réviseurs d'Entreprises*. The financial statements of the Issuer have been audited in accordance with ISA for the year ending 31 December 2013 and as of and for the year ending 31 December 2014 and resulted, in each case, in an unqualified opinion. The auditors of the Issuer have no material interest in the Issuer.

The reports of the auditors of the Issuer are incorporated by reference in the form and context in which they are incorporated by reference, with the consent of the auditors.

21. LITIGATION

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

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

Judicial inquiries and criminal proceedings

(i) From late 1995 until early 1997, Kredietbank NV, the predecessor of KBC Bank and KB Consult NV (**KB Consult**) were involved in the sale of "cash companies" to various purchasers. A "cash company" is characterised by the fact that a substantial majority of the assets consist of accounts receivable, fixed financial assets, cash and other highly liquid assets. KB Consult acted as an intermediary between the seller and the purchaser of the cash companies. The involvement of KBC Bank differed from sale to sale, but generally related to the handling of payments and the granting of loans. The transfer of a cash company is in principle a legal transaction. However, in March 1997, KB and KBC Bank Consult discovered that certain purchasers of these cash companies failed to reinvest such companies' cash in qualifying assets and to file tax returns for the cash companies they purchased in order to thereby defer the taxes owed by such companies. KB and KBC Bank and KBC Consult immediately took the necessary measures to preclude any further involvement with these parties. The activities of KB Consult were subsequently wound up.

KBC Bank and KB Consult were summoned separately or jointly to court in 28 legal actions. This resulted in 20 lawsuits of which 17 are still pending before the courts. In one lawsuit the court ruled that KB Consult was summoned as third party without cause and therefore the claim was dismissed. In two lawsuits, of which one is degree of appeal, the claims of the Belgian State were dismissed and the judgments are definite. KB Consult was placed under suspicion by an investigating magistrate in December 2004. A provision of EUR 28 million (status as at 31 December 2015) has been constituted to cover the potential impact of any liability with respect to these actions.

In addition to KB Consult and KBC Bank, KBC Group was also summoned before the Chambers section of the Court of First Instance in Bruges on 25 February 2009. The charges against the aforesaid KBC entities only relate to the use of false documents. On 9 November 2011 a judgment ordered KBC Bank and KB Consult to be prosecuted together with 21 other parties indicted of various crimes with regard to tax fraud. The claim against KBC Group was dismissed. An appeal was lodged against this dismissal by the Prosecutor and two civil parties. The judgment on appeal is scheduled for 27 October 2015. On 27 October 2015 the court confirmed the dismissal. The proceedings before the court of first instance in Bruges are scheduled for a hearing on 25 May 2016.

(ii) In 2003, an important case of fraud perpetrated by an employee, Atilla Kulcsár, involving about EUR 140.6 million, came to light at K&H Equities in Hungary. Orders and portfolio statements of clients were forged. Many clients suffered substantial losses in their portfolio as a result of unauthorised speculation and the misappropriation of funds. On 28 August 2008 a Budapest court sentenced Atilla Kulcsár to eight years imprisonment and a fine of 230 million forints. The court acquitted Tibor E. Rejto, former CEO of K&H Bank, who had also been charged with embezzlement as an accomplice. Other persons involved were sentenced to severe punishments.

The Public Prosecutor and all the persons who had been found guilty filed an appeal before the Court of Appeal. On May 27, 2010, the Court of Appeal annulled the first instance court verdict and ordered a complete retrial. The new trial before the first instance court started on 1 December 2010 and a verdict was rendered on on 29 December 2015: beside several other accused persons Atilla Kulcsár was found guilty and sentenced to six and a half years in prison, Tibor E. Rejto was again acquitted. The prosecutor appealed. The judgment in degree of appeal might be issued in half a year or in the beginning of next year.

All claims have been settled, either amicably or following an arbitral decision.

