KBC Group NV

(incorporated with limited liability in Belgium)

EUR 10,000,000,000
Euro Medium Term Note Programme

Under this EUR 10,000,000,000 Euro Medium Term Note Programme (the "**Programme**"), KBC Group NV (the "**Issuer**") may from time to time issue notes (the "**Notes**") denominated in any currency agreed between the Issuer and the relevant Dealer(s) (as defined below). The aggregate nominal amount of Notes outstanding will not at any time exceed EUR 10,000,000,000 (or its equivalent in any other currencies). Any Notes issued under the Programme on or after the date of this Base Prospectus are issued subject to the provisions herein. Notes to be issued under the Programme may comprise (i) unsubordinated Notes ("**Senior Notes**") and (ii) Notes which are subordinated as described herein and have terms capable of qualifying as Tier 2 Capital (as defined herein) (the "**Subordinated Tier 2 Notes**"). The Notes will be issued in the Specified Denomination(s) specified in the applicable Final Terms. The minimum Specified Denomination of the Notes shall be at least EUR 100,000 (or its equivalent in any other currency). The Notes have no maximum Specified Denomination.

The Notes may be issued on a continuing basis to the Dealer specified below 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 (each a "**Dealer**" and together the "**Dealers**").

This base prospectus (the "**Base Prospectus**") has been approved on 12 June 2018 by the Financial Services and Markets Authority (*Autoriteit voor Financiële Diensten en Markten/Autorité des services et marchés financiers*) (the "**FSMA**") 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 (the "**Prospectus Law**") as a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC, as amended (the "**Prospectus Directive**") in respect of the issue by the Issuer of Notes. This approval cannot be considered as a judgment by the FSMA as to the opportunity or the merits of any issue under the Programme, nor on the situation of the Issuer.

Application has also been made to Euronext Brussels ("**Euronext Brussels**") for Notes issued under the Programme during the period of 12 months from the date of approval of the Base Prospectus to be listed on Euronext Brussels and admitted to trading on the regulated market of Euronext Brussels. References in this Base Prospectus to Notes being "**listed**" (and all related references) shall mean that such Notes have been listed and admitted to trading on Euronext Brussels' regulated market. The regulated market of Euronext Brussels is a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU, as amended ("**MiFID II**"). The Issuer may also issue Notes which are not listed or request the listing of Notes on any other stock exchange or market.

The Notes will be issued in dematerialised form under the Belgian Companies Code (*Wetboek van Vennootschappen / Code des Sociétés*) (the "**Belgian Companies Code**") and cannot be physically delivered. The Notes will be represented exclusively by book entries in the records of the securities settlement system operated by the National Bank of Belgium (the "**NBB**") or any successor thereto (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 Notes. Securities Settlement System Participants include certain banks, stockbrokers (*beursvennootschappen/sociétés de bourse*), Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, société anonyme, Luxembourg ("**Clearstream, Luxembourg**"). Accordingly, the Notes will be eligible to clear through, and therefore accepted by, Euroclear and Clearstream, Luxembourg and investors may hold their Notes within securities accounts in Euroclear and Clearstream, Luxembourg. The Notes issued in dematerialised form and settled through the Securities Settlement System may be eligible as ECB collateral, provided that the applicable ECB eligibility requirements are met.

Information on the aggregate nominal amount of Notes, interest (if any) payable in respect of such Notes, the issue price of such Notes and other information which is applicable to each Tranche (as defined herein) of such Notes will be set out in a final terms document (the "**Final Terms**") which will be delivered to the FSMA and Euronext Brussels on or before the date of issue of the Notes of such Tranche. Copies of Final Terms in relation to Notes to be listed on Euronext Brussels will be published on the website of Euronext Brussels (www.euronext.com).

Notes issued under the Programme may be rated or unrated. When an issue of a certain Series (as defined herein) of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme (if any) and such rating may be specified in the applicable Final Terms. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under Regulation (EC) No 1060/2009 (as amended) on credit rating agencies (the "**CRA Regulation**") will be disclosed in the relevant Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this Base Prospectus, setting out certain risks in relation to Senior Notes and Subordinated Tier 2 Notes. In particular, holders of Senior Notes and Subordinated Tier 2 Notes may lose their investment if the Issuer were to become non-viable or the Notes were to be written down and/or converted or (in the case of the Senior Notes) bailed-in. See pages 27 to 30 of this Base Prospectus. Moreover, Subordinated Tier 2 Notes include certain risks specific to the nature of such instruments, such as subordination, write-down/conversion features, increased illiquidity, conflicts of interest and redemption. See pages 11 to 48 for a description of the risk factors and page 44 to 48 for a description of the risk factors specific to Subordinated Tier 2 Notes.

The Notes may not be a suitable investment for all investors. Accordingly, prospective investors in Notes should decide for themselves whether they want to invest in the Notes and obtain advice from a financial intermediary in that respect, in which case the relevant intermediary will have to determine whether or not the Notes are a suitable investment for them. Notes issued under the Programme will not be placed with "consumers" *"(consumenten / consommateurs)"* within the meaning of the Belgian Code of Economic Law (*Wetboek economisch recht / Code de droit economique*).

Arranger and Dealer
KBC Bank

The date of this Base Prospectus is 12 June 2018.

A36240842

Jérôme FERRI
Authorised Signatory

BRONSON MOSTINCKX
AUTHORISED SIGNATORY

IMPORTANT INFORMATION

IMPORTANT INFORMATION RELATING TO THE USE OF THIS BASE PROSPECTUS

This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive and for the purpose of giving information with regard to the Issuer, the Issuer and its subsidiaries taken as a whole (the "**KBC Group**") and the Notes which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer.

The Issuer (the "**Responsible Person**") accepts responsibility for the information contained in this Base Prospectus. 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.

This Base Prospectus is to be read in conjunction with all documents which are incorporated herein by reference (see "*Documents Incorporated by Reference*").

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 or the Group conducts operations; (iv) the potential impact of sovereign risk in certain European Union countries; (v) adverse rating actions by credit rating agencies; (vi) the ability of counterparties to meet their obligations to the Issuer or the Group; (vii) the effects of, and changes in, fiscal, monetary, trade and tax policies, financial and company 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 and/or the Group's business and practices in one or more of the countries in which the Issuer or the Group conducts operations; (xi) the adverse resolution of litigation and other contingencies; (xii) the Issuer's and/or the Group's success at managing the risks involved in the foregoing.

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

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

No person has been authorised to give any information or to make any representation other than those contained in this Base Prospectus in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Dealers or the Arranger. Neither the delivery of this Base Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Base Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus comes are required by the Issuer, the Dealers and the Arranger to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the United States Securities Act of 1933 (the "**Securities Act**"). Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons. For a description of certain restrictions on offers and sales of Notes and on distribution of this Base Prospectus, see "*Subscription and Sale*".

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**") or (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO CONSUMERS IN BELGIUM – Notes issued under the Programme are not intended to be offered, sold to or otherwise made available to and will not be offered, sold or otherwise made available by any Dealer to any "consumer" (*consument / consommateur*) within the meaning of the Belgian Code of Economic Law (*Wetboek economisch recht / Code de droit economique*).

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

BENCHMARK REGULATION – Amounts payable under the Notes may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/1011 (the "**Benchmark Regulation**"). If any such reference rate does constitute such a

benchmark, the applicable Final Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("**ESMA**") pursuant to article 36 of the Benchmark Regulation. Not every reference rate will fall within the scope of the Benchmark Regulation. Transitional provisions in the Benchmark Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the relevant Final Terms (or, if located outside the European Union, recognition, endorsement or equivalence). The registration status of any administrator under the Benchmark Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the Final Terms to reflect any change in the registration status of the administrator.

This Base Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Dealers to subscribe for, or purchase, any Notes.

To the fullest extent permitted by law, none of the Dealers or the Arranger accept any responsibility for the contents of this Base Prospectus or for any other statement, made or purported to be made by the Arranger or a Dealer or on its behalf in connection with the Issuer or the issue and offering of the Notes. The Arranger and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Base Prospectus or any such statement. Neither this Base Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arranger or the Dealers that any recipient of this Base Prospectus or any other financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Base Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arranger undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Base Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arranger.

The Notes may not be a suitable investment for all investors. In particular, each potential investor should:

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

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

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where the currency for principal and/or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices, interest rates and financial markets; and

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

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) Notes are legal investments for it, (b) Notes can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

In this Base Prospectus, unless otherwise specified or the context otherwise requires, references to "**euro**", "**EUR**" and "**€**" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

PROSPECTUS SUPPLEMENT

If at any time the Issuer shall be required to prepare a prospectus supplement pursuant to Article 34 of the Prospectus Law, the Issuer will prepare and make available an appropriate amendment or supplement to this Base Prospectus which, in respect of any subsequent issue of Notes to be listed and admitted to trading on the Euronext Brussels' regulated market, shall constitute a prospectus supplement as required by Article 34 of the Prospectus Law.

The Issuer has given an undertaking to the Dealers that if at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to information contained in this Base Prospectus which is capable of affecting the assessment of any Notes and whose inclusion in or removal from this Base Prospectus is necessary for the purpose of allowing an investor to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, and the rights attaching to the Notes, the Issuer shall prepare an amendment or supplement to this Base Prospectus or publish a replacement Base Prospectus for use in connection with any subsequent offering of the Notes and shall supply to each Dealer such number of copies of such supplement hereto as such Dealer may reasonably request.

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STABILISATION

In connection with the issue of any Tranche, the Dealer or Dealers (if any) named as the stabilising manager(s) (the "Stabilising Manager(s)") (or any person acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche and 60 days after the date of the allotment of the relevant Tranche. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

OVERVIEW OF THE PROGRAMME

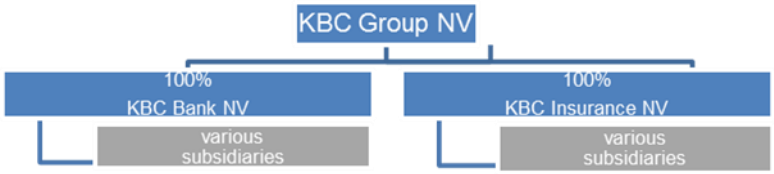
The following overview is qualified in its entirety by the remainder of this Base Prospectus.

Information relating to the Issuer

Issuer: KBC Group NV.

Description of the Issuer: The Issuer is a mixed financial holding company whose purpose is the direct or indirect ownership and management of shareholdings in other companies, including but not limited to credit institutions, insurance companies and other financial institutions. The Issuer also aims to provide support services for third parties, as agent or otherwise, in particular for companies in which the Issuer, directly or indirectly, has an interest.

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



Principal activities of the Issuer: The Issuer and its subsidiaries (the "**Group**") are an integrated bank insurance group, catering mainly for retail, private banking, small and medium-sized enterprises and mid-cap clients. Geographically, the Group focusses on its core markets of Belgium, the Czech Republic, the Slovak Republic, Hungary, Bulgaria and Ireland. Elsewhere in the world, the Group is present, to a limited extent, in several other countries to support corporate clients from the Group's core markets.

The 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, the Group is active in a large number of products and activities, ranging from the plain vanilla deposit, credit, asset management and life and non-life insurance businesses 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.

Information relating to the Programme

Description: Euro Medium Term Note Programme.

Notes to be issued under the Programme may comprise (i) unsubordinated Notes ("**Senior Notes**") and (ii) Notes which are subordinated as described herein and have terms capable of qualifying as Tier 2 Capital (as defined herein) (the "**Subordinated Tier 2 Notes**").

Arranger and Dealer:	KBC Bank NV. The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Base Prospectus to "**Permanent Dealers**" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "**Dealers**" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Agent:	KBC Bank NV.
Size:	Up to EUR 10,000,000,000 (or its equivalent in any other currencies) aggregate nominal amount of Notes outstanding at any one time pursuant to the Euro Medium Term Note Programme (the "**Programme**").
Distribution:	The Notes will be distributed by way of private placement on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "**Series**"), whether or not issued on the same date, that (except in respect of the first payment of interest and their issue price) have identical terms on issue and are expressed to have the same series number. A "**Tranche**" means, in relation to a Series, those Notes of that Series that are identical in all respects. The final terms and conditions for the Notes (or the relevant provisions thereof) will be completed in the final terms (the "**Final Terms**").
Currencies:	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealers.
Maturity:	Subject to compliance with all relevant laws (including the Applicable Banking Regulations), regulations and directives and unless previously redeemed or purchased and cancelled, each Note will have the maturity as specified in the applicable Final Terms. Unless otherwise permitted by the Applicable Banking Regulations, Subordinated Tier 2 Notes constituting Tier 2 Capital will have a minimum maturity of five years.
Issue Price:	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount.
Form of Notes:	The Notes will be issued in dematerialised form in accordance with Article 468 et seq. of the Belgian Companies Code (*Wetboek van Vennootschappen/Code des Sociétés*). The Notes will be represented exclusively by book entry in the records of the clearing system operated by the National Bank of Belgium ("**NBB**") or any successor thereto (the "**Securities Settlement System**"). The Notes cannot be physically delivered and may not be converted into bearer notes (*effecten aan toonder/titres au porteur*). Title to the Notes will pass by account transfer.
Specified Denomination:	The Notes will be in such denominations as may be specified in the relevant Final Terms save that in the case of any Notes, the specified denomination shall be EUR 100,000 (or its equivalent in any other

currency).

Status of Senior Notes: Senior Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu* without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

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

In the event of an order being made, or an effective resolution being passed, for the liquidation, dissolution or winding-up of the Issuer by reason of bankruptcy (*faillissement/faillite*) or otherwise (except, in any such case, a solvent liquidation, dissolution or winding-up solely for the purposes of a reorganisation, reconstruction or amalgamation of the Issuer or the substitution in place of the Issuer of a successor in business of the Issuer), the rights and claims of the holders of the Subordinated Tier 2 Notes against the Issuer in respect of or arising under (including any damages awarded for breach of any obligation under) the Subordinated Tier 2 Notes shall, subject to any obligations which are mandatorily preferred by law, rank (a) junior to the claims of all Senior Creditors of the Issuer, (b) at least *pari passu* with the claims of holders of all obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 2 Capital of the Issuer and (c) senior to (1) the claims of holders of all share capital of the Issuer, (2) the claims of holders of all obligations of the Issuer which constitute Tier 1 Capital of the Issuer and (3) the claims of holders of all obligations of the Issuer which are or are expressed to be subordinated to the Subordinated Tier 2 Notes.

Terms of the Notes: Notes (i) bear interest calculated by reference to a fixed rate of interest (such Note, a "**Fixed Rate Note**"), (ii) bear interest calculated by reference to a fixed rate of interest for an initial period and thereafter by reference to a fixed rate of interest recalculated on one or more dates specified in the Final Terms and by reference to a mid-market swap rate (such Note, a "**Fixed Rate Reset Note**"), (iii) bear interest by reference to one or more floating rates of interest (such Note, a "**Floating Rate Note**"), or (iv) are a combination of two or more of (i) to (iii) of the foregoing, as specified in the Final Terms.

Redemption: The relevant Final Terms will specify the basis for calculating the redemption amounts payable. Notes will be redeemed either (i) at 100 per cent. of the Calculation Amount or (ii) at an amount per Calculation Amount specified in the applicable Final Terms.

Optional Redemption: The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part), and if so the terms applicable to such

	redemption.
Early Redemption:	Except as provided in "*Optional Redemption*" above, Notes can be early redeemed at the option of the Issuer prior to their stated maturity for tax reasons. If so specified in the applicable Final Terms, Notes may also be early redeemed, subject to certain conditions, (i) in respect of Subordinated Tier 2 Notes, upon the occurrence of a Capital Disqualification Event and (ii) in respect of Senior Notes, upon the occurrence of a Loss Absorption Disqualification Event.
Ratings:	Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Withholding Tax:	All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of the Kingdom of Belgium, unless the withholding is required by law. In such event, the Issuer shall, subject to customary exceptions, pay such additional amounts on interest (but not on principal or any other amount) as shall result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding been required.
Governing Law:	The Notes (except Conditions 1 (*Form, Denomination and Title*), 2 (*Status of the Notes*) and 12 (*Meeting of Noteholders and Modifications*)) and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law. Conditions 1 (*Form, Denomination and Title*), 2 (*Status of the Notes*) and 12 (*Meeting of Noteholders and Modifications*) and any non-contractual obligations arising out of or in connection with them shall be governed by, and construed in accordance with, Belgian law.
Listing and Admission to Trading:	Application has been made to Euronext Brussels for Notes issued under the Programme to be listed and to be admitted to trading on the regulated market of Euronext Brussels. As specified in the relevant Final Terms, a Series of Notes may be unlisted.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes. See "*Subscription and Sale*" below. The Issuer is a Category 2 Issuer for the purposes of Regulation S under the Securities Act.

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under Notes 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 Notes issued under the Programme are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes 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 Notes 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 "Group" refers to KBC Group NV and its subsidiaries from time to time (including KBC Bank NV and KBC Insurance NV).

Capitalised terms used herein and not otherwise defined shall bear the meanings ascribed to them in "Terms and Conditions of the Notes" below.

RISKS RELATING TO THE ISSUER AND THE GROUP

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

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

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

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

Group's business and, if they were to persist or worsen, could adversely affect the financial condition, results of operations and access to capital and credit of the Group.

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

In addition, the 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 the Group does business and market interest rates at the time.

All these elements, including market volatility, can negatively affect the 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 the Group, a decline in the profitability of certain assets and a loss of liquidity in certain asset classes.

1.2 Political, constitutional and economic uncertainty arising from the outcome of the referendum on the membership of the United Kingdom in the European Union.

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

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

The effects on the United Kingdom, European and global economy of the uncertainties arising from the results of the referendum are difficult to predict but may include economic and financial instability in the United Kingdom, Europe and the global economy and the other types of risks described in the previous risk factor entitled "*Economic and market conditions may pose significant challenges for the Group and may adversely affect its results*" on pages 11 and 12 of this Base Prospectus. Any uncertainty or economic and financial instability or other effects arising as a result of the decision of the United Kingdom to leave the European Union, could affect the Group's business and, if they were to persist or worsen, could adversely affect the financial condition, results of operations and access to capital and credit of the Group.

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

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

The most relevant areas of regulatory and legislative developments which affect the Group include the following:

- The revised regulatory framework of Basel III which was implemented in the European Union through the adoption of Regulation (EU) n° 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms ("**CRR**") and Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions on prudential requirements for credit institutions and investment firms ("**CRD**", and together with CRR, "**CRD IV**").

- A new recovery and resolution regime for credit institutions which introduced certain tools and powers with a view to addressing banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses, through Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending various EU Directives and Regulations, as amended by Directive (EU) 2017/2399 ("**BRRD**").

- The assumption in November 2014 of certain supervisory responsibilities by the ECB which were previously handled by the National Bank of Belgium (the "**NBB**"), pursuant to Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (the "**Single Supervision Mechanism**" or "**SSM**").

- Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Bank Resolution Fund and amending Regulation (EU) No 1093/2010 of the European Parliament and of the Council (the "**Single Resolution Mechanism**" or "**SRM**"). The Single Resolution Mechanism entered into force on 19 August 2014 and applies to credit institutions which fall under the supervision of the ECB, including the Group. It established a Single Resolution Board ("**SRB**") which is responsible since 1 January 2016 of vetting resolution plans and carrying out any resolution in cooperation with the national resolution authorities (the SRB together with the resolution college of the NBB is hereinafter referred to as the "**Resolution Authority**").

- The European Union developed a new solvency framework for insurance and reinsurance companies operating in the European Union, referred to as "Solvency II". The European Directive 2009/138/EC on the taking-up and pursuit of the business of insurance and reinsurance of 25 November 2009 ("**Solvency II Directive**") as supplemented by the Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC marked an important step in this major reform. The Solvency II framework is applicable in all EU countries as from 1 January 2016.

- Furthermore, changes are also being made to the International Financial Accounting Standards ("**IFRS**").

Although the Issuer 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 Issuer and/or its subsidiaries, their business, financial condition or results of operations.

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

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

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

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

On 7 December 2017, the Basel Committee reached an agreement on the remaining Basel III post-crisis regulatory reforms (commonly known as "**Basel IV**"). Main elements include a 72.5% aggregate output floor next to calibrations of the revised standardised approaches for credit risk and especially operational risk. The Basel IV agreement needs to be transposed into European regulation. It will apply

as from 1 January 2022. The output floor will be phased in over five years from 2022 to 2027. For the Issuer, the risk weighted assets ("**RWA**") increase related to Basel IV is estimated at roughly EUR 8 billion higher RWA on a fully loaded basis as at year-end 2017, which corresponds with a RWA inflation of 9% and an impact on the CET1 ratio of -1.3%. This figure is based on the current interpretation of Basel IV, a static balance sheet and the current economic environment.

The 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 the Group conducts its business. Changes in supervision and regulation, in particular in Belgium and Central and Eastern Europe (e.g. Hungary), could materially affect the Group's business, the products and services offered by it or the value of its assets.

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

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

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

In its Belgian home market, the Group faces substantial competition, mainly from BNP Paribas Fortis, ING Group and Belfius Bank. In addition, the 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, the Group faces competition from the regional banks in each of the jurisdictions in which it operates and from international competitors such as UniCredit, Erste Bank and Raiffeisen International.

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

2. Risks relating to the Group and its business

2.1 The Group has significant credit default risk exposure

As a large financial organisation, the 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 the Group money, securities or other assets may not pay or perform under their obligations. These parties include, among others, borrowers under loans made by the Group (in particular, by KBC Bank NV), the issuers whose securities the 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 the Group due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure or other reasons.

After witnessing a significant increase in default rates as a result of worsening economic conditions, over recent years credit institutions have seen an ongoing improvement in the amount of impaired loans. This trend – i.e., the decreasing amount of impaired loans – was also visible in the portfolio of the Group since 2014, particularly in Ireland. To a limited extent, credit is also granted in a currency other than the local currency. In those cases, changes in exchange rates between the local and such other currency can also have an impact on the credit quality of the borrower. Any further adverse changes in the credit quality of the Group's borrowers, counterparties or other obligors could affect the recoverability and value of its assets and require an increase in the 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 the 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.

The Group's banking business 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 the 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 the Group's business, results of operation or financial condition.

The Group's principal credit risk exposure is to retail and corporate customers, including in its mortgage and real estate portfolio, as well as towards other financial institutions and sovereigns. As this credit risk reflects some concentration, particularly in Belgium, the Czech Republic, the Slovak Republic, Hungary, Bulgaria and Ireland (the home markets) where the Group is active, its financial position is sensitive to a significant deterioration in credit and general economic conditions in these regions. Moreover, uncertainty regarding Greece and the rest of the Eurozone, the risk of losses as a result of a country's or a credit institution's financial difficulties or a downgrade in its credit rating could have a significant impact on the 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 the 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 the Group's business

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

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

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

Furthermore, as was the case during the financial crisis, protracted market declines can reduce the liquidity of markets that are typically liquid. If, in the course of its activities, the Group requires significant amounts of cash on short notice in excess of anticipated cash requirements, the 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 the Group's business, financial condition and results of operations.

2.3 The Group is exposed to counterparty credit risk in derivative transactions

The 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 the 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 the 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 is subject to mitigating actions taken by the Group (i.e., central clearing and collateralisation). The remaining risk can be exacerbated if the collateral held by the 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 the Group's control, can have significant adverse effects on its financial results

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

The results of the Group's operations are affected by its management of interest rate sensitivity. Interest rate sensitivity refers to the relationship between changes in market interest rates and changes in net interest income or in fair value.[1] Changes in market interest rates, including in case of negative interest rates in certain areas, can affect the interest rates that the Group receives on its interest-earning assets differently to the rates that it pays for its interest-bearing liabilities. Accordingly, the composition of the Group's assets and liabilities, and any gap position resulting from such composition, causes the 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 the 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 the Group's businesses.

2.5 The Group is subject to foreign exchange risk

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

2.6 The Group is subject to (trading) market risk

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

The Group uses a range of instruments and strategies to manage (trading) market risks to the level and extent defined by the Group's internal 'Risk Appetite' statement and the originating risk management frameworks as well as the external laws and regulations. If the market risk management instruments and strategies prove ineffective or only partially effective (e.g. basis risk arises), the Group may suffer

[1] The 'fair value' is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an at arm's length transaction. The level of interest rates can influence the fair value of an asset or a liability.

losses. Sudden drying up of the liquidity in the financial markets may affect the (cost of the) implementation of the risk reducing measures. Unforeseen market developments such as those in relation to the government bonds of various countries which occurred in 2011 and 2012 may significantly reduce the effectiveness of the measures taken by the Group to hedge risks. Gains and losses from ineffective risk-hedging measures may heighten the volatility of the results achieved by the Group and could therefore have a material adverse effect on the Group's business, results of operations and financial condition.

2.7 A downgrade in the credit rating of the Issuer 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 the Issuer and certain of its subsidiaries are important to maintaining access to key markets and trading counterparties. The major rating agencies regularly evaluate the Issuer, certain 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 the 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 the Issuer or its subsidiaries will maintain the current ratings.

The Issuer's or its subsidiaries' failure to maintain its credit ratings could adversely affect the competitive position of the Group, make entering into hedging transactions more difficult and increase borrowing costs or limit access to the capital markets or the ability of the Group to engage in funding transactions. A further reduction in an entity of the Group's credit ratings 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 Group may be required to provide additional collateral in the event of a credit rating downgrade.

2.8 The 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

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

Nonetheless, such risk management techniques and strategies may not be fully effective in assessing risk exposure in all economic and market environments or against all types of risk, including risks that the 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 the Group may fail to predict or may predict incorrectly future risk exposures and the Group's losses could therefore be significantly greater than such measures would indicate. In addition, the risk management methods used by the Group do not take all risks into account and could prove insufficient. If prices move in a way that the Group's risk modelling has not anticipated, the Group may experience significant losses. These failures can be exacerbated where other market participants are using models that are similar to those of the 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, the 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 the Group's banking and asset management businesses.

2.9 While the Group strictly manages its operational risks, these risks remain inherent to its business

The 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, the 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 the 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 the Group.

The operational risks that the 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 the Group's operations and results.

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

2.10 The financial industry, including the Group, is increasingly dependent on information technology systems, which may fail, be inadequate or no longer available

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

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

2.11 The Group may be subject to privacy or data protection failures, cybercrime and fraudulent activity in relation to personal customer data, which could result in investigations by regulators, liability to customers, administrative fines, penalties and/or reputational damage.

The Group is subject to regulation regarding the processing (including disclosure and use) of personal data. The Group processes significant volumes of personal data relating to customers as part of its business, some of which may also be classified under legislation as sensitive personal data. The Group must therefore comply with strict data protection and privacy laws and regulations.

Regulation 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, which entered into force on 25 May 2018, is the primary legislation governing the Group's use of customer personal data. It introduces substantial changes to data protection laws, including an increased emphasis on businesses being able to demonstrate compliance with their data protection obligations. This requires significant investments by the Group in its data management and compliance operations. In addition, the European Commission recently released its proposal for a new European ePrivacy Regulation.

The Group also faces the risk of a breach in the security of its ICT systems, for example from increasingly sophisticated attacks by cybercrime groups. Data breaches could have a material adverse impact on the Group's reputation and on its business, financial condition, operating results and prospects. The Group tries to mitigate such risks, including by ensuring that systems and procedures are in place to ensure compliance with relevant regulations. There can, however, be no assurance that such security measures will be effective.

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

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

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

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

As of 1 January 2018, the consolidated financial statements of the Group are prepared in accordance with IFRS 9. The total impact of the first time application of the transition from IAS 39 to IFRS 9 as at 1 January 2018 amounted to, including the impact on both the financial assets and provisions, a

decrease in equity amounting before tax to EUR -949 million (EUR -746 million after tax). This consists of:

- a classification and measurement impact of EUR -661 million before tax, mainly due to a decrease of other comprehensive income reserves; and
- an increase in impairments and provisions amounting to EUR -288 million before tax.

This corresponds to a negative impact of 41 basis points on the fully loaded CET1 ratio of KBC Group, as consolidated under the Danish Compromise.

The further development of standards and interpretations under EU-IFRS could also significantly affect the results of operations, financial condition and prospects of the Group.

2.13 The 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. The Group endeavours to mitigate such risks by implementing appropriate control processes tailored to its business, the market and regulatory environment in which it operates. Nevertheless, it is possible that these measures prove to be ineffective in relation to particular or all operational risks to which the Group is exposed. Even though the 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, the Group's business, results of operations and financial condition could be materially adversely affected.

2.14 Litigation or other proceedings or actions may adversely affect the Group's business, financial condition and results of operations

The Group's business is subject to the risk of litigation by customers, employees, shareholders or others through private actions, class actions or summary proceedings by associations (e.g. consumer or professional organisations) notably in order to stop or suspend commercial activities or products, administrative proceedings, regulatory actions or other litigation (including, but not limited to, any criminal investigation or prosecution). Given the complexity of the relevant circumstances and corporate transactions underlying these proceedings, together with the issues relating to the interpretation of applicable law, it is inherently difficult to estimate the potential liability related to such liability risks, to evaluate the outcome of such litigation or the time when such liability may materialise. Management makes estimates regarding the outcome of legal, regulatory and arbitration matters, such as the ones mentioned above, and creates provisions when losses with respect to such matters are deemed probable and can be reasonably estimated. Estimates, by their nature, are based on judgment and currently available information and involve a variety of factors, including but not limited to the type and nature of the litigation, claim or proceeding, the progress of the matter, the advice of legal counsel and other advisers, possible defences and previous experience in similar cases or proceedings. Legal proceedings with remote or non quantifiable outcomes are not provided for, and the Group may be required to cover litigation losses which are not covered by such provision, including for example 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 the Group cannot

give any assurance that a negative outcome in one or more of such proceedings would not have a material adverse effect on the 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 the 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 the Group's services, regardless of whether the allegations are valid or whether the relevant Group entity is ultimately found liable. See further "*Description of the Issuer – Litigation*" on pages 144 to 150 of this Base Prospectus.

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

2.15 The Group is exposed to risks on account of pension obligations

The 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 the Group's business, results of operations and financial condition.

2.16 The Group is exposed to certain risks relating to its insurance operations, including technical risk

In addition to the risks mentioned elsewhere in this section in relation to the Group, KBC Insurance NV is confronted with risks related to economic (such as lapse rates, expenses) and non-economic (such as mortality, longevity, disability) parameters in the life insurance business and catastrophe and non-catastrophe risks in the non-life insurance business. Technical insurance risks stem from uncertainty regarding the frequency and severity of insured losses.

Changes in the frequency of the underlying risk factors may affect the level of liabilities of KBC Insurance NV and its realised technical income. KBC Insurance NV has implemented risk management methods to reduce and control the insurance risks to which it is exposed, as for example reinsurance programs, and the risks are constantly measured and monitored.

2.17 Risks related to the Group's insurance business

The Group is dependent on the level of insurance services required by its customers. The Group's insurance business faces substantial competitive pressure that could adversely affect the results of its operations. The Group's earnings assessment (annual exercise) aims to assess the longer term financial sustainability of the business model by estimating the impact of more or less severe events and/or trends that have a material long lasting or structural impact on future profitability.

3. Other risks relating to the Group

3.1 The Group is responsible for contributing to compensation schemes and subject to special bank taxes

The Group is required to make contributions to national resolution deposit guarantee fund based on a number of criteria, including the amount of its deposit taking. In addition, the Group is required to make contributions to the European Single Resolution Fund which was established pursuant to the SRM and which is to be built up with contributions of the banking sector to ensure the availability of funding support for the resolution of credit institutions. The overall aim of the SRM is to ensure an orderly resolution of failing banks with minimal costs to taxpayers and the real economy. Moreover,

the Group is also subject to special bank taxes which have been introduced after the financial crisis and which have been increased in recent years.

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

3.2 The Group is subject to increasingly onerous minimum regulatory capital, liquidity and leverage requirements

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

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

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

Any failure of the 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 the Group's results of operations. A shortage of available capital may restrict the Group's opportunities for expansion.

CRD IV requires the Group to meet targets set for the Basel III liquidity related ratios, i.e., (i) the liquidity coverage ratio ("**LCR**") under Article 412 CRR which requires banks to hold sufficient unencumbered high quality liquid assets to withstand a 30-day stressed funding scenario and (ii) the net stable funding ratio ("**NSFR**") under Article 427 which is calculated as the ratio of an institution's amount of available stable funding to its amount of required stable funding. At year-end 2017, the NSFR of KBC Group stood at 134% and the average LCR in 2017 was 139%. Therefore, the Group currently complies with the CRD IV requirements (ratios both set at 100 per cent. as from 1 January 2018). However, failure to comply with these ratios in the future may lead to regulatory sanctions. Wholesale funding may also prove difficult if the Group does not achieve LCR and NSFR margins comparable to peers.

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

BRRD, which was adopted in May 2014 and implemented in the Banking Law, provides common tools and powers to supervisory and resolution authorities to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses. The powers granted to resolution authorities under the BRRD include a "bail-in" tool and a statutory "write-down and conversion power". These powers allow resolution authorities to write down the claims of unsecured

creditors (including the rights of Noteholders) of a failing institution in order to recapitalise the institution by allocating losses to its shareholders and unsecured creditors, or to convert debt into equity, as a means of restoring the institution's capital position. The bail-in tool is applicable to all liabilities as defined in the BRRD, other than those specifically excluded pursuant to Article 44 (2) and (3) of the BRRD. The bail-in tool was introduced with effect on 1 January 2016 and comes in addition to the write-down and conversion power applicable to additional tier 1 and tier 2 capital instruments, which is to be exercised before or at the latest concurrently with (but immediately prior to) the exercise of any resolution power (including the bail-in power). Please also see risk factor "*Noteholders may be required to absorb losses in the event the Issuer becomes non-viable or were to fail*" below.

Under the Banking Law, substantial powers have been granted to the NBB, the SSM and the SRM in their capacity as supervisory authority and resolution authority. These powers enable the Resolution Authority to deal with and stabilise credit institutions and their holding company (including the Issuer and KBC Bank NV) that are failing or are likely to fail. In line with BRRD, the resolution regime will enable the Resolution Authority to: (i) transfer all or part of the business of the relevant entity or the shares of the relevant entity to a private sector purchaser; (ii) transfer all or part of the business of the relevant entity to a "bridge bank"; 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.

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

At the end of 2016, the SRB has put forward an indicative MREL figure for 2018 based on the mechanical approach as published by the SRB on 30 November 2016 (See further "*Description of the Issuer – The strategic plan of KBC Group*" on pages 94 to 98 of this Base Prospectus). As at 31 March 2018, the MREL ratio based on instruments issued by KBC Group NV stood at 23.5% of RWA. Based on the broader SRB definition, which also includes eligible instruments of the operating company, the MREL ratio amounts to 24.8%. The SRB requires KBC to achieve a ratio of 25.9% by 1 May 2019 using eligible instruments of both KBC Group NV and the operating company.

On 25 November 2016, the European Commission proposed certain further amendments to CRD IV and BRRD, including, amongst others, to implement the TLAC proposal to a certain extent. The proposed changes are currently scheduled to be adopted and implemented in large part by 2019. It is not entirely clear at this stage to what extent TLAC will be adopted in respect of MREL, including in relation to the sanctions that would apply in the case of an institution's failure to comply with MREL. Any failure to comply may have a material adverse effect on the Group's business and results of operation.

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

3.4 Belgian bank recovery and resolution regime

BRRD has been transposed into the Belgian law gradually as from 3 March 2015. Under the Belgian bank recovery and resolution regime, the supervisory and resolution authorities (which includes the Resolution Authority) are able to take a number of measures in respect of any credit institution it supervises if deficiencies in such credit institution's operations are not remedied. Such measures include the appointment of a special commissioner whose consent is required for all or some of the decisions taken by all the institution's corporate bodies; the imposition of additional requirements in terms of solvency, liquidity, risk concentration and the imposition of other limitations; limitations on variable remuneration; the complete or partial suspension or prohibition of the institution's activities; the requirement to transfer all or part of the institution's participations in other companies; the replacement of the institution's directors or managers; the revocation of the institution's licence; and the right to impose the reservation of distributable profits, or the suspension of dividend distributions or interest payments to holders of additional tier 1 capital instruments.

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

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

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

3.5 The Group is highly concentrated in and hence vulnerable to European sovereign exposure, in particular in its home country Belgium

The Group conducts the vast majority of its business in the European Union. Part of that business has led to an exposure by the Group towards various countries in the European Union, including certain countries which have come under market pressure in the past few years and which have not yet fully recovered from the effects of the financial crisis. It is possible that political, economic and financial developments in certain European countries could put pressure on their ability to meet their obligations vis-à-vis their creditors, including the Group. If any such sovereign risk were to materialise, the Group's business, financial condition and results of operation could be materially adversely affected. See further "*Description of the Issuer – Risk management – Sovereign debt exposure*" on pages 112 to 114 of this Base Prospectus.

RISKS RELATING TO THE NOTES

4. General risks relating to the Notes

4.1 The Notes may not be a suitable investment for all investors

The Notes may not be a suitable investment for all investors. In particular, each potential investor should:

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

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

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where the currency for principal and/or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices, interest rates and financial markets; and

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

4.2 Noteholders may be required to absorb losses in the event the Issuer becomes non-viable or were to fail

Noteholders may lose their investment in case the Issuer were to become non-viable or fail. In such circumstances, resolution authorities may require Subordinated Tier 2 Notes to be written down or converted and Senior Notes to be bailed-in, including (without limitation) Subordinated Tier 2 Notes and Senior Notes issued prior to the date of this Base Prospectus.

New resolution powers

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

The powers granted to resolution authorities under BRRD include a "write-down and conversion power" and a "bail-in" power, which give the Resolution Authority the power to write down and/or covert into shares or other instruments of ownership (i) regulatory capital instruments (including the Subordinated Tier 2 Notes) and (ii) the claims of certain unsecured creditors of a failing institution or entity (including the Notes). These so-called "write-down and conversion" and "bail-in" powers are part of a broader set of resolution tools provided to the Resolution Authority under BRRD in relation to distressed credit institutions and investment firms. These include the ability for the Resolution Authority to force, in certain circumstances of distress, the sale of a credit institution's business or its critical functions, the separation of assets, the replacement or substitution of the credit institution as obligor in respect of debt instruments, modifications to the terms of debt instruments (including altering the maturity and/or the amount of interest payable and/or imposing a temporary suspension on payments) and discontinuing the listing and admission to trading of financial instruments.

Write-down / conversion of tier 2 capital instruments, including Subordinated Tier 2 Notes

BRRD requires the Resolution Authority to write down the principal amount of tier 2 capital instruments (including the Subordinated Tier 2 Notes) or to convert such principal amount into common equity tier 1 of the Issuer so as to ensure that the regulatory capital instruments (including the Subordinated Tier 2 Notes) fully absorb losses at the point of non-viability of the issuing institution. Accordingly, the Resolution Authority shall be required to write down or convert such capital instruments (including the Subordinated Tier 2 Notes) immediately before taking any resolution action or, independently from any resolution action, if the Issuer were to be deemed to have reached the point of non-viability or were to benefit from public support.

An institution will be deemed to be no longer viable if (i) it is failing or likely to fail and (ii) there is no reasonable prospect that a private action would prevent the failure within a reasonable timeframe.

The resolution authorities has to exercise the write down and conversion powers in a way that results in (i) common equity tier 1 and additional tier one instruments of the Issuer being written down first in proportion to the relevant losses and (ii) thereafter, the principal amount of other tier 2 capital instruments (including Subordinated Tier 2 Notes) being written down potentially on a permanent basis or converted into common equity tier 1.

Bail-in of senior debt and other eligible liabilities, including Senior Notes

The bail-in regime entered into force in Belgium on 1 January 2016. Accordingly, holders of Senior Notes are at risk of losing some or all of their investment (including outstanding principal and accrued but unpaid interest) upon exercise by the Resolution Authority of the "bail-in" resolution tool in circumstances where the Issuer fails or is likely to fail. The bail-in power includes the power to cancel a liability or modify the terms of contracts for the purposes of reducing or deferring the liabilities of the relevant financial institution and the power to convert a liability from one form to another, all with a view to recapitalising the failing credit institution.

The Resolution Authority has the power to bail-in (i.e., write down or convert) senior debt such as the Senior Notes, after having written down or converted tier 1 capital instruments and tier 2 capital instruments (such as the Subordinated Tier 2 Notes). The bail-in power enables the Resolution Authority to recapitalise a failed institution by allocating losses to its shareholders and unsecured creditors (including holders of Senior Notes) in a manner which is consistent with the hierarchy of claims in an insolvency of a relevant financial institution. BRRD contains certain safeguards which provide that shareholders and creditors that are subject to any write down or conversion should in principle not incur greater losses than they would have incurred had the relevant financial institution been wound up under normal insolvency proceedings.

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

(a) the determination that the institution is failing or is likely to fail has been made by the relevant regulator, which means that one or more of the following circumstances are present:

  (i) the institution infringes or there are objective elements to support a determination that the institution will, in the near future, infringe the requirements for continuing authorisation in a way that would justify the withdrawal of the authorisation by the competent authority, including but not limited to, because the institution has incurred or is likely to incur losses that will deplete all or a significant amount of its own funds;

  (ii) the assets of the institution are or there are objective elements to support a determination that the assets of the institution will, in the near future, be less than its liabilities;

(iii) the institution is or there are objective elements to support a determination that the institution will, in the near future, be unable to pay its debts or other liabilities as they fall due;

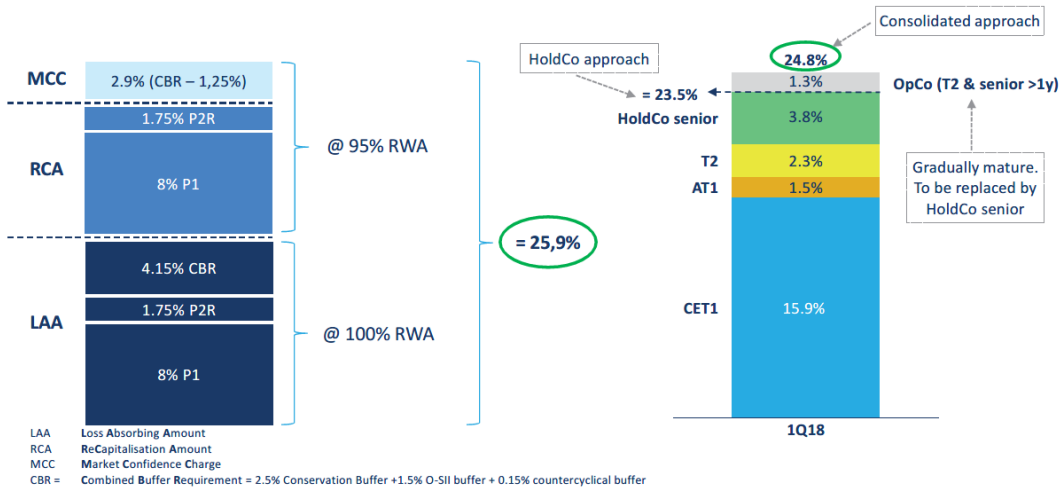
(iv) the institution request extraordinary public financial support;

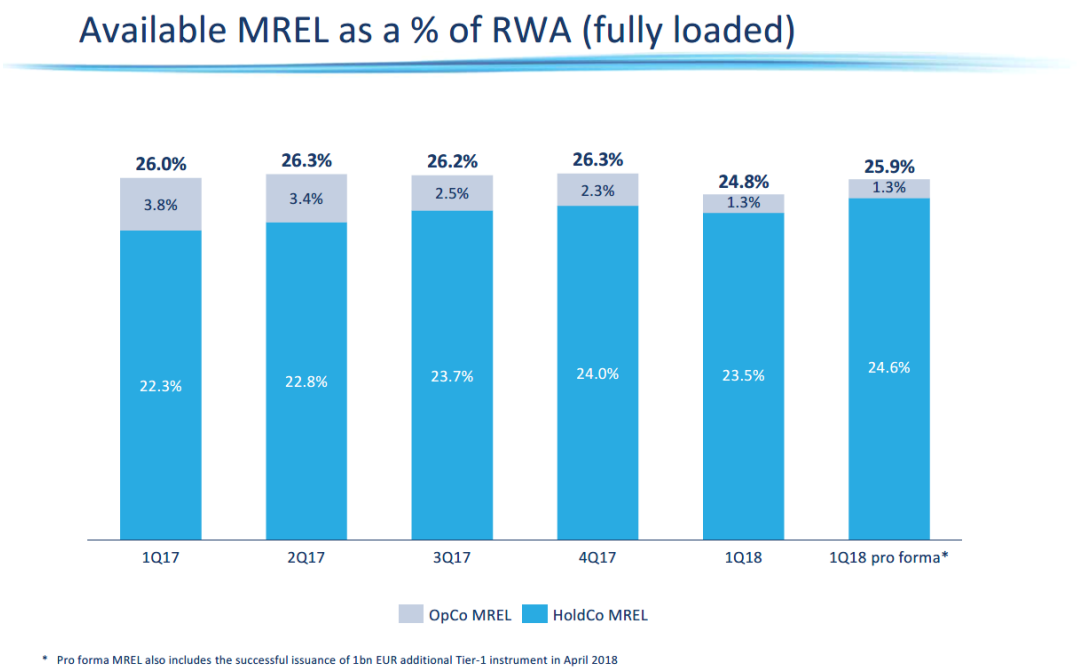
(b) having regard to timing and other relevant circumstances, there is no reasonable prospect that any alternative private sector measures or supervisory action taken in respect of the institution would prevent the failure of the institution within a reasonable timeframe; and

(c) a resolution action is necessary in the public interest.

