



## **BELFIUS BANK SA/NV**

*(incorporated with limited liability in Belgium)*

**Euro 10,000,000,000**

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### **Euro Medium Term Note Programme due from one month from the date of original issue**

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Under the Euro Medium Term Note Programme (the “**Programme**”) described in this base prospectus (the “**Base Prospectus**”), Belfius Bank SA/NV (“**Belfius Bank**” or the “**Issuer**”), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Euro Medium Term Notes that rank as senior obligations of the Issuer (the “**Senior Notes**”) and Euro Medium Term Notes that rank as subordinated obligations of the Issuer (the “**Subordinated Notes**”) and together with the Senior Notes, the “**Notes**”). The Senior Notes may be either senior preferred notes (the “**Senior Preferred Notes**”) or senior non-preferred notes (the “**Senior Non-Preferred Notes**”). It is the intention of the Issuer that the Senior Non-Preferred Notes shall, for supervisory purposes, be treated as MREL/TLAC Eligible instruments (as defined below).

The aggregate principal amount of Notes outstanding will not at any time exceed Euro 10,000,000,000 (or the equivalent in other currencies).

This Base Prospectus (which expression shall include this Base Prospectus as amended and/or supplemented from time to time and all documents incorporated by reference herein) has been prepared for the purpose of providing disclosure information with regard to the Issuer and the Notes. This Base Prospectus has been approved as a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC, as amended by Directive 2010/73/EU, on 18 May 2017 by the *Commission de Surveillance du Secteur Financier* (the “**CSSF**”) in its capacity as competent authority under the Luxembourg law of 10 July 2005 (as amended by the Luxembourg law of 3 July 2012) relating to prospectuses for securities (the “**Luxembourg Law on Prospectuses**”). By approving this Base Prospectus, the CSSF assumes no responsibility as to the economic and financial soundness of the transaction and the quality or solvency of the Issuer in line with the provisions of article 7(7) of the Luxembourg Law on Prospectuses. **The CSSF has neither reviewed nor approved the information contained in this Base Prospectus in relation to any issuance of any Notes that are not to be listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange (the “Market”) and for which a prospectus is not required in accordance with the Prospectus Directive.** In relation to any Notes, this Base Prospectus must be read as a whole and together with the applicable Final Terms (as defined below). Any Notes issued under the Programme on or after the date of this Base Prospectus are issued subject to the provisions described or incorporated by reference herein. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme for the period of 12 months from the date of this Base Prospectus to be listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the Market. References in this Base Prospectus to Notes being “listed” (and all related references), except where the context otherwise requires, shall mean that such Notes have been listed and admitted to trading on the Market. The Market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments. No certainty can be given that the application for the listing of any Notes will be granted. Furthermore, admission of the Notes to the official list and trading on the Market is not an indication of the merits of the Issuer or the Notes. Unlisted Notes may also be issued pursuant to the Programme. The applicable Final Terms in respect of the issue of any Notes will specify whether or not such Notes will be listed on the official list and admitted to trading on the Market (or any other stock exchange).

The Notes issued will be in dematerialised form in accordance with Articles 468 et seq. of the Belgian Companies Code, and will be represented by a book-entry in the records of the clearing system operated by the National Bank of Belgium (the “**NBB**”) or any successor thereto (the “**Securities Settlement System**”). The Programme has been rated A- in respect of Senior Preferred Notes with a maturity of one year or more, A-2 in respect of Senior Preferred Notes with a maturity of less than one year, and BBB- in respect of the Subordinated Notes by Standard & Poor’s Credit Market Services France SAS (“**Standard & Poor’s**”) and A2 in respect of Senior Preferred Notes with a maturity of one year or more, Prime-1 in respect of Senior Preferred Notes with a maturity of less than one year and Baa3 in respect of the Subordinated Notes by Moody’s France SAS (“**Moody’s**”). Each of Moody’s and Standard & Poor’s is established in the European Union and is included in the updated list of credit rating agencies registered in accordance with Regulation (EC) No.1060/2009 on credit rating agencies, as amended by Regulation (EU) No 513/2011, as amended (the “**CRA Regulation**”) published on the European Securities and Markets Authority (“**ESMA**”)’s website (<http://www.esma.europa.eu>) (on or about 18 May 2017). Tranches of Notes (as defined in “Overview of the Programme”) to be issued under the Programme will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the ratings assigned to the Programme. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the applicable Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”), or any U.S. state securities laws and, unless so registered, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons as defined in Regulation S under the Securities Act (“**Regulation S**”) except pursuant to an exemption from or in a transaction not subject to the registration requirements of the Securities Act and applicable U.S. state securities laws.

This Base Prospectus shall be valid for a period of one year from its date of approval.

The issue price and amount of the relevant Notes will be determined at the time of the offering of each Tranche based on the then prevailing market conditions.

Prospective investors should have regard to the factors described under the section headed “Risk Factors” in the Base Prospectus. This Base Prospectus does not describe all of the risks of an investment in the Notes.

**Arranger**  
**Société Générale Corporate & Investment Banking**

**Dealers**

**Banco Bilbao Vizcaya Argentaria, S.A.**  
**Belfius Bank**  
**Citigroup**  
**Crédit Agricole CIB**  
**J.P. Morgan**  
**Morgan Stanley**  
**Nomura**  
**UBS Investment Bank**

**Barclays**  
**BNP PARIBAS**  
**Commerzbank**  
**Credit Suisse**  
**Landesbank Baden-Württemberg**  
**Natwest Markets**  
**Société Générale Corporate & Investment Banking**  
**UniCredit Bank**

**Base Prospectus dated 18 May 2017**

## Responsibility Statement

Belfius Bank accepts responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Notes issued under the Programme. To the best of the knowledge of Belfius Bank (having taken all reasonable care to ensure that such is the case), the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

## General

This Base Prospectus has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each a “**Relevant Member State**”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly, any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Base Prospectus as completed by the final terms (“**Final Terms**”) in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for Belfius Bank or any Dealer (as defined in “Overview of the Programme” below) to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case in relation to such offer. Neither Belfius Bank nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for Belfius Bank or any Dealer to publish or supplement a prospectus for such offer. The expression “**Prospectus Directive**” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

This Base Prospectus is to be read in conjunction with all documents which are incorporated herein by reference (see “Documents Incorporated by Reference”). This Base Prospectus should be read and construed together with any amendments or supplements hereto and, in relation to any Tranche of Notes, should be read and construed together with the applicable Final Terms.

No person has been authorised to give any information or to make any representation other than those contained in this Base Prospectus in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by Belfius Bank or any of the Dealers or the Arranger (as defined in “Overview of the Programme”). Neither the delivery of this Base Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of Belfius Bank since the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented, or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented, or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which would otherwise require the publication of a prospectus under the Prospectus Directive (2003/71/EC), the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes).

The distribution of this Base Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus comes are required by Belfius Bank, the Dealers and the Arranger to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”). Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons. For a description of certain restrictions on offers and sales of Notes and on distribution of this Base Prospectus, see “Subscription and Sale”.

This Base Prospectus does not constitute an offer of, or an invitation by or on behalf of Belfius Bank, the Dealers or the Arranger to subscribe for, or purchase, any Notes.

To the fullest extent permitted by law, none of the Dealers or the Arranger accept any responsibility for the contents of this Base Prospectus or for any other statement made or purported to be made by the Arranger or a Dealer or on its behalf in connection with Belfius Bank or the issue and offering of the Notes. The Arranger and each Dealer accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which they might otherwise have in respect of this Base Prospectus or any such statement. Neither this Base Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of Belfius Bank, the Arranger or the Dealers that any recipient of this Base Prospectus or any other financial statements should purchase Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Base Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arranger undertakes to review the financial condition or affairs of Belfius Bank during the life of the arrangements contemplated by this Base Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arranger.

In connection with the issue of any Tranche (as defined in the section “Overview of the Programme – Method of Issue”) of Notes, the Dealer or Dealers (if any) named as the stabilising manager(s) (the “**Stabilising Manager(s)**”) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant Tranche is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche and 60 days after the date of the allotment of the relevant Tranche. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Managers) in accordance with all applicable laws and rules.

In this Base Prospectus, unless otherwise specified or the context otherwise requires, references to “U.S.\$” are to the lawful currency of the United States, to “euro”, “EUR” and “€” are to the lawful currency of the member states of the European Union that have adopted or adopt the single currency in accordance with the Treaty establishing the European Union, as amended, and to “£” are to Sterling, the lawful currency of the United Kingdom.

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## **RISK FACTORS**

*An investment in the Notes involves a degree of risk. Prospective investors should carefully consider the risks set forth below and the other information contained in this Base Prospectus (including information incorporated by reference) before making any investment decision in respect of the Notes. The risks described below are risks which the Issuer believes may have a material adverse effect on the Issuer's financial condition and the results of its operations, the value of the Notes or the Issuer's ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of all or any of such contingencies occurring. Additional risk and uncertainties, including those of which the Issuer is not currently aware or deems immaterial, may also potentially have an adverse effect on the Issuer's business, results of operations, financial condition or future prospectus or may result in other events that could cause investors to lose all or part of their investment.*

*Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with the Notes issued under the Programme are also described below.*

*The Issuer believes that the factors described below represent the principal known risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which are not known to the Issuer or which the Issuer deems immaterial at this time. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus (including any documents deemed to be incorporated in it by reference) and reach their own views prior to making any investment decision.*

*Capitalised terms used herein and not otherwise defined shall bear the meaning ascribed to them in the "Terms and Conditions of the Notes" below.*

### **Factors that may affect Belfius Bank's ability to fulfil its obligations under the Notes.**

Like other banks, Belfius Bank faces financial risk in the conduct of its business, such as credit risk, market risk, operational risk and liquidity risk.

### **Risks related to the business of banks in general, including Belfius Bank**

#### **1. Credit risk**

General credit risks are inherent in a wide range of Belfius Bank's businesses. These include risks arising from changes in the credit quality of its borrowers and counterparties and the inability to recover loans and any amounts due. Belfius Bank is subject to the credit risk that third parties such as trading counterparties, counterparties under swaps and credit and other derivative contracts, borrowers of loans made available by Belfius Bank, the issuers of securities which Belfius Bank holds, customers, clearing agents and clearing houses, exchanges, guarantors, (re-)insurers and other financial intermediaries owing Belfius Bank money, securities or other assets do not pay, deliver or perform under their obligations. Bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure or other reasons may cause them to default on their obligations towards Belfius Bank.

For the management of its credit risks, Belfius Bank uses an Advanced Internal Rating Based approach. This means that Belfius Bank makes use of internal models for defining the key risk

parameters Probability of Default (PD), Loss Given Default (LGD) and Credit Conversion Factor (CCF – the conversion of an available credit line in an expected draw down amount) for off-balance sheet commitments.

When granting credits to individuals (essentially mortgage loans), to self-employed persons and to small enterprises, standardised and automated processes are mainly used, in which the results from the scoring and/or rating models play an important role.

When granting credits to medium-sized and large enterprises as well as Public and Social Banking customers, an individualised approach is implemented. Credit analysts examine the file autonomously and define the customer's internal rating. Then a credit committee takes a decision on the basis of various factors such as solvency, the customer relationship, the customer's prospects, the credit application and the guarantees. In the analysis process, credit applications are carefully examined and only accepted if the borrower's repayment capacity is demonstrated. To support the credit decision process, a RAROC (Risk Adjusted Return on Capital) measures the expected profitability of the credit transaction or even of the full relationship with the customer, and compares it with a required RAROC level (target rate). As such, the RAROC is an instrument for differentiating the risks and for guiding the return combinations in an optimal way.

Belfius Bank has further intensified its strategy of being close to its customers. This approach provides significant added value to Belfius Bank's customers, regardless of the segment in which they operate. Credit and risk committees are regionalised and decision-making powers are increasingly delegated to the regional commercial and credit teams, strengthening the principle of decision-by-proximity. This has resulted in a greater involvement of the various teams in the decision-making process, as well as stronger monitoring of the use of the delegated powers mentioned above.

Belfius Bank monitors the evolution of the solvency of its borrowers throughout the whole credit lifecycle. The different portfolios of the Retail and Commercial Business for which risk management relies on a portfolio approach are reviewed periodically. Customer ratings, using an individualised approach, are also updated periodically, in line with the bank's choice to apply AIRB (Advanced Internal Rating Based) models. The economic review process of credit applications is intended to ensure that any signs of risk can be detected in time and subsequently monitored and/or addressed. This review process is organised, according to the Credit Review Guideline, in an annual cycle, with in-depth analysis for customers with important credit exposures and/or significant (positive or negative) evolutions in their risk profile.

## **2. *Market risk***

The businesses and earnings of Belfius Bank and of its individual business segments are affected by market conditions. Market risk can be understood as the potential adverse change in the value of a portfolio of financial instruments due to movements in market price levels, to changes of the instrument's liquidity, to changes in volatility levels for market prices or to changes in the correlations between the levels of market prices.

Belfius Bank records several additional value adjustments which might vary significantly based on market evolutions of for example credit and basis risk.

Management of market risk within the Issuer is focused on all Non Financial Markets and Financial activities and encompasses interest rate risk, spread risk and the associated credit risk/liquidity risk, foreign-exchange risk, equity risk (or price risk), inflation risk and commodity price risk.

### **Non Financial Markets activities**

Managing structural exposure to market risks (including interest rate risk, equity risk, real estate risk and foreign exchange risk) is also known as Asset/Liability Management (“**ALM**”). The structural exposure at Belfius Bank results from the imbalance between its assets and liabilities in terms of volumes, durations and interest rate sensitivity.

Belfius Bank’s Board of Directors has the ultimate responsibility for setting the strategic risk tolerance, including the risk tolerance for market risks in non financial markets activities. The Management Board of Belfius Bank and Belfius Insurance have the ultimate responsibility for managing the interest rate risks of Belfius within the above set risk tolerance and within the regulatory framework.

Operational responsibility for effective ALM is delegated to the Asset & Liability Committee (“**ALCo**”). The ALCo manages interest rate risk, foreign exchange risk, and liquidity risk of Belfius Bank’s and Belfius Insurance’s balance sheets within a framework of normative limits and reports to the Management Board. Important files at a strategic level are submitted for final decision to the Management Board, which has the final authority before any practical implementation.

The ALCo of Belfius Bank is responsible for guiding and monitoring balance sheet and off-balance sheet commitments and, doing so, places an emphasis on:

- the creation of a stable income flow;
- the maintenance of economic value; and
- the insurance of robust and sustainable funding.

### **Financial Markets activities**

Financial Markets activities encompass client-oriented activities and hedge activities at Belfius Bank. No Financial Markets activities are undertaken at Belfius Insurance. For their needs in Financial Markets products, Belfius Insurance turns to Belfius Bank or to other banks.

The Value-at-Risk (“**VaR**”) concept is used as the principal metric for proper management of the market risk Belfius Bank is facing. The VaR measures the maximum loss in Net Present Value (“**NPV**”) the bank might be facing in normal and/or historical market conditions over a period of 10 days with a confidence interval of 99%. The following risks are monitored at Belfius Bank using a VaR computation:

- interest rate and foreign-exchange rate risk: this category of risk is monitored via an historical VaR based on an internal model approved by the National Bank of Belgium. The historical simulation approach consists of managing the portfolio through a temporal series of historical asset yields. These revaluations generate a distribution of portfolio values (yield histogram) on the basis of which a VaR (% percentile) may be calculated.  
The main advantages of this type of VaR are its simplicity and the fact that it does not assume a normal but a historical distribution of asset yields (distributions may be non-normal and the behaviour of the observations may be non-linear).



- general and specific equity risks are measured on the basis of a historical VaR with full valuation based on 300 scenarios.
- spread risk and inflation risk are measured via a historical approach, applying 300 observed variations on the sensitivities.

Since the end of 2011, Belfius Bank has computed a Stressed Value-at-Risk (“**S-VaR**”) on top of its regular VaR. This S-VaR measure consists of calculating an additional VaR based on a 12 consecutive months observation period which generates the largest negative variations of Net Present Value in the bank’s current portfolio of financial instruments.

### **3. Operational risk**

Belfius Bank defines “operational risk” as the risk of financial and / or non-financial impact resulting from inadequate or failed internal processes, people and systems, or from external events. The definition includes legal, reputational and strategic risk but excludes expenses from commercial decisions.

The framework on the management of operational risk at Belfius Bank in place is based on the principles mentioned in the “principles for the sound management of operational risk” of the Bank for International Settlements.

The governance structure is based on a first line responsibility by the business management and a second line responsibility by the operational risk management department, who defines the methodological principles. There is a clear separation of duties between both lines.

The operational risk management includes the collection of operational events (loss data), the organisation of yearly risk and control self-assessments, as well as the performance of scenario analysis, the collection of insurance claims and the yearly review of the insurance policies, advice on operational risk topics, co-ordination of the fraud management at Belfius Bank, the development and testing of business continuity plans and performance of business impact analysis, a crisis management programme, the management of information risk. All activities of Belfius Bank are covered by the current framework.

### **4. Liquidity risk**

The liquidity risk at Belfius Bank mainly stems from:

- changes to the commercial funding amounts collected from Retail and Private customers, small, medium-sized and large companies, public and similar customers and the way these funds are allocated to customers through loans;
- the volatility of the collateral that is to be deposited with counterparties as part of the framework for derivatives and repo transactions (so called cash & securities collateral);
- the value of the liquid reserves by virtue of which Belfius Bank can collect funding on the repo market and/or from the European Central Bank (“ECB”);
- the capacity to obtain interbank and institutional funding.

Liquidity and Capital Management (LCM), a division situated within the scope of the Chief Financial Officer (CFO), is the front-line manager for the liquidity requirements of Belfius Bank. It identifies,

analyses and reports on current and future liquidity positions and risks, and defines and coordinates funding plans and actions under the operational responsibility of the CFO and under the general responsibility of the Management Board. The CFO also bears final operational responsibility for managing the interest rate risk contained in the banking balance sheet via the ALM department and the ALCo, meaning that total bank balance sheet management lies within its operational responsibility.

LCM organises a weekly Liquidity Management Committee (LMC), in presence of the CFO, the Risk department, the Treasury department of the Financial Markets and the Retail & Commercial and Public & Corporate business lines. This committee implements the decisions taken by LCM in relation to obtaining short-term and long-term funding on the institutional markets and through the commercial franchise.

LCM also monitors the funding plan to guarantee Belfius Bank will continue to comply with its internal and regulatory liquidity ratios.

LCM reports on a daily and weekly basis to the Management Board about the Bank's liquidity situation.

Second-line controls for monitoring the liquidity risk are performed by the Risk department, which ensures that the reports published are accurate, challenges the retained hypothesis and models, realises simulation over stress situations and oversees compliance with limits, as laid down in the Liquidity Guidelines.

## **5. Competition**

Belfius Bank faces strong competition across all its markets from local and international financial institutions including banks, life insurance companies and mutual insurance organisations. While Belfius Bank believes it is positioned to compete effectively with these competitors, there can be no assurance that increased competition will not adversely affect Belfius Bank's pricing policy and lead to losing market share in one or more markets in which it operates.

Competition is also affected by other factors such as changes in consumer demand and regulatory actions. Moreover competition can increase as a result of internet and mobile technologies changing customer behaviour, the rise of mobile banking and the threat of banking business being developed by non-financial companies, all of which may reduce the profits of the credit institution.

## **6. Increased and changing regulation of the financial services industry could have an adverse effect on Belfius Bank's operations**

As is the case for all credit institutions, Belfius Bank's business activities are subject to substantial regulation and regulatory oversight in the jurisdictions in which it operates, mainly in Belgium.

Recent developments in the global markets have led to an increased involvement of various governmental and regulatory authorities in the financial sector and in the operations of financial institutions. In particular, governmental and regulatory authorities in France, the United Kingdom, the United States, Belgium, Luxembourg and elsewhere have, as a result, provided additional capital and funding requirements and have introduced and may, in the future, be introducing a significantly more restrictive regulatory environment, including new accounting and capital adequacy rules, restrictions on termination payments for key personnel and new regulation of derivative instruments. Current

regulation, together with future regulatory developments, could have an adverse effect on how Belfius Bank conducts its business and on the results of its operations.

The recent global economic downturn has resulted in significant changes to regulatory regimes. There have been significant regulatory developments in response to the global crisis, including the stress test exercise co-ordinated by the Committee of European Banking Supervisors in co-operation with the ECB, liquidity risk assessments and the adoption of a new regulatory framework. The most relevant areas of regulation include the following:

- The requirements under Basel III have been implemented in the European Union through the adoption of (i) Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions on prudential requirements for credit institutions and investment firms (“**CRD**”) and (ii) Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (“**CRR**” and together with CRD, “**CRD IV**”).
- As part of the so-called banking union, the “**Single Supervision Mechanism**” or “**SSM**” was adopted by Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions. Under the SSM, the European Central Bank (ECB) has assumed certain supervisory responsibilities in relation to Belfius Bank, which were previously handled by the NBB. The ECB may interpret the applicable banking regulations, or exercise discretions given to the regulator under the applicable banking regulations, in a different manner than the NBB.
- Regulation 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Bank Resolution Fund and amending Regulation (EU) No 1093/2010 of the European Parliament and the Council (“**Single Resolution Mechanism**” or “**SRM**”). The Single Resolution Mechanism entered into force on 19 August 2014 and applies to credit institutions which fall under the supervision of the ECB, including the Issuer. The SRM has established a Single Resolution Board (“**SRB**”) which, since 1 January 2016, is the authority in charge of vetting resolution plans and carrying out the resolution of a credit institution that is failing or likely to fail. The Single Resolution Board will act in close cooperation with the European Commission, the European Central Bank and the national resolution authorities (which, in case of the Issuer, includes the resolution college of the NBB within the meaning of Article 21ter of the Belgian law of 22 February 1998 establishing the organic statute of the National Bank of Belgium (the “**Belgian Resolution College**”). The Single Resolution Board together with the Belgian Resolution College (where applicable) is hereinafter referred to as the “**Resolution Authority**”. Moreover, the SRM established a Single Resolution Fund (“**SRF**”) which will be built up with contributions of the banking sector to ensure the availability of funding support for the resolution of credit institutions. The overall aim of the SRM is to ensure an orderly resolution of failing banks with minimal costs to taxpayers and the real economy.

- Directive 2014/59/EC of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms, which provides for a framework for the recovery and resolution of credit institutions and investment firms (the “**Bank Recovery and Resolution Directive**” or “**BRRD**”). The aim of the BRRD is to provide supervisory and resolution authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses.

Belfius Bank's business and earnings are also affected by fiscal and other policies that are adopted by the various regulatory authorities of the European Union, foreign governments and international agencies. The nature and impact of future changes to such policies are not predictable and are beyond Belfius Bank's control.

Belfius Bank conducts its business subject to on-going regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies and interpretations mainly in Belgium but also in the other regions in which Belfius Bank does business. Changes in supervision and regulation, in particular in Belgium, could materially affect Belfius Bank's business, the products and services offered by it or the value of its assets.

On 23 November 2016, the European Commission published two proposals amending, *inter alia*, the CRR, the CRD, the BRRD and the SRMR. These proposals aim to (i) increase the resilience of European institutions and enhancing financial stability, (ii) improve banks' lending capacity to support the EU economy and (iii) further facilitate the role of banks in achieving deeper and more liquid EU capital markets to support the creation of a Capital Markets Union. These proposals remain however subject to negotiation between the Member States and have been submitted to the European Parliament and to the Council for consideration and adoption.

## 7. **Belgian banking law**

On 25 April 2014, a new law on the status and supervision of credit institutions was adopted in Belgium (i.e. *Wet op het statuut van en het toezicht op kredietinstellingen / Loi relative au statut et au contrôle des établissements de crédit*) (the “**Belgian Banking Law**”). The Belgian Banking Law entered, subject to certain exceptions at that time (including in respect of its resolution regime), into force on 7 May 2014.

The Belgian Banking Law is based on the existing regulatory framework and implements into Belgian law (i) the CRD, as further explained in paragraph 8 (*Effective capital management and capital adequacy and liquidity requirements*) below, and (ii) the BRRD, as further explained in paragraph 9 (*European Resolution Regime*) below. The Belgian Banking Law, however, has an impact that goes beyond the mere transposition of the aforementioned CRD and BRRD. This is, in particular, but not solely, due to (i) the increased regulatory attention to, and regulation of, corporate governance (including executive compensation), (ii) the need for strategic decisions to be pre-approved by the regulator, and (iii) the prohibition (subject to limited exceptions) of proprietary trading. In respect of the last point, since introduction, this prohibition did not have a material impact on the business of Belfius Bank as it is currently being conducted. The BRRD has been fully transposed into Belgian law in 2015.

The Lead Regulator (as defined in the Conditions) will need to pre-approve any strategic decision of any Belgian financial institution subject to the Belgian Banking Law (including the Issuer, and regardless of it being systemically important or not). For these purposes, strategic decisions include decisions having significance relating to each investment, disinvestment, participation or strategic cooperation agreement of the financial institution, including decisions regarding the acquisition of another institution, the establishment of another institution, the incorporation of a joint venture, the establishment in another country, the conclusion of cooperation agreement, the contribution of or the acquisition of a branch of activities, a merger or a demerger. The Lead Regulator will have the benefit of extensive discretionary power in this area.

It should be noted that (i) certain elements of the Belgian Banking Law require further detailed measures to be taken by other authorities, in particular the National Bank of Belgium, (ii) certain elements of the Belgian Banking Law will be influenced by further regulations (including through technical standards) taken or to be taken at European level, and (iii) the application of the Belgian Banking Law may be influenced by the recent assumption by the European Central Bank of certain supervisory responsibilities which were previously handled by the National Bank of Belgium and, in general, by the allocation of responsibilities between the European Central Bank and the National Bank of Belgium.

Finally, it should be noted that certain of the European initiatives (in particular the prohibition on proprietary trading) to be transposed into Belgian law pursuant to the Belgian Banking Law are still in draft form, or subject to political discussion, at the European level. Whilst the Belgian Banking Law contains powers to allow the government to conform the Belgian Banking Law to developments at a European level in certain areas through a royal decree, it cannot be ruled out that there will be differences between the regulatory regime promulgated by the relevant European directives and the regulatory regime of the Belgian Banking Law.

#### **8. *Effective capital management and capital adequacy and liquidity requirements***

Effective management of Belfius Bank's capital is critical to its ability to operate its businesses and to grow organically. Belfius Bank is required by regulators in Belgium and other jurisdictions in which it undertakes regulated activities to maintain adequate capital resources. The maintenance of adequate capital is also necessary for Belfius Bank's financial flexibility in the face of continuing turbulence and uncertainty in the global economy. Accordingly, the purpose of the issuance of the Notes is, amongst others, to allow Belfius Bank to strengthen its capital position.

In December 2010, the Basel Committee on Banking Supervision (the "**Basel Committee**") reached agreement on comprehensive changes to the capital adequacy framework, known as Basel III. A revised version of Basel III was published in June 2011. The purpose was to raise the resilience of the banking sector by increasing both the quality and quantity of the regulatory capital base and enhancing the risk coverage of the capital framework. Among other things, Basel III introduced new eligibility criteria for common equity Tier 1, Additional Tier 1 and Tier 2 capital instruments with a view to raising the quality of regulatory capital, and increased the amount of regulatory capital that institutions are required to hold. Basel III also requires institutions to maintain a capital conservation buffer above the minimum capital ratios which, if not maintained, results in certain capital distribution constraints being imposed on Belfius Bank. The capital conservation buffer, to be comprised of common equity Tier 1 capital, would result in an effective common equity Tier 1 capital requirement of 7 per cent. of

risk-weighted assets (i.e., its assets adjusted for their associated risks). In addition, Basel III directs national regulators to require certain institutions to maintain a counter-cyclical capital buffer during periods of excessive credit growth. Basel III further introduced a leverage ratio for institutions as a backstop measure, to be applied from 2018 alongside current risk-based regulatory capital requirements. The changes in Basel III are contemplated to be phased in gradually between January 2013 and January 2022. Basel III has been introduced in the European Union through CRD IV.

CRD IV (consisting of CRD and CRR) has applied since 1 January 2014 and imposes a series of new requirements, many of which are being phased in over a number of years. Certain portions of CRD have been transposed into Belgian law through the Belgian Banking Law and, although CRR applies directly in each Member State, CRR leaves a number of important interpretational issues to be resolved through binding technical standards, and leaves certain other matters to the discretion of national regulators. In addition, the European Central Bank may, following the assumption of certain supervisory responsibilities, interpret CRD IV, or exercise discretion accorded to the regulator under CRD IV (including options with respect to the treatment of assets of other affiliates) in a different manner than the National Bank of Belgium. To the extent that Belfius Bank has estimated the indicative impact that CRD IV may have on the calculation of its risk-weighted assets and capital ratios, such estimates are preliminary and subject to uncertainties and change.

Basel III and CRD IV change the capital adequacy and liquidity requirements in Belgium and in other jurisdictions. The application of, amongst others, increasingly stringent stress case scenarios by the regulators may (i) require Belfius Bank to raise additional capital resources (including common equity Tier 1, additional Tier 1 capital and Tier 2 capital) by way of further issuances of securities, and (ii) result in existing Tier 1 and Tier 2 securities issued by Belfius Bank ceasing to count towards Belfius Bank's regulatory capital, either at the same level as present or at all. The requirement to raise additional Tier 1 and Tier 2 capital could have a number of negative consequences for Belfius Bank. If Belfius Bank is unable to raise the requisite capital, it may be required to further reduce the amount of its weighted risks.

Based on recent disclosure in MREL (as defined below) published by SRB, Belfius mechanical target would potentially amount to 24.5% of risk exposure in fully loaded format. Including the Market Confidence Charge (as defined below on page 108), Belfius mechanical target would potentially amount to 27.25%.

Any change that limits Belfius Bank's ability to manage effectively its balance sheet and capital resources going forward (including, for example, reductions in profits and retained earnings as a result of impairments and increases in weighted risks) or to access funding sources could have a material adverse impact on its financial condition and regulatory capital position or result in a loss of value in the Notes.

## **9. *European resolution regime***

The BRRD grants powers to resolution authorities that include (but are not limited to) the introduction of a statutory "write-down and conversion power" in relation to Tier 1 capital instruments and Tier 2 capital instruments (including the Subordinated Notes) and a "bail-in" power in relation to eligible liabilities (as defined in BRRD) (including the Senior Notes) and capital instruments. These powers allow the Lead Regulator to cancel all or a portion of the principal amount of, or interest on, certain unsecured liabilities (which could include the Notes) of an institution and/or to convert certain debt

claims (which could be the Notes) into another security, including ordinary shares of Belfius Bank or any other surviving group entity, if any. The “write down and conversion” and “bail-in” powers are part of a broader set of resolution powers provided to the resolution authorities under the BRRD in relation to distressed credit institutions and investment firms. These resolution powers include the ability for the resolution authorities to force, in certain circumstance of distress, the sale of credit institution’s business or its critical functions, the separation of assets, the replacement or substitution of the credit institution as obligor in respect of debt instruments, modifications to the terms of debt instruments (including amending the maturity date, any interest payment date or the amount of interest payable and/or imposing a temporary suspension of payments) and/or discontinue the listing and admission to trading of debt instruments issued by the credit institution.

The Resolution Authority must write down or convert all Tier 1 capital instruments and Tier 2 capital instruments (such as the Subordinated Notes) at the institution's or group’s point of non-viability (i.e., the point at which the relevant authority determines that the institution or group meet the conditions for resolution or would cease to be viable (within the meaning of Article 251 of the Belgian Banking Law) if those capital instruments were not written down or converted). In addition, all Tier 1 capital instruments and the Tier 2 capital instruments (such as the Subordinated Notes) must be written-down or converted before, or at least together with, the application of any resolution tool (including the exercise of the bail-in powers). See also risk factor “*Holders of Subordinated Notes will be required to absorb losses in the event the Issuer becomes non-viable or if the conditions for the exercise of resolution powers are met*” on page 21 of this Prospectus.

Accordingly, the Subordinated Notes could, in any event, be written-down or converted at the latest at the same time as any bail-in of senior debt claims and possibly before, if deemed necessary in order to avoid the institution becoming non-viable.

#### **10. *Belgian bank recovery and resolution regime***

Under the Belgian bank recovery and resolution regime, the supervisory and resolution authorities are able to take a number of measures in respect of any credit institution they supervise if deficiencies in such credit institution's operations are not remedied. Such measures include: the appointment of a special commissioner whose consent is required for all or some of the decisions taken by all the institution's corporate bodies; the imposition of additional requirements in terms of solvency, liquidity, risk concentration and the imposition of other limitations; requesting limitations on variable remuneration; the complete or partial suspension or prohibition of the institution's activities; the requirement to transfer all or part of the institution's participations in other companies; replacing the institution's directors or managers; and revocation of the institution's licence, the right to impose the reservation of distributable profits, or the suspension of dividend distributions or interest payments to holders of Additional Tier 1 capital instruments.

Furthermore, the Lead Regulator can impose specific measures on an important financial institution (including the Issuer, and whether systemic or not) when the Lead Regulator is of the opinion that (a) such financial institution has an unsuitable risk profile or (b) the policy of the financial institution can have a negative impact on the stability of the financial system.

The Belgian Banking Law allows the Resolution Authority to take resolution actions (in which respect please see paragraph 9 (*European Resolution Regime*) above). Such powers include the power to (i) direct the sale of the relevant financial institution or the whole or part of its business on commercial

terms without requiring the consent of the shareholders or complying with procedural requirements that would otherwise apply, (ii) transfer all or part of the business of the relevant financial institution to a “bridge institution” (an entity created for that purpose which is wholly or partially in public control) and (iii) separate assets by transferring impaired or problem assets to a bridge institution or one or more asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down.

In addition, since 1 January 2016, the Belgian Banking Law provides a "bail in" power to the Resolution Authority. Such bail-in power allows the Resolution Authority to write down or convert into shares or other proprietary instruments all or part of a credit institution's eligible liabilities in order to (i) recapitalise the credit institution to the extent it is sufficient to restore its ability to comply with its licensing conditions and to continue to carry out the activities for which it is licensed and to sustain sufficient market confidence in the institution, or (ii) convert or reduce the principal amount of debt instruments that are transferred to a bridge institution with a view to providing capital for that bridge institution or as part of a sale of the business or transfer of assets.

For the purpose of the Resolution Authority's bail-in powers, credit institutions (including Belfius Bank) must at all times meet a minimum requirement for own funds and eligible liabilities. This minimum requirement is an amount of own funds and eligible liabilities, expressed as a percentage of the credit institution's total liabilities and own funds. The draft technical standards on the criteria for determining the minimum requirement for own funds and eligible liabilities do not provide details on the implications of a failure by an institution to comply with its minimum requirement for own funds and eligible liabilities under the Directive 2014/59/EU of the European Parliament and of the Council, establishing an EU-wide framework for the recovery and resolution of credit institutions and investment firms, as set in accordance with Article 45 of such Directive (as transposed in article 459 of the Belgian Banking Law) and Commission Delegated Regulation (C(2016) 2976 final) of 23 May 2016, or any successor requirement ("MREL"). However, if the approach set out by the Financial Stability Board in respect of the Total Loss-Absorbing Capacity (“TLAC”) for G-SIBs is adopted in respect of MREL, then there is a possibility that a failure by an institution to comply with MREL could be treated in the same manner as a failure to meet minimum regulatory capital requirements. Accordingly, a failure by the Issuer to comply with its MREL requirement may have a material adverse effect on the Issuer’s business, financial conditions and results of operations. For the time being, Belfius Bank is not a G-SIB as defined under the FSB TLAC term Sheet and is therefore currently not subject to the FSB TLAC Term Sheet.

Any bail-in of eligible liabilities will only occur after, or at the same time as, the write-down or conversion of the Subordinated Notes by the Resolution Authority. Only where the exercise of these write-down and conversion powers is insufficient to meet the requirements of Article 267/6 of the Belgian Banking Law will the Resolution Authority exercise its bail-in powers by (i) writing-down or converting the principal amount of subordinated debts that do not constitute Tier 1 or Tier 2 capital instruments and (ii) to the extent such write-down or conversion is insufficient, the principal amount of the remaining eligible liabilities (each time taking into account the priority of claims in insolvency proceedings). The “write-down and conversion power” (see paragraph 9 (*European resolution regime*) above) has also been transposed in the Belgian Banking Law.

