

KBC GROUP NV BASE PROSPECTUS SUPPLEMENT (N°2)

dated 16 November 2021



KBC Group NV

(incorporated with limited liability in Belgium)

EUR 15,000,000,000

Euro Medium Term Note Programme

This supplement dated 16 November 2021 (the “**Supplement N°2**”) constitutes a supplement for the purposes of Article 23 of Regulation (EU) 2017/1129, as amended from time to time (the “**Prospectus Regulation**”). The Supplement N°2 is supplemental to, forms part of, and must be read in conjunction with the base prospectus dated 1 June 2021 (the “**Base Prospectus**”), prepared in connection with the EUR 15,000,000,000 Euro Medium Term Note Programme (the “**Programme**”) established by KBC Group NV, incorporated as a limited liability company under the laws of Belgium, with registered office at Havenlaan 2, 1080 Brussels and registered with the Crossroads Bank of Enterprises VAT BE0403.227.515 (Brussels) (the “**Issuer**”). Terms defined in the Base Prospectus or in any document incorporated by reference in the 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 FSMA, 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. The Issuer confirms that, to the best of its knowledge (having taken all reasonable care to ensure that such is the case) the information contained in this Supplement N°2 is in accordance with the facts and does not omit anything likely to affect the import of such information.

I. New information

(a) 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 significant information which makes it necessary to amend the risk factor titled “Coronavirus (COVID-19) pandemic (high risk)” and subsection “Coronavirus (COVID-19) pandemic” in section “Recent events” of the Base Prospectus, for the purpose of Article 23 of the Prospectus Regulation.

KBC Group Quarterly Report 3Q2021

On 12 November 2021, the Issuer published its extended quarterly report for the third quarter and the first 9 months of 2021 in the document “*KBC Group Quarterly Report 3Q2021*” accompanied by a press release entitled “*KBC Group: Third-quarter result of 601 million euros*”.

In order to ensure that the information contained in the Base Prospectus is up-to-date as required by the Prospectus Regulation, the aforementioned documents will be incorporated by reference in the Base Prospectus. A copy of these documents, incorporated by reference in the Base Prospectus, can be obtained from the registered office of the Issuer, the website of the Issuer (www.kbc.com/investor) and from the website of Euronext Brussels (www.euronext.com).

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

(b) Documents incorporated by reference

The section *Documents incorporated by reference* on page 37 of the Base Prospectus will be supplemented by adding the following point to the list of documents which are incorporated and form part of the Base Prospectus:

(h) the extended quarterly report for the third quarter of 2021 of the Issuer (available on <https://www.kbc.com/content/dam/kbccom/doc/investor-relations/Results/3q2021/3q2021-quarterly-report-en.pdf>). The section *Documents incorporated by reference* on page 37 of the Base Prospectus will be supplemented by adding the following sub-section below the sub-section “Unaudited condensed consolidated financial statements of the Issuer for the second quarter of 2021”:

The table below sets out the relevant page references for the unaudited financial statements for the nine months ended 30 September 2021 of the Issuer, as set out in the Quarterly Report 3Q2021 of the Issuer.

Unaudited condensed consolidated financial statements of the Issuer for the third quarter of 2021*

	Issuer’s extended quarterly report for the third quarter of 2021
<i>Unaudited condensed consolidated financial statements of the Issuer for the third quarter of the financial year</i>	
income statement	page 13-14
statement of comprehensive income	page 15
balance sheet	page 16
statement of changes in equity	page 17-19
cash flow statement	Page 20-21
notes to the financial statements	page 22-41
<i>Auditors’ report</i>	page 42-43
<i>Additional information</i>	
ratios used	page 63-68

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

(c) General Information

Paragraph (3) on page 151 of the Base Prospectus shall be deleted and replaced by the following paragraph:

- (3) Other than as disclosed in this Base Prospectus, there has been no significant change in the financial or trading position of the Issuer since 30 September 2021 and no material adverse change in the prospects of the Issuer since 31 December 2020.

