KBC Bank NV

(incorporated with limited liability in Belgium)

€5,000,000,000
Euro Medium Term Note Programme

Under this €5,000,000,000 Euro Medium Term Note Programme (the "Programme"), KBC Bank 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 €5,000,000,000(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.

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 €1,000 (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 23 October 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/EC of the European Parliament and of the Council on markets in financial instruments, 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"), Clearstream Banking, société anonyme, Luxembourg ("**Clearstream, Luxembourg**"), SIX SIS Ltd, Switzerland ("**SIX SIS**, Switzerland"), Monte Titoli S.p.A., Italy ("**Monte Titoli,** Italy") and InterBolsa S.A., Portugal ("**InterBolsa, Portugal**"). The official list of participants as amended, supplemented and/or replaced from time to time can be consulted on the website of the NBB: https://www.nbb.be/nl/list-nbb-investor-icsds. Accordingly, the Notes will be eligible to clear through, and therefore accepted by, Euroclear, Clearstream, Luxembourg, SIX SIS, Switzerland, Monte Titoli, Italy and InterBolsa, Portugal and investors may hold their Notes within securities accounts in Euroclear, Clearstream, Luxembourg, SIX SIS, Switzerland, Monte Titoli, Italy and InterBolsa, Portugal. 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 the Notes. In particular, holders of Notes may lose their investment if the Issuer were to become non-viable or the Notes were to be written down and/or converted (bailed-in). See pages 32 to 60 of this Base Prospectus.

The Notes may not be a suitable or appropriate 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. If the Final Terms in respect of any Notes specifies the "Prohibition of sales to consumers in Belgium" as "Applicable", the Notes are not intended to be offered, sold or otherwise made available to and may not be offered, sold or otherwise made available to any consumer (*consument/consommateur*) within the meaning of the Belgian Code of Economic Law (*Wetboek van economisch recht/Code de droit économique*) in Belgium. If the Final Terms in respect of any Notes specify the "Prohibition of Sales to EEA Retail Investors" as "Applicable", 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 MiFID II; (ii) a customer within the meaning of Directive 2002/92/EC ("IMD"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (the "Prospectus Directive").

Tine Procureur
Head Legal Department
Markets & Finance

The date of this Base Prospectus is 23 October 2018.

Arranger and Dealer
KBC Bank NV

Frederik Vyncke
Manager Wholesale Funding

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 "**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 has been prepared on the basis that, except to the extent sub-paragraph (ii) below may apply, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Base Prospectus as completed by final terms in relation to the offer of those Notes may only do so (i) in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer, or (ii) if a prospectus for such offer has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State and (in either case) published, all in accordance with the Prospectus Directive, provided that any such prospectus has subsequently been completed by final terms which specify that offers may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State and such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of such offer. Except to the extent sub-paragraph (ii) above may apply, neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer. The expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

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**") or with any securities regulatory authority of any state or other jurisdiction of the United States. Subject to certain exceptions, Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act). The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. For a description of these and certain further restrictions on offers and sales of Notes and on distribution of this Base Prospectus, see "*Subscription and Sale*".

The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other U.S. regulatory authority, nor has any of the foregoing authorities passed upon or endorsed the merits of the offering of Notes or the accuracy or the

adequacy of this Base Prospectus. Any representation to the contrary is a criminal offence in the United States.

POSSIBLE PROHIBITION OF SALES TO EEA RETAIL INVESTORS – Unless the Final Terms in respect of any Notes specify the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", 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**"); (ii) a customer within the meaning of Directive 2002/92/EC (as amended, "**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II or (iii) not a qualified investor as defined in the Prospectus Directive. The expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

POSSIBLE PROHIBITION OF SALES TO CONSUMERS IN BELGIUM - Notes issued under the Programme for which the "Prohibition of sales to consumers in Belgium" is specified as "Applicable" in the applicable Final Terms, are not intended to be offered, sold to or otherwise made available to and will not be offered, sold or otherwise made available in Belgium to "consumers" within the meaning of the Belgian Code of Economic Law.

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 or appropriate 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.

In case of an offer of Notes to the public, Investors who have already agreed to purchase or subscribe for the Notes before the supplement is published shall have the right, exercisable within two working days after the publication of the supplement, to withdraw their acceptance, provided that the new factor, mistake or inaccuracy triggering the preparation of the supplement arose before the final closing of the offer and the delivery of the Notes. That period may be extended by the Issuer. The final date of the right of withdrawal shall be stated in the supplement.

NON-EXEMPT OFFERS OF NOTES IN THE EUROPEAN ECONOMIC AREA

Certain Tranches of Notes with a denomination of less than €100,000 (or its equivalent in any other currency), may, subject as provided below, be offered in a Relevant Member State in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to in this Base Prospectus as a "**Non-exempt Offer**".

This Base Prospectus has been prepared on the basis that it permits Non-exempt Offers in Belgium (the "**Non-exempt Offer Jurisdiction**"). Any person making or intending to make a Non-exempt Offer of Notes on the basis of this Base Prospectus must do so only with the Issuer's consent (see "*Consent given in accordance with Article 3.2 of the Prospectus Directive (Retail Cascades)*" below) and must comply with the terms of that consent.

If the Issuer intends to make or authorise any Non-exempt Offer of Notes to be made in one or more Relevant Member States other than the Non-exempt Offer Jurisdiction, it will prepare a supplement to this Base Prospectus specifying such Relevant Member State(s) and any additional information required by the Prospectus Directive in respect thereof. Such supplement will also set out provisions relating to the Issuer's consent to use this Base Prospectus in connection with any such Non-exempt Offer. Each such Relevant Member State for which a supplement is prepared shall be deemed the Non-exempt Offer Jurisdiction.

Save as provided above, neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any Non-exempt Offer of the Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

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

In the context of any Non-exempt Offer of Notes in the Non-exempt Offer Jurisdiction, the Issuer accepts responsibility, in the Non-exempt Offer Jurisdiction, for the content of this Base Prospectus under Article 6 of the Prospectus Directive in relation to any person (an "**Investor**") to whom an offer of any Notes is made by any financial intermediary to whom the Issuer has given its consent to use the Base Prospectus (an "**Authorised Offeror**"), where the offer is made in compliance with all conditions attached to the giving of the consent. Such consent and conditions are described below under "*Consent*" and "*Common conditions to consent*". Neither the Issuer nor any Dealer has any responsibility for any of the actions of any Authorised Offeror, including compliance by an Authorised Offeror with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to such Non-exempt Offer.

Save as provided below, neither the Issuer nor any Dealer has authorised the making of any Non-exempt Offer and the Issuer has not consented to the use of this Base Prospectus by any other person in connection with any Non-exempt Offer of Notes. Any Non-exempt Offer made without the consent of the Issuer is unauthorised and neither of the Issuer nor any Dealer accepts any responsibility or liability for the actions of the persons making any such unauthorised offer.

If, in the context of a Non-exempt Offer, an Investor is offered Notes by a person which is not an Authorised Offeror, the Investor should check with such person whether anyone is responsible for this Base Prospectus in the context of the Non-exempt Offer and, if so, who that person is. If the Investor is in any doubt about whether it can rely on this Base Prospectus and/or who is responsible for its contents it should take legal advice.

Consent

Subject to the conditions set out on page 10 of this Base Prospectus under "*Common conditions to consent*" below:

(A) the Issuer consents to the use of this Base Prospectus (as supplemented as at the relevant time, if applicable) in connection with a Non-exempt Offer of Notes in the Non-exempt Offer Jurisdiction by the relevant Dealer and by:

(i) any financial intermediary named as an Initial Authorised Offeror in the applicable Final Terms, and

(ii) any financial intermediary appointed after the date of the applicable Final Terms and whose name is published on the Issuer's website (www.kbc.com) and identified as an Authorised Offeror in respect of the relevant Non-exempt Offer, and

(B) if (and only if) Part B of the applicable Final Terms specifies "*General Consent*" as "Applicable", the Issuer hereby offers to grant its consent to the use of this Base Prospectus (as supplemented as at the relevant time, if applicable) in connection with a Non-exempt Offer of Notes in the Non-exempt Offer Jurisdiction by any financial intermediary which satisfies the following conditions:

(i) it is authorised to make such offers under the applicable legislation implementing MiFID, and

(ii) it accepts such offer by publishing on its website the following statement (with the information in square brackets completed with the relevant information):

*"We, [insert legal name of financial intermediary], refer to the [insert title of relevant Notes] (the "**Notes**") described in the Final Terms dated [insert date] (the "**Final Terms**") published by KBC Bank NV (the "**Issuer**"). We hereby accept the offer by the Issuer of its consent to our use of the Base Prospectus (as defined in the Final Terms) in connection with the offer of the Notes in Belgium (the "**Non-exempt Offer**") in accordance with the Authorised Offeror Terms and subject to the conditions to such consent, each as specified in the Base Prospectus, and we are using the Base Prospectus in connection with the Non-exempt Offer accordingly."*

The "Authorised Offeror Terms" are that the relevant financial intermediary:

(I) will, and it agrees, represents, warrants and undertakes for the benefit of the Issuer and the relevant Dealer that it will, at all times in connection with the relevant Non-exempt Offer:

(a) act in accordance with, and be solely responsible for complying with, all applicable laws, rules, regulations and guidance of any applicable regulatory bodies (the "**Rules**") including, without limitation and in each case, Rules relating to both the appropriateness or suitability of any investment in Notes by any person and disclosure to any potential Investor, and will immediately inform the Issuer and the relevant Dealer if at any time such financial intermediary becomes aware or suspects that it is or may be in violation of any Rules and take all appropriate steps to remedy such violation and comply with such Rules in all respects;

(b) comply with the restrictions set out under "*Subscription and Sale*" in this Base Prospectus which would apply as if it were a Dealer;

(c) ensure that any fee (and any other commissions or benefits of any kind) received or paid by that financial intermediary in relation to the offer or sale of the Notes does not violate the Rules and, to the extent required by the Rules, is fully and clearly disclosed to Investors or potential

Investors;

(d) hold all licences, consents, approvals and permissions required in connection with solicitation of interest in, or offers or sales of, the Notes under the Rules;

(e) comply with applicable anti-money laundering, anti-bribery, anti-corruption and "know your client" Rules (including, without limitation, taking appropriate steps, in compliance with such Rules, to establish and document the identity of each potential Investor prior to initial investment in any Notes by the Investor), and will not permit any application for Notes in circumstances where the financial intermediary has any suspicions as to the source of the application monies;

(f) retain Investor identification records for at least the minimum period required under applicable Rules, and shall, if so requested, make such records available to the Issuer and/or the relevant Dealer or directly to the appropriate authorities with jurisdiction over the Issuer and/or the relevant Dealer in order to enable the Issuer and/or the relevant Dealer to comply with anti-money laundering, anti-bribery, anti-corruption and "know your client" Rules applying to the Issuer and/or the relevant Dealer;

(g) ensure that no holder of Notes or potential Investor in the Notes shall become an indirect or direct client of the Issuer or the relevant Dealer for the purposes of any applicable Rules from time to time, and to the extent that any client obligations are created by the relevant financial intermediary under any applicable Rules, then such financial intermediary shall perform any such obligations so arising;

(h) co-operate with the Issuer and the relevant Dealer in providing such information (including, without limitation, documents and records maintained pursuant to paragraph (f) above) upon written request from the Issuer or the relevant Dealer as is available to such financial intermediary or which is within its power and control from time to time, together with such further assistance as is reasonably requested by the Issuer or the relevant Dealer:

(i) in connection with any request or investigation by any regulator of competent jurisdiction in relation to the Notes, the Issuer or the relevant Dealer; and/or

(ii) in connection with any complaints received by the Issuer and/or the relevant Dealer relating to the Issuer and/or the relevant Dealer or another Authorised Offeror including, without limitation, complaints as defined in rules published by any regulator of competent jurisdiction from time to time; and/or

(iii) which the Issuer or the relevant Dealer may reasonably require from time to time in relation to the Notes and/or as to allow the Issuer or the relevant Dealer fully to comply within its own legal, tax and regulatory requirements,

in each case, as soon as is reasonably practicable and, in any event, within any time frame set by any such regulator or regulatory process;

(i) during the primary distribution period of the Notes: (i) not sell the Notes at any price other than the Issue Price specified in the applicable Final Terms (unless otherwise agreed with the relevant Dealer); (ii) not sell the Notes otherwise than for settlement on the Issue Date specified in the relevant Final Terms; (iii) not appoint any sub-distributors (unless otherwise agreed with the relevant Dealer); (iv) not pay any fee or remuneration or commissions or benefits to any third parties in relation to the offering or sale of the Notes (unless otherwise agreed with the relevant Dealer); and (v) comply with such other rules of conduct as may be reasonably required and specified by the relevant Dealer;

(j) either (i) obtain from each potential Investor an executed application for the Notes, or (ii) keep a record of all requests such financial intermediary (x) makes for its discretionary management

clients, (y) receives from its advisory clients and (z) receives from its execution-only clients, in each case prior to making any order for the Notes on their behalf, and, in each case, maintain the same on its files for so long as is required by any applicable Rules;

(k) ensure that it does not, directly or indirectly, cause the Issuer or the relevant Dealer to breach any Rule or subject the Issuer or the relevant Dealer to any requirement to obtain or make any filing, authorisation or consent in any jurisdiction;

(l) comply with the conditions to the consent referred to under "Common conditions to consent" below and any further requirements relevant to the Non-exempt Offer as specified in the applicable Final Terms;

(m) make available to each potential Investor in the Notes the Base Prospectus (as supplemented as at the relevant time, if applicable), the applicable Final Terms and any applicable information booklet provided by the Issuer for such purpose, and not convey or publish any information that is not contained in or entirely consistent with the Base Prospectus; and

(n) if it conveys or publishes any communication (other than the Base Prospectus or any other materials provided to such financial intermediary by or on behalf of the Issuer for the purposes of the relevant Non-exempt Offer) in connection with the relevant Non-exempt Offer, it will ensure that such communication (A) is fair, clear and not misleading and complies with the Rules, (B) states that such financial intermediary has provided such communication independently of the Issuer, that such financial intermediary is solely responsible for such communication and that none of the Issuer or the relevant Dealer accepts any responsibility for such communication and (C) does not, without the prior written consent of the Issuer or the relevant Dealer (as applicable), use the legal or publicity names of the Issuer or the relevant Dealer or any other name, brand or logo registered by an entity within their respective groups or any material over which any such entity retains a proprietary interest, except to describe the Issuer as issuer of the relevant Notes on the basis set out in the Base Prospectus;

(II) agrees and undertakes to indemnify each of the Issuer and the relevant Dealer (in each case on behalf of such entity and its respective directors, officers, employees, agents, affiliates and controlling persons) against any losses, liabilities, costs, claims, charges, expenses, actions or demands (including reasonable costs of investigation and any defence raised thereto and counsel's fees and disbursements associated with any such investigation or defence) which any of them may incur or which may be made against any of them arising out of or in relation to, or in connection with, any breach of any of the foregoing agreements, representations, warranties or undertakings by such financial intermediary, including (without limitation) any unauthorised action by such financial intermediary or failure by such financial intermediary to observe any of the above restrictions or requirements or the making by such financial intermediary of any unauthorised representation or the giving or use by it of any information which has not been authorised for such purposes by the Issuer or the relevant Dealer; and

(III) agrees and accepts that:

(a) the contract between the Issuer and the financial intermediary formed upon acceptance by the financial intermediary of the Issuer's offer to use the Base Prospectus with its consent in connection with the relevant Non-exempt Offer (the "**Authorised Offeror Contract**"), and any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract, shall be governed by, and construed in accordance with, Belgian law,

(b) the courts of Brussels, Belgium are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Authorised Offeror Contract (including a dispute relating to any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract) ("**Disputes**"),

(c) for the purposes of paragraph (III)(b) and (d), the Issuer and the financial intermediary waive

any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute,

(d) this paragraph (III) is for the benefit of the Issuer and each relevant Dealer. To the extent allowed by law, the Issuer and each relevant Dealer may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions;

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

Common conditions to consent

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

(a) is only valid in respect of the relevant Tranche of Notes;

(b) is only valid during the Offer Period specified in the applicable Final Terms;

(c) only extends to the use of this Base Prospectus to make Non-exempt Offers of the relevant Tranche of Notes in the Non-exempt Offer Jurisdiction as specified in the applicable Final Terms; and

(d) is subject to any other conditions set out in Part B of the applicable Final Terms.

ARRANGEMENTS BETWEEN INVESTORS AND AUTHORISED OFFERORS

AN INVESTOR INTENDING TO ACQUIRE OR ACQUIRING ANY NOTES IN A NON-EXEMPT OFFER FROM AN AUTHORISED OFFEROR OTHER THAN THE ISSUER WILL DO SO, AND OFFERS AND SALES OF SUCH NOTES TO AN INVESTOR BY SUCH AUTHORISED OFFEROR WILL BE MADE, IN ACCORDANCE WITH ANY TERMS AND CONDITIONS OF THE OFFER INCLUDING THOSE IN PLACE BETWEEN SUCH AUTHORISED OFFEROR AND SUCH INVESTOR INCLUDING AS TO PRICE, ALLOCATIONS, EXPENSES AND SETTLEMENT, ALL FIXED IN COMPLIANCE WITH ALL APPLICABLE LAWS, RULES AND REGULATIONS. THE ISSUER WILL NOT BE A PARTY TO ANY SUCH ARRANGEMENTS WITH SUCH INVESTORS IN CONNECTION WITH THE NON-EXEMPT OFFER OR SALE OF THE NOTES CONCERNED AND, ACCORDINGLY, THIS BASE PROSPECTUS AND ANY FINAL TERMS WILL NOT CONTAIN SUCH INFORMATION. THE RELEVANT INFORMATION WILL BE PROVIDED BY THE AUTHORISED OFFEROR AT THE TIME OF SUCH OFFER AND THE AUTHORISED OFFEROR WILL BE RESPONSIBLE FOR SUCH INFORMATION. NONE OF THE ISSUER AND ANY DEALER (EXCEPT WHERE SUCH DEALER IS THE RELEVANT AUTHORISED OFFEROR) HAS ANY RESPONSIBILITY OR LIABILITY TO AN INVESTOR IN RESPECT OF SUCH INFORMATION.

Non-exempt Offers: Issue Price and Offer Price

Notes to be offered pursuant to a Non-exempt Offer will be issued by the Issuer at the Issue Price specified in the applicable Final Terms. The Issue Price will be determined by the Issuer in consultation with the relevant Dealer at the time of the relevant Non-exempt Offer and will depend, amongst other things, on the interest rate applicable to the Notes and prevailing market conditions at that time. The offer price of such Notes will be the Issue Price or such other price as may be agreed between an Investor and the Authorised Offeror making the offer of the Notes to such Investor. The Issuer will not be party to arrangements between an Investor and an Authorised Offeror, and the Investor will need to look to the relevant Authorised Offeror to confirm the price at which such Authorised Offeror is offering the Notes to such Investor.

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.

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[1] and 31 December 2017[2], together, in each case, with the related auditors' report; and

(b) the unaudited consolidated interim financial statements of the Issuer for the first six months of 2018[3] together with the related auditors' report.

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

The tables below set 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 and for the unaudited consolidated semi-annual financial statements for the first six months of 2018 as set out in the Issuer's Half-year Report 1H 2018. 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 and its consolidated subsidiaries for the financial years ended 31 December 2016 and 31 December 2017**		
report of the board of directors	page 5-69	page 5-73
balance sheet	page 73	page 77
income statement	page 71	page 75
statement of comprehensive income	page 72	page 76
cash flow statement	page 76-77	page 80-81
notes to the financial statements	page 78-139	page 82-146

[1] https://www.kbc.com/en/system/files/doc/investor-relations/Results/JVS_2016/JVS_2016_BNK_en.pdf
[2] https://www.kbc.com/en/system/files/doc/investor-relations/Results/JVS_2017/JVS_2017_BNK_en.pdf
[3] https://www.kbc.com/en/system/files/doc/investor-relations/9-Bank-info/2018_1H_JVS_Bank_en.pdf

	Documents incorporated by reference	
statement of changes in equity	page 74-75	page 78-79
Auditors' report	page 140-143	page 147-154
Additional information		
ratios used		Annex

Unaudited consolidated interim financial statements of the Issuer for the first six months of 2018

	Half-Yearly Report H1 2018 of the Issuer *
*Unaudited consolidated semi-annual financial statements of the Issuer and its consolidated subsidiaries for the first six months of 2018**	
report of the board of directors	page 5 - 9
balance sheet	page 13
income statement	page 11
statement of comprehensive income	page 12
cash flow statement	page 15
notes to the financial statements	page 15 - 43
statement of changes in equity	page 14
Auditors' report	page 44 - 45
Additional information	
ratios used	page 49 - 52

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

TABLE OF CONTENTS

Page

SUMMARY OF THE BASE PROSPECTUS

Summaries are made up of disclosure requirements known as "Elements". These Elements are numbered in Sections A – E (A.1 – E.7). This Summary contains all the Elements required to be included in a summary for the Notes and the Issuer in relation to Notes with a denomination of less than €100,000 (or its equivalent in any other currency). Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the Summary because of the nature of the Notes and the Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element should be included in the summary with the mention of "not applicable".

