

AT1 Investor Presentation

January 18th, 2018



The Belfius Investor Presentation 1H 2017 is available on the Belfius website (www.belfius.com), section Results

Disclaimer

NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE U.S.

IMPORTANT: You must read the following before continuing. The following applies to the presentation materials contained in this document, and you are therefore advised to read this carefully before reading, accessing or making any other use of the presentation materials. In accessing the presentation, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

This presentation is an advertisement for the purposes of Directive 2003/71/EC (as amended) and not a prospectus, listing particulars or offering memorandum and investors should not subscribe for or purchase any Securities (the "Securities") referred to in this presentation except on the basis of the information in the prospectus to be prepared and published by the Issuer in relation to the Securities (the "Prospectus").

This investor presentation has been prepared by Belfius Bank SA/NV (the "Issuer"). This presentation is for informational purposes only and does not constitute or form part of, and should not be construed as, an offer, invitation or inducement to purchase or subscribe for any Securities nor shall it or any part of it form the basis of, or be relied upon in connection with, any contract or commitment whatsoever.

No person shall have any right of action (except in case of fraud) against the Issuer or any other person in relation to the accuracy or completeness of the information contained herein or in any other document made available in connection with the transaction described in this presentation (the "Transaction") or the Securities.

The information contained in this presentation has not been independently verified. None of Belfius Bank SA/NV (in its capacity as joint lead manager), Citigroup Global Markets Limited, J.P Morgan Securities plc, Merrill Lynch International, Nomura International plc and UBS Limited (together, the "Joint Lead Managers") or their respective affiliates, agents, directors, partners and employees accepts any responsibility whatsoever for, or any liability for any loss howsoever arising, directly or indirectly, from this presentation or its contents, or makes any representation or warranty, express or implied, as to the contents of this presentation or for any other statement made or purported to be made by it, or on its behalf, including (without limitation) information regarding the Issuer or the Securities and no reliance should be placed on such information. To the fullest extent permitted by applicable law, the Joint Lead Managers accordingly disclaim any and all responsibility and/or liability, whether arising in tort, contract or otherwise, which they might otherwise have in respect of this presentation or any such statement.

This presentation should not be considered as a recommendation that any investor should subscribe for or purchase Securities, and must be read together with the Prospectus. Any person who subsequently acquires Securities is advised to read the Prospectus carefully and must not rely on any information contained in this presentation, which is subject to amendment, revision and updating. In particular, investors should pay special attention to any sections of the Prospectus describing the relevant risk factors. The merits or suitability of the Transaction and the Securities described in this presentation to any investor's particular situation should be independently determined by such investor. Any such determination should involve, inter alia, an assessment of the legal, tax, accounting, regulatory, financial, credit and other related aspects of the Transaction or the Securities. No person is authorised to give any information or to make any representation not contained in and not consistent with this presentation and the Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Issuer.

This presentation 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 conducts operations; (iv) the potential impact of sovereign risk, particularly in certain European Union countries which have recently come under market pressure; (v) adverse rating actions by credit rating agencies; (vi) the ability of counterparties to meet their obligations to the Issuer; (vii) the effects of, and changes in, fiscal, monetary, trade and tax policies, 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 business and practices in one or more of the countries in which the Issuer conducts operations; (xi) the adverse resolution of litigation and other contingencies; and (xii) the Issuer'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 presentation.

This presentation is confidential and is being submitted to selected recipients only. It may not be reproduced (in whole or in part), distributed or transmitted to any other person without the prior written consent of the Issuer. The information contained in this presentation has not been subject to any independent audit or review.

This presentation is not directed or intended for distribution to, or use by, any person or entity that is a citizen or resident located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to the law or regulation of that jurisdiction or which would require any registration or licensing within such jurisdiction. In particular these materials are not intended for distribution in the United States or to U.S. persons (as defined in Regulation S) under the United States Securities Act of 1933, as amended. Persons who come into possession of any document or other information referred to herein should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdictions.

This presentation is being distributed only to and directed only at (i) persons who are outside the UK, or (ii) persons who are in the UK who are (a) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or (b) otherwise, persons to whom it may otherwise lawfully be distributed (all such persons together being referred to as "relevant persons"). The presentation is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this presentation relates is available only to relevant persons and will be engaged in only with relevant persons. This presentation may only be communicated to persons in the UK in circumstances where section 21(1) of the Financial Services and Markets Act 2000 does not apply to the Issuer.



Disclaimer (cont'd)

Restrictions on marketing and sales to retail investors

The Securities are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions (including the United Kingdom and Belgium), regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Securities to retail investors. In particular, in June 2015, the United Kingdom Financial Conduct Authority (the "FCA") published the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015, which took effect from 1 October 2015 (the "**PI Instrument**").

By purchasing, or making or accepting an offer to purchase, any Securities (or a beneficial interest in such Securities) from the Issuer and/or any of the Joint Lead Managers, each prospective investor will thereby represent, warrant, agree with and undertake to the Issuer and each of the Joint Lead Managers that:

- (i) it is not a retail client (as defined in Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EC (recast) ("**MiFID II**"));
- (ii) whether or not it is subject to the MiFID II or Regulation (EU) No. 1286/2014 on key information documents for packaged and retail and insurance-based investment products Regulations ("**PRIIPS**"), it will not:
 - (a) sell or offer the Securities (or any beneficial interest therein) to retail clients (as defined in MiFID II); or
 - (b) communicate (including the distribution of the Prospectus) or approve an invitation or inducement to participate in, acquire or underwrite the Securities (or any beneficial interests therein) where that invitation or inducement is addressed to, or disseminated in such a way that it is likely to be received by, a retail client (as defined in MiFID II). In selling or offering Securities or making or approving communications relating to the Securities, it may not rely on the limited exemptions set out in the PI Instrument; and
- (iii) it will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of the Securities (or any beneficial interests therein), including (without limitation) MiFID II and any other applicable laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Securities (or any beneficial interests therein) by investors in any relevant jurisdiction.

Each prospective investor further acknowledges that:

- (i) the identified target market for the Securities (for the purposes of the product governance obligations in MiFID II) is eligible counterparties and professional clients; and
- (ii) no key information document (KID) under PRIIPs has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA may be unlawful under PRIIPs.

The Securities are not intended to be offered, sold to or otherwise made available to, and should not be offered, sold or otherwise made available in, Belgium to "consumers" (*consumenten/consommateurs*) within the meaning of the Belgian Code of Economic Law (*Wetboek economisch recht/Code de droit économique*) dated 28 February 2013, as amended from time to time (the "**Belgian Code of Economic Law**").

By purchasing, or making or accepting an offer to purchase, any Securities (or a beneficial interest in such Securities) from the Issuer and/or the Joint Lead Managers, each prospective investor represents, warrants, agrees with and undertakes to the Issuer and the Joint Lead Managers that:

- (i) it is not a "consumer" within the territory of Belgium (as defined in the Belgian Code of Economic Law);
- (ii) it will not sell, offer or otherwise make the Securities available to "consumers" within the territory of Belgium; and
- (iii) it will at all times comply with the applicable laws and regulations relating to the offering of investment instruments (such as the Securities) to "consumers" within the territory of Belgium, including (without limitation) the provisions of the Belgian Code of Economic Law.

Where you act as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase any Securities (or any beneficial interests therein) from the Issuer and/or any of the Joint Lead Managers, the foregoing representations, warranties, agreements and undertakings will be given by and be binding on both you and your client(s).



Executive summary

Offering

- ✓ Belfius Bank SA/NV inaugural Additional Tier 1 issue
- ✓ EUR denominated EUR 500mn transaction
- ✓ Perpetual maturity, callable on April 2025 (Long 7-year) and semi-annually thereafter
- ✓ 5.125% phased-in CET1 trigger on consolidated and solo level
- ✓ Temporary principal write-down loss absorption mechanism
- ✓ Discretionary, semi-annual, non-cumulative coupons
- ✓ Expected instrument rating Ba2 / BB (by Moody's / S&P)

Issuer

- ✓ Belfius is an integrated bank-insurer owned by the Belgian State
- ✓ Belfius is anchored in all segments of the Belgian economy and therefore active in an attractive bank-insurance market

Rationale

- ✓ Further diversification of funding sources and investor base
- ✓ Raise going concern loss absorbing capital to contribute towards filling the Pillar 1 AT1 “bucket”
- ✓ Contribute to the MREL level to come
- ✓ Contribute to a strong leverage ratio
- ✓ Increase Belfius' financial and regulatory flexibility, accessing a new layer of instruments within Belfius' capital structure

Investment Highlights

- ✓ Excellent strategy execution track record of Belfius since 2011, amongst others leading to strong solvency and liquidity metrics
- ✓ 1H 2017: CET1 ratio⁽¹⁾ 16.3%, total capital ratio⁽¹⁾ 19.1%, leverage ratio⁽¹⁾ 5.4%, LCR 128%, NSFR 115%
- ✓ Available Distributable Items⁽²⁾ in the statutory accounts (BGAAP) as of end 2016, amounts to EUR 3.2bn, representing >95x⁽³⁾ coupon coverage
- ✓ “Normal times“ minimum operational CET1 fully-loaded ratio of 13.5% (plus a buffer of 2% to take into account unforeseeable elements leading to target CET1 ratio fully-loaded of 15.5%), leaving:
 - A) material CET1 buffer to MDA restrictions level of 10.75% (fully-loaded, filled AT1 bucket) and approx. 11.25% (fully-loaded assuming an AT1 issue for a nominal amount of EUR 500mn)
 - B) Large buffer to 5.125% CET1 ratio trigger (representing >EUR 5bn of capital depletion capacity)
- ✓ Rare asset to hold. Belfius total AT1 bucket at 1.5% approx. EUR 720mn

Notes: 1. On a consolidated phased-in basis. 2. The Available Distributable Items are only considered on a non-consolidated basis (Bgaap), after deduction of dividends distributed until December 31st, 2016. 3. On the basis of an AT1 issuance sufficient to fill 1.5% AT1 bucket based on 1H 2017 RWAs of €48.0bn (i.e. an issuance of c.€720mn).