Importantly, certain liabilities of credit institutions will be excluded from the scope of the "eligible liabilities" and therefore not subject to bail-in. These included covered deposits, secured liabilities (including covered bonds) as well as certain debt with maturities of less than seven days and certain other liabilities. All other liabilities (including the Senior Notes) will be deemed "eligible liabilities" subject to the statutory bail-in powers.

At the end of 2016, the SRB has put forward an indicative MREL figure for 2018 based on the mechanical approach as published by the SRB on 30 November 2016 (See further "*Description of the Issuer – The strategic plan of KBC Group*" on pages 94 to 98 of this Base Prospectus). As at 31 March 2018, the MREL ratio based on instruments issued by KBC Group NV stood at 23.5% of RWA. Based on the broader SRB definition, which also includes eligible instruments of the operating company, the MREL ratio amounts to 24.8%. The SRB requires KBC to achieve a ratio of 25.9% by 1 May 2019 using eligible instruments of both KBC Group NV and the operating company.





BRRD specifies that governments will only be entitled to use public money to rescue credit institutions if a minimum of 8% of the own funds and total liabilities have been written down, converted or bailed in. Moreover, the resolution authorities will be entitled to first bail-in senior debt issued at the level of KBC Group NV, including the Senior Notes, before writing down or bailing in any tier 1, tier 2 capital instruments or senior debt issued at the level of KBC Bank NV.

Impact

The determination that all or part of the principal amount of any series of Subordinated Tier 2 Notes and Senior Notes are subject to loss absorption, i.e., conversion or write-down, is likely to be inherently unpredictable and may depend on a number of factors which may be outside of the Group's control. This determination will also be made by the Resolution Authority and there may be many factors, including factors not directly related to the Group, which could result in such a determination. Because of this inherent uncertainty, it will be difficult to predict when, if at all, the exercise of any resolution tool may occur.

Accordingly, trading behaviour in respect of the Subordinated Tier 2 Notes and potentially Senior Notes is not necessarily expected to follow the trading behaviour associated with other types of securities. Potential investors in the Subordinated Tier 2 Notes and the Senior Notes should consider the risk that a Noteholder may lose all of its investment, including the principal amount plus any accrued and unpaid interest, if such statutory loss absorption measures are acted upon or that the Subordinated Tier 2 Notes or the Senior Notes may be converted into ordinary shares. Noteholders may have limited rights or no rights to challenge any decision to exercise such powers or to have that decision reviewed by a judicial or administrative process or otherwise.

4.3 The Issuer is not prohibited from issuing additional debt

There is no restriction on the amount of debt that the Issuer may issue, which may rank *pari passu* or, in the case of Subordinated Tier 2 Notes, senior with the Notes. The issue of any such debt or securities may reduce the amount recoverable by investors upon the Issuer's bankruptcy. If the Issuer's financial condition were to deteriorate, the holders could suffer direct and materially adverse consequences, including suspension of interest and reduction of interest and principal and, if the Issuer were

liquidated (whether voluntarily or involuntarily), the holders could suffer loss of their entire investment.

4.4 As the Issuer is a holding company, the holders of Notes will be structurally subordinated to other creditors who hold debt instruments at the level of one or more of the operating subsidiaries of the Issuer

The Issuer is the financial holding company of the Group and has two important subsidiaries, KBC Bank NV and KBC Insurance NV. The main sources of operating funds for the Issuer are the dividends, distributions, interest payments and any advances it receives from its operating subsidiaries and the amounts raised through the issuance of debt instruments. The ability of the subsidiaries to make dividends and other payments to the Issuer may depend on their profitability and may be subject to certain legal or contractual restrictions. The extent to which the Issuer is able to receive or raise such funds will, in turn, affect its ability to make payments on the Notes and any other debt instruments of the Issuer, which, in addition, may rank senior. The Notes do not benefit from any guarantee from any of the subsidiaries.

Moreover, the holders of Notes will be structurally subordinated to other creditors who hold debt instruments at the level of one or more of the operating subsidiaries of the Issuer, including, without limitation, the contingent Tier 2 capital notes issued by KBC Bank NV. The subsidiaries of the Issuer generally hold more operational assets than the Issuer. If the assets of the Issuer's subsidiaries were to be realised, it is possible that, after such realisation, insufficient assets would remain available for distribution to the Issuer in order to enable it to fulfil any payment obligations under the Notes. See also risk factor "*Noteholders may be required to absorb losses in the event the Issuer becomes non-viable or were to fail*" on pages 27 to 30 of this Base Prospectus.

4.5 Potential conflicts of interest

The Agent, some of the Dealers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer or its affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Potential investors should be aware that the Issuer is the parent company of KBC Bank NV, which may act as Dealer, and that the interests of KBC Bank NV and the Issuer may conflict with the interests of the holders of Notes. Moreover, the holders of Notes should be aware that KBC Bank NV, acting in whatever capacity, will not have any obligations vis-à-vis the holders of any Notes and, in particular, will not be obliged to protect the interests of the holders of any Notes.

Where the Issuer acts as Calculation Agent or the Calculation Agent is an affiliate of the Issuer (including KBC Bank NV), potential conflicts of interest may exist between the Calculation Agent and Noteholders, including with respect to certain determinations and judgements that the Calculation Agent may make pursuant to the Conditions (such as in the case of any applicable interest rate determination) which may influence the amount receivable under the Notes. Where any such determination or judgement is to be made, there is generally no or very limited room for discretion as

the Conditions stipulate the objective parameters on the basis of which the Calculation Agent has to perform its calculations and tasks (such as, for example, determining a rate by computing a predetermined rate and a screen rate). The Conditions nevertheless provide that, in certain limited and exceptional cases, the Calculation Agent may have to determine certain rates in its sole discretion as fall-back in the absence of any such objective parameters (see, for example, Condition 3(b) and Condition 3(c)(iii)(A) and (B)). In such circumstances, the Calculation Agent is likely but not required to make use of methodologies and determinations which are available or customarily used in the market.

Potential conflicts of interest may arise in connection with Notes that are offered to the public, as any distributors or other entities involved in the offer and/or the listing of such Notes as indicated in the applicable Final Terms, will act pursuant to a mandate granted by the Issuer and can receive commissions and/or fees on the basis of the services performed in relation to such offer and/or listing. See also risk factor "*Potential conflicts of interest specific to Subordinated Tier 2 Notes*" on pages 45 and 46 of this Base Prospectus.

4.6 In certain instances the Noteholders may be bound by certain amendments to the Notes to which they did not consent

The Notes are subject to certain provisions allowing for the calling of meetings of Noteholders to consider matters affecting their interests. See Condition 12 (*Meeting of Noteholders and Modifications*). These provisions permit defined majorities to bind all holders, including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority. Further, the Issuer may without the consent or approval of the Noteholders make such amendments to the Conditions or the Agency Agreement which are of a formal, minor or technical nature or made to correct a manifest error or comply with mandatory provisions of law or such amendments to the Agency Agreement which are not prejudicial to the interests of the holders (except those changes in respect of which an increased quorum is required).

In addition, pursuant to Condition 3(j) (*Benchmark replacement*), if a Benchmark Event occurs, certain changes may be made to the interest calculation and related provisions of the Floating Rate Notes and the Fixed Rate Reset Notes, as well as the Agency Agreement in the circumstances and as otherwise set out in such Condition, without the consent or approval of the Noteholders.

Moreover, in the case of Senior Notes or Subordinated Tier 2 Notes for which such option has been specified in the Final Terms, the Issuer will, subject to certain conditions, be entitled to substitute and/or vary the terms of the Senior Notes or Subordinated Tier 2 Notes (as applicable) upon the occurrence and continuation of a Loss Absorption Disqualification Event or a Capital Disqualification Event (each as defined in Condition 4 (*Redemption, Purchase and Options*)), as applicable, so as to ensure that they remain or become Eligible Liabilities Instruments (as defined in Condition 7 (*Senior Notes –Variation or Substitution following a Loss Absorption Disqualification Event*)) or Qualifying Securities (as defined in Condition 6 (*Subordinated Tier 2 Notes –Variation following a Capital Disqualification Event*)), as applicable.

See also risk factors "*Substitution and variation of Senior Notes upon the occurrence of a Loss Absorption Disqualification Event*" and "*Variation of Subordinated Tier 2 Notes upon the occurrence of a Capital Disqualification Event*" on respectively page 34 and 46 of the Base Prospectus.

4.7 The Notes are subject to early redemption by the Issuer, subject to certain conditions

Redemption at the option of the Issuer

If so specified in the Final Terms, the Notes may be redeemed early at the option of the Issuer, provided that Subordinated Tier 2 Notes may as a general rule and subject to certain other exceptions (see below) only be redeemed by the Issuer after five years. An optional redemption feature is likely to limit the market value of the Notes. During any period when the Issuer may elect or is perceived to be able to elect to redeem the Notes, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed. In addition, holders will not receive a make-whole amount or any other compensation in the event of any early redemption of Notes.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes, subject to meeting relevant conditions in the case of Subordinated Tier 2 Notes. Potential investors should consider reinvestment risk in light of other investments available at that time.

Redemption for Taxation Reasons

The Issuer will be entitled to redeem the Notes early if, as a result of a Tax Law Change (as defined in Condition 4(b) (*Redemption upon the occurrence of a Tax Event*)), it becomes obliged to pay additional amounts on interests from the Notes (but not principal or any other amount) pursuant to Condition 8 (*Taxation*) or it can no longer deduct payments in respect of the Notes for Belgian income tax purposes. On the occurrence of any such Tax Event (as defined in Condition 4(b) (*Redemption upon the occurrence of a Tax Event*)), the Issuer may at its option (but subject to certain conditions, including, in the case of Subordinated Tier 2 Notes, Condition 4(j) (*Conditions to Redemption and Purchase of Subordinated Tier 2 Notes*)) redeem all, but not some only, of any relevant Series of Notes at the applicable Early Redemption Amount together with any accrued but unpaid interest up to (but excluding) the date fixed for redemption. See also risk factor "*Specific risks relating to the Subordinated Tier 2 Notes*" – "*Redemption of Subordinated Tier 2 Notes upon the occurrence of a Capital Disqualification Event, Tax Event or after 5 years*" on page 46 of this Base Prospectus.

Redemption of Senior Notes due to Loss Absorption Disqualification Event

If at any time a Loss Absorption Disqualification Event occurs and is continuing in relation to any Series of Senior Notes and the applicable Final Terms for the Senior Notes of such Series specify that the Issuer has an option to redeem such Senior Notes in such circumstances the Issuer may redeem all, but not some only, of the Senior Notes of such Series at the price set out in the applicable Final Terms together with any outstanding interest. A Loss Absorption Disqualification Event shall be deemed to have occurred if (i) at the time that any Loss Absorption Regulation (as defined in the Conditions) becomes effective, and as a result of such Loss Absorption Regulation becoming so effective, in each case with respect to the Issuer and/or the Group, the Senior Notes do not or (in the opinion of the Issuer or the Relevant Regulator (as defined in the Conditions)) are likely not to qualify in full towards the Issuer's and/or the Group's minimum requirements for (A) own funds and eligible liabilities and/or (B) loss absorbing capacity instruments; or (ii) as a result of any amendment to, or change in, any Loss Absorption Regulation, or any change in the application or official interpretation of any Loss Absorption Regulation, in any such case becoming effective on or after the Issue Date of the first Tranche of the Senior Notes, the Senior Notes are or (in the opinion of the Issuer or the Relevant Regulator) are likely to be fully or partially excluded from the Issuer's and/or the Group's minimum requirements for (A) own funds and eligible liabilities and/or (B) loss absorbing capacity instruments, in each case as such minimum requirements are applicable to the Issuer and/or the Group and determined in accordance with, and pursuant to, the relevant Loss Absorption Regulations; provided that in the case of (i) and (ii) above, a Loss Absorption Disqualification Event shall not occur where

the exclusion of the Senior Notes from the relevant minimum requirement(s) is due to the remaining maturity of the Senior Notes being less than any period prescribed by any applicable eligibility criteria for such minimum requirements under the relevant Loss Absorption Regulations effective with respect to the Issuer and/or the Group on the Issue Date of the first Tranche of the Senior Notes. As the implementation of the minimum requirements for eligible liabilities under BRRD is subject to the adoption of further secondary legislation and implementation in Belgium, the Issuer is currently unable to predict whether the Senior Notes will not (or are likely not to) qualify in full towards its or the Group's minimum requirements for (A) own funds and eligible liabilities and/or (B) loss absorbing capacity instruments, or will be fully or partially excluded from its or the Group's minimum requirements for (A) own funds and eligible liabilities and/or (B) loss absorbing capacity instruments, in each case as such minimum requirements are applicable to the Issuer and/or the Group.

If such Senior Notes are to be so redeemed, there can be no assurance that Noteholders will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investment in such Senior Notes.

4.8 Substitution and variation of Senior Notes upon the occurrence of a Loss Absorption Disqualification Event

The Issuer has the option to specify in the Final Terms in relation to Senior Notes that a Loss Absorption Disqualification Event Variation or Substitution is applicable. A Loss Absorption Disqualification Event Variation or Substitution would, if selected in the applicable Final Terms, allow the Issuer in circumstances where a Loss Absorption Disqualification Event has occurred and is continuing, to elect either to (i) substitute all (but not some only) of such Series of Senior Notes or (ii) vary the terms of all (but not some only) of such Series of Senior Notes, so that they become or remain Eligible Liabilities Instruments, subject to, and to the extent required at such date, the prior written approval of the Relevant Regulator and/or the Resolution Authority.

Eligible Liabilities Instruments are securities issued by the Issuer that have, *inter alia*, terms not materially less favourable to the Noteholders than the terms of the Senior Notes as reasonably determined by the Issuer (provided that the Issuer shall have delivered a certificate to that effect to the Agent). There can be no assurance that, due to the particular circumstances of each Noteholder, any Eligible Liabilities Instruments will be as favourable to each Noteholder in all respects or that, if it were entitled to do so, a particular Noteholder would make the same determination as the Issuer as to whether the terms of the relevant Eligible Liabilities Instruments are not materially less favourable to Noteholders than the terms of the Senior Notes. See Condition 7 (*Senior Notes – Variation or Substitution following a Loss Absorption Disqualification Event*). In circumstances where the applicable Final Terms in relation to Senior Notes specify that Loss Absorption Disqualification Event Variation or Substitution is applicable, the Senior Notes are intended to qualify in full towards the Issuer's and/or the Group's minimum requirements for (A) own funds and eligible liabilities and/or (B) loss absorbing capacity instruments under the applicable Loss Absorption Regulations. Given the current status and evolving nature of the legislation on this topic and the interpretation thereof, there is, nevertheless, uncertainty regarding the final substance of the applicable Loss Absorption Regulations, and the Issuer cannot provide any assurance that the Senior Notes will be or remain MREL-eligible instruments.

4.9 Change of law

The Terms and Conditions of the Notes will be governed by the laws of England, except for Conditions 1 (*Form, Denomination and Title*), 2 (*Status of the Notes*) and 12 (*Meeting of Noteholders and Modifications*) which shall be governed by, and construed in accordance with, Belgian law. No

assurance can be given as to the impact of any possible judicial decision or change to the laws of England or Belgium or administrative practice after the date of this Base Prospectus. Any such changes in law may include, but are not limited to, the implementation of a variety of statutory resolution and loss-absorption tools, which may affect the rights of holders of securities issued by the Issuer, including the Notes. Such tools may include the ability to write off sums otherwise payable on such securities (see risk factor "*Noteholders may be required to absorb losses in the event the Issuer becomes non-viable or were to fail*" on pages 27 to 30 of this Base Prospectus for further details).

4.10 The Issuer has the option to specify in the Final Terms that no events of default for Senior Notes apply allowing acceleration of payment other than in a dissolution or liquidation.

The Issuer has the option to specify in the Final Terms in relation to Senior Notes that Senior Notes do not provide for any events of default allowing for acceleration of the Senior Notes if certain events occur. In such case, the Noteholders will not be able to accelerate the maturity of such Notes. Accordingly, if the Issuer fails to meet any obligations under the Senior Notes (including any failure to pay interest when due), investors will not have the right to accelerate payment principal (other than in the event of the Issuer's dissolution or liquidation). Upon a payment default, the sole remedy available to holders of Senior Notes for recovery of amounts owing in respect of any payment of principal or interest on the Senior Notes will be the institution of dissolution or liquidation proceedings to the extent permitted under Belgian law. Notwithstanding the foregoing, the Issuer will not, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

If the applicable Final Terms provide that the Senior Notes contain events of default, a holder of any such Senior Note may only give notice that such Senior Note is immediately due and repayable in a limited number of events. Such events of default do not include, for example, a cross-default of the Issuer's other debt obligations. See Condition 10 (*Senior Notes – Events of Default and Enforcement*).

4.11 Legal investment considerations may restrict certain investments

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) Notes are legal investments for it, (b) Notes can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

4.12 Delay in issuing Notes

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

4.13 The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at

prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes. In similar vein, liquidity is likely to be very limited if the relevant Notes are not listed or no listing is obtained.

Moreover, although pursuant to Condition 4(h) (*Purchases*) (and subject, in the case of Subordinated Tier 2 Notes, to Condition 4(j) (*Conditions to Redemption and Purchase of Subordinated Tier 2 Notes*) the Issuer can purchase Notes at any time, the Issuer is not obliged to do so. Purchases made by the Issuer could affect the liquidity of the secondary market of the Notes and thus the price and the conditions under which investors can negotiate these Notes on the secondary market. Furthermore, the Notes may trade with accrued interest, which may be reflected in the trading price of the Notes. See also risk factor "*Secondary market in Subordinated Tier 2 Notes may be subject to increased illiquidity*" on page 45 of this Base Prospectus.

4.14 Hedging

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

4.15 Impact of fees, commissions and/or inducements on the Issue Price and/or offer price

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

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

4.16 The Notes are not covered by any government compensation or insurance scheme and do not have the benefit of any government guarantee

An investment in the Notes will not be covered by any compensation or insurance scheme of any government agency of Belgium or any other jurisdiction, and the Notes do not have the benefit of any government guarantee. The Notes are the Issuer's obligation only and holders must solely look to the Issuer for the performance of the Issuer's obligations under the Notes. In the event of the Issuer's insolvency, a holder may lose all or some of its investment in the Notes.

4.17 A holder's actual yield on the Notes may be reduced from the stated yield by transaction costs

When Notes are purchased or sold, several types of incidental costs (including transaction fees and commissions) are incurred in addition to the current price of the security. These incidental costs may significantly reduce or even exclude the profit potential of the Notes. For instance, credit institutions as a rule charge their clients for own commissions which are either fixed minimum commissions or pro-rata commissions depending on the order value. To the extent that additional – domestic or foreign – parties are involved in the execution of an order, including but not limited to domestic dealers or brokers in foreign markets, holders must take into account that they may also be charged for the brokerage fees, commissions and other fees and expenses of such parties (third party costs).

In addition to such costs directly related to the purchase of securities (direct costs), holders must also take into account any follow-up costs (such as custody fees). Prospective investors should inform themselves about any additional costs incurred in connection with the purchase, custody or sale of the Notes before investing in the Notes.

4.18 Foreign currency Notes expose investors to foreign-exchange risk as well as to Issuer risk

An investment in foreign currency Notes expose investors to the risk of changing foreign exchange rates. This risk is in addition to any performance risk that relates to the Issuer or the type of Note being issued.

4.19 Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

4.20 Credit ratings may not reflect all risks and may be lowered, suspended, withdrawn or not maintained

One or more independent credit rating agencies may assign ratings to an issue of Notes and/or the Issuer. The ratings may not reflect the potential impact of all risks related to the structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

In addition, there is no guarantee that any rating of the Notes and/or the Issuer will be maintained by the Issuer following the date of this Base Prospectus. If any rating assigned to the Notes and/or the Issuer is revised lower, suspended, withdrawn or not maintained by the Issuer, the market value of the Notes may be negatively influenced.

4.21 Reliance on the procedures of the Securities Settlement System, Euroclear and Clearstream Luxembourg for transfer, payment and communication with the Issuer

The Notes will be issued in dematerialised form under the Belgian Companies Code and cannot be physically delivered. The Notes will be represented exclusively by book entries in the records of the Securities Settlement System. Access to the Securities Settlement System is available through its Securities Settlement System participants whose membership extends to securities such as the Notes. Securities Settlement System participants include certain banks, stockbrokers (*beursvennootschappen/ sociétés de bourse*), and Euroclear and Clearstream Luxembourg.

Transfers of interests in the Notes will be effected between the Securities Settlement System participants in accordance with the rules and operating procedures of the Securities Settlement System. Transfers between investors will be effected in accordance with the respective rules and operating procedures of the Securities Settlement System participants through which they hold their Notes.

Neither the Issuer nor the Agent will have any responsibility for the proper performance by the Securities Settlement System or the Securities Settlement System participants of their obligations under their respective rules and operating procedures.

A holder must rely on the procedures of the Securities Settlement System, Euroclear and Clearstream Luxembourg to receive payments under the Notes. The Issuer will have no responsibility or liability for the records relating to the Notes within the Securities Settlement System.

4.22 The Agent is not required to segregate amounts received by it in respect of Notes cleared through the Securities Settlement System

The Conditions of the Notes and the Agency Agreement provide that the Agent will debit the relevant account of the Issuer and use such funds to make the relevant payments to the holders under the Notes. The Agency Agreement provides that the Agent will, simultaneously with the receipt by it of the relevant amounts, pay to the holders directly any amounts due in respect of the relevant Notes. However, the Agent is not required to segregate any such amounts received by it in respect of the Notes, and in the event that the Agent were subject to insolvency proceedings at any time when it held any such amounts, holders would not have any further claim against the Issuer in respect of such amounts, and would be required to claim such amounts from the Agent in accordance with applicable Belgian insolvency laws.

4.23 Taxation

Potential purchasers and sellers of the Notes should be aware that they may be required to pay taxes or documentary charges or duties in accordance with the laws and practices of the country where the Notes are transferred or other jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions may be available in relation to the tax treatment of financial instruments such as the Notes. Potential investors are advised not to rely solely upon the tax summary contained in this Base Prospectus but to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, holding, sale and redemption of the Notes. Only such adviser is in a position to duly consider the specific situation of the potential investor. This risk factor should be read in connection with the taxation sections of this Base Prospectus. See "*Taxation*" on pages 157 to 165 of this Base Prospectus.

4.24 Belgian Withholding Tax

If the Issuer, the NBB, or any other person is required to make any withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatever nature in respect of any payment in respect of the Notes, the Issuer, the NBB, or that other person shall make such payment after such

withholding or deduction has been made and will account to the relevant authorities for the amount so required to be withheld or deducted.

The Issuer will pay such additional amounts as may be necessary in order that the net payment received by each Noteholder in respect of the Notes, after withholding for any taxes imposed by tax authorities in the Kingdom of Belgium upon payments made by or on behalf of the Issuer in respect of the Notes, will equal the amount which would have been received in the absence of any such withholding taxes, except that no such additional amounts shall be payable in respect of any Notes in the circumstances defined in Condition 8(i), (ii), (iii) and (iv).

4.25 Common Reporting Standard

The exchange of information is governed by the Common Reporting Standard ("**CRS**"). On 15 January 2018, 98 jurisdictions indeed signed the multilateral competent authority agreement ("**MCAA**"), which is a multilateral framework agreement to automatically exchange financial and personal information, with the subsequent bilateral exchanges coming into effect between those signatories that file the subsequent notifications. More than 50 jurisdictions have committed to exchange information as from 2018.

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

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

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

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

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

4.26 Financial Transaction Tax

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

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

The Commission's Proposal has a very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. According to the Draft Directive, the FTT shall be payable on financial transactions provided that at least one party to the financial transaction is established (or deemed established) in a Participating Member State and that there is a financial institution established (or deemed established) in a Participating Member State which is a party to the financial transaction, or is acting in the name of a party to the transaction. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State. The FTT shall, however, not apply to among others primary market transactions referred to in Article 5 (c) of Regulation (EC) No 1287/2006, including the activity of underwriting and subsequent allocation of financial instruments in the framework of their issue.

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

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

4.27 FATCA withholding

Pursuant to certain provisions of U.S. law, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including Belgium) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019. Additionally, Notes that are not treated as equity for U.S. federal income tax purposes and that have a fixed term that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date (including by reason of a

substitution of the Issuer). However, if additional notes (as described under "*Terms and Conditions of the Notes – Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

4.28 Risks related to the structure of a particular issue of Notes with a floating rate of interest using benchmarks

Reference Rates and indices, including interest rate benchmarks, such as the Euro Interbank Offered Rate ("**EURIBOR**") and the London Interbank Offered Rate ("**LIBOR**"), which are used to determine the amounts payable under financial instruments or the value of such financial instruments ("**Benchmarks**"), have, in recent years, been the subject of political and regulatory scrutiny as to how they are created and operated. This has resulted in regulatory reform and changes to existing Benchmarks, with further changes anticipated. These reforms and changes may cause a Benchmark to perform differently than it has done in the past or to be discontinued. Any change in the performance of a Benchmark or its discontinuation, could have a material adverse effect on any Notes referencing or linked to such Benchmark.

In March 2017, the European Money Markets Institute ("**EMMI**") published a position paper setting out the legal grounds for certain proposed reforms to EURIBOR. The proposed reforms seek to clarify the EURIBOR specification, to align the current methodology with the Benchmark Regulation, the IOSCO Principles (i.e., nineteen principles which are to apply to Benchmarks used in financial markets as published by the Board of the International Organisation of Securities Commissions in July 2013) and other regulatory recommendations and to adapt the methodology to better reflect current market conditions. EMMI is more specifically aiming to evolve the current quote based methodology to a transaction based methodology in order to better reflect the underlying interest that it intends to measure and adapt to the prevailing market conditions. In particular, it is contemplated that it will be anchored on actual market transaction input data whenever available, and on other funding sources if transaction data are insufficient. In a statement published in January 2018, EMMI indicated that it aims to launch the hybrid methodology for EURIBOR by the fourth quarter of 2019 at the latest, in accordance with the transitional period provided for by the Benchmark Regulation. On 29 March 2018, EMMI launched its first stakeholder consultation on the hybrid methodology. The consultation closed on 15 May 2018 and is followed by an in-depth testing of the proposed methodology under live conditions from May to August 2018.

On 27 July 2017, the Chief Executive of the United Kingdom Financial Conduct Authority, which regulates LIBOR, announced that it does not intend to continue to persuade, or use its powers to compel, panel banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. The announcement indicates that the continuation of LIBOR on the current basis is not guaranteed after 2021. It is not possible to predict whether, and to what extent, panel banks will continue to provide LIBOR submissions to the administrator of LIBOR going forwards.

On 21 September 2017, the ECB, the European Commission, ESMA and the Belgian Financial Services and Markets Authority announced that they would be part of a new working group tasked with the identification and adoption of a "risk free overnight rate" which can serve as a basis for an alternative to current Benchmarks used in a variety of financial instruments and contracts in the euro area. Once it has made a recommendation, it will also explore possible approaches for ensuring a

smooth transition to this rate. Furthermore, the ECB announced that it will start providing an overnight unsecured index before 2020.

Any changes to the administration of a Benchmark or the emergence of alternatives to a Benchmark as a result of these reforms, may cause such Benchmark to perform differently than in the past or to be discontinued, or there could be other consequences which cannot be predicted. The potential discontinuation of a Benchmark or changes to its administration could require changes to the way in which the Rate of Interest is calculated in respect of any Notes referencing or linked to such Benchmark. Uncertainty as to the nature of alternative reference rates and as to potential changes to a Benchmark may adversely affect such Benchmark during the term of the relevant Notes, the return on the relevant Notes and the trading market for securities based on the same Benchmark. The development of alternatives to a Benchmark may result in Notes linked to or referencing such Benchmark performing differently than would otherwise have been the case if such alternatives to such Benchmark had not developed. Any such consequence could have a material adverse effect on the value of, and return on, any Notes referencing or linked to a Benchmark.

The Conditions provide for certain fall-back arrangements in the event that a published Benchmark, such as LIBOR, (including any page on which such Benchmark may be published (or any successor service)) becomes unavailable. The Issuer may, after appointing and consulting with an Independent Adviser, determine a Successor Rate or Alternative Reference Rate to be used in place of the relevant Benchmark where that relevant Benchmark has been selected as the Reference Rate or Mid-Swap Rate (as applicable) to determine the Rate of Interest. The use of any such Successor Rate or Alternative Reference Rate to determine the Rate of Interest may result in Notes linked to or referencing the relevant Benchmark performing differently (including paying a lower Rate of Interest) than they would do if the relevant Benchmark were to continue to apply in its current form.

Furthermore, if a Successor Rate or Alternative Reference Rate for the relevant Benchmark is determined by the Issuer, the Conditions provide that the Issuer may vary the Conditions, as necessary, to ensure the proper operation of such Successor Rate or Alternative Reference Rate, without any requirement for consent or approval of the Noteholders.

If a Successor Rate or Alternative Reference Rate is determined by the Issuer, the Conditions also provide that an Adjustment Spread may be determined by the Issuer to be applied to such Successor Rate or Alternative Reference Rate. The aim of the Adjustment Spread is to reduce or eliminate, so far as is practicable, any economic prejudice or benefit (as the case may be) to Noteholders as a result of the replacement of the relevant Benchmark with the Successor Rate or the Alternative Reference Rate. However, there is no guarantee that such an Adjustment Spread will be determined or applied, or that the application of an Adjustment Spread will either reduce or eliminate economic prejudice to Noteholders. If no Adjustment Spread is determined, a Successor Rate or Alternative Reference Rate may nonetheless be used to determine the Rate of Interest.

In addition, if the relevant Benchmark is discontinued permanently and the Issuer, for any reason, is unable to determine the Successor Rate or Alternative Reference Rate, the Rate of Interest may revert to the Rate of Interest applicable as at the last preceding Interest Determination Date before the relevant Benchmark was discontinued and such Rate of Interest will continue to apply until maturity.

Any such consequences could have a material adverse effect on the value of, and return on, any Notes to which the fall-back arrangements are applicable. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could adversely affect the ability of the Issuer to meet its obligations under the Notes and could have a material adverse effect on the value or liquidity of, and the amount payable under, the Notes.

4.29 Notes issued as Green Bonds may not be a suitable investment for all investors seeking exposure to green or sustainable assets

The Issuer may issue Senior Notes or Subordinated Tier 2 Notes under the Programme where the use of proceeds is specified in the relevant Final Terms to be for the financing and/or refinancing of specified "green" or "sustainability" projects of the Group, in accordance with certain prescribed eligibility criteria (see "*Use of Proceeds*") (any Senior Notes or Subordinated Tier 2 Notes which have such a specified use of proceeds are referred to as "**Green Bonds**").

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

Further, although the Issuer may agree at the Issue Date of any Green Bonds to certain allocation and/or impact reporting and to use the proceeds for the financing and/or refinancing of green or sustainable projects (as specified in the relevant Final Terms), it would not be an event of default under the Green Bonds if (i) the Issuer were to fail to comply with such obligations or were to fail to use the proceeds in the manner specified in the relevant Final Terms and/or (ii) the Compliance Opinion were to be withdrawn. Any failure to use the net proceeds of any Series of Green Bonds in connection with green or sustainable projects, and/or any failure to meet, or to continue to meet, the investment requirements of certain environmentally focused investors with respect to such Green Bonds may affect the value and/or trading price of the Green Bonds, and/or may have consequences for certain investors with portfolio mandates to invest in green or sustainable assets.

Neither the Issuer nor the Dealers make any representation as to the suitability for any purpose of any Compliance Opinion or whether any Green Bonds fulfil the relevant environmental and sustainability criteria. Prospective investors should have regard to the eligible green bond or sustainable bond projects and eligibility criteria described in the relevant Final Terms. Each potential purchaser of any Series of Green Bonds should determine for itself the relevance of the information contained in this Base Prospectus and in the relevant Final Terms regarding the use of proceeds and its purchase of any Green Bonds should be based upon such investigation as it deems necessary.

Potential investors should be aware that Green Bonds will either be Senior Notes or Subordinated Tier 2 Notes and should therefore also consider the relevant risk factors in relation to the "senior" or "subordinated tier 2" characteristics. In particular, investors should be aware that Green Bonds may also be subject to the resolution tools granted to the Resolution Authority under BRRD in circumstances where the Issuer fails or is likely to fail. Please also refer to "*Noteholders may be required to absorb losses in the event the Issuer becomes non-viable or were to fail*" above or "*Specific risks relating to the Subordinated Tier 2 Notes*" below for further information.

5. Specific risks relating to the Subordinated Tier 2 Notes

5.1 Holders of Subordinated Tier 2 Notes may be required to absorb losses in the event that the Issuer becomes non-viable or were to fail

As part of the new recovery and resolution tools granted pursuant to BRRD, resolution authorities will be required to write down or convert into equity (or tier 1 instruments) all tier 1 and 2 capital instruments issued by a credit institution or its parent company (including the Subordinated Tier 2 Notes) if it were to become non-viable and prior to exercising any resolution tools (see risk factor "*Noteholders may be required to absorb losses in the event that the Issuer becomes non-viable or were to fail*" on pages 27 to 30 of this Base Prospectus). In such circumstances, holders of Subordinated Tier 2 Notes may lose their entire investment (including outstanding principal and any accrued but unpaid interest).

5.2 Subordinated Tier 2 Notes may trade significantly below their value in certain circumstances

In circumstances of financial distress (whether related to the economy or markets generally or events specific to KBC), there may be uncertainty as to the likelihood that resolution authorities could in the future decide to write down or convert Subordinated Tier 2 Notes into tier 1 instruments. Due to the uncertainty as to whether any such write down or conversion could occur, the trading price of the Subordinated Tier 2 Notes could drop significantly. Moreover, the trading behaviour of the Subordinated Tier 2 Notes may not necessarily follow the trading behaviour of other types of notes issued by the Issuer. Subordinated Tier 2 Notes may have a greater price volatility compared to conventional interest-bearing securities (potentially more aligned with the trading behaviour of the shares or other tier 1 or tier 2 instruments issued by the Issuer).

Any indication that the Issuer's securities may run the risk of being required to absorb losses in the future is likely to have an adverse effect on the market price of the Subordinated Tier 2 Notes. Under such circumstances, investors may not be able to sell their Subordinated Tier 2 Notes or at prices comparable to the prices of more conventional investments.

5.3 The Subordinated Tier 2 Notes are subordinated obligations which do not provide for events of default allowing acceleration of payment other than in a dissolution or liquidation

The Subordinated Tier 2 Notes are direct, unconditional, unsecured and subordinated obligations of the Issuer and shall, in the event of a dissolution, liquidation or winding-up of the Issuer (except, in any such case, a solvent liquidation, dissolution or winding-up solely for the purposes of a reorganisation, reconstruction or amalgamation of the Issuer or the substitution in place of the Issuer of a successor in business of the Issuer), be subordinated in right of payment to the claims of Senior Creditors of the Issuer (as provided for and defined in Condition 2(b) (*Status of the Subordinated Tier 2 Notes*).

Therefore, if the Issuer were to be wound up, liquidated or dissolved, the liquidator would first apply assets of the Issuer to satisfy all rights and claims of such Senior Creditors. If the Issuer does not have sufficient assets to settle such claims in full, the claims of the holders of Subordinated Tier 2 Notes will not be met and, as a result, the holders will lose the entire amount of their investment in the

Subordinated Tier 2 Notes. The Subordinated Tier 2 Notes will share equally in payment with other *pari passu* claims. If the Issuer does not have sufficient funds to make full payments on all of them, holders could lose all or part of their investment. Accordingly, although Subordinated Tier 2 Notes may pay a higher rate of interest than comparable Senior Notes or other debt instruments, which are not subordinated, there is a real risk that an investor in Subordinated Tier 2 Notes will lose all or some of its investment should the Issuer become insolvent.

Furthermore, the Conditions of the Subordinated Tier 2 Notes do not provide for events of default allowing for acceleration of the Subordinated Tier 2 Notes if certain events occur. Accordingly, if the Issuer fails to meet any obligations under the Subordinated Tier 2 Notes, including the payment of any interest, investors will not have the right to accelerate payment principal, which shall only be due in the event of the Issuer's dissolution or liquidation. Upon a payment default, the sole remedy available to holders of Subordinated Tier 2 Notes for recovery of amounts owing in respect of any payment of principal or interest on the Subordinated Tier 2 Notes will be the institution of dissolution or liquidation proceedings to the extent permitted under Belgian law in order to enforce such payment.

Moreover, in any such proceedings, the Subordinated Tier 2 Notes will be subordinated in right of payments in accordance with Condition 2(b) (*Status of the Subordinated Tier 2 Notes*). Holders should further be aware that, in or prior to any such dissolution or liquidation scenario, the resolution authorities could decide to write down the principal amount of the Subordinated Tier 2 Notes to zero or convert such principal amount into equity or tier 1 instruments. See also risk factor "*Noteholders may be required to absorb losses in the event the Issuer becomes non-viable or were to fail*" on pages 27 to 30 of this Base Prospectus.

5.4 Secondary market in Subordinated Tier 2 Notes may be subject to increased illiquidity

Subordinated Tier 2 Notes may have no established trading market when issued and one may never develop. If a market does develop, it may not be liquid and, if the relevant Subordinated Tier 2 Notes are not listed or no listing is obtained, liquidity, if any, is likely to be further reduced. Therefore, investors may not be able to sell their Subordinated Tier 2 Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is likely to be particularly the case for Subordinated Tier 2 Notes given that they are designed for specific investment objectives and have been structured to meet the investment requirements of limited categories of investors. Moreover, the Issuer and its subsidiaries will, under applicable legislation, generally be prohibited from purchasing any Subordinated Tier 2 Notes and will not be able to act as market maker in respect of such securities. Illiquidity may have a severely adverse effect on the market value of Subordinated Tier 2 Notes.

5.5 Potential conflicts of interest specific to Subordinated Tier 2 Notes

Potential investors should be aware that the reason for issuing the Subordinated Tier 2 Notes is to raise tier 2 capital which enhances the loss absorption capacity for the Issuer. The Issuer is the parent of KBC Bank NV, which will act as Dealer in connection with the issue and placement of certain issues of Subordinated Tier 2 Notes. Therefore, if at any given time, the Issuer would face problems with regard to its regulatory capital, which may be for instance caused by financial problems at the level of KBC Bank NV, the Issuer and KBC Bank NV will act in their own best interest and will not be obliged to protect the interests of the holders of the Subordinated Tier 2 Notes. Furthermore, upon the occurrence of a Capital Disqualification Event, the Issuer may decide to redeem Subordinated Tier 2 Notes early or proceed with a variation thereof in accordance with Condition 6 (*Subordinated Tier 2 Notes –Variation following a Capital Disqualification Event*). In determining its course of action in

such circumstances, the Issuer will take its own best interest into account, without being obliged to protect the interests of the holders of the Subordinated Tier 2 Notes.

5.6 Redemption of Subordinated Tier 2 Notes upon the occurrence of a Capital Disqualification Event, Tax Event or after 5 years

The Issuer will be entitled to redeem Subordinated Tier 2 Notes early if it determines that, as a result of a change in the regulatory classification of such securities, the relevant Series of Subordinated Tier 2 Notes ceases to count wholly or partly towards tier 2 capital of the Issuer. On the occurrence of any such Capital Disqualification Event (as defined in Condition 4(c) (*Redemption of Subordinated Tier 2 Notes following the occurrence of a Capital Disqualification Event*)), the Issuer may at its option (but subject to certain conditions, including Condition 4(j) (*Conditions to Redemption and Purchase of Subordinated Tier 2 Notes*)) redeem all, but not some only, of the relevant Series of Subordinated Tier 2 Notes at the applicable Early Redemption Amount together with any accrued but unpaid interest up to (but excluding) the date fixed for redemption.

The Issuer will also be entitled to redeem Subordinated Tier 2 Notes early if a Tax Event occurs (as defined in Condition 4(b) (*Redemption upon the occurrence of a Tax Event*)) at the Early Redemption Amount. Furthermore, if so specified in the Final Terms, the Issuer will, subject to meeting certain conditions (as set out in Condition 4(j) (*Conditions to Redemption and Purchase of Subordinated Tier 2 Notes*)), be entitled to redeem Subordinated Tier 2 Notes after five years. In any of the above circumstances, Noteholders will not be entitled to receive any make whole amount or other compensation. See also risk factor "*The Notes are subject to early redemption by the Issuer, subject to certain conditions*" on pages 33 to 34 of this Base Prospectus.

5.7 Variation of Subordinated Tier 2 Notes upon the occurrence of a Capital Disqualification Event

The Issuer has the option to specify in the Final Terms in relation to Subordinated Tier 2 Notes that a Capital Disqualification Event Variation is applicable. A Capital Disqualification Event will apply if, as a result of a change to the regulatory classification, the Issuer would no longer be able to count the Subordinated Tier 2 Notes wholly or in part towards its tier 2 capital. A Capital Disqualification Event Variation would, if selected in the Final, Terms, entitle the Issuer in such circumstances to vary the terms of such Subordinated Tier 2 Notes (subject to certain conditions) in order to ensure that they remain or become Qualifying Securities (as defined in Condition 6 (*Subordinated Tier 2 Notes – Variation following a Capital Disqualification Event*)), i.e., qualify again as tier 2 capital of the Issuer. Importantly, the Issuer would in such circumstances be entitled to vary, subject to the conditions set out in Condition 6 (*Subordinated Tier 2 Notes –Variation following a Capital Disqualification Event*), the terms of the Subordinated Tier 2 Notes without the consent of the holders of the Subordinated Tier 2 Notes. The Issuer would treat the investors as a class and the individual position of the Noteholders may be prejudiced, despite the conditions set out in Condition 6 (*Subordinated Tier 2 Notes –Variation following a Capital Disqualification Event*).

5.8 Risks relating to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features.

5.9 Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that will be converted from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The conversion of the interest rate will affect the

secondary market and the market value of such Notes since the conversion will usually be effected when the new interest rate is likely to produce a lower overall cost of borrowing. If a fixed rate is converted to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same Reference Rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If a floating rate to a fixed rate is converted, the fixed rate may be lower than then prevailing rates on its Notes.

The yield specified for Fixed Rate Notes is calculated at the Issue Date on the basis of the Issue Price, the fixed rate(s) of interest, the Final Redemption Amount and the original tenor of the Notes. Investors should note that the specified yield is not an indication of future yield unless the Notes are held until the Maturity Date.

If a maximum yield is specified for Floating Rate Notes, such maximum yield will be calculated at the Issue Date on the basis of the Issue Price, the maximum floating rate(s) of interest, the Final Redemption Amount and the original tenor of the Notes.