Section A - Introduction and warnings		
A.1		This summary must be read as an introduction to this Base Prospectus. Any decision to invest in the Notes should be based on a consideration of the Base Prospectus as a whole by the investor. Where a claim relating to the information contained in this Base Prospectus is brought before a court, the plaintiff investor might, under the national legislation of Member States of the European Economic Area, be required to bear the costs of translating the Base Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Base Prospectus or it does not provide, when read together with the other parts of this Base Prospectus, key information in order to aid investors when considering whether to invest in the Notes.
A.2		***Issue specific Summary:*** [Not Applicable] [*Consent*: Subject to the conditions set out below, the Issuer consents to the use of this Base Prospectus in connection with a Non-exempt Offer of Notes (as defined below) by the Dealers, [●], [and] [each financial intermediary whose name is published on the Issuer's website, (www.kbc.com), and identified as an Authorised Offeror in respect of the relevant Non-exempt Offer] [and any financial intermediary which is authorised to make such offers under the applicable legislation implementing Directive 2014/65/EC ("**MiFID II**") and publishes on its website the following statement (with the information in square brackets being completed with the relevant information): "*We, [insert legal name of financial intermediary], refer to the [insert title of relevant Notes] (the "**Notes**") described in the Final Terms dated [insert date] (the "**Final Terms**") published by KBC Bank NV (the "**Issuer**"). We hereby accept the offer by the Issuer of its consent to our use of the Base Prospectus (as defined in the Final Terms) in connection with the offer of the Notes in Belgium (the "**Non-exempt Offer**") in accordance with the Authorised Offeror Terms and subject to the conditions to such consent, each as specified in the Base Prospectus, and we are using the Base Prospectus in connection with the Non-exempt Offer accordingly.*"] A "**Non-exempt Offer**" of Notes is an offer of Notes (other than pursuant to Article 3(2) of the Prospectus Directive) in Belgium (the "**Non-exempt Offer**

Section A - Introduction and warnings		
		Jurisdiction") during the Offer Period specified below. Those persons to whom the Issuer gives its consent in accordance with the foregoing provisions are the "Authorised Offerors" for such Non-exempt Offer. *Offer Period*: The Issuer's consent referred to above is given for Non-exempt Offers of Notes during the period from [●] to [●] (the "**Offer Period**"). *Conditions to consent*: The conditions to the Issuer's consent [(in addition to the conditions referred to above)] are such that the consent (a) is only valid in respect of the relevant Tranche of Notes; (b) is only valid during the Offer Period; [and] (c) only extends to the use of this Base Prospectus to make Non-exempt Offers of the relevant Tranche of Notes in Belgium [and (d) [●]]. **An investor intending to acquire or acquiring any Notes from an Authorised Offeror will do so, and offers and sales of such Notes to an investor by such Authorised Offeror will be made, in accordance with any terms and other arrangements in place between such Authorised Offeror and such investor including as to price allocations and settlement arrangements (the "Terms and Conditions of the Non-exempt Offer"). The Issuer will not be a party to any such arrangements (other than dealers) with investors in connection with the offer or sale of Notes and, accordingly, the Base Prospectus and any Final Terms will not contain such information. The Terms and Conditions of the Non-exempt Offer shall be provided to investors by that Authorised Offeror at the time of the Non-exempt Offer. Neither the Issuer nor any of the Dealers or other Authorised Offerors have any responsibility or liability for such information.**]

Section B - Issuer		
B.1	**The legal and commercial name of the Issuer:**	KBC Bank NV
B.2	**The domicile and legal form of the Issuer, the legislation under which the Issuer operates and its country of incorpora-tion:**	The Issuer, a limited liability company (*Société Anonyme/Naamloze Vennootschap*, having its registered office at Havenlaan 2, B-1080 Brussels, is established in Belgium as a bank and operates under the laws of Belgium.
B.4b	**A description of any known**	**Banking sector** After ongoing recapitalisation in the aftermath of the Eurocrisis, banks in the

	trends **affecting the Issuer and the industries in which it operates:**	Eurozone continued to strengthen their balance sheet, closely monitored by the European Central Bank. At the same time, they adjusted their business models to the evolving regulatory and challenging operating environment. While overall progress is significant, the results remain uneven across institutions and countries, with Italian and Portuguese banks still facing the toughest challenges. On the other hand, the asset quality of banks in core countries such as Belgium withstood the recent crises years rather well and continue to be good. The Czech and Slovakian banking systems are also characterised by good asset quality, while in Hungary and Bulgaria high non-performing loans are decreasing. Loan growth in the Eurozone is strengthening. Looking forward, enhanced economic governance and the banking union, which still needs to be completed, significantly strengthened the Eurozone architecture and offer a more stable banking sector environment than in the pre-crisis years. Amid a benign macroeconomic environment – despite significant emerging risks – profitability continues to improve, but significant challenges remain to enhance cost efficiency in a competitive environment and to withstand ongoing pressure on revenue growth. At the same time new technologies trigger new challenges to business models. Banks with a large customer and diversified income base are likely best suited to cope with these challenges. **General economic environment and risks[4]** The global economy continues to perform solidly. In the United States, annual real gross domestic product ("GDP") growth in 2017 accelerated to 2.3% after its dip in 2016 (1.5%). Growth in the United States was driven primarily by strong private consumption, which was underpinned by improving labour market conditions. Additionally, business spending picked up markedly.. After a somewhat weaker Q1 2018 growth figure, Q2 GDP growth reached 1.0% qoq (4.2% annualised). The sharp acceleration was driven by the large growth contribution from private consumption, strong federal spending and an exceptionally high growth contribution of net trade. Corporate sentiment indicators – although down from their recent highs – also continue to signal optimism. Furthermore, the tax reform which the Republicans approved in the United States at the end of 2017 together with more government spending is expected to deliver some additional, albeit modest, boost to growth in 2018-2019. Therefore, average annual GDP growth in the United States is expected to slightly accelerate and reach its peak in 2018. The growth pace will then likely decline in the following years, reflecting the late-cyclical state of the United States economy, the tighter policy of the Federal Reserve System ("Fed") and tightness of the United States labour market. For now, activity and inflation trends will support the Federal Reserve to continue with their gradual monetary policy path as planned. Also for the Eurozone economy, 2017 was a very strong year with an average annual growth rate of 2.5%, which was far more than expected. Private demand played an important role in the growth uptick, but net trade also made a substantial growth contribution. Moreover, business investment, although not fully recovered from the crisis, was an essential growth contributor during the year. In the first half of 2018, euro area GDP growth was somewhat lacklustre compared to the strong 2017 figures, with domestic demand the main driver. Economic sentiment in the Eurozone declined in the first half of 2018. However, it remains at elevated levels, after having reached a seventeen-year high in December 2017.. Nevertheless,

[4] Source: KBC Group Economics and markets.

		optimism remains for the Eurozone economy and above-potential growth in the coming years is still expected.. The main risks for the euro area economy will be the adverse effects of the ongoing trade conflicts and negative consequences from Brexit. Headline inflation is picking up in the euro area. This is mainly driven by oil price movements. Core inflation, excluding prices of energy, food, tobacco and alcohol, remains subdued in the region of 1%. Nevertheless, wage growth measures in several euro area economies have been rising recently, suggesting more inflation support from that corner in the coming months. Nevertheless, we still expect inflation to approach but not reach the ECB's medium-term target of below but close to 2%. This persistent shortfall from its inflation target explains the rather dovish stance of the ECB and its very gradual monetary policy normalisation plans with a first rate hike at the earliest after the summer of 2019. The combination of a dovish central bank, disappointing economic data, sticky core inflation, flight to quality capital flows, scarcity of German benchmark bonds and a continued presence of excess liquidity in the euro area will delay and slow down the normalisation of the term premium on euro area bond markets. Momentum remains supportive for the US dollar in the short-term as the interest rate differentials with the Eurozone have again reached multi-year highs. However, in the medium to longer term, most factors are pointing to an appreciation of the euro against the US dollar. Expectations of a first ECB rate hike and the consequences of late-cyclical fiscal stimulus (twin deficits) in the United States will lead to a strengthening of the Euro.
B.5	**Description of the Issuer's Group and the Issuer's position within the Group:**	The issuer is a member of two groups: • The Issuer is a member of the group consisting of KBC Group NV (the holding company) and its wholly owned subsidiaries KBC Insurance NV and KBC Bank NV (i.e., the Issuer). KBC Group NV and its subsidiaries is an integrated bank-insurance group, catering mainly for retail, private banking, small and medium sized enterprises and mid-cap clients. Its core markets are Belgium, Bulgaria, the Czech Republic, Hungary, Ireland and Slovakia. • The Issuer is itself the parent company of the (sub-)group consisting of the Issuer (KBC Bank NV) and its subsidiaries (the "**Group**"). The Group is a multi-channel bank that caters primarily to private persons, small and medium-sized enterprises and midcaps. Besides its banking activity the Group also has a holding function for a wide range of group companies, mainly banking and other financial entities in Central and Eastern Europe and in other selected countries, such as Ireland.
B.9	**Profit forecast or estimate:**	Not Applicable. The Issuer has not made any profit forecasts or estimates.
B.10	**Qualifications in the Auditors'**	Not Applicable. The auditors have not qualified their audit reports on the relevant historical financial information included in the Base Prospectus.

	report:	
B.12	**Selected financial information:**	*Selected historical key financial information:* The tables below set out a summary of key financial information extracted from the Issuer's audited consolidated financial statements for the years ended 31 December 2016 and 31 December 2017 and the Issuer's unaudited consolidated semi–annual financial statements for the first six months of 2017 and 2018.

Summary of consolidated income statement (in millions of €, IFRS)	**FY 2016**	**FY 2017**	**HY 2017**	**HY 2018**
Total income	6,240	6,588	3,368	3,233
Operating expenses	-3,399	-3,568	-1,893	-2,001
Impairment	-145	44	67	57
Result after tax, group share	2,026	2,003	1,187	947

Summary of consolidated 2018 balance sheet (in millions of €, IFRS)	**31-12-2016**	**31-12-2017**	**30-06-2017**	**30-06-2018**
Total assets	239,333	256,322	260,522	266,379
Parent shareholders' equity	12,568	14,083	13,344	13,115

Material adverse change:

There has been no material adverse change in the prospects of the Issuer or the Group since 31 December 2017.

Significant change in the financial or trading position:

There has been no significant change in the financial or trading position of the Issuer since 30 June 2018 and no material adverse change in the prospects of the Issuer since 31 December 2017.

B.13	**Recent material events**	At the end of June 2018, total equity came to 15.7 billion euros (13.1 billion euros in parent shareholders' equity, 0.2 billion euros in minority interests and 2.4 billion euros in additional tier-1 instruments), up 0.7 billion euros on its level at

	particular to the Issuer's solvency:	the beginning of the year on a like-for-like basis (i.e. after adjustment for the impact of the first-time application of IFRS 9, which led to a drop of 0.6 billion euros). The like-for-like change during the first six months of the year resulted from the inclusion of the profit for that period (+0.9 billion euros, excluding minority interests), the issuance of a new additional tier-1 instrument in April 2018 (+1 billion euros), changes in the various revaluation reserves (an aggregate -0.1 billion euros), dividends paid to KBC Group for financial year 2017 (-1.2 billion euros) and a number of smaller changes. The common equity ratio (Basel III) stood at 15.8% (fully loaded) at 30 June 2018 (16.3% at 31 December 2017). The leverage ratio (Basel III, fully loaded) stood at 6% (6.1% at 31 December 2017).
B.14	**Extent to which the Issuer is dependent upon other entities within the Group:**	The Issuer has, besides its banking activity, also a holding function for a wide range of group companies, mainly banking and other financial entities in Central and Eastern Europe and in other selected countries, such as Ireland. In its capacity of holding company, the Issuer is affected by the cash flows from dividends received from these group companies. The Issuer also functions as funding provider for a number of these group companies. The Issuer is a credit institution. It relies in part on its holding company, KBC Group NV, to meet certain capital and regulatory requirements. The major other subsidiary of KBC Group NV is KBC Insurance NV. The Issuer co-operates closely with KBC Insurance NV, amongst others, in relation to distribution of insurance products.
B.15	**Principal activities of the Issuer:**	The Group is a multi-channel bank that caters primarily to private persons, small and medium-sized enterprises (SMEs) and midcaps. Its geographic focus is on Europe. In its "home" (or "core") markets Belgium, Czech Republic, Slovak Republic, Hungary, Bulgaria and Ireland, the Group has important and (in some cases) even leading positions.[5] The Group is also present in other countries where the primary focus is on supporting the corporate clients of the home 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 most of its home markets, the Group is active in a large number of products and activities, ranging from the plain vanilla (i.e. basic or standard) deposit, credit, asset management and insurance businesses (via its sister company, KBC Insurance NV) to specialised activities such as, but not exclusively, payments services, dealing room activities (money and debt market activities), brokerage and corporate finance, foreign trade finance, international cash management, leasing, etc.
B.16	**Extent to which the Issuer is directly or**	As the Issuer is a wholly-owned subsidiary of KBC Group NV, it is indirectly controlled by the shareholders of KBC Group NV. KBC Group NV's shares are listed on Euronext Brussels. At the date of the Base Prospectus and based on the notifications made in accordance with the Belgian law of 2 May 2007 on

[5] Source: KBC Bank NV.

	indirectly owned or controlled:	disclosure of major holdings in issuers whose shares are admitted to trading on a regulated market, the major shareholders of KBC Group NV are KBC Ancora, Cera, MRBB and the other core shareholders.
B.17	**Credit ratings assigned to the Issuer or its debt securities:**	***Programme summary:*** The long term rating of the Issuer (as at 31 August 2018) is as follows: [Fitch A Moody's A1 Standard and Poor's A+ ***Issue specific summary:*** [The rating of the Notes [is] [is expected to be] [●].] [The Notes are not rated.] [The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]: [Rating agency]: [●] 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.

Section C – Securities		
C.1	**Type and class of the Notes:**	***Programme summary***: ***type of Notes***: Up to €5,000,000,000 (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**") arranged by KBC Bank NV. The Dealer is 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. The Notes will be issued 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**"). 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**"). Except for Zero Coupon Notes, the Notes may be Fixed Rate Notes, Fixed Rate Reset Notes or Floating Rate Notes or a combination of two or more of the foregoing.
		Issue specific summary: Series Number: [•] Tranche Number: [•] Aggregate Nominal Amount: (i) Series: [•] (ii) Tranche: [•] Specified Denomination: [•] Form of the Notes: Dematerialised. ISIN Code: [•] Common Code: [•] Relevant clearing system(s): [The Notes will settle through the Securities Settlement System.][•]
C.2	**Currency:**	***Programme summary:*** 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. ***Issue specific summary:*** The Specified Currency of the Notes is: [●]
C.5	**A description of any restrictions on the free transfera-bility of the Notes:**	***Programme summary:*** In order to comply with applicable laws, the primary offering of any Notes will be subject to offer restrictions in the United States, under the Prospectus Directive, United Kingdom, Japan and to any applicable offer restrictions in any other jurisdiction in which such Notes are offered. With respect to the United States, the Issuer is Category 2 for the purposes of Regulation S under the United States Securities Act of 1933, as amended. Title to the Notes will pass by account transfer in accordance with the procedures and regulations of the Securities Settlement System. Subject thereto, the Notes will be freely transferable. ***Issue specific summary:*** The United States, the Non-exempt Offer Selling Restriction under the Prospectus Directive, the United Kingdom, Japan.

		US Selling Restrictions (Categories of potential investors to which the Notes are offered):	Reg. S Compliance Category 2; TEFRA not applicable
C.8	**Description of the rights attached to the Notes:**	***Issue Price:*** Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. [The Issue Price of the Notes is [•].] ***Status:*** The Notes are senior preferred notes and 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. ***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 as shall result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding been required. ***Meeting of Bondholders:*** The terms and conditions of the Notes will contain provisions for calling meetings of holders of such Notes to consider matters relating to the Notes. 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. ***Events of Default*** 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 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 the terms and conditions of the Notes and the 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 Notes); or (v) an executory seizure (*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 Note may, by notice in writing given to the Issuer at its address of correspondence by the holder with a copy to the KBC Bank NV as domiciliary agent and the paying agent (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. ***Early Redemption*** *(Only possible if the "Prohibition of sales to consumers in Belgium" is specified as "Applicable" in the applicable Final Terms):* In certain circumstances, the Issuer may at its option redeem early the Notes at the applicable Early Redemption Amount together with any accrued but unpaid interest up to (but excluding) the date fixed for redemption (see *Redemption for Taxation Reasons, Redemption at the option of the issuer* and *Redemption of Notes due to Loss Absorption Disqualification Event* in Condition 4 of the terms and conditions of the Notes). ***Governing law:*** The Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with Belgian law. ***Modification and waiver*** The Agent together with the Issuer may in certain limited circumstances agree to a modification or waiver of the terms and conditions provided that, in the case of Notes for which the "Prohibition of sales to consumers in Belgium" is specified as "Non Applicable" in the applicable Final Terms, these cannot relate to an essential feature of the Notes and may not create an obvious imbalance between the rights and obligations of the parties to the detriment of the Noteholders. Moreover, such unilateral modifications must be made in response to the occurrence of force majeure or any other event that significantly changes the economy of the contract as originally agreed between the parties and which is not attributable to the Issuer and finally, such amendment may not result in any costs being due by the relevant Noteholders.
C.9	**Interest, maturity and redemption**	***Interest rates and interest periods*** Except for Zero Coupon Notes, Notes will either bear interest payable at a fixed rate or a floating rate or a combination thereof. Interest will be payable on such date or

	provisions, yield and representative of the Noteholders:	dates as may be specified below. [***Zero Coupon Notes***: *(only if the "Prohibition of sales to consumers in Belgium" is specified as "Applicable" in the applicable Final Terms)* The Notes are zero coupon Notes issued at an Issue Price of [●] [that do not bear interest]. The Amortisation Yield is [●] per cent. per annum, determined on a[n] [annually/semi-annually] compounded basis and assuming the Notes are held until maturity.] ***[Fixed Rate Notes:*** The Notes are Fixed Rate Notes and will be payable in arrear at the Rate(s) of Interest and on the Interest Payment Date(s). *Rate(s) of Interest*: [•] per cent. per annum payable in arrear [on each Interest Payment Date] *Interest Payment Date(s)*: [[•] [and [•]] in each year [from and including [•]][until and excluding [•]]] *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]] ***[Fixed Rate Reset Notes:*** The Notes are Fixed Rate Reset Notes and will be payable in arrear: from and including the Interest Commencement Date up to but excluding the First Reset Date at the Initial Rate of Interest; in the First Reset Period, at the First Reset Rate of Interest; and for each Subsequent Reset Period thereafter (if any), at the relevant Subsequent Reset Rate of Interest, on the Interest Payment Date(s). *Initial Rate of Interest*: [•] per cent. per annum payable in arrear [on each Interest Payment Date] *Interest Payment Date(s)*: [•] [and [•]] in each year [from and including [•]][until and excluding [•]] *First Reset Date:* [•] *Second Reset Date:* [[•]/Not Applicable] *Subsequent Reset Date(s):* [[•] [and[•]]/Not Applicable] *Reset Determination Dates:* [•] *Mid-Swap Rate:* [semi-annual] [annualised] *Swap Rate Period:* [[•]] *Margin(s):* [+/–][•] per cent. per annum *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]]

		[***Floating Rate Notes***: The Notes are Floating Rate Notes and will bear interest determined separately for each Series [on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the [2006] ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc.][by reference to [LIBOR/EURIBOR/CMS] as adjusted for any applicable margin]. *Interest Period(s):* [[•][, subject to adjustment in accordance with the Business Day Convention set out below/, not subject to any adjustment[, as the Business Day Convention below is specified to be Not Applicable]]] *Specified Interest Payment Dates:* [•][from and including [•]][up to and [including/excluding] [•]][, subject to adjustment in accordance with the Business Day Convention set out below, not subject to any adjustment[, as the Business Day Convention below is specified to be Not Applicable]] [Not Applicable] *First Interest Payment Date:* [•] *Business Day Convention:* [•] [Not Applicable] *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] *Margin(s):* [+/–][•] per cent. per annum [in respect of [•]] *Minimum Rate of Interest:* [•] per cent. per annum [in respect of [•]] [Not Applicable] *Maximum Rate of Interest:* [•] per cent. per annum [in respect of [•]] [Not Applicable] *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]] ***Maturities:*** 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 mature and become due and payable at its Final Redemption Amount on [•], unless otherwise provided in the Final Terms in relation to Notes for which the "Prohibition of sales to consumers in Belgium" is specified as "Applicable" in the applicable Final Terms. ***Redemption:*** The relevant Final Terms will specify the basis for calculating the redemption amounts payable. *Final Redemption Amount*: [[•] per Calculation Amount/ [•]] *Only possible if the "Prohibition of sales to consumers in Belgium" is specified as "Applicable" in the applicable Final Terms):[* ***Early Redemption :*** in case of Tax Event, Issuer Call or Loss Absorption Disqualification Event. *Early Redemption Amount:* [[•] per Calculation Amount /[•]/[Final Redemption

		Amount]] Zero Coupon Notes are redeemed prior to their maturity date at their amortised face amount (as calculated under Condition 4 of the terms and conditions of the Notes), unless otherwise specified in the applicable Final Terms. ***Tax Event****:* *Notice period*: Minimum period: [30] [•] days. Maximum period: [60] [•] days ***Issuer Call Option*** : [Applicable/Not Applicable] *Optional Redemption Date(s)*: [•] *Optional Redemption Amount(s)*: [[•] per Calculation Amount/Early Redemption Amount/Final Redemption Amount] *If redeemable in part*: [Applicable/Not Applicable] Minimum Callable Amount: [•]/[Not Applicable] Maximum Callable Amount: [•]/[Not Applicable] *Notice period*: Minimum period: [30] [•] days. Maximum period: [60] [•] days ***Loss absorption Disqualification Event****:* [Applicable from [●]/Not Applicable] *Notice period:* Minimum period: [●] days. Maximum period: [●] days] **[*Indication of Yield:*** [(*For Fixed Rate Notes*) The yield for the Notes will be [●] per cent per annum (calculated on the Issue Date on the basis of the Issue Price, fixed rate of interest, Final Redemption Amount and original tenor of the Notes). This is not an indication of future yield unless the Notes are held until maturity. Yield is not an indication of future price.] [(*For Floating Rate Notes*) The maximum yield for the Notes will be [●] per cent. per annum (calculated at the Issue Date) based on the Issue Price, maximum floating rate[s] of interest, Final Redemption Amount and original tenor of the Notes.] [(*For Floating Rate Notes*) The minimum yield for the Notes will be [●] per cent. per annum (calculated at the Issue Date) based on the Issue Price, minimum floating rate[s] of interest, Final Redemption Amount and original tenor of the Notes.]] ***Representative of the holders*** Not Applicable. There will be no representative of Noteholders. Noteholders may consider matters affecting their interest in a meeting of Noteholders.
C.10	**Derivative component in interest payments:**	Not Applicable. Notes issued under the Programme do not contain any derivative components.
C.11	**Listing and Admission to Trading:**	***Programme summary:*** 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. ***Issue specific summary:*** [Application has been made]/[Application is expected to be made] by the Issuer (or on its behalf) for the Notes to be listed and admitted to trading on [●] with effect from [●]]/[The Notes are not intended to be listed or admitted to trading.]

Section D - Summary Risk Factors		
D.2	**Key information on the key risks that are specific to the Issuer:**	The Issuer believes that the factors described below represent the principal risks,each of which may affect the Group's business or financial condition, and therefore the Issuer's ability to fulfil its obligations under Notes issued under the Programme. 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 sequence in which the risk factors are listed is not an indication of their likelihood to occur or of the extent of their consequences. These factors include amongst others, the following risks: (1) The Group is subject to economic and market conditions which may pose significant challenges and adversely affect its results, due to, among others, the highly competitive market in which the Group operates, liquidity and funding risk, counterparty risk (including in respect of Belgian and other European sovereigns), interest rate risk, foreign exchange risk and general market risks. General business and economic conditions that could affect the Group include the level and volatility of interest and foreign exchange rates, inflation, employment levels, bankruptcies, household income, consumer spending, fluctuations in both debt and equity capital markets, liquidity of the global financial markets, the availability and cost of funding, investor confidence, the Brexit, 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 insurance services required by its customers. 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. (2) Increased regulation of the financial services industry and changes thereto could adversely affect the Group; there is an increased risk of regulatory or compliance breaches, uncertainty in respect of the Group's ability to (timely) meet new regulatory capital requirements. Although the Group works closely with its regulators and continually monitors regulatory developments, there can be no assurance that additional regulatory or capital requirements will not have an adverse impact on the Group, its business, financial condition or results of operations. (3) A downgrade in the credit rating of the Group or its subsidiaries may limit access to certain markets and counterparties and may necessitate the posting of additional collateral to counterparties or exchanges.