Part 1

BELFIUS AT A GLANCE: A DOMESTIC BELGIAN CHAMPION



Belfius at a glance

Belfius' history in summary

The Belgian State (FHIC⁽¹⁾) acquires Dexia Bank Belgium

The Belgian State separated the former Dexia Bank Belgium (DBB) from the Dexia group through a purchase of 100% of DBB shares (excl. its stake in Dexia Asset Management) for EUR 4bn

Execution of a threefold mission accomplished on a standalone basis :

- ✓ Clean up the legacy inherited from Dexia times
- ✓ Restructure into a solid financial institution
- ✓ Rebuild a strong commercial franchise

Belfius Board of Directors and Management Board unanimously prefer a partial privatisation of Belfius

The Board of Directors and Management Board declared their preference for the partial privatisation of Belfius Bank by way of an initial public offering (IPO) of a minority stake in Belfius Bank

Oct. 2011

March 2012

July 2016

April 2017

July 2017

Dexia Bank Belgium becomes Belfius Bank

Dexia Bank Belgium turned a page in its history and was rebranded Belfius

Belfius among well capitalized European banks according to 2016 EU-wide EBA Stress Test

Belfius achieves a solid CET1 ratio of 11.4% after stress, i.e. substantially better than the average of 9.4%, confirming its strong solidity and resilience

Belfius receives green light from Federal Government to prepare IPO

Within the framework of the governmental agreement announced in July 2017, the Federal Government has given Belfius the green light to prepare a partial privatisation of Belfius by way of an initial public offering (IPO) of a minority stake of the bank (up to 49%).

Note: 1. FHIC: Federal Holding and Investment Company.

Source: Company financials.



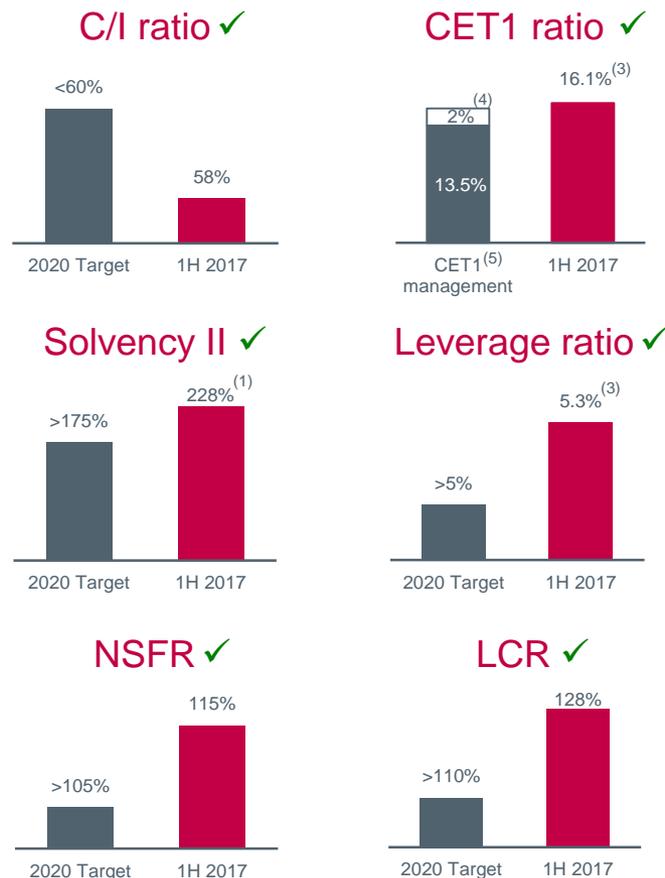
Belfius at a glance

What we have achieved so far

Strong execution of mission...

2011		1H 2017
>100%	Cost/Income ratio	58%
< 8%	CET1 ratio Basel III FL	16.1%
< 100%	Solvency II ratio ⁽¹⁾	228%
€3.3bn	Net Asset Value	€9.3bn
€-1.4bn	Net Income	€361m
-	Dividend	€275m ⁽²⁾

...delivering on 2020 targets ahead of time



Notes: 1. After dividend. 2. Total provisional foreseeable dividend for 2017, of which €75mn 1H 2017 interim dividend already paid out in September 2017.
 3. On a consolidated fully-loaded basis. 4. Belfius will, for the time being, manage with a target CET1 ratio that will be 2% higher than a minimum operational CET1 ratio of 13.5% (on solo and consolidated levels) to take into account additional unforeseeable elements. 5. Update from previous capital management levels.



Belfius at a glance

An integrated Belgian bank-insurer

- More than 50 years of experience as bank and insurer of proximity for more than 3.5 million customers: individuals, liberal professions, self-employed and companies
- 150 years of experience as the preferred partner to the public and social sector in Belgium

Belfius Bank & Insurance

Retail &
Commercial
Banking

Insurance

Public &
Corporate
Banking

Group Center (GC) ⁽¹⁾

Retail & Commercial (RC)⁽¹⁾

- ❑ #2⁽²⁾ bank-insurer with more than 3.5m customers
- ❑ #1 in mobile banking
- ❑ #4⁽³⁾ bank to 300,000 professional customers
- ❑ EUR 43bn loans to customers
- ❑ EUR 105bn AUM

Public & Corporate (PC)⁽¹⁾

- ❑ #1 bank to 12,000 Public sector customers
- ❑ #4⁽³⁾ bank to 10,600 Corporate customers
- ❑ EUR 39bn loans to customers
- ❑ EUR 31bn AUM

- ❑ ALM Liquidity Bond portfolio (EUR 8.1bn)
- ❑ ALM Yield Bond portfolio (EUR 4.4bn)
- ❑ Derivatives portfolio
- ❑ Other activities

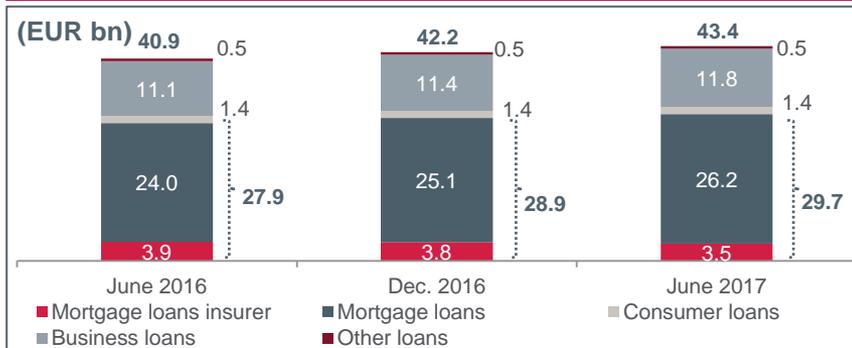
Notes: 1. Situation as of June 2017. 2. Market penetration as main bank based on market research GfK Belgium, 2017. 3. Estimation based on market share of loans.



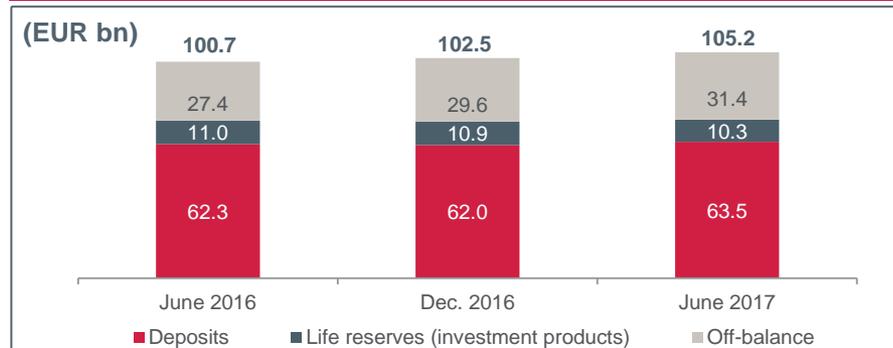
Belfius at a glance

Valuable commercial franchise: Retail & Commercial (RC)

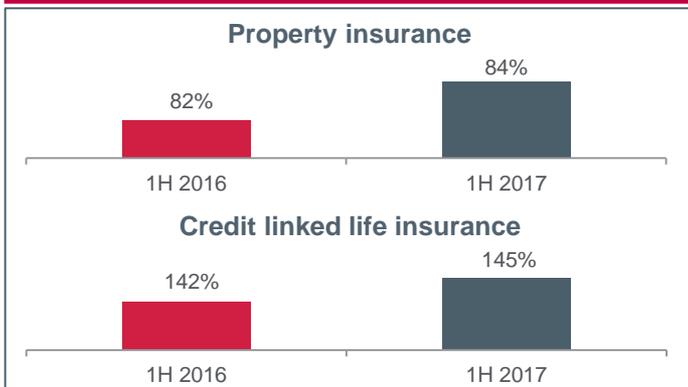
Outstanding RC loans



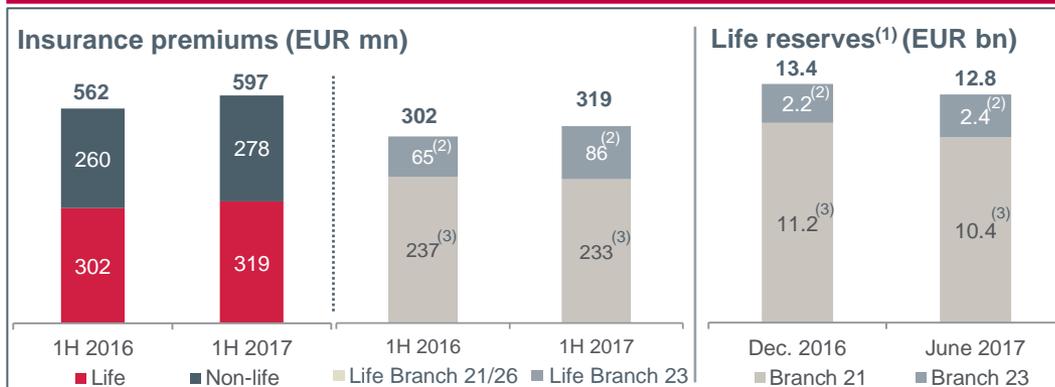
Outstanding RC savings & investments



Cross-sell with mortgages



Insurance sales and reserves



- Strong and growing franchise across the country
- Continuous growth in loans (mortgage loans, loans to SME) and deposits is complemented with growth in cross selling to insurance policies (both life and non-life) and Asset Management services

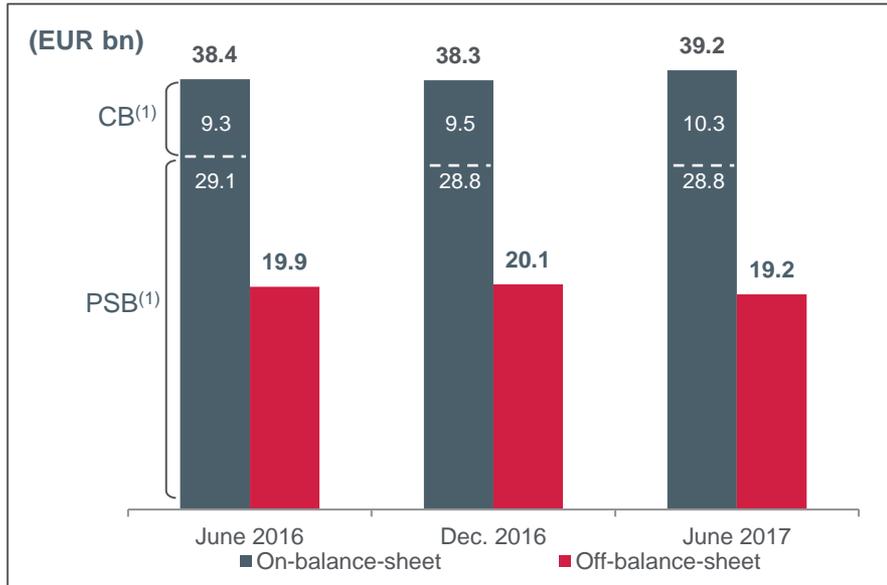
Notes: 1. Including EUR 10bn life reserves under investment product format. 2. Branch 23 (life insurance without capital guarantee, but with a potentially higher return via investment funds). 3. Branch 21 and 26 (life insurance with a capital guarantee and guaranteed minimum return, to which there may be added a variable profit participation).