If a minimum yield is specified for Floating Rate Notes, such minimum yield will be calculated at the Issue Date on the basis of the Issue Price, the minimum floating rate(s) of interest, the Final Redemption Amount and the original tenor of the Notes.

5.10 Notes with more than one Interest Basis

Notes may bear interest on different Interest Bases. In such case, investors should carefully review the applicable Conditions and the risk factors for each specified Interest Basis set out above.

5.11 Interest rate risks

An investment in Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of them.

5.12 Notes where a Minimum and/or Maximum Rate of Interest applies

Notes where a Minimum and/or Maximum Rate of Interest applies, will be less exposed to the positive and negative performance or fluctuations of the underlying Reference Rate.

Notes where a Minimum Rate of Interest applies to a particular Interest Basis, have an interest rate that is subject to a minimum specified rate. The minimum Interest Amount payable in respect of such Interest Basis will occur when the applicable formula leads to a Rate of Interest which is lower than the minimum specified rate, in which case the Rate of Interest will be limited to the Minimum Rate of Interest specified in the Final Terms. Investors in such Notes will therefore not be subject to any decreases in the relevant Reference Rate.

Notes where a Maximum Rate of Interest applies to a particular Interest Basis, have an interest rate that is subject to a maximum specified rate. The maximum Interest Amount payable in respect of such Interest Basis will occur when the applicable formula leads to a Rate of Interest which is higher than the maximum specified rate, in which case the Rate of Interest will be limited to the Maximum Rate of Interest specified in the Final Terms. Investors in such Notes will therefore not benefit from any increase in the relevant Reference Rate.

Where the Rate of Interest for any Interest Period or Interest Accrual Period is negative (whether by operation of a negative Margin or otherwise), then such Rate of Interest shall be deemed to be zero.

5.13 Notes issued at a substantial discount or premium

The market value of securities issued at a substantial discount or premium to their nominal amount tends to fluctuate more in relation to general changes in interest rates than the price for conventional

interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility compared to conventional interest-bearing securities with comparable maturities.

5.14 The interest rate on Fixed Rate Reset Notes will reset on each Reset Date, which can be expected to affect the interest payment on an investment in Reset Notes and could affect the market value of Fixed Rate Reset Notes

Fixed Rate Reset Notes will initially bear interest at the Initial Rate of Interest until (but excluding) the First Reset Date. On the First Reset Date, the Second Reset Date (if applicable) and each Subsequent Reset Date (if any) thereafter, the interest rate will be reset to the sum of the applicable Mid-Swap Rate and the Margin or as determined by the Calculation Agent on the relevant Reset Determination Date (each such interest rate, a "**Subsequent Reset Rate**"). The Subsequent Reset Rate for any Reset Period could be less than the Initial Rate of Interest or the Subsequent Reset Rate for prior Reset Periods and could affect the market value of an investment in the Fixed Rate Reset Notes.

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:

(a) the audited consolidated annual financial statements of the Issuer for the financial years ended 31 December 2016 and 31 December 2017, together, in each case, with the related auditors' report; and

(b) the extended quarterly report for the first quarter of 2018 of the Issuer.

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 the website of the Issuer at www.kbc.com/investors. This Base Prospectus and each document incorporated by reference may also be published on the website of Euronext Brussels (www.euronext.com).

The table below sets out the relevant page references for the audited consolidated statements for the financial years ended 31 December 2016 and 31 December 2017, respectively, as set out in the Issuer's Annual Report. Information contained in the documents incorporated by reference other than information listed in the table below is for information purposes only, and does not form part of this Base Prospectus.

Audited consolidated annual financial statements of the Issuer for the financial years ended 31 December 2016 and 31 December 2017*

	Issuer's Annual Report for the financial year ended 31 December 2016	Issuer's Annual Report for the financial year ended 31 December 2017
Audited consolidated annual financial statements of the Issuer		
report of the Board of Directors	page 6-147	page 6-156
balance sheet	page 150	page 162
income statement	page 148	page 160
cash flow statement	page 152-153	page 164-165
notes to the financial statements	page 154-209	page 166-224
statement of changes in equity	page 151	page 163
Auditors' report	page 210-211	page 225-231
Additional information		
ratios used	Annex	page 238-243

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

TERMS AND CONDITIONS OF THE NOTES

The following (excluding italicised paragraphs) is the text of the terms and conditions that, subject to completion and as supplemented in accordance with the provisions of Part A of the relevant Final Terms, shall be applicable to the Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Final Terms. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are issued subject to a domiciliary, calculation and paying agency agreement (the "**Agency Agreement**") dated on or about the date of this Base Prospectus between KBC Group NV (the "**Issuer**") and KBC Bank NV as domiciliary agent and paying agent (the "**Agent**", which expression shall include any successor domiciliary agent and paying agent). The calculation agent for the time being (if any) is referred to below as the "**Calculation Agent**". The Noteholders (as defined below) are deemed to have notice of all of the provisions of the Agency Agreement applicable to them.

For the purpose of these terms and conditions (the "**Conditions**"), a "**Series**" means a series of Notes comprising one or more Tranches, whether or not issued on the same date, that (except in respect of the first payment of interest and their issue price) have identical terms on issue and are expressed to have the same series number. "**Tranche**" means, in relation to a Series, those Notes of that Series that are identical in all respects.

Copies of the Agency Agreement are available for inspection free of charge during normal business hours by the holders at the specified office of the Agent. If the Notes are admitted to trading on the regulated market of Euronext Brussels, the applicable Final Terms will be published on the website of Euronext Brussels (www.euronext.com). If the Notes are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive, the applicable Final Terms will be obtainable at the registered office of the Issuer and of the Agent only by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer and the Agent as to its holding of such Notes and identity.

The final terms for the Notes (or the relevant provisions thereof) are set out in Part A of the Final Terms and supplement these Conditions. References to the "**applicable Final Terms**" are to Part A of the Final Terms (or the relevant provisions thereof) and expressions defined or used in the applicable Final Terms shall have the same meanings in these Conditions, unless the context otherwise requires or unless otherwise stated.

1 Form, Denomination and Title

The Notes will be issued in dematerialised form in accordance with Article 468 et seq. of the Belgian Companies Code (*Wetboek van Vennootschappen/Code des Sociétés*). The Notes will be represented exclusively by book entry in the records of the securities settlement system operated by the National Bank of Belgium ("**NBB**") or any successor thereto (the "**Securities Settlement System**"). The Notes can be held by their holders through participants in the Securities Settlement System, including Euroclear and Clearstream, Luxembourg and through other financial intermediaries which in turn hold the Notes through Euroclear and Clearstream, Luxembourg, or other participants in the Securities Settlement System. The Notes are accepted for clearance through the Securities Settlement System, and are accordingly subject to the applicable Belgian clearing regulations, including the Belgian law of 6 August 1993 on transactions in certain securities, its implementing Belgian royal decrees of 26 May 1994 and 14 June 1994 (each as amended or re-enacted or as their application is modified by other provisions from time to time) and the rules of the Securities Settlement System and its annexes, as issued or modified by the NBB from time to time (the laws, decrees and rules mentioned in this Condition 1 being referred to herein as the "**Securities Settlement System Regulations**").

Title to the Notes will pass by account transfer. The Notes cannot be physically delivered and may not be converted into bearer notes (*effecten aan toonder/ titres au porteur*).

If at any time the Notes are transferred to another clearing system, not operated or not exclusively operated by the NBB, these provisions shall apply *mutatis mutandis* to such successor clearing system and successor clearing system operator or any additional clearing system and additional clearing system operator (any such clearing system, an "**Alternative Clearing System**").

Noteholders are entitled to exercise the rights they have, including voting rights, making requests, giving consents, and other associative rights (as defined for the purposes of Article 474 of the Belgian Companies Code) upon submission of an affidavit drawn up by the NBB, Euroclear, Clearstream, Luxembourg or any other participant duly licensed in Belgium to keep dematerialised securities accounts showing such holder's position in the Notes (or the position held by the financial institution through which such holder's Notes are held with the NBB, Euroclear, Clearstream, Luxembourg or such other participant, in which case an affidavit drawn up by that financial institution will also be required).

The Notes are issued in the Specified Denomination(s) specified in the applicable Final Terms. The minimum Specified Denomination of the Notes shall be at least EUR 100,000 (or its equivalent in any other currency). The Notes have no maximum Specified Denomination.

The Notes (i) bear interest calculated by reference to a fixed rate of interest (such Note, a "**Fixed Rate Note**"), (ii) bear interest calculated by reference to a fixed rate of interest for an initial period and thereafter by reference to a fixed rate of interest recalculated on one or more dates specified in the Final Terms and by reference to a mid-market swap rate (such Note, a "**Fixed Rate Reset Note**"), (iii) bear interest by reference to one or more floating rates of interest (such Note, a "**Floating Rate Note**"), or (iv) are a combination of two or more of (i) to (iii) of the foregoing, as specified in the Final Terms.

In addition, the Final Terms of the Notes will specify that the rights of Noteholders with regard to payments under the Notes will either be (i) unsubordinated ("**Senior Notes**") or (ii) subordinated in the manner described under Condition 2(b) (*Status of the Subordinated Tier 2 Notes*) below with a fixed redemption date and with terms capable of qualifying as Tier 2 Capital (the "**Subordinated Tier 2 Notes**"). The term "**Tier 2 Capital**" has the meaning given in the Applicable Banking Regulations (as defined in Condition 2(b) (*Status of the Subordinated Tier 2 Notes*)).

In these Conditions, "**Noteholder**" and "**holder**" mean, in respect of any Note, the holder from time to time of the Notes as determined by reference to the records of the relevant clearing systems or financial intermediaries and the affidavits referred to in this Condition 1 and capitalised terms have the meanings given to them in the applicable Final Terms, the absence of any such meaning indicating that such term is not applicable to the Notes.

In these Conditions, any reference to any law, decree, regulation, directive or any implementing or other legislative measure shall be construed as a reference to such law, decree, regulation, directive or implementing or other legislative measure as the same may be amended, supplemented, restated or replaced from time to time.

2 Status of the Notes

(a) Status of the Senior Notes

(i) *Status*

The Senior Notes (being any Series of the Notes in respect of which the Final Terms specify their status as Senior) constitute direct, unconditional and unsecured obligations of the Issuer

and shall at all times rank *pari passu* without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

(ii) *Waiver of set-off*

If the applicable Final Terms in respect of Senior Notes specify that this Condition 2(a)(ii) applies, then, subject to applicable law, no holder of any such Senior Notes ("**Senior Noteholders**") may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Senior Notes, and each Senior Noteholder shall, by virtue of its subscription, purchase or holding of any Senior Note, be deemed to have waived all such rights of set-off.

(b) Status of the Subordinated Tier 2 Notes

(i) *Status*

The Subordinated Tier 2 Notes (being any Series of the Notes the Final Terms in respect of which specify their status as Subordinated Tier 2) constitute direct, unconditional and unsecured obligations of the Issuer and rank *pari passu* without any preference among themselves. The rights and claims of the Noteholders in respect of the Subordinated Tier 2 Notes are subordinated in the manner provided in Condition 2(b)(ii) (*Subordination*) below.

(ii) *Subordination*

In the event of an order being made, or an effective resolution being passed, for the liquidation, dissolution or winding-up of the Issuer by reason of bankruptcy (*faillissement/faillite*) or otherwise (except, in any such case, a solvent liquidation, dissolution or winding-up solely for the purposes of a reorganisation, reconstruction or amalgamation of the Issuer or the substitution in place of the Issuer of a successor in business of the Issuer), the rights and claims of the holders of the Subordinated Tier 2 Notes against the Issuer in respect of or arising under (including any damages awarded for breach of any obligation under) the Subordinated Tier 2 Notes shall, subject to any obligations which are mandatorily preferred by law, rank (a) junior to the claims of all Senior Creditors of the Issuer, (b) at least *pari passu* with the claims of holders of all obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 2 Capital of the Issuer and (c) senior to (1) the claims of holders of all share capital of the Issuer, (2) the claims of holders of all obligations of the Issuer which constitute Tier 1 Capital of the Issuer and (3) the claims of holders of all obligations of the Issuer which are or are expressed to be subordinated to the Subordinated Tier 2 Notes.

For the purposes of these Conditions:

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

"**BRRD**" means Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC,

2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council, as amended or replaced from time to time.

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

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

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

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

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

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

(iii) *Waiver of set-off*

Subject to applicable law, no holder of a Subordinated Tier 2 Note may exercise or claim any right of set off in respect of any amount owed to it by the Issuer arising under or in connection with the Subordinated Tier 2 Notes and each holder of a Subordinated Tier 2 Note shall, by virtue of his subscription, purchase or holding of any Subordinated Tier 2 Note, be deemed to have waived all such rights of set off.

3 Interest and other calculations

(a) Interest on Fixed Rate Notes

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

(b) Interest on Fixed Rate Reset Notes

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

(i) from and including the Interest Commencement Date up to but excluding the First Reset Date at the Initial Rate of Interest;

(ii) in the First Reset Period, at the First Reset Rate of Interest; and

(iii) for each Subsequent Reset Period thereafter (if any), at the relevant Subsequent Reset Rate of Interest,

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

In these Conditions:

"**First Reset Date**" means the date specified as such in the Final Terms;

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

"**First Reset Rate of Interest**" means the rate of interest as determined by the Calculation Agent on the relevant Reset Determination Date corresponding to the First Reset Period as the sum of the Mid-Swap Rate plus the relevant Margin;

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

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

"**Mid-Swap Quotations**" means the arithmetic mean of the bid and offered rates:

(i) if the Specified Currency is Sterling, for a semi-annual fixed leg (calculated on an Actual/365 day count basis) of a fixed for floating interest rate swap transaction in Sterling which (a) has a term commencing on the relevant Reset Date which is equal to that of the relevant Swap Rate Period; (b) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the relevant swap market; and (c) has a floating leg based on the 6-month LIBOR rate (calculated on an Actual/365 day count basis);

(ii) if the Specified Currency is Euro, for the annual fixed leg (calculated on a 30/360 day count basis) of a fixed for floating interest rate swap transaction in euro which (a) has a term commencing on the relevant Reset Date which is equal to that of the relevant Swap Rate Period; (b) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the relevant swap market; and (c) has a floating leg based on the 6-month EURIBOR rate (calculated on an Actual/360 day count basis); and

(iii) if the Specified Currency is US dollars, for the semi-annual fixed leg (calculated on a 30/360 day count basis) of a fixed for floating interest rate swap transaction in US dollars which (a) has a term commencing on the relevant Reset Date which is equal to that of the relevant Swap Rate Period; (b) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the relevant swap market; and (c) has a floating leg based on the 3-month LIBOR rate (calculated on an Actual/360 day count basis);

"**Mid-Swap Rate**" means in respect of a Reset Period, (i) the applicable semi-annual or annualised (as specified in the applicable Final Terms) mid swap rate for swap transactions in the Specified Currency

(with a maturity equal to that of the relevant Swap Rate Period specified in the Final Terms) as displayed on the Relevant Screen Page at 11.00 a.m. (in the principal financial centre of the Specified Currency) on the relevant Reset Determination Date (which rate, if the relevant Interest Payment Dates are other than semi annual or annual Interest Payment Dates, shall be adjusted by, and in the manner determined by, the Calculation Agent) or (ii) if such rate is not displayed on the Relevant Screen Page at such time and date, the relevant Reset Reference Bank Rate;

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

"**Reset Date**" means each of the First Reset Date, the Second Reset Date and each Subsequent Reset Date (as applicable);

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

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

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

"**Second Reset Date**" means the date specified as such in the Final Terms;

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

"**Subsequent Reset Period**" means the period from and including the Second Reset Date to but excluding the next Reset Date, and each successive period from and including a Reset Date to but excluding the next succeeding Reset Date;

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

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

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

(c) Interest on Floating Rate Notes

(i) *Interest Payment Dates*

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

(ii) *Business Day Convention*

If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

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

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

(A) ISDA Determination for Floating Rate Notes

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

(x) the Floating Rate Option is as specified in the Final Terms;

(y) the Designated Maturity is a period specified in the Final Terms; and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the Final Terms.

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

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

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

(B) Screen Rate Determination for Floating Rate Notes

(1) Where Screen Rate Determination is specified in the Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided in this Condition 3(c)(B), Condition 3(e) (*Margin, Maximum Rate of Interest, Minimum Rates of Interest, Callable Amounts and Rounding*) and Condition 3(j) (*Benchmark replacement*), be either:

(i) the offered quotation; or

(ii) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at the Relevant Time on the Interest Determination Date in question as determined by the Calculation Agent.

(2) If the Reference Rate is specified in the applicable Final Terms to be LIBOR or EURIBOR, where:

(a) five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations; or

(b) the Relevant Screen Page is not available or if Condition 3(c)(iii)(B)(1)(i) above applies and no such offered quotation appears on the Relevant Screen Page or if Condition 3(c)(iii)(B)(1)(ii) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the

Reference Rate is EURIBOR, the principal Eurozone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at the Relevant Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent.

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

(3) If the Reference Rate is Constant Maturity Swap ("**CMS**") and no quotation appears on the Relevant Screen Page at the Relevant Time on the relevant Interest Determination Date, then the Rate of Interest will be determined on the basis of the mid-market annual swap rate quotations provided by five leading swap dealers in the European inter-bank market at approximately the Relevant Time on the relevant Interest Determination Date. The Calculation Agent will select the five swap dealers in its sole discretion and will request each of those dealers to

provide a quotation of its rate in accordance with market practice. If at least three quotations are provided, the Rate of Interest for the relevant Interest Period will be the arithmetic mean of the quotations, eliminating the highest and lowest quotations or, in the event, of equality, one of the highest and one of the lowest quotations. If fewer than three quotations are provided, the Calculation Agent will determine the Rate of Interest in its sole discretion.

(d) Accrual of Interest

Interest (if any) shall cease to accrue on each Note (or in the case of the redemption of part only of a Note, that part only of such Note) on the due date for redemption thereof unless payment of principal is improperly withheld or refused or unless default is otherwise made in respect of payment, in which event, interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 3 to (but excluding) the Relevant Date (as defined in Condition 4(m) (*Definitions*)).

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

(i) If any Margin is specified in the Final Terms (either (A) generally, (B) in relation to one or more Interest Accrual Periods or (C) in relation to one or more Reset Periods), an adjustment shall, unless the relevant Margin has already been taken into account in determining such Rate of Interest, be made to all Rates of Interest, in the case of (A), or the Rates of Interest for the specified Interest Accrual Periods or Reset Periods, in the case of (B) or (C), calculated, in each case, in accordance with Condition 3(b) (*Interest on Fixed Rate Reset Notes*) above by adding (if a positive number) or subtracting (if a negative number) the absolute value of such Margin subject always (in the case of Floating Rate Notes only) to the next paragraph.

(ii) If any Maximum Rate of Interest or Minimum Rate of Interest or Callable Amount is specified in the Final Terms in relation to one or more Interest Accrual Periods, then any Rate of Interest or Callable Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (A) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (B) all figures shall be rounded to seven significant figures (with halves being rounded up) and (C) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of Yen, which shall be rounded down to the nearest Yen. For these purposes "**unit**" means the lowest amount of such currency that is available as legal tender in the country of such currency.

(f) Calculations

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

required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be applied to the period for which interest is required to be calculated.

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

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

(h) Definitions

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

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

(i) the Securities Settlement System is operating;

(ii) commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in Belgium and in each Additional Business Centre specified in the applicable Final Terms; and

(i) either (1) in relation to any sum payable in a Specified Currency other than euro, commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial

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

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

(i) if "**Actual/365**" or "**Actual/Actual**" or "**Actual/Actual – ISDA**" is specified in the Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if "**Actual/365 (Fixed)**" is specified in the Final Terms, the actual number of days in the Calculation Period divided by 365;

(iii) if "**Actual/360**" is specified in the Final Terms, the actual number of days in the Calculation Period divided by 360;

(iv) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

(vii) if "**Actual/Actual ICMA**" is specified in the Final Terms:

(A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in such Calculation Period divided by the product of:

(x) the number of days in such Determination Period; and

(y) the number of Determination Periods normally ending in any year; or

(B) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (i) the number of days in such

Determination Period and (ii) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (i) the number of days in such Determination Period and (ii) the number of Determination Periods normally ending in any year;

where:

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

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

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

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

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

"**Interest Amount**" means:

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

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

"**Interest Basis**" means the interest basis specified in the Final Terms.

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

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

business (including dealings in foreign exchange and foreign currency deposits) in Frankfurt prior to the start of such Interest Accrual Period.

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

"**Interest Period End Date**" means each Interest Payment Date unless otherwise specified in the Final Terms.

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

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

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

"**Reference Rate**" means the rate specified as such in the Final Terms.

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

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

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

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

(i) Calculation Agent

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

(j) Benchmark replacement

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

(i) the Issuer shall use reasonable endeavours, as soon as reasonably practicable, to appoint and consult with an Independent Adviser with a view to the Issuer determining (without any requirement for the consent or approval of the Noteholders) (A) a Successor Rate or, failing which, an Alternative Reference Rate, for purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes and (B) in either case, an Adjustment Spread;

(ii) if the Issuer is unable to appoint an Independent Adviser prior to the IA Determination Cut-Off Date, the Issuer (acting in good faith and in a commercially reasonable manner) may still determine (A) a Successor Rate or, failing which, an Alternative Reference Rate and (B) in either case, an Adjustment Spread in accordance with this Condition 3(j);

(iii) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with paragraphs (i) or (ii) above, such Successor Rate or, failing which, Alternative Reference Rate (as applicable) shall be the Reference Rate or Mid-Swap Rate (as applicable) for each of the future Interest Periods or Reset Periods (as applicable) (subject to the subsequent operation of, and to adjustment as provided in, this Condition 3(j));

(iv) if the Issuer, following consultation with the Independent Adviser (if any) and acting in good faith, determines that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Reference Rate (as applicable). If the Issuer is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread;

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

any documents or other steps to be taken by the Agent and any other agents party to the Agency Agreement (if required or useful); and

(vi) the Issuer shall promptly, following the determination of any Successor Rate, Alternative Reference Rate or Adjustment Spread (as applicable), give notice thereof to the Agent, the Calculation Agent and, in accordance with Condition 13 (*Notices*), the Noteholders. Such notice shall specify the effective date(s) for such Successor Rate or Alternative Reference Rate (as applicable), the Adjustment Spread (if any) and any consequential changes made to the Agency Agreement and these Conditions (if any),

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

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

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

Without prejudice to the obligations of the Issuer under this Condition 3(j), the Reference Rate or Mid-Swap Rate (as applicable) and the other provisions in this Condition 3 will continue to apply unless and until the Calculation Agent has been notified of the Successor Rate or Alternative Reference Rate (as applicable), the Adjustment Spread (if any) and any consequential changes made to the Agency Agreement and the Conditions (if any).

For the purposes of this Condition 3(j):

"**Adjustment Spread**" means a spread (which may be positive or negative) or formula or methodology for calculating a spread, which the Issuer, following consultation with the Independent Adviser (if any) and acting in good faith, determines is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) in order to reduce or eliminate, to the extent reasonably practicable in the relevant circumstances, any economic prejudice or benefit (as applicable) to the Noteholders as a result of the replacement of the Reference Rate or Mid-Swap Rate (as applicable) with the Successor Rate or the Alternative Reference Rate (as applicable) and is the spread, formula or methodology which:

(i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Reference Rate or Mid-Swap Rate (as applicable) with the Successor Rate by any Relevant Nominating Body; or

(ii) in the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Issuer, following consultation with the Independent Adviser (if any) and acting in good faith, determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Reference Rate or Mid-Swap Rate (as applicable), where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as applicable); or

(iii) if no such customary market usage is recognised or acknowledged, the Issuer, following consultation with the Independent Adviser (if any) and acting in good faith, determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Reference Rate or Mid-Swap Rate (as applicable), where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as applicable); or

(iv) if no such industry standard is recognised or acknowledged, the Issuer, in its discretion, following consultation with the Independent Adviser (if any) and acting in good faith, determines to be appropriate.

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

"**Benchmark Event**" means:

(i) the relevant Reference Rate or Mid-Swap Rate (as applicable) ceasing to be published for a period of at least five Business Days or ceasing to exist; or

(ii) a public statement by the administrator of the relevant Reference Rate or Mid-Swap Rate (as applicable) stating that it will, by a specified date within the following six months, cease to publish the relevant Reference Rate or Mid-Swap Rate (as applicable), permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the relevant Reference Rate or Mid-Swap Rate (as applicable)); or

(iii) a public statement by the supervisor of the administrator of the relevant Reference Rate or Mid-Swap Rate (as applicable) stating that the relevant Reference Rate or Mid-Swap Rate (as applicable) has been or will be, by a specified date within the following six months, permanently or indefinitely discontinued; or

(iv) a public statement by the supervisor or the administrator of the relevant Reference Rate or Mid-Swap Rate (as applicable) that means that the relevant Reference Rate or Mid-Swap Rate (as applicable) will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, in each case within the following six months; or

(v) it has become unlawful for the Agent, the Calculation Agent or any other agents party to the Agency Agreement to calculate any payments due to be made to any Noteholders using the relevant Reference Rate or Mid-Swap Rate (as applicable).

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

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

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

(i) the central bank for the currency to which the Reference Rate or Mid-Swap Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate or Mid-Swap Rate; or

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

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

4 Redemption, Purchase and Options

(a) Final Redemption

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

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

(b) Redemption upon the occurrence of a Tax Event

The Issuer may, at its option (subject, in the case of Subordinated Tier 2 Notes, to Condition 4(j) (*Conditions to Redemption and Purchase of Subordinated Tier 2 Notes*)), having given not less than 30 nor more than 60 days' notice to the holders in accordance with Condition 13 (*Notices*) (which notice shall subject, in the case of Subordinated Tier 2 Notes, as provided in Condition 4(j) (*Conditions to Redemption and Purchase of Subordinated Tier 2 Notes*), be irrevocable), redeem all, but not some only, of the Notes outstanding on (if the Notes are Floating Rate Notes) the next Interest Payment Date or (if the Notes are not Floating Rate Notes) at any time, at the Early Redemption Amount, together with any accrued but unpaid interest up to (but excluding) the date fixed for redemption and any additional amounts payable in accordance with Condition 8 (*Taxation*), if, at any time, a Tax Event has occurred, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which (i) the Issuer would be obliged to pay any additional amounts in case of a Tax Gross-up Event, and (ii) a payment in respect of the Notes would not be deductible by the Issuer for Belgian corporate income tax purposes or such deduction would be reduced in case of a Tax Deductibility Event, in each case, were a payment in respect of the Notes then due.

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

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

(A) in making payments under the Notes, the Issuer has or will on or before the next Interest Payment Date or the Maturity Date (as applicable) become obliged to pay additional amounts on interests from the Notes (but not principal or any other amount) as provided or referred to in Condition 8 (*Taxation*) (and such obligation cannot be avoided by the Issuer taking reasonable measures available to it) (a "**Tax Gross-up Event**"); or

(B) on the next Interest Payment Date or the Maturity Date any payments by the Issuer in respect of the Notes ceases (or will cease) to be deductible by the Issuer for Belgian corporate income tax purposes or such deductibility is reduced (a "**Tax Deductibility Event**").

In these Conditions, a "**Tax Law Change**" means any change or proposed change in, or amendment or proposed amendment to, the laws or regulations of Belgium, including any treaty to which Belgium is a party, or any change in the application or official interpretation of such laws or regulations, including a decision of any court, or any interpretation or pronouncement by any relevant tax authority, which change or amendment (x) (subject to (y)) becomes, or would become, effective on or after the Issue Date, or (y) in the case of a change or proposed change in law, if such change is enacted (or, in the case of a proposed change, is expected to be enacted) on or after the Issue Date.

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

The Issuer may at its option but subject to Condition 4(j) (*Conditions to Redemption and Purchase of Subordinated Tier 2 Notes*), having given not less than 30 nor more than 60 days' notice in accordance with Condition 13 (*Notices*), redeem all but not some only of the Subordinated Tier 2 Notes at any time at the Early Redemption Amount, together (if applicable) with any accrued but unpaid interest up to (but excluding) the date fixed for redemption if a Capital Disqualification Event has occurred and is continuing.

In these Conditions:

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

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

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

(d) Redemption at the Option of the Issuer

If Issuer Call Option is specified in the Final Terms, the Issuer may at its option (subject, in the case of Subordinated Tier 2 Notes, to Condition 4(j) (*Conditions to Redemption and Purchase of Subordinated Tier 2 Notes*)), on giving not less than 30 nor more than 60 days' irrevocable notice to the holders (or such other notice period as may be specified in the Final Terms), redeem all or, if so provided, some only of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount specified in the Final Terms (which may be the Early Redemption Amount (as described in Condition 4(f) (*Early Redemption Amounts*) below)), together with interest accrued to the date fixed for redemption. In the case of a redemption of Notes in part, any such redemption must, if so specified in the Final Terms, relate to Notes of a nominal amount at least equal to the Minimum Callable Amount to be redeemed specified in the Final Terms and no greater than the Maximum Callable Amount to be redeemed specified in the Final Terms.

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

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

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

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

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

(i) at the time that any Loss Absorption Regulation becomes effective, and as a result of such Loss Absorption Regulation becoming so effective, in each case with respect to the Issuer and/or the Group, the Notes do not or (in the opinion of the Issuer or the Relevant Regulator) are likely not to qualify in full towards the Issuer's and/or the Group's minimum requirements for (A) own funds and eligible liabilities and/or (B) loss absorbing capacity instruments; or

(ii) as a result of any amendment to, or change in, any Loss Absorption Regulation, or any change in the application or official interpretation of any Loss Absorption Regulation, in any such case becoming effective on or after the Issue Date of the first Tranche of the Notes, the Notes are or (in the opinion of the Issuer or the Relevant Regulator) are likely to be fully or partially excluded from the Issuer's and/or the Group's minimum requirements for (A) own funds and eligible liabilities and/or (B) loss absorbing capacity instruments,

in each case as such minimum requirements are applicable to the Issuer and/or the Group and determined in accordance with, and pursuant to, the relevant Loss Absorption Regulations; provided that in the case of (i) and (ii) above, a Loss Absorption Disqualification Event shall not occur where the exclusion of the Notes from the relevant minimum requirement(s) is due to the remaining maturity of the Notes being less than any period prescribed by any applicable eligibility criteria for such minimum requirements under the relevant Loss Absorption Regulations effective with respect to the Issuer and/or the Group as at the Issue Date.

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

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

(f) Early Redemption Amounts

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

(g) Directors' Certificate

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

(h) Purchases

Subject to Condition 4(j) (*Conditions to Redemption and Purchase of Subordinated Tier 2 Notes*) in the case of Subordinated Tier 2 Notes, the Issuer or any of its subsidiaries may at any time, but is not obliged to, purchase Notes in the open market or otherwise at any price. Any Notes so purchased or otherwise acquired may, at the Issuer's discretion, be held or resold or, at the option of the Issuer, surrendered to the Agent for cancellation.

This Condition 4(h) shall apply in the case of Subordinated Tier 2 Notes to the extent purchases of Subordinated Tier 2 Notes are not prohibited by Applicable Banking Regulations.

(i) Cancellation

All Notes which are redeemed or purchased or otherwise acquired as aforesaid and surrendered to the Agent for cancellation will forthwith be cancelled. All Notes so cancelled cannot be reissued or resold.

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

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

(i) compliance with any conditions prescribed under Applicable Banking Regulations, including the prior approval of the Relevant Regulator (if required);

(ii) in respect of any redemption of the relevant Subordinated Tier 2 Notes proposed to be made prior to the fifth anniversary of the Issue Date, (a) in the case of redemption following the occurrence of a Tax Event, the Issuer having demonstrated to the satisfaction of the Relevant Regulator that (A) the Tax Law Change was not reasonably foreseeable as at the Issue Date and (B) the Tax Law Change is material or (b) in the case of redemption following the occurrence of a Capital Disqualification Event, the Issuer having demonstrated to the satisfaction of the Relevant Regulator that the relevant change was not reasonably foreseeable by the Issuer as at the Issue Date; and

(iii) compliance by the Issuer with any alternative or additional pre-conditions to redemption or purchase, as applicable, set out in the Applicable Banking Regulations for the time being or required by the Relevant Regulator.

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

Any optional redemption of Senior Notes pursuant to Condition 4(b) (*Redemption upon the occurrence of a Tax Event*), 4(d) (*Redemption at the Option of the Issuer*) or 4(e) (*Redemption of Senior Notes following the occurrence of a Loss Absorption Disqualification Event*) and any purchase of Senior Notes pursuant to Condition 4(h) (*Purchases*) will, if and to the extent required at such date, be subject to the prior approval of the Relevant Regulator and/or the Resolution Authority.

(l) Notices Final

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

(m) Definitions

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

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

5 Payments

(a) Payment in euro

Without prejudice to Article 474 of the Belgian Companies Code, payment of principal in respect of the Notes, payment of accrued interest payable on a redemption of the Notes and payment of any interest due on an Interest Payment Date in respect of the Notes will be made through the Securities Settlement System in accordance with the Securities Settlement System Regulations. The payment obligations of the Issuer under the Notes will be discharged by payment to the NBB in respect of each amount so paid.

(b) Payment in other currencies

Without prejudice to Article 474 of the Belgian Companies Code, payment of principal in respect of the Notes, payment of accrued interest payable on a redemption of the Notes and payment of any interest due on an Interest Payment Date in respect of the Notes will be made through the Agent.

(c) Method of payment

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

(d) Payments subject to fiscal laws

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

(e) Appointment of Agents

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

(f) Non-Business Days

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

6 Subordinated Tier 2 Notes –Variation following a Capital Disqualification Event

In the case of Subordinated Tier 2 Notes the Issuer has the option to specify in the Final Terms that a Capital Disqualification Event Variation is applicable. Where such Capital Disqualification Event Variation is specified in the Final Terms as being applicable and the Issuer has satisfied the Agent that a Capital Disqualification Event (as defined in Condition 4(c) (*Redemption of Subordinated Tier 2 Notes following the occurrence of a Capital Disqualification Event*)) has occurred and is continuing, then the Issuer may, subject to the other provisions of this Condition 6 (without any requirement for the consent or approval of the Noteholders (subject to the notice requirements below)) vary the terms of all (but not some only) of the Subordinated Tier 2 Notes so that they remain or, as appropriate, become, Qualifying Securities.

In connection with any variation in accordance with this Condition 6, the Issuer shall comply with the rules of any stock exchange on which such Notes are for the time being listed or admitted to trading.

Any variation in accordance with this Condition 6 is subject to the Issuer (i) obtaining the permission therefor from the Relevant Regulator, provided that at the relevant time such permission is required to be given; and (ii) giving not less than 30 nor more than 60 calendar days' notice to the Noteholders (which notice shall be irrevocable),in accordance with Condition 13 (*Notices*), which notice shall be irrevocable. Any such notice shall specify the relevant details of the manner in which such variation shall take effect and where the holders can inspect or obtain copies of the new terms and conditions of the Subordinated Tier 2 Notes.

Any variation in accordance with this Condition 6 does not otherwise give the Issuer an option to redeem the relevant Notes under the Conditions.

As used in this Condition 6:

"**Fitch**" means Fitch France S.A.S. or any affiliate thereof.

"**Moody's**" means Moody's France S.A.S. or any affiliate thereof.

"**Qualifying Securities**" means securities issued by the Issuer that:

(a) rank equally with the ranking of the Subordinated Tier 2 Notes;

(b) have terms not materially less favourable to Noteholders than the terms of the Subordinated Tier 2 Notes (as reasonably determined by the Issuer in consultation with an independent investment bank of international standing, and provided that a certification to such effect of two Directors of the Issuer shall have been delivered to the Agent prior to the issue of the relevant securities), provided that such securities:

(1) contain terms such that they comply with the then Applicable Banking Regulations in relation to Tier 2 Capital;

(2) include terms which provide for the same Rate of Interest from time to time, Interest Payment Dates, Maturity Date and Early Redemption Amount(s) as apply from time to time to the relevant Series of Subordinated Tier 2 Notes immediately prior to such variation;

(3) shall preserve any existing rights under the Conditions to any accrued interest, principal and/or premium which has not been satisfied;

(4) do not contain terms providing for the mandatory or voluntary deferral of payments of principal and/or interest;

(5) do not contain terms providing for loss absorption through principal write down, write-off or conversion to ordinary shares; and

(6) are otherwise not materially less favourable to Noteholders;

(c) are listed on (i) the regulated market of Euronext Brussels or (ii) such other regulated market in the European Economic Area as selected by the Issuer; and

(d) where the Subordinated Tier 2 Notes which have been varied had a published rating from a Rating Agency immediately prior to their variation each such Rating Agency has ascribed, or announced its intention to ascribe, an equal or higher published rating to the relevant Subordinated Tier 2 Notes.

"**Rating Agency**" means each of Fitch, Moody's and S&P or their respective successors.

"**S&P**" means Standard & Poor's Credit Market Services Italy Srl. or any affiliate thereof.

7 Senior Notes –Variation or Substitution following a Loss Absorption Disqualification Event

In the case of Senior Notes, the Issuer has the option to specify in the Final Terms that a Loss Absorption Disqualification Event Variation or Substitution is applicable. Where such Loss Absorption Disqualification Event Variation or Substitution is specified in the Final Terms as being applicable and the Issuer has satisfied the Agent that a Loss Absorption Disqualification Event (as defined in Condition 4(e) (*Redemption of Senior notes following the occurrence of a Loss Absorption Disqualification Event*)) has occurred and is continuing, then the Issuer may, subject to the other provisions of this Condition 7 but without any requirement for the consent or approval of the Noteholders (subject to the notice requirements below), substitute all (but not some only) of such Series of Senior Notes or vary the terms of all (but not some only) of such Series of Senior Notes so that they remain or, as appropriate, become, Eligible Liabilities Instruments (as defined below).

In connection with any substitution or variation in accordance with this Condition 7, the Issuer shall comply with the rules of any stock exchange on which such Notes are for the time being listed or admitted to trading.

Any variation in accordance with this Condition 7 is subject to the Issuer (i) obtaining the permission therefor from the Relevant Regulator and/or Resolution Authority, if and to the extent required at such date; and (ii) giving not less than 30 nor more than 60 calendar days' notice to the Noteholders in accordance with Condition 13 (*Notices*), which notice shall be irrevocable. Any such notice shall specify the relevant details of the manner in which such variation shall take effect and where the holders can inspect or obtain copies of the new terms and conditions of the Senior Notes.

Any variation in accordance with this Condition 7 does not otherwise give the Issuer an option to redeem the relevant Notes under the Conditions.

For the purpose of this Condition 7, "**Eligible Liabilities Instruments**" means securities issued by the Issuer that have terms not materially less favourable to Noteholders than the terms of the Senior Notes (as reasonably determined by the Issuer in consultation with an independent investment bank of international standing, and provided that a certification to such effect of two Directors of the Issuer shall have been delivered to the Agent prior to the issue of the relevant securities or, in the case of a variation, the date such variation becomes effective), provided that such securities:

(a) contain terms which comply with the then applicable Loss Absorption Regulations;

(b) include terms which provide for the same (or, from a Noteholder's perspective, more favourable) Rate of Interest from time to time, Interest Payment Dates, Maturity Date and Early Redemption Amount(s) as apply from time to time to the relevant Series of Senior Notes immediately prior to such substitution or variation;

(c) rank at least *pari passu* with the Senior Notes prior to the relevant substitution or variation;

(d) not be immediately subject to a Tax Event;

(e) are listed on (i) the regulated market of Euronext Brussels or (ii) such other regulated market in the European Economic Area as selected by the Issuer (to the extent that the Senior Notes were listed on the regulated market of Euronext Brussels or (ii) such other regulated market in the European Economic Area as selected by the Issuer prior to the substitution or variation); and

(f) have a solicited published rating ascribed to them or expected to be ascribed to them if the Senior Notes which have been substituted or varied had a solicited published rating from a rating agency immediately prior to their substitution or variation (as applicable).

8 Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, or on account of, any taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed, levied, collected, withheld or assessed by or within the Kingdom of Belgium or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts on interests from the Notes (but not principal or any other amount) as shall result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note:

(i) to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with the Kingdom of Belgium other than the mere holding of the Note; or

(ii) where such withholding or deduction is imposed because the holder of the Note is not an Eligible Investor (unless that person was an Eligible Investor at the time of its acquisition of the Note but has since ceased (as such term is defined from time to time under Belgian law) being an Eligible Investor by reason of a change in the Belgian tax laws or regulations or in the interpretation or application thereof or by reason of another change which was outside that person's control), or is an Eligible Investor but is not holding the Note in an exempt securities account with a qualifying clearing system in accordance with the Belgian law of 6 August 1993 relating to transactions in certain securities and its implementation decrees; or

(iii) to a Noteholder who is liable to such Taxes because the Notes were upon its request converted into registered Notes and could no longer be cleared through the Securities Settlement System; or

(iv) to a holder who is entitled to avoid such deduction or withholding by making a declaration of non-residence or other similar claim for exemption.

Notwithstanding any other provision of the Conditions, any amounts to be paid on the Notes by or on behalf of the Issuer will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "**FATCA Withholding**"). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

9 Prescription

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 4(m) (*Definitions*)) in respect of them.

10 Senior Notes – Events of Default and Enforcement

(a) Senior Notes – Events of Default

If the applicable Final Terms in respect of Senior Notes specify that this Condition 10(a) applies and if any of the following events (each, an "**Event of Default**") occurs and is continuing:

(i) the Issuer fails to pay any principal or interest due in respect of the Senior Notes when due and such failure continues for a period of 30 Business Days; or

(ii) the Issuer does not perform or comply with any one or more of its other obligations under these Conditions and the Senior Notes or the Agency Agreement which default is incapable of remedy, or, if capable of remedy is not remedied within 90 Business Days after notice of such Event of Default shall have been given by any Noteholder to the Issuer or the Agent at its specified office; or

(iii) (a) proceedings are commenced against the Issuer, or the Issuer commences proceedings itself for bankruptcy or other insolvency proceedings of the Issuer falling under the applicable Belgian or foreign bankruptcy, insolvency or other similar law now or hereafter in effect (including Book XX of the Belgian Code of Economic Law), unless the Issuer defends itself in good faith against such proceedings and such a defence is successful, and a judgment in first instance (*eerste aanleg/première instance*) has rejected the petition within the framework of the proceedings within three months following the commencement of such proceedings, or (b) the Issuer is unable to pay its debts as they fall due (*staking van betaling/cessation de paiements*) under applicable law, or (c) the Issuer is announced bankrupt by an authorised court; or

(iv) an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation, following which the surviving entity assumes all rights and obligations of the Issuer (including the Issuer's rights and obligations under the Senior Notes); or

(v) an enforceable judgment (*uitvoerend beslag/saisie exécutoire*), attachment or similar proceeding is enforced against all or a substantial part of the assets of the Issuer and is not discharged, stayed or paid within 60 Business Days, unless the Issuer defends itself in good faith against such proceedings,

then any Senior Note may, by notice in writing given to the Issuer at its address of correspondence by the holder with a copy to the Agent at its specified office, be declared immediately due and payable whereupon it shall become immediately due and payable at its principal amount together with accrued interest (if any) without further formality unless such Event of Default shall have been remedied prior to the receipt of such notice by the Agent.

(b) Senior Notes – Enforcement (eligible liabilities instruments)

If the applicable Final Terms in respect of Senior Notes specify that this Condition 10(b) applies, then, any holder may, without further notice, institute proceedings for the dissolution or liquidation of the

Issuer in Belgium if default is made in the payment of any principal or interest due in respect of the Senior Notes or any of them and such default continues for a period of 30 days or more after the due date.

In the event of the dissolution or liquidation (other than on a solvent basis) of the Issuer (including, without limiting the generality of the foregoing, bankruptcy (*faillissement/faillite*), and judicial or voluntary liquidation (*vrijwillige of gedwongen vereffening/liquidation volontaire ou forcée*), under the laws of Belgium), any holder may give notice to the Issuer that the relevant Senior Note is, and it shall accordingly forthwith become, immediately due and repayable at its principal amount, together with interest accrued to the date of repayment.