Subject to certain exceptions, as soon as any of these proceedings (including bail-in) have been initiated by the Resolution Authority, the relevant counterparties of such credit institution would not be



entitled to invoke events of default or set off their claims against the credit institution. The Belgian Banking Law confirms that the powers described above will not affect the financial collateral arrangements (including close-out netting and repo-transactions) subject to the Belgian law of 14 December 2004 on financial collateral (transposing Directive 2002/47/EC in Belgian law), although the mere fact that a recovery or resolution measure is taken by the Resolution Authority may not cause an event of default, give rise to any close-out or enforcement of security to the extent that the essential provisions of the agreement remain respected. In addition, the protection of financial collateral arrangements provided for by the Belgian Banking Law is slightly broader than the regime set out in the BRRD (with the latter containing certain exceptions to the protection of such arrangements to the extent deposits that may be repayable by a deposit guarantee scheme are part of such arrangements) and as a consequence the Belgian Banking Law may need to be amended to provide for the same exceptions.

As indicated above, under the Belgian Banking Law, the powers of the supervisory and resolution authorities are significantly expanded. Implementation by the supervisory and/or resolution authorities of any of their powers of intervention could have an adverse effect on the interests of the Noteholders.

## **Investment considerations relating to the business of Belfius Bank**

### **1. *Business conditions and the general economy***

The Issuer's profitability could be adversely affected by a worsening of general economic conditions domestically, globally or in certain individual markets such as Belgium. Factors such as interest rates, inflation, investor sentiment, the availability and cost of credit, the liquidity of the global financial markets and the level and volatility of equity prices could significantly affect the activity level of customers. For example:

- An economic downturn or significantly higher interest rates could adversely affect the credit quality of Belfius Bank's on-balance sheet and off-balance sheet assets by increasing the risk that a greater number of Belfius Bank's customers would be unable to meet their obligations;
- Persistently negative and decreasing short term interest rates could exert a negative influence on Belfius Bank's capacity to generate a sufficiently high level of revenues;
- A continuing market downturn or significant worsening of the economy could cause Belfius Bank to incur mark-to-market losses in some of its portfolios; and
- A continuing market downturn would be likely to lead to a decline in the volume of transactions that Belfius Bank executes for its customers and, therefore, lead to a decline in the income it receives from fees and commissions and interest.

All of the above could in turn affect Belfius Bank's ability to meet its payments under the Notes.

### **2. *Current market conditions and recent developments***

Sustained actions by the monetary authorities in both the United States and the Eurozone have created the conditions necessary to achieve stability in the financial system and permitted the start and continuation of the economic recovery. By injecting money into the economy and by creating proper financing systems, by creating a banking union in the European Union and thanks to the regulatory

requirements embedded within that banking union the confidence in the stability of the financial systems has returned. However, financial institutions can still be forced to seek additional capital, merge with larger and stronger institutions and, in some cases, be resolved in an organised manner.

The capital and credit markets have recently experienced an overall reduction in volatility. In some cases, this has resulted in upward pressure of stock and bond prices, and has also resulted in increased business and consumer confidence. The economy has left a period of distress and entered a phase of low economic growth and low interest rates. Due to the monetary policy pursued within the European Union interest rates have been pushed to extremely low and in some cases negative levels. While this is a factor that has contributed to the economic recovery, it has also strengthened the upward pressure that is exerted on the prices of some financial assets, like different types of bonds, real estate or even stocks. Should this policy be reversed then it cannot be excluded that this could lead to increased volatility in the financial markets and falling asset prices such that confidence gets lowered and business activity reduced which may materially and adversely affect the Issuer's business, financial condition and operational results, which could in turn affect the Issuer's ability to meet its payments under the Notes.

### **3. *Uncertain economic conditions***

Belfius Bank's business activities are dependent on the level of banking, finance and financial services required by its customers. In particular, levels of borrowing are heavily dependent on customer confidence, the state of the economies Belfius Bank does business in, market interest rates and other factors that affect the economy. Also, the market for debt securities issued by banks is influenced by economic and market conditions in Belgium and, to varying degrees, market conditions, interest rates, currency exchange rates and inflation rates in other European and other countries. There can be no assurance that current events in Europe or elsewhere will not cause market volatility or that such volatility will not adversely affect the price of the Notes or that economic and market conditions will not have any other adverse effect. The profitability of Belfius Bank's businesses could, therefore, be adversely affected by a worsening of general economic conditions in its markets, as well as by foreign and domestic trading market conditions and/or related factors, including governmental policies and initiatives. An economic downturn or significantly higher interest rates could increase the risk that a greater number of Belfius Bank's customers would default on their loans or other obligations to Belfius Bank, or would refrain from seeking additional borrowing. As Belfius Bank currently conducts the majority of its business in Belgium, its performance is influenced by the level and cyclical nature of business activity in this country, which is in turn affected by both domestic and international economic and political events. There can be no assurance that a lasting weakening in the Belgian economy will not have a material adverse effect on Belfius Bank's future results.

### **4. *A downgrade in the credit rating***

The rating agencies, Standard & Poor's, Moody's and Fitch Ratings or other rating agency if applicable, use ratings to assess whether a potential borrower will be able in the future to meet its credit commitments as agreed. A major element in the rating for this purpose is an appraisal of the company's net assets, financial position and earnings performance. In addition, Belfius Bank is wholly owned by the Belgian federal state through the Federal Holding and Investment Company, and it is possible that, if the ratings assigned to the Belgian federal state were to be downgraded, that could result in the ratings assigned to Belfius Bank being negatively affected. Moreover, as the ownership of

a bank is one of the factors taken into in determining a bank's rating, a change of ownership of Belfius Bank could have a potential impact on the ratings assigned to Belfius Bank. A bank's rating is an important comparative element in its competition with other banks. It also has a significant influence on the individual ratings of the most important subsidiaries. A downgrading or the mere possibility of a downgrading of the rating of Belfius Bank or one of its subsidiaries might have adverse effects on the relationship with customers and on the sales of the products and services of the company in question. In this way, new business could suffer, Belfius Bank's competitiveness in the market might be reduced, and its funding costs would increase substantially. A downgrading of the rating would also have adverse effects on the costs to Belfius Bank of raising equity and borrowed funds and might lead to new liabilities arising or to existing liabilities being called that are dependent upon a given rating being maintained. It could also happen that, after a downgrading, Belfius Bank would have to provide additional collateral for derivative transactions in connection with rating-based collateral arrangements. If the rating of Belfius Bank were to fall within reach of the non-investment grade category, it would suffer considerably. In turn, this would have an adverse effect on Belfius Bank's ability to be active in certain business areas.

**5. *Catastrophic events, terrorist attacks and other acts of war***

Catastrophic events, terrorist attacks, other acts of war or hostility, and responses to those acts may create economic and political uncertainties, which could have a negative impact on economic conditions in the regions in which Belfius Bank operates and, more specifically, on the business and results of operations of Belfius Bank in ways that cannot be predicted.

**6. *The proposed financial transactions tax ("FTT")***

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common financial transactions tax (the "**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). In December 2015, Estonia withdrew from the group of participating Member States willing to introduce the FTT.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State. The Issuer is a financial institution incorporated in Belgium and therefore financial institutions worldwide would be subject to the FTT when dealing in the Notes.

The FTT proposal remains subject to negotiation between the participating Member States and the scope of any such taxation is uncertain. Additional EU Member States may decide to participate. Given the lack of certainty surrounding the proposals and their implementation, it is not possible to

predict what effect the proposed FTT might have on the business of Belfius Bank; it could materially adversely affect the business of Belfius Bank.

Prospective Noteholders are strongly advised to seek their own professional advice in relation to the FTT.

**7. *A substantial part of Belfius Bank's assets are encumbered***

Like every credit institution, a non-negligible part of the Issuer's assets are collateralised (by means of an outright pledge, repo transaction or otherwise). The amount of assets pledged is linked to the funding granted by external parties who demand collateral to mitigate the potential risk on the Issuer.

Belfius Bank established in November 2012 a Belgian Mortgage Pandbrieven Programme and in October 2014 a Belgian Public Pandbrieven Programme. Both programmes are licensed by the NBB and each can issue Belgian pandbrieven for a maximum amount of EUR 10,000,000,000. In accordance with the law of 3 August 2012 establishing a legal regime for Belgian covered bonds, the investors of pandbrieven benefit from a dual recourse, being an unsecured claim against the general estate of Belfius Bank and an exclusive claim against the relevant special estate of Belfius Bank: one special estate for the mortgage pandbrieven and another special estate for the public pandbrieven. With respect to the assets of the general estate of Belfius Bank, the holders of Senior Preferred Notes, as unsecured and unsubordinated creditors of Belfius Bank, will rank *pari passu* with the investors of pandbrieven and any other unsecured and unsubordinated creditors of Belfius Bank. However, the Noteholders may not exercise any rights against or attach any assets of the special estates as they are reserved for the holders of pandbrieven. A credit institution cannot issue any further Belgian covered bonds if the amount of cover assets exceeds 8 per cent. of the issuing credit institution's total assets.

The special estate in relation to the Belgian Mortgage Pandbrieven Programme is mainly composed of residential mortgage loans and the special estate in relation to the Belgian Public Pandbrieven Programme is mainly composed of loans to Belgian public sector entities. The value of the assets, contained in the relevant special estate, needs to be in proportion with the nominal amount of issued pandbrieven under such programme (in accordance with applicable law and issue conditions). Only pandbrieven investors and other creditors, which can be identified based on the pandbrieven issue conditions, have a claim on the relevant special estate.

Finally, it should be noted that the Belgian Banking Law introduced (i) a general lien on movable assets ("*algemeen voorrecht op roerende goederen*" / "*privilège général sur biens meubles*") for the benefit of the deposit guarantee fund ("*garantiefonds voor financiële diensten*" / "*fonds de garantie pour les services financiers*") as well as (ii) a general lien on moveable assets for the benefit of natural persons and SMEs for deposits exceeding EUR 100,000. These general liens entered into force on 3 March 2015. Such general liens could have an impact on the recourse that any Noteholder would have on the general estate of Belfius Bank in the case of an insolvency as the claims which benefit from such general liens will rank (i) *pari passu* with the claims of the holders of Senior Preferred Notes and (ii) ahead of the claims of the holders of Subordinated Notes.

## **Factors which are material for the purpose of assessing the market risks associated with the Notes**

Each of the factors described above may also have an impact on the risks associated with the Notes. Prospective investors should carefully read the information set out below in conjunction with the risk factors related to the businesses of the Issuer.

The following does not describe all the risks of an investment in the Notes. Prospective investors should consult their own financial and legal advisers about risks associated with investment in the Notes and the suitability of investing in the Notes in light of their particular circumstances.

### ***1. Notes may not be a suitable investment for all investors***

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances.

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent the Notes are legal investments for it.

In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to the overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

**2. *Holders of Subordinated Notes will be required to absorb losses in the event the Issuer becomes non-viable or if the conditions for the exercise of resolution powers are met***

Holders of Subordinated Notes will lose some or all of their investment as a result of a statutory write-down or conversion of the Subordinated Notes if the Issuer or group fails or is likely to fail, becomes non-viable, requires extraordinary public support or if otherwise the conditions for the exercise of resolution powers are met.

Under the Belgian Banking Law, the Resolution Authority may decide to write-down the Subordinated Notes or to convert the Subordinated Notes into common equity tier 1 capital of the Issuer if one or more of the following circumstances apply:

- (a) the Resolution Authority determines that Belfius Bank meets the conditions for resolution specified in Article 244, §1 of the Belgian Banking Law; i.e., if the Resolution Authority considers that all of the following conditions are met:
    - (i) the determination that Belfius Bank is failing or is likely to fail has been made by the Lead Regulator or the Resolution Authority (in each case, after consulting each other), which means that one or more of the following circumstances are present:
      - (A) Belfius Bank infringes or there are objective elements to support a determination that Belfius Bank will, in the near future, infringe the requirements for continuing authorisation in a way that would justify the withdrawal of the authorisation by the competent authority, including but not limited to because Belfius Bank has incurred or is likely to incur losses that will deplete all or a significant amount of its own funds;
      - (B) the assets of Belfius Bank are or there are objective elements to support a determination that the assets of Belfius Bank will, in the near future, be less than its liabilities;
      - (C) Belfius Bank is or there are objective elements to support a determination that Belfius Bank will, in the near future, be unable to pay its debts or other liabilities as they fall due;
      - (D) Belfius Bank requests extraordinary public financial support.
    - (ii) having regard to timing and other relevant circumstances, there is no reasonable prospect that any alternative private sector measures or supervisory action taken in respect of Belfius Bank would prevent its failure within a reasonable timeframe; and
    - (iii) a resolution action is necessary in the public interest. A resolution action will be deemed necessary in the public interest if it is necessary to meet one or more objectives referred to in Article 243, §1 of the Belgian Banking Law and a liquidation of the credit institution would not allow such objectives to be met in the same measure,
- in which case the Resolution Authority shall, in any event, exercise its write-down and conversion powers before taking any resolution action (including the use of the bail-in tool);
- (b) the Resolution Authority determines that unless the write-down or conversion power is exercised in relation to the Subordinated Notes, Belfius Bank or its group will no longer be viable; or

(c) Belfius Bank requests extraordinary public financial support.

The purpose of the statutory write-down and conversion powers is to ensure that the Tier 1 and Tier 2 capital instruments of the Issuer (including the Subordinated Notes) fully absorb losses if one or more of the above circumstances apply and before any resolution action (including the use of the bail-in tool) is taken.

The exercise by the Resolution Authority of its write down or conversion powers in relation to the Subordinated Notes, or the (perceived) prospect of such exercise, could have a material adverse effect on the value of the Subordinated Notes and could lead to the holders of Subordinated Notes losing some or all of their investment in the Subordinated Notes.

### **3. *Bail-in of senior debt and other eligible liabilities, including the Senior Notes***

Given the entry into force of the bail-in regime, holders of Senior Notes may lose some or all of their investment (including outstanding principal and accrued but unpaid interest) as a result of the exercise by the Resolution Authority of the “bail-in” resolution tool.

Following the transposition of the BRRD bail-in regime into Belgian law as of 1 January 2016, the Resolution Authority has the power to bail-in (i.e. write down or convert) more subordinated debt, if any (such as the claims of Eligible Creditors of the Issuer) and senior debt (such as the Senior Notes), after having written down or converted Tier 1 capital instruments and Tier 2 capital instruments (such as the Subordinated Notes). The bail-in power enables the Resolution Authority to recapitalise a failed institution by allocating losses to its shareholders and unsecured creditors (including holders of Senior Notes) in a manner which is consistent with the hierarchy of claims in an insolvency of a relevant financial institution. Under such hierarchy, the Senior Non-Preferred Notes would be written down or converted before the Senior Preferred Notes. The bail-in power includes the power to cancel a liability or modify the terms of contracts for the purposes of deferring the liabilities of the relevant financial institution and the power to convert a liability from one form to another.

In summary (and subject to the implementing rules), the Resolution Authority is able to exercise its bail-in powers if the following (cumulative) conditions are met:

- (a) the determination that Belfius Bank is failing or is likely to fail has been made by the relevant regulator, which means that one or more of the following circumstances are present:
  - (i) Belfius Bank infringes or there are objective elements to support a determination that Belfius Bank will, in the near future, infringe the requirements for continuing authorisation in a way that would justify the withdrawal of the authorisation by the competent authority, including but not limited to because Belfius Bank has incurred or is likely to incur losses that will deplete all or a significant amount of its own funds;
  - (ii) the assets of Belfius Bank are or there are objective elements to support a determination that the assets of Belfius Bank will, in the near future, be less than its liabilities;
  - (iii) Belfius Bank is or there are objective elements to support a determination that Belfius Bank will, in the near future, be unable to pay its debts or other liabilities as they fall due;
  - (iv) Belfius Bank requests extraordinary public financial support,

- (b) having regard to timing and other relevant circumstances, there is no reasonable prospect that any alternative private sector measures or supervisory action taken in respect of Belfius Bank would prevent the failure of Belfius Bank within a reasonable timeframe; and
- (c) a resolution action is necessary in the public interest.

The BRRD specifies that governments will only be entitled to use public money to rescue credit institutions if a minimum of 8% of the own funds and total liabilities have been written down, converted or bailed in or, by way of derogation, if the contribution to loss absorption and recapitalisation is equal to an amount not less than 20% of risk-weighted assets and certain additional conditions are met.

#### **4. *Impact of conversion and bail-in powers on listings***

To the extent the Subordinated Notes are written-down or converted, or the Senior Notes are bailed-in or converted pursuant to the BRRD or otherwise, the Issuer does not expect any securities issued upon write-down, bail-in or conversion of the Notes to meet the listing requirements of any securities exchange, and the Issuer expects outstanding listed securities to be delisted from the securities exchanges on which they are listed. It is likely that any securities the Noteholders will receive upon the exercise of the write-down, bail-in or conversion power will not be listed for at least an extended period of time, if at all. Additionally, there may be limited, if any, disclosure with respect to the business, operations or financial statements of the Issuer at the time any securities are issued upon conversion of the Subordinated Notes, or the disclosure may not be current to reflect changes in the business, operations or financial statements as a result of the exercise of the write-down, bail-in or conversion power. As a result, there may not be an active market for any securities Noteholders may hold after the exercise of the write-down, bail-in or conversion powers.

#### **5. *The Notes may be redeemed prior to maturity in certain circumstances***

Subject to certain conditions being met, the Notes may be redeemed prior to their maturity date, in whole but not in part, at the Tax Event Redemption Amount together with accrued interest, at the option of the Issuer, upon the occurrence of a Tax Event (see Condition 3(f) (*Redemption upon occurrence of a Tax Event*)).

If Condition 3(e) (*Redemption upon Capital Disqualification Event*) is specified as being applicable in the applicable Final Terms, subject to certain conditions being met, the Subordinated Notes may be redeemed prior to their maturity date, in whole but not in part, at the Capital Disqualification Event Early Redemption Price together with accrued interest, at the option of the Issuer, upon the occurrence of a Capital Disqualification Event.

Further, if Condition 3(g) (*Redemption of Senior Non-Preferred Notes upon the occurrence of a MREL/TLAC Disqualification Event*) is specified as being applicable in the applicable Final Terms, Senior Non-Preferred Notes may be redeemed prior to their maturity date, in whole but not in part, at the MREL/TLAC Disqualification Event Early Redemption Price together with accrued interest, at the option of the Issuer, upon the occurrence of a MREL/TLAC Disqualification Event, subject to such redemption being permitted by the Applicable MREL/TLAC Regulations, and subject to the prior consent of the relevant regulator and/or the Relevant Resolution Authority if required.



In addition, if Condition 3(h) (*Redemption upon Target Early Redemption Event*) is specified as being applicable in the applicable Final Terms, Senior Preferred Notes may be redeemed if the cumulative amount of interest paid exceeds a predetermined level set out in the applicable Final Terms.

The redemption of the Notes upon the occurrence of a Tax Event, the redemption of the Senior Preferred Notes upon the occurrence of a Target Early Redemption Event, the redemption of the Subordinated Notes upon the occurrence of a Capital Disqualification Event, the redemption of the Senior Non-Preferred Notes upon the occurrence of a MREL/TLAC Disqualification Event, or the (perceived) prospect of such redemption, could have a material adverse effect on the value of the Senior Preferred Notes, the Senior Non-Preferred Notes or the Subordinated Notes (as the case may be).

If the Issuer redeems the Notes in any of the circumstances mentioned above, there is a risk that the Notes may be redeemed at times when the redemption proceeds are less than the current market value of the Notes or when prevailing interest rates may be relatively low, in which case Noteholders may only be able to reinvest the redemption proceeds in securities with a lower yield. Potential investors should consider the reinvestment risk in light of other investments available at that time.

**6. *The Issuer's obligations under the Subordinated Notes will be subordinated***

As more fully described in the Terms and Conditions of the Notes, the Issuer's obligations under the Subordinated Notes will be unsecured and subordinated and will rank:

- (I) (subject to any obligations which are mandatorily preferred by law) junior to the claims of (1) depositors and all other unsubordinated creditors and (2) all Eligible Creditors of the Issuer (*i.e.* creditors holding claims that, in accordance with their terms, rank or are expressed to rank senior to the Subordinated Notes);
- (II) *pari passu* without any preference among themselves and *pari passu* with any other obligations or instruments of the Issuer that rank or are expressed to rank equally with the Subordinated Notes; and
- (III) senior and in priority to (1) the claims of holders of all classes of share or other equity capital (including preference shares) of the Issuer, (2) the claims of holders of all obligations or instruments of the Issuer which, upon issue, constitute or constituted Tier 1 capital of the Issuer, and (3) the claims of holders of any other obligations or instruments of the Issuer that rank or are expressed to rank junior to the Subordinated Notes.

The Subordinated Notes will generally pay a higher rate of interest than comparable securities that are not subordinated. However, there is an increased risk that an investor in the Subordinated Notes will lose all or some of his investment should the Issuer become insolvent.

**7. *The Issuer is not prohibited from issuing further debt, which may rank pari passu with or senior to the Notes***

There is no restriction on the amount of debt that the Issuer may issue that ranks senior to, or *pari passu* with, the Notes. The issue of any such debt or securities may reduce the amount recoverable by investors upon the Issuer's insolvency. If the Issuer's financial condition were to deteriorate, the Noteholders could suffer direct and materially adverse consequences, including reduction of interest

and principal and, if the Issuer were to be liquidated (whether voluntarily or involuntarily), the Noteholders could suffer loss of their entire investment.

**8. *There are no events of default (other than in the event of a dissolution or liquidation of the Issuer) allowing acceleration of the Senior Non-Preferred Notes and of the Subordinated Notes if certain events occur***

The Terms and Conditions of the Notes in relation to the Senior Non-Preferred Notes and the Subordinated Notes do not provide for events of default (other than in the event of a dissolution or liquidation of the Issuer as provided in Condition 11 – (A) (*Subordinated Notes and Senior Non-Preferred Notes – Events of Default*)) allowing acceleration of the Senior Non-Preferred Notes or of the Subordinated Notes if certain events occur. Accordingly, if the Issuer fails to meet any obligations under the Subordinated Notes or, as the case may be, the Senior Non-Preferred Notes, including the payment of any interest, investors will not have the right of acceleration of principal. Upon a payment default, the sole remedy available to Noteholders for recovery of amounts owing in respect of any payment of principal or interest on the Senior Non-Preferred Notes or the Subordinated Notes will be the institution of proceedings for the dissolution or liquidation of the Issuer in Belgium.

**9. *The Issuer has the option to specify in the Final Terms that no events of default for Senior Preferred Notes (other than in the event of a dissolution or liquidation of the Issuer) apply allowing acceleration of the Senior Preferred Notes***

The Issuer has the option to specify in the Final Terms in relation to Senior Preferred Notes that Senior Preferred Notes do not provide for any events of default allowing for acceleration of the Senior Preferred Notes if certain events occur. In such cases, the Noteholders will not be able to accelerate the maturity of such Senior Preferred Notes. Accordingly, if the Issuer fails to meet any obligations under the Senior Preferred Notes (including any failure to pay interests when due), investors will not have the right of acceleration of principal (other than in the event of the Issuer's dissolution or liquidation). Upon a payment default, the sole remedy available to Noteholders for recovery of amounts owing in respect of any payment of principal or interest on the Senior Preferred Notes will be the institution of proceedings for the dissolution or liquidation of the Issuer in Belgium. 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 Preferred Notes contain events of default, a holder of any such Senior Preferred Notes may only give notice that such Senior Preferred Notes is immediately due and repayable in a limited number of events. See. Condition 11(B) (*Senior Preferred Notes – Events of Default*).

**10. *Substitution and variation relating to Senior Non-Preferred Notes and to Subordinated Notes***

If specified as being applicable in the relevant Final Terms, then following a MREL/TLAC Disqualification Event (as defined in the Conditions of the Notes) (in case of Senior Non-Preferred Notes) or following a Capital Disqualification Event (as defined in the Conditions of the Notes) (in case of Subordinated Notes), the Issuer may, at its sole discretion and without the consent of the Noteholders, either substitute the relevant Senior Non-Preferred Notes or relevant Subordinated Notes or vary their terms, so that they become or remain Qualifying Securities (see Condition 6(d) (*Senior Non-Preferred Notes and Subordinated Notes: Substitution and Variation*)). If the Issuer has not opted

to substitute or vary the Senior Non-Preferred Notes or as the case may be the Subordinated Notes in accordance with the Conditions following a MREL/TLAC Disqualification Event (in case of Senior Non-Preferred Notes) or a Capital Disqualification Event (in case of Subordinated Notes) (if specified as being applicable in the relevant Final Terms), the relevant Senior Non-Preferred Notes or the relevant Subordinated Notes may be redeemed early (in whole but not in part) at the Issuer's sole option at a price that can be lower than the price at which the Senior Non-Preferred Notes and the Subordinated Notes were purchased..

The exercise of these rights by the Issuer may have an adverse effect on the position of holders of the Senior Non-Preferred Notes or as the case may be, the holders of the Subordinated Notes, but Qualifying Securities will be securities issued by the Issuer that have terms not materially less favourable than the terms of the Senior Non-Preferred Notes or of the Subordinated Notes (provided that the Issuer shall have delivered to the Agent a certificate to that effect signed by two directors of the Issuer). While the substitution or variation of the Senior Non-Preferred Notes or the Subordinated Notes, if any, will be the same for all holders of Senior Non-Preferred Notes or Subordinated Notes, some holders may be more impacted than others. In addition, the tax and stamp duty consequences of holding any such substituted notes could be different for some categories of Noteholders from the tax and stamp duty consequences for them of holding Senior Non-Preferred Notes or Subordinated Notes prior to such substitution.

**11. *Notes subject to optional redemption by the Issuer***

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

The Issuer may be expected to redeem Notes among others when its cost of borrowing is lower than the interest rate on the Notes. Investors that choose to reinvest moneys they receive through an optional early redemption may be able to do so only in securities with a lower yield than the redeemed Notes. Potential investors should consider reinvestment risk in light of other investments available at that time.

**12. *Notes with a multiplier or other leverage factor***

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include such features.

Moreover, the reference rate could be zero or even negative. Even if the relevant reference rate becomes negative, it will still remain the basis for the calculation of the interest rate, and a margin, if applicable, will be added to such negative interest rate.

**13. *Investors will not be able to calculate in advance their rate of return on Floating Rate Notes, CMS-Linked Interest Notes or Range Accrual Notes***

A key difference between Floating Rate Notes, CMS-Linked Interest Notes or Range Accrual Notes, on the one hand, and Fixed Rate Notes, on the other, is that interest income on Floating Rate Notes,

CMS-Linked Interest Notes or Range Accrual Notes cannot be anticipated. Due to varying interest income, investors are not able to determine a definite yield of Floating Rate Notes, CMS-Linked Interest Notes or Range Accrual Notes at the time they purchase them, so that their return on investment cannot be compared with that of investments having fixed interest periods. If the Terms and Conditions of the Notes provide for frequent interest payment dates, investors are exposed to the reinvestment risk if market interest rates decline, because investors may reinvest the interest income paid to them only at the relevant lower interest rates then prevailing.

**14. *Zero Coupon Notes are subject to higher price fluctuations than non-discounted notes***

Changes in market interest rates have a substantially stronger impact on the prices of Zero Coupon Notes than on the prices of ordinary notes because the discounted issue prices are substantially below par. If market interest rates increase, Zero Coupon Notes can suffer higher price losses than other notes having the same maturity and credit rating. Due to their leverage effect, Zero Coupon Notes are a type of investment associated with a particularly high price risk.

**15. *Risks relating to Range Accrual Notes***

Range Accrual Notes provide that the amount of interest that an investor receives on Range Accrual Notes is linked to the performance of the Reference Rate specified in the applicable Final Terms and on how many actual days during the relevant Interest Period the level or value of the Reference Rate remains within a certain range, (the upper barrier and lower barrier of which is specified in the applicable Final Terms). If the level or value of the Reference Rate is below the lower barrier or higher than the upper barrier on some or all of the days in an Interest Period, the investor may receive low or even zero interest payments, respectively, for the relevant Interest Period. Noteholders should note that no interest accrues on days when the level or value of the Reference Rate is outside of the range specified. Interest payable on the Range Accrual Notes is therefore also linked to the volatility of the level or value of the Reference Rate. Range Accrual Notes may not be suitable for investors who require regular income payments.

**16. *Risks relating to Fixed to Floating Rate Notes or Floating to Fixed Rate Notes***

Notes which are “Fixed to Floating Rate Notes” or “Floating to Fixed Rate Notes” may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes, since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed to Floating Rate Notes may be less favourable than the prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than the then prevailing rates on its Notes.

**17. *Risks relating to Resettable Notes***

In the case of any Series of Resettable Notes, the rate of interest on such Resettable Notes will be reset by reference to the then prevailing Mid-Swap Rate, as adjusted for any applicable margin, on the reset dates specified in the applicable Final Terms. This is more particularly described in Condition 2(b) (*Rate of Interest on Resettable Notes*). The reset of the rate of interest in accordance with such provisions may affect the secondary market for and the market value of such Resettable Notes.

Following any such reset of the rate of interest applicable to the Notes, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest on the relevant Resetable Notes may be lower than the Initial Rate of Interest, the First Reset Rate of Interest and/or any previous Subsequent Reset Rate of Interest.

**18. *Notes issued at a substantial discount or premium***

The market values of Notes issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

**19. *Foreign currency Notes expose investors to foreign-exchange risk as well as to Issuer risk***

As purchasers of foreign currency Notes, investors are exposed to the risk of changing foreign exchange rates. This risk is in addition to any performance risk that relates to the Issuer or the type of Note being issued.

**20. *A Noteholder's actual yield on the Notes may be reduced from the stated yield by transaction costs***

When Notes are purchased or sold, several types of incidental costs (including transaction fees and commissions) are incurred in addition to the current price of the security. These incidental costs may significantly reduce or even exclude the profit potential of the Notes. For instance, credit institutions as a rule charge their clients for own commissions which are either fixed minimum commissions or pro-rata commissions depending on the order value. To the extent that additional - domestic or foreign - parties are involved in the execution of an order, including, but not limited to, domestic dealers or brokers in foreign markets, Noteholders must take into account that they may also be charged for the brokerage fees, commissions and other fees and expenses of such parties (third party costs).

In addition to such costs directly related to the purchase of securities (direct costs), Noteholders must also take into account any follow-up costs (such as custody fees). Investors should inform themselves about any additional costs incurred in connection with the purchase, custody or sale of the Notes before investing in the Notes.

**21. *A Noteholder's effective yield on the Notes may be diminished by the tax impact on that Noteholder of its investment in the Notes***

Payments of interest on the Notes, or profits realised by the Noteholder upon the sale or repayment of the Notes, may be subject to taxation in its home jurisdiction and/or in other jurisdictions in which it is required to pay taxes. This Base Prospectus includes general summaries of certain Belgian tax considerations relating to an investment in the Notes issued by the Issuer (see the section headed "Belgian Taxation on the Notes"). Such summaries may not apply to a particular holder of Notes or to a particular issue and do not cover all possible tax considerations. In addition, the tax treatment may change before the maturity, redemption or termination date of Notes. The Issuer advises all investors to contact their own tax advisers for advice on the tax impact of an investment in the Notes.

**22. *There is no active trading market for the Notes***

Any Series of Notes will be new securities which may not be widely distributed and for which there is currently no active trading market (even where, in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If

the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although application may be made for Notes issued under the Programme to be admitted to the Official List of the Luxembourg Stock Exchange and to trading on the regulated market of the CSSF, there is no assurance that such application will be accepted, that any particular Tranche of Notes will be so admitted, that an active trading market will develop or that any listing or admission to trading will be maintained. Notes may also be issued on an unlisted basis. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes, nor that such application for any listing or admission to trading will be maintained in respect of every Tranche of Notes.

**23. *Modification, waivers and substitution***

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally, including modifications to the Terms and Conditions and/or a programme document and/or the substitution of the Issuer. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

**24. *Common Reporting Standard – Exchange of information***

The EC Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments (the “**EU Savings Directive**”) requires each Member State as from 1 July 2005 to provide to the tax authorities of another Member State details of payments of interest and other similar income (within the meaning of the EU Savings Directive) made by a paying agent (within the meaning of the EU Savings Directive) within its jurisdiction to, or collected by such paying agent for, an individual resident or certain types of entity (as defined in the article 4.2 of the EU Savings Directive) established in that other Member State. However, for a transitional period, Austria may instead (unless during that period they elect otherwise) operate a withholding system in relation to such payments subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories, including Switzerland, have adopted similar measures (a withholding system in the case of Switzerland).

The exchange of information is, in the near future, expected to be governed by the Common Reporting Standard (“**CRS**”). On 29 October 2014, 51 jurisdictions indeed signed the multilateral competent authority agreement (“**MCAA**”), which is a multilateral framework agreement to automatically exchange financial and personal information, with the subsequent bilateral exchanges coming into effect between those signatories that file the subsequent notifications. More than 40 jurisdictions have committed to a specific and ambitious timetable leading to the first automatic information exchanges in 2017 (early adopters).

Under CRS, financial institutions resident in a CRS country would be required to report, according to a due diligence standard, financial information with respect to reportable accounts, which includes interest, dividends, account balance or value, income from certain insurance products, sales proceeds from financial assets and other income generated with respect to assets held in the account or payments made with respect to the account. Reportable accounts include accounts held by individuals and

entities (which includes trusts and foundations) with fiscal residence in another CRS country. The standard includes a requirement to look through passive entities to report on the relevant controlling persons.

On 9 December 2014, EU Member States adopted Directive 2014/107/EU on administrative cooperation in direct taxation ("**DAC2**"), which provides for mandatory automatic exchange of financial information as foreseen in CRS. DAC2 amends the previous Directive on administrative cooperation in direct taxation, Directive 2011/16/EU.

On 10 November 2015, the Council of the European Union adopted a Directive which repealed the EU Savings Directive with effect from 1 January 2016 (1 January 2017 in the case of Austria) (in each case subject to transitional arrangements). This is to prevent overlap between the EU Savings Directive and the new automatic exchange of information regime provided under DAC2.

On 27 May 2015, Switzerland signed an agreement with the European Union in order to implement, as from 1 January 2017, an automatic exchange of financial information based on the CRS. This new agreement will replace the agreement on the taxation of savings that entered into force in 2005. If a payment were to be made or collected through a paying agent in Austria before the end of the transitional period or the implementation of the rules provided under DAC2 or in certain third countries or dependent associated territories of certain Member States, and an amount of, or in respect of tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Subordinated Note as a result of the imposition of such withholding tax.

## **25. U.S. withholding tax under FATCA**

With respect to (i) Notes issued after the date that is six months after the date the term "foreign passthru payment" is defined in regulations filed with the U.S. Federal Register (the "**Grandfather Date**") or (ii) Notes issued on or before the Grandfather Date that are materially modified after the Grandfather Date, the Issuer may, under certain circumstances, be required pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder ("**FATCA**") to withhold U.S. tax at a rate of 30% on all or a portion of payments of principal and interest which are treated as "foreign passthru payments" made on or after January 1, 2019, at the earliest, to (i) an investor that does not provide information sufficient to determine whether it is a United States person or should otherwise be treated as holding a "United States Account" of the Issuer or (ii) any non-U.S. financial institution through which payment on the Notes is made that is not in compliance with FATCA.

As of the date of this Base Prospectus, regulations defining the term "foreign passthru payment" have not yet been published. If the Issuer issues further Notes on or after the Grandfather Date pursuant to a reopening of a Series of Notes that was created on or before the Grandfather Date (the "**original Notes**") and such further Notes are not fungible with the original Notes for U.S. federal income tax purposes, payments on such further Notes may be subject to withholding under FATCA. Moreover, should the original Notes and the further Notes be indistinguishable for non-tax purposes, payments on the original Notes may also become subject to withholding under the above rules. The FATCA withholding tax generally may be triggered if: (i) the Issuer is a foreign financial institution (an "**FFI**," as defined in FATCA), and (ii) the Issuer, or any paying agent through which payments on the Notes are made, has agreed, or is required, to provide the U.S. Internal Revenue Service (the "**IRS**") or other

applicable authority with certain information on its account holders (making the Issuer or such paying agent a "**Participating FFI**," as defined in FATCA) and (iii)(a) an investor does not provide information sufficient for the relevant Participating FFI that is making the payment to determine whether the investor is a U.S. person or should otherwise be treated as holding a "**United States Account**" of such FFI, or (b) any FFI through or to which payments on the Notes are made is not a Participating FFI.

The United States has concluded many intergovernmental agreements with other jurisdictions in respect of FATCA. On April 23, 2014, the governments of Belgium and the United States signed an Agreement to Improve International Tax Compliance and to Implement FATCA (the "**Belgium IGA**"). Under the Belgium IGA, an entity classified as an FFI that is treated as resident in Belgium is required to provide the Belgian tax authorities with certain information on its U.S. accountholders, which may include holders of certain of its securities. Information on U.S. holders will be automatically exchanged with the IRS. The Issuer will be treated as an FFI and, provided it complies with the requirements of the Belgium IGA and the Belgian legislation implementing the Belgium IGA, it should not be subject to FATCA withholding on any payments it receives. It is also not expected to be required to withhold tax on any "foreign passthru payments" (explained above) that it makes. Although the Issuer may not be required to withhold FATCA taxes in respect of any foreign passthru payments it makes under the Belgium IGA, FATCA withholding may still apply in respect of any payments made on the Notes by any paying agent.