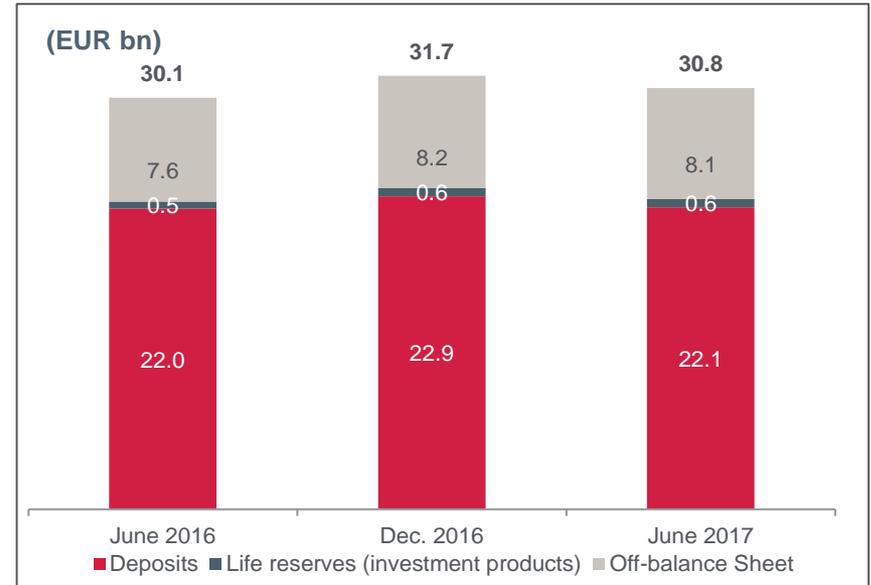
Belfius at a glance

Valuable commercial franchise: Public & Corporate (PC)

Outstanding PC loans & off-balance-sheet commitments



Outstanding PC savings & investments



- As Belfius is a full service bank to the public and non-profit sector, it remains its preferred partner in Belgium, conducting to market leading stock of AuM in that segment
 - Lower demand for investment loans and structural shift to bond market funding is decreasing outstanding stock of loans to those PSB customers
 - Belfius strong development into the Belgian corporate segment, since 2014, is leading to strong growth in outstanding loans and more diversification of its asset base
- In the public and non profit sector in Belgium, Belfius continues to confirm its clear leadership in financial services and is able to diversify its income generation capacity by keeping its participation rate in debt capital markets mandates granted by these customers at the leading level of 86% in 1H2017

Note: 1. PSB = Public & Social Banking // CB = Corporate Banking.



Part 2

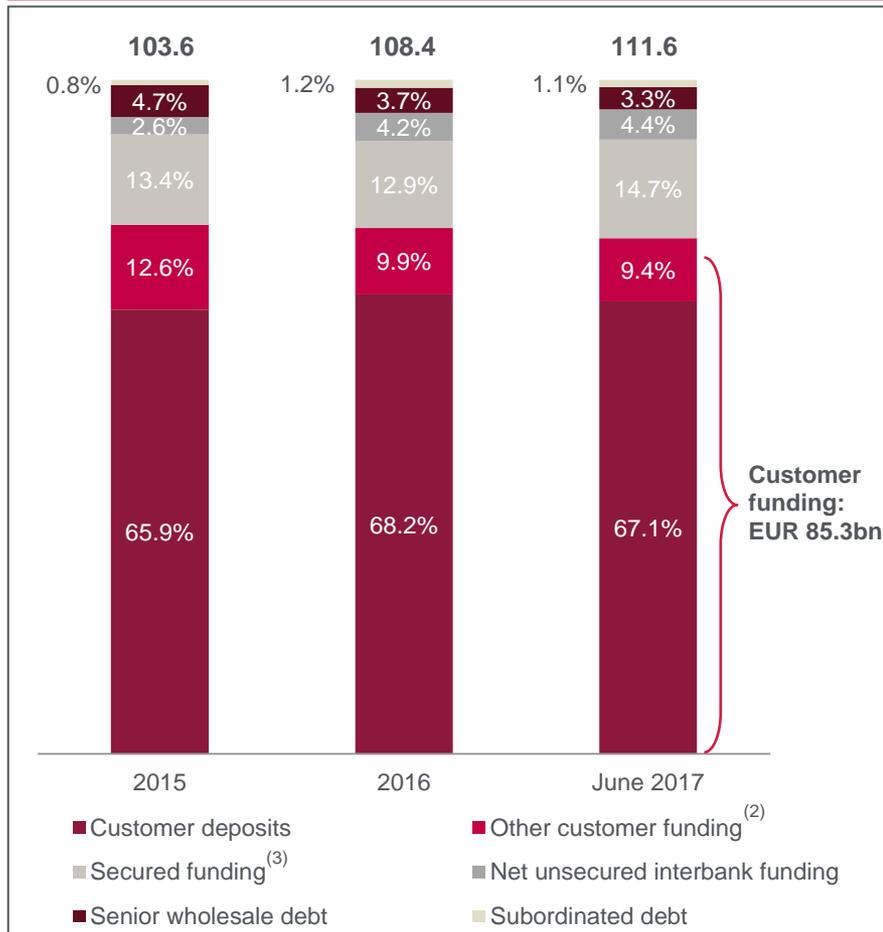
COMBINING A STRONG BALANCE SHEET WITH SOLID CAPITAL GENERATION



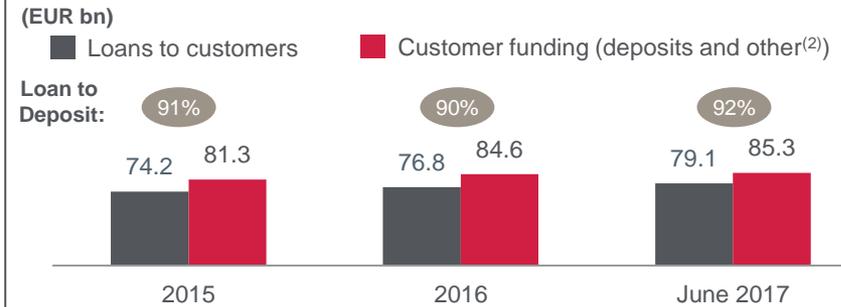
Robust liquidity profile with significant buffers

Belfius has a stable funding base

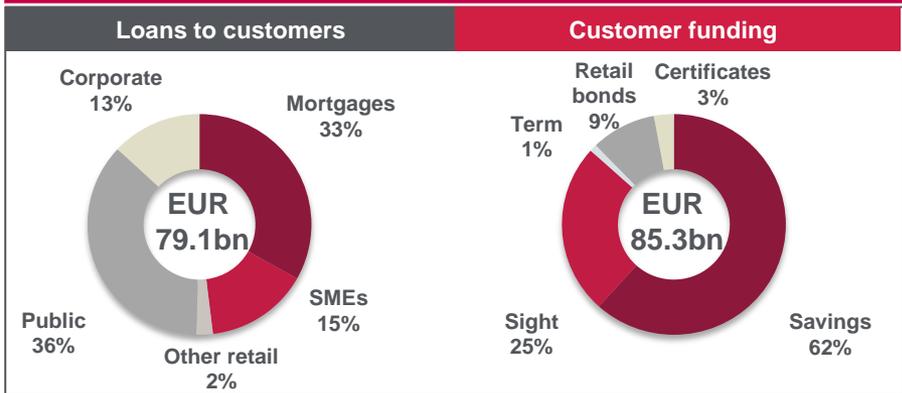
Access to many funding sources (EUR bn) ⁽¹⁾



Stable Loan to Deposit ratio



Loans to customers and customer funding mix (June 2017)



Sound funding profile (June 2017)



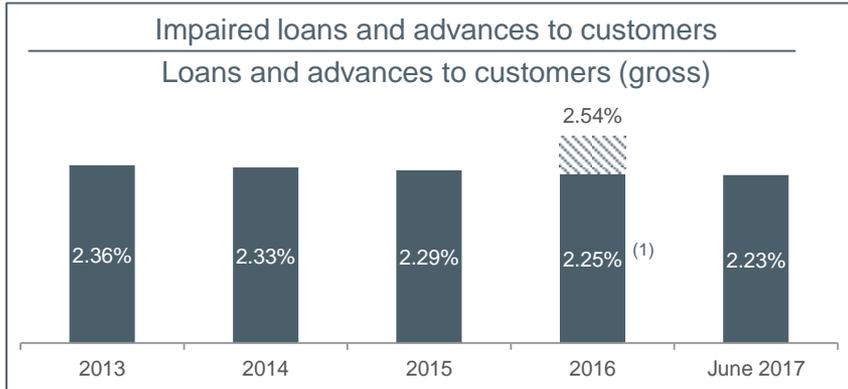
Notes: 1. Belfius Bank only. 2. Other customer funding includes retail bonds and savings certificates (7% and 2% as percentage of total funding, respectively). 3. Secured funding includes Covered Bonds (8%), TLTRO (4%), other long term secured funding (1%) and repurchase agreements (2%).



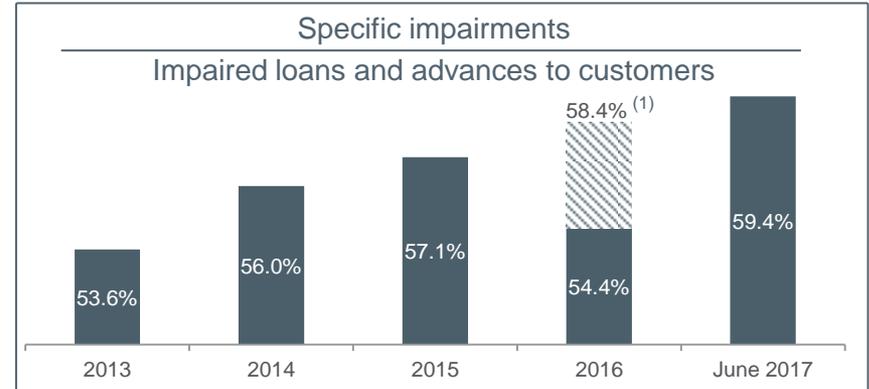
Sound risk profile

Continued strong asset quality...

