

**KBC BANK BELGIAN COVERED BONDS BASE PROSPECTUS SUPPLEMENT (N°2)**  
**dated 23 June 2020**



**KBC Bank NV**  
*(incorporated with limited liability in Belgium)*

**Euro 11,500,000,000**  
**Residential Mortgage Covered Bonds Programme**

This base prospectus supplement dated 23 June 2020 (the “**Supplement N°2**”) constitutes a supplement for the purposes of Article 23 of Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”). The Supplement N°2 is supplemental to, forms part of, and must be read in conjunction with the base prospectus dated 12 November 2019 such as amended by a first supplement dated 28 April 2020 (the “**Supplement N°1**” and together with the base prospectus, the “**Covered Bonds Base Prospectus**”), prepared in connection with the Euro 11,500,000,000 Residential Mortgage Covered Bonds Programme (the “**Programme**”) established by KBC Bank NV (incorporated as a limited liability company under the laws of Belgium, with registered office at Havenlaan 2, B-1080 Brussels and registered with the Crossroads Bank of Enterprises under number 0462.920.226 (Brussels)) (the “**Issuer**”), for the purpose of giving information with regard to the issue of Belgian covered bonds (the “**Covered Bonds**”) under the Programme during a period of twelve (12) months after the date of the Covered Bonds Base Prospectus. Terms defined in the Covered Bonds Base Prospectus or in any document incorporated by reference in the Covered Bonds Base Prospectus shall, unless the context otherwise requires, have the same meaning when used in this Supplement N°2.

This Supplement N°2 has been approved by the Financial Services and Markets Authority (the “**FSMA**”) on 23 June 2020, as competent authority under the Prospectus Regulation. This approval does not imply any appraisal of the appropriateness or the merits of any issue under the Programme, nor of the situation of the Issuer.

The Issuer accepts responsibility for the information contained in this Supplement N°2 and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Supplement N°2 is, to the best of its knowledge and belief, in accordance with the facts and does not omit anything likely to affect the import of such information.

**I. NEW INFORMATION**

**1) Introduction**

*Coronavirus (COVID-19) pandemic*

Since the date of Supplement N°1 and as regards recent developments, the coronavirus (COVID-19) pandemic and ensuing global health crisis have expanded and caused more uncertainty. This constitutes a significant information which makes necessary to amend the risk factor titled “*Coronavirus (COVID-19) pandemic (high risk)*” inserted in the Covered Bonds Base Prospectus by Supplement N°1 and subsection “*Changes since the most recent published financial statements*” in section “*Financial information of the Issuer*” of the Covered Bonds Base Prospectus, for the purpose of Article 23 of the Prospectus Regulation.

*Programme Amount increase*

On 16 June 2020, the NBB approved the Issuer’s request to increase the Programme Amount from EUR 11,500,000,000 to EUR 17,500,000,000 outstanding at any time.

Due to this new information the Covered Bonds Base Prospectus is amended as described below.

**2) Programme Amount**

The Programme Amount as set out on the cover page, in the section “*Information relating to the Programme*” on page 4, in the section “*Form of Final Terms*” on page 153, and throughout the document in the footer section of the Covered Bonds Base Prospectus shall be increased from EUR 11,500,000,000 to EUR 17,500,000,000 outstanding at any time.

**3) Risk factors**

In the section “*Risks relating to the Issuer and the KBC Bank Group*” on page 19 *et seq.* of the Covered Bonds Base Prospectus, the subsection titled “*Coronavirus (COVID-19) pandemic (high risk)*” inserted in the Covered Bonds Base Prospectus by Supplement N°1 shall be amended and replaced as follows:

**“Coronavirus (COVID-19) pandemic (high risk)**

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

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

The economic challenges, worldwide but also in the European Union resulting from this crisis will undoubtedly have an impact on credit losses in general, including credit losses incurred by the KBC Bank Group, in the coming years. Such credit losses may include, but may not be limited to, credit losses situated in the Issuer’s loan portfolio. Please also refer to the risk factor entitled “*Credit risks (medium risk)*”.