Other litigation

(iii) In March 2000, the Belgian State, Finance Department, summoned Rebeo (currently Almafin Real Estate Services) and Trustimmo, two former subsidiaries of former Almafin, currently KBC Real Estate, a Belgian subsidiary of KBC Bank, before the civil court in Brussels, together with four former directors of Broeckdal Vastgoedmaatschappij (a real estate company), for not paying approximately EUR 16.7 million in taxes due by Broeckdal Vastgoedmaatschappij. In November 1995, this company had been converted into a cash company and sold to Mubavi België (currently BeZetVe), a subsidiary of Mubavi Nederland (a Dutch real estate investment group). According to the Belgian State, Finance Department, Mubavi België did not make real investments and failed to file proper tax returns. A criminal investigation is pending. However Broeckdal Vastgoedmaatschappij contested the tax claims and in December 2002 commenced a lawsuit before the civil court in Antwerp against the Belgian State, Finance Department.

The civil lawsuit pending in Brussels has been suspended pending a final judgment in the tax lawsuit in Antwerp. An adjusted provision of EUR 30.49 million (at 31 December 2015) has been reserved to cover the potential impact of liability with respect to these actions.

In July 2003, Broeckdal Vastgoedmaatschappij, Mubavi België and Mubavi Nederland summoned KBC Bank, KB Consult, Rebeo and Trustimmo before the commercial court in Brussels in order to indemnify them against all damages the former would suffer if the tax claims were approved by the court in Antwerp. In March 2005, Mubavi Nederland was declared bankrupt by the court of 's-Hertogenbosch in the Netherlands.

In November 2005, KBC Bank, KB Consult, Rebeo and Trustimmo and the four former directors of Broeckdal Vastgoedmaatschappij summoned the auditor of Broeckdal Vastgoedmaatschappij, Deloitte & Touche, before the civil court in Brussels in order to indemnify them for any amount they should be ordered to pay as a result of the aforementioned claims. In November 2008 Mubavi België (currently BeZetVe) was also declared bankrupt by the commercial court in Antwerp.

On November 2, 2010 Broeckdal Vastgoedmaatschappij was declared dissolved by the commercial court in Antwerp and the liquidation of the company was closed by judgment of 13 September 2011 by the same court.

(iv) KBC Bank and subsidiaries such as K&H Bank and CSOB SK received numerous complaints about CDO notes issued by KBC Financial Products that were sold to private banking and corporate clients and which have now been downgraded. Such clients have been asking for their notes to be bought back at their original value.

KBC Bank decided to examine all CDO related files with respect to private banking and retail clients on a case-by-case basis and to settle the disputes as much as possible out of court.

In Belgium settlements were reached with clients in KBC Bank Private Banking and Retail Banking.

As a result of complaints, some Corporate Banking files were also examined. Subsequently negotiations started in the files where a decision to propose a settlement was taken and in a limited number of files settlements were reached. Only a few lawsuits are on-going. In eight cases the courts rendered judgments in favour of KBC. In one case, the court decided that the bank and the client were jointly responsible. KBC Bank appealed against this decision in June 2013. In one case the court of appeal in Brussels ruled on 11 July 2014 in favor of KBC Group and condemned the plaintiff for frivolous action. In another case the court of appeal in Antwerp rendered on 5 February 2015 a judgment entirely in favor of KBC Bank. On 7 January 2016 the court of appeal in Brussels issued also a favorable judgment for KBC. Four cases are currently pending in degree of appeal.

In Hungary a marketing brochure was used which could be misinterpreted as a guarantee on a secondary market and contained a possibly misleading comparison with state bonds. In more than 94% of the files, a settlement has been reached. A limited number of clients started a lawsuit. Most of the lawsuits were terminated by a settlement out of court; a few number of remaining court cases were lost and settled; all court proceedings are finished.