		(4) The Group's risk management procedures and processes may not capture all possible risks, or may not quantify such risks correctly. In addition, operational risks remain inherent to its business, such as the possibility of inadequate or failed internal or external processes or systems, human error, regulatory breaches, the loss of key personnel, employee misconduct or external events such as fraud or cyber crime. (5) Litigation or other proceedings may adversely affect the Group's business or financial condition, as it is difficult to predict the outcome thereof or the time when such liability risk may materialise. As a result, there can be no assurance that provisions will be sufficient to cover resulting losses. (6) The financial industry, including the Group, is increasingly dependent on information technology systems, which may fail, be inadequate or no longer available. (7) 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. (8) The Group is responsible for contributing to compensation schemes and subject to special bank taxes. (9) The Group could become subject to the exercise of "bail-in" powers or other resolution powers by the Resolution Authority. The potential impact thereof is inherently uncertain, including in certain significant stress situations.
D.3	**Key risks regarding the Notes:**	The Issuer believes that the factors described below represent the principal risks in relation to the Notes, which are material for the purpose of assessing the risks associated with the Notes. 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. These factors include, without limitation, the following risks: (1) The Notes may not be a suitable investment for all investors and each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should have sufficient knowledge, experience and appropriate analytical tools to make a meaningful evaluation of the Notes, have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes and understand thoroughly the terms of the Notes and the behaviour of financial markets. (2) Noteholders may be required to absorb losses in the event the Group were to become subject to the exercise of "bail-in" powers by the Resolution Authority. These give the Resolution Authorities the power to "bail-in" the claims of certain unsecured creditors of a failing institution (including the Notes) by either mandatorily converting the claims into equity or by writing off such claims by way of a reduction of the outstanding principal amount, potentially to zero. These so-called "bail-in" powers are part of a broader set of resolution tools provided to the resolution authorities in relation to distressed credit institutions and investment firms. These include the ability for the resolution authorities 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 bank 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. (3) The Notes are unsecured, are not covered by any government compensation or insurance scheme and do not have the benefit of any government guarantee. (4) 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. (5) Where the Issuer acts as Calculation Agent or the Calculation Agent is an affiliate of the Issuer, 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 terms and conditions of the Notes that may influence the amount receivable under the Notes. 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. (6) In certain instances, the Noteholders may be bound by certain amendments to the Notes to which they did not consent. (7) Further risks associated with investing in the Notes include, without limitation, [(i)] [the conversion from a fixed rate to a floating rate] [,] [(ii)] minimum [and][/][or] maximum limits are imposed on the interest rates] [;] [(iii)] [subsequent changes in market interest rate which may adversely affect the value of the Notes] [;] [(iv)] [the application of more than one Interest Basis] [;] [(v)] [higher price volatility when issued at a substantial discount or premium] [;][(vi)] [reset of the interest rate] [;] (vii)] [the fact that benchmark reforms (e.g. Euribor rate) and licensing reforms could have a material adverse effect on the value of and return on any Notes.]

Section E - Offer:		
E.2b	**Reasons for the offer and use of proceeds:**	***Programme summary:*** The net proceeds from the Notes to be issued under the Programme will be used for general corporate purposes of the Group. If in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms. The Final Terms may specify that the net proceeds of a particular issue will be used for loans, assets, projects and activities of the Group that promote climate-friendly and other environmental or sustainable purposes ("**Green Bond Eligible Assets**"), in which case the Notes would be designated as "Green Bonds" under this Base Prospectus. If Green Bond Eligible Assets are specified and "Prohibition of sales to consumers in Belgium" or the "Prohibition of sales to EEA Retail Investors" are specified as "Not Applicable", then the Issuer must first publish a supplement to the Base

		Prospectus (subject to prior approval of the FSMA and in accordance with applicable regulations) in relation to these Green Bonds.) ***Issue specific summary:*** Reasons for the offer and use of proceeds: [●]
E.3	**Terms and Conditions of the Offer:**	***Programme summary:*** The terms and conditions of each offer of Notes will be determined by agreement between the Issuer and the relevant Dealers at the time of issue and specified in the applicable Final Terms. An investor intending to acquire or acquiring any Notes in a Non-exempt Offer from an offeror other than the Issuer will do so, and offers and sales of such Notes to an investor by such 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, expenses and settlement arrangements. The investor must look to the relevant Authorised Offeror for the provision of such information and the Authorised Offeror will be responsible for such information. The Issuer has no responsibility or liability to an investor in respect of such information. ***Issue specific summary:*** [Item 9 of Part B of these Final Terms specifies the terms and conditions of the offer applicable to the Notes.]
E.4	**Interests of natural and legal persons involved in the issue of the Notes:**	***Programme summary:*** The relevant Dealer(s) may be paid fees in relation to any issue of Notes under the Programme. Any such Dealer and its affiliates may also have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its respective affiliates in the ordinary course of business. The Dealer for the Programme is KBC Bank NV and consequently the interests of the Dealer may conflict with the interests of the holders of Notes. ***Issue specific summary:*** [Save for [●], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer, including conflicting interests.]
E.7	**Estimated expenses charged to the investor by the Issuer or the offeror:**	***Issue specific summary:*** [There are no expenses charged to the investor by the Issuer.] [The following expenses are to be charged to the investor by the [Issuer]: [●].] [Expenses may be chargeable to Investors by an Authorised Offeror in accordance with any contractual arrangements agreed between the Investor and an Authorised Offeror at the time of the relevant offer; these are beyond the control of the Issuer and are not set by the Issuer. Investors are invited to inform themselves on the costs and fees that will be charged by the relevant Authorised Offeror in relation to the subscription of Notes.]

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 Bank NV and its subsidiaries from time to time.

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

Risks relating to the market in which the Group operates

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.

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 32 and 33 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.

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 and its parent KBC Group NV include the following:

(a) 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**").

(b) 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 ("**BRRD**").

(c) 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**").

(d) 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**").

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

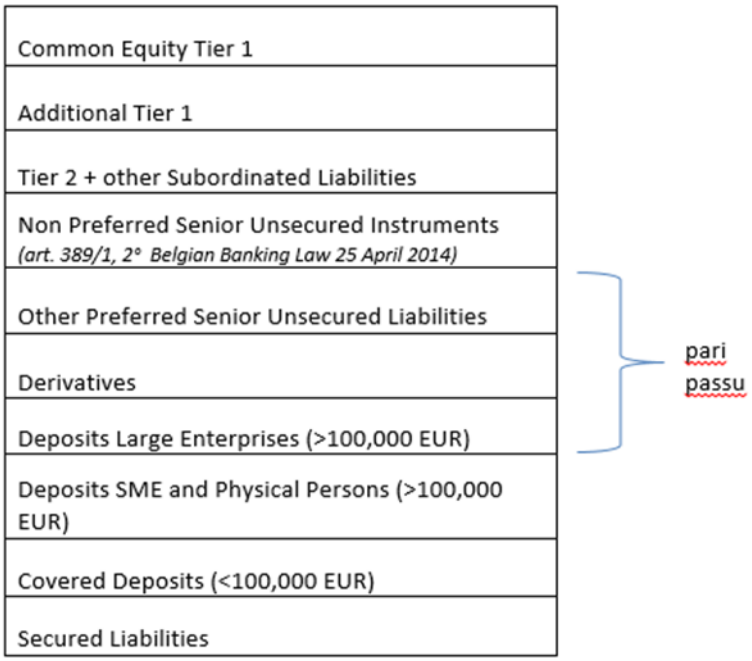
Although the Issuer works closely with its regulators and continually monitors regulatory developments, there can be no assurance that additional regulatory or capital requirements will not have an adverse impact on the Issuer and/or its subsidiaries, their business, financial condition or results of 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. The NBB Governance Manual for the Banking Sector contains recommendations to assure 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 to absorb losses and certain other changes to implement the proposal by the Financial Stability Board in respect of the Total Loss-Absorbing Capacity ("**TLAC**") for global systemically important banks ("**G SIBs**"). These proposed changes are currently scheduled to be adopted and implemented in large part by 2019 at the earliest.

On 31 July 2017, the Belgian legislator adopted a new law to, amongst others, amend the Banking Law in order to give effect to the European Commission's proposals of 23 November 2016 to amend CRD IV and BRRD. In particular, the law also adds a new article 389/1 in the Banking Law which aims at increasing the effectiveness of the bail-in tool and introduces a new category of claims in the statutory creditor hierarchy in the case of a liquidation procedure (*procédure de liquidation/liquidatieprocedure*) of a credit institution. Article 389/1, 2° of the Banking Law now divides senior notes into: (i) senior preferred notes, retaining the same ranking as the previous senior notes; and (ii) senior non-preferred notes. Senior non-preferred notes are direct, unconditional, senior, and unsecured (*chirographaires/chirografaire*) obligations. In accordance with this new provision, in case of liquidation of a credit institution or stockbroking firm, the claims will rank as follows (whereby Common Equity Tier 1 will rank lowest):



On 30 July 2018 the Belgian legislator adopted a law which, among others, amended Article 389/1, 2° of the Banking Law. As of this law, senior non-preferred notes must have each of the following characteristics:

(i) they may not contain embedded derivatives or be derivatives themselves (it being understood that floating rate debt instruments which are derived from a commonly used reference rate and debt instruments which are not denominated in the national currency of the issuer, provided that principal, repayment and interest are denominated in the same currency, may not solely on the basis of these characteristics be considered as debt instruments containing embedded derivatives);

(ii) their maturity may not be less than one year; and

(iii) the issuance terms must expressly provide that the claim is unsecured (*chirographaire/chirografair*) and that their ranking is as set forth in Article 389/1, 2° of the Belgian Banking Law.

On 7 December 2017, the Basel Committee reached an agreement on the remaining Basel III post-crisis regulatory reforms (commonly known as "**Basel IV**"). One of the main elements of Basel IV is the aggregate output floor, which will ensure that bank's risk-weighted assets generated by internal models are no lower than 72.5% of the risk-weighted assets as calculated by the standardised approaches of Basel III. Basel IV has also 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.

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 cannot be excluded that the Group or its parent KBC Group NV 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 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.

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, 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.

Risks relating to the Group and its business

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 the Issuer), 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.

Credit institutions have witnessed a significant increase in default rates over the past few years as a result of

worsening economic conditions. This increase in the scope and scale of defaults is evidenced by the significant increase in the amount of impaired loans in the Portfolio of the Group in 2013, although this has been decreasing again since 2014. This trend – i.e., the decreasing amount of impaired loans – remains visible, particularly in Ireland. In some of the Central and Eastern European countries in which the Group is active, credit is also granted in a currency other than the local currency. Changes in exchange rates between the local and such other currency can also have an impact on the credit quality of the borrower. Any further adverse changes in the credit quality of 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. These provisions are recorded according to IFRS 9 requirements (calculated on a lifetime expected credit loss (ECL) basis for defaulted borrowers and on a 12-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' (see page 102 for further explanation of these terms). Specific IFRS 9 models are used for this purpose. 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 the other home markets (such as Ireland) where it is active, the Group's financial position is sensitive to a significant deterioration in credit and general economic conditions in these regions. Moreover, uncertainty regarding Greece and the rest of the Eurozone, the risk of losses as a result of a country's or a credit institution's financial difficulties or a downgrade in its credit rating could have a significant impact on 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.

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 to access the debt market, sell products or reimburse financings as a result of the deterioration of market conditions, the lack of confidence in financial markets, uncertainties and speculations regarding the solvency of market participants, rating downgrades or operational problems of third parties. In addition thereto, the Group's liquidity position could be adversely impacted by substantial outflows in deposits and asset management 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.

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 collateralization). 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.

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. 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-earnings 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.

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. 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.

The Group is subject to market risk

The most significant market risks the Group faces are interest rate, credit spread, basis risk, foreign exchange and bond and equity price, inflation rate and market liquidity risks. Changes in (the level and volatility of) interest rates, (the level and shape of) levels, 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 partly hedge against certain market risks. If the market risk managagement instruments and strategies prove ineffective or only partially effective (e.g. basis risk arises, i.e. the price of a derivative is not or no longer perfectly correlated with the market value of the underlying asset, as a result of which the derivative is not or no longer a perfect hedge for the underlying asset), the Group may suffer losses. Sudden drying up of the liquidity in the financial markets may affect the (cost of the) implementation of the risk reducing measures. Unforeseen market developments such as those in relation to the government bonds of various countries which occurred in 2011 and 2012 may significantly reduce the effectiveness of the measures taken by 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.

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

The credit ratings of KBC Group NV and certain of its subsidiaries, such as the Issuer, are important to maintaining access to key markets and trading counterparties. The major rating agencies regularly evaluate KBC Group NV, certain of its subsidiaries, including the Issuer, 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 KBC Group NV or its subsidiaries, including the Issuer, will maintain the current ratings.

KBC Group NV's or its subsidiaries', including the Issuer's, failure to maintain their 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 KBC Group NV's or its subsidiaries including the Issuer'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 ratings downgrade.

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.

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 cyber crime. 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.

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 and financial 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.

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.

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 Group believes that all assumptions and estimates are reasonable at the time the financial statements are being prepared.

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 (as of 1 January 2018 in accordance with IFRS 9: valuation of assets through other comprehensive income), 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 Issuer 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 before tax of EUR -755 million (EUR -599 million after tax). This consists of:

- a classification and measurement impact of EUR -475 million before tax, mainly due to a decrease of other comprehensive income reserves; and
- an increase in impairments and provisions amounting to EUR -280 million before tax.

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.

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

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 of 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 its services, regardless of whether the allegations are valid or whether they are ultimately found liable. See further "*Description of the Issuer – Litigation*".

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

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.

Other risks relating to the Group

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.

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

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

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 the Group stood at 134% and the average LCR in 2017 was 139 %. By way of comparison, the requirements for the Group under CRD IV are 100% for NSFR and 100% (on 1 January 2018) for LCR. Therefore, the Group currently complies with the CRD IV requirements. However, failure to comply with these ratios in the future may lead to regulatory sanctions.

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

The BRRD, which was adopted in May 2014 and implemented in the Banking Law, provides common tools and powers to supervisory and resolution authorities to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses. The powers granted to resolution authorities under the BRRD include a "bail-in" tool in relation to unsecured debt (including the Notes) and a

statutory "write-down and conversion power" in relation to regulatory capital instruments. These powers allow resolution authorities to write down the claims of unsecured creditors (including the rights of 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 (including the Notes) 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 Group 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 KBC Group NV and the Issuer) that are failing or are likely to fail. In line with BRRD, the resolution regime will enable the Resolution Authority to: (i) transfer all or part of the business of the relevant entity or the shares of the relevant entity to a private sector purchaser; (ii) transfer all or part of the business of the relevant entity to a "bridge bank", (iii) obtain the temporary public ownership of the relevant entity and/or (iv) bail-in unsecured debt (including the Notes). 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 the Issuer) 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. The resolution plan for KBC is based on a Single Point of Entry ("**SPE**") approach at the level of KBC Group. Bail-in is the preferred resolution tool.

As at 30 June 2018, the MREL ratio based on instruments issued by KBC Group stood at 25.1 per cent. of risk weighted assets (the 'point of entry' view). Based on the broader SRB definition, which also includes eligible instruments of the Issuer, the MREL ratio amounted to 26.4 per cent. of risk weighted assets (the 'consolidated' view). The SRB requires KBC Group to achieve a ratio of 25.9 per cent. by 1 May 2019 using eligible instruments of both KBC Group and the Issuer.

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.

Belgian bank recovery and resolution regime

BRRD has been transposed into Belgian law 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.

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 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.

RISKS RELATING TO THE NOTES

General risks relating to the Notes

The Notes may not be a suitable or appropriate investment for all investors

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

(a) 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;

(b) 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;

(c) 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;

(d) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any

relevant indices, interest rates and financial markets; and

(e) 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.

Noteholders may be required to absorb losses in the event the Group 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 senior notes to be bailed-in, including (without limitation) the 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 the 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 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 authorities 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.

Bail-in of senior debt and other eligible liabilities, including the 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 Notes, after having written down or converted tier 1 capital instruments and tier 2 capital instruments. 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 the 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 include covered deposits, secured liabilities (including covered bonds) as well as certain debt with maturities of less than 7 days and certain other liabilities. All other liabilities (including the Notes) will be deemed "eligible liabilities" subject to the statutory bail-in powers. 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" debt instruments to absorb losses and certain other changes to implement the proposal by certain aspects of the eligible liabilities that will be subject to the bail in powers need to be further implemented by means of technical standards.

Moreover, the deposit guarantee fund benefits from a general lien on movable assets (in respect of any deposits covered by it up to EUR 100,000), as do natural persons and small and medium sized enterprises for deposits exceeding EUR 100,000 (see risk factor "*Unsecured and unsubordinated obligations*" below). There can be no assurance that the existence of applicable loss absorption provisions or the taking of any actions currently contemplated or as finally reflected in such provisions would not materially adversely affect the price of value of holders' investment in the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes.

These proposed changes are currently scheduled to be adopted and implemented in large part by 2019. In addition, a new Article 389/1 has already been included in the Banking Law introducing a new category of claims in the statutory creditor hierarchy in the case of a liquidation procedure (*procédure de liquidation/liquidatieprocedure*) of a credit institution.

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.

Impact

The determination that all or part of the principal amount of any series of the 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 Notes is not necessarily expected to follow the trading behaviour associated with other types of securities. Potential investors in the 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 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.

Unsecured and unsubordinated obligations

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

All Notes will constitute "eligible liabilities" which could be subject to statutory "bail-in" in case any resolution action were to be taken in relation to the Group (see risk factor "*Noteholders may be required to absorb losses in the event the Group becomes subject to the exercise of "bail-in" powers by the Resolution Authority*." for further details).

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

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

The 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* 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.

Potential conflicts of interest

The Agent, the Dealer 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 Dealer and its 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 Dealer and its 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 may act as Dealer, and that the interests of KBC Bank NV as Issuer and as Dealer may conflict with the interests of the holders of Notes.

Where the Issuer acts as Calculation Agent or the Calculation Agent is an affiliate of the Issuer, 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 fallback in the absence of any such objective parameters (see, for example, Condition 3 (b) and Condition 3 (c) (iii) sub (A) (B) (3)). 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.

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 9 (*Meetings 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 and the Agent 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 the case of Notes for which the **"**Prohibition of sales to consumers in Belgium**"** is specified as "Non Applicable" in the applicable Final Terms, these cannot relate to an essential feature of the Notes and may not create an obvious imbalance between the rights and obligations of the parties to the detriment of the Noteholders. Moreover, such unilateral modifications must be made in response to the occurrence of force majeure or any other event that significantly changes the economy of the contract as originally agreed between the parties and which is not attributable to the Issuer and finally, such amendment may not result in any costs being due by the relevant Noteholders.

In addition, pursuant to Condition 3(k) (*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.

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

Redemption for Taxation Reasons

If the "Prohibition of sales to consumers in Belgium" is specified as "Applicable" in the applicable Final Terms, 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 6 (*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), 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.

Redemption at the option of the Issuer

If the "Prohibition of sales to consumers in Belgium" is specified as "Applicable" in the applicable Final Terms, the Issuer may at its option redeem such Notes early at the applicable Optional Redemption Amount together with any accrued but unpaid interest up to (but excluding) the date fixed for redemption. 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. Potential investors should consider reinvestment risk in light of other investments available at that time.

Redemption of 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 Notes in respect of which the "Prohibition of sales to consumers in Belgium" is specified as "Applicable" in the applicable Final Terms, and the applicable Final Terms for the Notes of such Series specify that the Issuer has an option to redeem such Notes in such circumstances, the Issuer may redeem all, but not some only, of the Notes of such Series at the applicable Early Redemption Amount together with any accrued but unpaid interest up to (but excluding) the date fixed for redemption. 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 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 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 on the Issue Date of the first Tranche of the 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 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 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 Notes.

Change of law

The Terms and Conditions of the Notes will 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 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 Group becomes non-viable or were to fail*" -above for further details).

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.

Offers to the public may be over-subscribed, will not be subject to a minimum subscription amount and may be cancelled or terminated early

Notes may be distributed by means of a Non-exempt Offer made during an Offer Period specified in the applicable Final Terms. During such Offer Period, (i) the relevant Dealer(s) may in certain limited circumstances decide to cancel or withdraw from such offer in accordance with the Programme Agreement, or, in case of a syndicated offer, cancel the offer in accordance with the relevant subscription agreement and/or (ii) the Issuer and/or any other person specified in the applicable Final Terms may decide to scale back applications for such offer in the event of over-subscription. In such circumstances, an applicant investor may not be allocated any Notes or may be allocated a number of Notes which is less than the amount for which such applicant investor applied. Any payments made by an applicant investor for Notes that are not allocated to such applicant investor for any such reason will be refunded. However, there will be a time lag in making any reimbursement, no interest amounts will be payable in respect of any such amounts and the applicant investor may be subject to reinvestment risk. Any such repayment will however be effected within 7 Business Days in accordance with the agreement in place between the investor and the relevant Dealer or other financial intermediary.

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

Furthermore, the Issuer may in the case of Non-exempt Offers specify a minimum aggregate amount in respect of the relevant issue. In the event that the total amount subscribed is less than the specified minimum amount, the Issuer may, in its sole discretion, decide whether or not to proceed with such offer and inform subscribers thereof by notice. If the Issuer does not elect to cancel the offer in such circumstances, Noteholders will not have the right to cancel or revoke their subscription. This may have a negative impact on the liquidity of the Notes.

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.

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 (g)] (*Purchases*) 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.

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.

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 and/or other commissions and inducements in respect of the issue of Notes for which the **"**Prohibition of sales to consumers in Belgium**"** is specified as "Non Applicable" in the applicable Final Terms will be disclosed to investors in the applicable Final Terms. Any such fees may not be taken into account for the purposes of determining the price of such 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.

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.

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.

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.

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.

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.

Reliance on the procedures of the Securities Settlement System, Euroclear, Clearstream Luxembourg, SIX SIS, Switzerland, Monte Titoli, Italy and InterBolsa, Portugal 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, Clearstream Luxembourg, SIX SIS, Switzerland, Monte Titoli, Italy and InterBolsa, Portugal.

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, Clearstream Luxembourg, SIX SIS, Switzerland, Monte Titoli, Italy and InterBolsa, Portugal 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.

