

KBC GROUP NV BASE PROSPECTUS SUPPLEMENT (N°2) DATED 30 JANUARY 2017



KBC Group NV
(incorporated with limited liability in Belgium)
EUR 5,000,000,000
Euro Medium Term Note Programme

This supplement dated 30 January 2017 (the “**Supplement N°2**”) constitutes a supplement for the purposes of Article 34 of the Belgian Law of 16 June 2006 on public offerings of investment instruments and the admission of investment instruments to trading on a regulated market, as amended from time to time (the “**Prospectus Law**”). The Supplement N°2 is supplemental to, forms part of, and must be read in conjunction with the base prospectus dated 13 July 2016 as supplemented by the Supplement N°1 dated 30 August 2016 (the “**Supplement N°1**” and together, the “**Base Prospectus**”) prepared in connection with the EUR 5,000,000,000 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**”) for the purpose of giving information with regard to the issue of Notes under the Programme during the period of twelve months after the date of the Base Prospectus. 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 Belgian Prospectus Law. 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.

1 Contractual recognition of the Bail-in Power and MREL eligibility

In light of the recent amendments which were proposed by the European Commission in relation to, amongst others, the capital requirements regulation and Loss Absorption Regulations (including minimum requirement for own funds and eligible liabilities (“**MREL**”) and the bank recovery and resolution regime, the Issuer hereby wishes to introduce the following options in the terms and conditions applicable to the Notes: (i) an option which, if so specified in the Final Terms relating to any issue of Senior Notes under the Programme, would only make limited remedies available to Noteholders in the event of a default under the Senior Notes, (ii) an option which, if so specified in the Final Terms relating to any issue of Senior Notes under the Programme, would allow the Issuer to substitute such Senior Notes or vary the terms of such Senior Notes on the occurrence of a Loss Absorption Disqualification Event and (iii) a contractual acknowledgment of the Bail-in Power (as defined below) of the Resolution Authority in respect of Notes issued under the Programme.

1.1 Terms and conditions of the Notes

With effect from the date of this Supplement N°2, certain of the terms and conditions relating to the Notes shall be amended as set out in Annex 1 to this Supplement N°2 in relation to issuances of any Notes under the Programme from the date of this Supplement N°2 (other than any such Notes which are intended to be fungible with outstanding Senior Notes issued prior to the date of this Supplement N°2).

1.2 Risk Factors

With effect from the date of this Supplement N°2, certain risk factors included in the Section “*Risk Factors*” on pages 13-42 of the Base Prospectus shall be amended as set out in Annex 2 to this Supplement N°2.

1.3 Final Terms

The form of Final Terms which will be completed for each Tranche of Notes issued under the Programme of the Section “*Form of Final Terms*” on pages 139 to and including 147 of the Base Prospectus, shall be amended as follows:

(a) line item 12 on page 140 of the Base Prospectus shall be deleted and replaced as follows:

- | | | |
|-----|--|---|
| “12 | (i) <i>Status of the Notes:</i> | <i>[Senior Notes] [Subordinated Tier 2 Notes]</i> |
| | (ii) <i>Waiver of set-off in respect of Senior Notes:</i> | <i>Condition 2(a)(ii): [Applicable/Not Applicable]</i> |
| | (iii) <i>Event of Default or Enforcement in respect of Senior Notes:</i> | <i>Condition 10(a): [Applicable/Not Applicable]
Condition 10(b): [Applicable/Not Applicable]”</i> |

(b) the following new line item will be inserted on page 143 of the Base Prospectus as:

- “18bis *Loss Absorption Disqualification Event Variation or Substitution:* *[Applicable/Not Applicable]”*

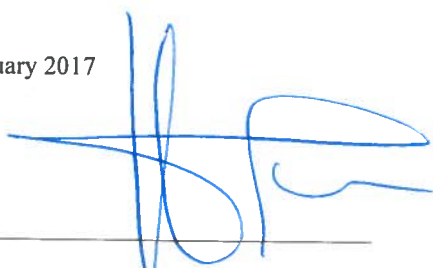
2 General

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 30 August 2016, the date of the publication 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 Base Prospectus and the Supplement N°1, 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.com).