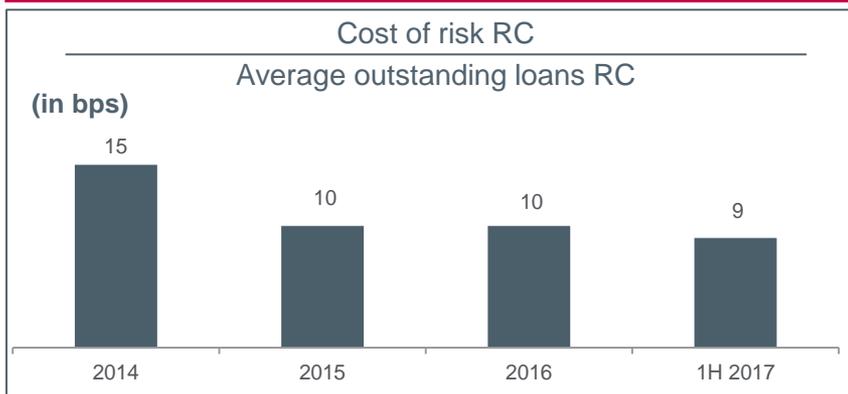
Asset quality ratio



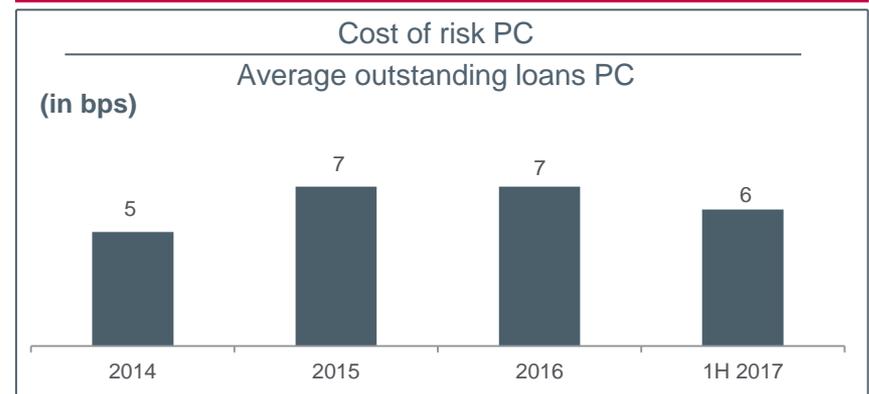
Coverage ratio



Credit cost ratio RC



Credit cost ratio PC



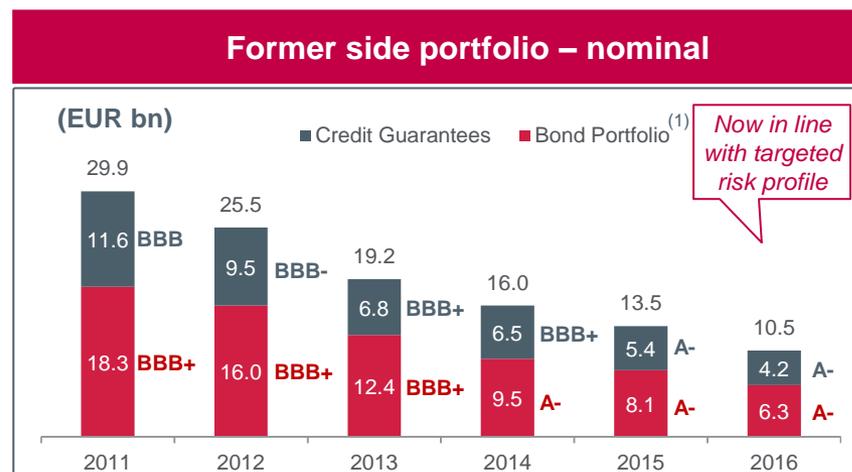
Note: 1. 2016 figure was strongly impacted by a specific impairment related to an US RMBS, of which part has been sold in 1H 2017. Excluding this exposure, the asset quality ratio of December 2016 would have been 2.25% and the coverage ratio 58.4%.



Sound risk profile

...and completed active tactical de-risking program in 2016

- Completion of active tactical de-risking program in 2016
- Former side portfolio now integrated in Group Center since 1 January 2017
 - ALM Yield/ liquidity bonds and Credit/IR Derivatives
 - Good average credit quality:
 - Average rating of A- at June 2017
 - Only 1.8% of the portfolio is Non-Investment Grade at 1H 2017



	ALM Liquidity bond portfolio (EUR mn)		ALM Yield bond portfolio (EUR mn)		Dexia Derivatives (EUR bn) ⁽³⁾		Credit derivatives (EUR mn)	
	Dec 2016	June 2017	Dec 2016	June 2017	Dec 2016	June 2017	Dec 2016	June 2017
Average Rating ⁽²⁾	A	A-	A-	A-	A-	A-	A-	A-
Expected average life (years)	9.7	9.4	19.5	19.7	10.0	10.6	7.8	9.7
Investment grade	100%	100%	93%	93%	100%	100%	100%	100%

Notes: 1. Excludes derivatives. 2. Includes rating impact from bought credit protection on some positions held in the ALM yield bond portfolio. 3. Collateralised derivatives
 14 Source: Company financials.

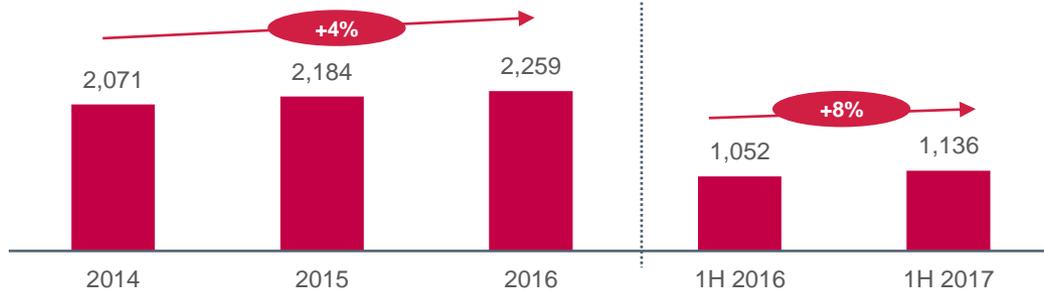


Operational profit growth dynamics

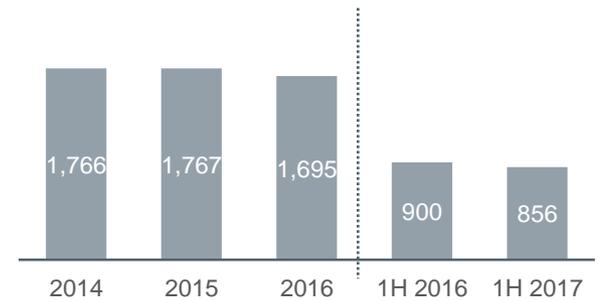
On-going revenue growth...

Solid revenue momentum

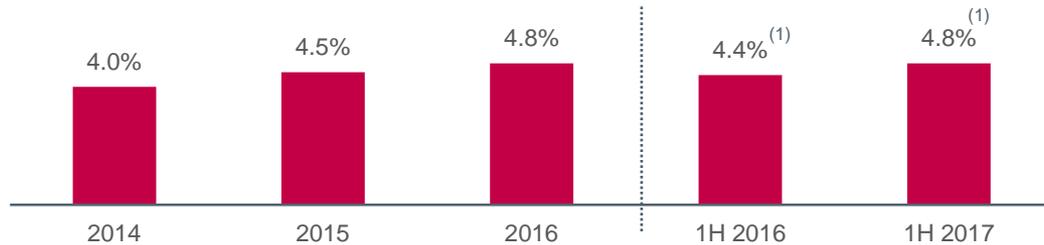
Total income (EUR mn)



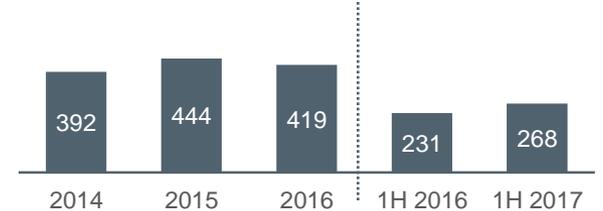
Retail & Commercial (RC) income (EUR mn)



Total income / avg. RWA



Public & Corporate (PC) income (EUR mn)



 CAGR

Note: 1. Annualised figure.

15 Source: Company financials.

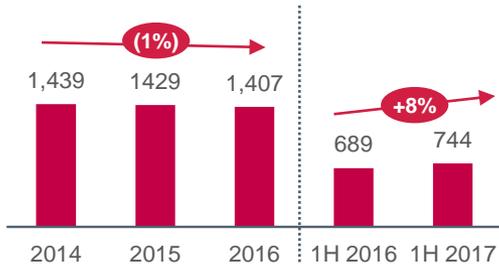


Operational profit growth dynamics

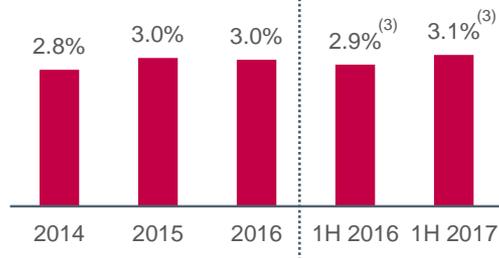
...supported by diversification...