If any amount of deduction or withholding from principal or other payments on the Notes were required under FATCA, laws enacted pursuant to the Belgium IGA or laws enacted pursuant to an IGA entered into with another jurisdiction, the Issuer will have no obligation to pay additional amounts or otherwise indemnify a holder for any such withholding or deduction by the Issuer, a paying agent or any other party. As a result, investors may receive less principal or other payments on the Notes than expected. Investors should consult their own tax advisers to obtain a more detailed explanation of FATCA and how FATCA may affect them.

## **26. *Change of law***

The Terms and Conditions of the Notes are, save to the extent referred to Condition 15(a) (*Governing Law*) in the Terms and Conditions, based on English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

In addition, any relevant tax law or practice applicable as at the date of this Base Prospectus and/or the date of purchase or subscription of the Notes may change at any time (including during any subscription period or the term of the Notes).

Such changes in law may include, but are not limited to, the introduction of a variety of statutory resolution and loss absorption tools which may affect the rights of holders of notes issued by the Issuer, including the Notes. Any such change may have an adverse effect on a Noteholder, including that the Notes may be redeemed before their due date, their liquidity may decrease and/or the tax treatment of amounts payable or receivable by or to an affected Noteholder may be less favourable than otherwise expected by such Noteholder.



**27. *Reliance on the procedures of the Securities Settlement System, Euroclear, Clearstream, Luxembourg, SIX SIS and Monte Titoli for transfer, payment and communication with the Issuer***

Notes will be issued in dematerialised form under the Belgian Companies Code and cannot be physically delivered. The Notes will be represented exclusively by book entries in the records of the Securities Settlement System. Access to the Securities Settlement System is available through the Securities Settlement System participants whose membership extends to securities such as the Notes. The Securities Settlement System participants include certain banks, stockbrokers (“*beursvennootschappen*”/“*sociétés de bourse*”), and Euroclear, Clearstream, Luxembourg, SIX SIS and Monte Titoli.

Transfers of interests in the Notes will be effected between the Securities Settlement System participants in accordance with the rules and operating procedures of the Securities Settlement System. Transfers between investors will be effected in accordance with the respective rules and operating procedures of the Securities Settlement System participants through which they hold their Notes.

Neither the Issuer, nor the Arranger, any Dealer or any Agent will have any responsibility for the proper performance by the Securities Settlement System or the Securities Settlement System participants of their obligations under their respective rules and operating procedures.

A Noteholder must rely on the procedures of the Securities Settlement System, Euroclear, Clearstream, Luxembourg, SIX SIS and Monte Titoli to receive payments under the Notes. The Issuer will have no responsibility or liability for the records relating to, or payments made in respect of, the Notes within the Securities Settlement System.

**28. *No Agent is required to segregate amounts received by it in respect of Notes cleared through the Securities Settlement System***

The Agency Agreement (as defined in the Terms and Conditions) provides that an Agent will debit the relevant account of the Issuer and use such funds to make payment to the Noteholders.

The Agency Agreement also provides that an Agent will, upon receipt by it of the relevant amounts pay to the Noteholder, directly or through the NBB, any amounts due in respect of the relevant Notes. However, no Agent is required to segregate any such amounts received by it in respect of the Notes, and in the event that such Agent were subject to insolvency proceedings at any time when it held any such amounts, Noteholders would be required to claim such amounts from such Agent in accordance with applicable Belgian insolvency laws.

**29. *No Agent assumes any fiduciary or other obligations to the Noteholders***

Each Agent appointed in respect of Notes will act in its respective capacity in accordance with the Terms and Conditions and the Agency Agreement in good faith. However, Noteholders should be aware that no Agent assumes any fiduciary or other obligations to the Noteholders and, in particular, is not obliged to make determinations which protect or further the interests of the Noteholders.

Each Agent may rely on any information to which it should properly have regard that is reasonably believed by it to be genuine and to have been originated by the proper parties.

**30. *Potential Conflicts of Interest***

Potential conflicts of interest may exist between the Issuer, the Agents, the Dealers, the Calculation Agent and the Noteholders. The Calculation Agent in respect of any Series of Notes may be the Issuer or the Dealer of such Notes, and this gives rise to potential conflicts including (but not limited to) with respect to certain determinations and judgements that the Calculation Agent may make pursuant to the Terms and Conditions that may influence any interest amount due on, and for the amount receivable upon redemption of, the Notes. The Issuer acts as the principal paying agent under the Agency Agreement (as defined below) and will be arranging for payments to be made through the NBB in respect of the Notes. The Issuer and its affiliates (including, if applicable, any Dealer or Agent) may engage in trading activities (including hedging activities) related to any Notes, for its proprietary accounts or for other accounts under their management.

**31. *Exchange rate risks and exchange controls***

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **"Investor's Currency"**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the equivalent yield on the Notes in the Investor's Currency, (ii) the equivalent value of the principal payable on the Notes in the Investor's Currency and (iii) the equivalent market value of the Notes in the Investor's Currency.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

**32. *Interest rate risks***

Investment in Fixed Rate Notes or Range Accrual Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes or Range Accrual Notes.

**33. *Credit ratings may not reflect all risks***

Where applicable, the expected credit ratings of the Notes will be set out in the Final Terms of the relevant Series of Notes. Other Series of Notes may be unrated and one or more credit rating agencies may assign unsolicited additional credit ratings to the Notes.

In general, European regulated investors are restricted under the CRA Regulation (as defined on page 1) from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances while the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified credit rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance

with the CRA Regulation is not conclusive evidence of the status of the relevant credit rating agency included in such list, as there may be delays between certain supervisory measures taken against the relevant credit rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings will be disclosed in the applicable Final Terms.

There is no guarantee that any ratings will be assigned or maintained. The ratings may furthermore not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors (including a change of control affecting the Issuer) that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the relevant rating agency at any time.

**34. *The qualification of the Senior Non-Preferred Notes as MREL/TLAC-Eligible Instruments is subject to uncertainty***

The Senior Non-Preferred Notes are intended to be MREL/TLAC-Eligible Instruments under the Applicable MREL/TLAC Regulations (each as defined in Condition 3(g) (*Redemption of Senior Non-Preferred Notes upon the occurrence of a MREL/TLAC Disqualification Event*)). However, there is uncertainty regarding the final substance of the Applicable MREL/TLAC Regulations, and the Issuer cannot provide any assurance that the Senior Non-Preferred Notes will be or remain MREL/TLAC-Eligible Instruments. Please refer to risk factor 10 in case of MREL/TLAC Disqualification Event.

“**MREL**” means the “minimum requirement for own funds and eligible liabilities” for banking institutions under the Directive 2014/59/EU of the European Parliament and of the Council, establishing an EU-wide framework for the recovery and resolution of credit institutions and investment firms, as set in accordance with Article 45 of such Directive (as transposed in article 459 of the Belgian Banking Law) and Commission Delegated Regulation (C(2016) 2976 final) of 23 May 2016, or any successor requirement.

“**TLAC**” refers to “total loss-absorbing capacity,” a concept under which global systemically important banks (“**G-SIBs**”), are expected to be required to maintain a minimum amount of TLAC-eligible instruments that rank junior to certain priority liabilities (including deposits and derivatives).

The purpose of the TLAC concept is to increase the chances that a G-SIB’s operations can continue after it enters into resolution, in order to minimize any impact on financial stability and the risk of the G-SIB requiring extraordinary public support, ensure the continuity of critical functions and avoid exposing taxpayers to loss. The TLAC requirements are stated to apply from January 1, 2019.

There currently are no European laws or regulations implementing the TLAC concept, which is set forth in a term sheet published by the Financial Stability Board on 9 November 2015 (the “**FSB TLAC Term Sheet**”). The European Commission has recently proposed directives and regulations intended to give effect to the FSB TLAC Term Sheet and to modify the requirements for MREL eligibility. While the Issuer believes that the terms and conditions of the Senior Non-Preferred Notes are consistent with the European Commission’s proposals, these proposals have not yet been interpreted and when finally adopted the final Applicable MREL/TLAC Regulations may be different from those set forth in these proposals.

Because of the uncertainty surrounding the substance of the final regulations implementing the TLAC requirements and any potential changes to the regulations giving effect to MREL, the Issuer cannot provide any assurance that the Senior Non-Preferred Notes will ultimately be MREL/TLAC-Eligible

Instruments. If they are not MREL/TLAC-Eligible Instruments (or if they initially are MREL/TLAC-Eligible Instruments and subsequently become ineligible due to a change in Applicable MREL/TLAC Regulations), then a MREL/TLAC Disqualification Event will occur.

**35. Additional Risks relating to Senior Non-Preferred Notes**

*The Senior Non-Preferred Notes are complex instruments that may not be suitable for certain investors.*

Senior Non-Preferred Notes are novel and complex financial instruments and may not be a suitable investment for certain investors. Each potential investor in the Senior Non-Preferred Notes should determine the suitability of such investment in light of its own circumstances and have sufficient financial resources and liquidity to bear the risks of an investment in the Senior Non-Preferred Notes, including the possibility that the entire principal amount of the Senior Non-Preferred Notes could be lost. A potential investor should not invest in the Senior Non-Preferred Notes unless it has the knowledge and expertise (either alone or with a financial advisor) to evaluate how the Senior Non-Preferred Notes will perform under changing conditions, the resulting effects on the market value of the Senior Non-Preferred Notes, and the impact of this investment on the potential investor's overall investment portfolio.

*The Senior Non-Preferred Notes are senior non-preferred obligations and are junior to certain obligations*

The Issuer's obligations under the Senior Non-Preferred Notes constitute senior non-preferred obligations within the meaning of Article 389/1, 2° of the Belgian Banking Law (the "**Senior Non-Preferred Law**"). While the Notes by their terms are expressed to be direct, unconditional, senior (*chirographaires*) and unsecured obligations of the Issuer, they nonetheless rank junior in priority of payment to senior preferred obligations of the Issuer in the case of liquidation. The Issuer's senior preferred obligations include all of its deposit obligations, its obligations in respect of derivatives and other financial contracts, its unsubordinated debt securities (including the Senior Notes outstanding as of the date of entry into force of the Senior Non-Preferred Law and after the entry into force of the Senior Non-Preferred Law, the Senior Preferred Notes) and all unsubordinated or senior debt securities issued thereafter that are not expressed to be senior non-preferred obligations (including the Senior Preferred Notes).

There is no restriction on the incurrence by the Issuer of additional senior preferred obligations. As a consequence, if the Issuer enters into liquidation proceedings, it will be required to pay substantial amounts of senior preferred obligations before any payment is made in respect of the Senior Non-Preferred Notes.

In addition, if the Issuer enters into resolution, its eligible liabilities (including the Senior Non-Preferred Notes) will be subject to bail-in, meaning potential write-down or conversion into equity securities or other instruments, in the order of priority that would apply in liquidation proceedings. Because senior non-preferred obligations such as the Senior Non-Preferred Notes rank junior to senior preferred obligations, the Senior Non-Preferred Notes would be written down or converted in full before any of the Issuer's senior preferred obligations were written down or converted. See "Bail-in of senior debt and other eligible liabilities, including the Senior Notes".

As a consequence, holders of Senior Non-Preferred Notes bear significantly more risk than holders of senior preferred obligations, and could lose all or a significant part of their investments if the Issuer were to enter into resolution or liquidation proceedings.

*Senior non-preferred securities are new types of instruments for which there is no trading history*

Prior to the entry into force of the Senior Non-Preferred Law, Belgian issuers were not able to issue securities with a senior non-preferred ranking. Accordingly, there is no trading history for securities of Belgian banks with this ranking. Market participants, including credit rating agencies, are in the initial stages of evaluating the risks associated with senior non-preferred obligations. The credit ratings assigned to senior non-preferred securities such as the Senior Non-Preferred Notes may change as the rating agencies refine their approaches, and the value of such securities may be particularly volatile as the market becomes more familiar with them. It is possible that, over time, the credit ratings and value of senior non-preferred securities such as the Senior Non-Preferred Notes will be lower than those expected by investors at the time of issuance of the Senior Non-Preferred Notes. If so, investors may incur losses in respect of their investments in the Senior Non-Preferred Notes.

*The terms of the Senior Non-Preferred Notes contain very limited covenants*

The Terms and Conditions of the Notes place no restrictions on the amount of debt that the Issuer may issue that ranks senior to the Senior Non-Preferred Notes, or on the amount of securities it may issue that rank *pari passu* with the Senior Non-Preferred Notes. The issue of any such debt or securities may impact the amount recoverable by Noteholders upon liquidation of the Issuer. In addition, the Senior Non-Preferred Notes do not require the Issuer to comply with financial ratios or otherwise limit its ability or that of its subsidiaries to incur additional debt, nor do they limit the Issuer's ability to use cash to make investments or acquisitions, or the ability of the Issuer or its subsidiaries to pay dividends, repurchase shares or otherwise distribute cash to shareholders. Such actions could potentially affect the Issuer's ability to service its debt obligations, including those of the Senior Non-Preferred Notes.

*The Issuer will not be required to redeem the Senior Non-Preferred Notes if it is prohibited by Belgian law from paying additional amounts*

In the event that the Issuer is required to withhold amounts in respect of taxes from payments of interest on the Senior Non-Preferred Notes, the Terms and Conditions of the Notes provide that, subject to certain exceptions, the Issuer will pay additional amounts so that the holders of the Senior Non-Preferred Notes will receive the amount they would have received in the absence of such withholding. Under Belgian tax law, there is some uncertainty as to whether the Issuer may pay such additional amounts. Belgian debt instruments typically provide that, if an issuer is required to pay additional amounts but is prohibited by Belgian law from doing so, the issuer must redeem the debt instruments in full. However, the above-mentioned European Commission's proposals for the implementation of the FSB TLAC Term Sheet include redemption restrictions that limit the ability of the Issuer to implement such mandatory redemption. Accordingly, the Terms and Conditions of the Senior Non-Preferred Notes do not provide for mandatory redemption in the case where the Issuer is required to pay additional amounts but is prohibited by Belgian law from doing so. As a consequence, in such a case, holders will receive less than the full amount due under the Senior Non-Preferred Notes, and the market value of the Senior Non-Preferred Notes will be adversely affected, unless the

Issuer is able and willing to redeem the Senior Non-Preferred Notes pursuant to one of the early redemption or repurchase options provided for in Condition 3 (*Redemption, Purchase and Options*).

### **36. The Benchmark Regulation**

The EU Regulation 2016/1011 of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment (the "**Benchmark Regulation**"). Most of the provisions of the Benchmark Regulation will apply from 1 January 2018 with the exception of provisions specified in Article 59 (mainly on critical benchmarks) that apply from 30 June 2016.

The Benchmark Regulation applies to contributors, administrators and users of benchmarks in the EU, and will, among other things, (i) require benchmark administrators to be authorised or registered and to comply with extensive requirements in relation to the administration of benchmarks and (ii) prevent certain uses by EU supervised entities of benchmarks of administrators that are not authorised/registered. The scope of the Benchmark Regulation is wide and applies to indices including proprietary indices.

The Benchmark Regulation could have a material impact on the CMS-Linked Interest Notes linked to the EURIBOR, including in any of the following circumstances:

- a) the indice may not be able to be used by a supervised entity if its administrator does not obtain authorisation or registration and the transitional provisions do not apply; and
- b) the methodology or other terms of the indices may be modified in order to comply with the terms of the Benchmark Regulation, and such modifications may (amongst other things) have the effect of reducing or increasing the rate or level or affecting the volatility of the published rate or level of the indice.

Either of the above could potentially lead to the Notes being de-listed, adjusted or redeemed early or otherwise impacted.

## OVERVIEW OF THE PROGRAMME

*This overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No. 809/2004 implementing the Prospectus Directive.*

*The following overview does not purport to be complete and is taken from, and is qualified in its entirety by the remainder of, this Base Prospectus (including any documents incorporated by reference) and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. Words and expressions defined or used in “Terms and Conditions of the Notes” shall have the same meaning in this overview.*

<b>Issuer</b>	Belfius Bank SA/NV (“ <b>Belfius Bank</b> ”)
<b>Information relating to the Issuer</b>	Belfius Bank is a limited liability company of unlimited duration incorporated under Belgian law and registered with the Crossroads Bank for Enterprises under business identification number 0403.201.185. Its registered office is at 1000 Brussels, Boulevard Pachéco 44, Belgium, telephone +32 22 22 11 11
<b>Information relating to the Programme</b>	
<b>Size</b>	Euro 10,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate principal amount of Notes outstanding at any one time.
<b>Arranger</b>	Société Générale
<b>Dealers</b>	Banco Bilbao Vizcaya Argentaria, S.A. Barclays Bank PLC Belfius Bank SA/NV BNP Paribas Citigroup Global Markets Limited Commerzbank Aktiengesellschaft Crédit Agricole Corporate and Investment Bank Crédit Suisse Securities (Europe) Limited J.P. Morgan Securities plc Landesbank Baden-Württemberg Morgan Stanley & Co. International plc Natwest Markets Nomura International plc Société Générale UBS Limited UniCredit Bank AG
	The Issuer may from time to time terminate the appointment of any Dealer under the Programme or appoint additional Dealers either in respect of one or more Tranches or in respect of the

	whole Programme.
<b>Fiscal Agent</b>	Belfius Bank, or any other entity appointed from time to time by the Issuer as the Fiscal Agent pursuant to the terms of the Agency Agreement either in respect of the Programme, generally, or in respect of a particular issuance of the Notes, in which case a different Fiscal Agent may be specified in the applicable Final Terms.
<b>Paying Agent</b>	Belfius Bank, or any other entity appointed from time to time by the Issuer as the Paying Agent or an additional Paying Agent pursuant to the terms of the Agency Agreement, either in respect of the Programme, generally, or in respect of a particular issuance of the Notes, in which case a different Paying Agent may be specified in the applicable Final Terms.
<b>Listing Agent</b>	Banque Internationale à Luxembourg SA, or any other entity appointed from time to time by the Issuer as a Listing Agent, either in respect of the Programme, generally, or in respect of a particular issuance of the Notes, in which case a different Listing Agent may be specified in the applicable Final Terms.
<b>Agency Agreement</b>	Means the amended and restated agency agreement between the Issuer, the Fiscal Agent and the Paying Agent dated [●] May 2017.
<b>Method of Issue</b>	Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a “ <b>Series</b> ”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each, a “ <b>Tranche</b> ”) on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and principal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set out in the Final Terms.
<b>Issue Price</b>	Notes may be issued at their principal amount or at a discount or premium to their principal amount.
<b>Form of Notes</b>	Notes will be issued in dematerialised form in accordance with Article 468 et seq. of the Belgian Companies Code via the book-entry system maintained in the records of the National Bank of Belgium as operator of the Securities Settlement System.
<b>Clearing Systems</b>	The Securities Settlement System. Access to the Securities



Settlement System is available through those of the participants in the Securities Settlement System whose membership extends to securities such as the Notes. Participants in the Securities Settlement System include certain banks, stockbrokers (*beursvennootschappen / sociétés de bourse*), Euroclear Bank SA/NV (“**Euroclear**”), Clearstream Banking, société anonyme, (“**Clearstream, Luxembourg**”), SIX SIS AG (“**SIX SIS**”) and Monte Titoli S.p.A. (“**Monte Titoli**”). Accordingly, the Notes will be eligible to clear through, and therefore accepted by, Euroclear, Clearstream, Luxembourg, SIX SIS and Monte Titoli and investors can hold their interests in the Notes within securities accounts in Euroclear, Clearstream, Luxembourg, SIX SIS and Monte Titoli.

**Initial Delivery of Notes**

Notes will be credited to the accounts held with the Securities Settlement System by Euroclear, Clearstream, Luxembourg, SIX SIS, Monte Titoli or any other Securities Settlement System participants.

**Currencies**

Subject to compliance with all relevant laws, regulations and directives (including the rules of the Securities Settlement System), Notes may be issued in any currency agreed between the Issuer and the relevant Dealers.

**Maturities**

Subject to compliance with all relevant laws, regulations and directives, any maturity from one month from the date of original issue. Notes may be issued which have no specified maturity

Under the Luxembourg Law on Prospectuses, which implements the Prospectus Directive, prospectuses relating to money market instruments having a maturity on issue of less than 12 months and complying also with the definition of securities are not subject to the approval provisions of Part II of such law.

**Denomination**

Notes will be in such denominations as may be specified in the applicable Final Terms, save that (i) in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area (“**EEA**”) or offered to the public in an EEA Member State in circumstances which would otherwise require the publication of a prospectus under the Prospectus Directive, the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes) and (ii) unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in Sterling) which have a maturity of less than one year from the date of issue and in

respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (“**FSMA 2000**”) will have a minimum denomination of £100,000 (or its equivalent in other currencies).

**Fixed Rate Notes**

Fixed Rate Notes will bear interest at a fixed rate payable in arrear on the date or dates in each year specified in the applicable Final Terms.

If an indication of yield is included in the applicable Final Terms, the yield of each Tranche of Fixed Rate Notes will be calculated on the basis of the relevant issue price at the relevant issue date. It is not an indication of future yield.

**Resetable Notes**

Interest will be payable in arrear on the dates specified in the Final Terms at the initial rate specified in the Final Terms, and thereafter the rate may be reset with respect to a specified time period by reference to the prevailing Mid-Swap Rate. The rate of interest may be reset on more than one occasion.

**Step-Up Notes**

Fixed Rate Notes may also be issued as Step-Up Notes, in which case the fixed interest payable on the Notes will increase in respect of each successive date on which interest is to be paid, as specified in the applicable Final Terms.

**Floating Rate Notes**

Floating Rate Notes will bear interest set separately for each Series as follows:

- (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the ISDA Definitions (as defined below), as published by the International Swaps and Derivatives Association, Inc.; or
- (ii) by reference to EURIBOR or LIBOR (or such other benchmark as may be specified in the applicable Final Terms) as adjusted for any applicable margin as specified in the applicable Final Terms.

Interest Periods will be specified in the applicable Final Terms.

**CMS-Linked Interest Notes:**

CMS-Linked Interest Notes will bear interest set separately for each Series by reference to a Constant Maturity Swap Rate, or the spread between two such rates, as may be specified in the applicable Final Terms, as adjusted for any applicable margin and/or leverage as specified in the applicable Final Terms.

Interest Periods will be specified in the applicable Final Terms.

**Maximum or Minimum Rates of Interest**

Floating Rate Notes, CMS-Linked Interest Notes and Range Accrual Notes may specify a Maximum Rate of Interest or a

	<p>Minimum Rate of Interest, or both, as being applicable in the applicable Final Terms. If a Maximum Rate of Interest is specified, then the interest payable will in no case be higher than such rate and if a Minimum Rate of Interest is specified, then the interest payable will in no case be lower than such rate.</p>
<b>Fixed to Floating Rate Notes and Floating to Fixed Rate Notes</b>	<p>Notes may be issued under the Programme which bear a fixed rate of interest in respect of certain Interest Periods and a floating rate of interest in respect of other Interest Periods, as specified in the applicable Final Terms.</p>
<b>Range Accrual Notes</b>	<p>Range Accrual Notes will bear interest calculated by reference to the number of business days during the relevant Interest Accrual Period on which a reference rate is greater than or equal to a specified minimum rate of interest and/or lesser than or equal to a specified maximum rate of interest.</p>
<b>Zero Coupon Notes</b>	<p>Zero Coupon Notes will be issued at a price which is at a discount to their principal amount, and will not bear interest.</p>
<b>Redemption</b>	<p>Notes will be redeemed either (i) at 100 per cent. per Calculation Amount, or (ii) at an amount per Calculation Amount specified in the applicable Final Terms, <b>provided that</b> the amount so specified shall be at least 100 per cent. per Calculation Amount.</p>
<b>Optional Redemption</b>	<p>The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed (either in whole or in part) prior to their stated maturity at the option of the Issuer or, if applicable, at the option of the Noteholder, and if so, the terms applicable to such redemption shall be as set out in the Terms and Conditions of such Notes, in accordance with the elections made in the applicable Final Terms.</p>
<b>Early Redemption</b>	<p>Except as provided in "Optional Redemption" above, Notes will be redeemable at the option of the Issuer prior to maturity for tax reasons. See "Terms and Conditions of the Notes – Condition 3(f)". If specified in the applicable Final Terms, Notes may be (i) in respect of Senior Preferred Notes, subject to a mandatory early redemption in case the cumulative amount of interest paid in respect of such Notes reaches a level set out in the applicable Final Terms or (ii) in respect of Subordinated Notes, upon the occurrence of a Capital Disqualification Event, or (iii) in respect of Senior Non-Preferred Notes, upon the occurrence of a MREL/TLAC Disqualification Event.</p>
<b>Status of Notes</b>	<p>The Notes may be either senior notes (the "<b>Senior Notes</b>") or subordinated notes (the "<b>Subordinated Notes</b>") and the Senior Notes may be either senior preferred notes (the "<b>Senior Preferred Notes</b>") or senior non-preferred notes ("<b>Senior Non-</b></p>

**Preferred Notes**"), in each case as specified in the relevant Final Terms. The existing Senior Notes whose Final Terms do not specify whether they constitute Senior Preferred Notes or Senior Non-Preferred Notes are *pari passu* with the Senior Preferred Notes.

***Senior Preferred Notes:***

A) Prior to the entry into force of the provision of article 389/1, 1° of the Belgian Banking Law, the Senior Preferred Notes (being those Notes in respect of which the status is specified in the applicable Final Terms as "Senior Preferred Notes") relating to them are direct, unconditional and unsecured obligations of the Issuer and rank at all times *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by laws relating to creditors' rights and save for such obligations as may be preferred by laws of general application.

B) As from the entry into force article 389/1, 1° of the Belgian Banking Law, the Senior Preferred Notes will be direct, unconditional and unsecured obligations of the Issuer and rank at all times (i) *pari passu*, without any preference among themselves, and with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, which will fall or be expressed to fall within the category of obligations described in article 389/1, 1° of the Belgian Banking Law (as from the entry into force of such provision), but, in the event of insolvency, only to the extent permitted by laws relating to creditors' rights, (ii) senior to Senior Non-Preferred Obligations of the Issuer and any obligations ranking junior to Senior Non-Preferred Obligations and (iii) junior to all present and future claims benefitting from legal or statutory preferences. Where:

**"Senior Non-Preferred Obligations"** means any obligations or other instruments issued by the Issuer which fall or are expressed to fall within the category of obligations described in article 389/1, 2° of the Belgian Banking Law.

**Senior Non-Preferred Notes:** The Senior Non-Preferred Notes are issued pursuant to the provisions of article 389/1, 2° of the Belgian Banking Law. The Senior Non-Preferred Notes will be direct, unconditional and unsecured obligations of the Issuer and rank at all times (i) *pari passu*, without any preference among themselves, and with other Senior Non-Preferred Obligations of the Issuer, (ii) senior to Subordinated Notes and Eligible Creditors of the Issuer and (iii) junior to Senior Preferred Notes of the Issuer and all present and future claims

benefiting from legal or statutory preferences.

Subject to applicable law, if any judgment is rendered by any competent court declaring the judicial liquidation (*liquidation judiciaire*) of the Issuer, the Noteholders will have a right to payment under the Senior Non-Preferred Notes (i) only after, and subject to, payment in full of holders of Senior Preferred Notes and other present and future claims benefiting from legal or statutory preferences or otherwise ranking in priority to Senior Non-Preferred Obligations and (ii) subject to such payment in full, in priority to holders of Subordinated Notes and Eligible Creditors of the Issuer and other present and future claims otherwise ranking junior to Senior Non-Preferred Obligations.

It is the intention of the Issuer that the Senior Non-Preferred Notes shall be treated, for regulatory purposes, as MREL/TLAC Eligible Instruments under the Applicable MREL/TLAC Regulations.

Where:

**“Applicable MREL/TLAC Regulations”** means, at any time, the laws, regulations, requirements, guidelines and policies giving effect to (i) MREL and (ii) the principles set forth in the FSB TLAC Term Sheet or any successor principles. If there are separate laws, regulations, requirements, guidelines and policies giving effect to the principles described in (i) and (ii), then **“Applicable MREL/TLAC Regulations”** means all such regulations, requirements, guidelines and policies.

**“FSB TLAC Term Sheet”** means the Total Loss Absorbing Capacity (TLAC) term sheet set forth in the document dated 9 November 2015 published by the Financial Stability Board, entitled “Principles on Loss-absorbing and Recapitalisation Capacity of G-SIBs in Resolution,” as amended from time to time. For the time being, Belfius Bank is not a G-SIB as defined under the FSB TLAC term Sheet and is therefore currently not subject to the FSB TLAC Term Sheet.

**“MREL”** means the “minimum requirement for own funds and eligible liabilities” for banking institutions under the Directive 2014/59/EU of the European Parliament and of the Council, establishing an EU-wide framework for the recovery and resolution of credit institutions and investment firms, as set in accordance with Article 45 of such Directive (as transposed in article 459 of the Belgian Banking Law) and Commission Delegated Regulation (C(2016) 2976 final) of 23 May 2016, or any successor requirement.

**“MREL/TLAC-Eligible Instrument”** means an instrument that is eligible to be counted towards the MREL of the Issuer or that constitutes a TLAC-eligible instrument of the Issuer

(within the meaning of the FSB TLAC Term Sheet, and to the extent applicable to the Issuer), in each case in accordance with Applicable MREL/TLAC Regulations.

**Subordinated Notes:** The Subordinated Notes constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. In the event of dissolution or liquidation of the Issuer (including the following events creating a competition between creditors (“*samenloop van schuldeisers/concours de créanciers*”): bankruptcy (“*faillissement/faillite*”), judicial liquidation (“*gerechtelijke vereffening/liquidation forcée*”) or voluntary liquidation (“*vrijwillige vereffening/liquidation volontaire*”) (other than a voluntary liquidation in connection with a reconstruction, merger or amalgamation where the continuing corporation assumes all the liabilities of the Issuer)), the rights and claims of the holders of Subordinated Notes against the Issuer shall be for an amount equal to the principal amount of each Subordinated Note together with any amounts attributable to such Subordinated Notes and shall rank:

- (a) subject to any obligations which are mandatorily preferred by law, junior to the claims of (1) depositors and all other unsubordinated creditors and (2) all Eligible Creditors of the Issuer;
- (b) *pari passu* without any preference among themselves and *pari passu* with any other obligations or instruments of the Issuer that rank or are expressed to rank equally with the Subordinated Notes; and
- (c) senior and in priority to (1) the claims of holders of all classes of share or other equity capital (including preference shares) of the Issuer, (2) the claims of holders of all obligations or instruments of the Issuer which, upon issue, constitute or constituted Tier 1 capital of the Issuer, and (3) the claims of holders of any other obligations or instruments of the Issuer that rank or are expressed to rank junior to the Subordinated Notes.

Subject to applicable law, no Noteholder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Senior Non-Preferred Notes and the Subordinated Notes and each Noteholder shall, by virtue of his subscription, purchase or holding of a Senior Non-Preferred Note or a Subordinated Note, be deemed to have waived all such rights of set-off.

**Cross Default**

None.

**Negative Pledge**

None.

## **Ratings**

The following ratings have been assigned to Notes to be issued under the Programme:

The Programme has been rated A- in respect of Senior Preferred Notes with a maturity of one year or more, A-2 in respect of Senior Preferred Notes with a maturity of less than one year, and BBB- in respect of the Subordinated Notes by Standard & Poor's Credit Market Services France SAS ("**Standard & Poor's**") and A2 in respect of Senior Preferred Notes with a maturity of one year or more, Prime-1 in respect of Senior Preferred Notes with a maturity of less than one year and Baa3 in respect of the Subordinated Notes by Moody's France SAS ("**Moody's**"). Each of Moody's and Standard & Poor's is established in the European Union and is included in the updated list of credit rating agencies registered in accordance with the CRA Regulation published on the European Securities and Markets Authority's ("**ESMA**") website (<http://www.esma.europa.eu/>) (on or about 18 May 2017). Where a Tranche of Notes is to be rated, such rating will be specified in the applicable Final Terms. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the ratings assigned to Notes already issued under the Programme. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the applicable Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

## **Withholding Tax**

All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of Belgium unless the withholding is required by law. In such event, the Issuer shall, subject to certain exceptions, pay such additional amounts as shall result in receipt by the Noteholder of such amounts as would have been received by it had no such withholding been required, all as described in "Terms and Conditions of the Notes – Taxation", "Common reporting Standard – Exchange of information" and "Belgian Taxation on the Notes".

## **Governing Law**

English law save that (i) any matter relating to title to, and the dematerialised form of, Notes, and any non-contractual obligations arising out of or in connection with title to, and any matter relating to the dematerialised form of, Notes, and (ii) Conditions 1, 6, 10 and 11 shall be governed by, and construed in accordance with, Belgian law.

Each Noteholder (which includes any current or future holder

of a beneficial interest in the Notes) acknowledges and accepts that any liability arising under the Notes may be subject to the Bail-in Power by the Resolution Authority and acknowledges and accepts to be bound by (i) the variation of the terms and conditions 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 and (ii) the effect of the exercise of the Bail-in Power by the relevant Resolution Authority.

#### **Listing and Admission to Trading**

Application will be made, where specified in the applicable Final Terms, for a Series of Notes to be listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange, which is a regulated market (“**Regulated Market**”) for the purposes of Directive 2004/39/EC on markets in financial instruments, or the Series of Notes may remain unlisted. The CSSF, in its capacity as the competent authority under the Luxembourg Law on Prospectuses, has approved this Base Prospectus as a base prospectus for the purposes of the Prospectus Directive. Such approval relates only to the Notes to be listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange.

#### **Selling Restrictions**

United States, European Economic Area, United Kingdom, Belgium, and Japan. See “Subscription and Sale”.

The Senior Non-Preferred Notes may only be addressed to professional clients referred to in Annex A of the Royal Decree of 3 June 2007 concerning to the rules and arrangements for the transposition of the directive relating to markets in financial instruments. See “Subscription and Sale”.

The debt securities of Belfius Bank are eligible for Category 2 for the purposes of Regulation S under the Securities Act.

The Notes may not be addressed to EEA Retail Investors. See “Subscription and Sale”.

#### **Use of Proceeds**

The net proceeds of the issue of the Notes will be used by Belfius Bank for its general corporate purposes.



## DOCUMENTS INCORPORATED BY REFERENCE

This Base Prospectus should be read and construed in conjunction with (i) the Terms and Conditions of the Notes set out at pages 41 to 73 (both inclusive) of the Base Prospectus dated 9 May 2016 relating to Belfius Bank's Euro 10,000,000,000 Euro Medium Term Note Programme and (ii) the audited consolidated accounts of Belfius Bank for the years ended 31 December 2015 and 31 December 2016, including the reports of the statutory auditors in respect thereof which are incorporated by reference in this Base Prospectus.

Such documents shall be incorporated in and form part of this Base Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Copies of all documents incorporated by reference in this Base Prospectus may be obtained without charge from the offices of the Issuer, and the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

The tables below set out the relevant page references for:

the (i) consolidated balance sheet, (ii) consolidated statement of income, (iii) consolidated cash flow statement, (iv) audit report on the consolidated accounts, (v) notes to the consolidated financial statements, (vi) non-consolidated balance sheet, (vii) non-consolidated statement of income and (viii) audit report on the non-consolidated accounts of Belfius Bank as set out in the 2015 and 2016 Annual Reports of Belfius Bank.

Information contained in the documents incorporated by reference other than information listed in the table below does not form part of this Base Prospectus. The non-incorporated parts of such documents are not relevant for the investor or are covered elsewhere in this Base Prospectus.

The consolidated balance sheet and consolidated statement of income of Belfius Bank for the years 2015 and 2016 can also be found in the section headed "Description of the Issuer" on pages 122 to 126 of this Base Prospectus.

	<b>Belfius Bank SA/NV</b>	
	<b>Annual Report 2015</b>	<b>Annual Report 2016</b>
	<b>(English Version)</b>	<b>(English Version)</b>
consolidated balance sheet .....	82	96
consolidated statement of income .....	84	98
consolidated cash flow statement .....	90	104
audit report on the consolidated accounts .....	198	222
notes to the consolidated financial statements .....	91	105
non-consolidated balance sheet .....	202	226

**Belfius Bank SA/NV**

	<b>Annual Report 2015 (English Version)</b>	<b>Annual Report 2016 (English Version)</b>
non-consolidated statement of income .....	205	229
audit report on the non-consolidated accounts .....	208	232
alternative performance measures - APM	N/A	236

## PROSPECTUS SUPPLEMENT

If at any time the Issuer shall be required to prepare a supplement in accordance with Article 13 of the Luxembourg law of 10 July 2005 (as amended by the Luxembourg law of 3 July 2012) relating to prospectuses for securities (the “**Luxembourg Law on Prospectuses**”), the Issuer will prepare and make available an appropriate supplement to this Base Prospectus which, once approved by the CSSF in its capacity as the competent authority under the Luxembourg Law on Prospectuses, in respect of any subsequent issue of Notes to be listed and admitted to trading on the Luxembourg Stock Exchange’s regulated market, shall constitute a prospectus supplement in accordance with Article 13 of the Luxembourg Law on Prospectuses.