On 10 December 2009, the Hungarian Competition Authority (HCA) passed a resolution whereby K&H was ordered to pay a fine of HUF 40,000,000 (approximately per EUR 150,000) based on the violation of the Hungarian Act on the prohibition of unfair and restrictive market practices in relation to K&H's trade in CDO bonds. The appeal filed by K&H against the HCA resolution was rejected by the Budapest Metropolitan Court. K&H Bank submitted a revision claim before the Supreme Court which approved in May 2012 the second level decision.

In CSOB SK a similar approach as in Belgium was followed and in all cases of CDO investments with Private Banking and Retail clients, settlements were reached. No lawsuit in respect of CDO investments is pending.

(v) 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. 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 claiming the non-payment of commercial invoices for an amount of (initially) approximately USD 9 million. LKB launched a counter claim claiming the non-payment of commercial invoices for (initially) an amount of approximately USD 38 million.

The dispute has escalated to the degree that LK is directly involving Antwerpse Diamantbank NV (“ADB”) and KBC Bank by launching legal claims against ADB in Belgium (Antwerp) and against both ADB and KBC in the USA (New York) alleging that LK was swindled out of some USD 140 million by DD Manufacturing and other Daleyot entities in cooperation with ADB. This development was triggered by the fact that, at the end of 2009, ADB terminated LK's credit facilities and started proceedings before the Commercial Court in Antwerp.

Essentially, all legal proceedings initiated by LK against ADB and/or KBC Bank in Belgium and the USA only relate to 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.

The merger between KBC Bank and ADB by absorption of the latter that took place on 1 July 2015 entails that KBC, whether in its own name or in its capacity as legal successor to ADB, remains the only counterparty in all proceedings against Lazare Kaplan. However, for the sake of clarity further reference is made to ADB on the one hand and KBC on the other hand since all proceedings were initiated before the merger.

Legal Proceedings
A. Belgian proceedings (overview per court entity)

Commercial Court of Antwerp
Proceedings initiated by ADB against LKI in order to recover the monies owed to it under the terminated credit facility (approximately USD 45 million in capital).
LKB voluntarily intervened and claimed an amount of USD 350 million from ADB. LKI launched a counterclaim of USD 500 million (including the USD 350 million of LKB) against ADB.
LK appealed against the latest decision of the Commercial Court by which a briefing round was scheduled. A hearing before the Court of Appeals is set for September 26, 2016 and the proceeding before the commercial court is postponed sine die.

Commercial Court of Antwerp
LK filed four separate winding-up petitions against certain Daleyot entities. LK also involved both ADB and ABN Amro in this proceeding in order to declare the court decision to be taken opposable vis-à-vis ADB en ABN. A court hearing is set for March 31, 2015.

Commercial Court of Antwerp
LK launched proceedings against ADB and certain Daleyot entities. This claim is aiming 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.

Commercial Court of Antwerp
Lazare Kaplan filed a proceeding against ADB and KBC claiming an amount of approx. 77 million USD, based on the alleged misbehavior of the banks regarding the granting and maintaining of the credit facilities to the Daleyot entities. A court hearing will take place on October 11, 2016.

Commercial Court of Antwerp
LK filed four separate winding-up petitions against DDM Holding Comm.VA, D.D. Manufacturing NV, K.T. Collection NV and Kertalor Holding NV (all Daleyot related entities). Both ADB and ABN Amro Bank NV also received these writs of summons in order to declare the court decisions to be taken by the commercial court opposable vis-à-vis ADB en ABN.
On 23 June 2015, the Court decided that the proceedings against DDM Holding, K.T. Collection and Kertalor Holding became meaningless given the commencement of the voluntary liquidation proceedings of these Daleyot related entities. By decision of 15 September 2015 the Commercial Court of Antwerp declared K.T. Collection bankrupt.

On 26 May 2015, the proceedings against DD Manufacrturing were postponed sine die. On 5 November 2015, DD Manufacturing is declared bankrupt. DD Manufacturing appealed against this decision. By decision dated 18 February 2016, the Court of Appeal dismissed this appeal.