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

The Issuer may also face potential losses stemming from financial instruments to which the Issuer is exposed via its trading and non-trading activities. Please also refer to the risk factors entitled “*Market risk in non-trading activities (medium risk)*” and “*Market risk in trading activities (low risk)*”.

Funding and liquidity risk also increase during a crisis as trust between financial institutions might decrease or disappear, which can influence the KBC Bank Group’s funding capabilities in the market as well as its liquidity position. Currently, the liquidity position of the KBC Bank Group is still solid. Please also refer to the risk factor entitled “*Liquidity risk (low risk)*”.

Other risks will also be impacted by the coronavirus crisis, such as operational risk, both within the KBC Bank Group and in third parties to which the KBC Bank Group has outsourced its activities. Other operational risks are related to business continuity management, information security and IT risk. Please also refer to the risk factor entitled “*Operational risks (medium risk)*”.

The coronavirus pandemic may also lead to regulatory developments in the jurisdictions in which the Issuer operates. Please also refer to the risk factor entitled “*Regulatory developments (medium risk)*”. Examples of regulatory developments in response to the coronavirus crisis

which may have an adverse effect on the Issuer's business and operations may include, without limitation, the measures and regulations adopted by the Belgian Federal Government regarding the granting of payment deferments, additional lines of credit or other types of financial relief provided by the Belgian financial sector. For further information, please refer to the section entitled "*Recent events*" on page 53 *et seq.* of this Base Prospectus.

All these risks might have a negative impact on the profitability (performance) of the Issuer and on its capital.

This might also be reflected in the credit ratings of the KBC Group, including the ratings of the Issuer, which may be adversely affected by the coronavirus crisis. Such adverse effects may include, but may not be limited to, a downgrade in the credit ratings or the outlook currently assigned to the Issuer. It is possible that the current credit ratings of the Issuer or the KBC Group will not be maintained. Please also refer to the risk factor entitled "*Credit ratings (low risk)*" and the section entitled "*Credit ratings*" on page 31 and 32 of this Base Prospectus for an overview of the Issuer's current credit ratings."

#### 4) **Recent events**

In the section "*The Issuer's business*" on page 40 *et seq.* of the Covered Bonds Base Prospectus, the clause titled "*Coronavirus (COVID-19) pandemic*" inserted in the Covered Bonds Base Prospectus by Supplement N°1 shall be amended and a new clause titled "*Limitation of the amount of Belgian covered bonds*" shall be inserted after this clause "*Coronavirus (COVID-19) pandemic*", as follows:

##### **"Recent events**

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

Since December 2019, a significant increase of cases of pneumonia associated with the coronavirus (COVID-19) has been reported worldwide. Initially reported in the province of Hubei in the People's Republic of China, it has spread across other countries, resulting in reported infections and deaths in numerous countries and leading to a global pandemic.

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

As set out in a charter on the payment moratorium for corporate credits, the Belgian financial sector committed to providing viable (i.e., if there were no payment arrears on 1 February 2020 or payment arrears of less than 30 days on 29 February 2020) non-financial companies, self-employed persons and individuals with mortgage credit which have payment problems due to the coronavirus crisis with a temporary deferment of payment until 30 September 2020 without charge. Non-financial companies are required to have a permanent establishment in Belgium. Borrowers are required to evidence the fact that they are in distress because of the coronavirus crisis and request their bank for a postponement of payment.

Pursuant to the Belgian Royal Decree of 14 April 2020 granting a State guarantee for certain credits in the combat against the consequences of the corona virus, qualifying short-term credits granted by credit institutions to viable non-financial companies could benefit from a State guarantee. The regime extends to new credits granted by either Belgian credit institutions or Belgian branches of foreign credit institutions between 1 April 2020 and 30 September 2020 with a maturity of up to twelve months. Only companies which are deemed viable (i.e., which do not have pre-existing financial difficulties) could benefit from the State guarantee. Furthermore, the Royal Decree requires that the companies are registered in the Belgian Crossroads Bank for Enterprises, covering both Belgian companies as well as foreign companies which have activities in Belgium.