The Issuer has given an undertaking to the Dealers that if, at any time during the duration of the Programme, there is a significant new factor, material mistake or inaccuracy relating to information contained in this Base Prospectus which is capable of affecting the assessment of any Notes and whose inclusion in or removal from this Base Prospectus is necessary for the purpose of allowing an investor to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, and the rights attaching to the Notes, the Issuer shall prepare a supplement (in accordance with Article 13 of the Luxembourg Law on Prospectuses) to this Base Prospectus or publish a new prospectus for use in connection with any subsequent offering of the Notes and shall supply to each Dealer such number of copies of such supplement hereto as such Dealer may reasonably request.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the Terms and Conditions of the Notes, save for the paragraphs in italics that shall not form part of the Terms and Conditions of the Notes. In the case of any Series of Notes which are admitted to trading on a regulated market in a Member State, the applicable Final Terms shall not amend or replace any information in this Base Prospectus. Subject to this, to the extent permitted by applicable law and/or regulation, the Final Terms in respect of any Series of Notes may complete any information in this Base Prospectus.*

References in these terms and conditions (the “**Terms and Conditions**”) to “**Notes**” are to the Notes of one Series only, not to all Notes that may be issued under Belfius Bank's Euro 10,000,000,000 Euro Medium Term Note Programme (the “**Programme**”). All capitalised terms which are not defined in these Terms and Conditions will have the meanings given to them or refer to information specified in Part A of the applicable Final Terms.

The Notes are issued pursuant to an Amended and Restated Agency Agreement dated on or about [●] May 2017 (as amended or supplemented as at the date of issue of the Notes (the “**Issue Date**”), the “**Agency Agreement**”) between Belfius Bank SA/NV (“**Belfius Bank**” or the “**Issuer**”) and Belfius Bank SA/NV in its capacity as fiscal agent for Notes (in such capacity, the “**Fiscal Agent**”, which term shall include such other entity appointed as the Fiscal Agent from time to time pursuant to the terms of the Agency Agreement), and the other agents named in it or appointed from time to time pursuant to the terms thereof. The paying agents, and the calculation agent(s) for the time being (if any) are referred to below, respectively, as the “**Paying Agents**” (which expression shall, unless the context requires otherwise, include the Fiscal Agent), and the “**Calculation Agent(s)**”. The Noteholders (as defined below) are deemed to have notice of all of the provisions of the Agency Agreement applicable to them. As used in these Terms and Conditions, “**Tranche**” means Notes which are identical in all respects (or in all respects except for the date for and amount of the first payment of interest).

Copies of the Agency Agreement are available for inspection free of charge at the specified offices of each of the Paying Agents.

### 1 Form, Denomination and Title

The Notes are issued in dematerialised form in the Specified Denomination(s) set out in the applicable Final Terms **provided that** in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which would otherwise require the publication of a prospectus under the Prospectus Directive, the minimum Specified Denomination shall be €100,000 and integral multiples of €100,000 (or, in each case, its equivalent in any other currency as at the date of issue of the relevant Notes).

In these Terms and Conditions, “**Prospectus Directive**” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State, and “**2010 PD Amending Directive**” means Directive 2010/73/EU.

Notes are issued in dematerialised form (the “**Dematerialised Notes**”) via a book-entry system maintained in the records of the National Bank of Belgium (the “**NBB**”) as operator of the Securities Settlement System in accordance with Article 468 and following of the Belgian Code of Companies and will be credited to the

accounts held with the Securities Settlement System by Euroclear Bank SA/NV (“**Euroclear**”), Clearstream Banking S.A. (“**Clearstream, Luxembourg**”), SIX SIS AG (“**SIX SIS**”), Monte Titoli S.p.A. (“**Monte Titoli**”) or other Securities Settlement System participants for credit by Euroclear, Clearstream, Luxembourg, SIX SIS, Monte Titoli or other Securities Settlement System participants to the securities accounts of their subscribers.

In these Terms and Conditions, “**Securities Settlement System**” means the settlement system operated by the NBB or any successor thereto.

Transfers of Notes will be effected only through records maintained by the Securities Settlement System, Euroclear, Clearstream, Luxembourg, SIX SIS and Monte Titoli or other Securities Settlement System participants and in accordance with the applicable procedures of the Securities Settlement System, Euroclear, Clearstream, Luxembourg, SIX SIS and Monte Titoli or other Securities Settlement System participants. Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it and no person shall be liable for so treating the holder.

In these Terms and Conditions and the applicable Final Terms, “**Noteholder**” means and “**holder**” means in respect of a Note, the person evidenced as holding the Note by the book-entry system maintained in the records of the NBB.

If, at any time, the Notes are transferred to any other clearing system which is not exclusively operated by the NBB (such clearing system an “**Alternative Clearing System**”), these Terms and Conditions shall apply *mutatis mutandis* in respect of such Notes.

Senior Non-Preferred Notes may be held only by professional clients (*clients professionnels/professionele cliënten*) referred to in Annex A of the Royal Decree of 3 June 2007 concerning to the rules and arrangements for the transposition of the directive relating to markets in financial instruments (*Arrêté royal portant les règles et modalités visant à transposer la Directive concernant les marchés d'instruments financiers/Koninklijk besluit tot bepaling van nadere regels tot omzetting van de richtlijn betreffende markten voor financiële instrumenten*).

## 2 Interest and Other Calculations

### (a) Rate of Interest on Fixed Rate Notes

- (A) **General.** Each Fixed Rate Note bears interest on its outstanding principal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal (subject as provided in Condition 2(h)) to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 2(i).
- (B) **Step-Up Notes.** If, in relation to any Fixed Rate Note, the applicable Final Terms specify such Notes as being “**Step-Up Notes**”, the Issuer shall on each Interest Payment Date pay interest on such Notes in accordance with Condition 2(a)(A) at a Rate of Interest specified in the applicable Final Terms, **provided that** such Rate of Interest shall be specified in the applicable Final Terms in respect of each Interest Period and shall increase on successive Interest Periods as specified in the applicable Final Terms.

(b) *Rate of Interest on Resettable Notes*

Each Resettable Note bears interest on its outstanding principal amount:

- (A) from and including the Interest Commencement Date to but excluding the First Resettable Note Reset Date at the rate per annum (expressed as a percentage) equal to the Initial Rate of Interest;
- (B) at the First Reset Rate of Interest from and including the First Resettable Note Reset Date, to but excluding:
  - (i) the Second Resettable Note Reset Date, if such a Second Resettable Note Reset Date is specified in the applicable Final Terms; or
  - (ii) the Maturity Date, if no such Second Resettable Note Reset Date is specified in the applicable Final Terms; and
- (C) for each Subsequent Reset Period (if any), at the relevant Subsequent Reset Rate of Interest in respect of such Subsequent Reset Period as specified in the applicable Final Terms,

such interest being payable in arrear on each Resettable Note Interest Payment Date.

The amount of interest payable shall, in each case, be determined in accordance with Condition 2(i).

(c) *Rate of Interest on Floating Rate Notes or CMS-Linked Interest Notes*

- (A) **General.** Each Floating Rate Note and CMS-Linked Interest Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The Reference Rate in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in accordance with the provisions below relating to either ISDA Determination or Screen Rate Determination, as specified in the applicable Final Terms. The CMS Rate, the CMS Rate 1 and the CMS Rate 2, as the case may be, in respect of CMS-Linked Interest Notes shall be determined as set out in the definition of CMS Rate, CMS Rate 1 and CMS Rate 2, respectively, in Condition 2(n) below. In each case, the Rate of Interest shall be determined in accordance with the applicable provisions of this Condition 2(c) and the amount of interest payable shall be determined in accordance with Condition 2(i).
- (B) **ISDA Determination.** Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (B), “**ISDA Rate**” for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
  - (i) the Floating Rate Option is as specified in the applicable Final Terms;
  - (ii) the Designated Maturity is as specified in the applicable Final Terms; and
  - (iii) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the applicable Final Terms.

For the purposes of this sub-paragraph (B), “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**”, “**Reset Date**” and “**Swap Transaction**” have the meanings given to those terms in the ISDA Definitions.

- (C) **Screen Rate Determination (Notes other than CMS-Linked Interest Notes).** In relation to Notes other than CMS-Linked Interest Notes, where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided in Condition 2(h) below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at Relevant Time on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations. The amount of interest payable shall be determined in accordance with Condition 2(i).

For the purposes of the foregoing (other than for Resettable Notes):

- (x) if the Relevant Screen Page is not available or if sub-paragraph (C)(1) above applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (C)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Eurozone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and
- (y) if paragraph (x) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which

would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Eurozone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are, in the opinion of the Issuer, suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Eurozone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

- (D) **CMS-Linked Interest Notes.** Where the Notes are specified in the applicable Final Terms to be CMS-Linked Interest Notes, the Rate of Interest for each Interest Period will be determined as set out below according to which of the following Reference Rates is specified in the applicable Final Terms as being applicable and:

- (1) where “**CMS Reference Rate**” is specified as the Reference Rate in the applicable Final Terms, the Rate of Interest shall be determined by the Calculation Agent by reference to the following formula:

$$CMS\ Rate + Margin$$

- (2) where “**Leveraged CMS Reference Rate**” is specified as the Reference Rate in the applicable Final Terms, the Rate of Interest shall be determined by the Calculation Agent by reference to the following formula:

$$Leverage \times CMS\ Rate + Margin$$

- (3) where “**CMS Reference Rate Spread**” is specified as the Reference Rate in the applicable Final Terms, the Rate of Interest shall be determined by the Calculation Agent by reference to the following formula:

$$CMS\ Rate\ 1 - CMS\ Rate\ 2 + Margin$$

- (4) where “**Leveraged CMS Reference Rate Spread**” is specified as the Reference Rate in the applicable Final Terms, the Rate of Interest shall be determined by the Calculation Agent by reference to the following formula:



$$[\text{Leverage} \times (\text{CMS Rate 1} - \text{CMS Rate 2})] + \text{Margin}$$

(E) **Margin, Minimum Rate of Interest, Maximum Rate of Interest.** The determination of the Rate of Interest pursuant to Conditions 2(b)(B) or 2(b)(C) above shall be subject to the following:

- (1) In relation to Notes other than CMS-Linked Interest Notes, if any Margin is specified in the applicable Final Terms (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rate of Interest for the specified Interest Accrual Periods, in the case of (y), by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin.
- (2) In relation to Notes other than CMS-Linked Interest Notes, if any Leverage is specified in the applicable Final Terms (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rate of Interest for the specified Interest Accrual Periods, in the case of (y), by multiplying the rate determined pursuant to Condition 2(c)(B) or 2(c)(C), as applicable, and the absolute value of such Leverage.
- (3) If any Maximum Rate of Interest is specified, the Rate of Interest shall be the *lesser of* (i) the rate determined in accordance with Condition 2(c)(A), 2(c)(B), 2(c)(C) or 2(c)(D), as applicable, *and* (ii) such Maximum Rate of Interest.
- (4) If any Minimum Rate of Interest is specified, the Rate of Interest shall be the *greater of* (i) the rate determined in accordance with Condition 2(c)(A), 2(c)(B), 2(c)(C) or 2(c)(D), as applicable, *and* (ii) such Minimum Rate of Interest.

(d) *Change of Interest Basis - Rate of Interest on Fixed to Floating Rate Notes or Floating to Fixed Rate Notes*

(A) **Fixed to Floating Rate Notes.** If the Notes are specified as “**Fixed to Floating Rate Notes**” in the applicable Final Terms, interest shall accrue and be payable on such Notes:

- (1) with respect to the first Interest Period and such subsequent Interest Periods as are specified for this purpose in the applicable Final Terms at a fixed Rate of Interest in accordance with Condition 2(a) and the applicable Final Terms; and
- (2) with respect to each Interest Period thereafter, at a floating Rate of Interest in accordance with Condition 2(c) and the applicable Final Terms.

(B) **Floating to Fixed Rate Notes.** If the Notes are specified as “**Floating to Fixed Rate Notes**” in the applicable Final Terms, interest shall accrue and be payable on such Notes:

- (1) with respect to the first Interest Period and such subsequent Interest Periods as are specified for this purpose in the applicable Final Terms at a floating Rate of Interest in accordance with Condition 2(c) and the applicable Final Terms; and
- (2) with respect to each Interest Period thereafter, at a fixed Rate of Interest in accordance with Condition 2(a) and the applicable Final Terms.

(e) *Zero Coupon Notes*

Where a Note the Rate of Interest of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Zero Coupon Note Redemption Amount (as defined in Condition 3(b)). As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 3(b)).

(f) *Accrual of Interest*

Interest shall cease to accrue on each Note on the due date for redemption, unless payment of principal is improperly withheld or refused on the due date thereof, in which event interest shall continue to accrue (both before and after judgement) at the Rate of Interest (or, in the case of Resettable Notes, at the First Reset Rate of Interest or at the relevant Subsequent Reset Rate of Interest, as applicable) in the manner provided in this Condition 2 to the Relevant Date (as defined in Condition 5(a)).

(g) *Business Day Convention*

If any date referred to in these Terms and Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is:

- (A) the “**Following Business Day Convention**”, such date shall be postponed to the next day that is a Business Day; or
- (B) the “**Modified Following Business Day Convention**”, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (i) except in the case of the Maturity Date, such date shall be brought forward to the immediately preceding Business Day, and (ii) in the case of the Maturity Date, such date shall be the next date on which the Securities Settlement System is open, without adjustment of the Calculation Period.

In relation to Fixed Rate Notes, the Business Day Convention applicable shall always be the Following Business Day Convention.

(h) *Rounding*

For the purposes of any calculations required pursuant to these Terms and Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of Japanese yen, which shall be rounded down to the nearest Japanese yen. For these purposes “**unit**” means, the lowest amount of such currency that is available as legal tender in the country of such currency.

(i) *Calculations for Notes other than Range Accrual Notes*

The amount of interest payable per Calculation Amount in respect of any Note (other than Notes in respect of which “Range Accrual Notes” is specified as being applicable in the applicable Final Terms) for any Interest Accrual Period shall be equal to the product of the Rate of Interest (or, in the case of

Resetable Notes, the Initial Rate of Interest, the First Reset Rate of Interest or any Subsequent Reset Rate of Interest), the Calculation Amount specified in the applicable Final Terms, and the Day Count Fraction for such Interest Accrual Period, unless a Fixed Coupon Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Fixed Coupon Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Fixed Coupon Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(j) *Rate of Interest in respect of Range Accrual Notes*

If “**Range Accrual Notes**” is specified as applicable in the applicable Final Terms, the Issuer will pay interest in respect of the Notes on each Interest Payment Date, in an amount determined by the Calculation Agent in respect of the applicable Interest Accrual Period and being an amount per Calculation Amount equal to the Calculation Amount multiplied by the Rate of Interest determined in accordance with the following formula:

*Rate of Interest = Specified Rate × Relevant Proportion × Day Count Fraction,*

**provided that:** (i) if any Maximum Rate of Interest is specified, the Rate of Interest shall be the *lesser* of the rate determined in accordance with the above formula, and such Maximum Rate of Interest, and (ii) if any Minimum Rate of Interest is specified, the Rate of Interest shall be the *greater* of the rate determined in accordance with the above formula and such Minimum Rate of Interest.

(k) *Fallback Provision for Resetable Notes*

If on any Reset Determination Date the Relevant Screen Page is not available or the Mid-Swap Rate does not appear on the Relevant Screen Page, the Calculation Agent shall request each of the Reference Banks (as defined below) to provide the Calculation Agent with its Mid-Market Swap Rate Quotation as at approximately 11.00 a.m. in the principal financial centre of the Specified Currency on the Reset Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with Mid-Market Swap Rate Quotations, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) for the relevant Reset Period shall be the sum of the arithmetic mean (rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the relevant Mid-Market Swap Rate Quotations and the First Margin or Subsequent Margin (as applicable), all as determined by the Calculation Agent.

If on any Reset Determination Date only one or none of the Reference Banks provides the Calculation Agent with a Mid-Market Swap Rate Quotation as provided in the foregoing provisions of this Condition 2(k), the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) shall be determined in accordance with the relevant Mid-Swap Rate applicable on the last preceding Reset Determination Date or, in the case of the first Reset Determination Date, the First Reset Rate of Interest shall be calculated on the basis of the relevant Mid-Swap Rate that was published on the second Business Day prior to the Interest Commencement Date..

For the purposes of this Condition 2(k), “**Reference Banks**” means the principal office in the principal financial centre of the Specified Currency of four major banks in the swap, money, securities or other market most closely connected with the relevant Mid-Swap Rate as selected by the Issuer on the advice of an investment bank of international repute.

*(l) Linear interpolation*

Where linear interpolation is specified as applicable in respect of an Interest Period in the relevant Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the relevant Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the relevant Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period; provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

For the purposes of this paragraph (l), “**Designated Maturity**” means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

*(m) Determination and Publication of Rates of Interest, Interest Amounts and Redemption Amounts*

The Calculation Agent shall, as soon as practicable on each date as the Calculation Agent may be required to calculate any rate or amount, obtain any quote or make any determination or calculation (and, in the case of Resettable Notes, each Reset Determination Date), determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period or Reset Period, calculate the Redemption Amount, obtain such quote or make such determination or calculation, as the case may be, and cause the Rate of Interest, the Reset Rate of Interest and the Interest Amounts for each Interest Accrual Period or Reset Period and the relevant Interest Payment Date or Resettable Note Interest Payment Date and, if required to be calculated, the Redemption Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange so require, such exchange as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period and/or Reset Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest, Reset Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date, Resettable Note Interest Payment Date, Reset Date or Interest Period Date is subject to adjustment pursuant to Condition 2(g), the Interest Amounts and the Interest Payment Date or Resettable Note Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period or Reset Period. If the Notes become due and payable under Condition 11, the accrued interest and the Rate of Interest or Reset Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition 2 but no publication of the

Rate of Interest, Reset Rate of Interest or the Interest Amount so calculated need be made. The determination of each Rate of Interest, Interest Amount and Redemption Amount, the obtaining of each quote and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(n) *Definitions*

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

“**Business Centres**” means the cities specified as such in the applicable Final Terms.

“**Business Day**” means (a) in relation to all Notes other than those denominated in euro, a day (other than a Saturday or Sunday) on which (i) commercial banks and foreign exchange markets settle payments in Belgium and (ii) commercial banks and foreign exchange markets settle payments in the principal financial centre of the country of the currency in which the relevant Notes are denominated and (b) in relation to Notes denominated in euro, a day (other than a Saturday or Sunday) (i) on which banks and forex markets are open for general business in Belgium and (ii) on which the Securities Settlement System is operating and (iii) (if a payment in euro is to be made on that day) which is a day on which the TARGET 2 System is operating (a “**TARGET Business Day**”), and in relation to both (a) and (b) above, such other day as may be agreed between the Issuer and the relevant Dealer(s) or the Lead Manager on behalf of the relevant Dealers (as the case may be) and specified in the Final Terms.

“**CMS-Linked Interest Note**” means Notes in respect of which the “Floating Rate Note / CMS-Linked Interest Note Provisions” of Part A of the Final Terms are specified as being applicable in the applicable Final Terms, and which are specified as being CMS-Linked Interest Notes in the applicable Final Terms.

“**CMS Rate**” shall mean the Relevant Swap Rate for swap transactions, specified as the CMS Rate in the applicable Final Terms, in the Reference Currency with a maturity of the Designated Maturity, expressed as a percentage, which appears on the Relevant Screen Page in respect of the CMS Rate as at the Specified Time on the Interest Determination Date in question, all as determined by the Calculation Agent. If the Relevant Screen Page is not available, the Calculation Agent shall request each of the Reference Banks (as defined below) to provide the Calculation Agent with its quotation for the Relevant Swap Rate (expressed as a percentage rate per annum) at approximately the Relevant Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent such quotations, the CMS Rate for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the quotations, eliminating, where there are more than two quotations available, the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If on any Interest Determination Date one only or none of the Reference Banks provides the Calculation Agent with such quotations as provided in the preceding paragraph, the CMS Rate shall be determined by the Calculation Agent in its sole and absolute discretion on a commercial basis as it shall consider appropriate and in accordance with standard market practice.

“**CMS Rate 1**” shall mean the Relevant Swap Rate for swap transactions, specified as the CMS Rate 1 in the applicable Final Terms, in the Reference Currency with a maturity of the Designated Maturity, expressed as a percentage, which appears on the Relevant Screen Page in respect of the CMS Rate 1 as

at the Specified Time on the Interest Determination Date in question, all as determined by the Calculation Agent. If the Relevant Screen Page is not available, the Calculation Agent shall request each of the Reference Banks (as defined below) to provide the Calculation Agent with its quotation for the Relevant Swap Rate (expressed as a percentage rate per annum) at approximately the Relevant Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent such quotations, the CMS Rate for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the quotations, eliminating, where there are more than two quotations available, the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If on any Interest Determination Date one only or none of the Reference Banks provides the Calculation Agent with such quotations as provided in the preceding paragraph, the CMS Rate shall be determined by the Calculation Agent in its sole and absolute discretion on a commercial basis as it shall consider appropriate and in accordance with standard market practice.

**“CMS Rate 2”** shall mean the Relevant Swap Rate for swap transactions, specified as the CMS Rate 2 in the applicable Final Terms, in the Reference Currency with a maturity of the Designated Maturity, expressed as a percentage, which appears on the Relevant Screen Page in respect of the CMS Rate 2 as at the Specified Time on the Interest Determination Date in question, all as determined by the Calculation Agent. If the Relevant Screen Page is not available, the Calculation Agent shall request each of the Reference Banks (as defined below) to provide the Calculation Agent with its quotation for the Relevant Swap Rate (expressed as a percentage rate per annum) at approximately the Relevant Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent such quotations, the CMS Rate for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the quotations, eliminating, where there are more than two quotations available, the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If on any Interest Determination Date one only or none of the Reference Banks provides the Calculation Agent with such quotations as provided in the preceding paragraph, the CMS Rate shall be determined by the Calculation Agent in its sole and absolute discretion on a commercial basis as it shall consider appropriate and in accordance with standard market practice.

**“CMS Rates”** means any CMS Rate, CMS Rate 1 and/or CMS Rate 2, as the case may be.

**“Day Count Fraction”** means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the **“Calculation Period”**) (and **provided that** (x) the Day Count Fraction for any Floating Rate Notes denominated in Euro shall be Actual/360 (as defined below) and (y) the Day Count Fraction for any Notes denominated in Euro with a maturity of one year or less shall be Actual/360 (as defined below)):

- (i) if **“Actual/Actual”** or **“Actual/Actual-ISDA”** is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

- (ii) if “**Actual/365 (Fixed)**” is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 365;
- (iii) if “**Actual/360**” is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 360;
- (iv) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified in the applicable Final Terms, the number of days in the Calculation Period divided by 360 calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{(360 \times (Y_2 - Y_1)) + (30 \times (M_2 - M_1)) + (D_2 - D_1)}{360}$$

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- (v) if “**30E/360**” or “**Eurobond Basis**” is specified in the applicable Final Terms, the number of days in the Calculation Period divided by 360 calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{(360 \times (Y_2 - Y_1)) + (30 \times (M_2 - M_1)) + (D_2 - D_1)}{360}$$

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case **D<sub>1</sub>** will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case **D<sub>2</sub>** will be 30;

- (vi) if “**30E/360 (ISDA)**” is specified in the applicable Final Terms the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{(360 \times (Y_2 - Y_1)) + (30 \times (M_2 - M_1)) + (D_2 - D_1)}{360}$$

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case **D<sub>1</sub>** will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case **D<sub>2</sub>** will be 30;

- (vii) if “**Actual/Actual-ICMA**” is specified in the applicable Final Terms,

- (aa) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

- (bb) if the Calculation Period is longer than one Determination Period, the sum of:

- (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
- (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:



**“Determination Period”** means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

**“Determination Dates”** means the dates specified in the applicable Final Terms or, if none is so specified, the Interest Payment Date or the Resettable Note Interest Payment Date (as the case may be) and, assuming no Broken Amounts are payable, the Interest Commencement Date.

**“Designated Maturities”** means the time period specified as such in the applicable Final Terms.

**“EURIBOR”** means, in respect of any specified currency and any specified period, the interest rate benchmark known as the Eurozone interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the European Banking Federation based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic EURIBOR rates can be obtained from the designated distributor).

**“Eurozone”** means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended from time to time.

**“First Margin”** means the margin specified as such in the applicable Final Terms.

**“First Reset Period”** means the period from (and including) the First Resettable Note Reset Date until (but excluding) the Second Resettable Note Reset Date, or if no such Second Resettable Note Reset Date is specified in the applicable Final Terms, the Maturity Date.

**“First Reset Rate of Interest”** means, subject to Condition 2(k) (*Fallback Provision for Resettable Notes*) above, the rate of interest being determined by the Calculation Agent on the relevant Reset Determination Date (being the date that is the second Business Day prior to the First Resettable Note Reset Date) as the sum of the relevant Mid-Swap Rate plus the First Margin.

**“First Resettable Note Reset Date”** means the date specified as such in the applicable Final Terms.

**“Fixed Rate Notes”** means Notes in respect of which the “Fixed Rate Note Provisions” in Part A of the Final Terms are specified as being applicable in the applicable Final Terms.

**“Floating Rate Note”** means Notes in respect of which the “Floating Rate Note / CMS-Linked Interest Note Provisions” of Part A of the Final Terms are specified as being applicable in the applicable Final Terms, and which are specified as being Floating Rate Notes in the applicable Final Terms.

**“Initial Rate of Interest”** means the rate of interest per annum specified as such in the applicable Final Terms.

**“Interest Accrual Period”** means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

**“Interest Amount”** means:

- (i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes or Resetable Notes, shall mean the amount calculated in accordance with Condition 2(i) or the Fixed Coupon Amount or Broken Amount (if any) specified in the applicable Final Terms as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and
- (ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

**“Interest Commencement Date”** means the Issue Date or such other date as may be specified as such in the applicable Final Terms.

**“Interest Determination Date”** means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the applicable Final Terms or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor Euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

**“Interest Payment Date”** means each date specified as an Interest Payment Date(s) in the applicable Final Terms (each such date a **“Specified Interest Payment Date”**) or, if no Specified Interest Payment Date(s) is/are set out in the applicable Final Terms, Interest Payment Date shall mean each date which falls the number of months or other period set out in these Terms and Conditions or the applicable Final Terms as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

**“Interest Period”** means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date or Resetable Note Interest Payment Date (as the case may be) and each successive period beginning on (and including) an Interest Payment Date or Resetable Note Interest Payment Date (as the case may be) and ending on (but excluding) the next succeeding Interest Payment Date or Resetable Note Interest Payment Date (as the case may be).

**“Interest Period Date”** means each Interest Payment Date or Resetable Note Interest Payment Date unless otherwise specified in the applicable Final Terms.

**“ISDA Definitions”** means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc.

**“LIBOR”** means, in respect of any specified currency and any specified period, the London interbank offered rate for that currency and period displayed on the appropriate Reuters Screen page (being currently Reuters Screen page LIBOR01 or LIBOR02 or LIBOR3750) on the information service which publishes that rate.

**“Leverage”** means the value or number specified as such in the applicable Final Terms.

**“Lower Barrier”** has the value specified as such in the applicable Final Terms.

**“Margin”** means the percentage rate specified as such in the applicable Final Terms, **provided that** (A) the Margin may be specified either (x) generally, or (y) in relation to one or more Interest Accrual Periods, (B) the Margin may be zero, and (C) if a Margin is specified, an adjustment shall be made (to all Rates of Interest, in the case of sub-paragraph (x) of paragraph (A), or the Rate of Interest for the specified Interest Accrual Periods, in the case of sub-paragraph (y) of paragraph (A)), by adding (if the Margin is a positive number) or subtracting (if the Margin is a negative number) the absolute value of such Margin.

**“Maximum Rate of Interest”** means a percentage value specified as such in the applicable Final Terms.

**“Mid-Market Swap Rate”** means for any Reset Period the mean of the bid and offered rates for the fixed leg payable with a frequency equivalent to the frequency with which scheduled interest payments are payable on the Notes during the relevant Reset Period (calculated on the basis of the Day Count Fraction specified in the applicable Final Terms as determined by the Calculation Agent) of a fixed-for-floating interest rate swap transaction in the Specified Currency which transaction (i) has a term equal to the relevant Reset Period and commencing on the relevant Resettable Note Reset Date, (ii) is in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market and (iii) has a floating leg based on the Mid-Swap Floating Leg Benchmark Rate for the Mid-Swap Maturity (as specified in the applicable Final Terms) (calculated on the basis of the Day Count Fraction specified in the applicable Final Terms as determined by the Calculation Agent).

**“Mid-Market Swap Rate Quotation”** means a quotation (expressed as a percentage rate per annum) for the relevant Mid-Market Swap Rate.

**“Mid-Swap Floating Leg Benchmark Rate”** means:

- (i) where the Specified Currency is a currency other than euro, LIBOR; and
- (ii) where the Specified Currency is euro, EURIBOR.

**“Mid-Swap Maturity”** means as specified in the applicable Final Terms.

**“Mid-Swap Rate”** means, in relation to a Reset Determination Date and subject to Condition 2(k) (*Fallback Provision for Resettable Notes*) below, either:

- (i) if Single Mid-Swap Rate is specified in the applicable Final Terms, the rate for swaps in the Specified Currency:
  - (aa) with a term equal to the relevant Reset Period; and
  - (bb) commencing on the relevant Resettable Note Reset Date,

which appears on the Relevant Screen Page; or

- (ii) if Mean Mid-Swap Rate is specified in the applicable Final Terms, the arithmetic mean (expressed as a percentage rate per annum and rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards) of the bid and offered swap rate quotations for swaps in the Specified Currency:
  - (aa) with a term equal to the relevant Reset Period; and

(bb) commencing on the relevant Resettable Note Reset Date,

which appear on the Relevant Screen Page,

in either case, as at approximately 11.00 a.m. in the principal financial centre of the Specified Currency on such Reset Determination Date, all as determined by the Calculation Agent.

**“Minimum Rate of Interest”** means a percentage value specified as such in the applicable Final Terms.

**“Rate of Interest”** means the rate of interest payable from time to time in respect of any Note and (i) in respect of Fixed Rate Notes, shall be the percentage rate specified in the applicable Final Terms or (ii) in respect of Notes other than Fixed Rate Notes, shall be the rate calculated in accordance with the applicable provisions of this Condition 2.

**“Redemption Amount”** means (i) Zero Coupon Note Redemption Amount, (ii) Final Redemption Amount, (iii) Redemption Amount (Call), (iv) Redemption Amount (Put), (v) Capital Disqualification Event Early Redemption Price, (vi) Tax Event Redemption Amount, (vii) Target Early Redemption Amount, or (viii) Event of Default Redemption Amount.

**“Reference Banks”** means (i) in relation to Notes other than CMS-Linked Interest Notes and Resettable Notes and (A) in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and (B) in the case of a determination of EURIBOR, the principal Eurozone office of four major banks in the Eurozone inter-bank market, in each case selected by the Calculation Agent or as specified in the applicable Final Terms, and (ii) in relation to CMS Rates, means (A) where the Reference Currency is Euro, the principal Eurozone office of five leading swap dealers in the inter-bank market, (B) where the Reference Currency is Sterling, the principal London office of five leading swap dealers in the London inter-bank market, (C) where the Reference Currency is United States dollars, the principal New York City office of five leading swap dealers in the New York City inter-bank market, or (D) in the case of any other Reference Currency, the principal Relevant Financial Centre office of five leading swap dealers in the Relevant Financial Centre inter-bank market, in each case as selected by the Calculation Agent.

**“Reference Currency”** means each currency specified as such in the applicable Final Terms.

**“Reference Rate”** means, in relation to any Notes other than CMS-Linked Interest Notes, the rate specified as such in the applicable Final Terms in respect of the currency and period specified in the applicable Final Terms, and in relation to any CMS-Linked Interest Notes, the CMS Rate.

**“Relevant Proportion”** shall be calculated by *dividing* (i) the number of days during the relevant Interest Accrual Period on which the Reference Rate is less than or equal to Upper Barrier and greater than or equal to the Lower Barrier, *by* (ii) the total number of days during the applicable Interest Accrual Period.

**“Relevant Screen Page”** means such page, section, caption, column or other part of a particular information service as may be specified in the applicable Final Terms.

**“Relevant Swap Rate”** means:

- (i) where the Reference Currency is euro, the mid-market annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated

on a 30/360 day count basis, of a fixed-for-floating Euro interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/360 day count basis, is equivalent to EUR-EURIBOR-Reuters (as defined in the ISDA Definitions) with a Designated Maturity determined by the Calculation Agent by reference to standard market practice and/or the ISDA Definitions;

- (ii) where the Reference Currency is Sterling, the mid-market semi-annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the semi-annual fixed leg, calculated on an Actual/365 (Fixed) day count basis, of a fixed-for-floating Sterling interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/365 (Fixed) day count basis, is equivalent (A) if the Designated Maturity is greater than one year, to GBP-LIBOR-BBA (as defined in the ISDA Definitions) with a Designated Maturity of six months or (B) if the Designated Maturity is one year or less, to GBP-LIBOR-BBA with a Designated Maturity of three months;
- (iii) where the Reference Currency is United States dollars, the mid-market semi-annual swap rate determined on the basis of the mean of the bid and offered rates for the semi-annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating United States dollar interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to USD-LIBOR-BBA (as defined in the ISDA Definitions) with a Designated Maturity of three months; and
- (iv) where the Reference Currency is any other currency, the mid-market swap rate as determined by the Calculation Agent in its sole and absolute discretion on a commercial basis as it shall consider appropriate and in accordance with standard market practice.

**“Relevant Time”** means the time as of which any rate is to be determined as specified in the applicable Final Terms or, if none is specified, at which it is customary to determine such rate, and for these purposes, the Relevant Time in the case of LIBOR shall be 11:00 a.m. London time and in the case of EURIBOR shall be 11:00 a.m. Brussels time.

**“Representative Amount”** means an amount that is representative for a single transaction in the relevant market at the relevant time.

**“Reset Determination Date”** means, (i) in respect of the First Reset Period, the second Business Day prior to the First Resettable Note Reset Date, (ii) in respect of the first Subsequent Reset Period, the second Business Day prior to the Second Resettable Note Reset Date and, (iii) in respect of each Reset Period thereafter, the second Business Day prior to the first day of each such Reset Period.

**“Reset Period”** means the First Reset Period or a Subsequent Reset Period.

**“Reset Rate of Interest”** means the Initial Rate of Interest, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest, as applicable.

**“Resettable Note Interest Payment Date”** means each date specified as such in the applicable Final Terms.

**“Resettable Note Reset Date”** means the First Resettable Note Reset Date, the Second Resettable Note Reset Date and every Subsequent Resettable Note Reset Date as may be specified as such in the applicable Final Terms.

**“Reuters Screen”** means, when used in connection with a designated page and any designated information, the display page so designated on the Reuter Monitor Money Rates Service (or such other page as may replace that page on that service for the purpose of displaying such information).

**“Second Resettable Note Reset Date”** means the date specified as such in the applicable Final Terms.

**“Specified Currency”** means the currency specified as such in the applicable Final Terms.

**“Specified Rate”** shall be the percentage rate specified as such in the applicable Final Terms.

**“Subsequent Margin”** means the margin(s) specified as such in the applicable Final Terms.

**“Subsequent Reset Period”** means the period from (and including) the Second Resettable Note Reset Date to (but excluding) the next Resettable Note Reset Date, and each successive period from (and including) a Resettable Note Reset Date to (but excluding) the next succeeding Resettable Note Reset Date.

**“Subsequent Resettable Note Reset Date”** means the date or dates specified as such in the applicable Final Terms.

**“Subsequent Reset Rate of Interest”** means, in respect of any Subsequent Reset Period and subject to Condition 2(k) (*Fallback Provision for Resettable Notes*) below, the rate of interest being determined by the Calculation Agent on the relevant Reset Determination Date (being, in respect of the first Subsequent Reset Period, the second Business Day prior to the Second Resettable Note Reset Date and, in respect of each Subsequent Reset Period thereafter, the second Business Day prior to the first day of such Subsequent Reset Period) as the sum of the relevant Mid-Swap Rate plus the applicable Subsequent Margin.