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, which will also be KBC Bank NV, 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.

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*".

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).

Common Reporting Standard

The exchange of information is governed by the Common Reporting Standard ("**CRS**"). On 7 August 2018, 103 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.

About 100 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 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, as from 2018 (for the 2017 financial year) for a second list of 44 jurisdictions, and as from 2019 (for the 2018 financial year) for another jurisdiction.

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

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 to be 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 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. 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.

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. Under local law implementing the Belgian IGA, Belgian financial institutions are required to identify and report certain financial information regarding financial accounts held by U.S. persons or entities with substantial U.S. ownership, as well as accounts of certain other financial institutions. 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, that have a fixed term, and 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.

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, as 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.

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 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 Notes which have such a specified use of proceeds are referred to as "**Green Bonds**"). If the Issuer should decide to issue Green Bonds in respect of which the Final Terms specify the "Prohibition of sales to consumers in Belgium" or the "Prohibition of sales to EEA Retail Investors" as "Not Applicable", then the Issuer will first publish a supplement to this Base Prospectus (subject to prior approval of the FSMA and in accordance with applicable regulations) in relation to these Green Bonds. Such supplement may contain specific risk factors with respect to such Green Bonds.

The remaining paragraphs of this risk factor "*Notes issued as Green Bonds may not be a suitable investment for all investors seeking exposure to green or sustainable assets*" are only applicable to Green Bonds for which "Prohibition of sales to consumers in Belgium" and "Prohibition of sales to EEA Retail Investors" are "Applicable".

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 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 Group becomes non-viable or were to fail*" above for further information.

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.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate 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 the Issuer converts from a floating rate to a fixed rate, 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.

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.

Interest rate risks

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

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 unless otherwise stated in the Final Terms.

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.

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.

TERMS AND CONDITIONS OF THE NOTES

The following 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 Bank 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, Clearstream, Luxembourg, SIX SIS, Switzerland, Monte Titoli, Italy and InterBolsa, Portugal and through other financial intermediaries which in turn hold the Notes through Euroclear, Clearstream, Luxembourg, SIX SIS, Switzerland, Monte Titoli, Italy and InterBolsa, Portugal, 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 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, SIX SIS, Switzerland, Monte Titoli, Italy and InterBolsa, Portugal 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, SIX SIS, Switzerland, Monte Titoli, Italy and InterBolsa, Portugal 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 and integral multiples of such Specified Denomination. The minimum Specified Denomination of the Notes shall be at least €1,000 (or its equivalent in any other currency). The Notes have no maximum Specified Denomination.

The Notes may: (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**"), (iv) only in the case of Notes for which the "Prohibition of sales to consumers in Belgium" is specified as "Applicable" in the applicable Final Terms, not bear interest (such Note, a "**Zero Coupon Note**") or (v) have a combination of two or more of (i) to (iv) of the foregoing, as specified in the Final Terms.

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 (*Form, Denomination and Title*) 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*

The Notes are senior preferred notes and 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.

(b) *Waiver of set-off*

If the applicable Final Terms in respect of Notes for which the "Prohibition of sales to consumers in Belgium" is specified as "Applicable", also specify that this Condition 2 (b)

applies, then, subject to applicable law, no holder of any such Notes may exercise or claim any right of set-off (*schuldvergelijking / compensation*, i.e. the right to discharge liabilities where cross obligations exist between the holder of the Notes and the Issuer) in respect of any amount owed to it by the Issuer arising under or in connection with the Notes, and each such Noteholder shall, by virtue of its subscription, purchase or holding of any 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 (k)] (*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 [(g)] (*Calculations*).

In this Condition 3(b):

"**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 per cent. (0.0005 per cent. 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 determined by the Calculation Agent in its sole discretion following consultation with the Issuer;

"**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 (g). Such Interest Payment Date(s) is/are either specified in the Final Terms as Specified Interest Payment Dates (as may be subject to adjustment pursuant to Condition 3 (c) (ii)) 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 as may be subject to adjustment pursuant to Condition 3 (c) (ii).

(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 had it not been subject to adjustment, (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.

In the event of Notes cleared through the Securities Settlement System, the Modified Following Business Day Convention cannot be used. If, nevertheless, the applicable Final Terms would include the Modified Following Business Day Convention, the Following Business Day Convention will automatically apply.

(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. Noteholders who should require a copy of the ISDA Definitions, can obtain such copy from the Issuer.

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 below, 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) Zero Coupon Notes

In relation to Notes for which the "Prohibition of sales to consumers in Belgium" is specified as "Applicable" in the applicable Final Terms, the Issuer may specify in the Final Terms that the Interest Basis is Zero Coupon. In case a Zero Coupon Note is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Zero Coupon Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 4 (e) (i)).

(e) 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(k)).

(f) 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) 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.

(g) 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.

(h) 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 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), 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 8, 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.

(i) Definitions

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

"**Business Day**" means :

(i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which banks are open for general business in Belgium and on which commercial banks settle payments in the principal financial centre for such currency; and

(ii) in the case of euro, a day (a) other than a Saturday or Sunday on which the NBB security settlement system (NBB-SSS) is operating and (b) on which banks are open for general business in Belgium and (c) (if a payment in euro is to be made on that day), which is a business day for the TARGET2 System (a "**TARGET Business Day**"); and

(iii) in the case of a currency other than euro and one or more business centres (the "**Business Centre(s)**"), as specified in the applicable Final Terms, a day (other than a Saturday or a Sunday) on which banks are open for general business in Belgium and on which commercial banks settle payments in such currency in each of the Business Centres.

"**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 (i.e. the amount of interest payable for any Interest Accrual Period that is longer or shorter than the regular Interest Accrual Periods of the relevant Fixed Rate Notes) 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 and as may be subject to adjustment pursuant to Condition 3 (c) (ii).

"**Interest Period End Date**" means each Interest Payment Date unless otherwise specified in the Final Terms and as may be subject to adjustment pursuant to Condition 3(c)(ii).

"**ISDA Definitions**" means the 2006 ISDA Definitions, as amended and supplemented and published by the International Swaps and Derivatives Association, Inc., as available on www.isda.org (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.

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

(j) 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.

(k) 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(k);

(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(k).

(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 (the "**Benchmark 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(k). 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 Benchmark Consequential Amendments, 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 10 (*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(k) 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(k).

Notwithstanding any other provision in this Condition 3(k) 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 3(k), 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 Loss Absorption Disqualification Event, and always provided that the "Prohibition of sales to consumers in Belgium" is specified as "Applicable" in the Final Terms of the relevant Notes.

Without prejudice to the obligations of the Issuer under this Condition 3(k) 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(k):

"**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

(i) 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

(ii) 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 (i.e. transactions which are done directly between the parties involved instead of on or through a market) 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 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).

"**Financial Stability Board**" refers to the Financial Stability Board, an association under Swiss law with its domicile in Basel, Switzerland, with the objective to coordinate at the international level the work of national financial authorities and international standard setting bodies (SSBs) in order to develop and promote the implementation of effective regulatory, supervisory and other financial sector policies (as further laid down in its charter and articles of association).

"**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 in relation to Notes for which the "Prohibition of sales to consumers in Belgium" is specified as "Applicable" in the applicable Final Terms.

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

If the "Prohibition of sales to consumers in Belgium" is specified as "Applicable" in the applicable Final Terms, the Issuer may, at its option, having given not less than 30 nor more than 60 days' notice to the holders in accordance with Condition [10] (*Notices*), 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 [6] (*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 [6] (*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 at the Option of the Issuer*

If the "Prohibition of sales to consumers in Belgium" is specified as "Applicable" in the applicable Final Terms, the Issuer may at its option, 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 [(e)] (*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.

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

If the "Prohibition of sales to consumers in Belgium" is specified as "Applicable" in the applicable Final Terms, the Issuer has the option to specify in the Final Terms that a Loss Absorption Disqualification Event is applicable. Where such Loss Absorption Disqualification Event is specified in the Final Terms as being applicable, then any Series of 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 [10] (*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 (e) 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 (d), 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.

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

"**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).

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

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

(e) *Early Redemption Amounts*

(i) Zero Coupon Notes:

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, upon redemption of such Zero Coupon Note pursuant to Condition 4 (b), Condition 4 (c) or Condition 4 (d) or upon it becoming due and payable as provided in Condition 8 shall be the Amortised Face Amount (calculated as provided below) of such Zero Coupon Note unless otherwise specified in the Final Terms.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Zero Coupon Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown in the applicable Final Terms, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Zero Coupon Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Zero Coupon Note upon its redemption pursuant to Condition 4 (b), Condition 4 (c) or Condition 4 (d) or upon it becoming due and payable as provided in Condition 8 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Zero Coupon Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Zero Coupon Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Zero Coupon Note on the Maturity Date together with any interest that may accrue in accordance with Condition 3 (d).

(D) Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction specified in the applicable Final Terms.

(ii) Other Notes:

The Early Redemption Amount or Optional Redemption Amount payable in respect of any Note, upon redemption of such Note pursuant to Condition 4 (b), Condition 4 (c) or Condition 4 (d) shall be the Final Redemption Amount(s) unless otherwise specified in the Final Terms.

(f) *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 (c)), 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 or a Loss Absorption Disqualification Event (as applicable)) that a Tax Event (as defined in Condition 4 (b) above) or a Loss Absorption Disqualification Event (as defined in Condition 4 (d) above) exists.

(g) *Purchases*

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

(h) *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.

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

Any optional redemption of Notes pursuant to Condition 4(b), 4(c) or 4(d) or and any purchase of Notes pursuant to Condition 4(g) 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.

(j) *Notices Final*

Upon the expiry of any notice period as is referred to in Conditions 4 (b), 4 (c) and 4 (d) the Issuer shall be bound to redeem the Notes to which the notice refers in accordance with the terms of such Condition.

(k) *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, Amortised Face 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 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 6.

5 Payments

(a) *Payment in euro*

Without prejudice to Article 474 of the Belgian Companies Code, payments in euro of principal in respect of the Notes, payments in euro of accrued interest payable on a redemption of the Notes and payments in euro 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, payments in any currency other than euro of principal in respect of the Notes, payments in any currency other than euro of accrued interest payable on a redemption of the Notes and payments in any currency other than euro 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) 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 TARGET2 System. Each payment referred to in Condition 5 (b) 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 6 (*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 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 the 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:

(a) 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

(b) 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

(c) 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

(d) 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 Terms and 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.

7 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 (k)) in respect of them.

8 Events of Default and Enforcement

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 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 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 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 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.

9 Meetings of Noteholders and Modifications

(a) *Meetings of Noteholders*

The Agency Agreement contains provisions for convening meetings of holders to consider matters relating to the Notes, including the modification of any provision of these Conditions or the Agency Agreement, in accordance with the rules of the Belgian Companies Code.

Meetings of Noteholders may be convened to consider matters relating to the Notes, including the modification or waiver of any provision of these Conditions. Any such modification or waiver may be made if sanctioned by an Extraordinary Resolution. For the avoidance of doubt, any such modification or waiver shall always be subject to the consent of the Issuer. An "**Extraordinary Resolution**" means a resolution passed at a meeting of Noteholders duly convened and held in accordance with these Conditions and the Belgian Companies Code by a majority of at least 75 per cent. of the votes cast.

All meetings of Noteholders will be held in accordance with the Belgian Companies Code with respect to Noteholders' meetings. Such a meeting may be convened by the board of directors of the Issuer or its auditors and shall be convened by the Issuer upon the request in writing of Noteholders holding not less than one-fifth of the aggregate principal amount of the outstanding Notes. A meeting of Noteholders will be entitled (subject to the consent of the Issuer) to exercise the powers set out in Article 568 of the Belgian Companies Code and generally to modify or waive any provision of these Conditions in accordance with the quorum and majority requirements set out in Article 574 of the Belgian Companies Code, and if required thereunder subject to validation by the court of appeal, provided however that any proposal (i) to modify the maturity of the Notes or the dates on which interest is payable in respect of the Notes, (ii) to reduce or cancel the principal amount of, or interest on, the Notes, (iii) to change the currency of payment of the Notes, or (iv) to modify the provisions concerning the quorum required at any meeting of Noteholders may 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 these 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.

Convening notices for meetings of Noteholders shall be made in accordance with Article 570 of the Belgian Companies Code, which currently requires an announcement to be published not less than fifteen days prior to the meeting in the Belgian Official Gazette (*Moniteur belge/Belgisch Staatsblad*) and in a newspaper of national distribution in Belgium. Convening notices shall also be made in accordance with Condition 10 (*Notices*).

The Agency Agreement provides that, if authorised by the Issuer, 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 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.

Resolutions of Noteholders will only be effective if such resolutions have been approved by the Issuer and, if so required, by the Relevant Regulator.

(b) *Modification and Waiver*

Subject to obtaining the approval therefor from the Relevant Regulator if so required pursuant to applicable regulations, the Agent and the Issuer may together 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 10 (*Notices*) as soon as practicable thereafter.

In relation to Notes in respect of which the "Prohibition of sales to consumers in Belgium" is specified as "Non Applicable" in the applicable Final Terms, any modification pursuant to this Condition 9 (b) cannot relate to an essential feature of the Notes and may not create an obvious imbalance between the rights and obligation of the parties to the detriment of the Noteholders. Moreover such unilateral modifications must be made in response to the occurrence of force majeure or any other event that significantly changes the economy of the contract as originally agreed between the parties and which is not attributable to the issuer and finally, such amendment may not result in any costs being due by the relevant Noteholders.

10 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), 4 (c) or 4 (d), 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.

11 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 11 and forming a single Series with the Notes.

12 Governing Law and Jurisdiction

(a) *Governing Law*

The Agency Agreement and the Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with Belgian law.

(b) *Jurisdiction*

The Issuer agrees, for the exclusive benefit of the Noteholders that the courts of Brussels, Belgium are

to have jurisdiction to settle any disputes which may arise out of or in connection with the Agency Agreement and/or the Notes 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 may be brought in such courts.

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) *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 12(c), 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.

DESCRIPTION OF THE ISSUER

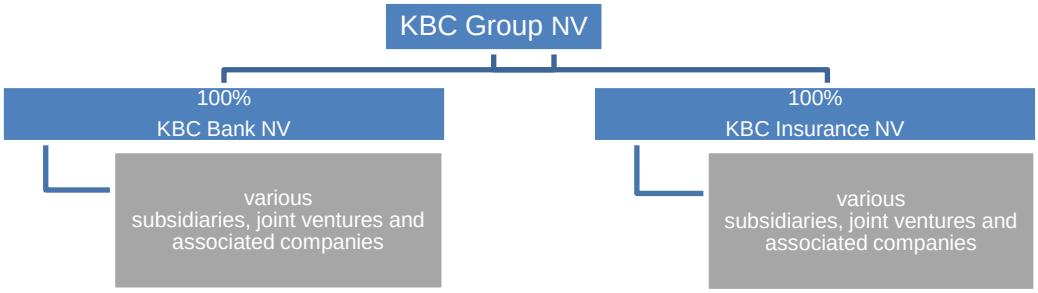
This section provides a description of the Issuer's business activities as well as certain financial information in respect of the Issuer.

1. Creation

KBC Bank NV ("**KBC Bank**"), a wholly-owned subsidiary of KBC Group NV, was established in Belgium in 1998 as a bank (with enterprise number 0462.920.226) for an unlimited duration and operates under the laws of Belgium. KBC Bank's LEI code is 6B2PBRV1FCJDMR45RZ53. KBC Bank's registered office is at Havenlaan 2, B-1080 Brussels, Belgium and KBC Bank's telephone number is (+32) (0) 2 429 11 11. As KBC Bank is a wholly-owned subsidiary of KBC Group NV, KBC Bank is indirectly controlled by the shareholders of KBC Group NV (in this Base Prospectus KBC Group NV together with its subsidiaries is referred to as "**KBC Group**").

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

A simplified schematic of KBC Group's legal structure is provided below. KBC Bank and KBC Insurance NV each have a number of subsidiaries. A list of the subsidiaries of KBC Bank and KBC Insurance NV is available on the website at www.kbc.com. KBC Bank together with all subsidiaries in the scope of consolidation is referred to as the "**Group**".



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

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

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

2. The strategic plan of KBC Group

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

business and KBC Insurance NV for the insurance business.

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

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

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

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

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

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

- KBC Group has no plans to expand beyond its current geographical footprint. In its core markets (Belgium, Ireland, the Czech Republic, Hungary, the Slovak Republic and Bulgaria), it will strengthen its bank-insurance presence through organic growth or through acquisitions, if attractive opportunities arise (and based on clear and strict financial criteria). As announced in February 2017, KBC Group has named Ireland as one of its core markets, alongside Belgium, Bulgaria, the Czech Republic, Hungary and the Slovak Republic (see further).

- During the Investor Visit in Dublin on 21 June 2017, KBC Group elaborated on the updated KBC Group strategy, the updated capital deployment plan and financial guidance 2020, and KBC Bank Ireland's Digital First Customer Centric strategy. KBC Group's strategy after 2017 continues to build on the existing fundamentals (see above). KBC will focus on strengthening in a highly cost-efficient way the integrated bank-insurance business model for retail, SME, private banking and mid-cap clients in its core markets (Belgium, Czech Republic, Slovak Republic, Hungary, Bulgaria, Ireland),

sustainable and profitable growth within the framework of solid risk, capital and liquidity management and creating superior client satisfaction via a seamless, multi-channel, client-centric distribution approach. As 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, and design for a digital world'. Clients will continue to choose the channel of their choice: physical branch or agency, smartphone, website, contact centre or apps. The human interface will still play a crucial role but will be augmented by digital capabilities. Clients will drive the pace of action and change. Technological development will be the driver and enabler. KBC Group intends to invest a further 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).

Financial guidance		By
CAGR total income ('16-'20) (excl. MTM valuation of ALM derivatives)	≥ 2.25%	2020
Cost/income ratio banking (excl./ incl. banking tax)	≤ 47% / ≤ 54%	2020
Combined ratio	≤ 94%	2020
Dividend payout ratio (incl. coupon paid on AT1)	≥ 50%	-
Regulatory requirements*		**By**
Common equity tier-1 ratio (excl. / incl. P2G)	≥ 10.6% / ≥ 11.6%	2019
MREL ratio**	≥ 25.9%	2019
NSFR	≥ 100%	-
LCR	≥ 100%	-

* Common equity tier-1 ratio: fully loaded, Danish compromise, P2G = additional pillar 2 guidance. MREL stands for 'minimum requirement for own funds and eligible liabilities'; NSFR stands for 'net stable funding ratio'; LCR stands for 'liquidity coverage ratio'.

- Moreover, KBC Group aims to be one of the better capitalised financial institutions in Europe. Therefore as a starting position, it assesses each year the common equity tier 1 ("**CET1**") ratios of a peer group of European banks active in the retail, SME, and corporate client segments and positions itself on the fully loaded median CET1 ratio of the peer group. KBC summarises this capital policy in its 'Own Capital Target', which currently amounts to 14% CET1. On top of this, KBC wants to keep a flexible additional buffer of up to 2% CET1 for potential add-on mergers and acquisitions in its core markets. This buffer comes on top of the 'Own Capital Target' of KBC Group, and all together forms the Reference Capital Position, which 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'.

- The resolution plan for KBC is based on a Single Point of Entry ("**SPE**") approach at the level of KBC Group NV. In this approach, bail-inable debt instruments positioned for loss absorption purposes are issued by KBC Group NV (i.e. top level). KBC Group NV down-streams the proceeds of these instruments to KBC Bank NV in the form of subordinated instruments. This means that losses will be transferred to the top level of the group and that, if resolution occurs, the group will be resolved as a whole. Hence, this approach safeguards the bank-insurance model in a resolution. Bail-in is identified as the preferred resolution tool. Bail-in implies a recapitalisation and stabilisation of the bank by writing down certain unsecured liabilities and issuing new shares to former creditors as compensation. The SPE approach at KBC Group level reflects KBC's business model which relies heavily on

integration, both commercially (e.g. banking and insurance) and organisationally (e.g. risk, finance, treasury, etc.). Debt instruments that are positioned for bail-in will be issued by KBC Group NV. This approach keeps the KBC Group intact in resolution and safeguards the bank-insurance model in going concern. It is crucial that there are adequate liabilities eligible for bail-in. This is measured by the minimum requirement for own funds and eligible liabilities ("**MREL**"). As at 30 June 2018, the MREL ratio based on instruments issued by KBC Group NV stood at 25.1% of risk weighted assets ('point of entry' view). Based on the broader SRB definition, which also includes eligible instruments of KBC Bank NV, the MREL ratio amounted to 26.4% (the 'consolidated view'). The SRB requires KBC Group to achieve a ratio of 25.9% by 1 May 2019 using eligible instruments of both KBC Group NV and KBC Bank NV.

- 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 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. KBC Ireland will facilitate 'always-on 24/7 accessibility' in terms of distribution and service. The Group will further continue to attract retail and micro SME customers. The banking product offering will include day-to-day banking services, as well as access to credit and savings and investments. Recognising ever changing consumer trends, it will also cater for the new emerging digital savvy consumer in the future. Insurance products (life and non-life) are offered through partnerships and collaboration. KBC Bank Ireland plc will continue to cultivate its current relationships with insurance product providers. To digitalise and innovate faster, KBC Bank Ireland plc will intensify its collaboration with other 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.
- Sustainability is embedded in the strategy of KBC Group. This primarily means the ability to live up to the expectations of all stakeholders and to meet obligations, not just today but also in the future. KBC Group's sustainability strategy has three cornerstones:
    - enhancing the positive impact on society;
    - limiting the negative impact KBC Group might have; and
    - encouraging responsible behaviour on the part of all employees.
- KBC Group's summarises its strategy as follows: KBC Group's strategy rests on four principles:
    - it places its clients at the centre of everything it does;
    - it looks to offer its clients a unique bank-insurance experience;
    - it focuses on KBC Group's long-term development and aims to achieve sustainable and profitable growth;
    - it meets its responsibility to society and local economies; and
    - it implements its strategy within a strict risk, capital and liquidity management framework.