(d) Risk factors

In the section “Risks relating to the Issuer and the Group” on page 13 et seq. of the Base Prospectus, the subsection titled “Coronavirus (COVID-19) pandemic (high risk)” shall be amended and replaced as follows:

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

There have been four explicit areas of particular focus for the Issuer in this respect: (i) credit risk, (ii) liquidity risk, (iii) market risk and (iv) broader operational resilience.

The worldwide economic challenges resulting from this crisis undoubtedly have the largest impact on credit losses in general, including credit losses incurred by the Group, both now and in the years ahead. Such credit losses include, but may not be limited to, credit losses situated in Group’s loan portfolio. Please also refer to the risk factor entitled “*Credit risk (medium risk)*”.

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

Whilst naturally, the Issuer may also face potential losses stemming from financial instruments to which the Issuer is exposed via its trading and non-trading activities, this risk is not currently seen to be particularly higher as a direct consequence of the current coronavirus crisis. Please also refer to the risk factors entitled “*Market risk in non-trading activities*” and “*Market risk in trading activities*”.

Funding and liquidity risk also increase during a crisis as trust between financial institutions might decrease or disappear, which can influence the Group’s funding capabilities in the market as well as its liquidity position. As at the date of this Base Prospectus the liquidity position of the Group remains very solid. Please also refer to the risk factor entitled “*Liquidity risk*”.

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

The transition to new ways of working due to this crisis (e.g. remotely, from backup locations and home office) was well organised without major incidents. New information flows were established swiftly to provide management with the most up-to-date and relevant information.

The coronavirus pandemic has also led to regulatory developments in the jurisdictions in which the Issuer operates. As stated in the section “*Note 1.4: Impact of the coronavirus crisis*” on pages 121 to 126 of the Issuer’s 2020 Annual Report which is incorporated by reference into this Base Prospectus as set out in the section entitled “*Documents incorporated by reference*” on page 37 and following of this Base Prospectus, impairment on loans totaling EUR 1,068 million was recognized for financial

year 2020. It comprised collective impairment charges related to the coronavirus crisis for an amount of EUR 783 million (EUR 111 million captured by Expected Credit Loss (“ECL”) models, and a management overlay of EUR 672 million) and other impairment charges for an amount of 285 million. As stated in the section “*Covid-19 (note 1.4)*” on pages 24 to 26 of the extended quarterly report for the third quarter of 2021 of KBC Group NV, which is available on <https://www.kbc.com/content/dam/kbccom/doc/investor-relations/Results/3q2021/3q2021-quarterly-report-en.pdf> and is not incorporated by reference into this Base Prospectus, the Group performed an update of its COVID-19 impact assessment in the third quarter of 2021 which resulted in a total collective COVID-19 ECL of EUR 368 million (compared to 628 million euros at the end of June). The latter implies a ECL decrease of 260 million euros in 3Q 2021 compared to the 155 million euros ECL decrease of 1H 2021 (26 million euros in 1Q 2021 and 129 million euros in 2Q 2021). Including the total coronavirus-related ECL, the credit cost ratio amounted to 0.60% in 2020. Disregarding the collective coronavirus-related ECL, it would have been 0.16%. According to the extended quarterly report for the third quarter of 2021 of KBC Group NV, the credit cost ratio of the Group for the first nine months of 2021 stood at – 0.20% (0.10% excluding the amount recorded for the coronavirus crisis) compared to 0.60% for full-year 2020 (0.16% excluding the amount for the coronavirus crisis). A negative sign implies a positive impact on the results. For more information on the financial impact of the coronavirus pandemic on the KBC Group, as well as a status overview of the different government and sector measures in each of the KBC Group’s core countries, please refer to pages 121 to 126 of the Issuer’s 2020 Annual Report.