No remedy against the Issuer other than as referred to in this Condition 10(b), shall be available to the holders of Senior Notes, whether for recovery of amounts owing in respect of the Senior Notes or in respect of any breach by the Issuer of any of its obligations under or in respect of the Senior Notes.

For the avoidance of doubt, holders of Senior Notes waive, to the fullest extent permitted by law (i) all their rights whatsoever pursuant to Article 1184 of the Belgian Civil Code to rescind (*ontbinden/résoudre*), or to demand legal proceedings for the rescission (*ontbinding/résolution*) of the Senior Notes and (ii), to the extent applicable, all their rights whatsoever in respect of the Senior Notes pursuant to Article 487 of the Belgian Companies Code.

11 Subordinated Tier 2 Notes – Enforcement

If default is made in the payment of any principal or interest due in respect of the Subordinated Tier 2 Notes or any of them and such default continues for a period of 30 days or more after the due date any holder may, without further notice, institute proceedings for the dissolution or liquidation of the Issuer in Belgium.

In the event of the dissolution or liquidation (other than on a solvent basis) of the Issuer (including, without limiting the generality of the foregoing, bankruptcy (*faillissement/faillite*), and judicial or voluntary liquidation (*vrijwillige of gedwongen vereffening/liquidation volontaire ou forcée*), under the laws of Belgium), any holder may give notice to the Issuer that the relevant Subordinated Tier 2 Note is, and it shall accordingly forthwith become, immediately due and repayable at its principal amount, together with interest accrued to the date of repayment.

No remedy against the Issuer other than as referred to in this Condition 11, shall be available to the holders of Subordinated Tier 2 Notes, whether for recovery of amounts owing in respect of the Subordinated Tier 2 Notes or in respect of any breach by the Issuer of any of its obligations under or in respect of the Subordinated Tier 2 Notes.

For the avoidance of doubt, the holders of Subordinated Tier 2 Notes waive, to the fullest extent permitted by law (i) all their rights whatsoever pursuant to Article 1184 of the Belgian Civil Code to rescind (*ontbinden/résoudre*), or to demand legal proceedings for the rescission (*ontbinding/résolution*) of the Subordinated Tier 2 Notes and (ii), to the extent applicable, all their rights whatsoever in respect of the Subordinated Tier 2 Notes pursuant to Article 487 of the Belgian Companies Code.

12 Meetings of Noteholders and Modifications

(a) Meetings of Noteholders

(i) Subject to paragraph (ii) below, Schedule 1 (*Provisions on meetings of Noteholders*) of these Conditions contains provisions for convening meetings of Noteholders (the "**Meeting Provisions**") to consider matters relating to the Notes, including the modification of any

provision of these Conditions or the Notes. For the avoidance of doubt, any modification or waiver of the Conditions shall be subject to the consent of the Issuer.

All meetings of Noteholders will be held in accordance with the Meeting Provisions. Such a meeting may be convened by the Issuer and shall be convened by the Issuer upon the request in writing of Noteholders holding not less than 10% of the aggregate principal amount of the outstanding Notes.

Any modification or waiver of the Conditions or the Notes proposed by the Issuer may be made if sanctioned by an Extraordinary Resolution. An "**Extraordinary Resolution**" means a resolution passed at a meeting of Noteholders duly convened and held in accordance with these Conditions and the Meeting Provisions by a majority of at least 75% of the votes cast, provided, however, that any such proposal (i) to amend the dates of maturity or redemption of the Notes or date for payment of interest or interest amounts, (ii) to assent to an extension of an interest period, a reduction of the applicable interest rate or a modification of the conditions applicable to the payment of interest, (iii) to assent to a reduction of the nominal amount of the Notes or a modification of the conditions under which any redemption, substitution or variation may be made, (iv) to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment in circumstances not provided for in the Conditions, (v) to change the currency of payment of the Notes, (vi) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution or (vii) to amend the requirement for an Extraordinary Resolution for the sanctioning of any modification or waiver of the Conditions or the Notes, may, in each case, only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which one or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum.

Resolutions duly passed in accordance with the Meeting Provisions shall be binding on all Noteholders, whether or not they are present at the meeting and whether or not they vote in favour of such a resolution.

The Meeting Provisions furthermore provide that, for so long as the Notes are in dematerialised form and settled through the Securities Settlement System, in respect of any matters proposed by the Issuer, the Issuer shall be entitled, where the terms of the resolution proposed by the Issuer have been notified to the Noteholders through the relevant clearing systems as provided in the Meeting Provisions, to rely upon approval of such resolution given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) by or on behalf of the holders of not less than 75% in principal amount of the Notes outstanding. To the extent such electronic consent is not being sought, the Meeting Provisions provide that a resolution in writing signed by or on behalf of the holders of not less than 75% in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, provided that the terms of the proposed resolution have been notified in advance to the Noteholders through the relevant clearing system(s). Such a resolution in writing may be contained in one document or several documents in the same form, each signed by, or on behalf of, one or more Noteholders.

(ii) For so long as the relevant provisions relating to meetings of bondholders of the Belgian companies code of 7 May 1999 (the "**Existing Code**"), cannot be derogated from, where any

provision of the Meeting Provisions would conflict with the relevant provisions of the Existing Code, the provisions of the Existing Code will apply.

(b) Modification and Waiver

Without prejudice to Condition 3(j) (*Benchmark replacement*) and subject to obtaining the approval therefor from the Relevant Regulator if so required pursuant to applicable regulations, the Agent and the Issuer may agree, without the consent of the holders, to:

(i) any modification (except such modifications in respect of which an increased quorum is required, as mentioned above) of the Agency Agreement which is not prejudicial to the interests of the holders; or

(ii) any modification of these Conditions, the Agency Agreement or of any agreement supplemental to the Agency Agreement, which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law.

Any such modification shall be binding on the holders and any such modification shall be notified to the holders in accordance with Condition 13 (*Notices*) as soon as practicable thereafter.

13 Notices

Notices to the holders shall be valid if (i) delivered by or on behalf of the Issuer to the NBB (in its capacity as operator of the Securities Settlement System), for onward communication by it to the participants of the Securities Settlement System, (ii) in the case of Notes held in a securities account, through a direct notification through the applicable clearing system, (iii) in the case of Notes which are not listed or if otherwise required by applicable law, any notice sent pursuant to Condition 4(b) (*Redemption upon the occurrence of a Tax Event*), Condition 4(c) (*Redemption of Subordinated Tier 2 Notes following the occurrence of a Capital Disqualification Event*), Condition 4(d) (*Redemption at the Option of the Issuer*) or Condition 4(e) (*Redemption of Senior notes following the occurrence of a Loss Absorption Disqualification Event*), shall be published in a leading daily newspaper of general circulation in Belgium (which is expected to be *L'Echo* and *De Tijd*) or otherwise if (iv) in compliance with all applicable legal requirements. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above or, in the case of delivery to the NBB or direct notification through the applicable clearing system, any such notice shall be deemed to have been given on the date immediately following the date of delivery/notification.

In addition to any of the methods of delivery mentioned above, the Issuer shall ensure that all notices are duly published in a manner which complies with the rules and regulations of any other stock exchange or other relevant authority on which the Notes are for the time being listed and, in the case of a convening notice for a meeting of Noteholders, in accordance with Article 570 of the Belgian Companies Code. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Agent may approve.

14 Further Issues

The Issuer may from time to time without the consent of the Noteholders create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further notes shall be consolidated and form a single Series with the Notes. References in these Conditions to the Notes include (unless the context requires otherwise) any other notes issued pursuant to this Condition 14 and forming a single Series with the Notes.

15 Third Party Rights

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999 but this does not affect any right or remedy of any person that exists or is available apart from that Act.

16 Governing Law and Jurisdiction

(a) Governing Law

The Agency Agreement and the Notes (except Conditions 1 (*Form, Denomination and Title*), 2 (*Status of the Notes*) and 12 (*Meeting of Noteholders and modifications*)) and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law. Conditions 1 (*Form, Denomination and Title*), 2 (*Status of the Notes*) and 12 (*Meeting of Noteholders and modifications*) and any non-contractual obligations arising out of or in connection with them shall be governed by, and construed in accordance with, Belgian law.

(b) Jurisdiction

The Issuer agrees, for the exclusive benefit of the Noteholders that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Agency Agreement and/or the Notes (including, in each case, any dispute relating to any non-contractual obligations arising therefrom or in connection therewith other than Conditions 1 (*Form, Denomination and Title*), 2 (*Status of the Notes*) and 12 (*Meeting of Noteholders and modifications*) of the Notes ("**Excluded Matters**"), in respect of which the Courts of Brussels shall have jurisdiction) and that accordingly any suit, action or proceedings (together referred to as "**Proceedings**") arising out of or in connection with the Agency Agreement and/or the Notes (including, in each case, any Proceedings relating to any non-contractual obligation arising therefrom or in connection therewith other than in respect of the Excluded Matters) may be brought in such courts.

The Issuer hereby irrevocably waives any objection which it may have now or hereafter to the laying of the venue of any such Proceedings (other than in respect of the Excluded Matters) in any court of England and any Proceedings related to Excluded Matters in the Courts of Brussels and any claim that any such Proceedings have been brought in an inconvenient forum and hereby further irrevocably agrees that a judgment in any such Proceedings (other than in respect of the Excluded Matters) brought in the English courts and any Proceedings related to Excluded Matters in the Courts of Brussels shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.

Nothing contained in this Condition shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

(c) Service of process

The Issuer appoints KBC Bank NV at its London branch at 111 Old Broad Street, London EC2N 1BR as its agent for service of process for Proceedings in England, and undertakes that, in the event of KBC Bank NV, London branch ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings in England. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

(d) Acknowledgement of the Bail-in Power

Notwithstanding and to the exclusion of any other term of the Notes or any other agreements, arrangements or understanding between the Issuer and any Noteholder (which, for the purposes of this Condition 16(d), includes each holder of a beneficial interest in the Notes), by its acquisition of the Notes, each Noteholder acknowledges and accepts that any liability arising under the Notes may be subject to the exercise of the Bail-in Power by the Resolution Authority and acknowledges, accepts, consents to and agrees to be bound by:

(i) the effect of the exercise of any Bail-in Power by the Resolution Authority, which exercise may (without limitation) include and result in any of the following, or a combination thereof:

(A) the reduction of all, or a portion, of the Relevant Amounts in respect of the Notes;

(B) the conversion of all, or a portion, of the Relevant Amounts in respect of the Notes into shares, other securities or other obligations of the Issuer or another person, and the issue to or conferral on the Noteholder of such shares, securities or obligations, including by means of an amendment, modification or variation of the terms of the Notes;

(C) the cancellation of the Notes or the Relevant Amounts in respect of the Notes; and

(D) the amendment or alteration of the maturity of the Notes or amendment of the amount of interest payable on the Notes, or the date on which interest becomes payable, including by suspending payment for a temporary period; and

(ii) the variation of the terms of the Notes, as deemed necessary by the Resolution Authority, to give effect to the exercise of any Bail-in Power by the Resolution Authority.

For the purpose of this Condition,

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

"**Relevant Amounts**" means the outstanding principal amount of the Notes, together with any accrued but unpaid interest. References to such amounts will include amounts that have become due and payable, but which have not been paid, prior to the exercise of any Bail-in Power by the Resolution Authority.

SCHEDULE 1
PROVISIONS ON MEETINGS OF NOTEHOLDERS

Interpretation

1. In this Schedule:

1.1 references to a "**meeting**" are to a meeting of Noteholders of a single Series of Notes and include, unless the context otherwise requires, any adjournment;

1.2 references to "**Notes**" and "**Noteholders**" are only to the Notes of the Series and in respect of which a meeting has been, or is to be, called and to the holders of those Notes, respectively;

1.3 "**agent**" means a holder of a Voting Certificate or a proxy for, or representative of, a Noteholder;

1.4 "**Block Voting Instruction**" means a document issued by a Recognised Accountholder or the Securities Settlement System in accordance with paragraph 8;

1.5 "**Electronic Consent**" has the meaning set out in paragraph 29.1;

1.6 "**Extraordinary Resolution**" means a resolution passed (a) at a meeting of Noteholders duly convened and held in accordance with this Schedule 1 (*Provisions on meetings of Noteholders*) by a majority of at least 75 per cent. of the votes cast, (b) by a Written Resolution or (c) by an Electronic Consent;

1.7 "**Ordinary Resolution**" means a resolution with regard to any of the matters listed in paragraph 4 and passed or proposed to be passed by a majority of at least 50 per cent. of the votes cast;

1.8 "**Recognised Accountholder**" means a member (*aangesloten lid/afilié*) referred to in the Belgian Royal Decree n°62, with whom a Noteholder holds Notes on a securities account;

1.9 "**Securities Settlement System**" means the securities settlement system operated by the NBB or any successor thereto;

1.10 "**Voting Certificate**" means a certificate issued by a Recognised Accountholder or the Securities Settlement System in accordance with paragraph 7;

1.11 "**Written Resolution**" means a resolution in writing signed by the holders of not less than 75 per cent. in principal amount of the Notes outstanding; and

1.12 references to persons representing a proportion of the Notes are to Noteholders, proxies or representatives of such Noteholders holding or representing in the aggregate at least that proportion in nominal amount of the Notes for the time being outstanding.

General

2. All meetings of Noteholders will be held in accordance with the provisions set out in this Schedule.

2.1 For so long as the relevant provisions relating to meetings of bondholders of the Belgian companies code of 7 May 1999 (the **Existing Code**), cannot be derogated from, where any provision of this

Schedule would conflict with the relevant provisions of the Existing Code, the mandatory provisions of the Existing Code will apply.

2.2 Where any of the provisions of this Schedule would be illegal, invalid or unenforceable, that will not affect the legality, validity and enforceability of the other provisions of this Schedule.

Extraordinary Resolution

3. A meeting shall, subject to the Conditions and (except in the case of sub-paragraph 3.5) only with the consent of the Issuer and without prejudice to any powers conferred on other persons by this Schedule, have power by Extraordinary Resolution:

3.1 to sanction any proposal by the Issuer for any modification, abrogation, variation or compromise of, or arrangement in respect of, the rights of the Noteholders against the Issuer (other than in accordance with the Conditions or pursuant to applicable law);

3.2 to assent to any modification of the Conditions or the Notes proposed by the Issuer or the Agent;

3.3 to authorise anyone to concur in and do anything necessary to carry out and give effect to an Extraordinary Resolution;

3.4 to give any authority, direction or sanction required to be given by Extraordinary Resolution;

3.5 to appoint any persons (whether Noteholders or not) as a committee or committees to represent the Noteholders' interests and to confer on them any powers (or discretions which the Noteholders could themselves exercise by Extraordinary Resolution;

3.6 to approve the substitution of any entity for the Issuer (or any previous substitute) as principal debtor under the Notes in circumstances not provided for in the Conditions or in applicable law; and

3.7 to accept any security interests established in favour of the Noteholders or a modification to the nature or scope of any existing security interest or a modification to the release mechanics of any existing security interests.

provided that the special quorum provisions in paragraph 17 shall apply to any Extraordinary Resolution (a "**special quorum resolution**") for the purpose of sub-paragraph 3.6 or for the purpose of making a modification to the Conditions or the Notes which would have the effect of (other than in accordance with the Conditions or pursuant to applicable law):

(i) to amend the dates of maturity or redemption of the Notes or date for payment of interest or interest amounts;

(ii) to assent to an extension of an interest period, a reduction of the applicable interest rate or a modification of the conditions applicable to the payment of interest;

(iii) to assent to a reduction of the nominal amount of the Notes or a modification of the conditions under which any redemption, substitution or variation may be made;

(iv) to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment in circumstances not provided for in the Conditions;

(v) to change the currency of payment of the Notes;

(vi) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution; or

(vii) to amend this proviso.

Ordinary Resolution

4. Notwithstanding any of the foregoing and without prejudice to any powers otherwise conferred on other persons by this Schedule, a meeting of Noteholders shall have power by Ordinary Resolution:

4.1 to assent to any decision to take any conservatory measures in the general interest of the Noteholders;

4.2 to assent to the appointment of any representative to implement any Ordinary Resolution; or

4.3 to assent to any other decisions which do not require an Extraordinary Resolution to be passed.

For the avoidance of doubt, any modification or waiver of the Conditions shall always be subject to the consent of the Issuer.

Convening a meeting

5. The Issuer may at any time convene a meeting. A meeting shall be convened by the Issuer upon the request in writing of Noteholders holding at least 10 per cent. in principal amount of the Notes for the time being outstanding. Every meeting shall be held at a time and place approved by the Agent.

6. Convening notices for meetings of Noteholders shall be given to the Noteholders in accordance with Condition 13 (*Notices*) not less than fifteen days prior to the relevant meeting. The notice shall specify the day, time and place of the meeting and the nature of the resolutions to be proposed and shall explain how Noteholders may appoint proxies or representatives obtain Voting Certificates and use Block Voting Instructions and the details of the time limits applicable.

Arrangements for voting

7. A Voting Certificate shall:

7.1 be issued by a Recognised Accountholder or the Securities Settlement System;

7.2 state that on the date thereof (i) the Notes (not being Notes in respect of which a Block Voting Instruction has been issued which is outstanding in respect of the meeting specified in such Voting Certificate and any such adjourned meeting) of a specified principal amount outstanding were (to the satisfaction of such Recognised Accountholder or the Securities Settlement System) held to its order or under its control and blocked by it and (ii) that no such Notes will cease to be so held and blocked until the first to occur of:

(i) the conclusion of the meeting specified in such certificate or, if applicable, any such adjourned meeting; and

(ii) the surrender of the Voting Certificate to the Recognised Accountholder or the Securities Settlement System who issued the same; and

7.3 further state that until the release of the Notes represented thereby the bearer of such certificate is entitled to attend and vote at such meeting and any such adjourned meeting in respect of the Notes represented by such certificate.

8. A Block Voting Instruction shall:

8.1 be issued by a Recognised Accountholder or the Securities Settlement System;

8.2 certify that the Notes (not being Notes in respect of which a Voting Certificate has been issued and is outstanding in respect of the meeting specified in such Block Voting Instruction and any such adjourned meeting) of a specified principal amount outstanding were (to the satisfaction of such Recognised Accountholder or the Securities Settlement System) held to its order or under its control and blocked by it and that no such Notes will cease to be so held and blocked until the first to occur of:

(i) the conclusion of the meeting specified in such document or, if applicable, any such adjourned meeting; and

(ii) the giving of notice by the Recognised Accountholder or the Securities Settlement System to the Issuer, stating that certain of such Notes cease to be held with it or under its control and blocked and setting out the necessary amendment to the Block Voting Instruction;

8.3 certify that each holder of such Notes has instructed such Recognised Accountholder or the Securities Settlement System that the vote(s) attributable to the Note or Notes so held and blocked should be cast in a particular way in relation to the resolution or resolutions which will be put to such meeting or any such adjourned meeting and that all such instructions cannot be revoked or amended during the period commencing 48 hours prior to the time for which such meeting or any such adjourned meeting is convened and ending at the conclusion or adjournment thereof;

8.4 state the principal amount of the Notes so held and blocked, distinguishing with regard to each resolution between (i) those in respect of which instructions have been given as aforesaid that the votes attributable thereto should be cast in favour of the resolution, (ii) those in respect of which instructions have been so given that the votes attributable thereto should be cast against the resolution and (iii) those in respect of which instructions have been so given to abstain from voting; and

8.5 naming one or more persons (each hereinafter called a "**proxy**") as being authorised and instructed to cast the votes attributable to the Notes so listed in accordance with the instructions referred to in 8.4 above as set out in such document.

9. If a holder of Notes wishes the votes attributable to it to be included in a Block Voting Instruction for a meeting, he must block such Notes for that purpose at least 48 hours before the time fixed for the meeting to the order of the Agent with a bank or other depositary nominated by the Agent for the purpose. The Agent shall then issue a Block Voting Instruction in respect of the votes attributable to all Notes so blocked.

10. No votes shall be validly cast at a meeting unless in accordance with a Voting Certificate or Block Voting Instruction.

11. The proxy appointed for purposes of the Block Voting Instruction or Voting Certificate does not need to be a Noteholder.

12. Votes can only be validly cast in accordance with Voting Certificates and Block Voting Instructions in respect of Notes held to the order or under the control and blocked by a Recognised Accountholder or the Securities Settlement System and which have been deposited at the registered office at the Issuer not less than 48 hours before the time for which the meeting to which the relevant voting instructions and Block Voting Instructions relate, has been convened or called. The Voting Certificate and Block Voting Instructions shall be valid for as long as the relevant Notes continue to be so held and blocked. During the validity thereof, the holder of any such Voting Certificate or (as the case may be) the proxies named in any such Block Voting Instruction shall, for all purposes in connection with the relevant meeting, be deemed to be the holder of the Notes to which such Voting Certificate or Block Voting Instruction relates.

13. In default of a deposit, the Block Voting Instruction or the Voting Certificate shall not be treated as valid, unless the chairman of the meeting decides otherwise before the meeting or adjourned meeting proceeds to business.

Chairman

14. The chairman of a meeting shall be such person as the Issuer may nominate in writing, but if no such nomination is made or if the person nominated is not present within 15 minutes after the time fixed for the meeting the Noteholders or agents present shall choose one of their number to be chairman, failing which the Issuer may appoint a chairman. The chairman need not be a Noteholder or agent. The chairman of an adjourned meeting need not be the same person as the chairman of the original meeting.

Attendance

15. The following may attend and speak at a meeting:

    15.1 Noteholders and their agents;

    15.2 the chairman and the secretary of the meeting;

    15.3 the Issuer and the Agent (through their respective representatives) and their respective financial and legal advisers.

    No one else may attend or speak.

Quorum and Adjournment

16. No business (except choosing a chairman) shall be transacted at a meeting unless a quorum is present at the commencement of business. If a quorum is not present within 15 minutes from the time initially fixed for the meeting, it shall, if convened on the requisition of Noteholders, be dissolved. In any other case it shall be adjourned until such date, not less than 14 nor more than 42 days later, and time and place as the chairman may decide. If a quorum is not present within 15 minutes from the time fixed for a meeting so adjourned, the meeting shall be dissolved.

17. One or more Noteholders or agents present in person shall be a quorum:

    17.1 in the cases marked "**No minimum proportion**" in the table below, whatever the proportion of the Notes which they represent

17.2 in any other case, only if they represent the proportion of the Notes shown by the table below.

Purpose of meeting	**Any meeting except for a meeting previously adjourned through want of a quorum**	**Meeting previously adjourned through want of a quorum**
	Required proportion	Required proportion
To pass a special quorum resolution	75 per cent.	25 per cent.
To pass any Extraordinary Resolution	A clear majority	No minimum proportion
To pass an Ordinary Resolution	10 per cent.	No minimum proportion

18. The chairman may with the consent of (and shall if directed by) a meeting adjourn the meeting from time to time and from place to place. Only business which could have been transacted at the original meeting may be transacted at a meeting adjourned in accordance with this paragraph or paragraph 16.

19. At least ten days' notice of a meeting adjourned due to the quorum not being present shall be given in the same manner as for an original meeting and that notice shall state the quorum required at the adjourned meeting. Subject as aforesaid, it shall not be necessary to give any other notice of an adjourned general meeting.

Voting

20. Each question submitted to a meeting shall be decided by a show of hands, unless a poll is (before, or on the declaration of the result of, the show of hands) demanded by the chairman, the Issuer or one or more persons representing 2 per cent. of the Notes.

21. Unless a poll is demanded, a declaration by the chairman that a resolution has or has not been passed shall be conclusive evidence of the fact without proof of the number or proportion of the votes cast in favour of or against it.

22. If a poll is demanded, it shall be taken in such manner and (subject as provided below) either at once or after such adjournment as the chairman directs. The result of the poll shall be deemed to be the resolution of the meeting at which it was demanded as at the date it was taken. A demand for a poll shall not prevent the meeting continuing for the transaction of business other than the question on which it has been demanded.

23. A poll demanded on the election of a chairman or on a question of adjournment shall be taken at once.

24. On a show of hands or a poll every person has one vote in respect of each Note so produced or represented by the voting certificate so produced or for which he is a proxy or representative. Without prejudice to the obligations of proxies, a person entitled to more than one vote need not use them all or cast them all in the same way.

25. In case of equality of votes the chairman shall both on a show of hands and on a poll have a casting vote in addition to any other votes which he may have.

Effect and Publication of an Extraordinary Resolution

26. An Extraordinary Resolution and an Ordinary Resolution shall be binding on all the Noteholders, whether or not present at the meeting, and each of them shall be bound to give effect to it accordingly. The passing of such a resolution shall be conclusive evidence that the circumstances justify its being passed. The Issuer shall give notice of the passing of an Ordinary Resolution or an Extraordinary Resolution to Noteholders within fourteen days but failure to do so shall not invalidate the resolution.

Minutes

27. Minutes shall be made of all resolutions and proceedings at every meeting and, if purporting to be signed by the chairman of that meeting or of the next succeeding meeting, shall be conclusive evidence of the matters in them. Until the contrary is proved every meeting for which minutes have been so made and signed shall be deemed to have been duly convened and held and all resolutions passed or proceedings transacted at it to have been duly passed and transacted.

28. The minutes must be published on the website of the Issuer within fifteen (15) days after they have been passed.

Written Resolutions and Electronic Consent

29. For so long as the Notes are in dematerialised form and settled through the Securities Settlement System, then in respect of any matters proposed by the Issuer:

29.1 Where the terms of the resolution proposed by the Issuer have been notified to the Noteholders through the relevant clearing system(s) as provided in sub-paragraphs 29.1.1 and/or 29.1.2, the Issuer shall be entitled to rely upon approval of such resolution given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) to the Agent or another specified agent in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding (the "**Required Proportion**") by close of business on the Relevant Date ("**Electronic Consent**"). Any resolution passed in such manner shall be binding on all Noteholders, even if the relevant consent or instruction proves to be defective. The Issuer shall not be liable or responsible to anyone for such reliance.

29.1.1 When a proposal for a resolution to be passed as an Electronic Consent has been made, at least fifteen days' notice (exclusive of the day on which the notice is given and of the day on which affirmative consents will be counted) shall be given to the Noteholders through the relevant clearing system(s). The notice shall specify, in sufficient detail to enable Noteholders to give their consents in relation to the proposed resolution, the method by which their consents may be given (including, where applicable, blocking of their accounts in the relevant clearing system(s)) and the time and date (the "**Relevant Date**") by which they must be received in order for such consents to be validly given, in each case subject to and in accordance with the operating rules and procedures of the relevant clearing system(s).

29.1.2 If, on the Relevant Date on which the consents in respect of an Electronic Consent are first counted, such consents do not represent the Required Proportion, the resolution shall be deemed to be defeated. Such determination shall be notified in writing to the Agent. Alternatively, the Issuer may give a further notice to Noteholders that the resolution will be proposed again on such date and for such

period as determined by the Issuer. Such notice must inform Noteholders that insufficient consents were received in relation to the original resolution and the information specified in sub-paragraph 29.1.1 above. For the purpose of such further notice, references to "**Relevant Date**" shall be construed accordingly.

For the avoidance of doubt, an Electronic Consent may only be used in relation to a resolution which is not then the subject of a meeting that has been validly convened in accordance with paragraph 6 above, unless that meeting is or shall be cancelled or dissolved.

29.2 To the extent Electronic Consent is not being sought in accordance with paragraph 29.1, a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution or an Ordinary Resolution passed at a meeting of Noteholders duly convened and held, provided that the terms of the proposed resolution have been notified in advance to the Noteholders through the relevant clearing system(s). Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders. For the purpose of determining whether a resolution in writing has been validly passed, the Issuer shall be entitled to rely on consent or instructions given in writing directly to the Issuer (a) by accountholders in the clearing system(s) with entitlements to the Notes or (b) where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, the Securities Settlement System, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the "**relevant clearing system**") and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above. Any resolution passed in such manner shall be binding on all Noteholders of the relevant Series, even if the relevant consent or instruction proves to be defective. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. The Issuer shall not be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

30. A Written Resolution or Electronic Consent shall take effect as an Extraordinary Resolution or an Ordinary Resolution. A Written Resolution and/or Electronic Consent will be binding on all Noteholders whether or not they participated in such Written Resolution and/or Electronic Consent.

DESCRIPTION OF THE ISSUER

1 Issuer

General

KBC Group NV (the "**Issuer**") is incorporated as a limited liability company (*naamloze vennootschap*) under the laws of Belgium. Its registered office is at Havenlaan 2, B-1080 Brussels, Belgium and it can be contacted via its telecentre +32 (0) 16 43 29 15. The Issuer's LEI code is 213800X3Q9LSAKRUWY91.

Purpose (Article 2 of the Articles of Association)

The Issuer is a financial holding company, which has as its object the direct or indirect ownership and management of shareholdings in other companies, including but not limited to credit institutions, insurance companies and other financial institutions.

The Issuer also has the purpose to provide support services for third parties, as mandatary or otherwise, in particular for companies in which it has an interest – either directly or indirectly.

The object of the Issuer is also to acquire in the broadest sense of the word (including by means of purchase, hire and lease), to maintain and to operate resources, and to make these resources available in the broadest sense of the word (including through letting, and granting rights of use) to the beneficiaries referred to in the previous paragraph.

In addition, the Issuer may function as an intellectual property company responsible for, among other things, the development, acquisition, management, protection and maintenance of intellectual property rights, as well as for making these rights available and/or granting rights of use in respect of these rights to the beneficiaries referred to in the second paragraph above.

The Issuer may also perform all commercial, financial and industrial transactions that may be useful or expedient for achieving its purpose and that are directly or indirectly related to this purpose. The Issuer may also by means of subscription, contribution, participation or in any other form participate in all companies, businesses or institutions that have a similar, related or complementary activity.

In general, the Issuer may, both in Belgium and abroad, perform all acts which may contribute to the achievement of its purpose.

History and development

KBC Group NV was incorporated in Belgium on 9 February 1935 for an indefinite duration in the form of a public limited liability company (under number BE 0403.227.515) as Kredietbank NV. In 1998 Kredietbank merged with CERA Bank and ABB (Insurance). A short history since then is provided below:

1998:	Two Belgian banks (Kredietbank and CERA Bank) and a Belgian insurance company (ABB) merge to create the KBC Bank and Insurance Holding Company. KBC's unique bancassurance model is launched in Belgium
1999:	The group embarks upon its policy of expansion in Central and Eastern Europe with the acquisition of ČSOB (in the Czech Republic and the Slovak Republic).
2000–2005:	The group continues to expand its position in the banking and insurance markets of Central and Eastern Europe by acquiring banks and insurance companies in Poland, Hungary, the Czech Republic and the Slovak Republic. The bancassurance model is gradually introduced to the home markets in Central and Eastern Europe.
2005:	The KBC Bank and Insurance Holding Company merges with its parent company (Almanij) to

	create KBC Group NV. The benefits to the group include the addition of a network of European private banks.
2006-2008:	KBC's presence in Central and Eastern Europe is stepped up through acquisitions in Bulgaria, Romania and Serbia. KBC establishes a presence on the Russian banking market. Add-on acquisitions/greenfield operations in various countries Capital transactions (state aid) and guarantee agreements with the government (in 2008 and 2009)
2009:	Renewed strategy focuses on home markets in Belgium and five countries in Central and Eastern Europe (the Czech Republic, the Slovak Republic, Hungary, Poland and Bulgaria)
2010:	Start of divestment programme (related to the state aid)
2011–2013:	Strategic plan is amended (including planned sale of activities in Poland). Further execution of divestment programme First partial repayment of state aid (in 2012, remainder in 2013, 2014 and 2015)
2014:	Divestment programme finished Updated strategy and targets announced on an Investor Day
2015:	Repayment of all remaining outstanding state aid
2016:	Update of corporate sustainability strategy
2017:	Ireland also defined as home market Acquisition of UBB and Interlease in Bulgaria Update of KBC Group strategy, capital deployment plan and financial guidance 2020

Organisation

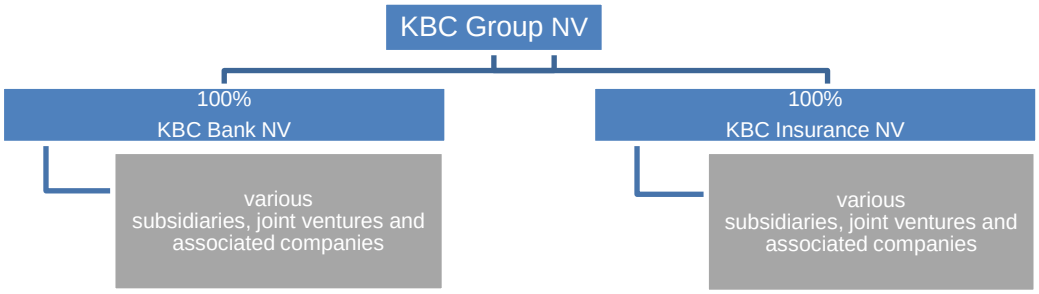
The Issuer has two main subsidiaries:

(i) KBC Bank NV ("**KBC Bank**"), incorporated as a limited liability company (*naamloze vennootschap*) under the laws of Belgium, having its registered office is at Havenlaan 2, B-1080 Brussels, Belgium and registered with the Crossroads Bank for Enterprises under number 0462.920.226 (RLP Brussels), FSMA 26 256; and

(ii) KBC Verzekeringen NV ("**KBC Insurance**"), incorporated as a limited liability company (*naamloze vennootschap*) under the laws of Belgium, having its registered office is at Professor Roger Van Overstraetenplein 2, 3000 Leuven, Belgium, registered with the Crossroads Bank for Enterprises under number 0403.552.563 (RLP Leuven) and authorised for all classes of insurance under code number 0014 (Royal Decree of 4 July 1979; Belgian Official Gazette, 14 July 1979),

as shown in the simplified schematic below.

"**KBC Group**" or the "**Group**" means KBC Group NV including all group companies that are included in the scope of consolidation.



A list containing the main group companies as at the end of 2017 is set out further below at 6 – *Main Companies belonging to the Group*.

Capital

The share capital of the Issuer consists of 418,597,567 ordinary shares with no nominal value. All ordinary shares carry voting rights and each share represents one vote. The shares are listed on Euronext Brussels.

Authorisation to increase capital: As at 31 December 2017, the authorisation to increase the capital of the Issuer amounted to EUR 694,326,862.24. Consequently, when taking into account the accounting par value of a share in the Issuer on 31 December 2017 (EUR 3.48), the Board of Directors of the Issuer is authorised to issue new shares up to a maximum of 199,519,213 shares. This authorisation may be exercised up to and including 20 May 2018.

Recent capital increase: In December 2017, the Issuer increased its capital by issuing 225,485 new shares following the capital increase reserved for staff.

Additional Tier 1 capital instrument: In March 2014, the Issuer issued a EUR 1.4 billion CRD IV compliant additional Tier-1 (AT1) instrument. The proceeds were used to strengthen the Issuer's and KBC Bank's Tier-1 capital.

Dividends: It is the Issuer's intention, subject to the approval of the General Meeting of Shareholders, to pay out at least 50% of the available consolidated profit as dividend (dividends on shares and coupon on the additional tier-1 instruments combined). Starting in 2016, the Issuer intends to continue to pay an interim dividend of EUR 1 per share annually in November as an advance on the total dividend, plus a final dividend after the Annual General Meeting of Shareholders, barring exceptional or unforeseen circumstances.

2 Short presentation of the shareholder structure of the Issuer, as at the date of this Base Prospectus

The shareholder structure shown in the table below is based on the notifications received under the transparency rules until the date of this Base Prospectus or, if they are more recent, disclosures made under the Law of 1 April 2007 on public takeover bids or other available information. The number of shares stated in the notifications and other disclosures (situation as at the date of this Base Prospectus and hence in the table below) may differ from the current number in possession, as a change in number of shares held does not always give rise to a new notification or disclosure.

Shareholder structure of KBC Group NV (based on notifications)	Number of shares at the time of disclosure	% of the current number of shares
KBC Ancora	77,516,380	18.5%
Cera	11,127,166	2.7%
MRBB	47,887,696	11.4%
Other core shareholders	31,109,379	7.4%
Subtotal for core shareholders	167,640,621	40.0%
Free float	250,956,946	60.0%
Of which:		
BlackRock Inc.	21,879,296	5.2%
Total	418,597,567	100.0%

Core shareholders: According to the notifications received under the transparency rules until the date of this Base Prospectus, the core shareholders own approximately 40% of the Issuer's shares between them. The current core shareholders of the Issuer are MRBB, Cera, KBC Ancora and certain other core shareholders. A shareholder agreement was concluded between these core shareholders in order to ensure shareholder stability and guarantee the continuity of the Group, as well as to support and co-ordinate the Group's general policy.

To this end, the core shareholders act in concert at the General Meeting of the Issuer and are represented on its Board of Directors. The current shareholder agreement entered into force on 1 December 2014, for a period of ten years.

Notifications received under the transparency rules are available on www.kbc.com.

3 The strategic plan of KBC Group

KBC Group organised an Investor Day on 17 June 2014 and on 21 June 2017, KBC Group organised an Investor Visit in Dublin. On both occasions KBC Group presented, among other things, an update of its strategy and targets. The presentations and press releases from both events are available on the website at www.kbc.com. The main messages are the following:

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

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

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

- In recent years, KBC Group has invested heavily in its various distribution channels, i.e. its bank branches and insurance agencies, client contact/service centres, websites and mobile apps. KBC Group wants to create added value for its clients by accurately meeting their needs in terms of financial products. Therefore, everything at KBC needs to be based on the client's needs and not on the banking or insurance products and services. That is why the different channels are accorded equal status at KBC and need to seamlessly complement and reinforce each other. Because KBC Group is strongly embedded in its local markets, and clients' needs are defined by their local environment, each core country will make the necessary changes and investments in its own way and at its own pace.

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

- KBC Group has no plans to expand beyond its current geographical footprint. In its core markets (Belgium, Ireland the Czech Republic, Hungary, the Slovak Republic and Bulgaria), it will strengthen its bank-insurance presence through organic growth or through acquisitions, if attractive opportunities

arise (and based on clear and strict financial criteria). As announced in February 2017, KBC Group has named Ireland as one of its core markets, alongside Belgium, Bulgaria, the Czech Republic, Hungary and the Slovak Republic. As a consequence, KBC Bank Ireland will strive to achieve at least 10% market share in the retail and micro-SME segments. Life and non-life insurance products will continue to be offered through partnerships. KBC Bank Ireland will accelerate its efforts and investments in expertise and resources to become a fully-fledged digital-first consumer-centric bank, while continuing to carefully and efficiently manage its legacy portfolio for maximum recovery.

- During the Investor Visit in Dublin on 21 June 2017, KBC Group elaborated on the updated KBC Group strategy, the updated capital deployment plan and financial guidance 2020 and KBC Bank Ireland's Digital First Customer Centric strategy. KBC Group's strategy after 2017 continues to build on the existing fundamentals (see above). KBC will focus on strengthening in a highly cost-efficient way the integrated bank-insurance business model for retail, SME, private banking and mid-cap clients in its core markets (Belgium, Czech Republic, Slovakia, Hungary, Bulgaria, Ireland), sustainable and profitable growth within the framework of solid risk, capital and liquidity management and creating superior client satisfaction via a seamless, multi-channel, client-centric distribution approach. As the Group finds itself in an ever changing environment and is faced with changing client behaviour and expectations, changing technology and digitalisation, a challenging macroeconomic environment, increasing competition, etc., the group will fundamentally change the way it implements this strategy. A diversified income basis becomes more and more important. Therefore it aims to increase income generation through fee business and insurance business (in addition to interest income). Client-centricity will be further fine-tuned into 'think client, but design for a digital world'. Clients will continue to choose the channel of their choice: physical branch or agency, smartphone, website, contact centre or apps. The human interface will still play a crucial role but will be augmented by digital capabilities. Clients will drive the pace of action and change. Technological development will be the driver and enabler. The Group intends to invest a further 1.5 billion euros group-wide in digital transformation between 2017 and year-end 2020.

- KBC has put its updated strategy into its capital deployment plan and has updated guidance on certain financial parameters and indicators (see table below, press release and presentation dated 21 June 2017 on www.kbc.com).

Financial guidance		By
CAGR total income ('16-'20) (excl. MTM valuation of ALM derivatives)	≥ 2.25%	2020
Cost/income ratio banking (excl./ incl. banking tax)	≤ 47% / ≤ 54%	2020
Combined ratio	≤ 94%	2020
Dividend payout ratio (incl. coupon paid on AT1)	≥ 50%	-

Regulatory requirements		By
Common equity tier-1 ratio (excl. / incl. P2G)*	≥ 10.6% / ≥ 11.6%	2019
MREL ratio**	≥ 26.25%	2020
NSFR	≥ 100%	-
LCR	≥ 100%	-

* Fully loaded, Danish compromise, P2G= additional pillar 2 guidance

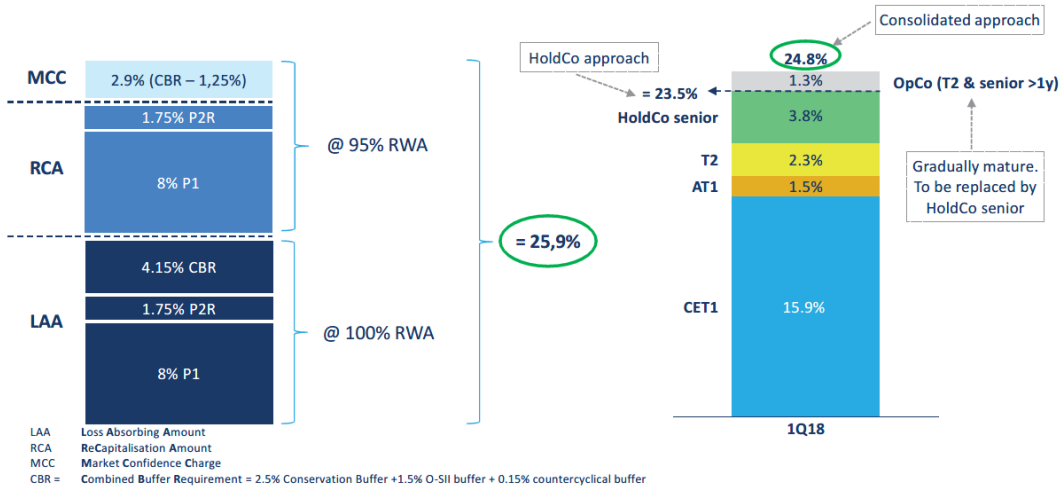
**Based on the mechanical approach as published by SRB on 20 November 2016.

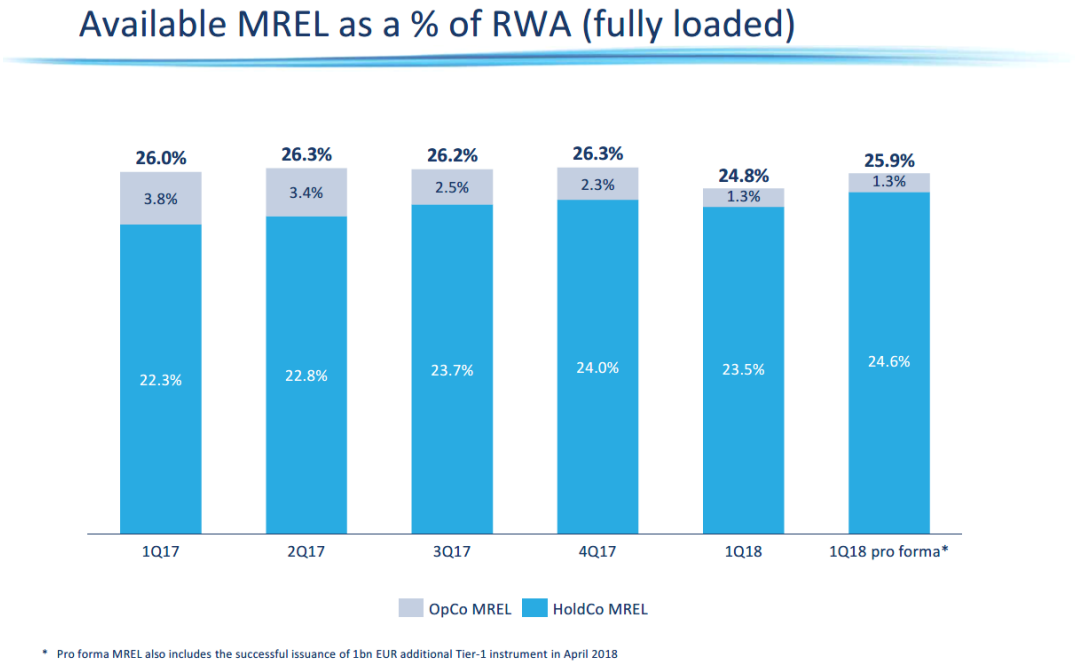
"**CAGR**" means Compound Annual Growth Rate and "**MTM**" means market-to-market, "**ALM**", "**P2G**", "**MREL**", "**NSFR**" and "**LCR**" are defined below.