President of the Commercial Court of Antwerp
LKB launched proceedings against ADB, DD Manufacturing, KT Collection and Erez Daleyot before the President of the Commercial Court of Antwerp. LKB applies to the court for a.o. a sequestration regarding to the paintings which are pledged by Erez Daleyot in favor of ADB concerning the DD Manufacturing and KT collection credit files. LKB also requests the court to impose penalty payments of an amount of 50.000 EUR. A court hearing will be set later on. By decision dated 7 July 2015, the Commercial Court referred the case to the Court of First Instance of Antwerp since the Commercial Court lacks jurisdiction over Lazare Kaplan's claim.

Court of First Instance of Antwerp (Judge of Seizures)
By decision of January 21, 2014 ADB obtained permission from the Antwerp Judge of Seizures to have LKI's claim against Trau Bros, as purchaser of the LK Botswana entity, put under garnishment. LKI has filed a petition with the Judge of Seizures against the garnishment. By decision of 8 June 2015 dated LKI's petition was denied.

Court of First Instance of Antwerp (Judge of Seizures)
Proceeding initiated by LKB which is aimed to declare ADB a debtor of LKB with respect to the alleged claim LKB has against D.D. Manufacturing for a provisional amount of 21 million EUR. This claim is based on the alleged untimely and improper declaration made by ADB with regard to the third party seizure against D.D. Manufacturing at the request of LKB. By decision of 23 June 2015 LKB's claim was dismissed

Court of First Instance of Antwerp
Proceedings launched by LK against KBC, ADB and Erez Daleyot, his wife and certain Daleyot entities. This claim is aiming at having the security interests granted in favor of either KBC or ADB declared null and void or at least not opposable against LK.
LK also filed a claim against ADB and KBC for a provisional amount of USD 60 million based on the alleged third party complicity of ADB. A court hearing will take place on 3 March 2016.

Court of Cassation
LKI summoned ADB directly before the Criminal Court in Antwerp mainly under accusation of fraud, abuse of trust and money laundering.
Both Criminal Court and Court of Appeals already decided that they have no jurisdiction over LKI's over the claim. LKI filed an appeal with the Court of Cassation. By decision of 28 April 2015 the Court dismissed LKI's appeal.

Court of Cassation
Criminal complaint of LKI against ADB with the investigation magistrate of Antwerp on the basis of alleged bribery of ADB officers / directors by Daleyot.
The Chamber of Accusation declared the criminal complaint as inadmissible. LKI filed an appeal with the Court of Cassation. By decision of 28 April 2015 the Court dismissed LKI's appeal.
B. US proceedings

District Court Southern District of New York
Claim of USD 500 million initiated by LKI against both ADB and KBC, based on the so-called RICO-act; this claim is in fact a non- cumulative duplicate of the one brought before the Commercial Court in Belgium. After the District Court granted ADB's and KBC's motions to dismiss, the Court of appeals referred the case back to the District Court because the first decision of the District Court was not legally well-founded. Later on, the District Court ruled that

reciprocal discovery is appropriate.

On 31 March 2015, the Court granted LKI’s motion only insofar as it sought production of unredacted versions of the documents for Court’s review. By decision of 31 July 2015, the Court allowed some depositions in advance of a hearing on the forum selection clauses. All depositions took place.

These proceedings are still ongoing.

11. 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

Save in circumstances where the speculation tax would apply (see below), 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 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 are generally not tax deductible.

It should be noted that the Belgian government has recently introduced a so-called “speculation tax” (effective as from 1 January 2016). This new tax applies to capital gains realized by private individuals on certain types of financial instruments (including listed shares and warrants), within a period of 6 months following the acquisition of these instruments. The applicable rate is 33% (plus local surcharges). The speculation tax does, however, not apply e.g. in situations where (i) the Warrants and/or the Underlying Shares are not listed on a (regulated) stock exchange, or (ii) the Underlying Shares are listed shares issued by (a) a UCITS governed by the Law of 3 August 2012 or by similar foreign rules, (b) an AIF governed by the Law of 19 April 2014 or by similar foreign rules, or (c) a Regulated Real Estate Investment Company.