Resilient bank NII⁽¹⁾ despite adverse rate environment

NII bank (EUR mn)

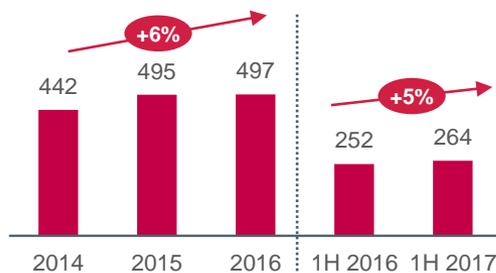


NII bank / avg. RWA

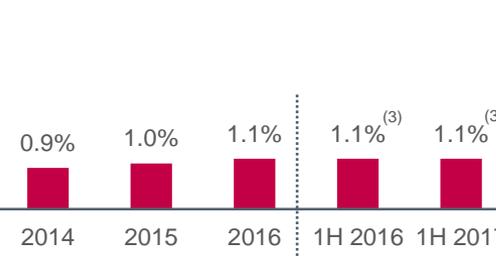


Good momentum in bank Fees & Commissions (F&C)

F&C income bank (EUR mn)



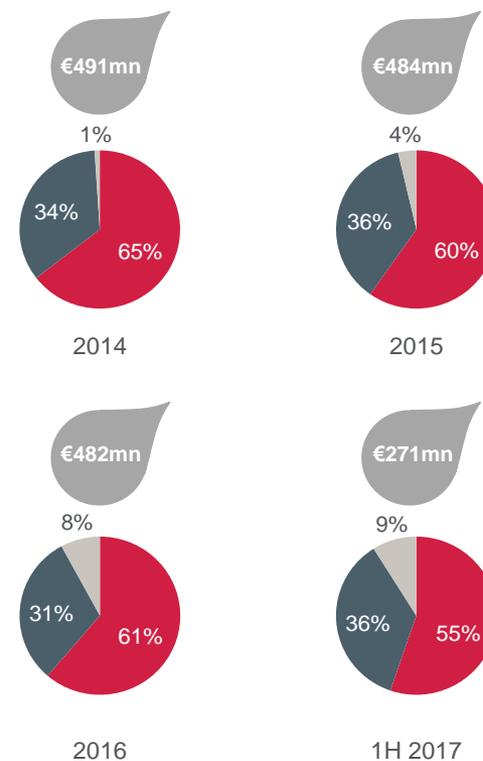
F&C bank / avg. RWA



Sustained insurance contribution during strategic product mix transformation

Insurance income⁽²⁾

■ Life ■ Non-Life ■ Other



● CAGR

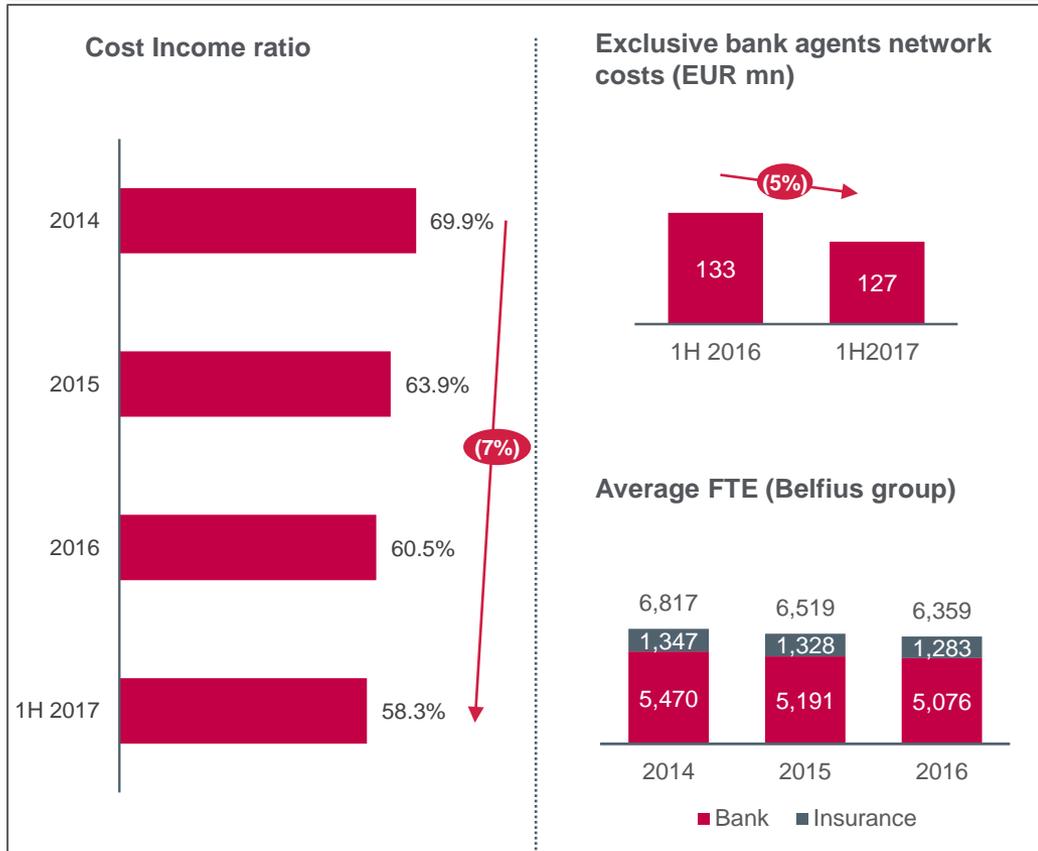
Notes: 1. NII = Net Interest Income. 2. Contribution of insurance into growth, information based on unaudited figures. 3. Annualised figure.



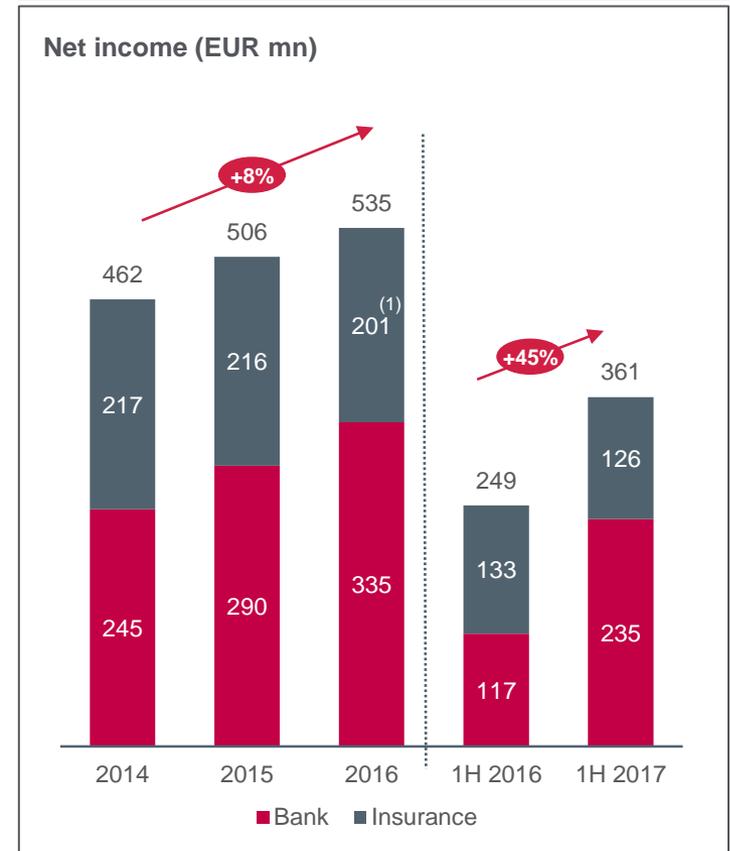
Operational profit growth dynamics

...and efficiency gains supporting a robust bottom line

Continued improvement in “efficiency-to-serve”



Good quality net income expansion



CAGR

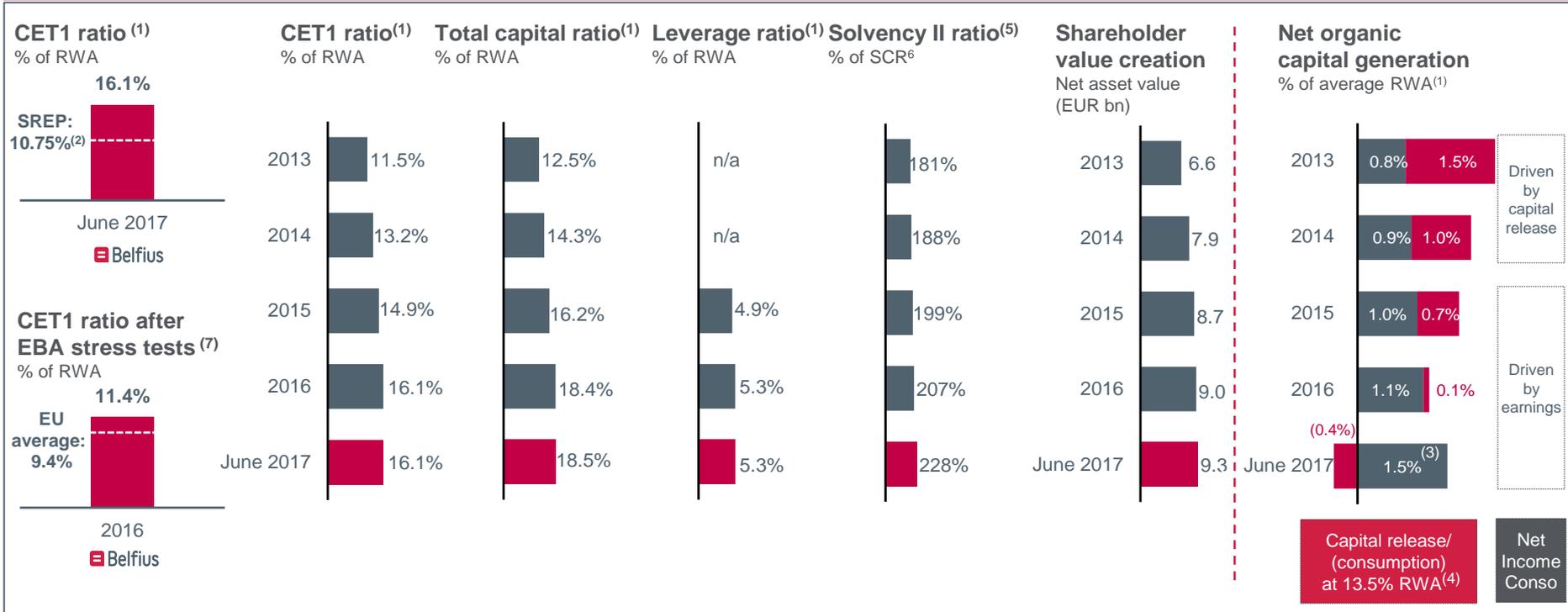
Notes: 1. The net contribution of Belfius Insurance amounts to €201mn, after adjustment of an intragroup transaction whereby Belfius Insurance has bought back, before maturity, its Tier 2 subordinated debt issued end 2011 which was subscribed by Belfius Bank, and this at a fair market price above book value, as yields for subordinated debt came down since then. At the same time, Belfius Insurance reissued (and Belfius Bank subscribed) new Tier 2 subordinated debts and in that way extended the maturity profile of its outstanding subordinated debt and increased somewhat its total outstanding Tier 2, as such improving its total capital mix.