- Moreover, KBC Group aims to be one of the better capitalised financial institutions in Europe. Therefore as a starting position, it assesses each year the CET1 ratios of a peer group of European banks active in the retail, SME, and corporate client segments and positions itself on the fully loaded median common equity tier-1 (CET1) ratio of the peer group. KBC summarises this capital policy in its 'Own Capital Target', which currently amounts to 14% CET1. On top of this, KBC wants to keep a flexible additional buffer of up to 2% CET1 for potential add-on mergers and acquisitions in its core markets. This buffer comes on top of the 'Own Capital Target' of KBC Group, and all together forms the Reference Capital Position, which currently amounts to 16%. The Group reconfirmed its pay-out ratio policy (i.e. dividend + coupon paid on the outstanding Additional Tier 1 instruments) of at least 50% of consolidated profit, including an annual interim dividend of 1 euro per share paid in November of each accounting year as an advance on the total dividend. On top of the pay-out ratio of 50% of consolidated profit, each year, the Board of Directors will take a decision, at its discretion, on the distribution of the capital above the Reference Capital Position'.

- KBC indicated its preference for a Single Point of Entry ("**SPE**") approach at Group level with 'bail-in' as the primary resolution tool. Bail-in implies a recapitalisation and stabilisation of the bank by writing down certain unsecured liabilities and issuing new shares to former creditors as compensation, KBC prefers an SPE approach at Group level because its business model relies heavily on integration, both commercially (e.g. banking and insurance) and organisationally (e.g. risk, finance, treasury, etc.). Debt instruments that are positioned for bail-in will be issued by the Issuer. This approach keeps the Group intact in resolution and safeguards the bank-insurance model in going concern. The SRB has informally confirmed its support for KBC's preference for a SPE approach at the level of the Group with bail-in as primary resolution tool. It is crucial that there are adequate liabilities eligible for bail-in.

This is measured by the minimum requirement for own funds and eligible liabilities ("**MREL**"). As at 31 March 2018, the MREL ratio based on instruments issued by KBC Group NV stood at 23.5% of risk weighted assets. Based on the broader SRB definition, which also includes eligible instruments of the operating company, the MREL ratio amounts to 24.8%. The SRB requires KBC to achieve a ratio of 25.9% by 1 May 2019 using eligible instruments of both KBC Group NV and the operating company.



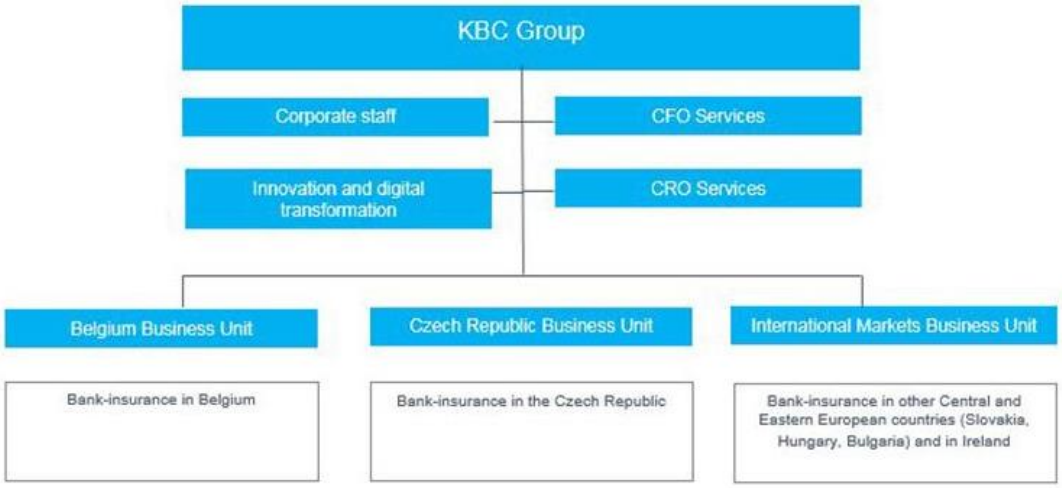


- Ireland has become one of the Group's core markets, alongside Belgium, Czech Republic, Bulgaria, the Slovak Republic and Hungary. As a consequence, KBC Bank Ireland plc will strive to achieve at least a market share of 10% in retail and micro SME segments and will plan to develop bank-insurance similar to other core markets of the Group. KBC Group will pursue a fully-fledged sustainable growth strategy based on the implementation of a 'Digital First' customer-centric strategy. KBC Bank Ireland plc will aim to accelerate its efforts and investments in expertise and resources to evolve fully into a digital-first customer-centric bank, while continuing to carefully and efficiently manage its legacy portfolio for maximum recovery. The Group will aim to facilitate 'always-on 24/7 accessibility' in

terms of distribution and service. The Group will further continue to aim to attract retail and micro SME customers. The banking product offering will include day-to-day banking services, as well as access to credit and savings and investments. Recognising ever changing consumer trends, the Group will also cater for the new emerging digital savvy consumer in the future. Insurance products (life and non-life) will continue to be offered through partnerships and collaboration. KBC Bank Ireland plc will continue to cultivate its current relationships with insurance product providers. To digitalise and innovate faster, KBC Bank Ireland plc will intensify its collaboration with other Group entities and leverage proven innovations and learnings from other core markets of the Group. KBC Bank Ireland plc also has a unique business model with its integrated distribution model (with online and mobile supported by a contact centre and physical hubs), which can be an example for other Group core countries. Through its integrated distribution business model, KBC Bank Ireland plc will be given the support to innovate. Moreover, the Group's new core banking system with an open architecture will allow KBC Bank Ireland plc to tap into opportunities offered by the fintech community and provide services from and to other market players, thus broadening the value proposition to its own customers and playing a frontrunner role for the Group.

4 Management structure

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



The management structure essentially comprises:

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

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

5 Network and ratings of KBC Group

Network (as at 31 December 2017)

Distribution network in Belgium:	659 bank branches, 404 insurance agencies, various electronic channels
Distribution network in Central and Eastern Europe (Czech Republic, Slovak Republic, Hungary and Bulgaria):	835 bank branches, insurance via various channels (agents, brokers, multi-agents, etc.), various electronic channels
Distribution network in the rest of the world:	mainly 27 bank branches of KBC Bank and KBC Bank Ireland

The Group's main credit ratings as at the date of this Base Prospectus are published in the table below:

Credit Ratings	Long term rating (+ outlook/watch)	Short term rating (+ outlook/watch)
Fitch		
KBC Bank	A (stable outlook)	F1
KBC Group NV	A (stable outlook)	F1
Moody's		
KBC Bank	A1 (stable outlook)	P-1
KBC Group NV	Baa1 (stable outlook)	P-2
S & P		
KBC Bank	A (stable outlook)	A1
KBC Insurance	A- (stable outlook)	-
KBC Group NV	BBB+ (stable outlook)	A2

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

Each of Fitch, Moody's and Standard & Poor's (S & P) is established in the European Union and is included in the updated list of credit rating agencies registered under Regulation (EC) No. 1060/2009 (as amended) of the European Parliament and of the Council of 16 September 2009 on credit rating agencies published on the

European Securities and Markets Authority's ("**ESMA**") website (http://esma.europa.eu/page/List-registered-and-certified-CRAs).

The description of the ratings can be found on the website of the relevant rating agencies. No information from any such website is deemed to be incorporated in or forms part of this Base Prospectus. The Issuer does not take any responsibility for the information contained in any such website.

6 Main companies belonging to the Group (as of 31 December 2017)

The Group's legal structure comprises KBC Group NV which controls two large companies, being KBC Bank NV and KBC Insurance NV. Each of these companies has several subsidiaries and sub-subsidiaries, the most important of which are listed in the table.

A full list of all companies belonging to the Group is available on www.kbc.com.

KBC Group: main companies included in the scope of consolidation at year-end 2017

Company	Registered office	Share of capital held at group level (in %)	Business unit*	Activity
KBC Bank (group)				
KBC Bank NV	Brussels – BE	100.00	BEL/GRP	credit institution
CBC BANQUE SA	Brussels – BE	100.00	BEL	credit institution
Československá Obchodná Banka a.s.	Bratislava – SK	100.00	IMA	credit institution
Československá Obchodní Banka a.s.	Prague – CZ	100.00	CZR	credit institution
CIBANK EAD	Sofia – BG	100.00	IMA	credit institution
KBC Asset Management NV	Brussels – BE	100.00	BEL	asset management
KBC Autolease NV	Leuven – BE	100.00	BEL	leasing
KBC Bank Ireland Plc.	Dublin – IE	100.00	IMA	credit institution
KBC Commercial Finance NV	Brussels – BE	100.00	BEL	factoring
KBC Credit Investments NV	Brussels – BE	100.00	BEL/GRP	investment firm
KBC IFIMA SA	Luxembourg – LU	100.00	GRP	financing
KBC Securities NV	Brussels – BE	100.00	BEL	stockbroker
K&H Bank Zrt.	Budapest – HU	100.00	IMA	credit institution
Loan Invest NV	Brussels – BE	100.00	IMA	securitisation
United Bulgarian Bank AD	Sofia – BG	99.91	IMA	credit institution
KBC Insurance (group)				
KBC Insurance NV	Leuven – BE	100.00	BEL/GRP	insurance company
ADD NV	Heverlee – BE	100.00	BEL	insurance broker
KBC Group Re SA	Luxembourg – LU	100.00	GRP	reinsurance company
ČSOB Pojišťovna a.s.	Pardubice – CZ	100.00	CZR	insurance company
ČSOB Poist'ovňa a.s.	Bratislava – SK	100.00	IMA	insurance company
DZI (group)	Sofia – BG	100.00	IMA	insurance company
Groep VAB NV	Zwijndrecht – BE	95.00	BEL	driving school/roadside assistance
K&H Biztosító Zrt.	Budapest – HU	100.00	IMA	insurance company
NLB Vita d.d. (equity method)	Ljubljana – SI	50.00	GRP	life insurance
KBC Group				
KBC Group NV	Brussels – BE	100.00	GRP	bank-insurance holding company
KBC Bank (group)	various locations	100.00	various	credit institution
KBC Insurance (group)	various locations	100.00	various	insurance company

* BEL = Belgium Business Unit, CZR = Czech Republic Business Unit, IMA = International Markets Business Unit, GRP = Group Centre.

7 General description of activities of the Group

The Group is an integrated bank insurance group, catering mainly for retail, private banking, SME and mid-cap clients. Geographically, the Group focusses on its core markets of Belgium, the Czech Republic, the Slovak Republic, Hungary, Bulgaria and Ireland. Elsewhere in the world, the Group is present to a limited extent in several other countries to support corporate clients from the Group's core markets.

The 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, the Group is active in a large number of products and activities, ranging from the plain vanilla deposit, credit, asset management and life and non-life insurance businesses 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.

The 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 the Czech Republic, the Slovak Republic, Hungary and Bulgaria) and Ireland. Therefore, a number of subsidiaries and activities, many of which related to investment banking activities, have been downscaled or sold. International corporate lending outside the home markets has also been downscaled.

8 Principal markets and activities, per geography

Activities in Belgium

Position in the Belgian market as at 31 December 2017*
659 bank branches
404 insurance agencies
Estimated market share of 20% for traditional bank products, 33% for investment funds, 13% for life insurance and 9% for non-life insurance
Approx. 3.5 million customers

** Market shares and customer numbers: based on own estimates. Share for traditional bank products: average estimated market share for loans and deposits. Market share for life insurance: based on reserves.*

The Group has an extensive network of bank branches and insurance agencies in Belgium (of KBC Bank and KBC Insurance NV in the Dutch-speaking part of Belgium, of CBC Banque SA and CBC Assurances SA in the French-speaking part of Belgium and of the Brussels division of KBC Bank NV in the Brussels area). Via this network (and a number of subsidiaries), the Group focusses on providing clients in Belgium with a broad area of credit (including mortgage loans), deposit, investment fund and other asset management products, life and non-life insurance products and other specialised financial banking products and services. KBC Bank's bricks-and-mortar networks in Belgium are supplemented by electronic channels, such as ATMs, telephones and the Internet (including a mobile banking app). The Group serves, based on its own estimates, approximately 3.5 million clients in Belgium.

The 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 the Group's aim to continue to actively encourage the cross-selling of bank and insurance products. The success of the Group's integrated bank-insurance model is in part due to the cooperation that exists between the bank branches and the insurance agents, 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.

At the end of 2017, the Group had (see table above), based on its own estimates, a 20% share of traditional banking activities in Belgium (the average of the share of the lending market and the deposit market). Over the past few years, KBC Bank has built up a strong position in investment funds too, with an estimated market share of approximately 33%.

The Group's share of the insurance market came to an estimated 14% for life insurance and 9% for non-life insurance.

The Group believes in the power of a physical presence through a branch and agency network that is close to its clients. At the same time, however, it expects the importance of online and mobile bank-insurance to grow further and it is constantly developing new applications in these areas. That includes the various mobile banking apps for smartphones and tablets, which are being continuously improved and expanded. KBC's online applications are providing clients with ever more information and facilities to perform their own banking and/or insurance transactions.

In the Group's financial reporting, the Belgian activities are combined into a single Belgium Business Unit. The results of the Belgium Business Unit comprise the activities of KBC Bank NV and KBC Insurance NV, and their Belgian subsidiaries, the most important of which are CBC Banque, KBC Asset Management, KBC Lease Group and KBC Securities.

The Group's aim in Belgium is:

- to focus on an omnichannel approach and invest in the seamless integration of the different distribution channels (bank branches, insurance agencies, regional advisory centres, websites and mobile apps). KBC is also investing specifically in the further digital development of its banking and insurance services. Where necessary, KBC will collaborate with partners through 'eco-systems' which enable it to offer its clients comprehensive solutions;
- to exploit the potential in Brussels more efficiently via the separate new brand, KBC Brussels, which reflects the capital's specific cosmopolitan character and is designed to better meet the needs of the people living there;
- to expand bank-insurance services at CBC Banque in specific market segments and to expand its presence and accessibility in Wallonia;
- to work on the ongoing optimisation of the bank-insurance model in Belgium;
- to continue the pursuit of becoming the reference bank for SMEs and mid-cap enterprises based on thorough knowledge of the client and a personal approach; and
- that its commitment to Belgian society is reflected in initiatives in areas including environmental protection, financial literacy, entrepreneurship and demographic ageing, as well as in the Group's active participation in the mobility debate.

Activities in Central and Eastern Europe

Market position in 2017*	**Czech Republic**	**Hungary**	**Slovak Republic**	**Bulgaria*****
Bank branches	270**	207	122	236
Insurance agencies	Various distribution channels	Various distribution channels	Various distribution channels	Various distribution channels
Customers (millions)	3.7	1.8	0.6	1.4
Market shares				
– Bank products	20%	11%	11%	10%
– Investment funds	22%	13%	7%	-
– Life insurance	8%	3%	4%	13%
– Non-life insurance	7%	7%	3%	21%***
				11%

**Market shares and customer numbers: based on own estimates. For bank products: average estimated market share for loans and deposits. For life insurance: based on premiums.*
*** ČSOB Bank + Era (which is one of the brands of the ČSOB-group under which certain financial products and services are offered).*
**** Including UBB-Metlife Insurance Company.*

In the Central and Eastern European region, the Group focuses on four home countries, being the Czech Republic, Hungary, the Slovak Republic and Bulgaria. The main Central and Eastern European entities in those home markets are United Bulgarian Bank (UBB, which has merged with CIBANK) and DZI Insurance (in Bulgaria), ČSOB and ČSOB Poist'ovna (in the Slovak Republic), ČSOB and ČSOB Pojist'ovna (in the Czech Republic), and K&H Bank and K&H Insurance (in Hungary), and their respective subsidiaries.

In its four home countries, the Group caters to between 7 and 8 million customers. This customer base makes KBC Group one of the larger financial groups in the Central and Eastern European region. The Group companies focus on providing clients with a broad area of credit (including mortgage loans), deposit, investment fund and other asset management products, life and non-life insurance products and other specialised financial products and services. In most countries, KBC offers a broad product offer, though in certain markets the focus lies on sub-markets or products segments. 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.

The Group's bank-insurance concept has over the past few years been exported to its Central and Eastern European entities. Contrary to the situation of KBC Bank in Belgium, the 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 Group's estimated market share as at 31 December 2017 (the average of the share of the lending market and the deposit market, see table) amounted to 20% in the Czech Republic, 11% in the Slovak Republic, 11% in Hungary, and 10% in Bulgaria (rounded figures). The Group also has a strong position in the investment fund market in Central and Eastern Europe (estimated at 22% in the Czech Republic, 7% in the Slovak Republic, and 13% in Hungary and 13% in Bulgaria) as at 31 December 2017. The estimated market shares in insurance are (figures for life and non-life insurance, respectively): Czech Republic: 7% and 7%; Slovak Republic: 4% and 3%; Hungary: 4% and 6%; and Bulgaria: 21% and 11% as at 31 December 2017.

In the 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's activities in the Czech Republic, consisting primarily of the activities of the ČSOB group (under the ČSOB, Era, Postal Savings Bank, Hypotečni banka, ČMSS and Patria brands), the insurer ČSOB Pojišt'ovna 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 and ČSOB Poist'ovňa in the Slovak Republic, K&H Bank and K&H Insurance in Hungary and UBB (which has merged with CIBank) and DZI Insurance in Bulgaria, plus KBC Bank Ireland's Irish operations.

The Group's focus in Central and Eastern Europe going forward will be:

- in relation to the Czech Republic Business Unit:
    - to move from largely channel-centric solutions to solutions that are client-centric and are based on an integrated model that brings together clients, third parties and the Group's bank-insurer;
    - to offer new non-financial products and services to add value for clients and to further enhance client satisfaction, taking use of digital opportunities;
    - to continue to concentrate on simplifying products, IT capabilities, organisation, the bank distribution network, the head office and branding in order to achieve even greater cost efficiency;
    - to expand the bank-insurance activities through steps like introducing a progressive and flexible pricing model, developing combined banking and insurance products, and strengthening the insurance sales teams;
    - to keep expanding in traditionally strong fields, such as lending to businesses and providing home loans. The Group also wants to advance in areas – for example in relation to SME and consumer loans – where it has yet to tap its full potential; and
    - its social commitment is expressed in the focus on environmental awareness, financial literacy, entrepreneurship and demographic ageing;
- in relation to the International Markets Business Unit (excluding Ireland):
    - to move from a branch-oriented distribution model to an omnichannel model;
    - to target income growth in Hungary through vigorous client acquisition in all banking segments and through more intensive cross-selling, in order to raise market share and profitability and to expand its insurance activities substantially, primarily through sales at bank branches and, for non-life insurance, via both online and traditional brokers;
    - to maintain robust growth in strategic products in the Slovak Republic (e.g., home loans, consumer finance, SME funding, leasing and insurance), partly through cross-selling to ČSOB group clients. Simplifying products and processes is another key focus;
    - to focus in Bulgaria, with respect to the banking business, on substantially increasing the share of the lending market in all segments, while applying a strict risk framework. The acquisition of United Bulgarian Bank (see further), which was completed in June 2017, fits this strategy. The Group's insurer in Bulgaria, DZI, already commands a significant share of the market and the aim remains to grow faster than the market in both life and non-life insurance); and
    - to implement a socially responsible approach in all relevant countries, with a particular focus on environmental awareness, financial literacy, entrepreneurship and health.

On 30 December 2016, the Issuer announced that it and the National Bank of Greece S.A. ("**NBG**"), the Greek parent company of United Bulgarian Bank ("**UBB**"), reached an agreement for the Issuer to acquire ownership of 99.9% of the shares in the share capital of UBB, the fourth largest bank in Bulgaria in terms of assets, with a market share as at the end of September 2016 of 8% (a market share of 11% in retail and of 8% in corporate segment) (source: internal data). The Issuer also acquired all shares in Interlease, the third largest provider of leasing services in Bulgaria, with a market share of 13%, for a total consideration of EUR 0.6 billion. This acquisition was completed mid-June 2017.

The Issuer has also had a presence in the Bulgarian insurance sector through its subsidiary DZI Insurance, which is active in both life and non-life insurance services. Together, UBB, CIBANK and DZI Insurance will become the largest bank-insurance group in Bulgaria, one of the Issuer's core markets. At the end of 2017, an agreement was also reached which will allow to increase the share in UBB-Metlife Insurance Company from 60% to 100%, which as consequence more or less doubles the Group's market share in life insurance in Bulgaria to around 20% based on Group estimates.

Activities in the rest of the world

A number of companies belonging to the 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 plc. See also the list of main companies under Section 6 above (*Main companies belonging to the Group (as of 31 December 2017)*) or full list on www.kbc.com.

The loan portfolio of KBC Bank Ireland plc stood at approximately EUR 12 billion as at the end of December 2017, approximately 90% of which relates to mortgage loans. At the end of December 2017, approximately 35% (EUR 4.2 billion) of the total Irish loan portfolio was impaired (of which EUR 2.1 billion more than 90 days past due). For the impaired loans, some EUR 1.6 billion (specific and portfolio-based) impairments have been booked. The Group estimates its share of the Irish retail market in 2017 at 8%. It caters for around 0.3 million clients there. KBC Bank Ireland has fifteen branches (hubs) in Ireland, next to its digital channels. A full profit and loss scheme for Ireland is available in KBC Bank's segment reporting.

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 the 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**"). 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.

9 Competition

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

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

In both Belgium and Central and Eastern Europe, the Group has an extensive bank-insurance network of branches, insurance agencies and other distribution channels. The Group believes most of its main companies have strong name brand recognition in their respective markets.

In Belgium, the Group is perceived as one of the top three financial institutions (see '*Principal markets and activities, per geography*' above). For certain products or activities, the Group estimates it has a leading position (e.g. in the area of investment funds). The Group's main competitors in Belgium are BNP Paribas Fortis, Belfius, ING, Ageas, Ethias and AXA, although for certain products, services or markets, other financial institutions may also be important competitors.

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

KBC Bank Ireland plc is a challenger bank. Given that it has only launched its retail strategy in 2014 it has a small single digit market share of the outstanding stock in all products except mortgage loans in which has a market share of approximately 10% (KBC estimate). Its main competitors are the large domestic banks (such as Allied Irish Banks plc and Bank of Ireland plc).

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

10 Staff

As at the end of 2017, the Group had, on a consolidated basis, about 42,000 employees (in full-time equivalent-numbers), the majority of whom were located in Belgium (largely in KBC Bank) and Central and Eastern Europe. In addition to talks at works council meetings and at meetings with union representatives and with other consultative bodies, the Group also works closely in other areas with employee associations. There are various collective labour agreements in force.

11 Risk management

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

Risk management in KBC Group is effected group-wide. As a consequence, the risk management for KBC Bank is embedded in KBC Group risk management and cannot be seen separately from it. A description of the risk management is available in the 2017 Risk Report of the Issuer, which is available on the website at www.kbc.com[2]. See also the description in Part II (*Risk Factors – The 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*) on pages 19 and 20 of this Base Prospectus.

Risk Governance

Below follows a description of credit risk, market risk (relating to trading and non-trading activities), liquidity risk and operation risk. A selection of figures on credit risk, asset and liability management ("**ALM**") and

[2] https://www.kbc.com/en/risk-reports.

market risk in trading activities are provided below under "*Credit Risk*" and "*Asset and Liability Management (market risks in non-trading activities)*".

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

- Market risk in trading activities is defined as the potential negative deviation from the expected value of a financial instrument (or portfolio of such instruments) due to changes in the level or in the volatility of market prices, e.g. interest rates, exchange rates, equity or commodity prices. The interest rate, foreign exchange and equity risks of the non-trading positions in the banking book are all included in ALM exposure.

- Market risk in non-trading activities (also known as Asset and Liability Management)) is the process of managing the 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 the Group's liquidity management is to be able to fund such needs and to enable the core business activities of the Group to continue to generate revenue, even under adverse circumstances.

- Technical insurance risks stem from uncertainty regarding how often insured losses will occur and how extensive they will be. All these risks are kept under control through appropriate underwriting, pricing, claims reserving, reinsurance and claims handling policies of line management and through independent insurance risk management.

- Operational risk is the risk of loss resulting from inadequate or failed internal processes 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

Credit risk is managed at both transactional and portfolio level. Managing credit risk at the transactional level means that sound practices, processes and tools are in place to identify and measure the risks before and after accepting individual credit exposures. Limits and delegations are set to determine the maximum credit exposure allowed and the level at which acceptance decisions are taken. Managing the risk at portfolio level encompasses *inter alia* periodic measuring and analysing of risk embedded in the consolidated loan and investment portfolios and reporting on it, monitoring limit discipline, conducting stress tests under different scenarios and taking risk mitigating measures.

Credit risk arises in both the banking and insurance activities of the Group. Further detail is given below in relation to credit risk related to the insurance activities, the Group's investments in structured credit products, government bonds, and the Group's Irish portfolio.

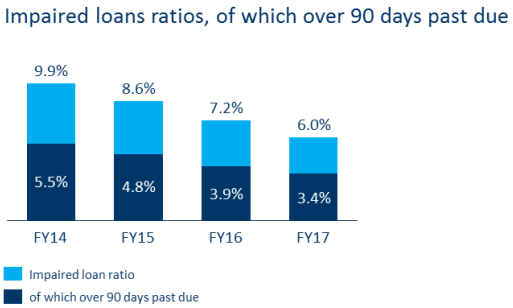
As far as the Group's banking activities are concerned, the main source of credit risk is the loan and investment portfolio. The loan & investment portfolio has been built up mainly through what can be considered as pure, traditional lending activities. It includes all retail lending such as mortgage 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 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. These items are described separately below.

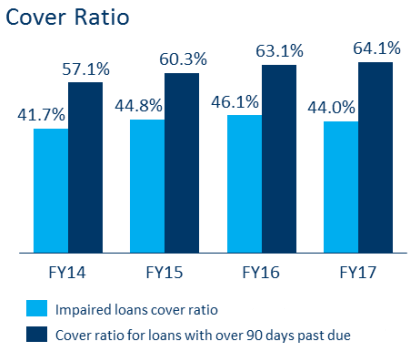
Loan and investment portfolio, banking	31 December 2016	31 December 2017
Total loan portfolio (in billions of EUR)		
Amount granted	181	191
Amount outstanding	148	154
Loan portfolio breakdown by business unit (as a % of the portfolio of credit outstanding)[1]		
Belgium	65%	63%
Czech Republic	15%	16%
International Markets	17%	18%
Group Centre	3%	3%
Total	100%	100%
Loan portfolio breakdown by counterparty sector (as a % of the portfolio of credit outstanding)[1]		
Private individuals	42%	42%
Finance and insurance	6%	5%
Governments	3%	3%
Corporates	49%	50%
Services	12%	12%
Distribution	8%	8%
Real estate	7%	7%
Building and construction	4%	4%
Agriculture, farming, fishing	3%	3%
Automotive	2%	2%
Other[2]	14%	14%
Total	100%	100%
Loan portfolio breakdown by region (as a % of the portfolio of credit outstanding)[1]		
Western Europe	73%	71%
Central and Eastern Europe	23%	26%
North America	2%	1%
Other	2%	2%
Total	100%	100%
Loan portfolio breakdown by risk class (part of the portfolio, as a % of the portfolio of credit outstanding)[1, 3]		
PD 1 (lowest risk, default probability ranging from 0.00% up to, but not including, 0.10%)	30%	29%
PD 2 (0.10% – 0.20%)	9%	9%
PD 3 (0.20% – 0.40%)	17%	18%
PD 4 (0.40% – 0.80%)	14%	15%
PD 5 (0.80% – 1.60%)	12%	12%
PD 6 (1.60% – 3.20%)	9%	8%
PD 7 (3.20% – 6.40%)	5%	4%
PD 8 (6.40% – 12.80%)	2%	2%
PD 9 (highest risk, ≥ 12.80%)	2%	2%
Total	100%	100%
Impaired loans[4] (PD 10 + 11 + 12; in millions of EUR or %)[4]		
Impaired loans[5]	10 583	9 186
Specific impairment	4 874	4 039
Portfolio-based impairment (i.e. based on PD 1 to 9)	288	237
Credit cost ratio [net changes in individual and portfolio-based impairment for credit risks]/[average		

outstanding loan portfolio][1]		
Belgium Business Unit	0.12%	0.09%
Czech Republic Business Unit	0.11%	0.02%
International Markets Business Unit	-0.16%	-0.74%
Ireland	-0.33%	-1.70%
Slovakia	0.24%	0.16%
Hungary	-0.33%	-0.22%
Bulgaria	0.32%	0.83%
Group Centre	0.67%	0.40%
Total	0.09%	-0.06%
Impaired loans ratio [total outstanding impaired loans (PD 10-11-12)]/[total outstanding loans][1]		
Belgium Business Unit	3.3%	2.8%
Czech Republic Business Unit	2.8%	2.4%
International Markets Business Unit	25.4%	19.7%
Group Centre	8.8%	9.8%
Total	7.2%	6.0%
Impaired loans that are more than 90 days past due (PD 11 + 12; in millions of EUR or %)		
Impaired loans that are more than 90 days past due	5 711	5 242
Specific impairment for impaired loans that are more than 90 days past due	3 603	3 361
Ratio of impaired loans that are more than 90 days past due[1]		
Belgium Business Unit	1.7%	1.4%
Czech Republic Business Unit	1.9%	1.6%
International Markets Business Unit	13.4%	11.3%
Group Centre	5.8%	7.3%
Total	3.9%	3.4%
Cover ratio [Specific loan loss impairment]/[impaired loans]		
Total	46%	44%
Total (excluding mortgage loans)	54%	54%

The Belgium Business Unit also includes the small network of 11 KBC Bank branches established in the rest of Europe, the US and Southeast Asia. These branches, which focus on activities and clients with links to KBC's core markets, have a total loan portfolio of approximately EUR 6 billion.
1 Unaudited figures.
2 Individual sector shares not exceeding 3%.
3 Internal rating scale.
4 Figures differ from those appearing in Note 4.2 of the 'Consolidated financial statements' section, due to differences in scope.
5 Breakdown of year-end figures: the difference of EUR 1,397 million between the figures for 2017 and 2016 was due to this category of loan decreasing by EUR 393 million at the Belgium Business Unit, decreasing by EUR 41 million at the Czech Republic Business Unit, increasing by EUR 19 million at the Group Centre, and decreasing by EUR 982 million at the International Markets Business Unit (EUR 1,433 million of which in Ireland).
6 A more detailed breakdown by country is available in KBC's Quarterly Report – 4Q 2017 at www.kbc.com.

Further details of the Issuer's impaired loans ratio and cover ratios over the two last years are set out below:





In addition, details of the Issuer's credit cost ratio, and that of certain markets, is set out below:

CREDIT COST RATIO	FY17	FY16	FY15	FY14	AVERAGE '99 –'17
Belgium	0.09%	0.12%	0.19%	0.23%	n/a
Czech Republic	0.02%	0.11%	0.18%	0.18%	n/a
International Markets	-0.74%	-0.16%	0.32%	1.06%	n/a
Group Centre	0.40%	0.67%	0.54%	1.17%	n/a
Total	-0.06%	0.09%	0.23%	0.42%	0.47%

The normal loan portfolio is split into internal rating classes ranging from 1 (lowest risk) to 9 (highest risk) reflecting the probability of default ("**PD**"). An internal rating ranging from PD 10 to PD 12 to a defaulted obligor. PD class 12 is assigned when either one of the obligor's credit facilities is terminated by the bank, or when a court order is passed instructing repossession of the collateral. PD class 11 is assigned to obligors that are more than 90 days past due (in arrears or overdrawn), but that do not meet PD 12 criteria. PD class 10 is assigned to obligors for which there is reason to believe that they are unlikely to pay (on time), but that do not meet the criteria for classification as PD class 11 or PD class 12. 'Defaulted' status is fully aligned with the 'non-performing' and 'impaired' status. Obligors in PD classes 10, 11 and 12 are therefore referred to as 'defaulted' and 'impaired'. Likewise, 'performing' status is fully aligned with the 'non-defaulted' and 'non-impaired' status.

Loans to large corporations are reviewed at least once a year, with the internal rating being updated as a minimum. If the ratings are not updated in time, a capital add-on is imposed. Loans to SME's and to private individuals are reviewed periodically. During this review, any new information that is available (such as arrears, financial data or a significant change in the risk class) will be taken into account. This monthly exercise can trigger a more in-depth review or may result in action being taken towards the client.

For credit linked to defaulted borrowers in PD class 10 to 12, the impairment losses are recorded based on an estimate of the net present value of the recoverable amount. This is done on a case-by-case basis and on a statistical basis for smaller credit facilities. In addition, for non-defaulted credit in PD class 1 to 9 impairment losses are recorded on a portfolio basis, using a formula based on the IRB advanced models used internally, or an alternative method if a suitable IRB advanced model is not yet available. The "**credit cost ratio**" is defined as net changes in specific and portfolio-based impairment for credit risks divided by the average outstanding loan portfolio.

As of 2018, impairment losses will be recorded according to the IFRS9 requirements (calculated on a lifetime expected credit loss ("**ECL**") basis for defaulted borrowers and on a twelve-month or lifetime ECL basis for non-defaulted borrowers depending on whether there has been a credit risk deterioration and a corresponding shift from 'stage 1' to 'stage 2'.

The following additional information for the loan and investment portfolio in Ireland is provided due to the specific situation in this market.

Details for the loan and investment portfolio of KBC Bank Ireland[1]	31-12-2016	31-12-2017
Total portfolio (outstanding, in billions of EUR)	13	12
Breakdown by loan type		
Home loans	86%	90%
SME & corporate loans	7%	5%
Real estate investment and real estate development	7%	5%
Breakdown by risk class		
Normal (PD 1-9)	57%	65%
Impaired (PD 10)	22%	18%
Impaired (PD 11+12)	22%	17%
Credit cost ratio[2]	-0.33%	-1.70%
Cover ratio	43%	36%

1 For a definition, see 'Overview of credit risk exposure in the banking activities' (i.e. excluding *inter alia* government bonds).
2 Unaudited.

Besides the credit risks in the loan and investment portfolio, credit risks also arise in other banking activities. The main sources of other credit risk are:

Short-term commercial transactions. This activity involves export or import finance (documentary credit, pre-export and post-import finance, etc.) and mainly entails exposure to financial institutions. The Group manages risks associated with this activity by setting limits per financial institution and per country or group of countries.

Trading book securities. These securities carry an issuer risk (potential loss on default by the issuer). The Group measures exposure to this type of risk on the basis of the market value of the securities. Issuer risk is curtailed through the use of limits both per issuer and per rating category.

Interprofessional transactions (deposits with professional counterparties and derivatives trading). These transactions result in counterparty risk. The amounts shown in the table are the Group's pre-settlement risks, measured as the sum of the (positive) current replacement value ('mark-to-market' value) of a transaction and the applicable add-on. Risks are curtailed by setting limits per counterparty. The Group also uses close-out netting and collateral techniques. Financial collateral is only taken into account if the assets concerned are considered eligible risk-mitigants for regulatory capital calculations.

Government securities in the investment portfolio of banking entities. Exposure to governments is measured in terms of nominal value and book value. Such exposure relates mainly to EU states (particularly Belgium). The Group has put in place limiting caps for both non-core and core country sovereign bond exposure. Details on the exposure of the combined banking and insurance activities to government bonds are provided at "*Sovereign debt exposure*" below.

Other credit exposure, banking (in billions of EUR)	31-12-2016	31-12-2017
Short-term commercial transactions	3.3	3.3
Issuer risk[1]	0.1	0.1
Counterparty risk in interprofessional transactions[2]	9.6	9.6

1 Excluding a nominative list of central governments, and all exposure to EU institutions and multilateral development banks.
2 After deduction of collateral received and netting benefits.

Sovereign debt exposure

KBC Group holds a significant portfolio of government bonds, primarily as a result of its considerable excess liquidity position and for the reinvestment of insurance reserves into fixed instruments. A breakdown per country is provided in the table below.

Overview of exposure to sovereign bonds at year-end 2017, carrying value[1] (in millions of EUR)

Total (by portfolio)								Economic impact of +100 basis points[3]
	Available for sale	Held to maturity	Designated at fair value through profit or loss	Loans and receivables	Held for trading	Total	*For comparison purposes: total at year-end 2016*	
Southern Europe and Ireland								
Greece	0	0	0	0	0	0	0	0
Portugal	360	36	0	0	0	396	359	-22
Spain	2 708	249	0	0	0	2 957	3 017	-157
Italy	2 066	111	0	0	1	2 178	2 250	-116
KBC core countries								
Belgium	5 227	11 889	0	0	357	17 474	20 886	-935
Czech Republic	1 992	4 697	0	6	42	6 737	7 543	-354
Hungary	752	1 415	0	46	193	2 406	2 358	-97
Slovak Republic	1 239	1 643	0	0	0	2 881	2 953	-178
Bulgaria	782	117	0	0	260	1 159	487	-72
Ireland	448	838	0	0	0	1 286	1 207	-62
Other countries								
France	2 500	3 779	0	0	0	6 280	6 924	-471
Poland	1 290	407	0	0	10	1 707	1 515	-82
Germany	352	584	0	0	1	936	850	-47
Austria	342	460	0	0	0	803	796	-51
Netherlands	116	371	0	0	1	488	502	-27
U.S.	0	976	0	0	0	976	772	-40
Rest[2]	2 133	1 523	0	0	90	3 746	3 470	-116
Total carrying value	22 307	29 096	0	52	955	52 410	55 889	–
Total nominal value	19 633	27 625	0	52	913	48 223	51 048	–

1 The carrying amount refers to the amount at which an asset or a liability is recognized in the company's books, i.e. the fair value amount for instruments categorized as available for sale, designated at fair value through profit or loss and held for trading and the amortized cost amount for instruments categorized as held to maturity. The table excludes exposure to supranational entities of selected countries. No material impairment on the government bonds in portfolio.
2 Sum of countries whose individual exposure is less than EUR 0.5 billion at year-end 2017.
3 Theoretical economic impact in fair value terms of a parallel 100-basis-point upward shift in the spread over the entire maturity structure (in millions of euros). Only a portion of this impact is reflected in profit or loss and/or equity. Figures relate to banking book exposure only (impact on trading book exposure was very limited and amounted to EUR -10 million at year-end 2017).

Main changes in 2017:

- The carrying value of the total sovereign bond exposure decreased by EUR 3.5 billion. There was a significant increase in exposure to bonds issued by Bulgaria (EUR +0.7 billion, cf. acquisition of UBB), but a decrease in exposure to Belgium (EUR -3.4 billion), the Czech Republic (EUR -0.8 billion), and France (EUR -0.6 billion).

Revaluation reserve for available-for-sale assets at year-end 2017:

- At 31 December 2017, the carrying value of the total available-for-sale government bond portfolio incorporated a revaluation reserve of EUR 1.5 billion, before tax.
- This included EUR 424 million for Belgium, EUR 180 million for Italy, EUR 163 million for France, EUR 167 million for Spain and EUR 582 million for the other countries combined.

Portfolio of Belgian government bonds:

- Belgian sovereign bonds accounted for 37% of the total government bond portfolio at the end of 2017, reflecting the importance to KBC of Belgium, the Group's primary core market. The importance of Belgium, in general, is also reflected in the 'Loan and investment portfolio' banking' table above towards the start of this section, in the contribution that Belgium makes to group profit (see 'Belgium') and in the various components of the result.
- At year-end 2017, the credit ratings assigned to Belgium by the three main international agencies were Aa3 from Moody's, AA from S & P and AA- from Fitch.
- Apart from interest rate risk, the main risk to KBC's holdings of Belgian sovereign bonds is a widening of the credit spread. The potential impact of a 100-basis-point upward shift in the spread (by year-end 2017) can be broken down as follows:
    - Theoretical full economic impact (see previous table 'Overview of exposure to sovereign bonds at year-end 2017, carrying value'):
        - the impact of which on IFRS profit or loss: very limited since the lion's share of the portfolio of Belgian sovereign bonds was classified as 'Available For Sale' (30%, impact only upon realisation or in exceptional cases on impairment) and 'Held To Maturity' (68%, no impact on profit or loss); and
        - the impact of which on IFRS unrealised gains on available-for-sale assets: EUR -207 million (after tax).
    - Impact on liquidity: a widening credit spread affects the liquidity coverage ratio ("**LCR**"), but the Group has a sufficiently large liquidity buffer.

For the insurance activities, credit exposure exists primarily in the investment portfolio (towards issuers of debt instruments) and towards reinsurance companies. The Group has guidelines in place for the purpose of controlling credit risk within the investment portfolio with regard to, for instance, portfolio composition and ratings.

Investment portfolio of KBC Group insurance entities (in millions of EUR, market value)[1]	31 December 2016	31 December 2017
Per balance sheet item		
Securities	22 211	20 697
Bonds and other fixed-income securities	20 890	19 259
Held to maturity	6 550	6 140
Available for sale	14 286	13 064
At fair value through profit or loss and held for trading	5	2
As loans and receivables	48	53
Shares and other variable-yield securities	1 321	1 437
Available for sale	1 317	1 434
At fair value through profit or loss and held for trading	3	4
Other	0	0
Property and equipment and investment property	332	352
Investment contracts, unit-linked[2]	13 693	14 421
Other	1 831	2 246
Total	38 066	37 715
Details for bonds and other fixed-income securities		
By external rating[3]		
Investment grade	96%	98%
Non-investment grade	4%	2%
Unrated	0%	0%
By sector[3]		
Governments	61%	63%
Financial[4]	25%	23%
Other	14%	14%
By remaining term to maturity[3]		
Not more than 1 year	12%	11%
Between 1 and 3 years	19%	19%
Between 3 and 5 years	15%	14%
Between 5 and 10 years	31%	31%
More than 10 years	23%	25%

1 The total carrying value amounted to EUR 36 540 million at year-end 2017 and to EUR 36 619 million at year-end 2016.
2 Representing the assets side of unit-linked (class 23) products and completely balanced on the liabilities side. No credit risk involved for KBC Insurance.
3 Excluding investments for unit-linked life insurance. In certain cases, based on extrapolations and estimates.
4 Including covered bonds and non-bank financial companies.

Structured credit exposure (banking and insurance portfolio)

At EUR 1.0 billion, the total net portfolio (i.e. excluding de-risked positions) of structured credit products (consisting primarily of European residential mortgage-backed securities ("**RMBS**")) was down EUR 0.4 billion on its level at year-end 2016, due to redemptions. No new investments were made in 2017.

Market risk in trading activities

The Group is exposed to market risk via the trading books of its dealing rooms in Belgium, the Czech Republic, the Slovak Republic and Hungary, as well as via a minor presence in the UK and Asia. There are also limited trading activities at the recently acquired UBB in Bulgaria. 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.

Concerning the legacy CDO business, the remaining small positions were completely closed out in April 2017, thus bringing about a definitive and complete closing down of this business. The reverse mortgages and insurance derivatives legacy business lines have been transferred out of KBC Investments

Limited to KBC Bank NV as now there are only a small amount of remaining contracts (accounting for about 1% of the total market risk regulatory capital charges in the table at the end of this chapter). The fund derivatives legacy business line is almost closed, meaning that KBC Investments Limited will be dissolved in the near future.