**“TARGET 2 System”** means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

**“Upper Barrier”** has the value specified as such in the applicable Final Terms.

**“Zero Coupon Notes”** means Notes which do not bear any interest (but which are issued at a discount to the principal amount of the Notes), and in respect of which the “Zero Coupon Note” provisions in Part A of the Final Terms are specified as being applicable in the applicable Final Terms.

(o) *Calculation Agent*

The Issuer shall procure that there shall at all times be one or more Calculation Agents for so long as any Note is outstanding (as defined in the Agency Agreement). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Terms and Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Terms and Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation

Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount or the Redemption Amount or to comply with any other requirement, the Issuer shall appoint a leading bank or financial institution engaged in the inter-bank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

### 3 Redemption, Purchase and Options

#### (a) *Final Redemption*

(i) Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date (if any) specified in the applicable Final Terms at its Final Redemption Amount.

(ii) In these Terms and Conditions:

“**Final Redemption Amount**” means, (i) if “**Specified Redemption Amount**” is specified as being applicable in the applicable Final Terms, an amount per Calculation Amount equal to the product of the Specified Fixed Percentage Rate and the Calculation Amount, **provided that** the Specified Fixed Percentage Rate will not, in any case, be less than 100 per cent., or (ii) if “**Par Redemption**” is specified in the applicable Final Terms, an amount per Calculation Amount equal to 100 per cent. per Calculation Amount.

“**Specified Fixed Percentage Rate**” means the percentage specified as such in the applicable Final Terms, which shall be determined by the Issuer at the time of issue on the basis of market conditions, **provided that** if no such rate is specified, the Specified Fixed Percentage Rate shall be 100 per cent.

#### (b) *Early Redemption of Zero Coupon Notes and certain other Notes*

(i) The Zero Coupon Note Redemption Amount payable in respect of (a) any Zero Coupon Note prior to the Maturity Date, or (b) any Note in respect of which the applicable Final Terms specify “Amortised Face Amount” as the applicable option for determination of the Redemption Amount, in each case upon redemption of such Note pursuant to Condition 3(f) or upon it becoming due and payable as provided in Condition 11 shall be the Amortised Face Amount (calculated as provided below) of such Note.

In these Terms and Conditions, “**Zero Coupon Note Redemption Amount**” means (i) if “**Specified Redemption Amount**” is specified in the applicable Final Terms, an amount per Calculation Amount being the product of the Specified Fixed Percentage Rate and the Calculation Amount **provided that** the Specified Fixed Percentage Rate will not, in any case, be less than 100 per cent., (ii) if “**Par Redemption**” is specified in the applicable Final Terms, an amount per Calculation Amount equal to 100 per cent. per Calculation Amount, or (iii) if “**Amortised Face Amount**” is specified in the applicable Final Terms, an amount calculated in accordance with this Condition 3(b).

- (ii) Subject to sub-paragraph (iii) below, the “**Amortised Face Amount**” of any such Note shall be the scheduled Zero Coupon Note Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield compounded annually.
- (iii) If the Redemption Amount payable in respect of any such Zero Coupon Note upon its redemption pursuant to Condition 3(f) or upon it becoming due and payable as provided in Condition 11 is not paid when due, the Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (ii) above, except that such sub-paragraph shall have effect as though the reference therein to the Maturity Date were replaced by a reference to the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgement) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 3(f).

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

(c) *Redemption at the Option of the Issuer*

If so provided in the applicable Final Terms, subject in respect of Subordinated Notes and Senior Non-Preferred Notes only to the conditions set out in Condition 3(j), the Issuer may on giving such period of irrevocable notice to the Noteholders as may be specified in the applicable Final Terms (which shall be not less than seven days) redeem all or, if so provided, some of the Notes in the principal amount of the Specified Denomination(s) or integral multiples thereof on the Optional Redemption Date (the first such Optional Redemption Date, in the case of the Subordinated Notes, falling not earlier than the fifth anniversary of the Issue Date, and in case of the Senior Non-Preferred Notes, falling not earlier than the first anniversary of the Issue Date).

Any such redemption of Notes shall be at their Redemption Amount (Call) together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to the Notes of a nominal amount at least equal to the Minimum Nominal Redemption Amount to be redeemed specified in the applicable Final Terms and no greater than the Maximum Nominal Redemption Amount to be redeemed specified in the applicable Final Terms.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 3(c).

In the case of a partial redemption of the Notes, the relevant Notes will be selected in accordance with the rules of the Securities Settlement System.

For these purposes, “**Redemption Amount (Call)**” means (i) if “**Specified Redemption Amount**” is specified in the applicable Final Terms, an amount per Calculation Amount being the product of the Specified Fixed Percentage Rate and the Calculation Amount **provided that** the Specified Fixed Percentage Rate will not, in any case, be less than 100 per cent. or (ii) if “**Par Redemption**” is specified in the applicable Final Terms, an amount per Calculation Amount equal to 100 per cent. per Calculation Amount.



(d) *Redemption at the Option of Noteholders*

In relation to all Notes other than Subordinated Notes and Senior Non-Preferred Notes, if “**Put Option**” is specified as being applicable in the applicable Final Terms, the Issuer shall, subject to compliance by the Issuer with all relevant laws, regulations and directives, at the option of the holder of any such Note, upon the holder of such Note giving such period of irrevocable notice as may be specified in the applicable Final Terms (which shall be not less than seven days) to the Issuer at such address as may be specified in the applicable Final Terms, redeem such Note on the date or dates so provided at its Redemption Amount (Put) together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to the Notes of a nominal amount at least equal to the Minimum Nominal Redemption Amount to be redeemed specified in the applicable Final Terms and no greater than the Maximum Nominal Redemption Amount to be redeemed specified in the applicable Final Terms.

For these purposes, “**Redemption Amount (Put)**” means (i) if “**Specified Redemption Amount**” is specified in the applicable Final Terms, an amount per Calculation Amount being the product of the Specified Fixed Percentage Rate and the Calculation Amount **provided that** the Specified Fixed Percentage Rate will not, in any case, be less than 100 per cent. or (ii) if “**Par Redemption**” is specified in the applicable Final Terms, an amount per Calculation Amount equal to 100 per cent. per Calculation Amount.

(e) *Redemption upon Capital Disqualification Event*

If this Condition 3(e) is specified as being applicable in the applicable Final Terms, then, if a Capital Disqualification Event has occurred and is continuing, and to the extent that the Issuer, at its sole discretion, has not opted to substitute or vary the Subordinated Notes in accordance with Condition 6(d) (*Senior Non-Preferred and Subordinated Notes: Substitution and Variation*), the Issuer may, subject to the conditions set out in Condition 3(j), on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 8 (*Notices*) (with a copy to the Fiscal Agent), at its option, redeem all, but not some only, of the Subordinated Notes, on any Interest Payment Date or Resettable Note Interest Payment Date (as the case may be) or, if so specified in the applicable Final Terms, at any time, at the Capital Disqualification Event Early Redemption Price, together with interest accrued and unpaid, if any, to (but excluding) the date fixed for redemption.

The notice given to the Noteholders (which notice shall be irrevocable) pursuant to this Condition shall (i) contain a confirmation by the Issuer stating that a Capital Disqualification Event has occurred and is continuing and (ii) set out the date fixed for redemption, and such confirmation shall (in the absence of manifest error) be conclusive and binding on the Noteholders.

In these Terms and Conditions:

“**Applicable Banking Regulation**” means at any time, the laws, regulations, rules, guidelines and policies of the Lead Regulator, or of the European Parliament and Council then in effect in Belgium, relating to capital adequacy and applicable to the Issuer at such time (for the avoidance of doubt, including as at the Issue Date the rules contained in, or implementing, CRR and CRD).

“**Capital Disqualification Event**” means an event that shall be deemed to have occurred if the Issuer determines, in good faith, and after consultation with the Lead Regulator, that by reason of a change (or a prospective change which the Lead Regulator considers to be sufficiently certain) to the

regulatory classification of the Subordinated Notes, at any time after the Issue Date, the Subordinated Notes cease (or would cease) to be included, in whole or in part, in or count towards the Tier 2 capital of the Issuer (excluding, for these purposes, any non-recognition as a result of applicable regulatory amortisation in the five years immediately preceding maturity).

**“Capital Disqualification Event Early Redemption Price”** means (i) if **“Specified Redemption Amount”** is specified in the applicable Final Terms, an amount per Calculation Amount being the product of the Specified Fixed Percentage Rate and the Calculation Amount **provided that** the Specified Fixed Percentage Rate will not, in any case, be less than 100 per cent. or (ii) if **“Par Redemption”** is specified in the applicable Final Terms, an amount per Calculation Amount equal to 100 per cent. per Calculation Amount.

**“CRD”** means Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions on prudential requirements for credit institutions and investment firms.

**“CRR”** means Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms.

**“Lead Regulator”** means the NBB, ECB or any successor entity primarily responsible for the prudential supervision of the Issuer.

**“Tier 2 capital”** has the meaning given to it under the Applicable Banking Regulation as applied by the Lead Regulator from time to time.

*(f) Redemption upon occurrence of a Tax Event*

Subject in respect of Senior Non-Preferred Notes or Subordinated Notes only to the conditions set out in Condition 3(j), the Issuer may, at its option (subject to giving not less than 30 nor more than 60 days’ notice to the Noteholders in accordance with Condition 8 (*Notices*) (with a copy to the Fiscal Agent), which notice shall be irrevocable) redeem all, but not some only, of the Notes outstanding on any Interest Payment Date or Resettable Note Interest Payment Date (as the case may be), or, if so specified in the applicable Final Terms, at any time, at the Tax Event Redemption Amount, together with interest accrued and unpaid, if any, to (but excluding) the date fixed for redemption (as set out in the notice to the Noteholders), if, at any time, a Tax Event has occurred and is continuing, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which (i) the Issuer would be obliged to pay any additional amounts in case of a Tax Gross-up Event, or (ii) a payment in respect of the Notes would not be deductible in case of a Tax Deductibility Event, in each case, were a payment in respect of the Notes then due. The Issuer shall obtain an opinion of an independent legal adviser of recognised standing to the effect that a Tax Event exists.

In these Terms and Conditions:

A **“Tax Event”** shall be deemed to have occurred if as a result of a Tax Law Change:

- (a) in making payments under the Notes (in case of Subordinated Notes and Senior Non-Preferred notes, in making interest payments only), the Issuer has or will on or before the next Interest Payment Date or Resettable Note Interest Payment Date (as the case may be) or the Maturity Date (as applicable) become obliged to pay additional amounts as provided or

referred to in Condition 5 (and such obligation cannot be avoided by the Issuer taking reasonable measures available to it) (a “**Tax Gross-up Event**”); or

- (b) on the next Interest Payment Date or Resettable Note Interest Payment Date (as the case may be) or the Maturity Date (as applicable) any payment by the Issuer in respect of the Notes ceases (or will cease) to be deductible by the Issuer for Belgian corporate income tax purposes or such deductibility is reduced (and such obligation cannot be avoided by the Issuer taking reasonable measures available to it) (a “**Tax Deductibility Event**”).

“**Tax Event Redemption Amount**” means (i) if “**Specified Redemption Amount**” is specified in the applicable Final Terms, an amount per Calculation Amount being the product of the Specified Fixed Percentage Rate and the Calculation Amount **provided that** the Specified Fixed Percentage Rate will not, in any case, be less than 100 per cent., (ii) if “**Par Redemption**” is specified in the applicable Final Terms, an amount per Calculation Amount equal to 100 per cent. per Calculation Amount, or (iii) if “**Amortised Face Amount**” is specified in the applicable Final Terms, an amount calculated in accordance with Condition 3(b) above.

“**Tax Law Change**” means any change in, or amendment to, the laws or regulations of Belgium, including any treaty to which Belgium is a party, or any change in the application or official interpretation thereof, which change or amendment (i) (subject to (ii)) becomes effective on or after the Issue Date, or (ii) in the case of a change in law, if such change is enacted on or after the Issue Date.

- (g) *Redemption of Senior Non-Preferred Notes upon the occurrence of a MREL/TLAC Disqualification Event*

If the Notes are Senior Non-Preferred Notes, and “MREL/TLAC Disqualification Event” is specified as applicable in the relevant Final Terms, then upon the occurrence of a MREL/TLAC Disqualification Event, the Issuer may, at its option, at any time and having given not more than 60 nor less than 30 calendar days’ notice to the holders of the Senior Non-Preferred Notes, in accordance with Condition 8 (*Notices*) (which notice shall be irrevocable), redeem all (but not some only) of the outstanding Senior Non-Preferred Notes at the MREL/TLAC Disqualification Event Early Redemption Price, together with accrued interest (if any) thereon subject to such redemption being permitted by the Applicable MREL/TLAC Regulations, and subject to condition 3(j).

“**Applicable MREL/TLAC Regulations**” means, at any time, the laws, regulations, requirements, guidelines and policies giving effect to (i) MREL and (ii) the principles set forth in the FSB TLAC Term Sheet or any successor principles. If there are separate laws, regulations, requirements, guidelines and policies giving effect to the principles described in (i) and (ii), then “Applicable MREL/TLAC Regulations” means all such regulations, requirements, guidelines and policies.

“**FSB TLAC Term Sheet**” means the Total Loss Absorbing Capacity (TLAC) term sheet set forth in the document dated 9 November 2015 published by the Financial Stability Board, entitled “Principles on Loss-absorbing and Recapitalisation Capacity of G-SIBs in Resolution,” as amended from time to time.

“**MREL**” means the “minimum requirement for own funds and eligible liabilities” for banking institutions under the Directive 2014/59/EU of the European Parliament and of the Council, establishing an EU-wide framework for the recovery and resolution of credit institutions and investment firms, as set in accordance with Article 45 of such Directive (as transposed in article 459 of

the Belgian Banking Law) and Commission Delegated Regulation (C(2016) 2976 final) of 23 May 2016, or any successor requirement.

**“MREL/TLAC Disqualification Event”** means at any time that all or part of the outstanding nominal amount of the Senior Non-Preferred Notes of a Series does not or is likely to not qualify as MREL/TLAC-Eligible Instruments under Applicable MREL/TLAC Regulations, either by reason of a change or such regulations becoming effective (or the application or official interpretation of such regulations), except where such non-qualification was reasonably foreseeable at the Issue Date or is due to the remaining maturity of such Notes being less than any period prescribed by the Applicable MREL/TLAC Regulations.

**“MREL/TLAC-Eligible Instrument”** means an instrument that is eligible to be counted towards the MREL of the Issuer, or that constitutes a TLAC-eligible instrument of the Issuer (within the meaning of the FSB TLAC Term Sheet, and to the extent applicable to the Issuer), in each case in accordance with Applicable MREL/TLAC Regulations.

**“MREL/TLAC Disqualification Event Early Redemption Price”** means (i) if **“Specified Redemption Amount”** is specified in the applicable Final Terms, an amount per Calculation Amount being the product of the Specified Fixed Percentage Rate and the Calculation Amount **provided that** the Specified Fixed Percentage Rate will not, in any case, be less than 100 per cent. or (ii) if **“Par Redemption”** is specified in the applicable Final Terms, an amount per Calculation Amount equal to 100 per cent. per Calculation Amount.

**“Relevant Resolution Authority”** means the Single Resolution Board established by Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 and/or any other authority entitled to exercise or participate in the exercise of the bail-in power from time to time (including the Council of the European Union and the European Commission when acting pursuant to Article 18 of the Single Resolution Mechanism Regulation).

*(h) Redemption upon Target Early Redemption Event*

If **“Target Early Redemption Event”** is specified as being applicable in the applicable Final Terms in respect of a Series of Senior Preferred Notes, and if the Calculation Agent determines, as of the Target Determination Time on any relevant Target Determination Date, that a Target Early Redemption Event has occurred, the Senior Preferred Notes of that Series shall be redeemed on the immediately following Target Mandatory Early Redemption Date at the Target Early Redemption Amount.

As soon as practicable and no more than two Business Days after the Calculation Agent has determined that a Target Early Redemption Event has happened, the Calculation Agent shall notify the Fiscal Agent and the Issuer thereof, whereupon the Fiscal Agent shall notify the Noteholders of the relevant Notes in accordance with Condition 8 below.

In these Terms and Conditions:

**“Cumulative Interest Amount”** shall mean with respect to any Target Mandatory Early Redemption Date, the sum, per Calculation Amount, as calculated by the Calculation Agent in its sole and absolute discretion, of (i) all Interest Amounts paid up to and including the Interest Payment Date preceding the relevant Target Mandatory Early Redemption Date plus (ii) the Interest Amount due to be paid on the Interest Payment Date falling on the relevant Target Mandatory Early Redemption Date.

“**Target Determination Date**” means each date specified as such in the applicable Final Terms.

“**Target Determination Time**” means the time specified as such in the applicable Final Terms.

“**Target Early Redemption Amount**” means (i) if “**Specified Redemption Amount**” is specified in the applicable Final Terms, an amount per Calculation Amount being the product of the Specified Fixed Percentage Rate and the Calculation Amount **provided that** the Specified Fixed Percentage Rate will not, in any case, be less than 100 per cent. or (ii) if “**Par Redemption**” is specified in the applicable Final Terms, an amount per Calculation Amount equal to 100 per cent. per Calculation Amount.

A “**Target Early Redemption Event**” shall have occurred if the Calculation Agent determines that the Cumulative Interest Amount is equal to or greater than the Target Level.

“**Target Level**” means an amount of interest, expressed as either a fixed amount per Calculation Amount or a percentage rate, specified as such in the applicable Final Terms.

“**Target Mandatory Early Redemption Date**” means each date specified as such in the applicable Final Terms.

*(i) Repurchases*

The Issuer and any of its subsidiaries may at any time repurchase Notes in the open market or otherwise at any price. This Condition 3(i) shall apply in the case of Senior Non-Preferred Notes or Subordinated Notes to the extent repurchases of Senior Non-Preferred Notes or Subordinated Notes are not prohibited by the Applicable Banking Regulation and subject to the conditions set out in Condition 3(j).

*(j) Conditions to redemption*

Any optional redemption or repurchase of the Senior Non-Preferred Notes or of the Subordinated Notes pursuant to this Condition 3 is subject to the following conditions (in each case, if and to the extent then required by the Applicable Banking Regulation):

- (a) compliance with any conditions prescribed under the Applicable Banking Regulation, including the prior approval of the Lead Regulator or the Relevant Resolution Authority (if required);
- (b) (i) in the case of redemption following the occurrence of a Tax Event, the Issuer having demonstrated to the satisfaction of the Lead Regulator or Relevant Resolution Authority that (A) the Tax Law Change was not foreseeable by the Issuer as at the Issue Date and (B) the Tax Event is material, or (ii) in the case of redemption following the occurrence of a Capital Disqualification Event, the Issuer having demonstrated to the satisfaction of the Lead Regulator or the Relevant Resolution Authority that the relevant change is sufficiently certain and was not foreseeable by the Issuer as at the Issue Date; and
- (c) compliance by the Issuer with any alternative or additional pre-conditions to the redemption of Senior Non-Preferred Notes or Subordinated Notes to the extent set out in the Applicable Banking Regulation and required by the Lead Regulator or the Relevant Resolution Authority.

(k) *Cancellation*

Subject in respect of Senior Non-Preferred Notes or Subordinated Notes only to the conditions set out in Condition 3(j), all Notes repurchased by or on behalf of the Issuer or any of its subsidiaries may be, and all Notes redeemed by the Issuer will be, cancelled. Any Notes so cancelled may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

#### **4 Payments**

(a) *Principal and interest*

Payment of principal and interest in respect of Notes will be made in accordance with the applicable rules and procedures of the Securities Settlement System, Euroclear, Clearstream, Luxembourg, SIX SIS, Monte Titoli and any other Securities Settlement System participant holding interest in the relevant Notes, and any payment made by the Issuer to the Securities Settlement System or, in the case of payments in any currency other than euro, to Euroclear, Clearstream, Luxembourg, SIX SIS and Monte Titoli will constitute good discharge for the Issuer. Upon receipt of any payment in respect of Notes, the Securities Settlement System, Euroclear, Clearstream, Luxembourg, SIX SIS, Monte Titoli and any other Securities Settlement System participant, shall immediately credit the accounts of the relevant account holders with the payment.

(b) *Payments Subject to Fiscal Laws*

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in any jurisdiction (whether by operation of law or agreement of the Issuer or its agents) and the Issuer will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements, but without prejudice to the provisions of Condition 5. No commission or expenses shall be charged to the Noteholders in respect of such payments.

(c) *Appointment of Agents*

The Fiscal Agent, the Paying Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent, the Paying Agents and the Calculation Agent (together the “**Agents**”) act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, any other Paying Agent or the Calculation Agent and to appoint additional or other Paying Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) one or more Calculation Agent(s) where the Terms and Conditions so require, (iii) a Paying Agent having its specified offices in a major European city, (iv) such other agents as may be required by the rules of any stock exchange on which the Notes may be listed and (v) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(d) *Non-Business Days*

If any date for payment in respect of any Note is not a business day, the holder shall not be entitled to payment until the next following business day, or as may be otherwise specified in the applicable Final Terms, nor to any interest or other sum in respect of such postponed payment. In this paragraph, “**business day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of payment, in such jurisdictions as shall be specified as “**Business Day Jurisdictions**” in the applicable Final Terms and:

- (i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or
- (ii) (in the case of a payment in euro) which is a TARGET Business Day.

## 5 Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes shall be made without withholding or deduction for any present or future taxes, duties, assessments or other charges of whatever nature imposed or levied by Belgium or any political subdivision or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or other charges is required by law or regulation.

In that event, or if a clearing system or any participant in a clearing system withholds or deducts for, or on account of, any present or future taxes, duties, assessments or other charges of whatever nature imposed or levied by or on behalf of the Kingdom of Belgium, the Issuer shall pay such additional amounts as may be necessary in order that the net amounts received by the holders of the Notes after such withholding or deduction shall be not less than the respective amounts of principal and interest, or interest only in case of Subordinated Notes and Senior Non-Preferred Notes, which would have been receivable in respect of the Notes in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any payment in respect of any Note:

- (1) *Other connection*: to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with Belgium other than the mere holding of the Note; or
- (2) *Non-Eligible Investors*: to a holder who, at the time of issue of the Notes, was not an Eligible Investor within the meaning of Article 4 of the Royal Decree of 26 May 1994 on the deduction of withholding tax or to a holder who was an Eligible Investor at the time of issue of the Notes but, for reasons within the holder’s control, ceased to be an Eligible Investor or, at any relevant time on or after the issue of the Notes, otherwise failed to meet any other condition for the exemption of Belgian withholding tax pursuant to the law of 6 August 1993 relating to transactions with certain securities; or
- (3) *Other Paying Agent*: where the holder of such Notes would have been able to avoid such withholding or deduction by arranging to receive the relevant payment through another paying agent of the Issuer in a member state of the European Union;

- (4) *Payment to individuals*: where such withholding or deduction is required to be made pursuant to European Council Directive 2003/48/EC (as amended by European Council Directive 2014/48 adopted by the European Council on 24 March 2014) or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of saving income or any other law implementing or complying with, or introduced in order to conform to, such Directives; or
- (5) *Conversion into registered Notes*: to a holder who is liable to such withholding or deduction because the Notes were converted into registered Notes upon his/her request and could no longer be cleared through the Securities Settlement System.

Notwithstanding any other provision in these Terms and Conditions, any amounts paid by or on behalf of the Issuer in respect of the Notes will be paid net of any deduction or withholding imposed or required by Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (“**Code**”) (or any regulations thereunder or official interpretations thereof), or otherwise imposed pursuant to any intergovernmental agreement, or implementing legislation adopted by another jurisdiction, in connection with these provisions, or pursuant to any agreement with the US Internal Revenue Service (“**FATCA withholding**”). Neither the Issuer nor any other person will have an obligation to pay additional amounts or otherwise indemnify a holder for any FATCA withholding.

As used in these Terms and Conditions, the “**Relevant Date**” in respect of any payment means whichever is the later of (x) the date on which such payment first becomes due and (y), (if any amount of the money payable is improperly withheld or refused) the date on which the full amount of such moneys outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that such payment will be made.

References in these Terms and Conditions to (i) “**principal**” shall be deemed to include any premium payable in respect of the Notes, all Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 3 or any amendment or supplement to it, (ii) “**interest**” shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 2 or any amendment or supplement to it and (iii) “principal” and/or “interest” shall be deemed to include any additional amounts that may be payable under this Condition 5.

## 6 Status and subordination

The Notes may be either senior Notes (“**Senior Notes**”) or subordinated Notes (“**Subordinated Notes**”) and the Senior Notes may be either senior preferred Notes (“**Senior Preferred Notes**”) or senior non-preferred Notes (“**Senior Non-Preferred Notes**”), in each case as specified in the relevant Final Terms. The existing Senior Notes whose Final Terms do not specify whether they constitute Senior Preferred Notes or Senior Non-Preferred Notes are *pari passu* with the Senior Preferred Notes.

### (a) Status of Senior Preferred Notes

A) Prior to the entry into force of the provision of article 389/1, 1° of the Belgian Banking Law, the Senior Preferred Notes (being those Notes in respect of which the status is specified in the applicable Final Terms as “Senior Preferred Notes”) relating to them are direct, unconditional and unsecured obligations of the Issuer and rank at all times *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future,



but, in the event of insolvency, only to the extent permitted by laws relating to creditors' rights and save for such obligations as may be preferred by laws of general application.

B) As from the entry into force article 389/1, 1° of the Belgian Banking Law, the Senior Preferred Notes (being those Notes in respect of which the status is specified in the applicable Final Terms as “**Senior Preferred Notes**”) relating to them are direct, unconditional, senior (*chirographaires*) and unsecured obligations of the Issuer and rank at all times:

(i) *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, which will fall or be expressed to fall within the category of obligations described in article 389/1, 1° of the Belgian Banking Law (as from the entry into force of such provision), but, in the event of insolvency, only to the extent permitted by laws relating to creditors' rights,

(ii) senior to Senior Non-Preferred Obligations of the Issuer and any obligations ranking junior to Senior Non-Preferred Obligations; and

(iii) junior to all present and future claims as may be preferred by laws of general application.

Subject to applicable law, if any judgment is rendered by any competent court declaring the judicial liquidation (*procédure de liquidation*) of the Issuer or if the Issuer is liquidated for any other reason, the Noteholders will have a right to payment under the Senior Preferred Notes:

(i) only after, and subject to, payment in full of holders of present and future claims as may be preferred by laws of general application or otherwise ranking in priority to Senior Preferred Notes; and

(ii) subject to such payment in full, in priority to holders of Senior Non-Preferred Obligations and other present and future claims otherwise ranking junior to Senior Preferred Notes.

“**Senior Non-Preferred Obligations**” means any obligations or other instruments issued by the Issuer which fall or are expressed to fall within the category of obligations described in article 389/1, 2° of the Belgian Banking Law.

(b) *Status of Senior Non-Preferred Notes*

(i) *Status*

Senior Non-Preferred Notes (being those Notes which the applicable Final Terms specify as to be Senior Non-Preferred Notes) are issued pursuant to the provisions of article 389/1, 2° of the Belgian Banking Law and are direct, unconditional, senior (*chirographaires*) and unsecured obligations of the Issuer and rank at all times:

(i) *pari passu* among themselves and with other Senior Non-Preferred Obligations of the Issuer;

(ii) senior to the Subordinated Notes of the Issuer and Eligible Creditors; and

(iii) junior to Senior Preferred Notes of the Issuer and all present and future claims as may be preferred by laws of general application.

Subject to applicable law, if any judgment is rendered by any competent court declaring the judicial liquidation (*procédure de liquidation*) of the Issuer, the Noteholders will have a right to payment under the Senior Non-Preferred Notes:

(i) only after, and subject to, payment in full of holders of Senior Preferred Notes and other present and future claims benefiting from statutory preferences or otherwise ranking in priority to Senior Non-Preferred Obligations; and

(ii) subject to such payment in full, in priority to holders of the Subordinated Notes of the Issuer and Eligible Creditors and other present and future claims otherwise ranking junior to Senior Non-Preferred Obligations.

(ii) *Waiver of set-off*

Subject to applicable law, no Noteholder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Senior Non-Preferred Notes and each Noteholder shall, by virtue of his subscription, purchase or holding of a Senior Non-Preferred Note, be deemed to have waived all such rights of set-off. Status of Subordinated Notes.

(c) *Status of Subordinated Notes*

(i) *Status and Subordination*

Notes in respect of which the status is specified in the applicable Final Terms as “**Subordinated**” (“**Subordinated Notes**”) constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves.

In the event of dissolution or liquidation of the Issuer (including the following events creating a competition between creditors (“*samenloop van schuldeisers/concours de créanciers*”): bankruptcy (“*faillissement/faillite*”), judicial liquidation (“*gerechtelijke vereffening/liquidation forcée*”) or voluntary liquidation (“*vrijwillige vereffening/liquidation volontaire*”) (other than a voluntary liquidation in connection with a reconstruction, merger or amalgamation where the continuing corporation assumes all the liabilities of the Issuer)), the rights and claims of the holders of Subordinated Notes against the Issuer shall be for an amount equal to the principal amount of each Subordinated Note together with any amounts attributable to such Subordinated Notes and shall rank:

- (a) subject to any obligations which are mandatorily preferred by law, junior to the claims of (1) depositors and all other unsubordinated creditors and (2) all Eligible Creditors of the Issuer;
- (b) *pari passu* without any preference among themselves and *pari passu* with any other obligations or instruments of the Issuer that rank or are expressed to rank equally with the Subordinated Notes; and
- (c) senior and in priority to (1) the claims of holders of all classes of share or other equity capital (including preference shares) of the Issuer, (2) the claims of holders of all obligations or instruments of the Issuer which, upon issue, constitute or constituted Tier 1 capital of the Issuer, and (3) the claims of holders of any other obligations or instruments of the Issuer that rank or are expressed to rank junior to the Subordinated Notes.

(ii) *Waiver of set-off*

Subject to applicable law, no Noteholder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Subordinated Notes and each Noteholder shall, by virtue of his subscription, purchase or holding of a Subordinated Note, be deemed to have waived all such rights of set-off.

(iii) *Defined Terms*

In this Condition:

“**Eligible Creditors**” means creditors holding claims that, in accordance with their terms, rank or are expressed to rank senior to the Subordinated Notes and Junior to Senior Notes.

“**Tier 1 capital**” has the meaning given to it under the Applicable Banking Regulation as applied by the Lead Regulator.

(d) *Senior Non-Preferred Notes and Subordinated Notes: Substitution and Variation*

In the case of Senior Non-Preferred Notes or Subordinated Notes in relation to which this Condition 6(d) is specified in the applicable Final Terms as applying, then, following a MREL/TLAC Disqualification Event (in case of Senior Non-Preferred Notes) or following a Capital Disqualification Event (in case of Subordinated Notes), the Issuer may, at its sole discretion and without the consent of the Noteholders, by giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 8 (*Notices*) substitute or vary the terms of all, but not some only, of the Senior Non-Preferred Notes or, as the case may be, of the Subordinated Notes then outstanding so that they become or, as appropriate, remain, Qualifying Securities.

Any substitution or variation of the Securities pursuant to Condition 6(d) is subject to compliance with any conditions prescribed under the Applicable Banking Regulation, including the prior approval of the Lead Regulator (if required).

In these Terms and Conditions:

“**Moody's**” means Moody's France S.A.S. or any affiliate thereof.

“**Qualifying Securities**” means, at any time, any securities issued by the Issuer that:

- (A) rank equally with the ranking of the Senior Non-Preferred Notes (in the case of Senior Non-Preferred Notes) or Subordinated Notes (in the case of Subordinated Notes) ;
- (B) have terms not materially less favourable to Noteholders than the terms of the Senior Non-Preferred Notes or, as the case may be, the Subordinated Notes (as reasonably determined by the Issuer in consultation with an independent investment bank of international standing, and provided that a certification of two members of the management board of the Issuer shall have been delivered to the Fiscal Agent prior to the issue or variation of the relevant securities), provided that such securities shall in any event:
  - (1) contain terms such that they comply with the then Applicable Banking Regulation in relation to Tier 2 capital (in case of Subordinated Notes) or that they comply with the then Applicable MREL/TLAC Regulations (in case of Senior Non-Preferred Notes);

- (2) do not contain terms which would cause a MREL/TLAC Disqualification Event (in case of Senior Non-Preferred Notes) or a Capital Disqualification Event (in case of Subordinated Notes) or a Tax Event to occur as a result of such substitution or variation;
  - (3) include terms which provide for the same (or, from a Noteholder's perspective, a more favourable) Rate of Interest from time to time, Interest Payment Dates or Resetable Note Interest Payment Date (as the case may be), Maturity Date, and, if applicable optional redemption dates, as apply to the Senior Non-Preferred Notes or the Subordinated Notes;
  - (4) shall preserve any existing right under the Conditions to any accrued interest, principal and/ or premium which has not been satisfied; and
  - (5) not contain terms providing for the mandatory or voluntary deferral of payments of principal and/ or interest;
- (C) are listed on (i) the regulated market of Luxembourg Stock Exchange or (ii) such other regulated market in the European Economic Area as selected by the Issuer (to the extent the Senior Non-Preferred Notes and Subordinated Notes were listed on the regulated market of Luxembourg Stock Exchange or such other regulated market in the European Economic Area prior to their substitution or variation) ; and
- (D) where the Senior Non-Preferred Notes or, as the case may be, the Subordinated Notes which have been substituted or varied had a solicited rating from a Rating Agency immediately prior to their substitution or variation each such Rating Agency has ascribed, or announced its intention to ascribe, an equal or higher published rating to the Senior Non-Preferred Notes or, as the case may be, Subordinated Notes as so substituted or varied.

“**Rating Agency**” means each of Moody's and S&P or their respective successors.

“**S&P**” means Standard & Poor's Credit Market Services France S.A.S. or any affiliate thereof.

## 7 Substitution of the Issuer

Subject to this Condition 7 being specified as applicable in the Final Terms, then, the Issuer or any previous substituted company, may at any time, without the consent of the Noteholders, substitute for itself as principal debtor under the Notes, any company (the “**Substitute**”) provided that:

- (1) the Lead Regulator approves the substitution;
- (2) the substitution is made by a deed poll or by execution of such other documentation as the Issuer determines is appropriate to give effect to such substitution;
- (3) no payment of principal of, or interest on, the Notes is at the time of such substitution overdue;
- (4) the Substitute assumes all obligations and liabilities of the substituted Issuer in its capacity as debtor arising from, or in connection with, the Notes and the substitution is subject to Belfius Bank irrevocably and unconditionally guaranteeing on a senior preferred basis (in the case of Senior Preferred Notes), on a senior non-preferred basis (in case of Senior Non-Preferred Notes) or on a

subordinated basis (in the case of Subordinated Notes) corresponding to the ranking of the Subordinated Notes, the obligations of the Substitute;

- (5) the Substitute becomes a party to the Agency Agreement, with any appropriate consequential amendments, and assumes all the obligations and liabilities of the Issuer in its capacity as debtor under the Notes contained therein and shall be bound as fully as if the Substitute had been named therein as an original party;
- (6) the Substitute shall, by means of the deed poll or by execution of such other documentation as the Issuer determines is appropriate, agree to indemnify the holder of each Note against any tax, duty, fee or governmental charge that is imposed on such holder by the jurisdiction of the country of its residence for tax purposes and, if different, of its incorporation or any political subdivision or taxing authority thereof or therein with respect to any Note and that would not have been so imposed had it not been substituted as the principal debtor and any tax, duty, fee or governmental charge imposed on or relating to such substitution and any costs or expenses of such substitution;
- (7) the Substitute obtains all necessary governmental and regulatory approvals and consents, takes all actions and fulfils all conditions necessary for such substitution and to ensure that the deed poll or other document executed to give effect to the substitution and the Notes represent valid, legally binding and enforceable obligations of the Substitute;
- (8) the Substitute shall cause legal opinions to be delivered to the Noteholders (care of the Fiscal Agent) from lawyers with a leading securities practice in Belgium, England and the jurisdiction of the Substitute confirming the validity of the substitution and the continuance or giving of the guarantee referred to in sub-Clause (3) above;
- (9) each stock exchange which the Notes are listed on or the relevant competent authority relating thereto shall have confirmed that following the proposed substitution of the Issuer, such Notes would continue to be listed on such stock exchange;
- (10) following the substitution, the Notes will continue to be represented by book-entry in the records of the Securities Settlement System;
- (11) where the Notes had a published rating from a Rating Agency immediately prior to the substitution of the Issuer, the Notes shall continue to be rated by such Rating Agency immediately following such substitution and the published ratings assigned to the Notes by such Rating Agency immediately following such substitution will be no less than those assigned to the Notes immediately prior thereto; and
- (12) the Issuer shall have given at least 14 days' prior notice of a proposed substitution to the Noteholders, such notice to be published in accordance with these Terms and Conditions, stating that copies, or pending execution, the agreed text, of all documents in relation to the substitution that are referred to above, or that might otherwise reasonably be regarded as material to the Noteholders, shall be available for inspection at the specified office of the Fiscal Agent and each of the other Paying Agents.