All in all

Organic capital generation supporting AT1 holders

Strong balance sheet, benefiting from solid organic capital generation



✓ **Continued ability to fund value-enhancing business growth**

Notes: 1. On a consolidated fully-loaded basis. 2. Fully-loaded CET1 ratio requirement 2019, assuming stable Pillar 2 Requirement and Combined Buffer Requirement. 3. Annualised figure. 4. Change in RWA capturing the impact of balance sheet deleveraging and business growth, at normative CET1 ratio of 13.5% used for capital allocation to segments. 5. After dividend and Solvency I until 2014, Solvency II thereafter. 6. SCR stands for Solvency Capital Requirement. 7. Refers to the CET1 ratio under the Adverse Scenario in the EBA 2016 Stress tests



Part 3

INAUGURAL AT1 TRANSACTION



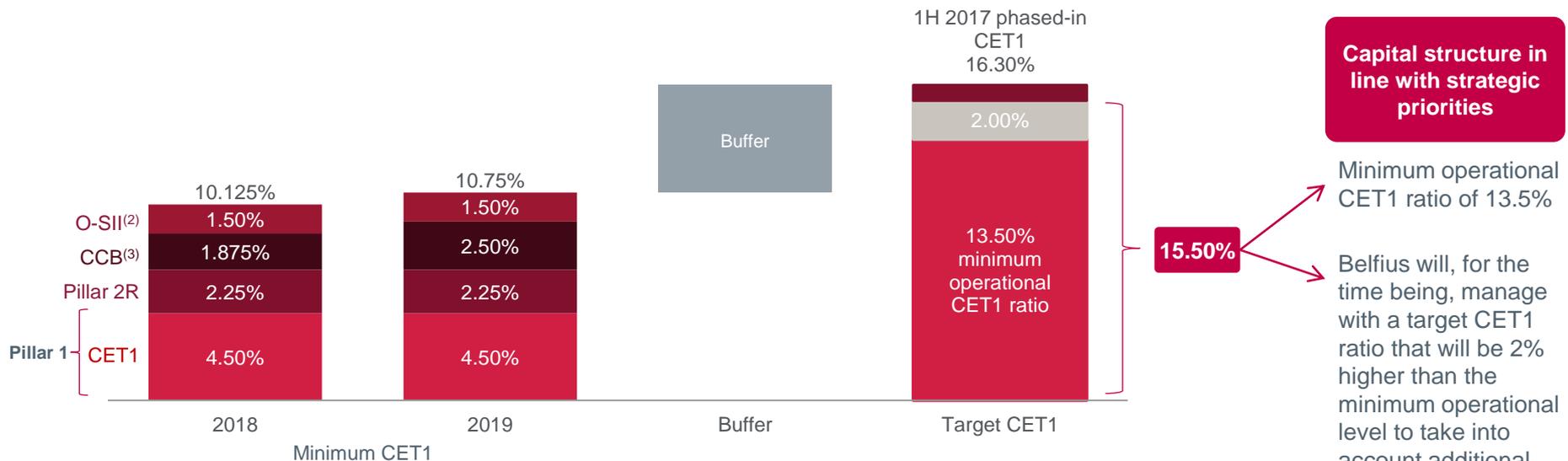
Transaction rationale

- ❑ Further diversification of funding sources and investor base
- ❑ Raise going concern loss absorbing capital to contribute towards filling the Pillar 1 AT1 “bucket”
- ❑ Contribute to the expected MREL level to come
- ❑ Contribute to a strong leverage ratio
- ❑ Increase Belfius’ financial and regulatory flexibility, accessing a new layer of instruments within Belfius’ capital structure



Capital management strategy

Belfius' Minimum CET1 Requirements⁽¹⁾ vs Belfius 1H 2017 CET1 Capital Position & Target



Capital structure in line with strategic priorities

Minimum operational CET1 ratio of 13.5%

15.50%

Belfius will, for the time being, manage with a target CET1 ratio that will be 2% higher than the minimum operational level to take into account additional unforeseeable elements

- ❑ For 2018, phased-in minimum CET1 requirement for Belfius is 10.125%
- ❑ Based upon gradual phasing in of the Capital Conservation Buffer to 2.5% and all other things remaining equal, this would lead to a 10.75% fully-loaded minimum CET1 requirement for 2019
- ❑ The ECB also formally notified Belfius to set a Pillar 2 Guidance (P2G)⁽⁴⁾ of 1%

Notes: 1. Assumes 0% Countercyclical Buffer and constant Pillar 2 Requirements at 2.25%. 2. Other Systemically Important Institutions Buffer. 3. Capital Conservation Buffer. 4. P2G is set above the level of binding capital requirements (Pillar 1 and Pillar 2 Requirement (P2R)) and on top of the combined buffers. According to the EBA clarification, the Pillar 2 capital guidance is not relevant for the maximum distributable amount trigger and calculation.
22 Source: Company financials.



Strong buffers to AT1 trigger

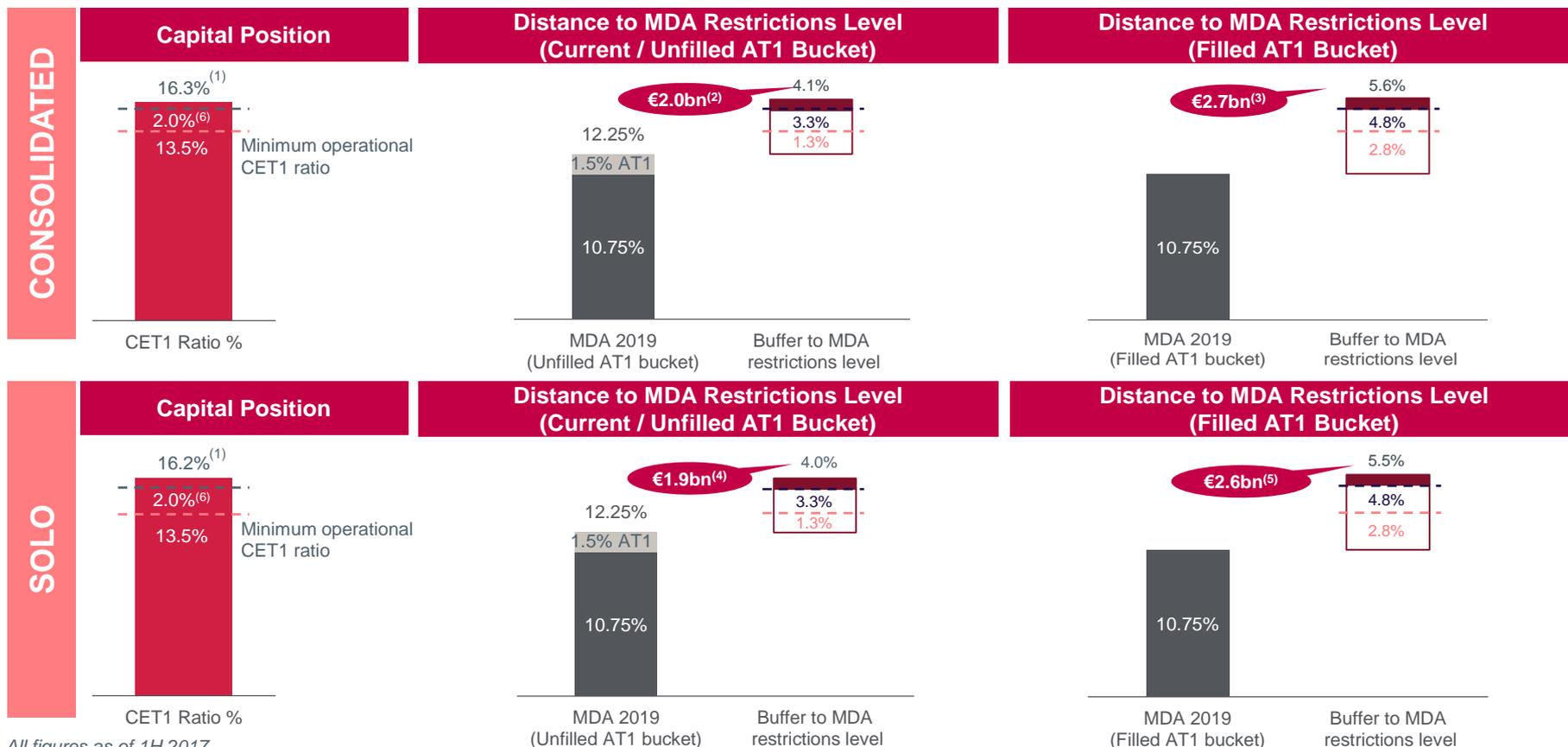


All figures as of 1H 2017.

Notes: 1. Phased-in CET1 ratio. 2. Buffer between 1H 2017 phased-in CET1 ratio and 5.125% trigger. Based on fully-loaded ratio, the consolidated fully-loaded distance to trigger is 11.0% (€5.3bn). 3. Buffer between 1H 2017 phased-in CET1 ratio and 5.125% trigger. Based on fully-loaded ratio, the solo fully-loaded distance to trigger is 10.9% (€5.2bn). 4. Belfius will, for the time being, manage with a target CET1 ratio that will be 2% higher than the minimum operational level to take into account additional unforeseeable elements.



Strong buffers to MDA restrictions level



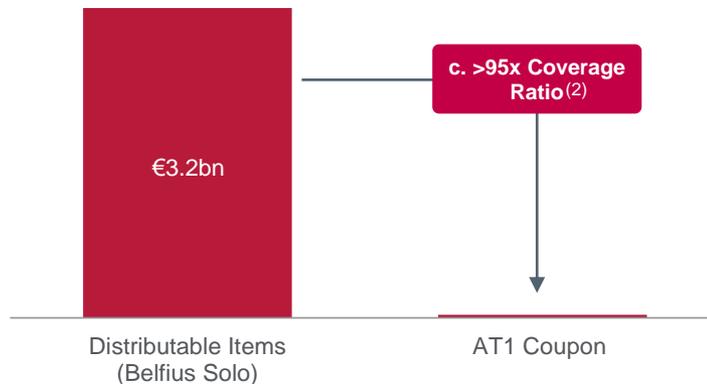
All figures as of 1H 2017.

Notes: 1. Phased-in CET1 ratio. 2. Buffer between 1H 2017 phased-in CET1 ratio and MDA 2019 (unfilled AT1 bucket). Based on fully-loaded ratio, the consolidated fully-loaded distance to MDA restrictions level is 3.8% (€1.8bn). 3. Buffer between 1H 2017 phased-in CET1 ratio and MDA 2019 (filled AT1 bucket). Based on fully-loaded ratio, the consolidated fully-loaded distance to MDA restrictions level is 5.3% (€2.6bn). 4. Buffer between 1H 2017 phased-in CET1 ratio and MDA 2019 (unfilled AT1 bucket). Based on fully-loaded ratio, the solo fully-loaded distance to MDA restrictions level is 3.7% (€1.8bn). 5. Buffer between 1H 2017 phased-in CET1 ratio and MDA 2019 (unfilled AT1 bucket). Based on fully-loaded ratio, the solo fully-loaded distance to MDA restrictions level is 5.2% (€2.5bn). 6. Belfius will, for the time being, manage with a target CET1 ratio that will be 2% higher than the minimum operational level to take into account additional unforeseeable elements.