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

Income tax regime applicable to Belgian resident corporations

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

Any capital gains 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, 33.99%. 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

A tax on stock exchange transactions (*beurstaks/taxe sur les opérations de bourse*) will be levied on the purchase and sale in Belgium of the Warrants on the secondary market through a professional intermediary. The rate applicable for secondary sales and purchases in Belgium through a professional intermediary is 0.27 per cent. with a maximum amount of EUR 800 per transaction and per party. The tax is due separately from each party to any such transaction, i.e. the seller (transferor) and the purchaser (transferee), both collected by the professional intermediary.

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 by certain Belgian institutional investors as defined in Article 126.1 2° of the code of various duties and taxes (*Wetboek Diverse Rechten en Taksen/Code des Droits et Taxes Divers*).

On 14 February 2013, the EU Commission adopted a draft Directive on a financial transactions tax (**FTT**). The draft Directive 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 on 28 November 2006 on the common system of value added tax). For Belgium, the above mentioned transfer taxes should thus be abolished once the FTT enters into force. The draft Directive is still subject to negotiation between the participating Member States and may therefore be changed at any time.

12. INDEX OF DEFINED TERMS

13. GENERAL INFORMATION

Authorisation

The establishment 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 9 June 2015 (decision Nr. 97).

Listing and admission to trading of Warrants on Euronext Brussels

The English version of this Base Prospectus has been approved by the FSMA on 15 March 2016 in its capacity as competent authority under Article 23 of the Belgian Prospectus Law to approve this document as a base prospectus. Application has also been made to Euronext Brussels for the Warrants to be listed on Euronext Brussels. Application may also be made for the Warrants to be admitted to trading on Euronext Brussels following their dematerialisation. Euronext Brussels' regulated market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments.

Documents Available

So long as any of the Warrants do not reach the relevant Expiration Date, copies of the following documents will be available during normal business hours at the specified office of the Warrant Agent (where applicable, with an English translation thereof):

(i) the constitutional documents of the Issuer;

(ii) the Warrant Agreement;

(iii) any future prospectuses, base prospectuses, information memoranda and supplements including Final Terms relating to Warrants which are listed on Euronext Brussels or offered in a Member State of the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive (whether or not listed on Euronext Brussels).

For the period of 12 months following the date of this Base Prospectus, copies and, where appropriate, English translations of the following documents will be available on the website at www.kbc.com and during normal business hours at the specified office of the Issuer:

(i) a copy of this Base Prospectus;

(ii) the audited annual non-consolidated financial statements of the Issuer for each of the two financial years ended on 31 December 2013 and 31 December 2014, in each case together with the auditor reports in connection therewith;

(iii) the semi-annual financial statements of the Issuer for the half year ended 30 June 2015;

(iv) the Q4 Report of 2015 of the KBC Group NV

Copies of each Final Terms (together with the relevant Base Prospectus) relating to Warrants which are either admitted to trading on any other regulated market in the European Economic Area or offered in any other Member State of the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will be available for viewing in accordance with Article 14(2) of the Prospectus Directive and the rules and regulations of the relevant regulated market.

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 Warrantt 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:

(a) no significant change in the financial or trading position of the Issuer or the KBC Bank Group since 31 December 2014; and

(b) no material adverse change in the financial position, business or prospects of the Issuer since 30 June 2015.

KBC Telephone Lines for the delivery of Sale Notice in accordance with Condition (11)a

(a) Provincie Vlaams Brabant : +32 16 43 13 60

(b) Provincie Limburg : +32 11 72 10 00

(c) Provincie West-Vlaanderen :+32 50 64 20 00

(d) Provincie Oost-Vlaanderen : +32 9 331 78 00

(e) Provincie Antwerpen : +32 3 283 24 50

THE ISSUER

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LEGAL ADVISER

as to Belgian law

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To the Issuer

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