References in Condition 11 to obligations under the Notes shall be deemed to include obligations of the Substitute under the deed poll or other documentation executed in order to give effect to the substitution.

## 8 Notices

All notices to holders of Notes shall be validly given if (i) delivered by or on behalf of the Issuer to the NBB for communication by it to the participants of the Securities Settlement System, (ii) in the case of Notes held in a securities account, through a direct notification through the applicable clearing system, and (iii) in the case of Notes held in a securities account with Belfius Bank, through a direct notification in the account statements.

For so long as Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of that exchange so require, such notices shall also be published in a daily newspaper of general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe.

Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above or, in the case of direct notification, any such notice shall be deemed to have been given on the date immediately following the date of notification.

In addition to the above publications, with respect to notices for a meeting of Noteholders, any convening notice for such meeting shall be made in accordance with Article 570 of the Belgian Companies Code, by an announcement to be inserted 15 days prior to the meeting, in the Belgian State Gazette ("*Moniteur belge/Belgisch Staatsblad*") and in one Belgian newspaper with national coverage. Resolutions to be submitted to the meeting must be described in the convening notice. In addition, the convening notice shall specify the procedures in respect of voting on resolutions to be decided by the meeting.

## 9 Prescription

Claims for principal and interest shall become void ten or five years, respectively, after the Relevant Date thereof, unless application to a court of law for such payment has been initiated on or before such respective time.

## 10 Meeting of Noteholders and Modification to Agency Agreement

### (a) Meetings of Noteholders

The Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Agency Agreement) of a modification of any of these Terms and Conditions.

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

All meetings of Noteholders will be held in accordance with the provisions of Article 568 et seq. of the Belgian Companies Code with respect to bondholders' meetings. Such a meeting may be convened by the Issuer and shall be convened by the Issuer upon the request in writing of Noteholders holding not less than one fifth of the aggregate principal amount of the outstanding Notes. A meeting of Noteholders will be entitled (subject to the consent of the Issuer) to exercise the powers set out in Article 568 of the Belgian Companies Code and generally to modify or waive any provision of the Terms and Conditions applicable to any Series of Notes (including any proposal (i) to modify the maturity of a Series of Notes or the dates on which interest is payable in respect of the Notes, (ii) to reduce or cancel the principal amount of, or interest on, the Notes, (iii) to change the currency of payment of the Notes, or (iv) to modify the provisions concerning the quorum required at any meeting of Noteholders) in accordance with the quorum and majority requirements set out in Article 574 of the Belgian Companies Code, and if required thereunder subject to validation by the court of appeal. Resolutions duly passed in accordance with these provisions shall be binding on all Noteholders, whether or not they are present at the meeting and whether or not they vote in favour of such a resolution.

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

*(b) Modification of Agency Agreement*

The Issuer shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders.

*(c) Written Resolutions*

A written resolution signed by the holders of 75 per cent. in nominal amount of the Notes outstanding shall take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

## **11 Events of Default**

If any of the following events (“**Events of Default**”) occurs (and, in the case of Senior Preferred Notes, is continuing), the holder of any Note may give written notice specifying the Event of Default to the Fiscal Agent at its specified office that such Note is immediately repayable, whereupon the Event of Default Redemption Amount of such Note together (if applicable) with accrued interest to the date of payment shall become immediately due and payable (unless, in the case of Senior Preferred Notes, such Event of Default shall have been remedied prior to the receipt of such notice by the Fiscal Agent):

**(A) Subordinated Notes and Senior Non-Preferred Notes – Events of Default:**

If default is made in the payment of any principal or interest due in respect of the Subordinated Notes or the Senior Non-Preferred Notes or such principal or interest and such default continues for a period of 30 days or more after the due date, any holder of Subordinated Notes or Senior Non-Preferred Notes may institute proceedings for the dissolution or liquidation of the Issuer in Belgium.

In the event of a dissolution or liquidation of the Issuer (including, without limitation, the following events creating a “*samenloop van schuldeisers/concours de créanciers*”: bankruptcy (“*faillissement/faillite*”), judicial liquidation (“*gerechtelijke vereffening/liquidation forcée*”), voluntary liquidation (“*vrijwillige vereffening/liquidation volontaire*”) (other than a voluntary liquidation in connection with a reconstruction, merger or amalgamation where the continuing corporation assumes all the liabilities of the Issuer), dissolution (“*ontbinding/liquidation*”), moratorium of payments (“*moratorium/moratoire*”) and other measures agreed between the Issuer and its creditors relating to the Issuer’s payment difficulties, or an official decree of such measures), each holder of Subordinated Notes or Senior Non-Preferred Notes may give written notice to the Agent at its specified office that its Subordinated Note(s) or Senior Non-Preferred Note(s) is (are) immediately repayable, whereupon the Event of Default Redemption Amount of such Subordinated Note or Senior Non-Preferred Note together (if applicable) with accrued interest to the date of payment shall become immediately due and payable.

No remedy against the Issuer other than as referred to in this Condition 11(A) shall be available to the holders of Subordinated Notes or Senior Non-Preferred Notes, whether for recovery of amounts owing in respect of the Subordinated Notes or Senior Non-Preferred Notes or in respect of any breach by the Issuer of any of its obligations under or in respect of the Subordinated Notes or Senior Non-Preferred Notes.

For the avoidance of doubt, the holders of Subordinated Notes or Senior Non-Preferred 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/resolution*”) of, the Subordinated Notes or Senior Non-Preferred Notes and (ii) to the extent applicable, all their rights whatsoever in respect of the Subordinated Notes or Senior Non-Preferred Notes pursuant to Article 487 of the Belgian Companies Code.

(B) **Senior Preferred Notes – Events of Default:** in the case of Senior Preferred Notes, subject to this Condition 11(B) being specified as applicable in the Final Terms,

- (a) *Non-Payment:* default is made for a period of more than 15 days in the payment of principal or in the payment of interest in respect of any of the Senior Preferred Notes; or
- (b) *Breach of other obligations:* default by the Issuer in the due performance or observance of any obligation, condition or other provisions under or in relation to the Senior Preferred Notes, if such default is not cured within 60 days of receipt by the Fiscal Agent of written notice of default given by the holder of any Senior Preferred Note; or
- (c) *Winding-Up:* the Issuer shall be dissolved or wound up or otherwise shall cease to exist prior to the redemption of all outstanding Senior Preferred Notes (except for the purpose of a reconstruction, merger or amalgamation where the continuing corporation assumes all the liabilities of the Issuer); or
- (d) *Insolvency:* the Issuer becomes insolvent, is unable to pay its debts generally or as they fall due, is in “*cessation de paiements/staking van betalen*” or stops, suspends or threatens to stop or suspend payment of all or a material part of its debts or ceases or threatens to cease to carry on its business, or proposes or makes a general assignment or composition with or for the benefit of its creditors, or a moratorium is agreed or declared in respect of or affecting all or a material



part of the indebtedness of the Issuer, or if Belfius Bank applies for a “*sursis de paiements/uitstel van betaling*”, “*liquidation volontaire/vrijwillige vereffening*” (other than a “*liquidation volontaire/vrijwillige vereffening*” in connection with a reconstruction, merger or amalgamation where the continuing corporation assumes all the liabilities of the Issuer), “*liquidation forcée/gerechtelijke vereffening*”, “*faillite/faillissement*” or any similar procedures shall have been initiated in respect of the Issuer (except if any of the events described in this paragraph (d) occurs in a reconstruction, merger or amalgamation where the continuing corporation assumes all the liabilities of the Issuer); or

- (e) *Illegality*: it becomes unlawful for the Issuer to perform any of its obligations under the Senior Preferred Notes or any of its obligations thereunder ceases to be valid, binding or enforceable.

(C) **Senior Preferred Notes – Enforcement:**

Subject to this Condition 11(C) being specified as applicable in the relevant Final Terms, if default is made in the payment of any principal or interest due in respect of the Senior Preferred Notes or such principal or interest and such default continues for a period of 30 days or more after the due date, any holder of Senior Preferred Notes may institute proceedings for the dissolution or liquidation of the Issuer in Belgium.

In the event of a dissolution or liquidation of the Issuer (including, without limitation, the following events creating a “*samenloop van schuldeisers/concours de créanciers*”: bankruptcy (“*faillissement/faillite*”), judicial liquidation (“*gerechtelijke vereffening/liquidation forcée*”), voluntary liquidation (“*vrijwillige vereffening/liquidation volontaire*”) (other than a voluntary liquidation in connection with a reconstruction, merger or amalgamation where the continuing corporation assumes all the liabilities of the Issuer), dissolution (“*ontbinding/liquidation*”), moratorium of payments (“*moratorium/moratoire*”) and other measures agreed between the Issuer and its creditors relating to the Issuer’s payment difficulties, or an official decree of such measures), each holder of Senior Preferred Notes may give written notice to the Agent at its specified office that its Senior Preferred Note(s) is (are) immediately repayable, whereupon the Event of Default Redemption Amount of such Senior Preferred Note together (if applicable) with accrued interest to the date of payment shall become immediately due and payable.

No remedy against the Issuer other than as referred to in this Condition 11(C) shall be available to the holders of Senior Preferred Notes, whether for recovery of amounts owing in respect of the Senior Preferred Notes or in respect of any breach by the Issuer of any of its obligations under or in respect of the Senior Preferred Notes.

For the avoidance of doubt, the holders of Senior Preferred 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/resolution*”) of, the Senior Preferred Notes and (ii) to the extent applicable, all their rights whatsoever in respect of the Senior Preferred Notes pursuant to Article 487 of the Belgian Companies Code.

In these Terms and Conditions, “**Event of Default Redemption Amount**” means (i) if “**Specified Redemption Amount**” is specified in the applicable Final Terms, an amount per Calculation Amount being the product of the Specified Fixed Percentage Rate and the Calculation Amount **provided that** the Specified Fixed Percentage Rate will not, in any case, be less than 100 per cent., (ii) if “**Par Redemption**” is specified

in the applicable Final Terms, an amount per Calculation Amount equal to 100 per cent. per Calculation Amount, or (iii) if “**Amortised Face Amount**” is specified in the applicable Final Terms, an amount calculated in accordance with Condition 3(b) above.

## **12 Further Issues**

The Issuer may from time to time, without the consent of the Noteholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the date for and amount of the first payment of interest) so that, for the avoidance of doubt, references in these Terms and Conditions to “**Issue Date**” shall be to the first issue date of the Notes, and so that the same shall be consolidated and form a single series with such Notes, and references in these Terms and Conditions to “**Notes**” shall be construed accordingly.

## **13 Currency Indemnity**

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer or otherwise) by any Noteholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer, to the extent of the amount in the currency of payment under the relevant Note that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer, shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition 13, it shall be sufficient for the Noteholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer’s other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment or order.

## **14 Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

## **15 Governing Law and Jurisdiction**

### *(a) Governing Law*

The Notes, and any non-contractual obligations arising out of or in connection with them, are governed by, and shall be construed in accordance with, English law save that (i) any matter relating to title to, and the dematerialised form of, such Notes, and any non-contractual obligations arising out of or in connection with title to, and any matter relating to the dematerialised form of, such Notes, and (ii) Conditions 1, 6, 10 and 11 shall be governed by, and construed in accordance with, Belgian law.

(b) *Jurisdiction*

The courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes including any legal action or proceedings relating to any non-contractual obligations arising therefrom and accordingly any legal action or proceedings arising out of or in connection with any Notes including any disputes relating to any non-contractual obligations arising therefrom (“**Proceedings**”) may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of the courts of England and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. These submissions are made for the benefit of each of the holders of the Notes and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

(c) *Service of Process*

The Issuer irrevocably appoints Belgian Luxembourg Chamber of Commerce, currently situated at 8 Northumberland Avenue, London, WC2N 5BY, United Kingdom as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Issuer). If for any reason such process agent ceases to be able to act as such or no longer has an address in London, the Issuer irrevocably agrees to appoint a substitute process agent and shall immediately notify Noteholders of such appointment in accordance with Condition 8. Nothing shall affect the right to serve process in any manner permitted by law.

(d) *Acknowledgment and Consent of the Bail-in Power*

Each Noteholder (which includes any current or future holder of a beneficial interest in the Notes) acknowledges and accepts that any liability arising under the Notes may be subject to the Bail-in Power by the Resolution Authority and acknowledges and accepts to be bound by (i) the variation of the terms and conditions 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 and (ii) the effect of the exercise of the Bail-in Power by the relevant Resolution Authority. Such exercise may, among others, include and result in any of the following, or a combination thereof:

- i. all, or part of the Relevant Amounts in respect of the Notes being reduced or cancelled;
- ii. all or part of the Relevant Amounts in respect of the Notes being converted into shares, other securities or other obligations of the Issuer or another person and such shares, securities or obligations being issued to or conferred on the Noteholder, including by means of a variation, modification or amendment of the terms and conditions of the Notes;
- iii. the Notes or the Relevant Amounts in respect of the Notes being cancelled; and
- iv. the maturity of the Notes being amended or altered, or the amount of interest payable on the Notes, or date on which interest becomes payable; including by suspending payment for a temporary period being amended.

In this Condition,

**"Bail-in Power"** means any statutory write-down and/or conversion power existing from time to time under any laws, regulations (including delegated or implementing measures such regulatory technical standards), requirements, guidelines, rules, standards and policies relating to the resolution of credit institutions, investment firms and their parent undertakings, and minimum requirements for own funds and eligible liabilities and/or loss absorbing capacity instruments of the Kingdom of Belgium, the NBB (or any successor or replacement entity having primary responsibility for the prudential oversight and supervision of the Issuer), the Resolution Authority, the Financial Stability Board and/or of the European Parliament or of the Council of the European Union then in effect in the Kingdom of Belgium, pursuant to which obligations of the Issuer can be cancelled, written down and/ or converted into shares, securities or obligations of the Issuer or any other person;

**"Relevant Amounts"** means the principal amount of, and/or interest on, the Notes. These amounts include amounts that have become due and payable but which have prior to the exercise of the Bail-in Power by the Resolution Authority not yet been paid .

## CLEARING

The Notes are in dematerialised form in accordance with Articles 468 et seq. of the Belgian Companies Code. The Notes will be represented by a book entry in the records of the settlement system operated by the National Bank of Belgium or any successor thereto (the “**Securities Settlement System**”). The Notes can be held by their holders through the participants in the Securities Settlement System, including Euroclear, Clearstream, Luxembourg, SIX SIS and Monte Titoli and through other financial intermediaries which in turn hold the Notes through Euroclear, Clearstream, Luxembourg, SIX SIS, Monte Titoli or other participants in the Securities Settlement System. Possession of the Notes will pass by account transfer.

Payment of principal and interest in respect of Notes will be made in accordance with the applicable rules and procedures of the Securities Settlement system, Euroclear, Clearstream, Luxembourg, SIX SIS, Monte Titoli and any other Securities Settlement System participant holding interest in the relevant Notes, and any payment made by the Issuer to the Securities Settlement System or, in the case of payments in any currency other than euro, to Euroclear, Clearstream, Luxembourg, SIX SIS and Monte Titoli will constitute good discharge for the Issuer. Upon receipt of any payment in respect of Notes, the Securities Settlement System, Euroclear, Clearstream, Luxembourg, SIX SIS, Monte Titoli and any other Securities Settlement System participant, shall immediately credit the accounts of the relevant account holders with the payment. Noteholders are entitled to exercise their voting rights and other associative rights (as defined for the purposes of Article 474 of the Belgian Companies Code) against the Issuer upon submission of an affidavit drawn up by the NBB, Euroclear, Clearstream, Luxembourg, SIX SIS, Monte Titoli or another participant duly licensed in Belgium to keep dematerialised securities accounts showing their position in the Notes (or the position held by the financial institution through which their Notes are held with the NBB, Euroclear, Clearstream, Luxembourg, SIX SIS, Monte Titoli or such other participant, in which case an affidavit drawn up by that financial institution will also be required).

## **USE OF PROCEEDS**

The net proceeds of the issue of the Notes will be used by Belfius Bank for its general corporate purposes.

## DESCRIPTION OF THE ISSUER

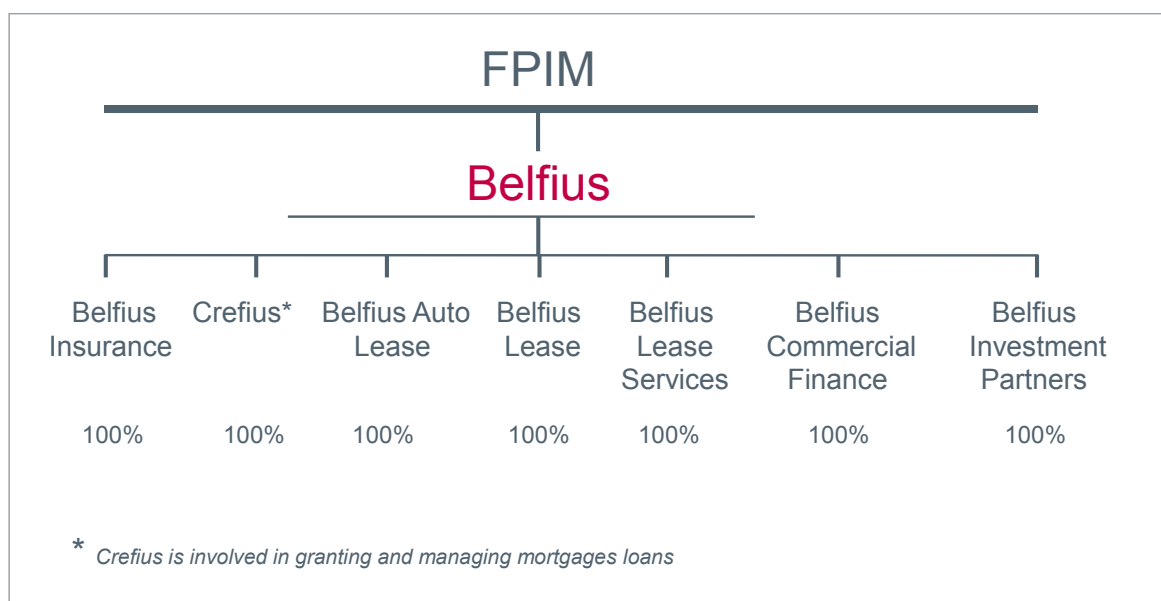
Belfius Bank SA/NV (the “**Issuer**”, “**Belfius Bank**” or “**Belfius**”) is a public limited company (naamloze vennootschap/société anonyme) of unlimited duration incorporated under the Belgian law of 23 October 1962 which collects savings from the public. The Issuer is licensed as a credit institution in accordance with the Belgian Banking Law. It is registered with the Crossroads Bank for Enterprises under business identification number 0403.201.185 and has its registered office at 1000 Brussels, Boulevard Pachéco 44, Belgium, telephone +32 22 22 11 11. Belfius Bank's LEI code is A5GWL FH3KM7YV2SFQL84.

Belfius Bank is wholly owned by the Belgian federal state through the Federal Holding and Investment Company (FHIC). Belfius Bank shares are not listed. At the end of 2016, total consolidated balance sheet amounted to EUR 177 billion.

Belfius is first and foremost a locally embedded independent banking and insurance group which provides financial services to private individuals, professionals, social-profit institutions, corporates and the public authorities in Belgium.

With an essentially Belgian balance sheet for its commercial activities and customers from all segments, Belfius is in a position to act as a universal bank “of and for Belgian society”. Belfius is committed to maximal customer satisfaction and added social value by offering products and providing services with added value through a modern distribution model. Thanks to a prudent investment policy and a carefully managed risk profile, Belfius aspires to a sound financial profile that results in a solid liquidity and solvency position.

### Simplified Group structure as at the date of this Base Prospectus



## **Main commercial subsidiaries**

### *Belfius Insurance*

Insurance company marketing life and non-life insurance products, savings products and investments for individuals, the self-employed, liberal professions, companies and the public and social sector. At the end of 2016, total consolidated balance sheet of Belfius Insurance amounted to EUR 23 billion<sup>1</sup>.

### *Crefius*

Company servicing and managing mortgage loans. At the end of 2016, total balance sheet of Crefius amounted to EUR 43 million<sup>2</sup>.

### *Belfius Auto Lease*

Company for operational vehicle leasing and car fleet management, maintenance and claims management services. At the end of 2016, total balance sheet of Belfius Auto Lease amounted to EUR 277 million<sup>3</sup>.

### *Belfius Lease*

Company for financial leasing and renting of professional capital goods. At the end of 2016, total balance sheet of Belfius Lease amounted to EUR 706 million<sup>4</sup>.

### *Belfius Lease Services*

Financial leasing and renting of professional capital goods to the self-employed, companies and liberal professions. At the end of 2016, total balance sheet of Belfius Lease Services amounted to EUR 1,846 million<sup>5</sup>.

### *Belfius Commercial Finance*

Company for financing commercial loans to debtors, debtor in-solvency risk cover and debt recovery from debtors (factoring). At the end of 2016, total balance sheet of Belfius Commercial Finance amounted to EUR 764 million<sup>6</sup>.

### *Belfius Investment Partners*

Company for administration and management of funds. At the end of 2016, total balance sheet of Belfius Investment Partners amounted to EUR 25 million<sup>7</sup>.

## **Results 2016**

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<sup>1</sup> For more details, see the annual report 2016 of Belfius Insurance.

<sup>2</sup> Total IFRS balance sheet before consolidation adjustments

<sup>3</sup> Total IFRS balance sheet before consolidation adjustments

<sup>4</sup> Total IFRS balance sheet before consolidation adjustments

<sup>5</sup> Total IFRS balance sheet before consolidation adjustments

<sup>6</sup> Total IFRS balance sheet before consolidation adjustments

<sup>7</sup> Total IFRS balance sheet before consolidation adjustments



The consolidated net income rose for the fifth year in a row to EUR 535 million in 2016 against EUR 506 million in 2015, up 5.8%. Belfius Bank contributed EUR 335 million and was mainly driven by the good commercial activity and a strict cost control. Belfius Insurance made a very sizeable contribution of EUR 201 million, despite the negative impact of exceptional factors such as terror attacks and floods.

The net income from commercial activities (Franchise) grew by 9% to EUR 666 million thanks to the rare combination of a rise in revenues (EUR 2,377 million, up 2.4% compared to 2015) and continuous lowering of costs (EUR 1,355 million, down by 2.1% compared to 2015). The cost-income ratio of the commercial activities improved significantly by 3% to 57% compared with 2015. The cost of risk remained stable (EUR 68 million), demonstrating the Franchise's continued good credit quality.

The total net income of the Side-activities (see below) amounted to EUR -130 million against EUR -105 million in 2015. In 2016 total income of the Side-activities amounted to EUR -118 million and was impacted by the active tactical de-risking programme (EUR 100 million losses before taxes) and negative fair value adjustments in more volatile financial markets. Cost of risk amounted to EUR 48 million compared to EUR 28 million in 2015. This increase results from specific impairment charges related to US RMBS.

The CET 1-ratio (Phased In) was 16.6% at 31 December 2016 compared to 15.9% at 31 December 2015. The CET-1 ratio (Fully Loaded) was 16.1% at 31 December 2016 compared to 14.9% at 31 December 2015.

The total capital ratio (Phased In) amounted to 19.4% at the end of 2016 against 17.7% end 2015. The total capital ratio (Fully Loaded) amounted to 18.4% at the end of 2016 against 16.2% end 2015.

The regulatory risk exposure amounted to EUR 46.7 billion end 2016, a decrease of 0.3 billion compared to 2015, thanks to further active tactical de-risking.

End 2016, the Belfius leverage ratio Phased In – based on the current CRR/CRD IV legislation - stood at 5.4%, the leverage ratio Fully Loaded stood at 5.3%.

As a result of the annual “Supervisory Review and Evaluation Process” (“**SREP**”) conducted by the ECB, Belfius must maintain as from December 2015 a minimum CET 1 ratio of 11.25%, which is composed of a minimum SREP CET 1 ratio of 10.75% (including capital conservation buffer) and a buffer for domestic systemically important institutions of 0.50% (which will grow to 1.50% in 2018).

Following the SREP performed at the end of 2016, Belfius has been informed by the ECB of its new minimum capital requirements. For 2017 the ECB imposes a 9% Phased In minimum CET 1 requirement, which is composed of :

- a Pillar 1 minimum of 4.5%,
- a Pillar 2 Requirement (P2R) of 2.25%,
- a capital conservation buffer (CCB) of 1.25% and
- a buffer for (other) domestic systemically important institutions (O-SII buffer) of 1%.

The ECB has also notified Belfius of a Pillar 2 Guidance (P2G) of 1% CET 1 for 2017.

### **Segment reporting 2016**

Analytically, Belfius splits its activities and accounts in two segments: Franchise and Side.

**Franchise** activities contain the key activities of the commercial business lines of Belfius:

- **Retail and Commercial (RC)**, managing the commercial relationships with individual customers and with small & medium sized enterprises both at bank and insurance level;
- **Public and Corporate (PC)**, managing the commercial relationships with public sector, social sector and corporate clients both at bank and insurance level;
- **Group Center (GC)** containing mainly the residual results not allocated to the two commercial segments of the Franchise and to the Side activities, as well as the residual interest rate and liquidity management results through the internal transfer pricing mechanism.

**Side** segment incorporates the Legacy, inherited from the Dexia-era and that is managed under an active tactical de-risking strategy and in natural run-off mode. This segment consists of (i) Legacy portfolios (bonds & credit guarantees), (ii) transactions with Dexia Group entities, (iii) some other run-off activities with clients, inherited from the Dexia-era and not part anymore of the commercial activities of Belfius.

### *Retail and Commercial (RC)*

The Retail and Commercial business line offers individuals and the self-employed, the liberal professions and SMEs a complete range of retail, commercial and private banking products as well as insurance services.

Belfius Bank is among the top 4 leading banks in Belgium and serves its approximately 3.5 million customers through 696 points of sale, a contact center and a large number of automatic self banking machines, which makes the Bank a 24-hour-a-day operation. Belfius is leading in the mobile banking industry and provides state of the art apps.

In Belgium, for retail customers, Belfius Insurance combines the advantages of the exclusive agents network of DVV insurance with those of the Belfius Bank branch networks, whilst also relying on Corona Direct, a direct insurer active via the internet and “affinity partners”<sup>8</sup>

### *Strategy*

The implementation of the Belfius 2020 strategy for Retail and Commercial, as charted in 2015, was launched in 2016.

The RC strategy aspires to achieve four ambitions by 2020:

- To go from 95% customer satisfaction towards committed customers who are prepared to actively recommend Belfius.
- To further develop a differentiated and digitally supported business model, with an ideal balance between qualitative relation-ship management on the one hand, and efficient, user-friendly direct channels on the other. Two complementary omni-channel approaches are being developed to that purpose: one with digital focus geared to retail customers combined with value-added branch interactions at key life moments, and the other with account management focus geared to privilege, private and business customers supported by very convenient digital tools.
- To increase the dynamic market share in core products to our aspired market share of minimum 15%.

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<sup>8</sup> Affinity partners are external parties with whom Corona collaborates and that offer Corona insurance products.

- To further implement our continued focus on processes with true added value for our customers, and as such target a further improvement in cost-income ratio to  $\leq 60\%$ .

#### *RC results in 2016*

The commercial activity was particular dynamic in 2016: total customer assets grew by 2.8% in 2016 to EUR 102.5 billion. After a strong increase in 2015, the organic growth further increased in 2016 by 33% to EUR 2.5 billion. EUR 34.2 billion of the total savings and investments is held by 66,000 private clients.

On-balance sheet deposits totalled EUR 62.0 billion at the end of 2016, slightly up (+3.2%) from the end of 2015. Customers adopted a rather wait-and-see attitude for deposits because of the historically low interest rates. There was very good growth in the funds deposited in current and savings accounts, which reached EUR 10.4 billion (+16.7%) and EUR 40.0 billion (+7.2%) respectively. Less capital found its way to long-term capital investments (a drop of 46.4% for savings certificates and a light increase of 2.2% for bonds issued by Belfius).

Off-balance sheet investments went up by 5.8% compared to the end of 2015, to EUR 29.6 billion, and this thanks to a more pronounced customers' preference for products with potentially higher yields (mutual funds, mandates). Outstanding investments given to Belfius via mandates and service contracts grew further in 2016 by 13% to EUR 10.2 billion.

Life insurance reserves of investment products amounted to EUR 10.9 billion, down by 6.7% compared to the end of 2015. Investments in Branch 21 life insurance products decreased because of the low interest rates, but that drop was partially offset by Branch 23 products.

Total loans to customers rose strongly to EUR 42.1 billion at the end of 2016. The increase occurred in mortgage loans (+5.9 %) and business loans (+5.3%). Mortgage loans, which account for two thirds of all loans, amounted to EUR 28.8 billion at the end of 2016, while consumer loans and business loans stood at EUR 1.4 billion and EUR 11.4 billion respectively.

New long term loans granted to retail clients during 2016 amounted to EUR 6.3 billion. These new long term loans are mainly mortgage loans. The new production of consumer loans amounting to EUR 0.7 billion increases with 14% and reaches the highest level ever. The production of long-term loans for the Business-segment increases to EUR 3.0 billion (+23%).

The gross production of insurance products to customers in the Retail and Commercial segment amounted to EUR 1,130 million in 2016, compared with EUR 1,278 million in 2015, i.e. a 11.6% drop, in line with market tendencies.

Non-life insurance premiums amounted to EUR 504 million, up 5% compared to the end of 2015. This increase was possible thanks to further bank-insurance development and increased cross-selling activities, in particular with mortgage loans.

Life insurance premiums amounted to EUR 626 million, compared with EUR 798 million in 2015; a 21.6% drop. There is a strong decrease in Life Branch 23 premiums (-56.6%) and a limited decrease in Life Branch 21 premiums (-2.7%) This is due to low client appetite in low interest rate environment.

Total life insurance reserves, in the Retail and Commercial segment, dropped by 5.0% to EUR 13.4 billion at the end of 2016 as a result of a difficult context characterised by low interest rates. A clear shift between

products can be noted in the life reserves. Unit-linked reserves (Branch 23) increased by 10%, whereas guaranteed interest products reserves (Branch 21 and 26) dropped by 8%.

RC net income after tax amounted to EUR 439 million in 2016.

### ***Public and Corporate (PC)***

Belfius has always been the preferred partner of public sector and social organisations (hospitals, schools, universities, retirement homes...) in Belgium. It provides its clients with a complete and integrated range of products and services, ranging from credit lending and treasury management, insurance products, to budget optimisation and financial IT solutions.

Corporate banking activities are directed principally at medium-sized corporates having a decision-making center in Belgium and also at corporates offering their services to the public sector.

### ***Strategy***

As market leader in the Public and Social sectors from the outset, Belfius invests in dedicated products and services adapted to its customers so as to provide them a service that meets all their needs. Public investments are however hindered by measures taken to reduce the budget deficit.

Belfius draws on its historical knowledge in this sector to help Belgian companies who wish to do business with the public authorities, thereby enabling them to benefit from a competitive advantage in this interesting market.

Moreover, offering all the products and services Belgian companies need, Belfius can fully assume its role of support of the Belgian economy.

As such, Public and Corporate confirms following strategic axes:

- Remain the undisputed leader in the Public & Social segment;
- Continue its growth strategy in the market of Belgian corporates.

Aware of the challenges faced by the public authorities (such as the ageing of the population, healthcare, ageing infrastructures and sustainable development) and businesses (such as growth, innovation and transport), Belfius is going to bring together the driving forces through its Smart Belgium programme, and establish an ongoing cooperation between the public authorities and businesses. Belfius is keen to create solutions that tackle the challenges faced by society in a smart and sustainable manner. To that end, Belfius is going to create a unique forum to match supply and demand, the smart ideas of the local authorities, the social sector, and small and large businesses, while providing efficient levers to realize such ideas and solutions with a view to supporting a more sustainable society.

### ***PC results in 2016***

At 31 December 2016, total customer assets were EUR 31.7 billion, an increase of 7.2% compared with the end of 2015. On-balance sheet deposits rose by EUR 1.3 billion (+6.3%), to EUR 22.9 billion. The off-balance sheet customer investments registered a strong growth of 9.5% to reach EUR 8.2 billion. Life insurance reserves of investment products amounted to EUR 0.6 billion in 2016.

Total outstanding loans went down slightly (-0.2%) to EUR 38.3 billion. Outstanding loans in Public and Social banking are decreasing mainly due to lower demand than maturing stock, increased competition on the Public and Social Sector market, and the structural shift to more alternative financing. Intensified

commercial strategy towards Belgian corporates results in 7.4% increase (compared to December 2015) of outstanding loans to EUR 9.5 billion as of end December 2016. Off-balance sheet commitments remained stable at EUR 20.1 billion.

Despite the continued weak market demand in the public and social sector, Belfius granted EUR 2.3 billion in new long-term lending in 2016, up 27% compared to 2015. Belfius also plays an active role in Debt Capital Markets business. During 2016 the Bank launched innovative funding to the public and social sectors for a total amount of EUR 5.2 billion and increased its level of participation to 86% of the public issuers.

The production of long-term loans to corporate customers amounted to EUR 3.4 billion in 2016. The market share rose by 1.5%, while it grew by 1% in 2015. With its level of participation rising to 58%, Belfius also confirmed its position as leader for bond issues and treasury certificates for corporate clients. In 2016, the Bank launched EUR 0.9 billion of innovative funding to those clients.

With regards to insurance activities, the Public and Corporate segment recorded good income dynamics, in particular for non-life insurance products.

Non-life insurance premiums increased strongly by 9.7% to EUR 133 million. This demonstrates the success of the strategy developed for property & casualty insurance products (fire, accidents, other risks), i.e. through sales via specialised brokers.

Gross premiums received in the life segment amounted to EUR 262 million, an increase of 1.0% thanks to the strong position and expertise enjoyed by Belfius in its niche market. Despite the constant reduction of the local authorities' room to manoeuvre and pressures on public finances, Belfius PubliPension (a "first-pillar" pension product) continues to respond to customer needs.

PC net income after tax amounted to EUR 141 million in 2016.

#### ***Group Center (GC)***

At the Bank, Group Center contains mainly the residual results not allocated to the two commercial segments of the Franchise and to the Side activities, as well as the residual interest rate and liquidity management results through the internal transfer pricing mechanism.

The carry cost of the collateral needed by Franchise activities is also allocated to Group Center. The results on hedge solutions implemented for clients (Flow Management activities) and the results on treasury activities (Money Market) are also allocated to Group Center. Finally, Group Center also contains the result or carry costs of assets not allocated to a specific business line or assets that do not deliver or obtain interest (e.g. equity, property, equipment).

At the level of the insurer, Group Center contains income from assets not offered to and allocated to a specific business line, the cost of subordinated debt, the results of some subsidiaries and the costs not allocated to a specific business line.

GC net income after tax amounted to EUR 85 million in 2016.

#### ***Side***

At the time of the separation from Dexia Group at the end of 2011, Dexia Bank owned an investment portfolio, inherited from its period within Dexia Group, totalling EUR 74 billion notional value:

- Legacy bond portfolio of approximately EUR 18 billion;
- Legacy credit guarantee (intermediation) portfolio of approximately EUR 12 billion;
- funding to other Dexia entities for approximately EUR 44 billion.

Since the end of 2011, Belfius has implemented an active tactical de-risking plan leading to a significant reduction of those Side portfolios, including a reduction of funding to Dexia entities to almost zero since the end of February 2015.

In the light of Belfius' ambitions towards a lower risk profile, the Bank continued its active tactical de-risking efforts in order to bring the Side portfolios, by the end of 2016, to a risk profile in line with Franchise's risk profile.

As such, the Side portfolios' risk profile targeted by Belfius shows the following key characteristics:

- an average rating of the portfolios of A-;
- a non-investment grade (NIG) share of maximum 2%;
- concentration limits in line with Belfius corporate portfolios within the Franchise.

End 2016 the active tactical de-risking, executed since 2011, was finalized. During this period EUR 9.4 billion assets were sold, of which EUR 7.8 billion in the Legacy bond portfolio and EUR 1.6 billion in the Legacy credit guarantee portfolio, resulting in an average rating of A- for both portfolio's.

The target NIG share is complied with for Legacy credit guarantees (0%), however, it does not for Legacy bonds (6.3%). Yet, excluding NIG US RMBS bonds<sup>9</sup>, NIG share of notional for Legacy bonds would be 2.6%, i.e. close to 2% target, and for total Legacy the share would be 1.5%, i.e. below 2% target.