The table below shows the Historical Value-at-Risk ("**HVaR**"; 99% confidence interval, ten-day holding period, historical simulation) for the linear and non-linear exposure of all the dealing rooms of KBC Group (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.

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

	KBC Group
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*
Average, 1Q 2016	*16*
Average, 2Q 2016	*15*
Average, 3Q 2016	*15*
Average, 4Q 2016	*14*
End of period	*20*
Maximum in year	*20*
Minimum in year	*11*

Average, 1Q 2017	*19*
Average, 2Q 2017	*26*
Average, 3Q 2017	*27*
Average, 4Q 2017	*22*
End of period	*18*
Maximum of the year	*31*
Minimum of the year	*15*

Regulatory capital charges for market risk

As shown in the table below, approximately 90% of the regulatory capital requirements are calculated using Approved Internal Models ("**AIMs**"). In previous years, this used to be the sum of the regulatory capital requirements calculated using the AIMs of KBC Bank NV, KBC Investments Limited – both models were authorised by the Belgian regulator, and ČSOB in the Czech Republic, whose model was authorised by the Czech Republic regulator. In June 2017, the ECB approved the integration of the European Equity Derivatives trading activities (the only trading activity in the KBC Investments Limited's AIM) into the KBC Bank AIM thus resulting in two AIMs instead of three (cutting costs and reducing complexity).

The two AIMs are also used for the calculation of Stressed VaR ("**SVaR**"), which is one of the CRD III Regulatory Capital charges that entered into effect at year-end 2011. The calculation of an SVaR measure is based on the normal VaR calculations and follows the same methodological assumptions, but is constructed as if the relevant market factors were experiencing a period of stress. The period of stress is calibrated at least once a year by determining which 250-day period between 2006 and the (then) present day produces the severest losses for the relevant positions.

The resulting capital requirements for trading risk at year-ends 2016 and 2017 are shown in the table below. The table shows the regulatory capital requirements, by risk type, assessed by the internal model. The regulatory capital requirements for the trading risk of local KBC entities (where – for reasons of materiality – approval was not sought from the regulator to use an internal model for capital calculations), as well as the business lines not included in the VaR calculations, are measured according to the 'Standardised' approach and likewise shown by risk type.

It is important to note that, assuming the Group's 'Global Trading Project' is successfully completed (and therefore all residual positions are transferred to Brussels) one Approved Internal Model will ultimately be used to calculate the regulatory capital requirements of all positions held by the group that can be modelled by VaR.

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 December 2016							
Market risks assessed by internal model	HVaR	57	2	7	-	-	156
	SVaR	74	2	14			
Market risks assessed by the Standardised Approach		18	4	13	0	1	37
Total		150	8	34	0	1	193
31 December 2017							
Market risks assessed by internal model	HVaR	77	3	5	-	-	235
	SVaR	129	7	14		-	
Market risks assessed by the Standardised Approach		18	6	9	0	-	33
Total		225	16	28	0	-	269

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

The basis point value ("**BPV**") below shows the amount with which the value of the economic portfolio would be impacted if interest rates were to fall by ten basis points across the entire curve including spread (negative figures indicate a decrease in the value of the portfolio). More details are available in the 2017 Annual Report of KBC Group.

10 basis point swap BPV of the ALM-book of the Group (in millions of EUR) (unaudited)

End of 1Q 2014	-54,9
End of 2Q 2014	-68,8
End of 3Q 2014	-78,4
End of 4Q 2014	-63,2
End of 1Q 2015	-63,3
End of 2Q 2015	-45,7
End of 3Q 2015	-33,2
End of 4Q 2015	-29,8
End of 1Q 2016	-23,6
End of 2Q 2016	-35,2
End of 3Q 2016	-50,0
End of 4Q 2016	-83,5
End of 1Q 2017	-79.0
End of 2Q 2017	-74.4
End of 3Q 2017	-73.5
End of 4Q 2017	-76.9

The process of managing structural exposure to market risks (including interest rate risk, equity risk, real estate risk, foreign exchange risk and inflation risk) is also known as ALM.

'Structural exposure' encompasses all exposure inherent in the Group's commercial activity or in the Group's long-term positions (banking and insurance). Trading activities are consequently not included. Structural exposure can also be described as a combination of:

- mismatches in the banking activities linked to the branch network's acquisition of working funds and the use of those funds (via lending, among other things);
- mismatches in the insurance activities between liabilities in the non-life and life businesses and the cover for these liabilities present in the investment portfolios held for this purpose;
- the risks associated with holding an investment portfolio for the purpose of reinvesting shareholders' equity; and
- the structural currency exposure stemming from the activities abroad (investments in foreign currency, results posted at branches or subsidiaries abroad, foreign exchange risk linked to the currency mismatch between the insurer's liabilities and its investments).

The main building blocks of KBC's ALM Risk Management Framework are:

- a broad range of risk measurement methods such BPV, gap analysis and economic sensitivities;
- net interest income simulations under a variety of market scenarios; simulations over a multi-year period are used within budgeting and risk processes; and

- capital sensitivities arising from banking book positions that have impact on available regulatory capital (e.g. Available For Sale bonds).

Technical insurance risk

Technical insurance risks stem from uncertainty regarding how often insured losses will occur and how extensive they will be. All these risks are kept under control through appropriate underwriting, pricing, claims reserving, reinsurance and claims handling policies of line management and through independent insurance risk management.

The insurance risk management framework is designed primarily around the following building blocks:

- Adequate identification and analysis of material insurance risks by, inter alia, analysing new emerging risks, concentration or accumulation risks, and developing early warning signals.
- Appropriate risk measurements and use of these measurements to develop applications aimed at guiding the company towards creating maximum shareholder value. Examples include best estimate valuations of insurance liabilities, ex post economic profitability analyses, natural catastrophe and other life, non-life and health exposure modelling, stress testing and required internal capital calculations.
- Determination of insurance risk limits and conducting compliance checks, as well as providing advice on reinsurance programmes.

Operational risk

Managing operational risk

The Group has a single, global framework for managing operational risk.

The Group risk function is primarily responsible for defining the operational risk management framework. The development and implementation of this framework is supported by an extensive operational risk governance model covering the whole Group.

In early 2016, a new Competence Centre for Operational Risk was set up following a review of the 'Three Lines of Defence' model. The Competence Centre for Operational Risk sets the standards for managing and monitoring operational risks within the Group and also includes the Competence Centre for Information Risk Management, which deals, among others, with cyber risk.

The main tasks for the Competence Centre for Operational Risk are:

- to plan and perform independent 'in-depth' challenges of internal controls on behalf of senior management;
- to provide oversight and reasonable assurance on the effectiveness of controls executed to reduce operational risk;
- to inform senior management and oversight committees on the operational risk profile;
- to define the operational risk management framework and approach for the Group; and
- to create an environment where risk specialists (in various areas, such as information risk management, business continuity and disaster recovery, compliance, anti-fraud, legal, tax and accounting matters) can work together by, among others, setting priorities, using the same language and tools and uniform reporting.

The Competence Centre for Operational Risk will be assisted by the local risk management units, which are likewise independent of the business.

The building blocks for managing operational risks

Since 2011, specific attention has been given to the structured set-up of process-based Group Key Controls. These controls are policies containing top-down basic control objectives and are used to mitigate key and killer risks inherent in the processes of the Group's entities. As such, they are an essential building block of both the operational risk management framework and the internal control system. The Group Key Controls now cover the complete process universe of the Group, defined by 68 KBC Group processes. Structural risk-based review cycles are installed to manage the process universe, close gaps, eliminate overlap and optimise group-wide risks and controls.

The business and (local) control functions assess these Group Key Controls. The risk self-assessments are consolidated at the Group risk function and ensure that there is a consistent relationship between (i) processes, (ii) risks, (iii) control activities and (iv) assessment scores. In 2016, the Group implemented a management tool to evaluate its internal control environment and to benchmark the approach across its entities. Further, the Group consolidates operational risk information flows across its business, risk, audit and compliance functions.

In line with the other types of risk, the Group uses a number of building blocks for managing operational risks, which cover all aspects of operational risk management:

- Risk identification: identifying operational risks involves following up legislation, using the New and Active Product Process, running risk scans, using key risk indicators, doing deep dives and capture risk signals.
- Risk measurement: as operational risk is embedded in all aspects of the organisation, measures that support quantification of the risk profile are available at the level of each entity, process and risk. Single or aggregated loss events are captured and measured at every failing or non-existent controls.
- Setting and cascading risk appetite: the risk appetite for operational risk is set in line with the overall requirements as defined in the Group's overarching risk management framework.
- Risk analysis, reporting and follow-up:
    - Prevention: ex ante risk analysis.
    - Remedial action: ex post risk analysis.
    - Reporting: the quality of the internal control environment and related risk exposure is reported to KBC's senior management via a management dashboard and to the NBB and the FSMA via the Group's annual Internal Control Statement.
    - Risk response and follow-up.
- Stress testing: an annual stress test is performed to assess the adequacy of pillar 1 operational risk capital.

Regulatory capital requirements

The Issuer uses the standardised approach for operational risk under Basel III. Operational risk capital at the Issuer's level totalled EUR 812 million at the end of 2016 and EUR 876 million at the end of 2017.

Additional focus on information risk management

The Group's Competence Centre For Information Risk Management ("**IRM**") focuses on information security and IT-related risks, especially risks caused by cybercrime.

At the end of 2015, the decision was taken to make a number of changes relating to the Group's information risk management. Firstly, the Group's CRO became responsible for all entities belonging to CFO Services and Corporate Staff Services, including IT, which is considered to be the first line of defence. All major decisions at these entities are now also presented to the Group's Executive Committee, of which the Group's CRO is a member. Secondly, the former Information Risk Management Practice function was re-positioned as the Group's Competence Centre for Information Risk Management in the new Group's Operational Risk unit, under the Senior General Manager of Group Risk, which is considered to be the second line of defence.

The Group's Operational Risk unit is an independent assurance provider and risk ambassador, headed by the Group's Information Security Officer. It focuses on information risks, such as, among others, information security, cybercrime, operational risks for IT, vendors and third parties and the cloud. It shapes the information risk framework, provides oversight, enables risk governance and helps the Group's to strengthen their risk capabilities by:

- developing and measuring group-wide information security and IT policies;
- driving risk governance via group-wide risk reporting and oversight;
- conducting independent investigations via group-wide challenges, detailed investigations and observations;
- turning the community of information security officers into an active, strong alliance by offering on-site coaching and support; and
- owning the cyber maturity tool and methodology.

Reputational risk

Reputational risk is mostly a secondary or derivative risk since it is usually connected to and will materialise together with another risk.

The Group refined the Reputational Risk Management Framework in 2016, in line with the KBC Risk Management Framework. The pro-active and re-active management of reputational risk is the responsibility of the business, supported by many specialist units (including Group Communication and Group Compliance).

Under the pillar 2 approach to capital, the impact of reputational risk on the current business is covered in the first place by the capital charge for primary risks (such as, among others, credit or operational risk).

Business & strategic risk

Business & strategic risk is assessed as part of the strategic planning process starting from a structured risk scan identifying the top financial and non-financial risks. The exposure to the business & strategic risks identified, is monitored on an ongoing basis. Next to the risk scan, business & strategic risks are monitored on an ongoing basis by reporting risk signals to top management. Additionally, business & strategic risks are discussed during the aligned planning process and are quantified as part of different stress test scenarios and long term earnings assessments.

Under the pillar 2 approach to capital, business risk is incorporated by performing a one-year stress on profit and loss.

Liquidity 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 the Group's liquidity management is to be able to fund the Group and to enable the core business activities of the Group to continue to generate revenue, even under adverse circumstances. Since the financial crisis, there has been a greater focus on liquidity risk management throughout the industry, and this has been intensified by the minimum liquidity standards defined by the Basel Committee, which have been transposed into European law through CRD IV and CRR.

A group-wide 'liquidity risk management framework' is in place to define the risk playing field. Liquidity management itself is organised within the Group Treasury function, which acts as a first line of defence and is responsible for the overall liquidity and funding management of KBC Group. The Group Treasury function monitors and steers the liquidity profile on a daily basis and sets the policies and steering mechanisms for funding management (intra-group funding, funds transfer pricing). These policies ensure that local management has an incentive to work towards a sound funding profile. It also actively monitors its collateral on a group-wide basis and is responsible for drafting the liquidity contingency plan that sets out the strategies for addressing liquidity shortfalls in emergency situations.

The Group's liquidity risk management framework is based on the following pillars:

- Contingency liquidity risk. This risk is assessed on the basis of liquidity stress tests, which measure how the liquidity buffer of the Group's bank entities changes under extreme stressed scenarios. This buffer is based on assumptions regarding liquidity outflows (retail customer behaviour, professional client behaviour, drawing of committed credit lines, etc.) and liquidity inflows resulting from actions to increase liquidity ('repoing' the bond portfolio, reducing unsecured interbank lending, etc.). The liquidity buffer has to be sufficient to cover liquidity needs (net cash and collateral outflows) over (i) a period that is required to restore market confidence in the Group following a KBC-specific event, (ii) a period that is required for markets to stabilise after a general market event and (iii) a combined scenario, which takes a KBC-specific event and a general market event into account. The overall aim of the liquidity framework is to remain sufficiently liquid in stress situations, without resorting to liquidity-enhancing actions which would entail significant costs or which would interfere with the core banking business of the Group.

- Structural liquidity risk. The Group manages its funding structure so as to maintain substantial diversification, to minimise funding concentrations in time buckets, and to limit the level of reliance on short-term wholesale funding. The Group manages the structural funding position as part of the integrated strategic planning process, where funding – in addition to capital, profits and risks – is one of the key elements. At present, the Group's strategic aim for the next few years is to build up a sufficient buffer in terms of the LCR and Net Stable Funding Ratio ("**NSFR**") requirements via a funding management framework, which sets clear funding targets for the subsidiaries (own funding, reliance on intra-group funding) and provides further incentives via a system of intra-group pricing to the extent subsidiaries run a funding mismatch.

- Operational liquidity risk. Operational liquidity management is conducted in the treasury departments, based on estimated funding requirements. Group-wide trends in funding liquidity and funding needs are monitored on a daily basis by the Group Treasury function, ensuring that a sufficient buffer is available at all times to deal with extreme liquidity events in which no wholesale funding can be rolled over.

At year-end 2017, the NSFR of KBC Group stood at 134% and the average LCR over 2017 was 139%. The LCR is based on the requirement of the draft Delegated Act of the European Commission amending the Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for credit

institutions. As from 31 December 2017 onward, the Group will disclose the twelve month average LCR in accordance with EBA guidelines on LCR disclosure.

Capital adequacy

Capital adequacy (or solvency) risk is the risk that the capital base of KBC Group, the bank or the insurer might fall below an acceptable level. In practice, this entails checking solvency against the minimum regulatory requirements and against in-house solvency targets. Hence, capital adequacy is approached from both a regulatory and an internal perspective.

Solvency is reported at KBC Group NV, banking and insurance level, calculating it on the basis of IFRS figures and the relevant guidelines issued by the regulators. This implies that KBC Group calculates its solvency ratios based on CRD IV/CRR. This regulation entered gradually into force on 1 January 2014, and is expected to be fully implemented by 1 January 2022.

The general rule under CRD IV/CRR for insurance participations is that an insurance participation is deducted from common equity at group level, unless the competent authority grants permission to apply a risk weighting instead (Danish compromise). KBC Group received such permission from the supervisory authority and hence reports its solvency on the basis of a 370% risk weighting being applied to the holdings of own fund instruments of the insurance company, after having deconsolidated KBC Insurance from the group figures.

The minimum solvency ratios required under CRD IV/CRR are 4.5% for the common equity tier-1 ("**CET1**") ratio, 6.0% for the tier-1 capital ratio and 8.0% for the total capital ratio (i.e., the pillar 1 minimum ratios). As a result of its supervisory review and evaluation process ("**SREP**"), the competent supervisory authority (in KBC Group's case, the ECB) can require that higher minimum ratios be maintained (i.e. the pillar 2 requirements which in 2016 have been split by the ECB in a pillar 2 requirement and a pillar 2 guidance) because, for instance, not all risks are properly reflected in the regulatory pillar 1 calculations. On top of this, a number of additional buffers have to be put in place, including a capital conservation buffer of 2.5% (to be phased in between 2016 and 2019), a buffer for systemically important banks (to be determined by the national competent authority) and a countercyclical buffer in times of credit growth (between 0% and 2.5%, likewise to be determined by the national competent authority). These buffers need to be met using CET1 capital, the strongest form of capital.

In the context of its supervisory authority, the ECB requires the Issuer to maintain (i) a pillar 2 requirement (P2R) of 1.75% CET1 and (ii) a pillar 2 guidance (P2G) of 1.0% CET1.

The capital requirement for the Issuer is not only determined by the ECB but also by decisions of the various local competent authorities in KBC's core markets.

- The Czech and Slovak competent authorities require a countercyclical buffer requirement of 1.25% on relevant credit exposures in their jurisdiction, which corresponds with an additional CET1 requirement at Group level of 0.35%.
- The NBB requires an additional capital buffer for other systematically important banks of 1.5% in 2018.

The capital conservation buffer currently stands at 1.875% for 2018, and will increase to 2.50% in 2019. These buffers come on top of the minimum CET1 requirement of 4.5% under Pillar 1.

Altogether, this brings the fully loaded CET1 requirement (under the 'Danish Compromise') up to 10.60% with an additional 1% guidance. Furthermore, since part of the requirements are gradually built up by 2019, the relevant requirement (under the 'Danish Compromise') for 2017 on a phased-in basis is at a lower level, i.e., 9.875% CET1.

KBC Group clearly exceeds these targets. At year-end 2017, the Issuer's CET1 ratio came to 16.5%. The regulatory minimum solvency targets were also amply exceeded throughout the entire financial year. Further details of the Issuer's CET1 position compared to these buffers, along with their tier 1 and total capital position as compared to the relevant minimum requirements, in each case as at 31 December 2017 are set out below under '*Banking Supervision and regulation – Solvency and Supervision*'.

In addition to the solvency ratios under CRD IV/CRR, KBC Group NV – as a financial conglomerate – also has to disclose its solvency position as calculated in accordance with the Financial Conglomerate Directive (FICOD; 2002/87/EC). This implies that available capital will be calculated on the basis of the consolidated position of KBC Group and the eligible items recognised as such under the prevailing sectoral rules, which are CRD IV/CRR for the banking business and Solvency II for the insurance business. The resulting available capital is to be compared with a capital requirement expressed as a risk weighted asset amount. For this latter figure, the capital requirements for the insurance business are multiplied by 12.5 to obtain a risk weighted asset equivalent (instead of the 370% risk weighting applied to the participation under the Danish compromise). At year-end 2017, the phased common equity ratio (under FICOD) was 15.2%.

More information on capital adequacy as well as on the different risk types can be found in the 2017 Annual Report and the 2017 Risk Report of the Issuer, both published on www.kbc.com.

12 Banking Supervision and regulation

Introduction: supervision by the European Central Bank

KBC Bank, a credit institution governed by the laws of Belgium, is subject to detailed and comprehensive regulation in Belgium, and is supervised by the European Central Bank ("**ECB**"), acting as the supervisory authority for prudential supervision of significant financial institutions. The ECB exercises its prudential supervisory powers by means of application of EU rules and national (Belgian) legislation. The supervisory powers conferred to the ECB include, amongst others, the granting and withdrawal of authorisations to and from credit institutions, the assessment of acquisitions and disposals of qualifying holdings in credit institutions, ensuring compliance with the rules on equity, liquidity, statutory ratios and the carrying out of supervisory reviews (including stress tests) for credit institutions.

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

The Financial Services and Markets Authority ("**FSMA**"), an autonomous public agency, is in charge of supervision of conduct of business rules for financial institutions and financial market supervision.

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

Supervision and regulation in Belgium

The banking regime in Belgium is governed by the Law of 25 April 2014 on the legal status and supervision of credit institutions and stockbroking firms (the "**Banking Law**"). The Banking Law replaces the Law on the legal status and supervision of credit institutions of 22 March 1993 and implements various EU directives,

including, without limitation, Directive 2013/36/EU of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms ("**CRD**") and, where applicable, Regulation 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms ("**CRR**", and together with CRD, "**CRD IV**") and Directive 2014/59 of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms ("**BRRD**"). CRD IV applies in Belgium since 1 January 2014, subject to certain requirements being phased in over a number of years, as set out therein. BRRD has formally been transposed into Belgian law by amending the Banking Law with effect from 16 July 2016.

The Banking Law sets forth the conditions under which credit institutions may operate in Belgium and defines the regulatory and supervisory powers of the ECB and the NBB. The main objective of the Banking Law is to protect public savings and the stability of the Belgian banking system in general.

Supervision of credit institutions

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

(2) The Banking Law requires credit institutions to provide detailed periodic financial information to the ECB and, under certain circumstances, the FSMA. The ECB also supervises the enforcement of laws and regulations with respect to the accounting principles applicable to credit institutions. The ECB sets the minimum capital adequacy ratios applicable to credit institutions. The ECB may also set other ratios, for example, with respect to the liquidity and gearing of credit institutions. It also sets the standards regarding solvency, liquidity, risk concentration and other limitations applicable to credit institutions, and the publication of this information. The NBB may in addition impose capital requirements for capital buffers (including countercyclical buffer rates and any other measures aimed at addressing systemic or macro-prudential risks). In order to exercise its prudential supervision, the ECB may require that all information with respect to the organisation, the functioning, the position and the transactions of a credit institution be provided to it. Further, the ECB supervises, among other things, the management structure, the administrative organisation, the accounting and the internal control mechanisms of a credit institution. In addition, the ECB may conduct on-site inspections (with

or without the assistance of NBB staff). The comprehensive supervision of credit institutions is also exercised through statutory auditors who cooperate with the supervisor in its prudential supervision. A credit institution selects its statutory auditor from the list of auditors or audit firms accredited by the NBB. Within the context of the European System of Central Banks, the NBB issues certain recommendations regarding monetary controls.

(3) The Banking Law has introduced a prohibition in principle on proprietary trading as from 1 January 2015. However, certain proprietary trading activities are excluded from this prohibition. Permitted proprietary trading activities (including certified market-making, hedging, treasury management, and long-term investments) are capped, and these type of activities must comply with strict requirements on reporting, internal governance and risk management.

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

(a) Preparation and prevention

Credit institutions have to draw up recovery plans, setting out the measures they would take to restore their financial position in the event of a significant deterioration to their financial position. These recovery plans must be updated at least annually or after a change to the legal or organisational structure of the institution, its business or its financial situation, which could have a material effect on, or necessitates a change to, the recovery plans. In its review of the recovery plan, the ECB pays particular attention to the appropriateness of the capital and financing structure of the institution in relation to the degree of complexity of its organisational structure and its risk profile.

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

(b) Early intervention

The ECB/NBB dispose of a set of powers to intervene if a credit institution faces financial distress (e.g. when a credit institution is not operating in accordance with the provisions of the Banking Law or CRD IV), but before its financial situation deteriorates irreparably. These powers include the ability to dismiss the management and appoint a special commissioner, to convene a meeting of shareholders to adopt urgent reforms, to suspend or prohibit all or part of the credit institution's activities (including a partial or complete suspension of the execution of current contracts), to order the disposal of all or part of the credit institution's shareholdings, and finally, to revoke the license of the credit institution.

(c) Resolution

- The resolution authority can decide to take resolution measures if it considers that all of the following circumstances are present: (i) the determination has been made by the resolution authority, after consulting the competent authority, that a credit institution is failing or is likely to fail, (ii) there is no reasonable prospect that any alternative private sector measures or supervisory action can be taken to prevent the failure of the

institution, and (iii) resolving the credit institution is necessary from a public interest perspective. The resolution tools are: (i) the sale of (a part of) the assets/liabilities or the shares of the credit institution without the consent of shareholders, (ii) the transfer of business to a temporary structure ("bridge bank"), (iii) the transfer of certain assets, rights or liabilities to a separate vehicle and (iv) bail-in. Each decision will be subject to prior judicial control.

The fourth resolution tool, i.e. the bail-in tool, entered into force on 1 January 2016. It was implemented into Belgian law through the Royal Decree of 18 December 2015 implementing the Banking Law. Bail-in is a mechanism to write down the liabilities (subordinated debt, senior debt and eligible deposits) or to convert debt into equity, as a means of restoring the institution's capital position. The resolution authority is also empowered (and in certain circumstances required) to write down or convert capital instruments (such as Common Equity Tier 1-, Additional Tier 1- and Tier 2-instruments), before or together with the use of any resolution tools, if it determines that a credit institution becomes non-viable, that the conditions for the exercise of the resolution powers are fulfilled and/or that a credit institution has asked for public support.

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

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

Bank governance

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

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

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

The NBB Governance Manual for the Banking Sector (the "**Governance Manual**") contains recommendations to assure the suitability of shareholders, management and independent control functions and the appropriate organisation of the business.

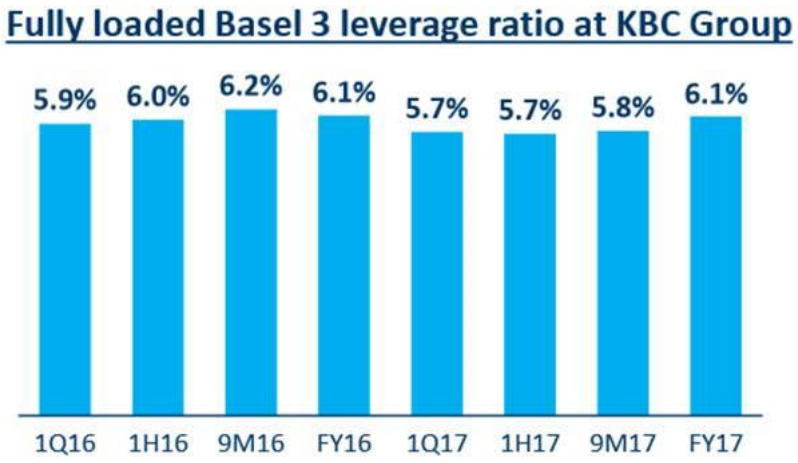
As required by the Banking Law and the Governance Manual, KBC has a Group Internal Governance Memorandum (the "**Governance Memorandum**"), which sets out the corporate governance policy applying to KBC Group and its subsidiaries and of which the governance memorandum of KBC Bank forms part. The corporate governance policy of a credit institution must meet the principles set out in the law and the Governance Manual. The most recent version of the Governance Memorandum was approved on 14 December 2017 by the Board of Directors of the Issuer, KBC Bank and KBC Insurance.

KBC Bank also has a Corporate Governance Charter which is published on www.kbc.com.

Solvency supervision

Capital requirements and capital adequacy ratios are provided for in 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, Tier 1 and Total Capital ratio of 4.5%, 6.0% and 8.0% respectively. Risk weighted assets are the sum of all assets and off-balance sheet items weighted according to the degree of credit risk attributed to them. The solvency ratios also takes into account market risk with respect to the bank's trading book (including interest rate and foreign currency exposure) and operational risk in the calculation of the weighted risk. On top of the capital requirements defined by the solvency ratios, the regulation imposes a capital conservation buffer and, in certain cases a systemic risk buffer and/or a countercyclical buffer.

Solvency is also limited by the leverage ratio as described under "*Risk Factors – The Issuer may elect not to pay interest on the Securities or in certain circumstances be required not to pay such interest"*, which compares tier 1 capital to non-risk weighted assets. The below chart shows the Issuer's leverage ratios on a fully loaded basis for the two years ended 31 December 2017.



In the context of its supervisory authority, the ECB requires KBC Group to maintain (i) a pillar 2 requirement (P2R) of 1.75% CET1 and (ii) a pillar 2 guidance (P2G) of 1.0% CET1. It is important to note that the capital requirement for KBC Group is not only determined by the ECB but also by decisions of the various local competent authorities in KBC's core markets (e.g. decisions re. countercyclical buffer requirement, capital buffers for domestic systemic banks). The conservation buffer currently stands at 1.875% for 2018, building up to 2.50% in 2019. These buffers come on top of the minimum CET1, tier 1 and total capital requirements

of 4.5%, 6.0% and 8.0% respectively under Pillar 1. Altogether, this brings the fully loaded CET1 requirement (under the Danish compromise) to 10.60% with an additional 1% pillar 2 guidance. Furthermore, since part of the requirements are gradually built up by 2019, the relevant requirement (under the Danish compromise) for 2018 on a phased-in basis is at a lower level, i.e., 9.875% CET1. The equivalent fully loaded tier 1 requirements amounts to 12.1% and 14.1% for total capital, with an additional 1% pillar 2 guidance.

KBC Group clearly exceeds these targets and currently intends to fill the additional tier 1 and tier 2 buckets of respectively 1.5% and 2.0%.

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.

Distributions (being dividend payments, payments related to additional tier 1 instruments or variable remuneration) are limited in case the Issuer's combined buffer requirements described above, also referred to as MDA thresholds, are breached. The table below provides an overview of the buffers KBC Group has compared to these thresholds as at 31 March 2018:

	CET1	**TIER 1**	**TOTAL CAPITAL**
RATIO (FULLY LOADED)	15.9%	17.4%	19.7%
RWA (€) (FULLY LOADED)	93.2 bn.	93.2 bn.	93.2 bn.
MDA THRESHOLD (PHASED-IN / FULLY LOADED)	9.875% / 10.6%	11.375% / 12.1%	13.375% / 14.1%
MDA BUFFER (PHASED-IN / FULLY LOADED)	6.0% / 5.3%	6.0% / 5.3%	6.0% / 5.3%
MDA AMOUNT (€)(PHASED-IN / FULLY LOADED)	5.6 bn. / 4.9 bn.	5.6 bn. / 4.9 bn.	5.6 bn. / 4.9 bn.

Large exposure supervision

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

Money laundering

Belgium has implemented Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, by the Law of 18 September 2017 on the prevention of money laundering, terrorist financing and on the limitation of the use of cash. This legislation contains a preventive system imposing a number of obligations in relation to money laundering and the financing of terrorism. These obligations are related, among other things, to the identification of the client, special attention for unusual transactions, internal reporting, processing and compliance mechanisms with the appointment of a compliance officer, and employee training requirements. A risk-based approach assumes that the risks of money laundering and terrorism financing may take various forms. Accordingly, businesses/individuals subject to the Law of

18 September 2017 do have to proceed to a global assessment of the risks they are facing and formulate efficient and adequate measures. The definition of politically exposed people is being broadened. It will encompass not only national persons who are or who have been entrusted with prominent public functions residing abroad, but also those residing in the country. Member states also have to set up a central register which identifies the ultimate beneficial owner of companies and other legal entities. Payments/donations in cash are capped at EUR 3,000. Member states must also provide for enhanced customer due diligence measures for the obliged entities to apply when dealing with natural persons or legal entities established in high-risk third countries.

When, after investigation, a credit or financial institution suspects money laundering to be the purpose of a transaction, it must promptly notify an independent administrative authority, the Financial Intelligence Unit. This Unit is designated to receive reports on suspicious transactions, to investigate them and, if necessary, to report to the criminal prosecutors to initiate proceedings. The NBB has issued guidelines for credit and financial institutions and supervises their compliance with the legislation. Belgian criminal law specifically addresses criminal offences of money-laundering (Article 505, subsection 1, 2°-4° of the Criminal Code) and sanctions them with a jail term of a minimum of fifteen days and a maximum of five years and/or a fine of a minimum of EUR 26 and a maximum of EUR 100,000 (to be multiplied by 6) or, for legal entities, a fine of a minimum of EUR 500 and a maximum of EUR 200,000 (to be increased with the additional penalty or, in other words, to be multiplied by 6).

Consolidated supervision - supplementary supervision

KBC Bank is subject to consolidated supervision by the ECB on the basis of the consolidated financial situation of KBC Group NV, which covers among other things solvency as described above, pursuant to Articles 165 and following of the Banking Law. As a subsidiary of a Belgian mixed financial holding (KBC Group NV) and part of a financial conglomerate, KBC Bank is also subject to the supplementary supervision by the ECB, according to Directive 2011/89/EU of 16 November 2011 amending Directives 98/78/EC, 2002/87/EC, 2006/48/EC and 2009/138/EC as regards the supplementary supervision of financial entities in a financial conglomerate (implemented in Articles 185 and following of the Banking Law). The supplementary supervision relates to, among other things, solvency, risk concentration and intra-group transactions and to enhanced reporting obligations.

The consolidated supervision and the supplementary supervision will be aligned as much as possible, as described in Article 170 of the Banking Law.

KBC Asset Management

As from June 2005, the status of KBC Asset Management has been changed from “investment firm” to a “management company of undertakings for collective investment in transferable securities (UCITS)” (a “**UCITS-management company**”). Its activities are, inter alia, the management of UCITS and the management of portfolios of investments in accordance with mandates given by investors on a discretionary, client-by-client basis. KBC Asset Management is subject to detailed, comprehensive regulation in Belgium, supervised by the FSMA.

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

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

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

13 Insurance Supervision and regulation

Introduction

KBC Insurance, an insurance company governed by the laws of Belgium, is subject to detailed, comprehensive regulation in Belgium, supervised by the NBB, the Belgian central bank.

Since the implementation on 1 April 2011 of the "Twin Peaks Act", the powers relating to prudential supervision have been transferred from the *Commissie voor het Bank-, Financie- en Assurantiewezen/Commission bancaire, financière et des assurances* ("**CBFA**") (now the FSMA) to the NBB. The remaining supervisory powers previously exercised by the CBFA are now exercised by the FSMA. This autonomous public agency is in charge of supervision with regard to conduct of business rules and financial services providers (intermediaries).

EU directives have had and will continue to have a significant impact on the regulation of the insurance 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 insurance regime in Belgium is governed by the Law of 13 March 2016 on the legal status and supervision of insurance and reinsurance undertakings (the "**Insurance Supervision Law**"), and the (general) Insurance Act of 4 April 2014.

The Insurance Supervision Law, among other things, implements the European legislation on EU Directive 2009/138/EC of 25 November 2009 ("**Solvency II**"). It sets forth the conditions under which insurance companies may operate in Belgium and defines the regulatory and supervisory powers of the NBB.

The Insurance Act of 4 April 2014, among other things, implements European legislation such as the consumer related aspects provided in Solvency II. It sets forth the conditions under which insurance companies may operate on the Belgian insurance market and defines the regulatory and supervisory powers of the FSMA.

The regulatory framework is applicable to insurance companies in some respects similar to the regulation applicable to banks in Belgium.

Supervision of insurance companies

All Belgian insurance companies must obtain a licence from the NBB before they may commence operations. In order to obtain a licence and maintain it, each insurance company must fulfil numerous conditions, including certain minimum capital requirements. This requires the calculation of best estimate cash flows, raised with a risk margin, corresponding to what was previously known as "technical reserves". In addition, a Solvency Capital Requirement ("**SCR**") and a Minimal Capital Requirement ("**MCR**") should be calculated and respected. The SCR is the capital an insurer needs to limit the default risk to less than 0.5% in the next twelve months.

In addition, any shareholders holding (directly or indirectly, acting alone or in concert with third parties) a substantial stake in the company (in general, this means 10% or more of the capital or the voting rights) must be of "fit and proper" character to ensure proper and prudent management of the insurance company.

Moreover, any shareholder wishing to increase such substantial stake to a 20%, 33% or 50% capital or voting interest or to any stake that allows him to exercise control over the company, must disclose this to the NBB. If the NBB considers that the influence of such a shareholder in an insurance company jeopardises its sound and prudent management, it may suspend the voting rights attached to this participation. Furthermore, a shareholder who wishes to sell his participation or a part thereof, which sale would result in his shareholding dropping below any of the above-mentioned thresholds, must notify the NBB thereof. The Belgian insurance company itself is obliged to notify the NBB of any such transfer when it becomes aware of it.

The Insurance Supervision Law requires insurance companies to provide detailed periodic financial information to the NBB and the public (i.a. through the Solvency and Financial Conditions Reporting ("**SFCR**") and the Regular Supervisory Reporting ("**RSR**"). The NBB also supervises the enforcement of laws and regulations with respect to the accounting principles applicable to insurance companies.

Pursuant to the Insurance Supervision Law, the NBB may, in order to exercise its prudential supervision, require that all information with respect to the financial position and the transactions of an insurance company be provided to it, either by the insurance company itself or by its affiliated companies. The NBB may supplement these communications by on-site inspections. The NBB also exercises its comprehensive supervision of insurance companies through statutory auditors who collaborate with the NBB in its prudential supervision. An insurance company selects its statutory auditors from among the list of auditors or audit firms accredited by the NBB.

If an insurance company does not provide for the required capital requirements, the NBB may restrict or prohibit the company's free use of its assets. If an insurance company no longer meets the SCR, the NBB must require that a recovery plan be prepared. If an insurance company no longer meets the MCR, its authorisations should be withdrawn.

In general, if the NBB finds that an insurance company is not operating in accordance with the provisions of the Insurance Supervision Law, the decrees and regulations implementing the Insurance Supervision Law or the directly applicable European regulations, that its management policy or its financial position is likely to prevent it from honouring its commitments or that its administrative and accounting procedures or internal control systems present deficiencies, it will set a deadline by which the situation must be rectified. If the situation has not been rectified by the deadline, the NBB has the power to appoint a special commissioner to replace management, to prohibit or limit certain activities, to dispose of all or part of its activities, and to order the replacement of the Board of Directors and management, failing which it will itself appoint a provisional manager.

Insurance governance

The Insurance Supervision Law puts a lot of emphasis on the solid and efficient organisation of insurance companies and introduces to that effect a dual governance structure at management level, specialised advisory committees within the Board of Directors (Audit Committee, Risk Committee and Remuneration Committee), independent control functions, and sound remuneration policies.

The Insurance Supervision Law makes a fundamental distinction between the management of insurance activities, which is the competence of the Executive Committee, and the supervision of management and the definition of the insurance company's general and risk policy, which is entrusted to the Board of Directors. KBC Insurance has an Executive Committee of which each member is also a member of the Board of Directors.

Pursuant to the Insurance Supervision Law, the members of the Executive Committee 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 5 July 2016 regarding the prudential expectations of the NBB with respect to the governance system of the insurance and reinsurance sector (the "**Circular Governance**") contains recommendations to assure the autonomy of the insurance function, the organisation of the independent control functions and the proper governance of the insurance company.

As required by the Insurance Supervision Law and the Circular Governance, KBC has a Governance Memorandum, which sets out the corporate governance policy applying to KBC Group and its subsidiaries and of which the Governance Memorandum of KBC Insurance forms part. The corporate governance policy of an insurance company must meet the principles set out in the law and the Circular Governance. The most recent version of the Governance Memorandum was approved on 14 December 2017 by the Board of Directors of the Issuer, KBC Bank NV and KBC Insurance NV. The public part of the governance memorandum of KBC Insurance NV is updated yearly and published on www.kbc.com.

Money laundering

Belgian insurance companies are also subject to the Law of 18 September 2017 referred to above.

14 Recent Events

Information about recent events in relation to the Issuer can be found in the following sections: "*general description of the activities of the Group*", "*principal markets and activities, per geography*", "*Risk management*", "*Banking supervision and regulation*", "*Insurance supervision and regulation*" and "*Litigation*".

Detailed information is set out in KBC Group's press releases and financial reports, all of which are available on www.kbc.com. For the avoidance of doubt, the information available on the Issuer's website, www.kbc.com, shall not be incorporated by reference in, or form part of, this Base Prospectus (other than as referred to in the section "*Documents incorporated by reference*").

On 20 April 2018, the Issuer issued EUR 1.0 billion Additional Tier-1 Securities. The related prospectus and investor presentation are available on www.kbc.com.

On 17 May 2018, the Issuer published its consolidated results for the first quarter of 2018. The related press release and interim reports are available on www.kbc.com. The Issuer recorded a net profit of EUR 556 million in the first quarter of 2018, despite the fact that it accounted for the bulk of the bank taxes for the full year in the first quarter (EUR 371 million). Driven by the commercial performance of the core activities, total income was up quarter-on-quarter, while costs – excluding bank taxes – were down on the seasonally high last

quarter of 2017. Both the life and non-life businesses grew significantly year-on-year. Finally, the Issuer was able to release some loan loss provisions once again, due mainly to the Irish mortgage book.

15 Trend Information – International economic environment

The global economy continues to perform solidly. In the United States, annual real gross domestic product ("**GDP**") growth in 2017 accelerated to 2.3% after its dip in 2016 (1.5%). Growth in the United States was driven primarily by strong private consumption, which was underpinned by improving labour market conditions. Additionally, business spending picked up markedly. Preliminary data for real GDP growth in the first quarter of 2018 signalled a slight slowdown, mainly driven by weaker private consumption growth. Nevertheless, given the favourable labour market developments and high consumer confidence levels, it is still expected that this dip is only temporary. Corporate sentiment indicators – although down from their recent highs – also continue to signal optimism. Furthermore, the tax reform which the Republicans approved in the United States at the end of 2017 together with more government spending is expected to deliver some additional, albeit modest, boost to growth in 2018-2019. Therefore, GDP growth in the United States is expected to slightly accelerate and reach its peak in 2018 at 2.6%. The growth pace will then likely decline somewhat in the following years, reflecting the late-cyclical state of the United States economy, the tighter policy of the Federal Reserve System ("**Fed**") and tightness of the United States labour market.

Also for the Eurozone economy, 2017 was a very strong year with an average annual growth rate of 2.5%, the highest pace in a decade and beyond any expectations. Private demand played an important role in the growth uptick, but net trade also made a substantial growth contribution. Moreover, business investment, although not fully recovered from the crisis, was an essential growth contributor during the year. Economic sentiment in the Eurozone declined in the first quarter of 2018. However, it remains at elevated levels, having reached a seventeen-year high in December 2017. Preliminary growth data for the first quarter of 2018 also showed a softening due to a reduced growth contribution of net exports partly as consequence of the recent euro appreciation. Nevertheless, optimism remains for the Eurozone economy and above-potential growth in the coming years is still expected. Real GDP growth is projected to be 2.3% in 2018, and 2.0% in 2019.

Although the ECB upgraded its assessment of the current economic conditions at its meeting at the beginning of 2018, the latest ECB communication was more cautious. The ECB first wants to clarify whether the recent softening in a range of economic indicators could be a warning of a renewed weakening of the Eurozone economy. Moreover, although the ECB remains convinced that inflation will converge towards its 2% aim over the medium term, the recent weakening of inflation will not induce the ECB to take any bald moves. All this indicates that there is still some distance from the first material move towards a tighter ECB policy. A continuation of quantitative easing ("**QE**") is expected at least until September 2018 with a monthly net asset purchases pace of EUR 30 billion with a period of tapering thereafter. A first policy rate hike will likely take place well after the end of QE, i.e., probably in the second half of 2019.

The United States long-term government bond yield jumped up significantly in recent weeks as markets have been repositioning towards a more aggressive policy normalisation path by the Fed. However, German long-term bond yields did not follow that upward move as market expectations about ECB policy normalisation have been dampened. Meanwhile, intra-European Monetary Union (EMU) spreads against the German bond yield declined. After all, until September the ECB remains a major bond buyer and monetary policy is accommodative. Furthermore, financial markets see political events as minor factors.

Momentum remains supportive for the US dollar in the short-term as the interest rate differentials with the Eurozone have again reached multi-year highs. However, in the medium to longer term, most factors are pointing to an appreciation of the euro against the US dollar. Expectations of a first ECB rate hike and the consequences of late-cyclical fiscal stimulus (twin deficits) in the United States will lead to a strengthening of the euro.