End 2016 Statutory available Distributable Items amount to €3.2bn

End 2016 Available Distributable Items⁽¹⁾



End 2016 ADIs comfortably covering AT1 coupons

- Comfortable level of ADIs: over 95x⁽²⁾ coupon coverage
- Resulting from strong capital generation

Intention to respect the capital hierarchy

- ❑ It is the Issuer's current intention that, whenever exercising its discretion to propose any dividend or distributions in respect of the ordinary shares of Belfius Bank, or its discretion to cancel the payment of interest on AT1 instruments, it will take into account the relative ranking of these instruments in the capital structure
- ❑ However, the Issuer may at any time depart from this policy at its sole discretion, and as further set out in the risk factors in the Prospectus, in accordance with the Applicable Banking Regulations and the Terms and Conditions of the Securities, it may in its discretion elect to cancel the payment of interest at any time and for any reason

Notes: 1. The Available Distributable Items are only considered on a non-consolidated basis (Bgaap), after deduction of dividends distributed until December 31st, 2016.

2. On the basis of a AT1 issuance sufficient to fill 1.5% AT1 bucket based on 1H 2017 RWAs of €48.0bn (i.e. an issuance of c.€720mn).

25 Source: Company financials.



Summary Terms and Conditions of the AT1 Securities

Issuer	▪ Belfius Bank SA / NV (“Issuer”)
Issuer Rating	▪ A2 / A- / A- (Moody’s / S&P / Fitch)
Expected Instrument Rating	▪ Ba2 / BB (Moody’s / S&P)
Instrument	▪ EUR [●] % Undated Deeply Subordinated Additional Tier 1 Fixed Rate Resettable Callable Securities (the “Securities”)
Maturity	▪ Perpetual Non-Call April 2025 (Long 7-year)
Size	▪ EUR 500mn
Status	▪ Direct, unconditional, unsecured and deeply subordinated, senior only to rights and claims of any class of shares that rank, or expressed to rank, junior to the Issuer’s obligations under the Securities
Interest Rate	▪ Fixed rate until the First Call Date ▪ Resets at the First Call Date and every 5 years thereafter at the prevailing 5-year mid-swap rate plus the Margin (no step-up) ▪ Payable semi-annually in arrears, subject to interest cancellation provisions (non-cumulative)
Interest Cancellation	▪ Fully discretionary non-cumulative cancellation at the option of the Issuer at any time ▪ Interest payable only if the Issuer has sufficient distributable items and payment would not cause the Maximum Distributable Amount restrictions then applicable on a solo or consolidated basis to be exceeded
Optional Redemption	▪ In whole but not in part at the First Call Date (April 2025 / Long 7-year), and every Interest Payment Date thereafter, at their Prevailing Principal Amount together with any accrued but unpaid interest subject to prior regulatory approval, the Prevailing Principal Amount of the Securities not being lower than their Original Principal Amount and subject to the Conditions for Redemption
Trigger Event	▪ At any time, upon either the Solo CET1 Ratio or the Consolidated CET1 Ratio falling below 5.125% (in accordance with the applicable transitional arrangements under CRD IV)
Principal Write-Down	▪ Upon the occurrence of a Trigger Event, the Prevailing Principal Amount of the Securities will be written down to the extent required to cure the Trigger Event or (if such amount is lower) to reduce the Prevailing Principal Amount of each Security to one cent
Principal Write-Up	▪ The Securities may be reinstated at the Issuer’s discretion out of net profits (lower of solo and consolidated), on a pro-rata basis with all other loss absorbing instruments then subject to write-up (if any)
Special Event Optional Redemption	▪ In whole but not in part upon the occurrence of a Special Event (Regulatory Event (full or partial derecognition), Tax Deductibility Event or Tax Gross-up Event) at the Prevailing Principal Amount together with any accrued but unpaid interest
Substitution and Variation	▪ Following a Special Event, the Issuer may substitute or vary the terms of all (but not some only) of the Securities so that they become or remain Qualifying Securities, subject to (among other conditions) regulatory approval and provided the new terms are not materially less favourable to Security holders
Governing Law	▪ English law, except for form, denomination, title, status and subordination, meeting of noteholders and modification provisions which shall be governed by Belgian law
Listing	▪ Euronext Brussels
Denominations	▪ EUR 200,000 + 200,000
Target Market	▪ Eligible counterparties and professional clients. No PRIIPs key information document (KID) has been prepared as the securities will not be available to retail in EEA

This information has been prepared solely for information purposes – the summary of any proposed transaction described herein is incomplete and subject to change without notice. It is neither meant to be, nor should it be construed as, an attempt to define all the terms and conditions regarding a proposed issuance of securities.



Contents



APPENDIX



Appendices

- Appendix 1: AT1 structural comparison
- Appendix 2: Approach to MREL
- Appendix 3: Conservative and prudent funding strategy
- Appendix 4: Overview of New Group Center
- Appendix 5: Consolidated balance sheet
- Appendix 6: Belfius Insurance – Consolidated balance sheet
- Appendix 7: Focus on regulatory capital
- Appendix 8: Focus on regulatory risks exposures



Appendix

Appendix 1: AT1 structural comparison



Issuing Entity	Belfius Bank SA / NV	Nordea Bank AB	ABN AMRO Bank NV	Coöperatieve Rabobank U.A.	Crédit Agricole S.A.	Société Générale	KBC Group NV
Pricing Date	[●] 2018	21 Nov 2017	27 Sep 2017	19 Apr 2016	1 Apr 2014	28 Mar 2014	12 Mar 2014
Amount / Coupon	EUR 500mn, [●]%	EUR 750mn, 3.500%	EUR 1,000mn, 4.750%	EUR 1,250mn, 6.625%	EUR 1,000mn, 6.500%	EUR 1,000mn, 6.750%	EUR 1,400mn, 5.625%
Maturity / First Call	Perpetual / 2025 (PerpNC Long 7-year)	Perpetual / 2025 (PerpNC7)	Perpetual / 2027 (PerpNC10)	Perpetual / 2021 (PerpNC5)	Perpetual / 2021 (PerpNC7)	Perpetual / 2021 (PerpNC7)	Perpetual / 2019 (PerpNC5)
Coupon Structure	Discretionary, Non-cum	Discretionary, Non-cum	Discretionary, Non-cum	Discretionary, Non-cum	Discretionary, Non-cum	Discretionary, Non-cum	Discretionary, Non-cum
Issue Ratings (M/S/F)	Ba2 / BB / -	- / BBB / BBB	- / - / BB+	Baa3 / - / BBB-	- / BB+ / BB+	Ba3 / - / BB	- / BB / BB
Trigger Level	5.125% CET1 (Conso or Solo)	8.000% CET1 (Group) 5.125% CET1 (Solo)	7.000% CET1 (Group) 5.125% CET1 (Bank, Solo)	7.000% CET1 (Group) 5.125% CET1 (Solo)	7.000% CET1 (Group) 5.125% CET1 (Bank)	5.125% CET1 (Group)	5.125% CET1 (Group)
Loss Absorption Mechanism	Principal Temporary Write-Down	Principal Temporary Write-Down	Principal Temporary Write-Down	Principal Temporary Write-Down	Principal Temporary Write-Down	Principal Temporary Write-Down	Principal Temporary Write-Down
Point of Non-Viability Approach	Statutory	Statutory	Statutory	Statutory	Statutory	Statutory	Statutory
Early Redemption Events	Tax, Regulatory	Tax, Regulatory	Tax, Regulatory	Tax, Regulatory	Tax, Regulatory	Tax, Regulatory	Tax, Regulatory
Governing Law	English	English	Dutch	Dutch	English	English	English
Listing	Belgium	Ireland	Netherlands	Ireland	France	Luxembourg	Belgium
Capital Buffer to Trigger at Issue ⁽¹⁾ (€bn)	Conso €5.4bn Solo €5.4bn	Group €14.4bn Solo €18.0bn	Group €11.1bn Bank €13.1bn Bank Solo €12.8bn	Group €13.9bn Solo €20.1bn	Group €22bn Bank €11bn	Group €19.8bn	Group €7.0bn
CET1 Ratio at Issue ⁽¹⁾	16.3% 16.2%	19.2% 18.1%	17.7% 17.7% 16.4%	13.5% 16.0%	11.0% 8.6%	10.9%	12.9%
Capital Buffer to Trigger at Issue ⁽¹⁾ (%)	11.2% 11.1%	11.2% 13.0%	10.7% 12.6% 11.3%	6.5% 10.9%	4.0% 3.5%	5.8%	7.8%
Trigger (%)	5.125% 5.125%	8.0% 5.125%	7.0% 5.125% 5.125%	7.0% 5.125%	7.0% 5.125%	5.125%	5.125%

Note: 1. On a phased-in basis, 1H 2017 figures for Belfius.
29 Sources: Transaction documentation, Company financials.



Appendix

Appendix 2: Approach to MREL

- ❑ It is expected that a formal MREL level will be given to Belfius by the Single Resolution Board.
- ❑ At this stage, **no formal MREL target has been communicated to Belfius.**
- ❑ Based on the MREL Calibration Methodology, published by the SRB, **Belfius' mechanical target⁽¹⁾ would potentially amount to 27.25%** of risk-weighted exposures (in fully-loaded format).