Lastly, concentration limits are in line with Belfius core risk level as there are no positions with stressed loss at default levels exceeding Belfius Bank's Risk Appetite Framework (RAF) thresholds. Concretely, this means that the active tactical risk reduction of the Historic Legacy portfolio was successfully completed and that the remaining securities of these portfolios will henceforth be managed under a natural run-off.

#### *Legacy bond portfolio*

At the end of 2016, the Legacy bond portfolio stood at EUR 6.3 billion, down EUR 1.7 billion compared to December 2015, mainly due to the active tactical de-risking (EUR 0.5 billion) and the natural amortization of the portfolio. End 2016, the portfolio was composed of sovereign and public sector (15%), corporate (50%), financial institutions including covered bonds (19%) and asset-backed securities (16%).

Since 2011, the Legacy bond portfolio has been decreased by two-thirds (66%) or EUR 12.0 billion of which two-third due to active tactical de-risking and one-third of natural amortizations. Those reductions have been mainly executed in the asset categories of financial institutions (-90%), covered bonds (-77%), asset-backed securities (-79%) and international sovereigns and public sector (-57%).

At the end of 2016, the Legacy bond portfolio has an average life of 15.6 years. With an average rating of A- and 94% of the portfolio being investment grade (IG), the portfolio remains of good credit quality.

#### *Legacy Credit guarantee (intermediation) portfolio*

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<sup>9</sup> These are conditionally US government guaranteed reverse mortgages that were downgraded to non-performing in 2016.

At the end of 2016, the credit guarantee portion of Belfius' Legacy portfolio amounted to EUR 4.2 billion, down EUR 1.2 billion compared to December 2015, mainly due to amortizations. It relates essentially to Credit Default Swaps and Financial Guarantees issued on corporate/public issuer bonds (85%), ABS (12%) and covered bonds (3%). The good credit quality of the underlying reference bond portfolio, additional protection against credit risk incorporated in the bond itself and the protections purchased by Belfius from various monoline insurers (US reinsurance companies, essentially Assured Guaranty) result in a portfolio that is 100% investment grade (IG).

Since the end of 2011, the Legacy credit guarantee portfolio has been reduced by EUR 7.4 billion or 64%.

At the end of 2016, the average rating of the portfolio remains at A-. End 2016, the average residual life of the portfolio stood at 8.2 years.

#### *Funding to Dexia*

Since February 2015, the funding to Dexia has been reduced to below EUR 100 million. As at 31 December 2016, the remaining funding relates mainly to a loan to Dexia Crediop (EUR 5 million) for which Dexia Crediop has made a deposit of the same amount with Belfius and the co-financing of a loan (EUR 48 million) granted by Dexia Crédit Local (DCL) to a very creditworthy British real estate (social housing) company that passes through the accounts of DCL.

Please note also that, while it was still part of the Dexia Group, former Dexia Bank (now Belfius Bank) was Dexia Group's "competence center" for derivatives (mainly interest rate swaps): this meant that all Dexia entities could cover their market risks with derivatives with Dexia Bank, mainly under standard contractual terms related to cash collateral. Former Dexia Bank systematically covered these derivative positions externally, as a result of which these derivatives broadly appear twice in Belfius accounts: once in relation to Dexia and once for hedging. Remaining outstanding notional amount<sup>(1)</sup> of derivatives with Dexia amounted to approximately EUR 39.9 billion at the end of December 2016, a decrease of EUR 9.1 billion compared to the end of 2015.

#### *Other Side*

Other run-off activities consist mainly of derivatives with (non-Franchise) foreign counterparties and of transactions with former related parties, inherited from the Dexia era.

Side net income after tax amounted to EUR -130 million in 2016

### **Post-balance-sheet events**

#### *Dividend*

The Board of Directors of 31 March 2017, has proposed to the general Assembly of 26 April 2017 an ordinary dividend of EUR 215 million in respect of the accounting year 2016, of which EUR 75 million was already paid via an interim dividend in September 2016.

#### *End of Side as analytical segment and integration in Group Center*

Since its separation from the Dexia group end 2011, Belfius has separated its financial accounts into two segments: Franchise, i.e. Belfius' core business lines (bank and insurance), and Side, i.e. Belfius' non-core assets and exposures, mainly financial products such as bonds and structured credit guarantees. Since end 2011, Belfius has actively executed a tactical de-risking program with respect to its Side portfolios, resulting

in a strong decrease of outstanding volumes and a positive evolution of the portfolios' key risk indicators. Thanks to these continued efforts, the risk profile of Side has been brought in line with the risk profile of Franchise. Hence, as from 1 January 2017 onwards, Belfius will integrate the remainder of Side into Franchise (i.e. Group Center) and will no longer separate its financial reporting into the segments Franchise and Side.

Belfius achieved its goal in meeting the side portfolios' risk profile targets. However, the target Non Investment Grade share was not complied with for legacy bonds due to US RMBS bonds. Note that end February 2017, Belfius has sold EUR 95 million of these US RMBS transactions with a limited P&L impact.

#### ***Adaption of the documentation of subordinated debt instruments held by Arcopar***

Belfius Bank and Arcopar have converted the documentation of the bilateral subordinated perpetual loans (issued by Belfius Bank and held by Arcopar, for EUR 85 million notional in total) to a documentation under EMTN program, in order to increase the marketability and liquidity of these instruments. This was part of the contract signed with Arco at year-end 2016. Belfius is surety holder of these notes. The agreement also included, among others, a potential purchase by Belfius of an additional stake in Auxipar, which is still under analysis.

#### ***Changes in issued subordinated debts***

Calls on 2 issued subordinated debts have been notified to investors. Belfius has paid back the par amount of 20 million EUR on 1 March 2017 and will pay the par amount of 20 million EUR on 2 April 2017. Furthermore, Belfius issued on 17 February 2017 a second tranche for a nominal value of 50 million EUR of the subordinated debt of May 2016 (CRR/CRD IV eligible as Tier 2 capital) , with maturity date 11 May 2026, a fixed interest rate of 3.125% and no call date nor coupon deferral.

#### ***BBTK and ACLVB***

On 8 May 2014, two trade unions within Belfius Bank, BBTK and ACLVB, summoned Belfius Bank before the Brussels Labour Court. They demand the annulment of the collective bargaining agreements that Belfius Bank signed in 2013 with two other trade unions of the bank. BBTK and ACLVB are of the opinion that these collective bargaining agreements amend, without their consent, previous collective bargaining agreements Belfius Bank concluded also with them. In addition, they are of the opinion that an employer can only sign a collective bargaining agreement with some of the existing trade unions within the firm, if the said employer has not signed previous collective bargaining agreements with other trade unions. The bank rejects this claim as the previous collective bargaining agreements have not been amended and because the law provides in general that a collective bargaining agreement can be signed with only one trade union.

For procedural reasons with no impact on the merits of the case, on 26 November 2015, the labour court postponed the hearing first to 20 October 2016 and then again to 6 February 2017. Eventually, the case was pleaded on the hearing of 6 February 2017. At this hearing, the president of the labour court requested an opinion from the Labour Prosecutor in this case.

The Labour Prosecutor issued his opinion on 17 March 2017. This opinion is not binding for the labour court. The Prosecutor considers that Belfius Bank did not breach the right to collective bargaining, but states that the new "Plan Belfius 2016" cba's should be declared as "inexistent" based on a legal technical interpretation



of certain form requirements from the CBA Act. Belfius Bank has valid arguments to refute the argumentation from the Prosecutor and will put everything in place to defend itself.

No provision has been recorded for this procedure as Belfius Bank remains confident that it has enough valid arguments to obtain a final settlement of this dispute in its favour and prove that the CBA Act was respected.

The judgment of the labour court in first instance is expected before 30 June 2017.

## **Risk Management**

### ***EU-wide EBA Stress Test***

Belfius Bank was subject to the 2016 EU-wide stress test conducted by the European Banking Authority (EBA), in cooperation with the National Bank of Belgium, the European Central Bank, the European Commission and the European Systemic Risk Board. The stress test applied to 51 European banks and its aim was to assess the resilience of selected institutions when confronted by severe financial and economic stress over a three-year time horizon (2016-2018).

The stress test was carried out applying a static balance sheet assumption as at December 2015, and therefore does not take into account any future business strategies and management actions. The final outcome of this exercise is translated into the relevant banks' solvency figures as per the end of 2018. The 2016 stress test does not contain a pass-fail solvency threshold (as was the case in the 2014 stress test), but instead was designed to be used as crucial information for the 2016 supervisory review process.

Starting from a very comfortable CET 1 Phased In ratio of 15.9% as at the end of 2015, the CET 1 ratio increased to 17.6% under the baseline stress scenario (in Fully Loaded format) as per the end of 2018. Under the 2016 EBA adverse stress scenario, Belfius still achieves a solid CET 1 Fully Loaded ratio of 11.4%. Based upon this result, Belfius ranks among the best capitalized European banks and scores substantially better than the average of 9.4% of the 51 European banks for which EBA published the stress test result.

This outcome confirms the appropriateness of our strategy over recent years, the long-term vision of our shareholder, our solidity and our resilience, all of which are crucial in the current challenging macroeconomic environment.

### ***Fundamentals of credit risk in 2016***

#### ***Banking activities in Retail and Commercial***

Belgium experienced throughout 2016 a modest but steady economic growth. Against this background, lending to the Retail and Commercial business line – one of the core segments at the Bank – remained at a high level, and this based on a stable lending policy in general, albeit adjusted for some elements (see further).

Demand for consumer credit remained stable in 2016. The criteria used for granting consumer loans remained generally unchanged from the preceding years and in line with the “Responsible Lending” charter that is part of the Belgian Financial Sector Federation (Febelfin). Recently, customers have been offered the possibility to introduce their loan applications via mobile platforms, by using the Belfius App. Nevertheless, the rules for evaluating the loan request remained basically the same as for loans requested through traditional channels.

The production of mortgage loans remained very sustained throughout 2016, and was even higher than in 2015. The expected deceleration of the market – as a consequence of the winding down of the “housing

bonus” in Flanders and Brussels – was more than compensated by the impact of low interest rates. These low interest rates also caused early repayments to remain at a high level. The vast majority of prepaid existing mortgage loans were refinanced internally. Overall, mortgage production (EUR 8.3 billion, of which EUR 3.3 billion repayments) was realized at constant credit quality.

The historical low risk level of the mortgage portfolio is also reflected by the cost of risk that remains at a very low level. The Risk Department continued its reinforced monitoring of the potential higher risk segments of mortgage loans (combinations of longer repayment terms, higher loan-to-value financing ratios and higher debt service costs vs. income ratios). The Bank took measures to keep production in these niches within strict limits. This approach is in line with the concerns expressed by the National Bank of Belgium with regard to the evolution of the Belgian residential real estate and mortgage market. Accordingly, the National Bank advanced higher risk weights for higher “loan-to-value” mortgage loans.

Belfius has more than 275,000 self-employed workers, professionals and SMEs as customers. Each one of them can rely on the personal service of a business banker. The Bank’s project to have lending decisions for business loans taken by local teams working close to the customer was further intensified in 2016. This strategy contributes clearly to a better knowledge of the customer and his or her situation, while numerous tests and realised statistics indicate that the risk remains well under control. The continuous fine-tuning of the decision-making logic and the enhanced and quickly reactive monitoring on deteriorating risk profiles is clearly bearing fruit.

The overall profitability and strength of Belgian SMEs remained good, although the latter are more and more confronted with a changing consumer pattern (e.g. e-commerce). In 2016, according to Graydon, 10,066 companies were forced to cease business, which was 5.1% lower than the number in 2015, and implies a return to the level of 2010. 20,708 jobs were as such put at risk. This is the lowest number since 2008, the beginning of the economic crisis, and a decrease of 10% compared to 2015. Bankruptcies declined in all major sectors, except for the hotel and catering industry which showed an increase of 4.3%. If the terrorist attacks of March 2016 are an explanatory factor for Brussels, in the rest of the country it is rather the introduction of the “white” cash register (i.e. a mandatory system to track cash in the hotel and catering industry sectors). The impact of the above mentioned terrorist attacks on Belfius’ portfolio was negligible. Consequently, the cost of business loans at Belfius Bank remained at a good risk/return level and within the target levels. Belfius therefore intends to keep supporting the production of business loans, also in relation to start-ups. At the same time, the Risk department continues the improvement of the process of early warning indicators in order to keep permanently the risks in this market segment well under control.

#### *Banking activities in Public and Corporate*

In 2016, Belfius kept providing the public and social sector, as well as mid & large companies, with an extensive and integrated range of products and services. It strengthened its partnership with the customers from the public and social sector by continuing to invest in having an in-depth knowledge of their needs and continuing to be able as such to offer them new and tailored solutions to fund their operations, manage their finances and meet their insurance requirements. The strategy to become also the reference partner for corporates that service this public and social sector (Business-to-Government) was further implemented.

The Public Sector loans portfolio maintained its very low risk profile. The economic climate of low inflation, moderate growth and historical low interest levels resulted in a limited pressure on the expenditures of Belgian municipalities. Local tax increases with an eye to budget balance were for that reason rather limited. The indebtedness of municipalities remains stable and their financial costs have fallen as a result of the

historical low interest rates. The increase of staffing and operating expenditures is being kept under control, among other things also thanks to the low inflation. Besides the current budgetary limits, some other structural reforms will weigh on the finances of municipalities in the coming years, such as the ongoing pension reform for their statutory staff, the contribution of local authorities to remedying Belgian public finance, the consequences of the tax shift, the challenges of the ageing population and finally the increasing costs of social aid and security. On this last point it is worth mentioning that 2016 was a key year for the long-expected reform of civil protection. Around 250 local fire brigades have been integrated in 34 new emergency response zones, which all became operational in the course of 2016. These zones have the ability to bill some of their services. Nevertheless, the lion's share of their receipts consists of allowances, of which 20% are currently paid out by the federal level and 80% by the municipalities. This means that there is still a long way to go in order to reach the balanced financing assumed in the reform of civil protection.

From a risk management point of view, the hospital sector remains a focus of attention. The potential developments in the area of hospital funding are closely monitored. The indebtedness of Belgian hospitals has increased importantly the past 5 years. The operating profit of the sector - after a stabilization in 2015 – deteriorated again. As a consequence, some hospitals display a structural shortfall in repayment capacity. According to our well-known studies, the Belgian hospital sector seems somewhat underfunded and an overcapacity regarding beds and infrastructure prevails. The Minister of Public Health works on a plan to address these challenges.

Belfius' corporate business is focused on Belgian companies with a turnover in excess of EUR 10 million. With 6,000 customers, we are actually positioned as a challenger in this segment, but a growth strategy has successfully been launched since 2015. Belfius has taken the necessary measures to ensure that this growth strategy goes hand in hand with a good creditworthiness and acceptable risk concentrations. The credit profile of the corporate lending remained fairly stable during 2016, which also meant that the cost of risk remained at an acceptable level and within the limits set. Real GDP growth in Belgium slightly decelerated in 2016 to 1.2%, supported by low interest rates, low energy prices and a declining unemployment. The wage restraint, the 2015 index jump and the tax shift have made especially our bigger and exporting companies more competitive. As a result, the general recovery of profitability of Belgian corporates - already started in 2014 – continued in 2016. However, the planned UK exit from the European Union could weight on Belgium's economic expansion; 8.8% of Belgian exports are directed to the UK, representing 7.7% of GDP, the largest share (as a projection of national output) amongst EU countries. A follow-up of global Brexit risks and impacts at portfolio level was put in place, but did not reveal critical problems.

Belfius monitors sector risks in a proactive way and defined specific measures with regard to a limited number of more vulnerable sectors. In the shipping industry, Belfius Bank continued to focus exclusively, as it has done in previous years, on shipping companies and other shipping-related businesses that have a commercial relationship with the Bank and a clear link with the Belgian economy. Connections with companies that do not meet these criteria were further reduced. Declining global trade, weaker demand for commodities and excess shipping capacity caused drops in prices and profits throughout 2016. In August, the US based International Shipholding as well as the Korean based Hanjin Shipping, the world's 7th largest shipping company filed for bankruptcy. Despite some positive price effects due to major players no further providing supply, financial distress in the shipping industry is not expected to improve soon. However, Belfius' shipping portfolio is adequately covered by specific impairments as well as collective impairments. What's more, ongoing business consolidation and alliances could prompt a more disciplined capacity growth and so improve freight rates over the medium-term. Real estate financing, related to both residential and

commercial real estate, is an important business activity within Belfius. Also on industry level, the Bank's lending activity in the real estate sector continues to increase considerably. The evolution of real estate financing over the last years is to be evaluated in the context of the following factors: the sustaining low interest rate environment, the fact that Belgian banks have a large deposit base and are confronted with a search for yield, the gross debt ratio of Belgian households that has increased and has recently slightly exceeded the average Euro area ratio. This combination of elements induces a concern at NBB level about an over evaluation of the Belgian (residential) property and about the threat of strong volume growth with potentially lower credit standards, lower margins and low provisioning levels. Belfius is aware of these potential pitfalls and has traditionally applied strict origination and acceptance criteria (LTV, maturity, collateral valuation) on new transactions and a solid monitoring of projects, in both residential and commercial real estate financing. Belfius real estate credit exposure is considered as being correctly diversified in terms of underlying asset types, individual name concentration and geographical spread.

Finally it is worth mentioning that Belfius intensified its portfolio management in the course of 2016, in the first place through the gradual sale of higher risk exposures and/or exposures that are no longer considered as being core business (e.g. shipping-related business without a commercial relationship), but also by developing risk hedging and risk sharing programs.

#### *Insurance*

The management of the credit risk of Belfius Insurance is the responsibility of Belfius Insurance risk management team, albeit in collaboration with the credit and risk teams at Belfius Bank and within the risk management guidelines regarding credit limits, etc. that apply to the whole of the Belfius group. As such, this means that credit limits are defined on a consolidated basis and that transfers of limits between the Bank and insurance arm of the business are permitted, provided that both parties agree. The CROs of Belfius Bank and Belfius Insurance coordinate the requests together.

#### *Exposure to credit risk*

As at 31 December 2016, the total credit risk exposure<sup>10</sup>, within Belfius reached EUR 172 billion, an increase of EUR 546 million or +0.3% compared to the end of 2015.

At bank level the credit risk exposure slightly increased 2% to EUR 155 billion. At the level of Belfius Insurance, the credit risk exposure went down by 12% to EUR 17 billion at the end of 2016.

#### *Breakdown of credit risk by counterpart*

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<sup>10</sup> Full Exposure at Default - FEAD

	31/12/2015	31/12/2016
<i>in EUR billion</i>		
Central governments	17.2	20.3
<i>of which government bonds</i>	<i>13.9</i>	<i>13.4</i>
Public sector entities	51.5	50.3
Corporate	26.1	27.5
Monoline insurers	3.6	4.2
ABS/MBS	1.8	1.4
Project Finance	1.8	2.1
Individuals, self-employed and SME's	40.5	42.3
Financial institutions	29.2	23.6
Other	0.0	0.7
<b>Total</b>	<b>171.9</b>	<b>172.4</b>

The credit risk exposure on public sector entities and institutions that receive guarantees of these public sector entities (29% of the total) and on individuals, self-employed and SMEs (25% of the total) constitute the two main categories.

The relative proportion of the segment central governments increased from 10% end 2015 to 12% end 2016. This growth is a direct consequence of Belfius' increasing excess liquidities posted at the National Bank of Belgium. Inside this segment, the credit risk on government bonds decreased by 4% from EUR 13.9 billion at the end of 2015 to EUR 13.4 billion at the end of 2016. More than half (59%) of the government bonds portfolio is invested in Belgian government bonds. While at bank level the Belgian government bonds represents 37% of the total government bond portfolio, the relative proportion at Belfius Insurance stood at almost 80%.

End 2016, the credit risk exposure on corporates and financial institutions was respectively 16% and 14%. The credit risk on monoline insurers (2% of the total) on bonds issued by issuers principally active in infrastructure and public utilities projects is predominantly an indirect risk arising from credit guarantees written by Belfius Bank and reinsured with monoline insurers.

Belfius' positions are mainly concentrated in the European Union: 95% or EUR 164 billion at group level and 98% or EUR 16.7 billion for Belfius Insurance. 70% of the total credit risk exposure is on counterparties categorised in Belgium country exposures, 6% in the United Kingdom, 6% in France, 4% in Italy and 2% in Spain. The credit risk exposure of Belfius counterparties in the United Kingdom amounted to EUR 11 billion. Almost three-quarters of this credit risk exposure concerns bonds, of which close to 60% are inflation-linked, issued by utilities and infrastructure companies in the United Kingdom that operate in regulated sectors such as water and electricity distribution. These bonds are of satisfactory credit quality (98% investment grade), and moreover the majority of the outstanding bonds are covered with a credit protection issued by a credit insurer that is independent from the bond issuer. The remainder concerns the bond portfolio of Belfius Insurance, a short-term credit portfolio for treasury management of Belfius Bank and receivables on clearing houses. The credit risks on those portfolios are also of satisfactory credit quality. The credit risk exposure of Belfius counterparties in Italy amounted to EUR 6.2 billion, of which EUR 3.8 billion of Italian government bonds.

At the end of December 2016, 85% of the total credit risk exposure had an internal credit rating investment grade (IG).

### *Asset quality*

At the end of 2016, the amount of impaired loans and advances to customers was EUR 2,320 million, which is an increase of +14% compared to last year. This increase results from a specific impairment charge related to US RMBS. These are conditionally US government guaranteed reverse mortgages that were downgraded to non-performing in 2016. As such, an impairment has been booked in 2H 2016.

Hence, in 2016, the specific impairments on loans and advances to customers increased with 9%, the asset quality ratio worsened slightly to 2.54% and the coverage ratio decreased to 54.4%. When not taking into account the specific impairment charge related to US RMBS, the asset quality ratio (2.25%) and the coverage ratio (58.4%) would be better than last year.

In 2016, collective impairments on loans and advances to customers decreased by EUR 41 million to EUR 328 million.

### *Liquidity risk*

#### *Consolidation of the liquidity profile*

During 2016, Belfius consolidated its diversified liquidity profile by:

stabilising its funding surplus within the commercial balance sheet;

- continuing to obtain diversified long-term funding from institutional investors by issuing, amongst others, covered bonds backed by quality loans (mortgage and public sector loans);
- collecting short and medium-term (CP/CD/EMTN) deposits from institutional investors;
- continuing its downsizing of the Legacy portfolio.

Mid 2016, Belfius Bank increased its participation to the ECB TLTRO funding programme with EUR 1.3 billion, amounting to 3.0 billion end 2016 with a purpose to finance investment needs of SMEs, social sector and retail clients (mortgage loans excluded).

The Liquidity Coverage Ratio (LCR), introduced within the framework of the Basel III reforms, has become a pillar I requirement for European banks on 1st of October 2015 (at a level of 60%). Belfius Bank closed the year 2016 with a LCR of 127%. The LCR of the Bank has remained above 100% during the whole year 2016. In Belgium the law requiring banks to respect a LCR of 100% has been canceled and the minimum LCR requirement is 70% for end 2016 as introduced in the LCR delegated act.

The Net Stable Funding Ratio (NSFR), based on our current interpretation of current Basel III rules, stood at 110% at year-end 2016.

#### *Minimum requirement for own funds and eligible liabilities*

It is expected that a formal Minimum Requirement for own funds and Eligible Liabilities (MREL) level will be given to Belfius by SRB in 2017. At this stage, no formal MREL target has been communicated to Belfius. Based on the recent disclosures on MREL published by SRB, Belfius' mechanical target<sup>11</sup> would potentially amount to 24.5 % of risk exposures (in Fully Loaded format).

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<sup>11</sup> Potential MREL requirement, published by SRB in November 2016, could be equal to the higher of:

- Double (Pillar 1 + Pillar 2 requirement) + Combined Buffer (CBR). Including the Market Confidence Charge (equal to the CBR less 125 bps) Belfius' mechanical target would potentially amount to 27.25%; or

This target is surrounded by uncertainties as the European Commission published a revised legislative proposal related to MREL requirements on 23 November 2016 (BRRD). This proposal is still under negotiation at the European level at the time of the finalization of this Report.

As of today the SRB has not yet fully clarified which unsecured long term funding will be MREL-eligible. If (part of) our unsecured funding would no longer be MREL eligible, this can be rolled, at maturity during the coming years, into MREL-eligible instruments.

#### *Liquidity reserves*

At the end of 2016, Belfius Bank had quickly mobilisable liquidity reserves of EUR 32.4 billion. These reserves consisted of EUR 5.0 billion in cash, EUR 15.6 billion in ECB eligible bonds (of which EUR 12.0 billion are CCP-eligible), EUR 9.9 billion in other assets also eligible at the ECB and EUR 1.9 billion in other liquid bonds.

These reserves represent 4.6 times the Bank's institutional funding outstanding end 2016 and having a remaining maturity of less than one year.

#### *Funding diversification at Belfius Bank*

Belfius Bank has a historical stable volume of commercial funding that comes from its RC and PC customers. Seeing the reduction of wholesale funding, this source of funding represents an increasing part of total funding of Belfius Bank. RC and PC funding equals EUR 85 billion of which EUR 62 billion is from RC. The increase of EUR 4 billion commercial funding compared to 2015 is in line with the strategy of the Bank to finance the increase of commercial loans with stable commercial deposits.

Belfius Bank also receives medium-to-long-term wholesale funding, including EUR 8.4 billion from covered bonds (EUR 6.1 billion backed by mortgage loans and EUR 2.3 billion by public sector loans), Asset Backed Securities (ABS) issued for EUR 0.6 billion and EUR 3.0 billion in TLTRO funding from ECB as at 31 December 2016.

Note that during 2016 Belfius Bank called the DSFB 4 public loans securitisation vehicle for a total amount of EUR 2.2 billion. The funding cost of this old vehicle had become too expensive compared to 2016 market conditions. In May 2016 Belfius launched its first subordinated benchmark since years. This Tier 2 note of EUR 500 million has enabled Belfius to further increase its total capital ratio and will contribute to the new expected regulatory requirement of Minimum Requirements for own funds and Eligible Liability (MREL).

The remainder of the Bank's funding requirements comes from institutional short-term deposits (Treasury) mainly obtained through placement of Certificates of Deposit and Commercial Paper.

The collected funding is used, firstly and most importantly, to finance the granting of loans to RC and PC clients.

Next to that, Belfius Bank also has a historical bond portfolio, including an ALM portfolio for liquidity management purposes, with highly liquid assets.

As a result of derivative contracts to cover interest rate risk of its activities, Belfius Bank has an outstanding position in derivatives for which collateral must be posted and is being received (cash & securities collateral).

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- 8% of total liabilities and own funds (taking into account derivative netting where applicable).

Against the background of historical low interest rates, in net terms, Belfius Bank posts more collateral than it receives.

The loan-to-deposit ratio, which indicates the proportion between assets and liabilities of the commercial balance sheet, was 90% at the end of 2016.

#### *Encumbered assets*

According to our current interpretation of the EBA guideline on the matter, the encumbered assets at Belfius Bank level amount to EUR 36.9 billion end 2016 and represent 22.5% of total bank balance sheet and collateral received under securities format, which amounts to EUR 164 billion (EUR 157.4 billion assets and EUR 6.6 billion collateral received). This represents a decrease of the encumbrance ratio of 1% compared to end 2015.

Since the set-up of the first covered bond programme in 2012, the Bank has issued covered bonds for a total amount of EUR 8.4 billion. End 2016, the assets encumbered for this funding source are composed of commercial loans (public sector and mortgage loans) and amount to EUR 10.6 billion. A few years ago the Bank also securitised public loans through securitisation vehicles called DSFB 2 & 4. During the year 2016, the Bank called back DSFB 4 and issued new covered bonds. Public and mortgage loans encumbered for debt securities issued decreased with EUR 1.9 billion to EUR 11.2 billion.

The Bank is also collecting funding through repo markets and other collateralised deposits. End 2016, the total amount of assets used as collateral for this activity amounts to EUR 5.6 billion, of which EUR 3.2 billion is linked to the ECB funding. It is worth mentioning that during 2016, the volume of assets encumbered for the ECB funding increased with EUR 1.3 billion. This is explained by the increase of the ECB funding from EUR 1.6 billion to EUR 3.0 billion.

The balance of encumbered assets is mainly linked to collateral pledged (gross of collateral received) for the derivatives exposures for EUR 18.4 billion (decrease of EUR 0.8 billion compared to end 2015), under the form of cash or securities. A significant part of collateral pledged is financed through collateral received from other counterparties with whom the Bank concluded derivatives in the opposite direction.

Regarding the “Other assets” (unencumbered) on balance sheet, they are mainly composed of assets not available for encumbrance such as derivatives value, fair value revaluation of portfolio hedge and tax assets.

#### **Ratings**

At 18 May 2017, Belfius Bank had the following ratings:

	Long-term rating	Outlook	Short-term rating
Fitch	A-	Stable	F2
Moody's	A2	Positive	Prime-1
Standard and Poor's	A-	Stable	A-2

#### **Other information**

The Issuer is not dependent on any of its subsidiaries, save for Belfius Insurance SA/NV. Belfius Insurance SA/NV holds the licences required for insurance undertakings, and Belfius Bank consequently relies on it for the insurance activities carried out by it.



There are no recent events particular to Belfius Bank which are, to a material extent, relevant to the evaluation of its solvency.

There is no arrangement known to Belfius Bank, the operation of which may at a subsequent date result in a change of control of Belfius Bank.

The Board of Directors, at its meeting on 20 April 2017, expressed unanimously a preference for the partial privatization of Belfius Bank by way of an initial public offering for a minority holding in Belfius Bank.

### **Litigation**

Belfius (Belfius Bank and its consolidated subsidiaries) is involved as a defendant in a number of litigations in Belgium, arising in the ordinary course of its business activities, including those where it is acting as an insurer, capital and credit provider, employer, investor and tax payer.

In accordance with IFRS, Belfius makes provisions for such litigations when, in the opinion of its management, after analysis by its company lawyers and external legal advisors as the case may be, it is probable that Belfius will have to make a payment and when the amount of such payment can be reasonably determined.

With respect to certain other litigations against Belfius of which management is aware (and for which, according to the principles outlined above, no provision has been made), management is of the opinion, after due consideration of appropriate advice, that, while it is often not feasible to predict or determine the ultimate outcome of all pending litigations, such litigations are without legal merit, can be successfully defended or that the outcome of these actions is not expected to result in a significant loss in Belfius Statutory and Consolidated Financial Statements.

The most important cases are listed below, regardless of whether a provision has been made or not. Their description does not deal with elements or evolutions that do not have an impact on the position of Belfius. If the cases listed below were to be successful for the opposite parties, they could eventually result in monetary consequences for Belfius. Such impact remains unquantifiable at this stage.

#### *Housing Fund of the Brussels Capital Region*

On 9 October 2012, the Housing Fund of the Brussels Capital Region summoned Belfius Bank before the Brussels Commercial Court. The Housing Fund subscribed for a total amount of EUR 32,000,000 to 4 treasury notes issued by Municipal Holding between July and September 2011 (Commercial Paper program). Following the liquidation of Municipal Holding, the Housing Fund could only receive repayment for EUR 16,000,000. It demands the payment by Belfius Bank of the non-repaid capital. As the loss incurred on this investment is the result of a voluntary waiver of the claim by the Housing Fund, which matches half of the investment, Belfius Bank rejects the demand from the Housing Fund.

On 27 March 2014, the Brussels Commercial Court accepted the claim application by the Housing Fund, but declared it unfounded. The Housing Fund lodged an appeal against this judgement on 3 June 2014.

There was no significant evolution in this claim during 2016.

No provision has been made for this claim.

#### *BBTK and ACLVB*

On 8 May 2014, two trade unions within Belfius Bank, BBTK and ACLVB, summoned Belfius Bank before the Brussels Labour Court. They demand the annulment of the collective bargaining agreements that Belfius Bank signed in 2013 with two other trade unions of the Bank. BBTK and ACLVB are of the opinion that these collective bargaining agreements amend, without their consent, previous collective bargaining agreements Belfius Bank concluded also with them. In addition, they are of the opinion that an employer can only sign a collective bargaining agreement with some of the existing trade unions within the firm, if the said employer has not signed previous collective bargaining agreements with other trade unions. Belfius Bank rejects this claim as the previous collective bargaining agreements have not been amended and because the law provides in general that a collective bargaining agreement can be signed with only one trade union.

For procedural reasons with no impact on the merits of the case, on 26 November 2015, the Brussels Labour Court postponed the hearing first to 20 October 2016 and then again to 6 February 2017. Eventually, the case was pleaded at the hearing of 6 February 2017. At this hearing, the president of the Brussels Labour Court requested an opinion from the Labour Prosecutor in this case.

The Labour Prosecutor issued his opinion on 17 March 2017. This opinion is not binding for the labour court. The Prosecutor considers that Belfius Bank did not breach the right to collective bargaining, but states that the new “Plan Belfius 2016” collective bargaining agreements should be declared as “nonexistent” based on a legal technical interpretation of certain form requirements from the CBA Act. Belfius Bank has valid arguments to refute the argumentation from the Prosecutor and will put everything in place to defend itself.

No provision has been recorded for this procedure as Belfius Bank remains confident that it has enough valid arguments to obtain a final settlement of this dispute in its favour and prove that the CBA Act was respected.

The judgment of the labour court in first instance is expected before 30 June 2017.

#### *Arco – Cooperative shareholders*

Belfius Bank has been summoned by Arco-shareholders in two separate procedures, whereby one procedure before the Commercial Court of Brussels and another procedure before the Court of First Instance of Turnhout:

On 30 September 2014, 737 shareholders from 3 companies of the Arco Group (Arcopar, Arcoplus and Arcofin) summoned Belfius Bank, together with the 3 aforementioned Arco companies, before the Brussels Commercial Court. Principally, they demand the annulment of their agreement to join the capital of these 3 companies as shareholder, based on deception or fallacy. They demand that the Court orders Belfius Bank in solidum with each of the 3 above mentioned Arco companies to repay their capital contributions, increased by interest and compensation. On an ancillary basis, they applied to the Commercial Court to order Belfius Bank to pay compensation based on an alleged shortcoming in its information duty towards them. Because the file submitted by the individual shareholders lacks information with respect to proof and assessment of damages, Belfius cannot assess the content of the claim and has to reject it.

On 16 December 2014, 1,027 shareholders and on 15 January 2016, 466 other shareholders of the 3 above mentioned Arco companies joined the summons on a voluntary basis. Belfius has asked for their files so that it can evaluate the content of their claim.

On 17 December 2015, 2,169 shareholders of the 3 above mentioned Arco companies issued a writ to the Belgian State for compulsory intervention. They demand that the Commercial Court orders the Belgian State to pay compensation based on the alleged illegality of the guarantee scheme the Belgian State enacted in favour of Arco shareholders. This demand is subordinated to their claims against Belfius Bank and has no

negative impact on Belfius Bank.

There was no further significant evolution in this claim during 2016.

Belfius Bank has also been summoned by three Arco-shareholders (Arcopar) on the 24 October 2016 to appear before the Court of First Instance of Turnhout. The claimants demand compensation from Belfius Bank on the basis of a contractual, or at least an extra-contractual responsibility, because they find that Belfius Bank has given them misleading or at least incorrect advice. Belfius Bank's defense is currently being prepared, whereby the main objective is to show that Belfius Bank has committed no mistake at all. The case will possibly be pleaded before the Court of First Instance of Turnhout on 18 December 2017.

No provision has been made for these claims because Belfius Bank is of the opinion that it has sufficient valid arguments to convince the court to declare these claims inadmissible and/or without foundation.

#### *Ethias*

In their new proposal of profit sharing regulations Ethias claims unilaterally from Belfius Bank an exorbitant increase of costs for the management of a certain Belfius Bank group insurance. However, this is not in accordance with the existing agreements. In view of Belfius Bank's refusal on this increase, Ethias threatened to transfer unilaterally the pension plan assets which are currently managed in a separate fund towards Ethias' main fund. If Ethias should transfer the pension plan assets into their main fund, Belfius Bank would be compelled to evaluate these assets based on Ethias' guaranteed rates with a negative OCI impact as a consequence.

In order to prevent this, Belfius Bank has summoned Ethias before the Court in Brussels in summary proceedings on 23 December 2016. The judge has, via an injunction, prohibited Ethias from transferring the pension plan assets in their main fund. Ethias has filed an appeal against this injunction. The appeal has been pleaded on 4 April 2017 and a decision is expected at the latest in June 2017.

Belfius Bank has, on the basis of the existing agreements, also filed a procedure against Ethias to the Commercial Court of Brussels in order to prohibit Ethias to increase the management fees and to transfer unilaterally the pension plan assets towards Ethias' main fund.

The valuation of the assets remains end 2016 marked-to-market, consequently there's no OCI impact.