16 Material Contracts

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

17 Management of KBC Group

The Board of Directors

The Board of Directors of the Issuer consists of 16 members as listed below:

Name and address	Position	Expiry date mandate	External mandates
LEYSEN Thomas Havenlaan 2 1080 Brussel België	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 Non-executive Director of KBC Verzekeringen NV Chairman of the Board of Directors of KBC Bank NV Chairman of the Board of Directors of Mediahuis NV
VLERICK Philippe Ronsevaalstraat 2 8510 Bellegem Belgium	Deputy Chairman	2021	Chairman of the Board of Directors of Vlerick Vastgoed NV Executive Director of Raymond Uco denim Private Chairman of the Board of Directors of Pentahold NV Chairman of the Board of Directors of Indus Kamdhenu Fund Chairman of the Board of Directors of UCO NV Non-executive Director of HAMON & CIE (International) SA Non-executive Director of Durabilis NV Executive Director of Lutherick NV Chairman of the Board of Directors of Bareldam SA Non-executive Director of Sapient Investment managers Executive Director of Lurick NV Executive Director of Therick NV Non-executive Director of Vlerick

Name and address	Position	Expiry date mandate	External mandates
			Business School Non-executive Director of B.M.T. NV Non-executive Director of KBC Verzekeringen NV Chairman of the Board of Directors of BATIBIC NV Non-executive Director of TESSA LIM NV Non-executive Director of ETEX GROUP SA Chairman of the Board of Directors of Midelco NV Chairman of the Board of Directors of Belgian International Carpet C° Non-statutory Director of Arteveld Non-executive Director of BMT International SA Chairman of the Board of Directors Vobis Finance NV Chairman of the Board of Directors of VIT NV Executive Director of CECAN Invest NV Non-executive Director of De Robaertbeek Non-executive Director of BESIX Group NV Non-executive Director of Concordia Textiles NV Non-executive Director of Corelio NV Non-executive Director of Durabilis Private Stichting Non-executive Director of Europalia Romania 2019 Non-executive Director of Exmar NV Non-executive Director of LVD Company NV Chairman of the Board of Directors of Point NV Chairman of the Board of Directors of Smartphoto Group NV Non-executive Director of Stichting Interieur Non-executive Director of ThromboGenics

Name and address	**Position**	**Expiry date mandate**	**External mandates**
			NV Chairman of the Board of Directors of Vlerick Investeringsmaatschappij CVBA Non-executive Director of VOKA Stichting Vaast Leysen
DEPICKERE Franky Muntstraat 1 3000 Leuven Belgium	Non-executive Director	2019	Executive Director of Almancora Beheers-maatschappij NV Executive Director of Cera cvba Executive Director of Cera Beheersmaatschappij NV Non-executive Director of International Raiffeisen Union e.V. Non-executive Director of CBC Banque SA Non-executive Director of KBC Bank NV Non-executive Director of BRS Microfinance Coop cvba Non-executive Director of KBC Verzekeringen NV Member of the Supervisory Board of Ceskoslovenska Obchodni Banka a.s. (CR) Executive Director of KBC Ancora commanditaire vennootschap op aandelen Non-executive Director of Euro Pool System International BV
CALLEWAERT Katelijn Muntstraat 1 3000 Leuven Belgium	Non- executive Director	2021	Non-executive Director of KBC Verzekeringen NV Non-executive Director of KBC Bank NV Executive Director of Cera Beheersmaatschappij NV Executive Director of Almancora Beheersmaatschappij NV Executive Director of Cera CVBA
DONCK Frank Rijvisschestraat 118 9052 Zwijnaarde Belgium	Non-executive Director	2019	Executive Director and CEO of 3D Non-executive Director of 3D Real Estate NV Non-executive Director of Iberanfra BVBA Executive Director and CEO of TRIS NV Executive Director of Ibervest NV Non-executive Director of Anchorage NV

Name and address	Position	Expiry date mandate	External mandates
			Executive Director of Hof Het Lindeken CVBA Executive Director of Huon & Kauri NV Executive Director of Winge Golf NV Non-executive Director of KBC Verzekeringen NV Non-executive Director of Elia System Operator NV Non-executive Director of Elia Asset NV Non-executive Director of Tele Columbus NV Chairman of the Board of Directors of Atenor Groep NV Non-executive Director of Ter Wyndt NV Chairman of the Board of Directors of Ter Wyndt cvba Executive Director of 3D Private Investeringen NV Non-executive Director of BARCO NV Non-executive Director of Academie Vastgoedontwikkeling NV Non-executive Director of Bouwinvest NV Non-executive Director of Dragonfly Belgium NV
VAN RIJSSEGHEM Christine KBC Group NV Havenlaan 2 1080 Brussel Belgium	Executive Director	2022	Executive Director of KBC Bank NV Executive Director of KBC Verzekeringen NV Member of the Supervisory Board of Ceskoslovenska Obchodni Banka a.s. (CR) Member of the Supervisory Board of Ceskoslovenska Obchodna Banka a.s. (SR) Non-executive Director of K & H Bank Zrt. Non-executive Director of KBC Bank Ireland Plc. Member of the Supervisory Board of KBC Bank NV, Dublin Branch Member of the Supervisory Board of United Bulgarian Bank AD
NONNEMAN Walter Prinsstraat 13	Non-executive Director	2021	Non-executive Director of Fluxys NV Non-executive Director of Cera

Name and address	**Position**	**Expiry date mandate**	**External mandates**
2000 Antwerpen Belgium			Beheersmaatschappij NV Non-executive Director of KBC Verzekeringen NV Non-executive Director of KBC Bank NV
SCHEERLINCK Hendrik KBC Group NV Havenlaan 2 1080 Brussel Belgium	Executive Director	2021	Executive Director of KBC Verzekeringen NV Executive Director of KBC Bank NV Non-executive Director of KBC Credit Investments NV
ROUSSIS Theodoros Poederstraat 51 2370 Arendonk Belgium	Non-executive Director	2020	Non-executive Director of Pentahold NV Executive Director of Asphalia NV Non-executive Director of KBC Verzekeringen NV
THIJS Johan KBC Group NV Havenlaan 2 1080 Brussel	Executive Director (CEO)	2020	Executive Director and CEO of KBC Verzekeringen NV Chairman of the Board of Directors of Febelfin Executive Director and CEO of KBC Bank NV Non-executive Director of VOKA Non-executive Director of European Banking Federation Non-executive Director of Museum Nicolaas Rockox Non-executive Director of Gent Festival van Vlaanderen
VANHOVE Matthieu Monseigneur Ladeuzeplein 15 3000 Leuven Belgium	Non-executive Director	2021	Non-executive Director of KBC Bank NV Non-executive Director of KBC Verzekeringen NV Non-executive Director BRS Microfinance Coop CVBA Non-executive Director of MetaLogic Non-executive Director of Cera Beheersmaatschappij NV
DE BECKER Sonja MRBB Diestsevest 32/5b 3000 Leuven Belgium	Non-executive Director	2020	Chairman of the Board of Directors of BB-Patrim CVBA Non-executive Director of KBC Bank NV Chairman of the Board of Directors of M.R.B.B. CVBA – Maatschappij voor

Name and address	Position	Expiry date mandate	External mandates
			Roerend Bezit van de Boerenbond Chairman of the Board of Directors of Boerenbond Non-executive Director of Agri Investment Fund CVBA Non-executive Director of KBC Verzekeringen NV Non-executive Director of Acerta cvba Chairman of the Board of Directors of SBB Accountants en Belastingconsulenten BV CVBA Executive Director of SBB Bedrijfsdiensten CVBA
WITTEMANS Marc MRBB cvba Diestsevest 32/5b 3000 Leuven Belgium	Non-executive Director	2022	Non-executive Director of KBC Bank NV Chairman of the Board of Directors of Arda Immo NV Non-executive Director of Acerta cvba Non-executive Director of Acerta Consult CVBA Non-executive Director of Acerta Public NV Non-executive Director of Greenyard NV Non-executive Director of SBB bedrijfsdiensten CVBA Executive Director and CEO of M.R.B.B. CVBA – Maatschappij voor Roerend Bezit van de Boerenbond Chairman of the Board of Directors of Aktiefinvest CVBA Non-executive Director of KBC Verzekeringen NV Non-executive Director of Shéhérazade Developpement CVBA Non-executive Director of AVEVE NV – Aan- en verkoopvennootschap van de Belgische Boerenbond Non-executive Director of Agri Investment Fund CVBA Member of the Supervisory Board of Ceskoslovenska Obchodni Banka a.s. (CR) Non-executive Director of SBB Accountants en Belastingconsulenten BV

Name and address	Position	Expiry date mandate	External mandates
			CVBA
KIRALY Julia KBC Bank NV Havenlaan 2 1080 Brussel Belgium	Independent Director	2022	Executive Director Fintor Holding Ltd
PAPIRNIK Vladimira KBC Group NV Havenlaan 2 1080 Brussel Belgium	Independent Director	2020	-
BOSTOEN Alain Coupure 126 9000 Gent Belgium	Non-executive Director	2019	Executive Director of Quatorze Juillet BVBA Executive Director of ALGIMO NV Executive Director of Christeyns Group NV Non-executive Director of KBC Verzekeringen NV Non-executive Director of AGROBOS NV Non-executive Director of Desotec NV

The Board of Directors does not include any legal persons among its members and its Chairman may not be a member of the Executive Committee. A mandate is no longer than six years (in practice four years). Directors can be re-elected when their term expires. The mandate of non-executive directors comes to an end at the date of the annual meeting following the day on which they reach the age of 70, save for exceptional situations. The mandate of executive directors ends at the end of the month when they reach the age of 65, save for exceptional situations.

The Board of Directors is responsible for determining the overall strategy and monitoring the executive management. It meets at least eight times a year and decides by simple majority. The activities of the Board are governed by Belgian company law, by the Banking Law, the Insurance Supervision Law and the statutes of the Issuer.

Advisory Committees of the Board of Directors

The Board of Directors includes the following advisory committees: an Audit Committee, a Risk and Compliance Committee, a Nomination Committee and a Remuneration Committee. All committees are exclusively composed of members of the Board of Directors and a Director may not be a member in more than three of the aforementioned committees.

The powers and composition of the advisory committees of the Board of Directors, as well as their way of functioning, are set out in the Corporate Governance Charter of KBC Group which is published on www.kbc.com.

The committees are composed as follows:

Audit Committee
Marc Wittemans (chair)
Fank Donck
Julia Király (independent director)
Vladimira Papirnik (independent director)

Risk & Compliance Committee
Franky Depickere (chair)
Frank Donck
Marc Wittemans
Vladimira Papirnik (independent director)

Nomination Committee
Thomas Leysen (chair)
Franky Depickere
Philippe Vlerick
Sonja De Becker
Vladimira Papirnik (independent director)
Johan Thijs (CEO)
Nabil Ariss

Remuneration Committee
Thomas Leysen (chair)
Julia Király (independent director)
Philippe Vlerick
Johan Thijs (CEO)
Franky Depickere

Executive Committee

The Board of Directors has delegated its management powers to the Executive Committee in accordance with article 524bis of the Belgian Companies Code and article 212 juncto article 24 of the Banking Law. The Executive Committee exercises such powers autonomously, but always within the framework of the strategy adopted by the Board of Directors. The delegation does not extend to the general policy or matters assigned by law to the Board of Directors. The Executive Committee consists of 7 members appointed by the Board of Directors.

Johan Thijs	**Hendrik Scheerlinck**	**Christine Van Rijsseghem**	**Daniel Falque**	**Luc Popelier**	**John Hollows**	**Erik Luts**
in service since 1988	in service since 1984	in service since 1987	in service since 2009	in service since 1988	in service since 1996	in service since 1988
CEO (Chief Executive Officer)	CFO (Chief Financial Officer)	CRO (Chief Risk Officer)	CEO Belgium Business Unit	CEO International Markets Business Unit	CEO Czech Republic Business Unit	CIO (Chief Innovation Officer)

Corporate Governance

The Banking Law and the Insurance Supervision Law, of which certain provisions also apply to (mixed) financial holding companies, make a fundamental distinction between the management of the activities of KBC Group, which is within the competence of the Executive Committee, and the supervision of management and the definition of the institution's general policy, which is entrusted to the Board of Directors. According to these laws, KBC Group has an Executive Committee of which at least three members are also a member of the Board of Directors.

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.

KBC has a Governance Memorandum, which sets out the corporate governance policy applying to the Issuer and its subsidiaries. The most recent version of the Governance Memorandum was approved on 14 December 2017 by the Board of Directors of the Issuer, KBC Bank NV and KBC Insurance NV.

Furthermore, in its capacity as listed company, KBC Group uses the Belgian Corporate Governance Code 2009 (the "**Code**") as reference code. The Code seeks to ensure transparency in the area of corporate governance through the publication of information in the Corporate Governance Charter and the Corporate Governance Statement.

The Corporate Governance Charter sets out the main aspects of the policy of KBC Group in the area of corporate governance, such as the governance structure, the internal regulations of the Board of Directors, its advisory committees and the Executive Committee, and other important topics.

The Charter is published on www.kbc.com.

The Corporate Governance Statement is published in the annual report and contains more factual information about the corporate governance of KBC Group, including a description of the composition and functioning of the Board, relevant events during the year, provisions of the Code which may be waived, the remuneration report and a description of the main features of the internal control and risk management systems.

Conflict of interests policy

1. *Conflicts of interest on the part of members of the Executive Committee or Board of Directors and Intragroup conflicts of interest*

   The policy related to these conflicts of interests can be found in the Corporate Governance Charter of the Issuer.

   The information regarding conflicts of interest which took place in the course of the year is mentioned in the Corporate Governance Statement in the annual reports of the Issuer.

   The Issuer is not aware of any potential conflicts of interests between the obligations which a director has with respect to the Issuer and the personal interests and / or other obligations of that director.

2. *Other conflicts of interests*

   The information related to the policy of other conflicts of interest (e.g. between shareholders/employees/clients and the Issuer) is set out in the Governance Memorandum.

18 Litigation

This section sets out material litigation to which the Issuer or any of its subsidiaries (or certain individuals in their capacity as current or former employees or officers of the Issuer or any of its companies) are party. It describes all claims, quantified or not, that could lead to the impairment of the company's reputation or to a sanction by an external regulator or governmental authority, or that could present a risk of criminal 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 Group's consolidated financial position or results, given the provisions that, where necessary, have been set aside for these disputes.

Judicial inquiries and criminal proceedings

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, KBC Bank and KB 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. KBC Bank and KB 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 or involved separately or jointly to court in a series of legal actions. In three lawsuits the claims of the Belgian State were dismissed and the judgments are definite. Most of these claims were linked to the criminal case before the Court of First Instance in Bruges.

KB Consult was placed under suspicion by an investigation magistrate in December 2004. 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. On 27 October 2015 the court confirmed the dismissal of the claim. The proceedings before the Court of First Instance in Bruges were initially scheduled for a hearing on 12 April 2017 on the admissibility of the prosecution and on the limitation period. On 25 April 2018, the court closed the case.

Other litigation

(i) In March 2000, the Belgian State, Finance Department, summoned Rebeo (currently Almafin Real Estate Services) and Trustimmo, two former subsidiaries of former Almafin, later 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.

On 9 May 2014, the civil court in Antwerp decided that Broeckdal Vastgoedmaatschappij, which was no longer represented as it was dissolved and liquidated, implicitely renounced its claim.

On 22 February 2017, the Belgian State reactivated the civil lawsuit which was pending in Brussels between itself, Rebeo, Trustimmo and the four former members of the board and which had been suspended pending a final judgment in the tax lawsuit in Antwerp.

The civil lawsuit pending in Brussels has been suspended pending a final judgement in the tax lawsuit in Antwerp. An adjusted provision of EUR 28.1 million (at 31 December 2017) has been reserved to cover the potential impact of liability with respect to these actions.

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

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

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

(ii) In 2009, KBC Bank and subsidiaries such as K&H Bank and ČSOB SK received numerous complaints about CDO notes issued by KBC Financial Products that were sold to private banking and corporate clients and which have now been downgraded. Such clients have been asking for their notes to be bought back at their original value.

In 2010, KBC Bank decided to examine all CDO related files with respect to private banking and retail clients on a case-by-case basis and to settle the disputes as much as possible out of court.

In Belgium settlements were reached with clients in KBC Bank Private Banking and Retail Banking. As a result of complaints, some Corporate Banking files were also examined. Subsequently negotiations started in the files where a decision to propose a settlement was taken and in a limited number of files settlements were reached. Only a few lawsuits are on-going. In nine cases the courts rendered judgments entirely in favour of KBC. At this stage one case is pending in first instance, two cases are still pending in degree of appeal and one is pending before the Court of Cassation.

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

On 10 December 2009, the Hungarian Competition Authority ("**HCA**") passed a resolution whereby K&H was ordered to pay a fine of HUF 40,000,000 (approximately EUR 150,000) based on the violation of the Hungarian Act on the prohibition of unfair and restrictive market practices in relation

to K&H's trade in CDO bonds. The appeal filed by K&H against the HCA resolution was rejected by the Budapest Metropolitan Court. K&H Bank submitted a revision claim before the Supreme Court which approved in May 2012 the second level decision.

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

(iii) Lazare Kaplan International Inc. is a U.S. based diamond company ("**LKI**"). Lazare Kaplan Belgium NV is LKI's Belgian affiliate ("**LKB**"). LKI and LKB together are hereinafter referred to as "LK". The merger between KBC Bank and Antwerpse Diamantbank NV ("**ADB**") by absorption of the latter that took place on 1 July 2015 entails that KBC Bank is now a party to the proceedings below, both in its own name and in its capacity as legal successor to ADB. However, for the sake of clarity, further reference is made to ADB on the one hand and KBC Bank on the other hand as they existed at the time of the facts described.

Fact summary

Since 2008, LKB has been involved in a serious dispute with its former business partners, DD Manufacturing NV and KT Collection BVBA ("**Daleyot**"), Antwerp based diamond companies belonging to Mr. Erez Daleyot. This dispute relates to a joint venture LK and Daleyot set up in Dubai (called "**Gulfdiam**").

LKB and Daleyot became entangled in a complex litigation in Belgium, each claiming that the other party is their debtor. Daleyot initiated proceedings before the Commercial Court of Antwerp for payment of commercial invoices for an amount of (initially) approximately USD 9 million. LKB launched separate proceedings for payment of commercial invoices for (initially) an amount of approximately USD 38 million.

At the end of 2009, ADB terminated LK's credit facilities. After LK failed to repay the amount outstanding, ADB started proceedings before the Commercial Court of Antwerp, section Antwerp, for the recovery of that amount. In a bid to prevent having to pay back the amount owed, LK in turn initiated several legal proceedings against ADB and/or KBC Bank in Belgium and the USA. These proceedings, which are summarised below, relate to inter alia, the dispute between ADB and LKI with regard to the termination of the credit facility and the recovery of all the monies LKI owes under the terminated credit facility as well as allegations that LK was deprived out of circa USD 140 million by DD Manufacturing and other Daleyot entities in cooperation with ADB.

Overview Legal Proceedings

(A) Belgian proceedings (overview per court entity)

Commercial Court of Antwerp, section Antwerp

Proceedings were initiated by ADB against LKI in order to recover the monies owed to it under the terminated credit facility (approximately USD 45 million in principal). LKB voluntarily intervened in this proceeding and claimed an amount of USD 350 million from ADB. LKI launched a counterclaim of USD 500 million against ADB (from which it claims any amount awarded to LKB must be deducted).

On 23 January 2014, LK appealed a decision of the Commercial Court of 23 October 2013 in which a briefing round was scheduled. On 15 July 2016 LKI issued a summons against Ernst & Young to intervene in these appeal proceedings before the Antwerp Court of Appeals and to indemnify LKI in case LKI would be ordered to pay the amounts claimed by KBC Bank. On 24

October 2016 the Court of Appeals declared the appeal of LKI and LKB inadmissible given the fact that the decision of the Commercial Court regarding the briefing round was not susceptible to appeal in the first place. Furthermore, the Court granted KBC Bank's counterclaim for damages for reckless and vexatious appeal and ordered LKI and LKB jointly to pay an amount of EUR 5,000 in damages to KBC Bank.

LK filed an appeal with the Court of Cassation against this judgment of the Antwerp Court of Appeals. In its judgment of 14 September 2017, the Court of Cassation dismissed the appeal. Moreover, the Court ordered LK to pay EUR 10,000 in damages to KBC Bank for reckless and vexatious appeal in cassation.

As a result of the judgment of 24 October 2016 of the Antwerp Court of Appeals, the case was again brought before the Commercial Court of Antwerp, section Antwerp. KBC Bank then took procedural measures to reactivate the case.

By decision of 2 January 2017, the Commercial Court postponed its decision to set a briefing schedule and a hearing date to 30 March 2017. By decision of 30 March 2017, the Commercial Court set a briefing schedule and a hearing date on 12 December 2017. LK however appealed the decisions of 2 January 2017 and 30 March 2017 before the Antwerp Court of Appeals. By its decision of 26 October 2017, the Court of Appeals set a briefing schedule and a hearing for 16 November 2017.

However, both the proceedings before the Commercial Court of Antwerp and the Antwerp Court of Appeals were suspended following the filing by LK of 22 separate petitions with the Court of Cassation on 16 November 2017, 7 December 2017, 11 December 2017 and 21 February 2018 to have the case withdrawn from both the Commercial Court of Antwerp and the Antwerp Court of Appeals. By judgments of 29 March 2018, the Court of Cassation rejected 20 requests, thereby ordering LK to pay a compensation of EUR 200,000 to KBC Bank for reckless and vexatious appeal in cassation. LK was also condemned to a fine of EUR 50,000 for initiating proceedings with a manifest illicit and dilatory objective. By judgments of 19 April 2018, the Court of Cassation declared the other two requests of LK manifestly inadmissible. KBC Bank is now taking procedural measures to reactivate the proceedings pending before both the Commercial Court of Antwerp and the Antwerp Court of Appeals.

Commercial Court of Antwerp, section Antwerp

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

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

Commercial Court of Antwerp, section Antwerp

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

By decision of 7 February 2017, the Commercial Court dismissed LKB's claim. Moreover, the court decided that the proceedings initiated by LKB were reckless and vexatious and ordered

LKB to pay EUR 250,000 in damages, as well as the maximum allowed indemnity for legal expenses, being EUR 72,000.

LKB appealed against the decision of 7 February 2017. This appeal is still pending before the Antwerp Court of Appeals. Parties are exchanging briefs and the court set hearing for 10 January 2019.

LKI – which was not a party to the first instance proceedings – commenced third-party opposition proceedings against the same decision with the Commercial Court of Antwerp, section Antwerp. These proceedings are still pending. Parties are exchanging briefs and a court hearing is set for 9 April 2019.

Commercial Court of Antwerp, section Antwerp

LKB initiated proceedings against KBC Bank claiming that the bank acted as *de facto* director of the bankrupted Daleyot entities. LKB filed a damage claim against KBC Bank for a provisional amount of USD 90 million. Moreover, LKB contests KBC Bank's claim and preferential position in the bankruptcy proceedings of DD Manufacturing and KT Collections (which are Daleyot entities). The liquidators of both bankrupted companies were also involved in these proceedings, so that the decisions to be taken by the Commercial Court could be declared binding on them. By decision of 14 February 2018, the Commercial Court dismissed LKB's claim and ordered LKB to pay an indemnity for legal expenses, being EUR 18,000. This decision cannot be appealed and is therefore final.

Court of First Instance of Antwerp, section Antwerp

On 24 July 2014, LK launched proceedings before the Court of First Instance of Antwerp, section Antwerp, against KBC Bank, ADB and Erez Daleyot, his wife and certain Daleyot entities. This claim was aimed at having the security interests granted in favour of either KBC Bank or ADB declared null and void or at least not opposable against LK. LK also filed claims against ADB and KBC Bank for a provisional amount of USD 180 million based on the alleged third party complicity of ADB. By decision of 18 January 2018, the Court dismissed LK's claim. Moreover, the Court ordered LK to pay a compensation of EUR 30,000 for reckless and vexatious proceedings, as well as the maximum allowed indemnity for legal expenses, being EUR 33,000.

Criminal complaint

At the end of March 2017, KBC Bank was informed that a criminal complaint was brought against KBC Bank, thereby commencing criminal investigations led by the Investigating Magistrate at the Dutch speaking Court of First Instance of Brussels. KBC Bank presumes that this complaint was already filed at the end of 2016. At the date of this Base Prospectus, KBC Bank does not have a copy of that criminal complaint. KBC Bank has filed a request to have access to the investigation file.

(B) US proceedings

A complaint of USD 500 million was initiated by LKI against both ADB and KBC Bank in 2011, alleging violations of the RICO Act (which provides for trebling of any damage award) and numerous other claims under state law. This complaint is, in fact, a non-cumulative duplicate of the one LKI brought before the Commercial Court of Antwerp, section Antwerp. The United States District Court for the Southern District of New York granted ADB's and KBC Bank's motions to dismiss in 2012 on the basis of the doctrine of *forum non conveniens,*

holding that the case should be heard in Belgium. In 2013, the United States Court of Appeals for the Second Circuit reversed and remanded the case back to the District Court for further proceedings. The Court of Appeals ordered the District Court to first resolve which of two contested forum selection clauses applied to LKI's claims prior to ruling on *forum non conveniens* or any other grounds on which ADB and KBC Bank moved to dismiss.

Following the remand, and in accordance with the Court of Appeals's order, the District Court ruled that the parties were to engage in limited discovery related to the contested forum selection clauses. This included both document discovery and limited depositions. This limited discovery was completed by April 2016. The District Court stayed LKI's discovery related to the merits of the complaint, which is still in effect.

On 14 and 15 February 2017, an evidentiary hearing took place to determine which of the two disputed forum selection clauses applied. After the hearing, the parties submitted proposed findings of fact for the District Court to rule on. In addition, shortly after the hearing, LKI moved to strike the testimony of one of KBC Bank's witnesses and filed a motion for sanctions against KBC Bank alleging nondisclosure of an agreement related to the relationship between KBC Bank and ADB (KBC Bank disclosed the agreement years ago, and the District Court considered the agreement in making its findings of fact).

On 30 June 2017, the District Court issued its Findings of Facts and denied LKI's motion to strike the testimony of KBC Bank's witness. The District Court's Findings of Fact rejected all of the facts that supported LKI's arguments and agreed with KBC Bank's description of those facts.

On 14 July 2017, LKI filed a motion for reconsideration in connection with the District Court's Findings of Fact. The District Court denied this motion on 16 August 2017.

By order dated 25 September 2017, the District Court granted LKI's motion for leave to file an amended complaint which was filed on 26 September 2017. The District Court also set a briefing schedule with regard to the motion to dismiss and the motion for sanctions. By order dated 28 March 2018, the District Court dismissed LKI's motion for sanctions. All briefs have now been exchanged and parties are awaiting a judgement.

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

On 27 April 2014, Judge Rakoff issued an opinion and order regarding the 'good faith' standard and pleading burden to be applied in the Picard/SIPA proceeding based on sections 548(b) and 559(b) of the Bankruptcy Code. As such, the burden of proof that lies on Picard/SIPA is that KBC should have been aware of the fraud perpetrated by Madoff. On 7 July 2014, Judge Rakoff ruled that Picard/SIPA's reliance on section 550(a) does not allow for the recovery of subsequent transfers received abroad by a

foreign transferee from a foreign transferor (as is the case for KBC Investments Ltd.). Therefore, the trustee's recovery claims have been dismissed to the extent that they seek to recover purely foreign transfers. In June 2015, the trustee filed a petition against KBC to overturn the ruling that the claim fails on extraterritoriality grounds. In this petition, the trustee also amended the original claim including the sum sought. The amount has been increased to USD 196 million.

On 22 November 2016, Judge Bernstein issued a memorandum decision regarding claims to recover foreign subsequent transfers, including the transfers which the trustee seeks to recover from KBC. In this memorandum decision, Judge Bernstein concluded that the trustee's claims based on foreign transfers should be dismissed out of concern for international comity and ordered a dismissal of the action against KBC. On 16 March 2017, the trustee Picard filed an appeal of dismissal, on 27 September 2017 the Second Circuit granted trustee Picard's petition for a direct appeal, on 10 January 2018 trustee Picard filing his opening brief in appeal to Second Circuit. The oral argument and resolution by the Court of Appeals of the Second Circuit will take between six to eighteen months.

SELECTED FINANCIAL INFORMATION

The following tables set out in summary form certain statements of financial position, income statements, statements of comprehensive income and cash flow information relating to the Issuer. The information has been extracted from the audited consolidated financial statements of the Issuer for the years ended 31 December 2016 and 31 December 2017 and from the extended quarterly report for the first quarter of 2018 of the Issuer.

The consolidated financial statements of the Issuer for the years ended 31 December 2016 and 31 December 2017 have been audited in accordance with IAS 39. The interim condensed consolidated financial statements for the first quarter of 2017 and 2018 are unaudited.

As of 2018, the financial information is prepared in accordance with IFRS 9.

Consolidated balance sheet

ASSETS (in millions of EUR)	31-12-2016 (IAS 39)	31-12-2017 (IAS 39)	01-01-2018 (IFRS 9)	31-03-2017 (IAS 39)	31-03-2018 (IFRS 9)
Cash and cash balances with central banks	20 686	29 727		21 070	32 642
Financial assets	246 298	254 753	253 817	257 794	262 748
Held for trading	9 683	7 431	-	8 972	-
Designated at fair value through profit or loss	14 184	14 484	-	14 353	-
Available for sale	36 708	34 156	-	35 735	-
Loans and receivables	151 615	167 458	-	165 116	-
Held to maturity	33 697	30 979	-	33 148	-
Amortised cost	-	-	210 865	-	220 190
Fair value through other comprehensive income	-	-	19 516	-	18 713
Fair value through profit or loss	-	-	23 191	-	23 629
of which held for trading	-	-	7 148	-	7 869
Hedging derivatives	410	245	245	469	217
Reinsurers' share in technical provisions	110	131		127	141
Fair value adjustments of hedged items in portfolio hedge of interest rate risk	202	-78		116	150
Tax assets	2 312	1 625		2 366	1 722
Current tax assets	66	82		62	88
Deferred tax assets	2 246	1 543		2 303	1 634
Non-current assets held for sale and assets associated with disposal groups	8	21		24	13
Investments in associated companies and joint ventures	212	240		210	227
Property, equipment and investment property	2 877	3 207		2 937	3 245
Investment property	426	485		425	546
Property and equipment	2 451	2 721		2 512	2 699
Goodwill and other intangible assets	999	1 205		1 008	1 219
Other assets	1 496	1 512		1 641	1 915
TOTAL ASSETS	**275 200**	**292 342**		**287 293**	**304 022**

LIABILITIES AND EQUITY (in millions of EUR)	31-12-2016 (IAS 39)	31-12-2017 (IAS 39)	01-01-2018 (IFRS 9)	31-03-2017 (IAS 39)	31-03-2018 (IFRS 9)
Financial liabilities	234 300	251 260	251 260	245 785	262 515
Amortised cost	207 485	227 944		221 535	240 280
Fair value through profit or loss	25 112	22 032		22 451	21 007
of which held for trading	8 559	6 998		7 281	6 236
of which designated at fair value through profit or loss	16 553	15 034		15 170	14 771
Hedging derivatives	1 704	1 284		1 798	1 228
Technical provisions, before reinsurance	19 657	18 641		19 234	18 754
Fair value adjustments of hedged items in portfolio hedge of interest rate risk	204	-86		150	130
Tax liabilities	681	582		698	522
Current tax liabilities	188	148		253	195
Deferred tax liabilities	493	434		445	327
Liabilities associated with disposal groups	0	0		0	0
Provisions for risks and charges	238	399		264	348
Other liabilities	2 763	2 743		3 256	3 233
TOTAL LIABILITIES	**257 843**	**273 540**		**269 388**	**285 503**
Total equity	**17 357**	**18 803**		**17 906**	**18 519**
Parent shareholders' equity	15 957	17 403	16 658	16 506	17 119
Non-voting core-capital securities	0	0		0	0
Additional Tier-1 instruments included in equity	1 400	1 400		1 400	1 400
Minority interests	0	0		0	0
TOTAL LIABILITIES AND EQUITY	**275 200**	**292 342**		**287 293**	**304 022**

Consolidated income statement

In millions of EUR	2016 (IAS 39)	2017 (IAS 39)	1Q 2017 (IAS 39)	1Q 2018 (IFRS 9)
Net interest income	4 258	4 121	1 025	1 125
Interest income	6 642	6 337	1 576	1 682
Interest expense	-2 384	-2 216	-551	- 557
Non-life insurance before reinsurance	628	706	187	162
Earned premiums Non-life	1 410	1 491	360	378
Technical charges Non-life	-782	-785	-173	-216
Life insurance before reinsurance	-152	-58	-28	-7
Earned premiums Life	1 577	1 271	312	336
Technical charges Life	-1 728	-1 330	-341	-343
Ceded reinsurance result	-38	-8	-4	-9
Dividend income	77	63	15	21
Net result from financial instruments at fair value through profit or loss	540	856	191	96
of which Result on equity instruments (overlay)	-	-	-	19
Net realised result from available-for-sale assets	189	199	45	-
Net realised result from debt instruments at fair value	-	-	-	1

through other comprehensive income				
Net fee and commission income	1 450	1 707	439	450
Fee and commission income	2 101	2 615	620	648
Fee and commission expense	-651	-908	-181	-197
Net other income	258	114	77	71
TOTAL INCOME	**7 211**	**7 700**	**1 946**	**1 912**
Operating expenses	-3 948	-4 074	-1 229	-1 291
Staff expenses	-2 252	-2 303	-565	-583
General administrative expenses	-1 449	-1 505	-601	-640
Depreciation and amortisation of fixed assets	-246	-266	-63	-68
Impairment	-201	30	-8	56
on loans and receivables	-126	87	-6	-
on financial assets at amortised cost	-	-	-	63
on available-for-sale assets	-55	-12	-1	-
on financial assets at fair value through other comprehensive income	-	-	-	0
on goodwill	0	0	0	0
on other	-20	-45	0	-6
Share in results of associated companies and joint ventures	27	11	5	6
RESULT BEFORE TAX	**3 090**	**3 667**	**715**	**683**
Income tax expense	-662	-1 093	-85	-127
Net post-tax result from discontinued operations	0	0	0	0
RESULT AFTER TAX	**2 428**	**2 575**	**630**	**556**
Attributable to minority interest	0	0	0	0
of which relating to discontinued operations	*0*	*0*	*0*	*0*
Attributable to equity holders of the parent	**2 427**	**2 575**	**630**	**556**
of which relating to discontinued operations	*0*	*0*	*0*	*0*
Earnings per share (in EUR)				
Basic	5.68	6.03	1.47	1.30
Diluted	5.68	6.03	1.47	1.30

Consolidated cash flow statement

In millions of EUR	2016 (IAS 39)	2017 (IAS 39)	1Q 2017 (IAS 39)	1Q 2018 (IFRS 9)
Operating activities				
Result before tax	3 090	3 667		
Adjustments for:				
Result before tax related to discontinued operations	0	0		
Depreciation, impairment and amortisation of property and equipment, intangible assets, investment property and securities	341	340		
Profit/Loss on the disposal of investments	-11	-16		
Change in impairment on loans and advances	126	-87		
Change in gross technical provisions (before reinsurance)	391	-149		
Change in the reinsurers' share in the technical provisions	17	-18		

Change in other provisions	-7	121		
Other non realised gains or losses	-104	-621		
Income from associated companies and joint ventures	-27	-11		
Cashflows from operating profit before tax and before changes in operating assets and liabilities	3 815	3 227		
Changes in operating assets (excl. cash & cash equivalents)	-3 676	694		
Loans and receivables	-4 226	-4 854		
Available for sale	-909	2 927		
Held for trading	707	2 751		
Designated at fair value through P&L	657	-299		
Hedging derivatives	104	165		
Operating assets associated with disposal groups & other assets	-9	4		
Changes in operating liabilities (excl. cash & cash equivalents)	18 345	9 464		
Deposits measured at amortised cost	15 044	7 468		
Debts represented by securities measured at amortised cost	11 728	5 874		
Financial liabilities held for trading	175	-1 345		
Financial liabilities designated at fair value through profit or loss	-7 355	-1 543		
Hedging derivatives	-867	-200		
Technical provisions, before reinsurance	-267	-867		
Operating liabilities associated with disposal groups & other liabilities	-114	78		
Income taxes paid	-470	-523		
Net cash from (used in) operating activities	18 014	12 863	9 163	11 341
Investing activities				
Purchase of held-to-maturity securities	-2 365	-2 096		
Proceeds from the repayment of held-to-maturity securities at maturity	1 683	4 685		
Acquisition of a subsidiary or a business unit, net of cash acquired (increase in participation interests included)	0	185		
Proceeds from the disposal of a subsidiary or business unit, net of cash disposed (decrease in participation interests included)	0	7		
Purchase of shares in associated companies and joint ventures	0	0		
Proceeds from the disposal of shares in associated companies and joint ventures	0	0		
Dividends received from associated companies and joint ventures	26	26		
Purchase of investment property	-35	-37		
Proceeds from the sale of investment property	32	19		
Purchase of intangible fixed assets (excl. goodwill)	-158	-206		
Proceeds from the sale of intangible fixed assets (excl. goodwill)	9	6		
Purchase of property and equipment	-713	-793		
Proceeds from the sale of property and equipment	269	152		
Net cash from (used in) investing activities	-1 252	1 947	533	942

Financing activities				
Purchase or sale of treasury shares	0	-5		
Issue or repayment of promissory notes and other debt securities	-140	-657		
Proceeds from or repayment of subordinated liabilities	-428	120		
Principal payments under finance lease obligations	0	0		
Proceeds from the issuance of share capital	16	15		
Proceeds from or repayment of non-voting core-capital securities	0	0		
Proceeds from the issuance or repayment of preference shares	0	0		
Dividends paid	-470	-1 223		
Net cash from (used in) financing activities	-1 022	-1 750	80	-148
Change in cash and cash equivalents				
Net increase or decrease in cash and cash equivalents	15 741	13 060	9 776	12 136
Cash and cash equivalents at the beginning of the period	10 987	26 747	26 747	40 413
Effects of exchange rate changes on opening cash and cash equivalents	19	606	1	78
Cash and cash equivalents at the end of the period	26 747	40 413	36 524	52 627
Additional information				
Interest paid	-2 384	-2 216		
Interest received	6 642	6 337		
Dividends received (including equity method)	103	89		
Components of cash and cash equivalents				
Cash and cash balances with central banks	20 148	29 727		
Loans and advances to banks repayable on demand and term loans to banks < 3 months	11 622	20 118		
Deposits from banks repayable on demand and redeemable at notice	-5 023	-9 431		
Cash and cash equivalents included in disposal groups	0	0		
Total	26 747	40 413		
Of which not available	0	0		

USE OF PROCEEDS

The net proceeds from the Notes to be issued under the Programme will be used for general corporate purposes of the Group.

The net proceeds of the Subordinated Tier 2 Notes will strengthen the Issuer's capital base under a fully loaded CRD IV approach and are part of the Issuer's long-term funding, which the Issuer uses to fund and manage its activities and which it may on-lend to its subsidiaries. The Issuer may on-lend the proceeds of the Subordinated Tier 2 Notes to KBC Bank NV under a framework agreement which will also qualify at the level of KBC Bank NV as Tier 2 capital for regulatory capital purposes.

The Issuer may, if it so elects, on-lend the proceeds of the Senior Notes to its subsidiaries on a subordinated basis in order for the relevant loan to be included as minimum requirement for own funds and eligible liabilities ("**MREL**") under applicable regulation.

If in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

In particular, the Issuer may issue Notes where the applicable Final Terms specify that an amount equivalent to the net proceeds from the offer of the Senior Notes or Subordinated Tier 2 Notes will specifically be applied for loans, assets, projects and activities of the Group that promote climate-friendly and other environmental or sustainable purposes ("**Green Bond Eligible Assets**"). The Issuer will on-lend the net proceeds to KBC Bank NV in order for KBC Bank NV to finance and/or refinance the relevant Green Bond Eligible Assets.

TAXATION

Common Reporting Standard

The exchange of information is governed by the Common Reporting Standard ("**CRS**"). On 15 January 2018, 98 jurisdictions signed the multilateral competent authority agreement ("**MCAA**"), which is a multilateral framework agreement to automatically exchange financial and personal information, with the subsequent bilateral exchanges coming into effect between those signatories that file the subsequent notifications. More than 50 jurisdictions have committed to a specific and ambitious timetable leading to the first automatic information exchanges in 2017 ("**early adopters**"). More than 50 jurisdictions have committed to exchange information as from 2018.

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

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

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

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

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

Belgium

The following summary describes the principal Belgian tax considerations of acquiring, holding and selling the Notes. This information is of a general nature based on the Issuer's understanding of current law and practice and does not purport to be a comprehensive description of all Belgian tax considerations that may be relevant to a decision to acquire, to hold or to dispose of the Notes. In some cases, different rules can be applicable. The summary is based on laws, treaties and regulatory interpretations in effect in Belgium on the date of this Base Prospectus, all of which can be amended in the future, possibly implemented with retroactive

effect. Furthermore, the interpretation of the tax rules may change. Investors should appreciate that, as a result of evolutions in law or practice, the eventual tax consequences may be different from what is stated below.

Each prospective holder of Notes should consult a professional adviser with respect to the tax consequences of an investment in the Notes, taking into account their own particular circumstances and the influence of each regional, local or national law.

For purposes of this summary, a Belgian resident is an individual subject to Belgian personal income tax (that is, an individual who is domiciled in Belgium or has his seat of wealth in Belgium or a person assimilated to a resident for purposes of Belgian tax law), a company subject to Belgian corporate income tax (that is, a corporate entity that has its statutory seat, its main establishment, its administrative seat or seat of management in Belgium), an Organisation for Financing Pensions subject to Belgian corporate income tax (i.e., a Belgian pension fund incorporated under the form of an Organisation for Financing Pensions), or a legal entity subject to Belgian income tax on legal entities (that is, a legal entity other than a company subject to Belgian corporate income tax, that has its statutory seat, its main establishment, its administrative seat or seat of management in Belgium). A Belgian non-resident is any person that is not a Belgian resident.

Investors should note that the Belgian state adopted tax reform legislation on 25 December 2017. This tax reform legislation is expected to be further amended by a repair bill which is currently being discussed in the Belgian federal parliament. Once adopted and entered into force, the repair legislation might impact the Belgian taxation regime as described in this section.

Belgian withholding tax

For Belgian income tax purposes, interest includes (i) periodic interest income, (ii) any amounts paid by the Issuer in excess of the issue price (upon full or partial redemption whether or not at maturity, or upon purchase by the Issuer), and (iii) in case of a realisation of the Notes between interest payment dates to any third party, excluding the Issuer, the pro rata of accrued interest corresponding to the holding period.

Payments of interest on the Notes made by or on behalf of the Issuer are as a rule subject to Belgian withholding tax, currently at a rate of 30% on the gross amount.

However, the holding of the Notes in the securities settlement system of the NBB (the "**Securities Settlement System**") permits investors to collect payments of interest and principal on their Notes free of Belgian withholding tax if and as long as at the moment of payment or attribution of interest the Notes are held by certain investors (the "**Eligible Investors**", see below) in an exempt securities account ("**X-account**") that has been opened with a financial institution that is a direct or indirect participant (a "**Participant**") in the Securities Settlement System. Euroclear and Clearstream Luxembourg are directly or indirectly Participants for this purpose.

Holding the Notes through the Securities Settlement System enables Eligible Investors to receive the gross interest income on their Notes and to transfer the Notes on a gross basis.

Participants to the Securities Settlement System must keep the Notes which they hold on behalf of Eligible Investors on an X-account, and those which they hold on behalf of non-Eligible Investors in a non-exempt securities account ("**N-account**"). Payments of interest made through X-accounts are free of withholding tax; payments of interest made through N-accounts are subject to withholding tax, currently at a rate of 30%, which is withheld from the interest payment and paid by the NBB to the tax authorities.