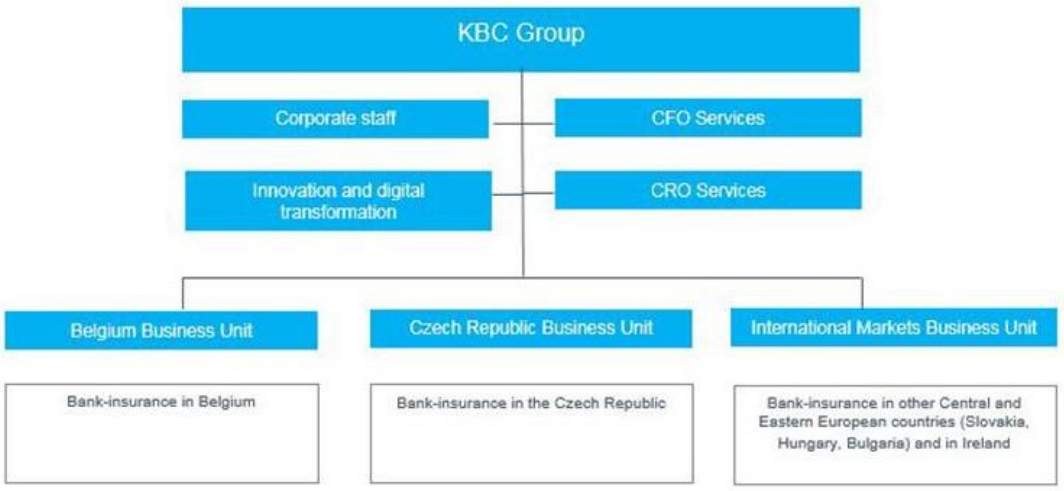
A definition of the above-mentioned ratios can be found in the glossaries of the Annual Reports of KBC

Group and KBC Bank, available on the website at www.kbc.com.

3. Management structure

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

Structure as at the date of this Base Prospectus:



The management structure essentially comprises:

(i) the three business units, which focus on local business and are expected to contribute to sustainable profit and growth:
   - Belgium Business Unit;
   - Czech Republic Business Unit; and
   - International Markets Business Unit: this encompasses the other core countries in Central and Eastern Europe (the Slovak Republic, Hungary and Bulgaria) and Ireland;

(ii) the pillars 'CRO Services' and 'CFO Services' (which act as an internal regulator, and whose main role is to support the business units), 'Corporate Staff' (which is a competence centre for strategic know-how and best practices in corporate organisation and communication) and 'Innovation and digital transformation'.

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

4. Short presentation of the Group

Shareholders (30 June 2018)	**Number of shares**
KBC Group NV	915,228,481
KBC Insurance NV	1
Total	915,228,482

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

Network

Network (as at 31 December 2017)

Bank branches in Belgium:	659
Bank branches in Central and Eastern Europe (Czech Republic, Slovak Republic, Hungary and Bulgaria):	835
Bank branches in the rest of the world (including rep. offices):	27*

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

5. Selected financial information of the Issuer

Income Statement

The table below sets out highlights of the information extracted from KBC Bank's consolidated income statement for each of the two years ended 31 December 2016 and 31 December 2017, and each of the two first six months periods of 2017 and 2018.

Note: As of 2018, KBC Bank has started applying IFRS 9. In simplified terms, this means that the classification of financial assets and liabilities, as well as the impairment methodology, have changed significantly. As a result, some of the profit and loss and balance sheet figures are not fully comparable to the 2017 and 2016 reference figures (which are still based on IAS 39, as KBC is making use of transition relief for comparative data). More information on the transition to IFRS 9 is provided in KBC Bank's half-year report 1H2018 (p. 15-32), available on www.kbc.com.

Highlights of the consolidated income statement KBC Bank (in millions of EUR)	**Full year 2016**	**Full year 2017**	**First half 2017**	**First half 2018**
Net interest income	3,635	3,546	1,762	1,989
Dividend income	27	20	15	18
Net result from financial instruments at fair value through profit or loss	551	860	443	86
Net realised result from available-for-sale assets	134	114	50	-
Net realised result from debt instruments at fair value through other comprehensive income	-	-	-	8
Net fee and commission income	1,753	2,023	1,017	1,050
Other net income	140	25	82	83
TOTAL INCOME	**6,240**	**6,588**	**3,368**	**3,233**
Operating expenses	-3,399	-3,568	-1,893	-2,001
Impairment	-145	44	67	57
Share in results of associated companies and joint-ventures	23	8	6	8
RESULT BEFORE TAX	**2,719**	**3,073**	**1,549**	**1,297**
Income tax expense	-525	-891	-273	-262
RESULT AFTER TAX	**2,195**	**2,182**	**1,276**	**1,035**

Attributable to minority interest	169	179	89	88
Attributable to equity holders of the parent	**2,026**	**2,003**	**1,187**	**947**

Balance Sheet

The table below sets out highlights of the information extracted from KBC Bank's consolidated balance sheet statement as at 31 December 2016 and 31 December 2017 and 30 June 2018.

Note: As of 2018, KBC Bank started applying IFRS 9. In simplified terms, this means that the classification of financial assets and liabilities, as well as the impairment methodology, have changed significantly. As a result, some of the profit and loss and balance sheet figures are not fully comparable to the 2017 and 2016 reference figures (which are still based on IAS 39, as KBC is making use of transition relief for comparative data). More information on the transition to IFRS 9 is provided in KBC Bank's half-year report 1H2018 (p. 15-32), available on www.kbc.com.

Highlights of the consolidated balance sheet, KBC Bank (in millions of EUR)	**31 – 12 - 2016**	**31 – 12 - 2017**	**30-06-2018**
Total assets	239,333	256,322	266,379
Loans and advances to customers (excluding reverse repos*)	131,528	139,090	143,277
Securities (equity and debt instruments)	52,180	47,995	45,390
Deposits from customers and debt securities (excluding repos**)	178,388	194,257	193,862
Risk weighted assets (Basel III, fully loaded)	78,482	83,117	83,624
Total equity	14,158	15,656	15,724
of which parent shareholders' equity	12,568	14,083	13,115

* and ** The term 'reverse repos' or a reverse repurchase agreement refers to the purchase of securities with the agreement to sell them at a specific future date. For the party selling the security (and agreeing to repurchase it in the future) it is a repurchase agreement or repo. For the other party on the transaction (buying the security and agreeing to sell in the future) it is a reverse repurchase agreement or reverse repo.

6. Ratings of KBC Bank

Long-term credit ratings (as at 31 August 2018)	
Fitch	A
Moody's	A1
Standard and Poor's	A+

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

Each such credit rating agency is established in the European Union and is registered under Regulation (EC) No. 1060/2009 and listed on the "**List of Registered and Certified CRA's**" as published by ESMA in accordance with Article 18(3) of such Regulation.[6]

[6] A list of credit rating agencies registered under Regulation (EC) No. 1060/2009 is published on the website of ESMA (https://www.esma.europa.eu/supervision/credit-rating-agencies/risk).

7. Main companies which are subsidiaries of KBC Bank or in which it has significant holdings as of 30 June 2018

Company	Registered office	Ownership percentage of KBC Bank	Activity (simplified)
CBC Banque SA	Brussels – BE	100.00	Credit institution
ČSOB a.s. (Czech Republic)	Prague – CZ	100.00	Credit institution
ČSOB a.s. (Slovak Republic)	Bratislava – SK	100.00	Credit institution
KBC Asset Management NV	Brussels – BE	51.86	Asset management
KBC Autolease NV	Leuven – BE	100.00	Leasing
KBC Bank Ireland Plc.	Dublin – IE	100.00	Credit institution
KBC Commercial Finance NV	Brussels – BE	100.00	Factoring
KBC Credit Investments NV	Brussels – BE	100.00	Investment firm
KBC IFIMA SA	Luxemburg – LU	100.00	Funding
KBC Securities NV	Brussels – BE	100.00	Stock exchange broker/corporate finance
K&H Bank Rt.	Budapest – HU	100.00	Credit institution
Loan Invest NV	Brussels – BE	100.00	Securitisation
United Bulgarian Bank	Sofia – BG	99.91	Credit institution

A full list of companies belonging to the Group at year end 2017 is provided in its 2017 annual report.

8. General description of activities of the Group

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

Its geographic focus is on Europe. In its "home" (or "*core*") markets Belgium, Czech Republic, Slovak Republic, Hungary, Bulgaria and Ireland, the Group has important and (in some cases) even leading positions.[7] The Group is also present in other countries where the primary focus is on supporting the corporate clients of the home 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 most of 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 insurance businesses (via its sister company, KBC Insurance NV) to specialised activities such as, but not exclusively, payments services, dealing room activities (money and debt market activities), brokerage and corporate finance, foreign trade finance, international cash management, leasing, etc.

9. Principal markets and activities

Activities in Belgium

Market position of the bank network in Belgium, end of 2017	
Market share (own KBC Bank estimates)	Banking products* 20% Investment funds 33%

[7] Source: KBC Bank NV.

Bank branches	659

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

The Group has a network of 659 bank branches in Belgium: KBC Bank branches in Flanders, CBC Banque branches in Wallonia and KBC Brussels branches in the Brussels area. The branches focus on providing clients with a broad area of credit (including mortgage loans), deposit, investment fund and other asset management products, insurance products (in cooperation with KBC Bank's sister company, KBC Insurance NV) and other specialised financial banking products and services. The Group's bricks-and-mortar networks in Belgium are supplemented by electronic channels, such as ATMs, telephones and the Internet (including a mobile banking app). KBC Bank, CBC Banque and KBC Brussels serve, based on their own estimates, approximately 3.2 million clients.

KBC Group considers itself to be an integrated bank-insurer. Certain shared and support services are organised at KBC Group level, serving the entire KBC Group, and not just the bank or insurance businesses separately. It is the KBC Group's aim to continue to actively encourage the cross-selling of bank and insurance products. The success of KBC Group's integrated bank-insurance model is in part due to the cooperation that exists between the bank branches and the insurance agents of KBC Insurance NV and CBC Assurance, whereby the branches sell standard insurance products to retail customers and refer their customers to the insurance agents for non-standard products. Claims-handling is the responsibility of the insurance agents, the call centre and the head office departments at KBC Insurance NV.

At the end of 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 believes in the power of a physical presence through a branch and agency network that is close to its clients. At the same time, however, it expects the importance of online and mobile bank-insurance to grow further and it is constantly developing new applications in these areas. That includes the various mobile banking apps for smartphones and tablets, which are being continuously improved and expanded.

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

The Group's aim in Belgium is:

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

- that its commitment to Belgian society is reflected in initiatives in areas including environmental protection, financial literacy, entrepreneurship and demographic ageing, as well as in KBC's active participation in the mobility debate.

Activities in Central and Eastern Europe

Market position of the bank network in the home countries of Central and Eastern Europe, at the end of 2017		Czech Republic	Slovak Republic	Hungary	Bulgaria
Market share (own KBC Bank estimates)	Banking products*	20%	11%	11%	10%
	Investment funds	22%	7%	13%	13%
Bank branches	Total	270**	122	207	236

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

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

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

In its four home countries, the Group caters to over five million customers. This customer base, along with KBC Group's insurance customers in the region (via KBC Insurance NV subsidiaries), make KBC Group one of the larger financial groups in the Central and Eastern European region. The Group companies focus on providing clients with a broad area of credit (including mortgage loans), deposit, investment fund and other asset management products, insurance products (in co-operation with KBC Insurance NV's subsidiaries in each country) and other specialised financial banking products and services. As is the case in Belgium, the Group's bricks-and-mortar networks in Central and Eastern Europe are supplemented by electronic channels, such as ATMs, telephone and the Internet.

KBC Group's bank-insurance concept has over the past few years been exported to its Central and Eastern European entities. In order to be able to do so, KBC Group has built up a second home market in Central and Eastern Europe in insurance (via KBC Insurance NV). KBC Group has an insurance business in every Central and Eastern European home country: in the Czech Republic, KBC Group's insurer is ČSOB Pojist'ovňa, in the Slovak Republic it is ČSOB Poist'ovňa, in Hungary it is K&H Insurance and in Bulgaria it is DZI Insurance. Contrary to the situation of KBC Bank in Belgium, KBC Group's insurance companies in Central and Eastern Europe operate not only via tied agents (and bank branches) but also via other distribution channels, such as insurance brokers and multi-agents.

The Group's estimated market share (the average of the share of the lending market and the deposit market, see table above) amounted to 20% in the Czech Republic, 11% in the Slovak Republic, 11% in Hungary, and 10% in Bulgaria (rounded figures). 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, 13% in Hungary and 13% in Bulgaria).

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 the Group's activities in the Czech Republic, consisting primarily of the activities of the ČSOB group (under the ČSOB, Era, Postal Savings Bank, Hypotečni banka, Patria and ČMSS brands) and ČSOB Asset Management. The International Markets Business Unit comprises the activities conducted by entities in the other (non-Czech) Central and Eastern European core countries, namely ČSOB in the Slovak Republic, K&H Bank in Hungary and UBB (including CIBANK) in Bulgaria, plus KBC Bank Ireland's Irish operations.

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

- in relation to the Czech Republic Business Unit:
    - to move from largely channel-centric solutions to solutions that are client-centric and are based on an integrated model that brings together clients, third parties and the Group's bank-insurer;
    - to offer new products and services to add value for clients and to further enhance client satisfaction, taking use of digital opportunities and taking account of new trends, shifting client behaviour and new regulations;
    - to continue to concentrate on simplifying products, IT capabilities, organisation, the bank distribution network, the head office and branding in order to achieve even greater cost efficiency;
    - to expand the bank-insurance activities through steps like introducing a progressive and flexible pricing model, developing combined banking and insurance products, and strengthening the insurance sales teams;
    - to keep expanding in traditionally strong fields, such as lending to businesses and providing home loans. 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 simplify products and processes;
    - to maintain robust growth in strategic products in the Slovak Republic (e.g., home loans, consumer finance, SME funding and leasing), partly through cross-selling to ČSOB group clients. As is the case in Hungary, simplifying products and processes is another key focus;
    - to focus in Bulgaria on substantially increasing the share of the lending market in all segments, while applying a strict risk framework. The acquisition of United Bulgarian Bank fits this strategy perfectly; and
    - to implement a socially responsible approach in all relevant countries, with a particular focus on environmental awareness, financial literacy, entrepreneurship and health.

On 30 December 2016, KBC Group NV announced that it and the National Bank of Greece S.A. ("**NBG**"), the Greek parent company of United Bulgarian Bank ("**UBB**"), reached an agreement for KBC Group NV to acquire ownership of 99.9% of the shares in the share capital of UBB, the fourth largest bank in Bulgaria in terms of assets. KBC Group NV also acquired all shares in Interlease, the third largest provider of leasing services in Bulgaria. The total consideration amounted to EUR 610 million. This acquisition was completed mid-June 2017.

With these acquisitions, KBC aims to become the reference in bank-insurance in Bulgaria – a country with strong macroeconomic fundamentals and attractive opportunities for the further development of financial services. This also results in KBC now being active in leasing, asset management and factoring in Bulgaria, enabling the Group to offer its clients a full range of financial services there.

In December 2017, KBC Asset Management sold 100% of the shares in its wholly-owned subsidiary KBC TFI in Poland to the PKO Bank Polski group, the largest bank in Poland. This deal is fully in line with the strategy of KBC Group, which focuses on retail clients, SMEs and midcaps in its core markets of Belgium, the Czech Republic, the Slovak Republic, Hungary, Bulgaria and Ireland. The deal had a negligible impact on KBC Group's results. KBC TFI was established in 2002, targeting private and professional clients with a

broad range of investment products through a diverse distribution network of primarily leading Polish banks, but also insurers, brokers and financial intermediaries. KBC TFI manages local funds and private mandates, but also distributes foreign funds denominated in PLN.

Activities in the rest of the world

A number of companies belonging to 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. See also the list of main companies (under Section 7 – "*Main companies which are subsidiaries of the Group or in which it has significant holdings as of 31 December 2017*") or the full list in the 2017 annual report of KBC Bank.

The loan portfolio of KBC Bank Ireland plc stood at approximately EUR 12 billion as at the end of June 2018, approximately 90% of which relates to mortgage loans. At the end of June 2018, approximately 36% (EUR 4.4 billion) of the total Irish loan portfolio was impaired (of which EUR 2.3 billion more than 90 days past due). For the impaired loans, approximately EUR 1.9 billion impairments have been booked. The Group estimates its share of the Irish retail market in 2017 at 8%. It caters for around 0.3 million clients there. KBC Bank Ireland has sixteen branches (hubs) in Ireland, next to its digital channels. A full profit and loss scheme for Ireland is available in KBC Bank's segment reporting[8].

Note: on 8 August 2018, KBC Bank Ireland reached an agreement with Goldman Sachs to sell part (approximately 1.9 billion euros) of its legacy portfolio, comprising of non-performing corporate loans, non-performing Irish buy-to-let mortgage loans, and performing & non-performing UK buy-to-let mortgage loans (with buy-to-let mortgage loans being mortgage loan arrangements in which an investor borrows money to purchase property in order to let it out to tenants). As a result of the transaction, KBC Bank Ireland's impaired loans ratio reduces by roughly 11 percentage points to around 25% pro forma at end 2Q2018. The transaction is expected to result in a net profit impact of +14 million euros (based on 1Q2018 numbers and including all costs related to the transaction), a release of risk-weighted assets of approximately 0.4 billion euros at KBC Bank, leading to an improvement of the KBC Bank's common equity ratio of 8 basis points. The transaction is expected to close in the 4th quarter of 2018.

As regards the Group's strategy in Ireland, please refer to section 2 'The strategic plan of KBC Group'.

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

In the Group's financial reporting, KBC Bank Ireland is included in the International Markets Business Unit, while the foreign branches of KBC Bank are part of the Belgium Business Unit. The three business units (Belgium, Czech Republic and International Markets) are supplemented by the group centre (the "**Group Centre**"). The Group Centre includes the operational costs of the holding activities of the group, certain capital and liquidity management related costs, costs related to the holding of participations and the results of the remaining companies or activities earmarked for divestment or in run-down. It also includes results related to the legacy businesses (CDOs, divestment results; both immaterial since 2015) and the valuation of own credit risk.

10. Competition

All of 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 companies,

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

etc.

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

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

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

In the rest of the world, the Group's presence mainly consists of KBC Bank Ireland plc, which is active in Ireland, and a limited number of branches and subsidiaries. In the latter case, the Group faces competition both from local companies and international financial groups.

KBC Bank Ireland plc is a challenger bank. Given that it has only launched its retail strategy in 2014, it has a small single digit market share of the outstanding stock in all products except mortgage loans, in which it has a market share of approximately 10%. Its main competitors are the large domestic banks such as Allied Irish Banks plc and Bank of Ireland plc.

11. Staff

As at the end of 2017, the Group had, on average and on a consolidated basis, about 29,000 employees (in full time or equivalent-numbers), the majority of whom were located in Belgium (largely in KBC Bank) and Central and Eastern Europe. These figures take account of all acquisitions and divestments. More specifically, they include the acquisition of UBB and Interlease in Bulgaria (as these companies were only acquired mid 2017, only their figures of the last six months of 2017 have been included in the Group's average figures mentioned above (1,156 full time or equivalent). In addition to consultations, at works council meetings and at meetings with union representatives and with other consultative bodies, the Group also works closely in other areas with employee associations. There are various collective labour agreements in force.

12. Risk management

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

Risk management in KBC Group is effected group-wide. As a consequence, the risk management for KBC Bank is embedded in KBC Group risk management and cannot be seen separately from it. A description of the risk management is available in the 2017 Risk Report, which is available on the website at www.kbc.com[9].

Risk governance

Below follows a description of credit risk, market risk (relating to trading and non-trading activities), liquidity risk and operational risk. A selection of figures on credit risk, asset and liability management ("**ALM**") and market risk in trading activities are provided under "*Credit Risk*" and "*Asset and Liability Management (market risks in non-trading activities)*".

- Credit risk is the potential negative deviation from the expected value of a financial instrument arising from the non-payment or non-performance by a contracting party (for instance, a borrower), due to that party's insolvency, inability or lack of willingness to pay or perform, or to events or measures taken by the political or monetary authorities of a particular country (country risk). Credit risk thus encompasses

[9] www.kbc.com/en/risk-reports.

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.
- Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, human error or from sudden external events, whether man-made or natural. Operational risks exclude business, strategic and reputational risks.

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

Credit risk

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

Loan & investment portfolio:

As far as the banking activities are concerned, the main source of credit risk is the loan portfolio. It includes all payment credit, guarantee credit, standby credit and credit derivatives, granted by KBC to private persons, companies, governments and banks. Bonds held in the investment portfolio are included if they are corporate- or bank-issued, hence government bonds and trading book exposure are not included.

Since 1Q2018 a switch has been made in the reported 'outstanding' figures from drawn principal to the new IFRS 9 definition of gross carrying amount ("**GCA**"), i.e. including reserved and accrued interests. The additional inclusion of reserved interests led, among others, to an increase in the reported amount of impaired loans. Furthermore, the transaction scope of the credit portfolio was extended and now additionally includes the following 4 elements: (1) bank exposure (money market placements, documentary credit, accounts), (2) debtor risk KBC Commercial Finance, (3) unauthorized overdrafts, and (4) reverse repo (excl. central bank exposure).

	31 December 2014	31 December 2015	31 December 2016	31 December 2017	30 June 2018
Total loan portfolio (in billions of euro)					
Portfolio outstanding + undrawn	166	174	181	191	207
Portfolio outstanding	139	143	148	154	167
Loan portfolio breakdown by business unit (as a % of					

the portfolio of credit outstanding)					
Belgium	64%	65%	65%	63%	65%
Czech Republic	14%	14%	15%	16%	15%
International Markets	18%	18%	17%	18%	17%
Group Centre (IFRS 5 scope)	4%	3%	3%	3%	2%
Total	100%	100%	100%	100%	100%
Loan portfolio breakdown by counterparty sector (as a % of the portfolio of credit outstanding)					
Non-financial services	11%	11%	12%	12%	11%
Retail and wholesale trade	8%	8%	8%	8%	7%
Real estate (risk)	7%	7%	7%	7%	7%
Construction	4%	4%	4%	4%	4%
Impaired loans (in millions of euro or %)					
Amount outstanding	13,692	12,305	10,583	9,186	9,175
Stage 3 loan impairments	5,709	5,517	4,874	4,039	4,403
Credit cost ratio, per business unit					
Belgium	0.23%	0.19%	0.12%	0.09%	0.08%
Czech Republic	0.18%	0.18%	0.11%	0.02%	-0.03%
International Markets	1.06%	0.32%	-0.16%	-0.74%	-0.71%
Group Centre	1.17%	0.54%	0.67%	0.40%	-0.93%
Total	0.42%	0.23%	0.09%	-0.06%	-0.10%
Impaired loans that are more than 90 days past due (PD 11 + 12; in millions of euro or %)					
Impaired loans that are more than 90 days past due	7,676	6,936	5,711	5,242	5,348
Stage 3 loan impairments	4,384	4,183	3,603	3,361	3,621
Ratio of impaired loans that are more than 90 days past due, per business unit					
Belgium	2.2%	2.2%	1.7%	1.4%	1.2%
Czech Republic	2.9%	2.5%	1.9%	1.6%	1.5%
International Markets	19.0%	16.0%	13.4%	11.3%	11.5%
Group Centre	6.3%	6.1%	5.8%	7.3%	8.9%
Total	5.5%	4.8%	3.9%	3.4%	3.2%
Cover ratio (Stage 3 loan loss impairment)/(impaired loans)					
Total	42%	45%	46%	44%	48%
Total, excluding mortgage loans	51%	53%	54%	54%	57%

The normal loan portfolio is split into internal rating classes ranging from 1 (lowest risk) to 9 (highest risk) reflecting the probability of default ("**PD**"). An internal rating ranging from PD 10 to PD 12 is assigned to a defaulted obligor. PD class 12 is assigned when either one of the obligor's credit facilities is terminated by the bank, or when a court order is passed instructing repossession of the collateral. PD class 11 is assigned to obligors that are more than 90 days past due (in arrears or overdrawn), but that do not meet PD 12 criteria. PD

class 10 is assigned to obligors for which there is reason to believe that they are unlikely to pay (on time), but that do not meet the criteria for classification as PD class 11 or PD class 12. 'Defaulted' status is fully aligned with 'non-performing' status and 'impaired' status. Obligors in PD classes 10, 11 and 12 are therefore referred to as 'defaulted' and 'impaired'. Likewise, 'performing' status is fully aligned with 'non-defaulted' and 'non-impaired' status.