Please also refer to the risk factor entitled “*Legal and regulatory risk*”. Examples include the measures and regulations adopted by the Belgian Federal Government regarding the granting of payment deferrals, additional lines of credit and other types of financial relief provided by the Belgian financial sector. Payment deferrals, guarantee schemes and liquidity assistance measures were also adopted by the local governments in our other core countries, in close cooperation with the national regulator.

The coronavirus pandemic had a negative impact on the profitability and performance of the Issuer as well as on the credit rating and more specifically the credit rating outlook of the KBC Group. Also going forward the impacts of the crisis may continue to weigh on profitability. For an overview of the Group’s current credit ratings, please refer to the risk factor entitled “*Credit ratings (low risk)*” on page 20 of this Base Prospectus and the section entitled “*Credit ratings*” in the “*Description of the Issuer*” on pages 87 and 88 of this Base Prospectus.

The Issuer also refers to the annual reports and the extended quarterly reports of the Issuer which are incorporated by reference into this Base Prospectus as set out in the section entitled “*Documents incorporated by reference*”, and which include the financial reporting for the first three quarters of 2021 (in which the COVID-19 crisis started).”

(e) **Recent Events**

In the section “*Recent events*” on page 107 et seq. of the Base Prospectus, the subsection in relation to the sale of KBC Ireland’s assets and liabilities shall be amended and replaced as follows:

16 April 2021: Memorandum of Understanding that could lead to a transaction in which Bank of Ireland undertakes to acquire virtually all of KBC Bank Ireland's performing loan assets and liabilities. In addition, the Group examined its options for divesting KBC Bank Ireland's portfolio of non-performing mortgage loans. On 30 August 2021, KBC Bank Ireland confirmed it has reached agreement to dispose of a non-performing mortgage loan portfolio of roughly 1.1 billion euros (Private Dwelling House (PDH) and Buy to let (BTL) and a small number of non-mortgage non-performing loans) in a transaction financed by funds managed by CarVal Investors. Successful completion of both transactions may ultimately result in withdrawal from the Irish market. See press releases on www.kbc.com.

On 30 August 2021, KBC Bank Ireland confirmed it has reached agreement to dispose of a non-performing mortgage loan portfolio of roughly EUR 1.1 billion (Private Dwelling House (PDH) and Buy to let (BTL) and a small number of non-mortgage non-performing loans) in a transaction financed by funds managed by CarVal Investors. On 22 October 2021, KBC Bank Ireland confirmed that it has entered into a legally binding agreement with Bank of Ireland relating to the sale of substantially all of KBC Bank Ireland's performing loan assets and its deposit book to Bank of Ireland Group. In addition, a small portfolio of non-performing mortgages (NPEs) will also be acquired as part of the transaction. The acquisition for a total consideration of ca. EUR 5.0 billion (net of deposits), involves ca. EUR 8.8 billion of performing mortgages, ca. EUR 0.1 billion of mainly performing commercial and consumer loans, ca. EUR 0.3 billion of non-performing mortgages, and ca. EUR 4.4 billion of deposits. The exact size of the portfolio and consideration payable will depend on movements in the portfolio up to completion, but is not expected to materially change. The transaction remains subject to regulatory, including Irish competition, approvals. Successful completion of both transactions may ultimately result in withdrawal from the Irish market.

See press releases dated 30 August 2021 and 22 October 2021, on www.kbc.com. These documents are not incorporated by reference and do not form part of this Base Prospectus, and have not been scrutinised or approved by the FSMA.

II. General

Save as disclosed in this Supplement N°2, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus since 1 June 2021, the date of publication of the Base Prospectus.

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 Base Prospectus, the statements in (a) above will prevail.

Copies of this Supplement N°2 will be available without charge at the specified office of the Issuer and the Agent, on the website of Euronext Brussels (www.euronext.com) and the website of the Issuer (www.kbc.com¹).

¹ <https://www.kbc.com/en/investor-relations/debt-issuance/kbc-group.html>

[date]

Authorized signatory
on behalf of KBC Group NV

Authorized signatory
on behalf of KBC Group NV