Eligible Investors are those entities referred to in article 4 of the Belgian Royal Decree of 26 May 1994 on the deduction of withholding tax (*koninklijk besluit van 26 mei 1994 over de inhouding en de vergoeding van de*

roerende voorheffing/arrêté royal du 26 mai 1994 relatif à la perception et à la bonification du précompte mobilier), which includes *inter alia*:

(i) Belgian resident companies referred to in article 2, §1, 5°, b) of the Belgian Income Tax Code of 1992 (*wetboek van inkomstenbelastingen 1992/code des impôts sur les revenus 1992*) ("**BITC**");

(ii) Without prejudice to article 262, 1° and 5° of the BITC, the institutions, associations or companies referred to in article 2, §3 of the law of 9 July 1975 with respect to the control of insurance companies other than those referred to in (i) and (iii);

(iii) Semi-governmental institutions (*parastatalen/institutions parastatales*) for social security or institutions equated therewith referred to in article 105, 2° of the Royal Decree of 27 August 1993 implementing the BITC (*koninklijk besluit tot invoering van het wetboek inkomstenbelastingen 1992/arrêté royal d'exécution du code des impôts sur les revenus 1992*) ("**RD/BITC**");

(iv) Non-resident investors referred to in article 105, 5° of the RD/BITC whose holding of the Notes is not connected to a professional activity in Belgium;

(v) Investment funds referred to in article 115 of the RD/BITC;

(vi) Investors referred to in article 227, 2° of the BITC, subject to non-resident income tax (*belasting van niet inwoners/impôt des non-résidents*) in accordance with article 233 of the BITC and which have used the income generating capital for the exercise of their professional activities in Belgium;

(vii) The Belgian State, in respect of investments which are exempt from withholding tax in accordance with article 265 of the BITC;

(viii) Investment funds governed by foreign law (such as *beleggingsfondsen/fonds de placement*) that are an undivided estate managed by a management company for the account of the participants, provided the funds units are not publicly issued in Belgium or traded in Belgium; and

(ix) Belgian resident companies not referred to under (i), whose activity exclusively or principally exists of granting credits and loans.

Eligible Investors do not include, *inter alia*, Belgian resident individuals and Belgian non-profit organisations, other than those mentioned under (ii) and (iii) above.

Transfers of Notes between an X-account and an N-account give rise to certain adjustment payments on account of withholding tax:

- A transfer from an N-account (to an X-account or N-account) gives rise to the payment by the transferor non-Eligible Investor to the NBB of withholding tax on the accrued fraction of interest calculated from the last interest payment date up to the transfer date.
- A transfer to an N-account (from an X-account or an N-account) gives rise to the refund by the NBB to the transferee non-Eligible Investor of withholding tax on the accrued fraction of interest calculated from the last interest payment date up to the transfer date.
- Transfers of Notes between two X-accounts do not give rise to any adjustment on account of withholding tax.

When opening an X-account for the holding of Notes, an Eligible Investor will be required to certify its eligible status on a standard form claimed by the Belgian Minister of Finance and send it to the participant to the Securities Settlement System where this account is kept. This statement needs not be periodically reissued (although Eligible Investors must update their certification should their eligible status change). Participants to

the Securities Settlement System are however required to annually make declarations to the NBB as to the eligible status of each investor for whom they hold Notes in an X-account during the preceding calendar year.

An X-Account may be opened with a Participant by an intermediary (an "**Intermediary**") in respect of Notes that the Intermediary holds for the account of its clients (the "**Beneficial Owners**"), provided that each Beneficial Owner is an Eligible Investor. In such case, the Intermediary must deliver to the Participant a statement on a form approved by the Minister of Finance confirming that (i) the Intermediary is itself an Eligible Investor and (ii) the Beneficial Owners holding their Notes through it are also Eligible Investors. A Beneficial Owner is also required to deliver a statement of its eligible status to the intermediary.

These identification requirements do not apply to central securities depositaries, as defined by Article 2, §1, 1) of Regulation (EU) n° 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012, acting as Participants to the Securities Settlement System, provided that (i) they only hold X Accounts, (ii) they are able to identify the holders for whom they hold Notes in such account and (iii) the contractual rules agreed upon by these central securities depositaries acting as Participants include the contractual undertaking that their clients and account owners are all Eligible Investors.

Hence, these identification requirements do not apply to Notes held in Euroclear and Clearstream Luxembourg, or any other central securities depository as Participants to the Securities Settlement System, provided that (i) Euroclear and Clearstream Luxembourg only hold X Accounts, (ii) they are able to identify the holders for whom they hold Notes in such account and (iii) the contractual rules agreed upon by these central securities depositaries include the contractual undertaking that their clients and account owners are all Eligible Investors.

Belgian income tax and capital gains

Belgian resident individuals

For natural persons who are Belgian residents for tax purposes, i.e. who are subject to the Belgian personal income tax (*Personenbelasting/Impôt des personnes physiques*) and who hold the Notes as a private investment, payment of the 30% withholding tax fully discharges them from their personal income tax liability with respect to these interest payments (*bevrijdende roerende voorheffing/précompte mobilier libératoire*). This means that they do not have to declare the interest obtained on the Notes in their personal income tax return, provided that the Belgian withholding tax of 30% was levied on these interest payments.

Belgian resident individuals may nevertheless elect to declare the interest payment (as defined above in the Section "*Belgian withholding tax*") in their personal income tax return. Where the beneficiary opts to declare them, interest payments will normally be taxed at the interest withholding tax rate of 30% or at the progressive personal tax rate taking into account the taxpayer's other declared income, whichever is lower. No local surcharges will be due. If the interest payment is declared, the Belgian withholding tax retained is creditable in accordance with the applicable legal provisions.

Capital gains realised on the transfer of the Notes are in principle tax exempt, unless the capital gains are realised outside the scope of the normal management of one's private estate (in which case the capital gain will be taxed at 33% plus local municipality surcharge) or unless the capital gains qualify as interest (as defined above in the Section "*Belgian withholding tax*"). Capital losses are in principle not tax deductible.

Other tax rules apply to Belgian resident individuals who do not hold the Notes as a private investment.

Belgian resident companies

Corporations Noteholders who are Belgian residents for tax purposes, i.e., who are subject to Belgian Corporate Income Tax (*Vennootschapsbelasting/Impôt des sociétés*) are subject to the following tax treatment in Belgium with respect to the Notes.

Interest derived by Belgian corporate investors on the Notes and capital gains realised on the Notes are taxable at the ordinary corporate income tax rate of 29.58% (including the 2% crisis surcharge) and 25% as of 2020 (i.e., for financial years starting on or after 1 January 2020). Subject to certain conditions, a reduced corporate income tax rate of 20.4% (including the 2% crisis surcharge) and 20% as of 2020 (i.e., for financial years starting on or after 1 January 2020) applies for small and medium sized enterprises (as defined by Article 15, §1 to §6 of the Belgian Companies Code) on the first EUR 100,000 of taxable profits.

Capital losses are in principle deductible.

Any Belgian withholding tax that has been levied is creditable in accordance with the applicable legal provisions.

Other tax rules apply to investment companies within the meaning of Article 185bis of the Belgian Income Tax Code.

Belgian legal entities

For legal entities subject to Belgian legal entities tax (*Rechtspersonenbelasting/Impôts des personnes morales*) which have been subject to the 30% Belgian withholding tax on interest payments, such withholding tax constitutes the final taxation.

Belgian legal entities which have received interest income on Notes without deduction for or on account of Belgian withholding tax are required to declare and pay the 30% withholding tax to the Belgian tax authorities themselves.

Capital gains realised on the transfer of the Notes are in principle tax exempt, unless the capital gain qualifies as interest (as defined above in the Section "*Belgian withholding tax*"). Capital losses are in principle not tax deductible.

Organisation for Financing Pensions

Interest and capital gains derived by Organisations for Financing Pensions in the meaning of the Law of 27 October 2006 on the activities and supervision of institutions for occupational retirement provision, are in principle exempt from Belgian corporate income tax. Capital losses are in principle not tax deductible. Subject to certain conditions, any Belgian withholding tax that has been levied can be credited against any corporate income tax due and any excess amount is in principle refundable.

Belgian non-residents

Holders of Notes who are non-residents of Belgium for Belgian tax purposes and are not holding the Notes through a Belgian establishment and do not invest the Notes in the course of their Belgian professional activity will not incur or become liable for any Belgian tax on income or capital gains by reason only of the acquisition, ownership or disposal of the Notes, provided that they qualify as Eligible Investors and hold their Notes in an X-account.

If the Notes are not entered into an X-account by the Eligible Investor, withholding tax on the interest is in principle applicable at the current rate of 30%, possibly reduced pursuant to a tax treaty, on the gross amount of the interest.

Pursuant to the Law regarding Exchange of Information implementing into Belgian national law the provisions of the Directive 2014/107/EU on administrative cooperation in direct taxation (see the sections "*Common Reporting Standard*" and "*Exchange of Information*"), Belgian financial institutions are required to report, according to a due diligence standard, financial information with respect to reportable accounts, which includes interest, dividends, account balance or value, income from certain insurance products, sales proceeds from financial assets and other income generated with respect to assets held in the account or payments made with respect to the account. Reportable accounts include accounts held by individuals and entities with fiscal residence in another EU Member State.

In addition to the aforementioned Belgian withholding tax of 30%, profits derived from the Notes may therefore be subject to a system of automatic exchange of information between the relevant tax authorities.

Exchange of information

The Notes are subject to the provisions of Directive 2014/107/EU on administrative cooperation in direct taxation of 9 December 2014 ("**DAC2**").

The Belgian government has implemented DAC2, respectively the CRS, per the Law regarding Exchange of Information regarding the exchange of information on financial accounts by Belgian financial institutions and by the Belgian tax administration, in the context of an automatic exchange of information on an international level and for tax purposes.

Under the Law regarding Exchange of Information, Belgian financial institutions holding these Notes for tax residents in another CRS contracting state, shall report financial information regarding the Notes (income, gross proceeds, …) to the Belgian competent authority, who shall communicate the information to the competent authority of the CRS state where the beneficial owner is tax resident.

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

Tax on stock exchange transactions

A tax on stock exchange transactions (*beurstaks*/*taxe sur les opérations de bourse*) will be due on the purchase and sale (and any other transaction for consideration) with respect to existing Notes on a secondary market if such transaction is either entered into or carried out in Belgium through a professional intermediary. The rate applicable for secondary sales and purchases in Belgium through a professional intermediary is 0.12% with a maximum amount of EUR 1,300 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 will be due on the issuance of the Notes (primary market).

Following the Law of 25 December 2016, the scope of application of the tax on stock exchange transactions has been extended as of 1 January 2017 to secondary market transactions of which the order is directly or indirectly made to a professional intermediary established outside Belgium by (i) a private individual with habitual residence in Belgium or (ii) a legal entity for the account of its seat or establishment in Belgium (both referred to as a "**Belgian Investor**"). In such a scenario, the tax on stock exchange transactions is due by the Belgian Investor, unless the Belgian Investor can demonstrate that the tax on stock exchange

transactions due has already been paid by the professional intermediary established outside Belgium. In such a case, the foreign professional intermediary also has to provide each client (which gives such intermediary an order) with an qualifying order statement (*bordereau/borderel*), at the latest on the business day after the day the transaction concerned was realised. The qualifying order statements must be numbered in series and a duplicate must be retained by the financial intermediary. The duplicate can be replaced by a qualifying day-today listing, numbered in series. Alternatively, professional intermediaries established outside Belgium could appoint a stock exchange tax representative in Belgium, subject to certain conditions and formalities ("**Stock Exchange Tax Representative**"). Such Stock Exchange Tax Representative will then be liable toward the Belgian Treasury for the tax on stock exchange transactions due and for complying with the reporting obligations and the obligations relating to the order statement (*bordereau/borderel*) in that respect. If such a Stock Exchange Tax Representative would have paid the tax on stock exchange transactions due, the Belgian Investor will, as per the above, no longer be the debtor of the tax on stock exchange transactions.

A tax on repurchase transactions (*taxe sur les reports*) at the rate of 0.085% will be due from each party to any such transaction entered into or settled in Belgium in which a stockbroker acts for either party (with a maximum of EUR 1,300 per transaction and per party).

However, neither of the taxes referred to above will be payable by exempt persons acting for their own account including investors who are not Belgian residents provided they deliver an affidavit to the financial intermediary in Belgium confirming their non-resident status and certain Belgian institutional investors as defined in Article 126.1 2° of the Code of miscellaneous taxes and duties (*Code des droits et taxes divers/Wetboek diverse rechten en taksen*).

As stated below, the EU Commission adopted on 14 February 2013 the Draft Directive on a 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 of 28 November 2006 on the common system of value added tax). For Belgium, the tax on stock exchange transactions should thus be abolished once the FTT enters into force. The Draft Directive is still subject to negotiation between the Participating Member States and therefore may be changed at any time. The Draft Directive is further described below (see the section entitled "*Financial Transactions Tax*").

Tax on securities account

Pursuant to the law of 7 February 2018 introducing a tax on securities accounts, a tax of 0.15 per cent. will be levied on Belgian resident and non-resident individuals on their share in the average value of the qualifying financial instruments (including but not limited to shares, notes and units of undertakings for collective investment) held on one or more securities accounts during a reference period of twelve consecutive months starting on 1 October and ending on 30 September of the subsequent year (the "**Tax on Securities Accounts**"). The first reference period starts on the day of entry into effect of the Law (i.e., 10 March 2018) and ends on 30 September 2018.

No Tax on Securities Accounts will be due provided the holder's share in the average value of the qualifying financial instruments on those accounts amounts to less than EUR 500,000. If, however, the holder's share in the average value of the qualifying financial instruments on those accounts amounts to EUR 500,000 or more, the Tax on Securities Accounts will be due on the entire share of the holder in the average value of the qualifying financial instruments on those accounts (and, hence, not only on the part which exceeds the EUR 500,000 threshold).

Qualifying financial instruments held by non-resident individuals only fall within the scope of the Tax on Securities Accounts provided they are held on securities accounts with a financial intermediary established or located in Belgium. Note that pursuant to certain double tax treaties, Belgium has no right to tax capital.

Hence, to the extent the Tax on Securities Accounts is viewed as a tax on capital within the meaning of these double tax treaties, treaty protection may, subject to certain conditions, be claimed.

A financial intermediary is defined as (i) a credit institution or a stockbroking firm as defined by Article 1, §2 and §3 of the Law of 25 April 2014 on the status and supervision of credit institutions and investment companies and (ii) the investment companies as defined by Article 3, §1 of the Law of 25 October 2016 on access to the activity of investment services and on the legal status and supervision of portfolio management and investment advice companies, which are, pursuant to national law, admitted to hold financial instruments for the account of customers.

The Tax on Securities Accounts is in principle due by the financial intermediary established or located in Belgium if (i) the holder's share in the average value of the qualifying financial instruments held on one or more securities accounts with said intermediary amounts to EUR 500,000 or more or (ii) the holder instructed the financial intermediary to levy the Tax on Securities Accounts due (e.g. in case such holder holds qualifying financial instruments on several securities accounts held with multiple intermediaries of which the average value does not amount to EUR 500,000 or more, but of which the holder's share in the total average value of these accounts amounts to at least EUR 500,000). Otherwise, the Tax on Securities Accounts would have to be declared and would be due by the holder itself unless the holder provides evidence that the Tax on Securities Accounts has already been withheld, declared and paid by an intermediary which is not established or located in Belgium. In that respect, intermediaries located or established outside of Belgium could appoint a Tax on the Securities Accounts representative in Belgium, subject to certain conditions and formalities ("**Tax on the Securities Accounts Representative**"). Such a Tax on the Securities Accounts Representative will then be liable towards the Belgian Treasury for the Tax on the Securities Accounts due and for complying with certain reporting obligations in that respect.

Belgian resident individuals will have to report in their annual income tax return various securities accounts held with one or more financial intermediaries of which they are considered as a holder within the meaning of the Tax on Securities Accounts. Non-resident individuals have to report in their annual Belgian non-resident income tax return various securities accounts held with one or more financial intermediaries established or located in Belgium of which they are considered as a holder within the meaning of the Tax on Securities Accounts.

Prospective investors are strongly advised to seek their own professional advice in relation to the Tax on Securities Accounts.

Financial Transaction Tax

On 14 February 2013, the EU Commission adopted a proposal for a Council Directive (the "**Draft Directive**") on a common financial transaction tax ("**FTT**"). Pursuant to the Draft Directive, the FTT shall be implemented and enter into effect in eleven EU Member States (Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovak Republic, Slovenia and Spain; the "**Participating Member States**"). In December 2015, Estonia withdrew from the Participating Member States.

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

The Commission's Proposal has a very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. According to the Draft Directive, the FTT shall be payable on

financial transactions provided that at least one party to the financial transaction is established (or deemed established) in a Participating Member State and that there is a financial institution established (or deemed established) in a Participating Member State which is a party to the financial transaction, or is acting in the name of a party to the transaction. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State. The FTT shall, however, not apply to among others primary market transactions referred to in Article 5 (c) of Regulation (EC) No 1287/2006, including the activity of underwriting and subsequent allocation of financial instruments in the framework of their issue.

The rates of the FTT shall be fixed by each Participating Member State but for transactions involving financial instruments other than derivatives they shall amount to at least 0.1% of the taxable amount. The taxable amount for such transactions shall in general be determined by reference to the consideration paid or owed in return for the transfer or the market price (whichever is higher). The FTT shall be payable by each financial institution established (or deemed established) in a Participating Member State which is a party to the financial transaction, which is acting in the name of a party to the transaction or where the transaction has been carried out on its account. Where the FTT due has not been paid within the applicable time limits, each party to the relevant financial transaction, including persons other than financial institutions, shall become jointly and severally liable for the payment of the FTT due.

However, the FTT proposal remains subject to negotiation between the Participating Member States, and the scope of any such tax is uncertain. Additional EU Member States may decide to participate and/or other Participating Member States may decide to withdraw.

Prospective Holders of the Notes should consult their own tax advisers in relation to the consequences of the FTT associated with the subscription, purchase, holding or disposal of the Notes.

SUBSCRIPTION AND SALE

Summary of Programme Agreement

Subject to the terms and on the conditions contained in a programme agreement dated on or about the date of this Base Prospectus (the "**Programme Agreement**") between the Issuer, the Permanent Dealer and the Arranger, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealer. However, the Issuer has reserved the right to sell Notes directly on its own behalf to dealers that are not the Permanent Dealer. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Programme Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

As set out in the Programme Agreement, the Issuer may from time to time terminate the appointment of any Dealer under the Programme or appoint additional Dealers either in respect of one or more Tranches or in respect of the whole Programme.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arranger for certain of its expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Programme Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Selling Restrictions

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Programme Agreement, it will not offer or sell Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of an identifiable tranche of which such Notes are a part, as determined and certified to the Agent by such Dealer (or, in the case of an identifiable tranche of Notes sold to or through more than one Dealer, by each of such Dealers with respect to Notes of an identifiable tranche purchased by or through it, in which case the Agent shall notify such Dealer when all such Dealers have so certified), within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each Dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting out the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding sentence have the meanings given to them by Regulation S.

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of such tranche of Notes) may violate the registration requirements of the Securities Act.

This Base Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Base Prospectus does not constitute an offer to any person in the United States. Distribution of this Base Prospectus by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, is prohibited.

Prohibition of Sales to Consumers

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and it will not offer or sell the Notes to, consumers (*consumenten/consommateurs*) within the meaning of the Belgian Code of Economic Law (*Wetboek van economisch recht/Code de droit économique*).

Prohibition of Sales to EEA Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available, and will not offer, sell or otherwise make available, any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(ii) a customer within the meaning of Directive 2002/92/EC (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(i) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the UK Financial Services and Markets Act 2000 by the Issuer;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the UK Financial Services and Markets Act 2000) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the UK Financial Services and Markets Act 2000 would not, if the Issuer was not an authorised person apply to the Issuer; and

(iii) it has complied and will comply with all applicable provisions of the UK Financial Services and Markets Act 2000 with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**") and each Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the Financial Instruments and Exchange Act and any other relevant laws and regulations of Japan.

Czech Republic

No approval of a prospectus has been sought or obtained from the Czech National Bank under Act No. 256/2004 Coll. on Conducting Business in the Capital Market, as amended (the "**Capital Market Act**") with respect to the Notes. No action has been taken to passport a prospectus approved by the competent authority of the home Member State of the Issuer into the Czech Republic by delivery of a certificate of the competent authority of the home Member State of the Issuer to the Czech National Bank attesting that a prospectus approved by the home Member State authority has been drawn up in accordance with the laws of the European Union.

No application has been filed nor has any permission been obtained for listing nor has any other arrangement for trading the Notes on any regulated market in the Czech Republic (as defined by the Capital Market Act) been made. Accordingly, each Dealer appointed under the Programme will have to represent and agree that it will not offer, sell or otherwise introduce the Notes for trading in the Czech Republic in a manner that would require (i) the approval of a prospectus by the Czech National Bank or (ii) passporting of a prospectus approved by the competent authority of the home Member State of the Issuer into the Czech Republic by delivery of a certificate of the competent authority of the home Member State of the Issuer to the Czech National Bank attesting that a prospectus approved by the home Member State authority has been drawn up in accordance with the laws of the European Union.

Accordingly, any person making or intending to make any offer within the Czech Republic of Notes which are the subject of the placement contemplated in this Base Prospectus should only do so in circumstances in which no obligation arises for the Issuer or any of the Dealers to produce a prospectus for such offer. Neither the Issuer nor the Dealers have authorised, nor do they authorise, the making of any offer of Notes through any financial intermediary, other than offers made by Dealers which constitute the final placement of Notes contemplated in this Base Prospectus.

Any person intending to acquire or acquiring any Notes from any person should be aware that, in the context of an offer to the public as defined in section 34 (1) of the Capital Market Act, the Issuer may be responsible to the investor for the Base Prospectus under section 36b of Capital Market Act, only if the Issuer has authorised that offeror to make the offer to the investor. Each investor should therefore enquire whether the offeror is so authorised by the Issuer. If the offeror is not authorised by the Issuer, the investor should check with the offeror whether anyone is responsible for the Base Prospectus for the purposes of section 36b of the Capital Market Act in the context of the offer to the public, and, if so, who that person is. If the investor is in any doubt about whether it can rely on the prospectus and/or who is responsible for its contents it should take legal advice.

An investor intending to acquire or acquiring any Notes from an offeror will do so, and offers and sales of the Notes to an investor by an offeror will be made, in accordance with any terms and other arrangements in place between such offeror and such investor including as to price, allocations and settlement arrangements. The Issuer will not be a party to any such arrangements with investors (other than a Dealer) in connection with the offer or sale of the Notes and, accordingly, this Base Prospectus and any Final Terms will not contain such information and an investor must obtain such information from the offeror.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has complied with and will comply with all the requirements of the Capital Market Act and the Bonds Act and has not taken, and will not take, any action which would result in the Notes being deemed to have been issued in the Czech Republic, the issue of the Notes being classed as "accepting of deposits from the public" by the Issuer in the Czech Republic under Section 2(2) of Act of Czech Republic No.21/1992 Coll., on Banks (as amended) (the "**Banking Act**") or requiring a permit, registration, filing or notification to the Czech National Bank or other authorities in the Czech Republic in respect of the Notes in accordance with the Capital Market Act, the Bonds Act, and the Banking Act or the practice of the Czech National Bank.

General

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Base Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Neither the Issuer nor any Dealer represents that Notes 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.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it shall, to the best of its knowledge and belief, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Base Prospectus, any other offering material or any Final Terms and, that it will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws, regulations and directives in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries, and neither the Issuer nor any Dealer shall have any responsibility therefor.

FORM OF FINAL TERMS

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

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II") or (ii) a customer within the meaning of Directive 2002/92/EC (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO CONSUMERS - Notes issued under the Programme are not intended to be offered, sold to or otherwise made available to and will not be offered, sold or otherwise made available by any Dealer to any "consumer"(*consument/consommateur*) within the meaning of the Belgian Code of Economic Law (*Wetboek economisch recht/Code de droit economique*).

Final Terms dated [●]

KBC Group NV

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the EUR 10,000,000,000
Euro Medium Term Note 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 12 June 2018 [and the supplement(s) to it dated [*date*]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus has been published on the Issuer's website (www.kbc.com) and copies may be obtained during normal business hours at [*address*/the registered office of the Issuer].

1	(i) Series Number:	[•]
	(ii) [Tranche Number:]	[•]
	(iii) [Date on which Notes will be consolidated and form a single Series]	[The Notes will be consolidated and form a single Series with [•] on [[*insert date*]/the Issue Date] [Not Applicable]]
2	Specified Currency:	[•]
3	Aggregate Nominal Amount:	[•]
	(i) [Series:]	[•]
	(ii) [Tranche:]	[•]
4	Issue Price:	[•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*]]
5	(i) Specified Denominations:	[•]
	(ii) Calculation Amount:	[•]
6	(i) [Issue Date:]	[•]
	(ii) [Interest Commencement Date:]	[Issue Date/[•]/Not Applicable]
7	Maturity Date:	[[•]/Interest Payment Date falling in [or nearest to] [*specify month and year*]]
8	Interest Basis:	[Fixed Rate/ Fixed Rate Reset / Floating Rate]
9	Redemption Basis:	Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [•] per cent. of their nominal amount.
10	Change of Interest Basis:	[[•]/Not Applicable]
11	Issuer Call Option:	[Applicable/Not Applicable] [(*further particulars specified below*)]
12	(i) Status of the Notes:	[Senior Notes] [Subordinated Tier 2 Notes]
	(ii) Waiver of set-off in respect of Senior Notes:	Condition 2(a)(ii): [Applicable/Not Applicable]
	(iii) Event of Default or Enforcement in respect of Senior Notes:	*Condition 10(a): [Applicable/Not Applicable]* *Condition 10(b): [Applicable/Not Applicable]*

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13	**Fixed Rate Note Provisions**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Rate(s) of Interest:	[[•] per cent. per annum payable in arrear [on each

		Interest Payment Date]]
	(ii) Interest Payment Date(s):	[[•] [and [•]] in each year [from and including [•]][until and excluding [•]]]
	(iii) Fixed Coupon Amount[(s)]:	[[•] per Calculation Amount] [Not Applicable]
	(iv) Broken Amount(s):	[[•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]/Not Applicable]
	(v) Day Count Fraction:	[Actual/365] [Actual/Actual] [Actual/Actual (ISDA)] [Actual/365 (fixed)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [30E/360 (ISDA)] [Actual/Actual ICMA]
	(vi) Determination Dates:	[[•] in each year/Not Applicable]
14	**Fixed Rate Reset Note Provisions**	[Applicable/Not Applicable]
	(i) Initial Rate of Interest:	[•] per cent. per annum payable in arrear [on each Interest Payment Date]
	(ii) Interest Payment Date(s):	[•] [and [•]] in each year [from and including [•]][until and excluding [•]]
	(iii) First Reset Date:	[•]
	(iv) Second Reset Date:	[[•]/Not Applicable]
	(v) Subsequent Reset Date(s):	[[•] [and[•]]/Not Applicable]
	(vi) Reset Determination Dates:	[•]
	(vii) Mid-Swap Rate:	[semi-annual] [annualised]
	(viii) Swap Rate Period:	[[•]]
	(ix) Relevant Screen Page:	[•] Not Applicable]
	(x) Margin(s):	[+/–][•] per cent. per annum [in respect of the First Reset Period] [+/–][•] per cent. per annum [in respect of each Subsequent Reset Period]
	(xi) Fixed Coupon Amount[(s)] in respect of the period from (and including) the Interest Commencement Date up to (but excluding) the First Reset Date:	[[•] per Calculation Amount]
	(xii) Broken Amount(s):	[[•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]/Not Applicable]
	(xiii) Day Count Fraction:	[Actual/365] [Actual/Actual] [Actual/Actual (ISDA)] [Actual/365 (fixed)] [Actual/360]

		[30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [30E/360 (ISDA)] [Actual/Actual ICMA]	
	(xiv) Determination Dates:	[[•] in each year/Not Applicable]	
15	**Floating Rate Note Provisions**	[Applicable/Not Applicable]	
	(i) Interest Period(s):	[[•][, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]]	
	(ii) Specified Interest Payment Dates:	[•][from and including [•]][up to and [including/excluding] [•]][, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]] [Not Applicable]	
	(iii) Interest Period End Date:	[Not Applicable]/ [•] in each year [up to and [including/excluding] [•]] [, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]	
	(iv) First Interest Payment Date:	[•]	
	(v) Business Day Convention:		
	Interest Period(s) and Specified Interest Payment Dates:	[Following Business Day Convention/Preceding Business Day Convention] [Not Applicable]	
	Interest Period End Date:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention] [Not Applicable]	
	(vi) Additional Business Centre(s):	[•] (*please specify other financial centres required for the Business Day definition*)	
	(vii) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]	A13.4.8(i) Cat C
	(viii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Agent):	[•]	A13.4.8(i) Cat C
			A13.4.8(i) Cat C
	(ix) Screen Rate Determination:	[Applicable/Not Applicable]	A13.4.8(i) Cat C
	– Reference Rate:	[LIBOR][EURIBOR][CMS]	A13.4.8(ii) Cat B

– Interest Determination Date(s):	[•] [TARGET/[•]] Business Days [in [•]] prior to the [•] day in each Interest Accrual Period/each Interest Payment Date
– Relevant Screen Page:	[•] [Reuters Page <ISDAFIX2>, under the heading "EURIBOR Basis-EUR"] (*if CMS*)
– Relevant Time:	[•]
(x) ISDA Determination:	[Applicable/Not Applicable]
– Floating Rate Option:	[•]
– Designated Maturity:	[•]
– Reset Date:	[•]
(xi) Margin(s):	[+/–][•] per cent. per annum [in respect of each Interest Accrual Period ending on [●]] [[+/–][•] per cent. per annum in respect of each Interest Accrual Period ending on [●]]
(xii) Minimum Rate of Interest:	[[•] per cent. per annum][Not Applicable]
(xiii) Maximum Rate of Interest:	[[•] per cent. per annum][Not Applicable]
(xiv) Day Count Fraction:	[Actual/365] [Actual/Actual] [Actual/Actual (ISDA)] [Actual/365 (fixed)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [30E/360 (ISDA)] [Actual/Actual ICMA]

PROVISIONS RELATING TO REDEMPTION

16	**Tax Event**	
	Notice periods for Condition 4(b):	Minimum period: [30] [•] days Maximum period: [60] [•] days
17	**[Capital Disqualification Event**	
	Notice periods for Condition 4(c):	Minimum period: [30] [•] days Maximum period: [60] [•] days]
18	**Capital Disqualification Event Variation**	[Applicable/Not Applicable]
19	**Loss Absorption Disqualification Event Variation or Substitution**	[Applicable/Not Applicable]
20	**Issuer Call Option**	[Applicable/Not Applicable]
	(i) Optional Redemption Date(s):	[•]
	(ii) Optional Redemption	[[•] per Calculation Amount/Early Redemption

	Amount(s):	Amount]
	(iii) If redeemable in part:	[Applicable/Not Applicable]
	(a) Minimum Callable Amount:	[•]/[Not Applicable]
	(b) Maximum Callable Amount:	[•]/[Not Applicable]
	(iv) Notice period:	Minimum period: [30] [•] days Maximum period: [60] [•] days
21	**Loss absorption Disqualification Event in respect of Senior Notes:**	Condition 4(e): [Applicable from [●]/Not Applicable]
	(i) Notice periods for Condition 4(e):	[Minimum period: [●] days Maximum period: [●] days]
22	**Final Redemption Amount**	[[•] per Calculation Amount/[•]]
23	**Early Redemption Amount**	
	Early Redemption Amount(s) payable on redemption following a Tax Event, following a Capital Disqualification Event (in the case of Subordinated Tier 2 Notes), following a Loss Absorption Disqualification Event (in the case of Senior Notes) or on event of default or other early redemption:	[[•] per Calculation Amount /[•]]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24	**Form of Notes:**	Dematerialised form

THIRD PARTY INFORMATION

The Issuer accepts responsibility for the information contained in these Final Terms. [[•] has been extracted from [•]. 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 [•], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By: [●]
Duly authorised

By: [●]
Duly authorised

PART B – OTHER INFORMATION

1	**LISTING AND ADMISSION TO TRADING**	
	(i) Admission to trading:	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [*specify relevant regulated market*] with effect from [•].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [[Euronext Brussels][*specify relevant regulated market*]] with effect from [•].] [Not Applicable.]
	(ii) Estimate of total expenses related to admission to trading	[•]
2	**RATINGS**	[The Notes to be issued [are not]/[have been]/[are expected to be] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]: [*Need to include here a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.*] [name of rating agency]: [•] [[•] is established in the EU and registered under Regulation (EC) No 1060/2009 (the "**CRA Regulation**"). As defined by [•] a [•] rating means that the obligations of the Issuer under the [Programme] [Notes] are [ ]. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.]

3 **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE**

[Save as discussed in ["*Subscription and Sale*"], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the issue." [•]]

4 **REASONS FOR THE OFFER**

[Not Applicable/[●]]

(See "Use of Proceeds" in the Base Prospectus – if reasons for the offer are different from general corporate purposes, include those reasons here, including if the Issuer intends to apply the net proceeds for Green Bond Eligible Assets.)

5 **YIELD**

[Indication of yield:		(*Include for Fixed Rate Notes only*)
(i)	Gross yield:	[●] [Calculated as [*include details of method of calculation in summary form*] on the Issue Date.]

	[Not Applicable]
(ii) Net yield:	[●] [Calculated as [*include details of method of calculation in summary form*] on the Issue Date.] [Not Applicable]
Maximum yield:	[●][*Include for Floating Rate Notes only where a maximum rate of interest applies*] [Calculated as [*include details of method of calculation in summary form*] on the Issue Date.] [Not Applicable]
Minimum yield:	[●][*Include for Floating Rate Notes only where a minimum rate of interest applies*] [Calculated as [*include details of method of calculation in summary form*] on the Issue Date.] [Not Applicable]] [Not Applicable]

6 **HISTORIC INTEREST RATES** (*Floating Rate Notes only*)

[Details of historic [LIBOR/EURIBOR/CMS] rates can be obtained from [Reuters].][Not Applicable]

7 **OPERATIONAL INFORMATION**

(i) ISIN:	[●]
(ii) Common Code:	[●]
(iii) [CFI:	[Not Applicable/[●]].
(iv) [FISN:	[Not Applicable/[●]].
(v) Any clearing system(s) other than the Securities Settlement System, Euroclear Bank SA/NV and Clearstream Banking, S.A. and the relevant identification number(s):	[Not Applicable/[●]].
(vi) Delivery:	Delivery against payment
(vii) Names and addresses of additional Agent(s) (if any):	[●]/[Not Applicable]
(viii) Name and address of the Calculation Agent when the Calculation Agent is not KBC Bank NV	[●]/[Not Applicable]
(ix) Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes, provided that Eurosystem eligibility criteria have been met.] [No]
(x) [Relevant Benchmark[s]:	[Not Applicable]/[[*specify benchmark*] is provided by [*administrator legal name*]. As at the date hereof, [*administrator legal name*][appears]/[does

		not appear] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (Register of administrators and benchmarks) of the Benchmark Regulation.]/[As far as the Issuer is aware, as at the date hereof, [*specify benchmark*] does not fall within the scope of the Benchmark Regulation.]
8	**DISTRIBUTION**	
	(i) Method of distribution	[Syndicated/Non-syndicated]
	(ii) If syndicated:	
	(A) Names and addresses of Dealers and underwriting commitments/quotas:	[Not Applicable/give names, addresses and underwriting commitments]
	(B) Date of [Subscription] Agreement:	[Not Applicable]/[•]
	(C) Stabilising manager(s) (if any):	[Not Applicable/[•]]
	(iii) If non-syndicated, name and address of Dealers:	[Not Applicable/[•]]
	(iv) US Selling Restrictions	Reg. S Category 2; TEFRA not applicable
	(v) Additional selling restrictions:	[Not Applicable/[•]]

GENERAL INFORMATION

(1) The update of the Programme and the issue of Notes have been duly authorised by resolutions of the Issuer's Executive Committee dated 2 September 2014, 16 December 2014 and 10 October 2017 and by resolution of Rik Janssen (Group Treasurer) dated 22 May 2018.

(2) This Base Prospectus has been approved on 12 June 2018 by the FSMA in its capacity as competent authority under Article 23 of the Prospectus Law as a base prospectus for the purposes of Article 5.4 of the Prospectus Directive in respect of the issue by the Issuer of Notes. Application has also been made to Euronext Brussels for Notes issued under the Programme during the period of 12 months from the date of approval of this Base Prospectus to be listed on Euronext Brussels and admitted to trading on the regulated market of Euronext Brussels. The regulated market of Euronext Brussels is a regulated market for the purposes of the Prospectus Directive.

(3) Other than as disclosed in this Base Prospectus, there has been no significant change in the financial or trading position of the Issuer since 31 December 2017 and no material adverse change in the prospects of the Issuer since 31 December 2017.

(4) Other than as set out in Section "*Description of the Issuer – Litigation*", the Issuer is not involved in any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) which may have or have had in the 12 months preceding the date of this Base Prospectus a significant effect on the financial position or profitability of the Issuer.

(5) Notes have been accepted for clearance through the facilities of the Securities Settlement System, Euroclear and Clearstream, Luxembourg. The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms.

The address of the Securities Settlement System is Boulevard de Berlaimont 14, BE-1000 Brussels. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of any alternative clearing system will be specified in the applicable Final Terms.

(6) Where information in this Base Prospectus has been sourced from third parties, this information has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from the information published by such third parties no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.

(7) The issue price and the amount of the relevant Notes will be determined, before filing of the relevant Final Terms of each Tranche, based on the prevailing market conditions. Subject to any period or *ad hoc* reporting obligations under applicable laws, the Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

(8) For so long as Notes may be issued pursuant to this Base Prospectus, the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the registered office of the Issuer:

(i) the constitutional documents of the Issuer;

(ii) the Agency Agreement;

(iii) the audited consolidated financial statements of the Issuer for each of the two financial years ended 31 December 2016 and 31 December 2017, in each case together with the audit reports in connection therewith;

(iv) each Final Terms (save that Final Terms relating to a Note which is neither admitted to trading on a regulated market within the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Agent as to its holding of Notes and identity); and

(v) a copy of the Base Prospectus together with any further or supplement prospectuses relating to the Programme.

This Base Prospectus, the Final Terms for Notes that are listed and admitted to trading on Euronext Brussels' regulated market and each document incorporated by reference will be published on the website of Euronext Brussels (www.euronext.com).

(9) Copies of the latest annual report and audited consolidated annual financial statements of the Issuer and the latest unaudited interim condensed consolidated financial statements of the Issuer may be obtained, and copies of the Agency Agreement will be available for inspection, at the specified offices of the Agent during normal business hours, so long as any of the Notes is outstanding.

PricewaterhouseCoopers Bedrijfsrevisoren BCVBA (*erkende revisor/réviseur agréé*), represented by Roland Jeanquart and Tom Meuleman, with offices at Woluwedal 18, B-1932 Sint-Stevens-Woluwe (Brussels) ("**PwC**"), has been appointed as auditor of the Issuer for the financial years 2016-2018. PwC is a member of the *Instituut der Bedrijfsrevisoren/Institut des Reviseurs d'Entreprises*. The consolidated financial statements of the Issuer (as well as the annual accounts of the Issuer) for the years ended 31 December 2016 and 31 December 2017 have been audited in accordance with ISA by PwC and the audits resulted, in each case, in an unqualified opinion. The reports of the auditor of the Issuer on the Issuer's consolidated financial statements are included or incorporated in the form and context in which they are included or incorporated, with the consent of the auditors.

(10) The Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and its affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

GLOSSARY

The below list contains an overview of certain defined terms which are frequently used in the sections "Risk Factors" and "Description of the Issuer" of this Base Prospectus and are not defined in the Terms and Conditions of the Notes.

ABS:	Asset Backed Securities. ABS are bonds or notes backed by loans or accounts receivables originated by providers of credit such as banks and credit card companies. Typically, the originator of the loans or accounts receivables 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.
ALM:	Asset Liability Management, i.e. the ongoing process of formulating, implementing, monitoring and revising strategies for both on-balance-sheet and off-balance-sheet items, in order to achieve an organisation's financial objectives, given the organisation's risk tolerance and other constraints.
Banking Law:	The Belgian law of 25 April 2014 on the status and supervision of credit institutions and stockbroking firms.
BPV:	Basis Point Value, i.e. the measure that reflects the change in the net present value of interest rate positions, due to an upward parallel shift of 10 basis points (i.e. 0.10%) in the zero coupon curve.
BRRD:	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.
CAGR:	compound annual growth rate.
CDO:	Collateral Debt Obligations. CD"Os 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. The claims issued against the collateral pool of assets are prioritised in order of seniority by creating different tranches of debt securities, including one or more investment grade classes and an equity/first loss tranche. Senior claims are insulated

	from default risk to the extent that the more junior tranches absorb credit losses first. As a result, each tranche has a different priority of payment of interest and/or principal and may thus have a different rating.
Combined ratio (non-life insurance):	The sum of technical insurance charges (including the internal cost of settling claims) divided by earned premiums and operating expenses divided by written premiums (after reinsurance in each case)
Common Equity Tier 1 ratio or **CET1:**	Common Equity Tier 1 ratio, i.e. the common equity tier 1 capital of the Group (including the core-capital securities sold to the government that are grandfathered by the regulator) divided by the risk weighted assets of the Group, as calculated based on CRD IV.
Cost/income ratio (banking):	operating expenses of the banking activities divided by the total income of the banking activities.
Cover ratio:	The specific impairment on loans divided by the outstanding impaired loans.
CRD:	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 IV:	CRR and CRD.
Credit cost ratio:	The net changes in individual and portfolio-based impairment for credit risks divided by the average outstanding loan portfolio. Note that, inter alia, government bonds are not included in this formula.
CRR:	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.
CRS:	The Common Reporting Standard.
Dividend payout ratio:	The amount of dividend to be distributed together with the coupon to be paid on the core-capital securities sold to the government and on the additional tier-1 instruments included in equity divided by the consolidated net profit.
ECB:	European Central Bank.
FICOD:	Directive 2002/87/EC of the European Parliament and of the Council of 16 December 2002 on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate and amending Council Directives 73/239/EEC, 79/267/EEC, 92/49/EEC, 92/96/EEC, 93/6/EEC and 93/22/EEC, and Directives 98/78/EC and 2000/12/EC of the European Parliament and of the Council.
FSMA:	The Belgian Financial Services and Markets Authority.

HVaR:	Historical Value-at-Risk estimates the maximum amount of money that can be lost on a given portfolio due to adverse market movements over a defined holding period, with a given confidence level and using real historical market performance data.
IFRS:	International Financial Reporting Standards
Impaired loans ratio:	The total outstanding impaired loans (PD 10-11-12) divided by the total outstanding loans.
LGD:	Loss Given Default, i.e. the loss a bank expects to experience if an obligor defaults, taking into account the eligible collateral and guarantees provided for the exposure.
Liquidity Coverage Ratio or **LCR:**	Stock of high-quality liquid assets divided by total net cash outflows over the next 30 calendar days.
MBIA:	Municipal Bond Insurance Association.
MREL	Minimum requirement for own funds and eligible liabilities
MTM:	Market-to-market.
NBB:	National Bank of Belgium.
NSFR:	available amount of stable funding divided by the required amount of stable funding
PD:	Probability of Default, i.e. the probability that an obligor will default within a one-year horizon.
Single Resolution Mechanism or **SRM:**	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.
Single Supervision Mechanism or **SSM:**	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.
Solvency II Directive:	Directive 2009/138/EC on the taking-up and pursuit of the business of insurance and reinsurance of 25 November 2009, as amended by Directive 2013/58/EU of 11 December 2013 as regards the date for its transposition and the date of its application and by Directive 2014/51/EU of 16 April 2014.
SVaR:	Stressed Value-At-Risk is analogous to the Historical VaR, but it is calculated for the time series of a maximum stressed period in recent history.
Total capital ratio:	the total regulatory capital of the Group (including the core-capital securities sold to the government that are grandfathered

by the regulator) divided by the risk weighted assets of the Group, as calculated based on CRD IV.

VaR: Value at Risk, i.e. the unexpected loss in the fair value (= difference between the expected and worst case fair value), at a certain confidence level and with a certain time horizon.

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