Loans to large corporations are reviewed at least once a year, with the internal rating being updated as a minimum. If the ratings are not updated in time, a capital add-on is imposed. Loans to SME's and to private individuals are reviewed periodically. During this review, any new information that is available (such as arrears, financial data or a significant change in the risk class) will be taken into account. This monthly exercise can trigger a more in-depth review or may result in action being taken towards the client.

For credit linked to defaulted borrowers in PD classes 10 to 12, the impairment losses are recorded based on an estimate of the net present value of the recoverable amount. This is done on a case-by-case basis and on a statistical basis for smaller credit facilities. In addition, for non-defaulted credit in PD class 1 to 9 impairment losses are recorded on a portfolio basis, using a formula based on the IRB advanced models used internally, or an alternative method if a suitable IRB advanced model is not yet available. The "**credit cost ratio**" is defined as net changes in specific and portfolio-based impairment for credit risks divided by the average outstanding loan portfolio. **IRB** refers to the Internal Rating-Based Approach. Under the Basel II guidelines, (certain) banks are allowed to make their own assessment of counterparties and exposures to calculate their capital requirements for credit risk. The IRB refers to such internal risk parameters for the purpose of calculating regulatory capital.

As of 2018, impairment losses are recorded according to the IFRS9 requirements (calculated on a lifetime expected credit loss ("**ECL**") basis for defaulted borrowers and on a twelve-month or lifetime ECL basis for non-defaulted borrowers depending on whether there has been a credit risk deterioration and a corresponding shift from 'stage 1' to 'stage 2'.

Under IFRS9, files are allocated in three stages: 'stage 1' allocates performing files, 'stage 2' allocates underperforming files and 'stage 3' allocates non-performing files (PD 10-12, as mentioned above). At origination, all files are allocated to 'stage 1'. If a file experiences a negative change in credit risk, compared to its origination, it will shift from 'stage 1' to 'stage 2', or to 'stage 3' in case the file would go into default.

Structured credit exposure KBC Group (CDOs and other ABS)

As at 31 December 2017, at EUR 1.0 billion, the total net portfolio (i.e., excluding de-risked positions) of structured credit products (consisting primarily of European residential mortgage-backed securities (RMBS)) decreased EUR 0.4 billion on its level at year-end 2016, due to redemptions. No new investments have been made in 2017.

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

The main technique KBC uses to measure interest rate risks is the 10 basis point value ("**BPV**"). The 10 BPV measures the extent to which the value of the portfolio would change if interest rates were to go up by ten basis points across the entire curve (negative figures indicate a decrease in the value of the portfolio). KBC also uses other techniques such as the gap analysis, scenario analysis and stress testing (both from a regulatory capital perspective and from a net income perspective). More details are available in the 2017 annual report of KBC Bank.

BPV (10 basis points) of the ALM-book of the Group (in millions of euro) (unaudited figures, except for those 'As at 31 December')

Average of 1Q 2015	-63
Average of 2Q 2015	-46
Average of 3Q 2015	-33
Average of 4Q 2015	-30
As at 31 December 2015	-30
Average of 1Q 2016	-24

Average of 2Q 2016	-35
Average of 3Q 2016	-50
Average of 4Q 2016	-83
As at 31 December 2016	-83
Average of 1Q 2017	-79
Average of 2Q 2017	-74
Average of 3Q 2017	-73
Average of 4Q 2017	-76
As at 31 December 2017	-76

Market risk management

The Group is exposed to market risk via the trading books of our dealing rooms in Belgium, the Czech Republic, the Slovak Republic and Hungary, as well as via a minor presence in the UK and Asia. Limited trading activities are also carried out at the recently acquired United Bulgarian Bank (UBB) in Bulgaria (regulatory capital charges for market risk amounted to EUR 6 million at the end of 2017). The dealing rooms, with the dealing room in Belgium accounting for the lion's share of the limits and risks, focus on trading in interest rate instruments, while activity on the foreign exchange markets has traditionally been limited. All dealing rooms focus on providing customer service in money and capital market products and on funding the bank activities.

As regards the legacy CDO business, the remaining small positions were completely closed out in April 2017, which resulted in the definitive and complete closure of this business line. The reverse mortgages and insurances derivatives legacy business lines have been transferred from KBC Investments Limited to KBC Bank, as only a small quantity of contracts remain (accounting for approximately 1% of the total regulatory capital charges for market risk set out in the table at the end of this section). The fund derivatives legacy business line has been almost completely wound down, which means that KBC Investments Limited will be dissolved in the near future.

The table below shows the Historical Value-at-Risk (HVaR; 99% confidence interval, ten-day holding period, historical simulation) for the linear and non-linear exposure of all the dealing rooms of KBC Group.

More details are available in the 2017 annual report of KBC Bank.

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

	KBC Bank
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 in year	*31*
Minimum in year	*15*
Average, 1Q 2018	18
Average, 2Q 2018	16

Regulatory capital charges for market risk

As shown in the table below, in 2017 approximately 90% of the regulatory capital requirements were calculated using Approved Internal Models ("**AIMs**"). In previous years, this used to be the sum of the regulatory capital requirements calculated using the AIMs of KBC Bank NV, KBC Investments Limited – both models were authorised by the Belgian regulator – and ČSOB in the Czech Republic, whose model was authorised by the Czech Republic regulator. In June 2017, the ECB approved the integration of the European equity derivatives trading activities (the only trading activity in KBC Investments Limited's AIM) into KBC Bank's AIM, thus resulting in two AIMs instead of three (cutting costs and reducing complexity). The two AIMs are also used for the calculation of Stressed VaR ("**SVaR**"), which is one of the CRD III Regulatory Capital charges that entered into effect at year-end 2011. The calculation of an SVaR measure is based on the normal VaR calculations and follows the same methodological assumptions, but is constructed as if the relevant market factors were experiencing a period of stress. The period of stress is calibrated at least once a year by determining which 250-day period between 2006 and the (then) present day produces the severest losses for the relevant positions.

The resulting capital requirements for trading risk at year-end 2016 and 2017 are shown in the table below. It shows the regulatory capital requirements by risk type, as assessed by the internal model. The regulatory capital requirements for the trading risk of local KBC entities (where, for reasons of materiality, approval was not sought from the regulator to use an internal model for capital calculations), as well as the business lines not included in the VaR calculations, are measured according to the Standardised approach and likewise shown by risk type.

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

		Interest rate risk	Equity risk	FX risk	Commodity risk	Resecuritisation	Total
31-12-2016							
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
31-12-2017							
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	0	33
Total		225	16	28	0	0	269

13. Banking supervision and regulation

Introduction

KBC Bank, a credit institution governed by the laws of Belgium, is subject to detailed and comprehensive regulation in Belgium, and is supervised by the European Central Bank ("**ECB**"), acting as the supervisory authority for prudential supervision of significant financial institutions. The ECB exercises its prudential supervisory powers by means of application of EU rules and national (Belgian) legislation. The supervisory powers conferred to the ECB include, amongst others, the granting and withdrawal of authorisations to and from credit institutions, the assessment of acquisitions and disposals of qualifying holdings in credit institutions, ensuring compliance with the rules on equity, liquidity, statutory ratios and the carrying out of supervisory reviews (including stress tests) for credit institutions.

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

The Financial Services and Markets Authority ("**FSMA**"), an autonomous public agency, is in charge of the supervision of conduct of business rules for financial institutions and financial market supervision.

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

Supervision and regulation in Belgium

The banking regime in Belgium is governed by the Law of 25 April 2014 on the legal status and supervision of credit institutions and stockbroking firms (the "**Banking Law**"). The Banking Law replaces the Law on the legal status and supervision of credit institutions of 22 March 1993 and implements various EU directives, including, without limitation, Directive 2013/36/EU of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms ("**CRD**") and, where applicable, Regulation (EU) n° 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms ("**CRR**", and together with CRD, "**CRD IV**") and Directive 2014/59 of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms ("**BRRD**"). CRD IV applies in Belgium since 1 January 2014, subject to certain requirements being phased in over a number of years, as set out therein. BRRD has formally been transposed into Belgian Law by amending the Banking Law with effect from 16 July 2016.

The Banking Law sets forth the conditions under which credit institutions may operate in Belgium and defines the regulatory and supervisory powers of the ECB and the NBB. The main objective of the Banking law is to protect public savings and the stability of the Belgian banking system in general.

Supervision of credit institutions

(1) All Belgian credit institutions must obtain a license from the ECB before they may commence operations. In order to obtain a license and maintain it, each credit institution must fulfil numerous conditions, including certain minimum paid-up capital requirements. In addition, any shareholder holding 10% or more (directly or indirectly, alone, together with affiliated persons or in concert with third parties) of the capital or the voting rights of the institution must be of "fit and proper" character to ensure proper and prudent management of the credit institution. The ECB therefore requires the disclosure of the identity and participation of any shareholder with a 10% or greater capital or voting interest. If the ECB considers that the participation of a shareholder in a credit institution jeopardises

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

The Banking Law requires credit institutions to provide detailed periodic financial information to the ECB and, under certain circumstances, the FSMA. The ECB also supervises the enforcement of laws and regulations with respect to the accounting principles applicable to credit institutions. The ECB sets the minimum capital adequacy ratios applicable to credit institutions. The ECB may also set other ratios, for example, with respect to the liquidity and gearing of credit institutions. It also sets the standards regarding solvency, liquidity, risk concentration and other limitations applicable to credit institutions and the publication of this information. The NBB may in addition impose capital requirements for capital buffers (including countercyclical buffer rates and any other measures aimed at addressing systemic or macro-prudential risks). In order to exercise its prudential supervision, the ECB may require that all information with respect to the organisation, the functioning, the position and the transactions of a credit institution be provided to it. Further, the ECB supervises, among other things, the management structure, the administrative organisation, the accounting and the internal control mechanisms of a credit institution. In addition, the ECB may conduct on-site inspections (with or without the assistance of NBB staff). The comprehensive supervision of credit institutions is also exercised through statutory auditors who cooperate with the supervisor in its prudential supervision. A credit institution selects its statutory auditor from the list of auditors or audit firms accredited by the NBB. Within the context of the European System of Central Banks, the NBB issues certain recommendations regarding monetary controls.

The Banking Law has introduced a prohibition in principle on proprietary trading as from 1 January 2015. However, certain proprietary trading activities are excluded from this prohibition. Permitted proprietary trading activities (including certified market-making, hedging, treasury management, and long-term investments) are capped, and these types of activities must comply with strict requirements on reporting, internal governance and risk management.

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

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

- The resolution authority can decide to take resolution measures if it considers that all of the following circumstances are present: (i) the determination has been made by the resolution authority, after consulting the competent authority, that a credit institution is failing or is likely to fail, (ii) there is no reasonable prospect that any alternative private sector measures or supervisory action can be taken to prevent the failure of the institution, and (iii) resolving the credit institution is necessary from a public interest perspective. The resolution tools are: (i) the sale of (a part of) the assets/liabilities or the shares of the credit institution without the consent of shareholders, (ii) the transfer of business to a temporary structure ("bridge bank"), (iii) the separation of clean and toxic assets and the transfer of toxic assets to an asset management vehicle and (iv) bail-in. Each decision will be subject to prior judicial control.

  The fourth resolution tool, i.e. the bail-in tool, entered into force on 1 January 2016. It was implemented into Belgian law through the Royal Decree of 18 December 2015 implementing the Banking Law. Bail-in is a mechanism to write down the eligible liabilities (subordinated debt, senior debt and eligible deposits) or to convert debt into equity, as a means of restoring the institution's capital position. The bail-in tool also applies to existing debt instruments. The resolution authority is also empowered (and in certain circumstances required) to write down or convert capital instruments (such as Common Equity Tier 1-, Additional Tier 1- and Tier 2-instruments), before or together with the use of any resolution tools, if it determines that a credit institution becomes non-viable, that the conditions for the exercise of the resolution powers are fulfilled and/or that a credit institution has asked for public support.

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

Bank governance

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

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

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

The NBB Governance Manual for the Banking Sector (the "**Governance Manual**") contains recommendations to assure the suitability of shareholders, management and independent control functions and the appropriate organisation of the business.

As required by the Banking Law and the Governance Manual, KBC has drafted a Group Internal Governance Memorandum (the "**Governance Memorandum**"), which sets out the corporate governance policy applying to KBC Group and its subsidiaries and of which the governance memorandum of KBC Bank forms part. The corporate governance policy of a credit institution must meet the principles set out in the law and the Governance Manual. The most recent version of the Governance Memorandum was approved on 14 December 2017 by the Board of Directors of KBC Group NV, KBC Bank and KBC Insurance NV and has been sent to the NBB.

KBC Bank also has a Corporate Governance Charter which is published on www.kbc.com.

Solvency supervision

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

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

The minimum solvency ratios required under CRD IV/CRR are 4.5% for the common equity tier-1 ("**CET1**") ratio, 6.0% for the tier-1 capital ratio and 8.0% for the total capital ratio (i.e., the pillar 1 minimum ratios). As a result of its supervisory review and evaluation process ("**SREP**"), the competent supervisory authority (in KBC Group's case, the ECB) can require that higher minimum ratios be maintained (i.e., the pillar 2 requirements which in 2016 have been split by the ECB in a pillar 2 requirement and a pillar 2 guidance) because, for instance, not all risks are properly reflected in the regulatory pillar 1 calculations. On top of this, a number of additional buffers have to be put in place, including a capital conservation buffer of 2.5% (to be phased in between 2016 and 2019), a buffer for systemically important banks ("**O-SII buffer**", to be determined by the national competent authority) and a countercyclical buffer in times of credit growth

(between 0% and 2.5%, likewise to be determined by the national competent authority). These buffers need to be met using CET1 capital, the strongest form of capital.

In the context of its supervisory authority, the ECB requires KBC Group to maintain (i) a pillar 2 requirement (P2R) of 1.75% CET1 and (ii) a pillar 2 guidance (P2G) of 1.0% CET1.

The capital requirement for KBC Group is not only determined by the ECB but also by decisions of the various local competent authorities in KBC's core markets. The Czech and Slovak competent authorities require a countercyclical buffer requirement of 1.25% on relevant credit exposures in their jurisdiction, which corresponds with an additional CET1 requirement at Group level of 0.35%. The NBB requires an additional capital buffer for other systemically important banks of 1.5% in 2018.

The capital conservation buffer currently stands at 1.875% for 2018, and will increase to 2.50% in 2019. These buffers come on top of the minimum CET1 requirement of 4.5% under pillar 1. Altogether, this brings the fully loaded CET1 requirement (under the Danish compromise) to 10.60% with an additional 1% pillar 2 guidance.

Furthermore, since part of the requirements are gradually built up by 2019, the relevant requirement (under the Danish compromise) for 2018 on a phased-in basis is at a lower level, i.e., 9.875% CET1.

The following table provides an overview of the phased CET1 requirement for 2018 and the fully loaded CET1 requirement:

KBC Group	2018	Fully loaded
Pillar 1 minimum requirement (P1 min)	4.50%	4.50%
Pillar 2 requirement (P2R)	1.75%	1.75%
Conservation buffer	1.875%	2.50%
O-SII buffer	1.50%	1.50%
Countercyclical buffer	0.25%	0.35%
Overal capital requirement (OCR) = MDA threshold*	9.875%	10.60%

**Maximum Distributable Amount under CRD IV*

KBC Group clearly exceeds these targets: on 30 June 2018, the fully loaded CET1 ratio for KBC Group came to 15.8 %, (16.3% at 31 December 2017) which represented a capital buffer of EUR 14,715 million relative to the minimum requirement of 10.60%. The leverage ratio (Basel III, fully loaded) stood at 6% (6.1% at 31 December 2017).

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

Large exposure supervision

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

Money laundering

Belgium has implemented Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing by the law of 18 September 2017 on the prevention of money laundering, terrorist financing and on the limitation of the use of cash (the "**Law of 18 September 2017**"). This legislation contains a preventive

system imposing a number of obligations in relation to money laundering and the financing of terrorism. These obligations are related, among other things, to the identification of the client, special attention for unusual transactions, internal reporting, processing and compliance mechanisms with the appointment of a compliance officer, and employee training requirements. A risk-based approach assumes that the risks of money laundering and terrorism financing may take various forms. Accordingly, businesses/individuals subject to the Law of 18 September 2017 do have to proceed to a global assessment of the risks they are facing and formulate efficient and adequate measures. The definition of politically exposed people is being broadened. It will encompass not only national persons who are or who have been entrusted with prominent public functions residing abroad, but also those residing in the country. Member States also have to set up a central register which identifies the ultimate beneficial owner of companies and other legal entities. Payments/donations in cash are capped at EUR 3,000. Member States must also provide for enhanced customer due diligence measures for the obliged entities to apply when dealing with natural persons or legal entities established in high-risk third countries.

When, after investigation, a credit or financial institution suspects money laundering to be the purpose of a transaction, it must promptly notify an independent administrative authority, the Financial Intelligence Unit. This Unit is designated to receive reports on suspicious transactions, to investigate them and, if necessary, to report to the criminal prosecutors to initiate proceedings. The NBB has issued guidelines for credit and financial institutions and supervises their compliance with the legislation. Belgian criminal law specifically addresses criminal offences of money-laundering (Article 505, subsection 1, 2°-4° of the Criminal Code) and sanctions them with a jail term of a minimum of fifteen days and a maximum of five years and/or a fine of a minimum of EUR 26 and a maximum of EUR 100,000 (to be multiplied by 6) or, for legal entities, a fine of a minimum of EUR 500 and a maximum of EUR 200,000 (to be increased with the additional penalty or, in other words, to be multiplied by 6).

Consolidated supervision – supplementary supervision

KBC Bank is subject to consolidated supervision by the ECB on the basis of the consolidated financial situation of KBC Group NV, which covers, among other things, solvency as described above, pursuant to Articles 165 and following of the Banking Law. As a subsidiary of a Belgian mixed financial holding company (KBC Group NV) and part of a financial conglomerate, KBC Bank is also subject to the supplementary supervision by the ECB, according to Directive 2011/89/EU of 16 November 2011 amending Directives 98/78/EC, 2002/87/EC, 2006/48/EC and 2009/138/EC as regards the supplementary supervision of financial entities in a financial conglomerate (implemented in Articles 185 and following of the Banking Law). The supplementary supervision relates to, among other things, solvency, risk concentration and intra-group transactions and to enhanced reporting obligations.

The consolidated supervision and the supplementary supervision will be aligned as much as possible, as described in Article 170 of the Banking Law.

KBC Asset Management

As from June 2005, the status of KBC Asset Management has been changed from "investment firm" to a "management company of undertakings for collective investment in transferable securities (UCITS)" (a "**UCITS-management company**"). Its activities are, inter alia, the management of UCITS and the management of portfolios of investments in accordance with mandates given by investors on a discretionary, client-by-client basis. KBC Asset Management is subject to detailed, comprehensive regulation in Belgium, supervised by the FSMA.

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

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

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

14. Material contracts

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

15. Recent events

Information about recent events in relation to the Issuer can be found in the following sections: "*2. The strategic plan of KBC Group*" (pages [●] to [●]), "*3. Management structure*" (pages [●] to [●]), "*4. Short presentation of the Group*" (page [●]), "*8. General description of activities of the Group*" (pages [●] to [●]), "*9. Principal markets and activities*" (pages [●] to [●]), "*12. Risk management*" (pages [●] to [●]), "*13. Banking supervision and regulation*" (pages [●] to [●]) and "*21. Litigation*" (pages [●] to [●]).

Detailed information is set out in KBC Group's and KBC Bank's press releases and financial reports, all of which are available on www.kbc.com. For the avoidance of doubt, the information available on the KBC website, www.kbc.com, shall not be incorporated by reference in, or form part of, this Base Prospectus, unless otherwise specified in the "*Documents Incorporated By Reference*" section.

16. Trend information

The main sources for this section are the European Banking Authority, the European Central Bank (the "**ECB**") and the European Commission.

Banking sector

After ongoing recapitalisation in the aftermath of the Eurocrisis, banks in the Eurozone continued to strengthen their balance sheet, closely monitored by the European Central Bank. At the same time, they adjusted their business models to the evolving regulatory and challenging operating environment. While overall progress is significant, the results remain uneven across institutions and countries, with Italian and Portuguese banks still facing the toughest challenges. On the other hand, the asset quality of banks in core countries such as Belgium withstood the recent crises years rather well and continue to be good. The Czech and Slovakian banking systems are also characterised by good asset quality, while in Hungary and Bulgaria high non-performing loans are decreasing.

Loan growth in the Eurozone is strengthening. Looking forward, enhanced economic governance and the banking union, which still needs to be completed, significantly strengthened the Eurozone architecture and offer a more stable banking sector environment than in the pre-crisis years. Amid a benign macroeconomic environment – despite significant emerging risks – profitability continues to improve, but significant challenges remain to enhance cost efficiency in a competitive environment and to withstand ongoing pressure on revenue growth. At the same time new technologies trigger new challenges to business models. Banks with a large customer and diversified income base are likely best suited to cope with these challenges.