30 January 2017



Authorized signatory
on behalf of KBC Group NV

Luc Popelier
Executive Director



Authorized signatory
on behalf of KBC Group NV

Johan Thijs
Executive Director

Annex 1
Amendments to the terms and Conditions of the Notes

In the Section entitled "*Terms and Conditions of the Notes*" on pages 43 to 69 of the Base Prospectus:

- (i) the following new paragraph (k) will be inserted in Condition 4 (*Redemption, Purchase and Options*) on page 61 of the Base Prospectus and all subsequent paragraphs (including any references thereto) will be renumbered accordingly:

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

- (ii) the heading and the first paragraph of Condition 9 (*Senior Notes – Events of Default and Enforcement*) on page 65 of the Base Prospectus shall be deleted and replaced as follows:

“**10 Senior Notes – Events of Default and Enforcement**

(a) *Senior Notes – Events of Default*

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

- (iii) the following new paragraph (b) will be inserted in Condition 9 (*Senior Notes – Events of Default and Enforcement*) on page 65 of the Base Prospectus:

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

If the applicable Final Terms in respect of Senior Notes specify that this Condition 10(b) applies, then, any holder may, without further notice, institute proceedings for the dissolution or liquidation of the Issuer in Belgium if default is made in the payment of any principal or interest due in respect of the Senior Notes or any of them and such default continues for a period of 30 days or more after the due date.

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

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

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

of the Senior Notes and (ii), to the extent applicable, all their rights whatsoever in respect of the Senior Notes pursuant to Article 487 of the Belgian Companies Code.”

- (iv) the following new paragraph (d) will be inserted in Condition 15 (*Governing Law and Jurisdiction*) on page 69 of the Base Prospectus:

“(d) *Contingent Acknowledgement of the Bail-in Power:*

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

- (i) *the effect of the exercise of any Bail-in Power by the Resolution Authority, which exercise may (without limitation) include and result in any of the following, or a combination thereof:*
- (A) *the reduction of all, or a portion, of the Relevant Amounts in respect of the Notes;*
 - (B) *the conversion of all, or a portion, of the Relevant Amounts in respect of the Notes into shares, other securities or other obligations of the Issuer or another person, and the issue to or conferral on the Noteholder of such shares, securities or obligations, including by means of an amendment, modification or variation of the terms of the Notes;*
 - (C) *the cancellation of the Notes or the Relevant Amounts in respect of the Notes; and*
 - (D) *the amendment or alteration of the maturity of the Notes or amendment of the amount of interest payable on the Notes, or the date on which interest becomes payable, including by suspending payment for a temporary period; and*
- (ii) *the variation of the terms of the Notes, as deemed necessary by the Resolution Authority, to give effect to the exercise of any Bail-in Power by the Resolution Authority.*

For the purpose of this Condition,

“Bail-in Power” means any power existing from time to time under applicable Loss Absorption Regulations 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.”

- (v) the following new Condition 7 (*Senior Notes – Variation or Substitution following a Loss Absorption Disqualification Event*) will be inserted on page 64 of the Base Prospectus and all subsequent Conditions (including any references thereto) will be renumbered accordingly:

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

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

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

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

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

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

- (a) contain terms which comply with the then applicable Loss Absorption Regulations;*
- (b) include terms which provide for the same (or, from a Noteholder's perspective, more favourable) Rate of Interest from time to time, Interest Payment Dates, Maturity Date and Early Redemption Amount(s) as apply from time to time to the relevant Series of Senior Notes immediately prior to such substitution or variation;*
- (c) rank at least pari passu with the Senior Notes prior to the relevant substitution or variation;*
- (d) not be immediately subject to a Tax Event;*
- (e) are listed on (i) the regulated market of Euronext Brussels or (ii) such other regulated market in the European Economic Area as selected by the Issuer; and*

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

Annex 2 Amendments to the Risk Factors

In the Section entitled "Risk Factors" on pages 13 to 42 of the Base Prospectus:

- (i) the second paragraph of the risk factor entitled "*In certain instances the Noteholders may be bound by certain amendments to the Notes to which they did not consent*" shall be deleted and replaced as follows:

"Moreover, in the case of Senior Notes or Subordinated Tier 2 Notes for which such option has been specified in the Final Terms, the Issuer will, subject to certain conditions, be entitled to substitute and/or vary the terms of the Senior Notes or Subordinated Tier 2 Notes (as applicable) upon the occurrence and continuation of a Loss Absorption Disqualification Event or a Capital Disqualification Event (each as defined in Condition 4), as applicable, so as to ensure that they remain or become Eligible Liabilities Instruments (as defined in Condition 7) or Qualifying Securities (as defined in Condition 6), as applicable. See also risk factors "Substitution and variation of Senior Notes upon the occurrence of a Loss Absorption Disqualification Event" and "Variation of Subordinated Tier 2 Notes upon the occurrence of a Capital Disqualification Event" on respectively pages 32 and 40 of the Base Prospectus."

- (ii) the following new risk factor shall be inserted on page 32 of the Base Prospectus at the end of the risk factor entitled "*The Notes are subject to early redemption by the Issuer, subject to certain conditions*":

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

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

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

Regulations, and the Issuer cannot provide any assurance that the Senior Notes will be or remain MREL-eligible instruments.”

- (iii) the following new risk factor shall be inserted on page 32 of the Base Prospectus at the end of the risk factor entitled “*Change of law*”:

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

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

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