- ❑ In July 2017 a new Belgian law was enacted, enabling the issuance of Non Preferred Senior instruments
- ❑ Since then, **Belfius issued 2 benchmarks in Non Preferred Senior format, for a total amount of EUR 1.25bn**



1H 2017 Belfius' MREL level at 24.2%⁽²⁾

MREL needs for Belfius are manageable

→ Belfius will build up its MREL position with a combination of Non Preferred Senior instruments and certain other instruments ⁽³⁾

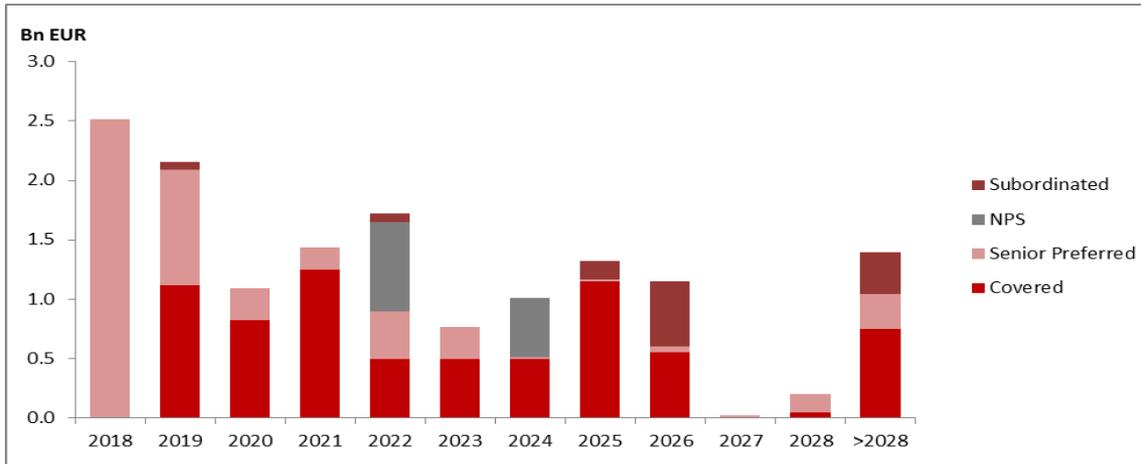
Notes: 1. As per MREL SRB policy for 2017 and Next Steps published in December 2017, potential MREL requirement could be equal to the higher of: (i) Double (Pillar 1 + Pillar 2 requirement) + Combined Buffer Requirement (CBR) plus Market Confidence Charge (equal to the CBR less 125 bp); (ii) 8% of total liabilities and own funds (taking into account derivative netting where applicable). 2. Including CET1, T2, wholesale Preferred Senior. 3. MREL strategy can be amended in function of changing SRB positions..



Appendix

Appendix 3: Prudent funding strategy

Redemption profile



Flexible funding structure with a comfortable maturity profile

→ The funding needs of Belfius are in line with these redemptions

Funding actions

The commercial balance sheet shows an excess of customer funding. The wholesale funding strategy is mainly **focused on diversification of funding sources and investor base.**

- ❖ First issuer of Belgian Mortgage covered bonds (Nov 2012)
- ❖ First issuer of Belgian Public covered bonds (Oct 2014)
- ❖ First Belfius RMBS transaction for external investors (Oct 2015)
- ❖ Inaugural Belfius Tier 2 benchmark (Apr 2016)
- ❖ First issuer of Belgian Non Preferred Senior notes (Sept 2017)



Appendix

Appendix 4: Overview of New Group Center

Belfius New Group Center ⁽¹⁾					
Group Center Bond portfolio					
ALM Liquidity		ALM Yield		Group Center derivatives portfolio	Other Group Center activities
Former Side	<ul style="list-style-type: none"> LCR eligible bonds (EUR 1.7bn) 	<ul style="list-style-type: none"> Non-LCR eligible bonds (EUR 4.6bn) 	<ul style="list-style-type: none"> Collateralized IR derivatives with Dexia entities, intermediated and hedged with Financial Markets (EUR 39.9bn) Credit derivatives: protection given, partly reinsured with monolines (EUR 4.6bn, incl. TRS, part of former GC) Non collateralized IR derivatives with international non financial counterparts Bought credit protection for some ALM yield bonds 	<ul style="list-style-type: none"> Management of old credit risk files (Holding Communal & Arco entities) 	
Former GC	<ul style="list-style-type: none"> ALM LCR eligible bonds (EUR 6.5bn) 	<ul style="list-style-type: none"> ALM non-LCR eligible bonds (EUR 0.2bn) 		<ul style="list-style-type: none"> Various other items: <ul style="list-style-type: none"> Financial Markets services (mostly to Business Lines and ALM) Central assets Other 	
Considerations	<ul style="list-style-type: none"> Part of Belfius Bank's total LCR liquidity buffer Well diversified, high credit quality and highly liquid portfolio Former Side LCR bonds are similar to ALM LCR bonds, except for geography of issuer (non-core EU countries; e.g. UK, Australia, Japan) 	<ul style="list-style-type: none"> Bond portfolio used to manage excess liquidity Mainly high quality bonds of international issuers (non-core EU) in former Side part with a ~20 years residual duration Managed in natural run-off and standard credit risk management for former Side part 	<ul style="list-style-type: none"> Originates from former competence center for derivatives within the Dexia Group Former Side derivatives managed in natural run-off and standard risk management 		

Note: 1. Figures are notional amounts as of December 31, 2016.



Appendix

Appendix 5: Consolidated balance sheet – assets, liabilities and accounting equity

(EUR mn)	2016	June 2017	Evolution
Total assets	176,721	171,639	(5,082)
Loans and advances	116,816	116,180	(636)
<i>To banks and central banks</i>	27,114	25,497	(1,617)
<i>To customers</i>	89,702	90,683	980
Portfolios	27,199	26,499	(700)
<i>Financial investments (HTM)</i>	5,393	5,514	120
<i>Financial investments (AFS)</i>	18,820	17,243	(1,577)
<i>Financial assets at FV through P&L</i>	2,986	3,742	756
Derivatives	25,307	21,666	(3,641)
Other	7,399	7,294	(104)
Total liabilities	167,709	162,351	(5,358)
Total deposits	86,753	89,707	2,954
<i>Banks and central banks</i>	12,582	14,687	2,105
<i>Customers</i>	74,171	75,020	849
Total debt securities	32,904	32,048	(856)
<i>Debt securities</i>	23,981	22,737	(1,245)
<i>Debt securities at FV through P&L</i>	7,524	8,106	582
<i>Subordinated debts</i>	1,399	1,206	(193)
Derivatives	29,573	22,954	(6,618)
Provisions	16,403	15,318	(1,084)
Other	2,077	2,323	246
Total equity	9,012	9,288	276
Core shareholders' equity	8,694	8,915	221
<i>Subscribed capital + additional paid in capital</i>	3,667	3,667	0
<i>Reserves + retained earnings</i>	4,491	4,887	395
<i>Net income for the period</i>	535	361	(174)
Gains and losses not recognised in the statement of income	318	373	55
<i>Reserve AFS (Available for Sale)</i>	231	246	15
<i>Reserve CFH (Cash flow hedge) + other</i>	(34)	(18)	16
<i>Remeasurement of Defined Benefit plan</i>	87	97	10
<i>Discretionary participation features</i>	33	48	15
Total shareholders' equity	9,012	9,288	276
Non-controlling interests	0	0	0



Appendix

Appendix 6: Belfius Insurance – Consolidated balance sheet

(EUR mn)	2016	June 2017	Evolution
Total assets	22,986	22,238	(748)
<i>of which</i>			
Loans and advances due from banks	738	440	(298)
Financial investments	13,565	12,517	(1,048)
Financial assets measured at fair value through profit and loss	2,190	2,432	242
Mortgage and other loans	5,382	5,184	(198)
Investment property	407	428	21
Other assets specific to insurance companies	438	451	13
Total liabilities	20,840	20,068	(772)
<i>of which</i>			
Due to banks	1,150	1,186	36
Technical provisions for insurance companies	15,997	14,928	(1,069)
Financial liabilities measured at fair value through profit and loss	2,190	2,432	242
Other liabilities specific to insurance companies	327	328	1
Total equity	2,147	2,170	23
<i>of which</i>			
Core shareholders' equity	1,328	1,342	14
Gains and losses not recognized in the statement of income	786	780	(6)
Non-controlling interests	0	0	0
Discretionary Participation Feature	33	48	15



Appendix

Appendix 7: Focus on regulatory capital

	Phased-In		Fully-Loaded	
	Dec 2016	June 2017	Dec 2016	June 2017
Core shareholders' equity	8,694	8,915	8,694	8,915
<i>Elimination of Belfius Insurance (*)</i>	0	-2	0	-2
Core regulatory equity	8,694	8,912	8,694	8,912
Elimination of foreseeable dividend	-140	-275	-140	-275
Gains and losses not recognised in the statement of income	-215	-300	-460	-415
Remeasurement Defined Benefit Plan	86	94	86	94
AFS reserve	-546	-509	-546	-509
Transitory measures & filter on govies	246	115	0	0
Items to deduct	-573	-502	-578	-504
Deferred tax assets	-13	-8	-13	-8
Transitory measures	5	2	0	0
Other	-565	-495	-565	-495
Common equity Tier 1 - CET 1	7,767	7,836	7,516	7,719
Tier 1	7,767	7,836	7,516	7,719
Tier 2 - Capital instruments	1,135	1,158	928	961
Other	174	182	174	182
Total regulatory capital	9,076	9,176	8,618	8,862
Total regulatory risks exposure	46,730	47,996	46,730	47,996
CET1 ratio ⁽¹⁾	16.6%	16.3%	16.1%	16.1%
Total capital ratio	19.4%	19.1%	18.4%	18.5%
Total leverage ratio exposure	143,088	145,322	143,088	145,322
Leverage ratio	5.4%	5.4%	5.3%	5.3%

Note: 1. For the determination of the Common Equity Tier 1 capital under Basel III, the regulatory authority requires Belfius to apply a prudential deconsolidation of Belfius Insurance and to apply a risk weighting of 370% on the participation after deduction of goodwill. This is commonly known as "Danish compromise".



Appendix

Appendix 8: Focus on regulatory risk exposures

Regulatory Risks Exposures - by type of risk

(EUR mn)	June 2016	2016	June 2017
Market risk	1,322	1,136	1,770
Operational risk	2,802	2,915	2,915
Credit risk	37,606	35,951	36,525
Danish compromise ⁽¹⁾	6,102	6,728	6,785
Total Regulatory Risks Exposures	47,832	46,730	47,996

Regulatory Risks Exposures - by segment

(EUR mn)	June 2016	2016	June 2017
Retail and Commercial	15,590	16,136	16,349
Public and Corporate	14,396	14,477	15,426
Group Center	17,846	16,117	16,221
Total Regulatory Risks Exposures	47,832	46,730	47,996

Note: 1. For the determination of the Common Equity Tier 1 capital under Basel III, the regulatory authority requires Belfius to apply a prudential deconsolidation of Belfius Insurance and to apply a risk weighting of 370% on the participation after deduction of goodwill. This is commonly known as "Danish compromise".



Contacts

Chief Financial Officer

Johan Vankelecom

Head of Public & Corporate Banking, Financial Markets

Dirk Gyselinck

Financial Markets

Bruno Accou: bruno.accou@belfius.be

Jean-François Deschamps: jean-francois.deschamps@belfius.be

Long Term Funding

Ellen Van Steen: ellen.vansteen@belfius.be

Christine Lepage: christine.lepage@belfius.be

Financial Communication

Peter De Baere: peter.debaere@belfius.be

Financial Institutions

Karl Thirion: karl.thirion@belfius.be