General economic environment and risks

The global economy continues to perform solidly. In the United States, annual real gross domestic product ("**GDP**") growth in 2017 accelerated to 2.3% after its dip in 2016 (1.5%). Growth in the United States was driven primarily by strong private consumption, which was underpinned by improving labour market conditions. Additionally, business spending picked up markedly.. After a somewhat weaker Q1 2018 growth figure, Q2 GDP growth reached 1.0% qoq (4.2% annualised). The sharp acceleration was driven by the large growth contribution from private consumption, strong federal spending and an exceptionally high growth contribution of net trade. Corporate sentiment indicators – although down from their recent highs – also continue to signal optimism. Furthermore, the tax reform which the Republicans approved in the United States at the end of 2017 together with more government spending is expected to deliver some additional, albeit modest, boost to growth in 2018-2019. Therefore, average annual GDP growth in the United States is expected to slightly accelerate and reach its peak in 2018. The growth pace will then likely decline in the following years, reflecting the late-cyclical state of the United States economy, the tighter policy of the Federal Reserve System ("**Fed**") and tightness of the United States labour market. For now, activity and inflation trends will support the Federal Reserve to continue with their gradual monetary policy path as planned. Also for the Eurozone economy, 2017 was a very strong year with an average annual growth rate of 2.5%, which was far more than expected. Private demand played an important role in the growth uptick, but net trade also made a substantial growth contribution. Moreover, business investment, although not fully recovered from the crisis, was an essential growth contributor during the year. In the first half of 2018, euro area GDP growth was somewhat lacklustre compared to the strong 2017 figures, with domestic demand the main driver. Economic sentiment in the Eurozone declined in the first half of 2018. However, it remains at elevated levels, after having reached a seventeen-year high in December 2017.. Nevertheless, optimism remains for the Eurozone economy and above-potential growth in the coming years is still expected.. The main risks for the euro area economy will be the adverse effects of the ongoing trade conflicts and negative consequences from Brexit.

Headline inflation is picking up in the euro area. This is mainly driven by oil price movements. Core inflation, excluding prices of energy, food, tobacco and alcohol, remains subdued in the region of 1%. Nevertheless, wage growth measures in several euro area economies have been rising recently, suggesting more inflation support from that corner in the coming months. Nevertheless, we still expect inflation to approach but not reach the ECB's medium-term target of below but close to 2%. This persistent shortfall from its inflation target explains the rather dovish stance of the ECB and its very gradual monetary policy normalisation plans with a first rate hike at the earliest after the summer of 2019. The combination of a dovish central bank, disappointing economic data, sticky core inflation, flight to quality capital flows, scarcity of German benchmark bonds and a continued presence of excess liquidity in the euro area will delay and slow down the normalisation of the term premium on euro area bond markets.

Momentum remains supportive for the US dollar in the short-term as the interest rate differentials with the Eurozone have again reached multi-year highs. However, in the medium to longer term, most factors are pointing to an appreciation of the euro against the US dollar. Expectations of a first ECB rate hike and the consequences of late-cyclical fiscal stimulus (twin deficits) in the United States will lead to a strengthening of the Euro.

17. Management of KBC Bank

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

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

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

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

As at the date of this Base Prospectus, the members of the Board of Directors of KBC Bank are the following:

Name and business address	**Position**	**Expiry date of current term of office**	**External offices**
LEYSEN Thomas KBC Bank NV Havenlaan 2 1080 Brussel	Chairman	2019	Chairman of the Board of Directors of Corelio NV Non-executive Director of Booischot NV Chairman of the Board of Directors of KBC Verzekeringen NV Chairman of the Board of Directors of KBC Group NV Chairman of the Board of Directors of Mediahuis NV
HOLLOWS John CSOB Ceskoslovenska obchodni banka Radlicka 333/150 Praha 5 150 57 Czech Republic	Executive Director	2021	Executive Director of KBC Verzekeringen NV Member of the Executive Committee of KBC Groep NV CEO (non-director) of Ceskoslovenska Obchodni Banka a.s. (CR)
POPELIER Luc KBC Bank NV Havenlaan 2 1080 Brussel	Executive Director	2021	Executive Director of KBC Verzekeringen NV Member of the Executive Committee of KBC Groep NV Chairman of the Board of Directors of K&H Bank Zrt. Chairman of the Supervisory Board of K&H Biztosito Zrt. Chairman of the Board of Directors of Start it Fund NV Chairman of the Board of Directors of KBC Asset Management NV Member of the Management Board of KBC Bank NV, Dublin Branch Chairman of the Board of Directors of KBC Bank Ireland plc Chairman of the Board of Directors of KBC Securities NV Chairman of the Supervisory Board of Ceskoslovenska Obchodna Bank a.s. (SR) Chairman of the Supervisory Board of United Bulgarian Bank AD Member of the Management Board of CSOB Poistovna a.s. Chairman of the Supervisory Board of DZI General Insurance JSC Chairman of the Supervisory Board of DZI Life Insurance JSC
THIJS Johan KBC Bank NV Havenlaan 2 1080 Brussel	Executive Director/CEO	2021	Executive Director/CEO of KBC Verzekeringen NV Chairman of the Board of Directors of Febelfin Executive Director/CEO of KBC Group NV Non-executive Director of VOKA Non-executive Director of European Banking Federation

			Non-executive Director of Museum Nicolaas Rockox Non-executive Director of Gent Festival van Vlaanderen
VAN RIJSSEGHEM Christine KBC Bank NV Havenlaan 2 1080 Brussel	Executive Director	2022	Executive Director KBC Group NV Executive Director KBC Verzekeringen NV Non-executive Director of K&H Bank Zrt Non-executive Director of KBC Bank Ireland plc Member of the Supervisory Board of Ceskoslovenska Obchodni Banka a.s. (CR) Member of the Management Board of KBC Bank NV, Dublin Branch Member of the Supervisory Board of United Bulgarian Bank AD
ARISS Nabil 16 Chiddingstone street London SW6 3TG United Kingdom	Non-executive Director	2022	Executive Director AF Law
DEPICKERE Franky Cera-KBC Ancora Muntstraat 1 3000 Leuven	Non-executive Director	2019	Executive Director of Cera CVBA Executive Director of Cera Beheersmaatschappij NV Non-executive Director of BRS Microfinance Coop CVBA Non-executive Director of CBC Banque SA Non-executive Director of KBC Group NV Non-executive Director of KBC Verzekeringen NV Executive Director of Almancora Beheersmaatschappij NV Non-executive Director of International Raiffeisen Union e.V. Non-executive Director of Euro Pool System International BV Member of the Supervisory Board of Ceskoslovenska Obchodni Banka a.s. (CR) Executive Director of KBC Ancora Comm.VA
CALLEWAERT Katelijn Cera Beheersmaatschappij Muntstraat 1 3000 Leuven	Non-executive Director	2021	Executive Director of Cera Beheersmaatschappij NV Member of the Executive Committee of Cera CVBA Non-executive Director of KBC Group NV Non-executive Director of KBC Verzekeringen NV Executive Director of Almancora Beheersmaatschappij NV
DE BECKER Sonja MRBB CVBA Diestsevest 40 3000 Leuven	Non-executive Director	2020	Non-executive Director of Acerta CVBA Non-executive Director of M.R.B.B. CVBA – Maatschappij voor Roerend Bezit van de Boerenbond Non-executive Director of Directors of SBB Accountants en Belastingconsulenten BV CVBA Non-executive Director of Agri Investment Fund CVBA Non-executive Director of KBC Group NV Non-executive Director of KBC Verzekeringen NV Executive Director of SBB Bedrijfsdiensten CVBA Non-executive Director of BB-Patrim CVBA Chairman of the Board of Directors of Boerenbond
WITTEMANS Marc MRBB cvba Diestsevest 40 3000 Leuven	Non-executive Director	2022	Non-executive Director of KBC Group NV Chairman of the Board of Directors of Arda Immo NV Non-executive Director of Acerta CVBA Non-executive Director of Acerta Consult CVBA Non-executive Director of SBB Accountants en

			Belastingconsulenten BV CVBA Executive Director/CEO of M.R.B.B. CVBA - Maatschappij voor Roerend Bezit van de Boerenbond Non-executive Director of Agri Investment Fund CVBA Chairman of the Board of Directors of Aktiefinvest CVBA Non-executive Director of KBC Verzekeringen NV Non-executive Director Acerta Public NV Non-executive Director of Shéhérazade Développement CVBA Non-executive Director of AVEVE NV – Aan- en verkoopvennootschap van de Belgische Boerenbond Member of the Supervisory Board of Ceskoslovenska Obchodni Banka a.s. (CR)
FALQUE Daniel KBC Bank NV Havenlaan 2 1080 Brussels	Executive Director	2020	Non-executive Director of CBC Banque SA Executive Director of KBC Verzekeringen NV Member of the Executive Committee of KBC Group NV Non-executive Director of BVB Non-executive Director of Union Wallonne des Entreprises ASBL
MAGNUSSON Bo KBC Bank NV Havenlaan 2 1080 Brussels	Non-executive Director	2020	Chairman of the Board of Directors of Carnegie Holding AB Chairman of the Board of Directors of Carnegie Investment Bank AB Chairman of the Board of Directors of SBAB AB Chairman of the Board of Directors of Sveriges Sakerstallda obligationer AB Non-executive Director of Bmag AB Chairman of the Board of Directors of Rikshem AB Chairman of the Board of Directors of Rikshem Intressenter AB
NONNEMAN Walter Universiteit Antwerpen Prinsstraat 13 2000 Antwerpen	Non-executive Director	2021	Non-executive Director of Cera Beheersmaatschappij NV Non-executive Director of KBC Group NV Non-executive Director of KBC Verzekeringen NV Non-executive Director of Fluxys NV
VANHOVE Matthieu Cera Muntstraat 1 3000 Leuven	Non-executive Director	2021	Non-executive Director of BRS Microfinance Coop CVBA Non-executive Director of KBC Group NV Non-executive Director of KBC Verzekeringen NV Non-executive Director Cera Beheersmaatschappij NV
LUTS Erik KBC Bank NV Havenlaan 2 1080 Brussels	Executive Director	2021	Executive Director of Ambassadors Club Slovenia in Belgium ASBL Non-executive Director of De Bremberg VZW Non-executive Director of Thanksys NV Non-executive Director of Joyn International NV Non-executive Director of KBC Start it Fund NV Non-executive Director of Storesquare NV Executive Director of KBC Verzekeringen NV Member of the Executive Committee of KBC Group NV Non-executive Director of Isabel NV Non-executive Director of Belgian Mobile Wallet ID NV Non-executive Director of Bancontact Company NV

SCHEERLINCK Hendrik KBC Bank NV Havenlaan 2 1080 Brussels	Executive Director	2021	Executive Director of KBC Group NV Executive Director of KBC Verzekeringen NV Non-executive Director of KBC Credit Investments NV

18. Members of the Audit Committee

The Audit Committee has been set up by the Board of Directors and has – with some limited legal exceptions – an advisory role. The Audit Committee, among other things, supervises the integrity and effectiveness of the internal control measures and the risk management in place, paying special attention to correct financial reporting.

The powers and composition of the Audit Committee, as well as its way of functioning, are extensively dealt with in the Corporate Governance Charter of KBC Bank which is published on www.kbc.com.

The members of the Audit Committee of KBC Bank are:

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

19. Members of the Risk and Compliance Committee

The Risk and Compliance Committee has been set up by the Board of Directors and has an advisory role. The Risk and Compliance Committee, among other things, provides advice to the Board of Directors about the current and future risk tolerance and risk strategy.

The powers and composition of the Risk and Compliance Committee, as well as its way of functioning, are extensively dealt with in the Corporate Governance Charter of KBC Bank, which is available on www.kbc.com.

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

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

20. Statutory auditors

On 27 April 2016, PricewaterhouseCoopers Bedrijfsrevisoren BCVBA (*erkend revisor/réviseur agréé*), represented by R. Jeanquart and G. Joos, with offices at Woluwedal 18, B-1932 Sint-Stevens-Woluwe, Belgium ("**PwC**"), has been appointed as auditor of KBC Bank for the financial years 2016-2018. The financial statements of KBC Bank have been audited in accordance with International Standards on Auditing by PwC for the financial years ended 31 December 2016 and 31 December 2017 and resulted in an unqualified audit opinion.

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

The report of the auditor of KBC Bank on (i) the audited consolidated annual financial statements of KBC Bank and its consolidated subsidiaries for the financial years ended 31 December 2016 and 31 December 2017 and (ii) the unaudited consolidated interim financial statements of KBC Bank and its consolidated subsidiaries for the first six months ended 30 June 2018 are incorporated by reference in this Base Prospectus, with the consent of the auditor.

21. Litigation

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

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

Other litigation

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

On 9 May 2014 the civil court in Antwerp decided that Broeckdal Vastgoedmaatschappij NV, which was no longer represented as it was dissolved and liquidated, implicitely renounced its claim in refuting the taxation.

On 22 February 2017, the Belgian State reactivated the civil lawsuit which was pending in Brussels between itself, Rebeo, Trustimmo and the four former members of the board and which had been suspended pending a final judgment in the tax lawsuit in Antwerp.

The civil lawsuit pending in Brussels has been suspended pending a final judgement in the tax lawsuit in Antwerp. An adjusted provision of EUR 28.4 million (at 30 June 2018) has been reserved to cover the potential impact of liability with respect to these actions.

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

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

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

(ii) In 2009, KBC Bank and subsidiaries such as K&H Bank and ČSOB SK received numerous complaints about CDO notes issued by KBC Financial Products that were sold to private banking and corporate

clients and which have now been downgraded. Such clients have been asking for their notes to be bought back at their original value.

In 2010, KBC Bank decided to examine all CDO related files with respect to private banking and retail clients on a case-by-case basis and to settle the disputes as much as possible out of court.

In Belgium settlements were reached with clients in KBC Bank Private Banking and Retail Banking. As a result of complaints, some Corporate Banking files were also examined. Subsequently negotiations started in the files where a decision to propose a settlement was taken and in a limited number of files settlements were reached. Only a few lawsuits are on-going. In nine cases the courts rendered judgments in favour of KBC. At this stage one case is pending in first instance, two cases are still pending in degree of appeal. In June 2018 the highest court (Cassation) refuted the appeal of a corporate.

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

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

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

(iii) Lazare Kaplan International Inc. is a U.S. based diamond company ("**LKI**"). Lazare Kaplan Belgium NV is LKI's Belgian affiliate ("**LKB**"). LKI and LKB together are hereinafter referred to as "**LK**". The merger between KBC Bank and Antwerpse Diamantbank NV ("**ADB**") on 1 July 2015 entails that KBC Bank is now a party to the proceedings below, both in its own name and in its capacity as legal successor to ADB.

However, for the sake of clarity, further reference is made to ADB on the one hand and KBC Bank on the other hand as they existed at the time of the facts described.

Fact summary

Since 2008, LKB has been involved in a serious dispute with its former business partners, DD Manufacturing NV and KT Collection BVBA ("**Daleyot**"), Antwerp based diamond companies belonging to Mr. Erez Daleyot. This dispute relates to a joint venture LK and Daleyot set up in Dubai (called "**Gulfdiam**").

LKB and Daleyot became entangled in a complex litigation in Belgium, each claiming that the other party is their debtor. Daleyot initiated proceedings before the Commercial Court of Antwerp for payment of commercial invoices for an amount of (initially) approximately USD 9 million. LKB launched separate proceedings for payment of commercial invoices for (initially) an amount of approximately USD 38 million.

At the end of 2009, ADB terminated LK's credit facilities. After LK failed to repay the amount outstanding of USD 45 million, ADB started proceedings before the Commercial Court of Antwerp, section Antwerp, for the recovery of said amount. In a bid to prevent having to pay back the amount owed, LK in turn initiated several legal proceedings against ADB and/or KBC Bank in Belgium and

the USA. These proceedings, which are summarised below, relate to, *inter alia*, the dispute between ADB and LKI with regard to the termination of the credit facility and the recovery of all the monies LKI owes under the terminated credit facility as well as allegations that LK was deprived out of circa USD 140 million by DD Manufacturing and other Daleyot entities in cooperation with ADB.

Overview Legal Proceedings

(A) Belgian proceedings (overview per court entity)

Commercial Court of Antwerp, section Antwerp

Proceedings were initiated by ADB against LKI in order to recover the monies owed to it under the terminated credit facility (approximately USD 45 million in principal). LKB voluntarily intervened in this proceeding and claimed an amount of USD 350 million from ADB. LKI launched a counterclaim of USD 500 million against ADB (from which it claims any amount awarded to LKB must be deducted).

On 23 January 2014, LK appealed a decision of the Commercial Court of 23 October 2013 in which a briefing round was scheduled. On 15 July 2016 LKI issued a summons against Ernst & Young to intervene in these appeal proceedings before the Antwerp Court of Appeals and to indemnify LKI in case LKI would be ordered to pay the amounts claimed by KBC Bank. On 24 October 2016, the Court of Appeals declared the appeal of LKI and LKB inadmissible given the fact that the decision of the Commercial Court regarding the briefing round was not susceptible to appeal in the first place. Furthermore, the Court granted KBC Bank's counterclaim for damages for reckless and vexatious appeal and ordered LKI and LKB jointly to pay an amount of EUR 5,000 in damages to KBC Bank.

LK filed an appeal with the Court of Cassation against this judgment of the Antwerp Court of Appeals. On 14 September 2017, the Court of Cassation dismissed the appeal. Moreover, the Court decided that LK's appeal was reckless and vexatious and ordered LK to pay EUR 10,000 in damages.

As a result of the judgment of 24 October 2016 of the Antwerp Court of Appeals, the case was again brought before the Commercial Court of Antwerp, section Antwerp. KBC Bank then took procedural measures to reactivate the case.

By decision of 2 January 2017, the Commercial Court postponed its decision to set a briefing schedule and a hearing date to 30 March 2017. However, LK appealed this decision with the Antwerp Court of Appeals. This appeal was scheduled for an introductory hearing before the Antwerp Court of Appeals on 18 September 2017. A briefing round and a hearing for 16 November 2017 were scheduled. However, the case before the Court of Appeals was suspended given the proceedings started by LK before the Court of Cassation to have the case withdrawn from the Court of Appeals.

On 30 March 2017, the Commercial Court set a briefing schedule and a hearing date on 12 December 2017. LK also appealed this decision. This appeal was scheduled for an introductory hearing before the Antwerp Court of Appeals on 2 October 2017. On 26 October 2017, the Court of Appeals set a briefing round and a hearing for 16 November 2017. However, the case before the Court of Appeals also was suspended given the proceedings started by LK before the Court of Cassation to have the case withdrawn from the Court of Appeals.

On 16 November 2017, 7 December 2017, 11 December 2017 and 21 February 2018 LK filed twenty-two separate petitions with the Court of Cassation to have the case withdrawn from both the Commercial Court of Antwerp and the Antwerp Court of Appeals in this case and all satellite cases. After having considered that twenty petitions were not manifestly inadmissible, the Court of Cassation scheduled hearings on the merits for these twenty cases on 22 February 2018. During this hearing the Public Prosecutor ('*Advocaat-Generaal*') asked the Court of

Cassation to reject all petitions and to condemn LK for reckless and vexatious appeal.

By judgments of 29 March 2018, the Court of Cassation rejected the twenty admissible requests. KBC was granted compensation of EUR 10,000 per petition for reckless and vexatious appeal. LK was also condemned to a fine of EUR 2,500 per petition to the Belgian State for using judicial proceedings only for manifestly delaying and unlawful purposes. The two remaining cases were heard by the Court of Cassation on 19 April 2018. By judgments of the same day the Court of Cassation decided those two petitions were clearly inadmissible and LK was dismissed.

After cassation the Court of Appeals set a new briefing schedule and a hearing date on 16 November 2018.

Commercial Court of Antwerp, section Antwerp

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

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

Commercial Court of Antwerp, section Antwerp

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

By decision of 7 February 2017 the Commercial Court dismissed LK's claims. Moreover, the court decided that the proceedings initiated by LK were reckless and vexatious and ordered LK to pay EUR 250,000 in damages, as well as the maximum indemnity for legal expenses allowed, being EUR 72,000.

LKB appealed against the decision of 7 February 2017. This appeal is still pending before the Antwerp Court of Appeals. Parties are exchanging briefs and the court set hearing for 10 January 2019.

LKI – which was not a party to the first instance proceedings – commenced third-party opposition proceedings against the same decision with the Commercial Court of Antwerp, section Antwerp. These proceedings are still pending. Parties are exchanging briefs and a court hearing is set for 9 April 2019.

Commercial Court of Antwerp, section Antwerp

LKB initiated proceedings against KBC Bank claiming that the bank acted as *de facto* director of the bankrupted Daleyot entities. LKB filed a damage claim against KBC Bank for a provisional amount of USD 90 million. Moreover, LKB contests KBC Bank's claim and preferential position in the bankruptcy proceedings of DD Manufacturing and KT Collections (which are Daleyot entities). The liquidators of both bankrupted companies were also involved in these proceedings, so that the decisions to be taken by the Commercial Court could be declared binding on them. By decision of 14 February 2018, the Commercial Court dismissed LKB's claim and ordered LKB to pay an indemnity for legal expenses, being EUR 18,000. This decision cannot be appealed and is therefore final.

Court of First Instance of Antwerp, section Antwerp

Proceedings launched by LK against KBC Bank, ADB and Erez Daleyot, his wife and certain

Daleyot entities. This claim was aimed at having the security interests granted in favour of either KBC Bank or ADB declared null and void or at least not opposable against LK. LK also filed claims against ADB for a provisional amount of USD 120 million and against both ADB and KBC Bank for a provisional amount of USD 60 million based on the alleged third-party complicity of ADB. By decision of 18 January 2018, the Court dismissed LK's claim. Moreover, the Court decided that the proceedings initiated by LK were reckless and vexatious and ordered LK to pay a compensation of EUR 30,000, as well as the maximum indemnity for legal expenses allowed, being EUR 33,000. This decision is final since LK did not file a timely notice of appeal.

Criminal complaint

At the end of March 2017, KBC Bank was informed by the Investigating Magistrate at the Dutch speaking Court of First Instance of Brussels that a criminal complaint was brought against KBC Bank. This complaint was already filed on 13 October 2016.

At the end of May 2018, KBC Bank at its request received a copy of the criminal complaint and was granted permission by the investigating magistrate to have access to the criminal file. The criminal complaint is based on: embezzlement, theft and money-laundering.

KBC Bank has lent its full co-operation to the investigation and is convinced that it has always complied with all legal and regulatory requirements in this case. This investigation is still ongoing and although it started on initiative of LK, it follows its own course and will be submitted at the end of it to the chambers section of the criminal court for a judgment (either dismissal of charges or referral to the criminal court).

(B) US proceedings

A complaint of USD 500 million was initiated by LKI against both ADB and KBC Bank in 2011, alleging violations of the RICO Act (which provides for trebling of any damage award) and numerous other claims under state law. This complaint is, in fact, a non-cumulative duplicate of the one LKI brought before the Commercial Court of Antwerp, section Antwerp. The United States District Court for the Southern District of New York granted ADB's and KBC Bank's motions to dismiss in 2012 on the basis of the doctrine of "*forum non conveniens*", holding that the case should be heard in Belgium. In 2013, the United States Court of Appeals for the Second Circuit reversed and remanded the case back to the District Court for further proceedings. The Court of Appeals ordered the District Court to first resolve which of two contested forum selection clauses applied to LKI's claims prior to ruling on forum non conveniens or any other grounds on which ADB and KBC Bank moved to dismiss.