In addition, Belgium's four largest banks (Belfius, BNP Paribas Fortis, ING and the Issuer) agreed on measures to support companies facing difficulties due to the coronavirus crisis, such

as the granting of extensions for the repayment of interest and/or capital and the granting of additional credit. This agreement is likely to be extended to other, if not all, banks which are active in the granting of loans. Each bank will act on a case-by-case basis and will invite its client companies to contact it to find the appropriate solution.

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

The economic impact of the coronavirus pandemic on the Belgian economy is still uncertain. Although it is not possible at this stage to make a detailed and correct assessment of potential provisioning or financial impact of the measures announced by the Belgian Federal Government, the KBC Bank Group is closely monitoring the situation on a daily basis.”

#### *Limitation of the amount of Belgian covered bonds*

On 19 May 2020, in the context of the exceptional circumstances created by the coronavirus (COVID-19) pandemic and the exceptional measures set up to confine its impact on the economic activity and on the financial markets, the Supervisor has temporarily authorised the Issuer to issue covered bonds beyond the 8% limit originally in place (see Section 9.1 “Limitation of the amount of Belgian covered bonds” on page 79 of the Covered Bonds Base Prospectus).

As from this date, the Issuer is allowed to issue Belgian covered bonds if the amount of the cover assets does not exceed 12.5% of the total assets of such credit institution, for a period up to 31 May 2021 (included).”

## **5) Financial information of the Issuer**

The subsection “*Changes since the most recent published financial statements*” in section “*Financial information of the Issuer*” on page 61 of the Covered Bonds Base Prospectus, shall be amended and replaced as follows:

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

As stated in the section titled “*Expected credit losses*” on pages 22 to 23 of KBC Group NV’s extended quarterly report for the first quarter of 2020<sup>1</sup>, KBC Group estimates the full-year 2020 impairment to range between roughly 0.8 billion euro (optimistic scenario) and roughly 1.6 billion euro (pessimistic scenario).

As stated in the section titled “*Financial instruments at fair value through P&L*” on page 24 of KBC Group NV’s extended quarterly report for the first quarter of 2020, the combination of a number of market-driven factors, such as sharply lower stock markets, widening credit spreads and lower long-term interest rates, has had a negative impact on the fair value of financial Instruments at the KBC Group of 0.4 billion euro.

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

There has been no significant change in the financial position of the group nor in the insolvency of the Issuer since 31 December 2019, i.e. the end of the last financial period for which financial information has been published.”

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<sup>1</sup> <https://www.kbc.com/content/dam/kbccom/doc/investor-relations/Results/1Q2020/1Q2020-quarterly-report-en.pdf>. Please note that KBC Group NV’s extended quarterly report for the first quarter of 2020 is not incorporated by reference in this Base Prospectus.

## II. GENERAL

Save as disclosed in this Supplement N°2, there has been no other significant new factor, material mistake, inaccuracy or change relating to the information included in the Covered Bonds Base Prospectus since 12 November 2019, the date of the publication of the Covered Bonds Base Prospectus and 28 April 2020, the date of approval of the Supplement N°1.

To the extent that there is an inconsistency between (a) any statement in this Supplement N°2 and (b) any statement in, or incorporated by reference into, the Covered Bonds Base Prospectus, the statements in (a) above will prevail.

Copies of this Supplement N°2 will be available without charge (i) at the specified office of the Issuer and the Paying Agent, (ii) on the website of Euronext Brussels ([www.euronext.com](http://www.euronext.com)) and (iii) on the website of the Issuer ([www.kbc.com](http://www.kbc.com)<sup>2</sup>).

23 June 2020



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Authorized signatory  
on behalf of KBC Bank NV



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on behalf of KBC Bank NV

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<sup>2</sup> <https://www.kbc.com/en/euro-1000000000-residential-mortgage-covered-bonds-programme-issued-kbc-bank-nv?agree=1>