Following the remand, and in accordance with the Court of Appeals's order, the District Court ruled that the parties were to engage in limited discovery related to the contested forum selection clauses. This included both document discovery and limited depositions. This limited discovery was completed by April 2016. The District Court stayed LKI's discovery related to the merits of the complaint, which is still in effect.

On 14 and 15 February 2017, an evidentiary hearing took place to determine which of the two disputed forum selection clauses applied. After the hearing, the parties submitted proposed findings of fact for the District Court to rule on. In addition, shortly after the hearing, LKI moved to strike the testimony of one of KBC Bank's witnesses and filed a motion for sanctions against KBC Bank alleging nondisclosure of an agreement related to the relationship between KBC Bank and ADB (KBC Bank disclosed the agreement years ago, and the District Court considered the agreement in making its findings of fact).

On 30 June 2017, the District Court issued its Findings of Facts and denied LKI's motion to strike the testimony of KBC Bank's witness. The District Court's Findings of Fact rejected all

of the facts that supported LKI's arguments and agreed with KBC Bank's description of those facts.

On 14 July 2017, LKI filed a motion for reconsideration in connection with the District Court's Findings of Fact. The District Court denied this motion on 16 August 2017.

The District Court allowed LKI to file a motion for leave to amend its complaint on 8 September 2017. By order dated 25 September 2017, the District Court granted LKI's motion for leave to file an amended complaint which was filed on 26 September 2017. The District Court set a briefing schedule with regard to the motion to dismiss and the motion for sanctions. At the end of December 2017, all briefs were exchanged and parties are awaiting a judgement. On 28 March 2018, LKI's 'motion for sanctions' was dismissed.

By Opinion and Order of 29 August 2018, the District Court granted KBC Bank / ADB's motion to dismiss, ruling that the case must be heard in Belgium. This ruling is based on an analysis of the forum selection clauses and a forum non conveniens analysis. LKI has now until 28 September 2018 to file a notice of appeal in the United States Court of Appeals for the Second Circuit.

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 Half Yearly Report 1H 2017 and 1H 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.

As of 2018, the financial information is prepared in accordance with IFRS 9.

1 Consolidated balance sheet

ASSETS (in millions of €)	**31-12-2016**	**30-06-2017**	**31-12-2017**	**30-06-2018**
Cash and cash balances with central banks	20 711	32 576	29 762	31 379
Financial assets	211 848	221 079	220 184	228 326
Held for trading	9 787	9 162	7 509	-
Designated at fair value through profit or loss	1 129	272	63	-
Available for sale	21 084	20 902	19 637	-
Loans and receivables	151 140	164 271	166 927	-
Held to maturity	28 297	26 073	25 803	-
Hedging derivatives	410	399	245	255
Fair value adjustments of hedged items in portfolio hedge of interest rate risk	202	- 3	- 78	- 18
Tax assets	2 276	2 166	1 575	1 652
Current tax assets	49	68	45	123
Deferred tax assets	2 227	2 097	1 530	1 529
Non-current assets held for sale and assets associated with disposal groups	8	24	21	13
Investments in associated companies and joint ventures	180	189	210	171
Property, equipment and investment property*	2 521*	2 638*	2 846*	2 953
Goodwill and other intangible assets	854	990	1 019	1 010
Other assets	732	863	785	892
TOTAL ASSETS	239 333	260 522	256 322	266 379

LIABILITIES AND EQUITY (in millions of €)	31-12-2016	30-06-2017	31-12-2017	30-06-2018
Financial liabilities	222 646	242 976	238 273	248 463
Held for trading	8 586	8 033	6 998	6 064
Designated at fair value through profit or loss	3 900	1 627	1 482	1 543
Measured at amortised cost	208 455	231 808	228 509	239 694
Hedging derivatives	1 704	1 508	1 284	1 161
Fair value adjustments of hedged items in portfolio hedge of interest rate risk	204	79	- 86	- 127
Tax liabilities	217	227	210	114
Current tax liabilities	124	111	72	27
Deferred tax liabilities	93	116	139	87
Provisions for risks and charges	207	228	373	250
Other liabilities	1 902	2 024	1 895	1 955
TOTAL LIABILITIES	225 175	245 535	240 666	250 655
Total equity	14 158	14 987	15 656	15 724
Parent shareholders' equity	12 568	13 344	14 083	13 115
Additional Tier-1 instruments included in equity	1 400	1 400	1 400	2 400
Minority interests	190	243	173	208
TOTAL LIABILITIES AND EQUITY	239 333	260 522	256 322	266 379

* Prior to 2018, the balance sheet items ‘Investment property’ and ‘Property and equipment’ were reported separately. As from 2018, these balance sheet items are reported jointly in once balance sheet item ‘Property, equipment and investment property’. For ease of comparison, *pro forma* figures for Property, equipment and investment property have been calculated as the sum of ‘Investment property’ and ‘Property and equipment’ for the financial years ending on 31 December 2016 and 31 December 2017, and the half-year ending on 30 June 2017. These *pro forma* figures have not been audited.

2 Consolidated income statement

(in millions of €)	31-12-2016	30-06-2017	31-12-2017	30-06-2018
Net interest income	3 635	1 762	3 546	1 989
Interest income	6 147	2 851	5 760	3 138
Interest expense	- 2 512	- 1 089	- 2 214	-1 149
Dividend income	27	15	20	18
Net result from financial instruments at fair value through profit or loss	551	443	860	86
Net realised result from available-for- sale assets	134	50	114	-

Net fee and commission income	1 753	1 017	2 023	1 050
Fee and commission income	2 175	1 404	2 706	1 299
Fee and commission expense	- 422	- 387	- 683	- 249
Net other income	140	82	25	83
TOTAL INCOME	6 240	3 368	6 588	3 233

(in millions of €)	**31-12-2016**	**30-06-2017**	**31-12-2017**	**30-06-2018**
Operating expenses	- 3 399	- 1 893	- 3 568	- 2001
Staff expenses	- 1 589	- 835	- 1 690	- 868
General administrative expenses	- 1 663	- 982	- 1 718	- 1050
Depreciation and amortisation of fixed assets	- 146	- 76	- 160	- 83
Impairment	- 145	67	44	57
on loans and receivables	- 126	72	87	-
on available-for-sale assets	- 1	0	- 2	-
on goodwill	0	0	0	0
on other	- 19	- 4	- 41	- 25
Share in results of associated companies and joint ventures	23	6	8	8
RESULT BEFORE TAX	2 719	1 549	3 073	1 297
Income tax expense	- 525	- 273	- 891	- 262
RESULT AFTER TAX	2 195	1 276	2 182	1 035
Attributable to minority interest	169	89	179	88
Attributable to equity holders of the parent	**2 026**	**1 187**	**2 003**	**947**

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.

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 applicable Final Terms in relation to Notes in which the **"**Prohibition of sales to consumers in Belgium**"** is specified as "Applicable" in the applicable Final Terms may specify that the relevant Notes qualify towards the Issuer's or the Group's minimum requirement for own funds and eligible liabilities ("**MREL**") under applicable regulation.

Additionally, for Notes for which "Prohibition of sales to consumers in Belgium" or "Prohibition of sales to EEA Retail Investors" is specified as "Applicable", the Issuer may issue such Notes where the applicable Final Terms specify that an amount equivalent to the net proceeds from the offer of 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**").

TAXATION

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 has been further amended by the law of 30 July 2018.

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 realistion 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 interest 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, SIX SIS, Switzerland, Monte Titoli, Italy and InterBolsa, Portugal 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 1° and 3°;

(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 uitvoering 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, Clearstream Luxembourg, SIX SIS, Switzerland, Monte Titoli, Italy or InterBolsa, Portugal 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 per cent. 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 taxes 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 taxes) 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 tax) 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 tax) 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 per cent. 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 per the Law regarding Exchange of Information.

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 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 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 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.

Tax on stock exchange transactions

A tax on stock exchange transactions (*beurstaks*/*taxe sur les opérations de bourse*) is 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 EUR1,300 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 daytoday 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.

However, the tax on stock exchange transactions referred to above is not 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 accounts

Pursuant to the law of 7 February 2018 introducing a tax on securities accounts, a tax of 0.15% is 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 is 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 is 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.

Common reporting standard

The exchange of information is governed by the Common Reporting Standard ("**CRS**"). On 7 August 2018, 103 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, including Belgium, have committed to a specific and ambitious timetable leading to the first automatic information exchanges in 2017, relating to income year 2016 ("early adopters"). About 100 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 mandatory automatic exchange of financial information by EU Member States as foreseen in DAC2 will at the latest take place as of 30 September 2017, except with regard to Austria. The mandatory automatic exchange of financial information by Austria will at the latest take place as of 30 September 2018.

The Belgian government has implemented DAC2, respectively the CRS, per the Law of 16 December 2015 regarding the exchange of information on financial accounts by Belgian financial institutions and by the Belgian tax administration, in the context of an automatic exchange of information on an international level and for tax purposes (the "**Law 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 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 non-EU States 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 and as from 2019 (for the 2018 financial year) for another jurisdiction.

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

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 commissions in respect of an issue of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) or a syndicated basis will be stated in the relevant Final Terms.

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

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.

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 if the Final Terms in respect of such Notes specify the "Prohibition of Sales to EEA Retail Investors" as "Applicable." For the purposes of this provision:

(a) 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 MiFID II; or

(ii) a customer within the meaning of IMD, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in the Prospectus Directive.

(b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

Prohibition of Sales to Consumers in Belgium

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, any consumer (*consument/consommateur*) within the meaning of the Belgian Code of Economic Law (*Wetboek van economisch recht/Code de droit économique*) in Belgium, if the Final Terms of such Notes specify the "Prohibition of sales to consumers in Belgium" as "Applicable".

Non-Exempt Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(i) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(ii) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(iii) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(iv) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (ii) to (iv) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State.

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. "**Regulation S**"means Regulation S promulgated by the U.S. Securities and Exchange Commission (SEC) under the U.S. Securities Act.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the 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.

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.

FORM OF FINAL TERMS

Final Terms dated

[●] KBC Bank NV

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] under the €5,000,000,000 Euro Medium Term Note Programme

[MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES (ECP) 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 MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. The manufacturers (i.e. [*insert relevant Dealers*]) are solely responsible for this target market assessment, and this target market assessment is subject to change. 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.]

OR

[**MIFID II PRODUCT GOVERNANCE / RETAIL INVESTORS, PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES (ECP) 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, professional clients and retail clients, each as defined in MiFID II; ***EITHER*** [and (ii) all channels for distribution of the Notes are appropriate[, including investment advice, portfolio management, non-advised sales and pure execution services]] ***OR*** [(ii) all channels for distribution to eligible counterparties and professional clients are appropriate; and (iii) the following channels for distribution of the Notes to retail clients are appropriate - investment advice[,/ and] portfolio management[,/ and][non-advised sales][and pure execution services][, subject to the distributor's suitability and appropriateness obligations under MiFID II, as applicable]]. [*Consider any negative target market*]. The manufacturers (i.e. [*insert relevant Dealers*]) are solely responsible for this target market assessment, and this target market assessment is subject to change. 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[, subject to the distributor's suitability and appropriateness obligations under MiFID II, as applicable].]]

[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 MiFID II; (ii) a customer within the meaning of the IMD, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by 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*).]

Any person making or intending to make an offer of the Notes may only do so[:

(i) in the Non-exempt Offer Jurisdiction mentioned in Paragraph 8(viii) of Part B below, provided such person is a Dealer or an Authorised Offeror (as such term is defined in the Base Prospectus) and that such offer is made during the Offer Period specified for such purpose therein and that any conditions relevant to the use of the Base Prospectus are complied with; or

(ii) otherwise] in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer.

Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.

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 [•] 2018 [and the supplement(s) to it dated [*date*]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the "**Base Prospectus**"). 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. [However, a summary of the issue of the Notes is annexed to these Final Terms.][10] 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*]]

[10] Include only if Notes are issued that require information to be given in accordance with Annex V.

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/Zero Coupon] (*zero coupon can only be applicable if the "Prohibition of sales to consumers in Belgium" is specified as "Applicable*")
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:		(*only possible if the "Prohibition of sales to consumers in Belgium" is specified as "Applicable*") [Applicable/Not Applicable] [(*further particulars specified below*)]
12.	(i) Status of the Notes:		Senior Preferred (in the sense of Article 389/1, 1° of the Banking Law)
	(ii) Waiver of set-off:		(*can only be applicable if the "Prohibition of sales to consumers in Belgium" is specified as "Applicable*") Condition 2 (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] [[+/–][•] per cent. per annum in respect of [the First Reset Period][each Subsequent Reset Period][*specify relevant Reset Periods*]] (*if a different margin applies for one or more Reset Periods, specify the margin for each such 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]]
	(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]
	(viii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Agent):	[•]
	(ix) Screen Rate Determination:	[Applicable/Not Applicable]
	• Reference Rate:	[LIBOR][EURIBOR][CMS]
	• 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 [*specify relevant Interest Accrual Period*]] (*if a different margin applies for one or more Interest Accrual Periods, specify the margin for each such Interest Accrual Period*)
	(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]
16.	**Zero Coupon Note Provisions**	(*can only be applicable if the "Prohibition of sales to consumers in Belgium" is specified as "Applicable*") [Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i) Amortisation Yield:	[●] per cent. per annum
	(ii) Amortisation Yield Compounding Basis:	[Annually/Semi-annually]
	(iii) Day Count Fraction in relation to Early Redemption Amounts:	[[30/360][Actual/360][Actual/365]]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

17.	**Form of Notes:**	**Dematerialised form**

PROVISIONS RELATING TO REDEMPTION

18.	**Tax Event**	*(only if the "Prohibition of sales to consumers in Belgium" is specified as "Applicable")*
	Notice periods for Condition 4 (b):	Minimum period: [30] [•] days Maximum period: [60] [•] days

19.	**Issuer Call Option**	*(only if the "Prohibition of sales to consumers in Belgium" is specified as "Applicable")* [Applicable/Not Applicable]
	(i) Optional Redemption Date(s):	[•]
	(ii) Optional Redemption Amount(s):	[[•] per Calculation Amount/Early Redemption Amount/Final Redemption 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
20.	**Loss absorption Disqualification Event:**	*(only if the "Prohibition of sales to consumers in Belgium" is specified as "Applicable")* Condition 4 (d): [Applicable from [●]/Not Applicable]
	Notice periods for Condition 4 (d)	[Minimum period: [●] days Maximum period: [●] days]
21.	**Final Redemption Amount**	[[•] per Calculation Amount/[•]]
22.	**Early Redemption Amount**	*(only if the "Prohibition of sales to consumers in Belgium" is specified as "Applicable")*
	Early Redemption Amount(s) payable on redemption following a Tax Event, following a Loss Absorption Disqualification Event or other early redemption:	[[•] per Calculation Amount /[•]/[Final Redemption Amount]]

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: [●]	By: [●]
Duly authorised	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	[·]][11]
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**"). 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." [•]]

[11] Include only if Notes are issued that require information to be given in accordance with Annex XIII.

4 **REASONS FOR THE OFFER, [ESTIMATED NET PROCEEDS AND TOTAL EXPENSES][12]**

[Reasons for the offer:	[•]/*(if the "Prohibition of sales to consumers in Belgium" is specified as "Applicable")* [the Notes qualify towards the [Issuer's and/or the Group's] minimum requirement for own funds and eligible liabilities ("**MREL**")] (*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 use the net proceeds for Green Bond Eligible Assets.)* *(If Green Bond Eligible Assets are specified and "Prohibition of sales to consumers in Belgium" or the "Prohibition of sales to EEA Retail Investors" are specified as "Not Applicable", then the Issuer must first publish a supplement to the Base Prospectus (subject to prior approval of the FSMA and in accordance with applicable regulations) in relation to these Green Bonds.)*
[Estimated net proceeds:	[•]][13]
[Estimated total expenses:	[•]][14]

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]

[12] Include only if Notes are issued that require information to be given in accordance with Annex V.
[13] Include only if Notes are issued that require information to be given in accordance with Annex V.
[14] Include only if Notes are issued that require information to be given in accordance with Annex V.

6 **HISTORIC INTEREST RATES** (*Floating Rate Notes only*)

[Details of historic [LIBOR/EURIBOR/CMS] rates, their past and further performance and their volatility can be obtained from [Reuters].][Not Applicable]

7 **OPERATIONAL INFORMATION**

(i) ISIN:	[•]
(ii) Common Code:	[•]
(iii) 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/[•]]
(iv) Delivery:	Delivery against payment
(v) Names and addresses of additional Agent(s) (if any):	[●]/[Not Applicable]
(vi) Name and address of the Calculation Agent when the Calculation Agent is not KBC Bank NV	[●]/[Not Applicable]
(vii) Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes, provided that Eurosystem eligibility criteria have been met.] [No]
(viii) [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)	Indication of the overall amount of the underwriting commission and of the placing commission:	[[•] per cent. of the Aggregate Nominal Amount] [•][15]
(v)	US Selling Restrictions:	Reg. S Category 2; TEFRA not applicable
(vi)	Additional selling restrictions:	[Not Applicable/[•]]
(vii)	Prohibition of Sales to consumers in Belgium	[Applicable/Not Applicable]
(viii)	[Non-exempt Offer:	
	(a) Non-exempt Offer:	[Not Applicable][An offer of the Notes may be made by the Dealers [and [•]] (together [with the Dealers], the "**Initial Authorised Offerors**") [and any other Authorised Offerors in accordance with paragraph [•] below] other than pursuant to Article 3(2) of the Prospectus Directive in Belgium (the "**Non- exempt Offer Jurisdiction**") during the period from [•] until [•] (the "**Offer Period**"). See further
	(b) General Consent:	[Applicable][Not Applicable]][16]
(ix)	Prohibition of Sales to EEA Retail Investors	[Applicable/Not Applicable]

9 **[TERMS AND CONDITIONS OF THE OFFER]**[17]

(i)	Offer Price:	[Issue Price][*specify*]
(ii)	Conditions to which the offer is subject:	[Not Applicable/*give details*]
(iii)	Description of the application process:	[Not Applicable/*give details*]
(iv)	Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:	[Not Applicable/*give detail*]
(v)	Details of the minimum and/or maximum amount of application:	[Not Applicable/*give details*]
(vi)	Details of the method and time limits for paying up and delivering the Notes:	[Not Applicable/*give details*]
(vii)	Manner in and date on which results of the offer are to be made public:	[Not Applicable/*give details*]

[15] Include only if Notes are issued that require information to be given in accordance with Annex V.
[16] Include only if Notes are issued that require information to be given in accordance with Annex V.
[17] Include only if Notes are issued that require information to be given in accordance with Annex V.

(viii) Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:	[Not Applicable/*give details*]
(ix) Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries:	[Not Applicable/*give details*]
(x) Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:	[Not Applicable/*give details*]
(xi) Amount of any expenses and taxes specifically charged to the subscriber or purchaser:	[Not Applicable/*give details*]
(xii) Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place.	[None/*give details*] [The Initial Authorised Offerors identified in paragraph [•] above [and any additional financial intermediaries who have or obtain the Issuer's consent to use the Base Prospectus in connection with the Non-exempt Offer and who are identified on the website of [•] as an Authorised Offeror]

[ANNEX – ISSUE SPECIFIC SUMMARY] [18]

(*Issuer to annex issue specific summary to the Final Terms*)

[18] Include only if Notes are issued that require information to be given in accordance with Annex V.

GENERAL INFORMATION

(1) The establishment and update of the Programme and the issue of Notes have been duly authorised by resolutions of the Issuer's Executive Committee nr. 203 dated 16 December 2014, nr. 204 dated 16 December 2014, nr. 181 dated 27 September 2016, by resolution of Rik Janssen (Group Treasurer) dated 17 October 2017 and by resolution of Rik Janssen (Group Treasurer) dated 16 October 2018.

(2) This Base Prospectus has been approved on [•] 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) There has been no significant change in the financial or trading position of the Issuer since 30 June 2018 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, Clearstream, Luxembourg, SIX SIS, Switzerland, Monte Titoli, Italy or InterBolsa, Portugal. 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.

(6) 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, the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg, the address of SIX SIS, Switzerland is SIX SIS Ltd, Baslerstrasse 100, CH-4600 Olten, the address of Monte Titoli, Italy is Monte Titoli S.p.A., Piazza degli Affari, 6, Milan MI 20123 and the address of InterBolsa, Portugal is Av. Da Boavista 3433, 4100-078 Porto. The address of any alternative clearing system will be specified in the applicable Final Terms.

(7) 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.

(8) 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 periodic or *ad hoc* reporting obligations under applicable laws or under the "*Moratorium op de commercialisering van bijzonder ingewikkelde gestructureerde producten"/"Moratoire sur la commercialization de produits structurés particulièrement complexes*" (as published by the FSMA on 20 June 2011), if applicable, the Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

(9) 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) the unaudited consolidated financial statements of the Issuer for the half year ending 30 June 2018, together with the auditors' report thereon;

(v) 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

(vi) 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).

(10) 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.

(11) PricewaterhouseCoopers Bedrijfsrevisoren BCVBA (*erkende revisor/réviseur agréé*), represented by R. Jeanquart and G. Joos, 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 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.

(12) 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.

Applicable Banking Regulations	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).
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.
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.
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.

CDO:	Collateral Debt Obligations. CDOs are a type of asset-backed security and a structured finance product in which a distinct legal entity, a special purpose vehicle (SPV), issues bonds or notes against an investment in an underlying asset pool. Pools may differ with regard to the nature of their underlying assets and can be collateralised either by a portfolio of bonds, loans and other debt obligations, or be backed by synthetic credit exposures through use of credit derivatives and credit-linked notes. 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.
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
ECB:	European Central Bank.
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.

ICMA:	International Capital Market Association
IFRS:	International Financial Accounting Standards.
ISDA:	International Swaps and Derivatives Association, Inc.
Liquidity Coverage Ratio or LCR :	Stock of high-quality liquid assets divided by total net cash outflows over the next 30 calendar days.
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.
MBIA:	Municipal Bond Insurance Association.
MREL :	Minimum requirement for own funds and eligible liabilities.
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.
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.

THE ISSUER

KBC Bank NV
Havenlaan 2
B-1080 Brussels

THE DEALER AND ARRANGER

KBC Bank NV
Havenlaan 2
B-1080 Brussels

THE AGENT

KBC Bank NV
Havenlaan 2
B-1080 Brussels

LEGAL ADVISER

as to Belgian law

Stibbe
Rue de Loxum 25
B-1000 Brussels

AUDITORS

PricewaterhouseCoopers Bedrijfsrevisoren BCVBA
Woluwedal 18
B-1932 Sint-Stevens-Woluwe (Brussels)