## **Management and Supervision of Belfius Bank**

### **Composition of the management board and the board of directors**

#### **1. Management Board**

The Management Board currently has six members who have all acquired experience in the banking and financial sector.

As of the date of this Base Prospectus, the Management Board has consisted of the following six members:

<b>Name</b>	<b>Position</b>	<b>Significant other functions performed outside Belfius Bank</b>
Marc Raisière .....	Chairman	none

<b>Name</b>	<b>Position</b>	<b>Significant other functions performed outside Belfius Bank</b>
Dirk Gyselinck .....	Member	none
Eric Hermann .....	Member	none
Olivier Onclin .....	Member	none
Dirk Vanderschrick.....	Member	none
Johan Vankelecom.....	Member	none

The above members of the Management Board have their business address at 1210 Brussels, Place Charles Rogier 11, Belgium.

The Board of Directors has delegated all of its management powers to the Management Board set up from among its members. The members of the Management Board form a college. Such delegation of its powers does not extend to the determination of general policy, or to any other powers that are reserved pursuant to the Companies Code or to the Banking Law to the Board of Directors.

As a result, the Management Board is responsible for the effective management of the bank, directing and coordinating the activities of the various business lines and support departments within the framework of the objectives and general policy set by the Board of Directors.

The Management Board ensures that the bank's business activities are in line with the strategy, risk management and general policy set by the Board of Directors. It passes on relevant information to the Board of Directors to enable it to take informed decisions. It formulates proposals and advices of the Board of Directors with a view to define or improve the bank's general policy and strategy.

The members of the Management Board are required to carry out their duties in complete objectivity and independence.

Working under the supervision of the Board of Directors, the Management Board takes the necessary measures to ensure that the bank has a robust structure suited to the bank's organisation, including supervisory measures, with a view to guaranteeing the effective and prudent management of the bank in accordance with banking law.

There are no potential conflicts of interest between any duties to Belfius Bank of the members of the management board and their private interests and other duties.

## **2. Board of Directors**

Belfius Bank is managed by its Board of Directors, which is entitled to take any action the right to which is not expressly reserved to the General Meeting of Shareholders of Belfius Bank by law or the articles of association of Belfius Bank. In accordance with Belgian banking law, the Board of Directors has delegated all of its management powers to the Management Board of Belfius Bank.

Pursuant to the articles of association of Belfius Bank, the Board of Directors of Belfius Bank is composed of a minimum of 5 members appointed for maximum terms of four years. The table below

sets forth the names of the Directors, their position within Belfius Bank and the other significant functions they perform outside Belfius Bank.

The executive members of the Board of Directors shall withdraw on the date of the General Shareholders' Meeting held in the year in which they reach the age of 65.

The non-executive members of the Board of Directors shall withdraw on the date of the General Shareholders' Meeting held in the year in which they reach the age of 70.

The Board of Directors has the right to make an exception to the aforementioned principles on a case-by-case basis if it considers it to be in the company's best interest.

The business address for the members of the Board of Directors is 1210 Brussels, Place Charles Rogier 11, Belgium.

***Composition as at the date of the Base Prospectus***

As at the date of this Base Prospectus, the Board of Directors consists of 14 members, 6 of whom sit on the Management Board. Ms Els Blaton and Ms Diane Rosen has been appointed as independent directors on 26 April 2017 by the General Meeting of Shareholders, subject to the approval of the supervisory authorities. As at the date of this Base Prospectus, the approval of their appointments by the supervisory authorities is still pending.

The Board of Directors, which is made up of professionals from a variety of industries, including the financial sector, has the expertise and experience required associated with the bank's various operating businesses.

<b>Name</b>	<b>Position</b>	<b>Significant other functions performed outside Belfius Bank</b>
Jozef Clijsters.....	Chairman of the Board of Directors of Belfius Bank	none
Marc Raisière .....	Chairman of the Management Board of Belfius Bank	none
Dirk Gyselinck	Member of the Management Board of Belfius Bank Responsible for Public & Corporate Banking	none
Eric Hermann	Member of the Management Board of Belfius Bank Chief Risk Officer	none

<b>Name</b>	<b>Position</b>	<b>Significant other functions performed outside Belfius Bank</b>
Olivier Onclin	Member of the Management Board of Belfius Bank Chief Operating Officer Responsible for Operations, IT, Purchasing & Facility Management and Organisation	none
Dirk Vanderschrick	Member of the Management Board of Belfius Bank Responsible for Retail and Commercial Banking	Chairman of the Management Board of Belfius Insurance
Johan Vankelecom.....	Member of the Management Board of Belfius Bank Chief Financial Officer Responsible for Financial Reporting, Research, Liquidity and Capital Management, Finance Corporate Advisory & Participations, Asset and Liability Management, Tax & Legal	none
Paul Bodart	Member of the Board of Directors of Belfius Bank (Independent Director)	Professor in Financial Markets at the Solvay Business School
Jean-Pierre Delwart.....	Member of the Board of Directors of Belfius Bank (Independent Director)	Chairman of the Board of Directors of Eurogentec
Georges Hübner .....	Member of the Board of Directors of Belfius Bank (Independent Director)	Full Professor at the HEC Liege, University of Liege and Associate Professor at the University of Maastricht, School of Business Economics
Carine Doutrelepon.....	Member of the Board of Directors of Belfius Bank (Independent Director)	Lawyer and Professor at the Université Libre de Bruxelles (ULB)
Chris Sunt.....	Member of the Board of Directors of Belfius Bank (Independent Director as from 01/05/2017)	Lawyer

<b>Name</b>	<b>Position</b>	<b>Significant other functions performed outside Belfius Bank</b>
Lutgart Van Den Berghe.....	Member of the Board of Directors of Belfius Bank (Independent Director)	Executive Director at Guberna and Extraordinary Professor at the Vlerick Business School
Rudi Vander Venet.....	Member of the Board of Directors of Belfius Bank (Independent Director)	Professor in Financial Economics and Banking at the University of Ghent (UG)

There are no potential conflicts of interest between any duties to Belfius Bank of the members of the Board of Directors and their private interests and other duties.

### **Advisory committees set up by the Board of Directors**

The Board of Directors of Belfius Bank established various advisory committees to assist in its task, i.e. a Nomination Committee, a Remuneration Committee, an Audit Committee and a Risk Committee. These committees are exclusively composed of Non-Executive Directors. At least one member of each advisory committee is independent within the meaning of Article 526ter of the Companies Code. The members of these advisory committees sit at a maximum on two of these committees.

There are no potential conflicts of interest between any duties to Belfius Bank of the members of any of the following advisory committees and their private interests and other duties.

#### **1. Nomination Committee**

As of the date of the Base Prospectus, the Nomination Committee of Belfius Bank has the following membership:

<b>Name</b>	<b>Position</b>
Lutgart Van Den Berghe.....	Chairman – Director of Belfius Bank
Jozef Clijsters.....	Member - Chairman of the Board of Directors of Belfius Bank and Belfius Insurance
Carine Doutrelepont.....	Member - Director of Belfius Bank

The members of the Nomination Committee have the required skills, on the basis of their education and professional experience, to give a competent and independent judgment on the composition and operation of the bank's management bodies, in particular on the individual and collective skills of their members and their integrity, reputation, independence of spirit and availability.

The Nomination Committee:

- identifies and recommends, for the approval of the Shareholders Meeting or of the Board of Directors as the case may be, candidates suited to filling vacancies on the Board of Directors, evaluates the balance of knowledge, skills, diversity and experience within the Board of Directors,

prepares a description of the roles and capabilities for a particular appointment and assesses the time commitment expected.

The Nomination Committee also decides on a target for the representation of the underrepresented gender within the Board of Directors and prepares a policy on how to increase the number of underrepresented gender in order to meet that target;

- periodically, and at least annually, assesses the structure, size, composition and performance of the Board of Directors and makes recommendations to it with regard to any changes;
- periodically, and at least annually, assesses the knowledge, skills, experience, degree of involvement and in particular the attendance of members of the Board of Directors and advisory committees, both individually and collectively, and reports to the Board of Directors accordingly;
- periodically reviews the policies of the Board of Directors for selection and appointment of members of the Management Board, and makes recommendations to the Board of Directors;
- prepares proposals for the appointment or mandate renewal as the case may be of directors, members of the Management Board, the Chairman of the Board of Directors and the Chairman of the Management Board;
- assesses the aptitude of a director or a candidate director to meet the criteria set forth for being considered as an independent director;
- examines questions relating to problems with the succession of directors and members of the Management Board;
- establishes a general and specific profile for directors and members of the Management Board;
- ensures the application of provisions with regard to corporate governance;
- prepares proposals for amendments to the internal rules of the Board of Directors and the Management Board;
- assess the governance memorandum each year and if necessary proposes amendments;
- checks observance of corporate values; and
- at least annually discusses and analyses the quantitative statement and qualitative analysis of communications regarding stress, burn-out and inappropriate behaviour at work and actions taken to remedy situations.

In performing its duties, the Nomination Committee ensures that decision-taking within the Board of Directors is not dominated by one person or a small group of persons, in a way which might be prejudicial to the interests of the bank as whole.

The Nomination Committee may use any type of resources that it considers to be appropriate to the performance of its task, including external advice, and receives appropriate funding to that end.

The Nomination Committee acts for both Belfius Bank and Belfius Insurance.

## **2. *Remuneration Committee***

As of the date of the Base Prospectus, the Remuneration Committee of Belfius Bank has the following membership:



<b>Name</b>	<b>Position</b>
Lutgart Van Den Berghe .....	Chairman - Director of Belfius Bank
Jozef Clijsters .....	Member - Chairman of the Board of Directors of Belfius Bank and Belfius Insurance
Carine Doutrelepon .....	Member - Director of Belfius Bank

The members of the Remuneration Committee have the required skills, on the basis of their education and professional experience, to give a competent and independent judgment on remuneration policies and practices and on the incentives created for managing risks, capital and liquidity of the bank.

In order to perform its tasks, the Remuneration Committee interacts regularly with the Risk Committee and the Audit Committee.

The Risk Committee ensures that the Belfius group's risk management, capital requirements and liquidity position, as well as the probability and the spread in time of profit are correctly taken into consideration in decisions relating to remuneration policy.

For its part the Audit Committee contributes to the establishment of objectives for the independent control function of the Auditor General.

The audit department and compliance department at Belfius Bank will each provide an independent and regular analysis of the remuneration policy and its practical implementation.

The Remuneration Committee prepares the decisions of the Board of Directors by inter alia:

- developing the remuneration policy, as well as making practical remuneration proposals for the chairman, the non-executive members of the Board of Directors and the members of the advisory committees under the Board of Directors. The Board of Directors submits these remuneration proposals to the Ordinary General Meeting of Shareholders for approval;
- developing the remuneration policy, as well as making practical proposals for the remuneration of the chairman of the Management Board and, on his proposal, for the remuneration of the members of the Management Board; The Board of Directors then determines the remuneration of the chairman and the members of the Management Board;
- providing advice on the proposals made by the chairman of the Management Board of Belfius Bank in relation to the severance remuneration for members of the Belfius Bank Management Board. On the proposal of the Remuneration Committee, the Board of Directors of Belfius Bank determines the severance remuneration of the chairman and members of the Belfius Bank Management Board;
- advising the Board of Directors in relation to the remuneration policy for employees whose activity has a material impact on the risk profile of Belfius Bank (known as "Identified Staff") and in relation to the compliance of the allocation of remuneration to Identified Staff with regard to the remuneration policy put in place for such people.
- preparing the remuneration report approved by the Board of Directors and published in the annual report;

- periodically checking to ensure that the remuneration programmes are achieving their objective and are in line with applicable conditions;
- annually assessing the performance and objectives of the members of the Management Board.
- providing an opinion of the elaboration of a global “Risk Gateway” in consultation with the Risk Committee, containing various levers applied at various points in the performance management cycle, with an impact on determination of the variable remuneration.

The Remuneration Committee exercises direct supervision over the determination of objectives and the remuneration of the individuals responsible for the independent audit functions (Chief Risk Officer, General Auditor & the Compliance Officer).

The Remuneration Committee acts for both Belfius Bank and Belfius Insurance.

### 3. *Audit committee*

As at the date of the Base Prospectus, the Audit Committee of Belfius Bank has the following membership:

<b>Name</b>	<b>Position</b>
Georges Hübner .....	Chairman Director of Belfius Bank
Paul Bodart	Member Director of Belfius Bank
Chris Sunt .....	Member Director of Belfius Bank

The Audit Committee assists the Board of Directors in its task of carrying out prudential controls and exercising general supervision. The Audit Committee of Belfius Bank operates independently of the Audit Committee implemented at Belfius Insurance. However, the respective Audit Committees of Belfius Bank and Belfius Insurance meet jointly at least once a year. Additional joint meetings may be held at the request of the Chairman of the Audit Committee of Belfius Bank.

### 4. *Risk Committee*

As at the date of the Base Prospectus, the Risk Committee has the following membership:

<b>Name</b>	<b>Position</b>
	Chairman
Rudi Vander Venet.....	Director of Belfius Bank
	Member
Georges Hübner .....	Director of Belfius Bank
	Member
Chris Sunt	Director of Belfius Bank

The Risk Committee has advisory powers and responsibilities with regard to the Board of Directors in the following areas:

- appetite and strategy regarding the bank's current and future risks, more particularly the effectiveness of the risk management function and the governance structure to support them;
- monitoring implementation of risk appetite and strategy by the Management Board;
- allocating the risk appetite to various categories of risks and defining the extent and limits of risk in order to manage and restrict major risks;
- considering the risks run by the bank with its customer tariffs.
- assessing activities which expose the bank to real risks;
- supervising requirements in terms of capital and liquidity, the capital base and the bank's liquidity situation;
- the guarantee that risks are proportional to the bank's capital;
- formulating an opinion with regard to major transactions and new proposals for strategy activities that have a significant impact on the bank's risk appetite;
- obtaining information and analysing management reports as to the extent and nature of the risks facing the bank;
- monitoring the Internal Capital Adequacy Assessment Process (ICAAP) and the Recovery Plan.

The Risk Committee of Belfius Bank operates independently of the Risk and Underwriting Committee of Belfius Insurance. On the request of the Chairman of the bank's committee, a joint Risk Committee of Belfius Bank and Belfius Insurance may be held. To promote sound remuneration policy and practices, subject to the tasks of the Nomination Committee and the Remuneration Committee, the Risk Committee examines whether incentives in the remuneration system take proper account of the institution's risk management, equity requirements and liquidity position, as well as the probability and distribution of profit over time.

The Risk Committee and the Audit Committee periodically exchange information in particular concerning the quarterly risk report, the senior management report on the assessment of internal control and the risk analyses performed by the Legal, Compliance and Audit Departments. The aim of this exchange of information is to enable the two committees to perform their tasks properly and to take the form of a joint meeting.

### **Mediation Committee**

In 2014 the Board of Directors decided to establish a Mediation Committee within the Belfius group.

The Mediation Committee is in principle composed of 3 members:

- the Chairman of the Board of Directors of Belfius Bank, who acts as Chairman;
- one independent non-executive director of Belfius Bank;
- one independent non-executive director of Belfius Insurance.

If the Chairman of the Board of Directors of Belfius Insurance is not the Chairman of the Board of Directors of Belfius Bank, the Mediation Committee will have 4 members, including the Chairman of the Board of Directors of Belfius Insurance.

The Mediation Committee consisted of the following members:

Name	Position
Jozef Clijsters .....	Chairman - Chairman of the Board of Directors of Belfius Bank and Belfius Insurance
Jean-Pierre Delwart .....	Member Independent Director of Belfius Bank
Johan Tack .....	Member Independent Director of Belfius Insurance

The Mediation Committee is responsible for passing opinions relating to material transactions or operations between, on the one hand, Belfius Bank and its subsidiaries and, on the other hand, Belfius Insurance and its subsidiaries, or between their respective subsidiaries. Such opinions are sent to the Board of Directors of the companies concerned, which will then take a definitive decision on the planned transaction or operation.

## Audited Consolidated Financial Statements of Belfius Bank

### Belfius Bank's Audited Consolidated Balance Sheet

	Notes	31 December 2015	31 December 2016
<b>Assets (EUR '000)</b>			
Cash and balances with central banks	5.2.	576,276	5,111,050
Loans and advances due from banks	5.3.	24,318,002	22,002,553
Loans and advances to customers	5.4.	87,189,152	89,702,399
Investments held to maturity	5.5.	5,017,155	5,393,247
Financial assets available for sale	5.6.	19,733,565	18,819,789
Financial assets measured at fair value through profit or loss	5.7.	3,222,991	2,985,979
Derivatives	5.9.	25,943,567	25,307,222
Fair value revaluation of portfolio hedge		4,372,902	4,533,779
Investments in equity method companies	5.10.	106,775	97,044
Tangible fixed assets	5.11.	1,199,789	1,091,687
Intangible assets	5.12.	81,941	122,541
Goodwill	5.13.	103,966	103,966
Current tax assets		6,116	10,662
Deferred tax assets	5.14.	565,622	405,847
Other assets	5.15.	1,169,777	1,004,389
Non current assets (disposal group) held for sale and discontinued operations	5.16.	3,354,528	28,772
<b>Total Assets</b>		<b>176,962,124</b>	<b>176,720,926</b>
<b>Liabilities (EUR '000)</b>			
	Notes	31 December 2015	31 December 2016

Due to banks	6.1.	11,537,622	12,581,830
Customer borrowings and deposits	6.2.	68,162,754	74,171,040
Debt securities	6.3.	27,777,552	23,981,430
Financial liabilities measured at fair value through profit or loss	6.4.	6,916,469	7,524,251
Technical provisions of insurance companies	6.5.	16,688,571	15,990,324
Derivatives	5.9.	30,060,085	29,572,521
Fair value revaluation of portfolio hedge		226,472	207,474
Provisions and contingent liabilities	6.6.	405,543	412,243
Subordinated debts	6.7.	913,004	1,398,653
Current tax liabilities		42,369	60,609
Deferred tax liabilities	5.13.	271,967	272,877
Other liabilities	6.8.	2,056,561	1,535,952
Liabilities included in disposal group held and discontinued operations	6.9.	3,243,438	0
<b>Total Liabilities</b>		<b>168,302,407</b>	<b>167,709,206</b>

	Notes	31 December 2015	31 December 2016
<b>Equity (EUR '000)</b>			
Subscribed capital		3,458,066	3,458,066
Additional paid-in capital		209,232	209,232
Treasury shares		0	0
Reserves and retained earnings		4,135,228	4,491,306
Net income for the period		506,076	535,229
<b>Core shareholders' equity</b>		<b>8,308,602</b>	<b>8,693,833</b>
Remeasurement available-for-sale reserve on securities		757,329	729,864
Frozen fair value of financial assets reclassified to loans and advances		(544,177)	(498,653)
Remeasurement defined benefit plan		119,611	86,990

Discretionary participation features of insurance contracts	6.5.	28,788	32,839
Other reserves		(11,462)	(33,326)
<b>Gains and losses not recognised in the statement of income</b>		<b>350,089</b>	<b>317,714</b>
<b>Total shareholders' equity</b>		<b>8,658,691</b>	<b>9,011,547</b>
Non-controlling interests		1,026	173
<b>Total Equity</b>		<b>8,659,717</b>	<b>9,011,720</b>
<b>Total Liabilities and Equity</b>		<b>176,962,124</b>	<b>176,720,926</b>

## Belfius Bank's Audited Consolidated Statement of Income

	Notes	31 December 2015	31 December 2016
<i>(EUR '000)</i>			
Interest income	7.1.	4,672,441	3,983,201
Interest expense	7.1.	(2,648,756)	(2,039,969)
Dividend income	7.2.	61,647	88,233
Net income from equity method companies	7.3.	8,292	5,018
Net income from financial instruments at fair value through profit or loss	7.4.	37,732	16,870
Net income on investments and liabilities	7.5.	14,180	115,710
Fee and commission income	7.6.	601,668	625,109
Fee and commission expense	7.6.	(104,668)	(117,639)
Premiums and technical income from insurance activities	6.5.	1,444,631	1,479,376
Technical expense from insurance activities	6.5.	(1,730,512)	(1,734,155)
Other income	7.7.	138,992	218,785
Other expense	7.8.	(311,785)	(381,267)
<b>Income</b>		<b>2,183,862</b>	<b>2,259,271</b>
Staff expense	7.9.	(610,419)	(580,201)
General and administrative expense	7.10.	(432,834)	(447,364)
Network costs		(275,993)	(265,994)
Depreciation and amortisation of fixed assets	7.11.	(77,205)	(72,722)
<b>Expenses</b>		<b>(1,396,451)</b>	<b>(1,366,281)</b>
<b>Gross operating income</b>		<b>787,411</b>	<b>892,990</b>
Impairments on financial instruments and provisions for credit commitments	7.12.	(92,665)	(115,969)
Impairments on tangible and intangible assets	7.13.	(12,798)	2,502
Impairments on goodwill	7.14.	0	0
<b>Net income before tax</b>		<b>681,948</b>	<b>779,524</b>



Current tax (expense) income	7.15.	(61,135)	(56,522)
Deferred tax (expense) income	7.15.	(114,738)	(187,750)
<b>Net income after tax</b>		<b>506,075</b>	<b>535,251</b>
Discontinued operations (net of tax)		0	0
<b>Net income</b>		<b>506,075</b>	<b>535,251</b>
Attributable to non-controlling interests		(1)	23
Attributable to equity holders of the parent		506,076	<b>535,229</b>

## COMMON REPORTING STANDARD – EXCHANGE OF INFORMATION

CRS is a multilateral policy initiative led by the OECD and relating to the exchange of fiscal information in order to achieve fiscal transparency. More than 80 jurisdictions, including Belgium, have opted in to the regime.

On 9 December 2014, EU Member States adopted Directive 2014/107/EU on administrative cooperation in direct taxation ("**DAC2**"), which provides for mandatory automatic exchange of financial information as foreseen in CRS. DAC2 amends the previous Directive on administrative cooperation in direct taxation, Directive 2011/16/EU and replaces the EC Council Directive 2003/48/EC on the taxation of savings income (commonly referred to as the "**Savings Directive**") as from 1 January 2016. Austria has been nonetheless allowed to exchange information under DAC2 as from 1 January 2017.

On 27 May 2015, Switzerland signed an agreement with the European Union in order to implement, as from 1 January 2017, an automatic exchange of information based on the CRS. This new agreement will replace the agreement on the taxation of savings that entered into force in 2005. The Belgian government has implemented DAC2 and the Common Reporting Standard, per the Law of 16 December 2015 regarding the exchange of information on financial accounts by Belgian financial institutions and by the Belgian tax administration, in the context of an automatic exchange of information on an international level and for tax purposes.

Under CRS, financial institutions resident in a CRS country are required to report, according to a due diligence standard, financial information with respect to reportable accounts, which includes interest, dividends, account balance or value, income from certain insurance products, sales proceeds from financial assets and other income generated with respect to assets held in the account or payments made with respect to the account. Reportable accounts include accounts held by individuals and entities (which includes trusts and foundations) with fiscal residence in another CRS country. The standard includes a requirement to look through passive entities to report on the relevant controlling persons.

The mandatory automatic exchange of financial information by EU Member States as foreseen in DAC2 will at the latest take place as of 30 September 2017, except with regard to Austria. The mandatory automatic exchange of financial information by Austria will at the latest take place as of 30 September 2018.

As a result of the Law of 16 December 2015, the mandatory automatic exchange of information applies in Belgium (i) as of income year 2016 (first information exchange in 2017) towards the EU Member States (including Austria, irrespective of the fact that the automatic exchange of information by Austria towards other EU Member States is only foreseen as of income year 2017), (ii) as of income year 2014 (first information exchange in 2016) towards the US and (iii), with respect to any other non-EU States that have signed the MCAA, as of the respective date to be further determined by Royal Decree.

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

## **THE PROPOSED EU FINANCIAL TRANSACTION TAX**

Reference is made to the section entitled “Risk Factors” (in particular, see “*Investment Considerations relating to the business of Belfius Bank*”) which includes information on the proposed EU Financial Transaction Tax (the “**FTT**”) which, if adopted, could affect the taxation treatment of the Notes.

## BELGIAN TAXATION ON THE NOTES

The following is a general description of the principal Belgian tax consequences for investors receiving interest in respect of or disposing of the Notes and is of a general nature based on the Issuer's understanding of current law and practice. This general description is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date. Investors should appreciate that, as a result of changing law or practice, the tax consequences may be otherwise than as stated below. Investors should consult their professional advisers on the possible tax consequences of subscribing for, purchasing, holding, selling or converting the Notes under the laws of their countries of citizenship, residence, ordinary residence or domicile.

### 1 Belgian Withholding tax

All payments by or on behalf of the Issuer of interest on the Notes are in principle subject to the 30 per cent. Belgian withholding tax on the gross amount of the interest.

In this regard, “interest” means the periodic interest income, any amount paid by the Issuer in excess of the issue price (whether or not on the maturity date) and, in case of a realisation of the Notes between two interest payment dates, the pro rata of accrued interest corresponding to the detention period.

However, payments of interest and principal under the Notes by or on behalf of the Issuer may be made without deduction of withholding tax in respect of the Notes if and as long as at the moment of payment or attribution of interest they are held by certain eligible investors (the “**Eligible Investors**”, see hereinafter) in an exempt securities account (an “**X Account**”) that has been opened with a financial institution that is a direct or indirect participant (a “**Participant**”) in the Securities Settlement System operated by the National Bank of Belgium (the “**NBB**” and the “**Securities Settlement System**”). Euroclear, Clearstream, Luxembourg, SIX SIS and Monte Titoli are directly or indirectly Participants for this purpose.

Holding the Notes through the Securities Settlement System enables Eligible Investors to receive the gross interest income on their Notes and to transfer the Notes on a gross basis.

Participants to the NBB system must enter the Notes which they hold on behalf of Eligible Investors in an X Account.

Eligible Investors are those entities referred to in article 4 of the Belgian Royal Decree of 26 May 1994 on the deduction of withholding tax (“*arrêté royal du 26 mai 1994 relatif à la perception et à la bonification du précompte mobilier*”/“*koninklijk besluit van 26 mei 1994 over de inhouding en de vergoeding van de roerende voorheffing*”) which include, *inter alia*:

- (i) Belgian corporations subject to Belgian corporate income tax;
- (ii) institutions, associations or companies specified in article 2, §3 of the law of 9 July 1975 on the control of insurance companies other than those referred to in (i) and (iii) subject to the application of article 262, 1° and 5° of the Belgian code on income tax of 1992 (“*code des impôts sur les revenus 1992*”/“*wetboek van de inkomstenbelastingen 1992*”, the “**Income Tax Code of 1992**”);

- (iii) state regulated institutions (“*institutions paraétatiques*”/“*parastatalen*”) for social security, or institutions which are assimilated therewith, provided for in article 105, 2° of the royal decree implementing the Income Tax Code 1992 (“*arrêté royal d’exécution du code des impôts sur les revenus 1992*”/“*koninklijk besluit tot invoering van het wetboek inkomstenbelastingen 1992*”, the “**Royal Decree implementing the Tax Code 1992**”);
- (iv) non-resident investors provided for in article 105, 5° of the same decree;
- (v) investment funds, recognised in the framework of pension savings, provided for in article 115 of the same decree;
- (vi) tax payers provided for in article 227, 2° of the Income Tax Code 1992 which have used the income generating capital for the exercise of their professional activities in Belgium and which are subject to non-resident income tax pursuant to article 233 of the same code;
- (vii) the Belgian State in respect of investments which are exempt from withholding tax in accordance with a article 265 of the Income Tax Code 1992;
- (viii) investment funds governed by foreign law which are an indivisible estate managed by a management company for the account of the participants, provided the fund units are not offered publicly in Belgium or traded in Belgium; and
- (ix) Belgian resident corporations, not provided for under (i) above, when their activities exclusively or principally consist of the granting of credits and loans.

Eligible Investors do not include, *inter alia*, Belgian resident investors who are individuals or non-profit making organisations, other than those mentioned under (ii) and (iii) above.

Participants to the Securities Settlement System must keep the Notes which they hold on behalf of the non-Eligible Investors in a non-exempt securities account (an “**N Account**”). In such instance, all payments of interest are subject to the 30 per cent. withholding tax. This withholding tax is withheld by the NBB and paid to the Belgian Treasury.

Transfers of Notes between an X Account and an N Account give rise to certain adjustment payments on account of withholding tax:

- A transfer from an N Account (to an X Account or N Account) gives rise to the payment by the transferor non-Eligible Investor to the NBB of withholding tax on the accrued fraction of interest calculated from the last interest payment date up to the transfer date.
- A transfer (from an X Account or N Account) to an N Account gives rise to the refund by the NBB to the transferee non-Eligible Investor of withholding tax on the accrued fraction of interest calculated from the last interest payment date up to the transfer date.
- Transfers of Notes between two X Accounts do not give rise to any adjustment on account of withholding tax.

Upon opening of an X Account for the holding of Notes, the Eligible Investor is required to provide the Participant with a statement of its eligible status on a form approved by the Minister of Finance. There is no on going declaration requirement to the Securities Settlement System as to the eligible status.

An Exempt Account may be opened with a Participant by an intermediary (an “**Intermediary**”) in respect of Notes that the Intermediary holds for the account of its clients (the “**Beneficial Owners**”), provided that each Beneficial Owner is an Eligible Investor. In such a case, the Intermediary must deliver to the Participant a statement on a form approved by the Minister of Finance confirming that (i) the Intermediary is itself an Eligible Investor and (ii) the Beneficial Owners holding their Notes through it are also Eligible Investors. A Beneficial Owner is also required to deliver a statement of its eligible status to the intermediary.

These identification requirements do not apply to Notes held in Euroclear, Clearstream, Luxembourg, SIX SIS or Monte Titoli as Participants to the Securities Settlement System, provided that Euroclear, Clearstream, Luxembourg, SIX SIS or Monte Titoli only hold X Accounts and that they are able to identify the holders for whom they hold Notes in such account.

In accordance with the Securities Settlement System, a Noteholder who is withdrawing Notes from an Exempt Account will, following the payment of interest on those Notes, be entitled to claim an indemnity from the Belgian tax authorities of an amount equal to the withholding on the interest payable on the Notes from the last preceding Interest Payment Date until the date of withdrawal of the Notes from the Securities Settlement System. As a condition of acceptance of the Notes into the Securities Settlement System, the Noteholders waive the right to claim such indemnity.

## **2 Belgian income tax and capital gains**

### **2.1 Belgian resident individuals**

Natural persons who are Belgian residents for tax purposes, i.e., who are subject to the Belgian personal income tax (“*personenbelasting*”/“*impôt des personnes physiques*”) and who hold the Notes as a private investment, are subject to a withholding tax of 30 per cent. on interest payments. The withholding tax constitutes the final taxation; the interest on the Notes does not have to be declared in their personal income tax return.

Nevertheless Belgian resident individuals may elect to declare interest in respect of the Subordinated Notes in their personal income tax return. Interest income which is declared in this way will in principle be taxed at a flat rate of 30 per cent. (or at the relevant progressive personal income tax rate(s) taking into account the taxpayer's other declared income, whichever is more beneficial). The Belgian withholding tax levied may be credited.

Capital gains realised on the sale of the Notes are in principle tax exempt, unless the capital gains are realised outside the scope of the management of one's private estate or unless (and to the extent that) the capital gains qualify as interest (as defined in section 1 entitled “Belgian Withholding Tax”). Capital losses are in principle not tax deductible.

Other tax rules apply to Belgian resident individuals who do not hold the Notes as a private investment.

### **2.2 Belgian resident companies**

Interest attributed or paid to corporations Noteholders who are Belgian residents for tax purposes, i.e. who are subject to the Belgian corporate income tax (“*vennootschapsbelasting*”/“*impôt des sociétés*”), as well as capital gains realised upon the sale of the Notes are taxable at the ordinary corporate income tax rate of in principle 33.99 per cent. Capital losses realised upon the sale of the Notes are in principle tax deductible.

### **2.3 Belgian legal entities**

Belgian legal entities subject to the Belgian legal entities tax ("*rechtspersonenbelasting*" / "*impôts des personnes morales*") which do not qualify as Eligible Investors are subject to a withholding tax of 30 per cent. on interest payments. The withholding tax constitutes the final taxation.

Belgian legal entities which qualify as Eligible Investors (see section 1 entitled "Belgian Withholding Tax") and which consequently have received gross interest income are required to declare and pay the 30 per cent. withholding tax to the Belgian tax authorities.

Capital gains realised on the sale of the Notes are in principle tax exempt, unless the capital gains qualify as interest (as defined in section 1 entitled "Belgian Withholding Tax"). Capital losses are in principle not tax deductible.

### **2.4 Organization for Financing Pensions**

Interest and capital gains derived by Organizations for Financing Pensions in the meaning of the Law of 27 October 2006 on the activities and supervision of institutions for occupational retirement provision, are in principle exempt from Belgian corporate income tax. Capital losses are in principle not tax deductible. Subject to certain conditions, the Belgian withholding tax that has been levied can be credited against any corporate income tax due and any excess amount is in principle refundable.

### **2.5 Belgian non-residents**

Noteholders who are not residents of Belgium for Belgian tax purposes and who are not holding the Notes through their permanent establishment in Belgium will not become liable for any Belgian tax on income or capital gains by reason only of the acquisition or disposal of the Notes, provided that they qualify as Eligible Investors and that they hold their Notes in an X Account.

## **3 Tax on stock exchange transactions**

A tax on stock exchange transactions ("*taxe sur les opérations de bourse*" / "*beurstaks*") will be levied on the purchase and sale in Belgium of the Notes on a secondary market through a professional intermediary. The rate applicable for secondary sales and purchases in Belgium through a professional intermediary is 0.09 per cent. with a maximum amount of Euro 1300 per transaction and per party. The tax is due separately from each party to any such transaction, i.e. the seller (transferor) and the purchaser (transferee), both collected by the professional intermediary.

The tax referred to above will not be payable by exempt persons acting for their own account including investors who are not Belgian residents, provided they deliver an affidavit to the financial intermediary in Belgium confirming their non-resident status and certain Belgian institutional investors as defined in Article 126.1 2° of the code of various duties and taxes ("*Code des droits et taxes divers*" / "*wetboek diverse rechten en taksen*") for the tax on stock exchange transactions.

As from 1 January 2017, Belgian residents (individuals and legal entities) who undertake transactions via foreign intermediaries are also subject to the tax on stock exchange transactions. The Belgian resident must file a tax return and pay the tax due within two months after the transaction unless the foreign intermediary reported and paid the tax itself.

Following the Law of December 25, 2016, the scope of application of the tax on the stock exchange transactions has been extended as of January 1, 2017 to secondary market transactions of which the

order is directly or indirectly made to a professional intermediary established outside of Belgium by (i) a private individual with habitual residence in Belgium or (ii) a legal entity for the account of its seat or establishment in Belgium (both referred to as a “**Belgian Investor**”). In such a scenario, the tax on the stock exchange transactions is due by the Belgian Investor, unless the Belgian Investor can demonstrate that the tax on the stock exchange transactions due has already been paid by the professional intermediary established outside of Belgium. In the latter case, the foreign professional intermediary also has to provide each client (which gives such intermediary an order) with an qualifying order statement (bordereau/borderel), at the latest on the business day after the day the transaction concerned was realised. The qualifying order statements must be numbered in series and a duplicate must be retained by the financial intermediary. The duplicate can be replaced by a qualifying agent day-today listing, numbered in series. Alternatively, professional intermediaries established outside of Belgium could appoint a stock exchange tax representative in Belgium, subject to certain conditions and formalities (“**Stock Exchange Tax Representative**”). Such Stock Exchange Tax Representative will then be liable toward the Belgian Treasury for the tax on stock exchange transactions due and for complying with the reporting obligations and the obligations relating to the order statement (bordereau/borderel) in that respect. If such a Stock Exchange Tax Representative would have paid the tax on stock exchange transactions due, the Belgian Investor will, as per the above, no longer be the debtor of the tax on stock exchange transactions.

As stated in the section entitled “Risk Factors” (in particular, see “*Investment Considerations relating to the business of Belfius Bank*”), on 14 February 2013 the EU Commission adopted the proposed FTT. The draft Directive currently stipulates that once the FTT enters into effect, the Participating Member States shall not maintain or introduce any taxes on financial transactions other than the FTT (or VAT as provided in the Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax). For Belgium, the tax on stock exchange transactions should thus be abolished once the FTT enters into effect. The draft Directive is still subject to negotiation between the participating Member States and may, therefore, be further amended at any time.



## LUXEMBOURGIAN TAXATION ON THE NOTES

*The comments below are intended as a basic summary of certain withholding tax consequences in relation to the purchase, ownership and disposal of the Notes under Luxembourg law. Persons who are in any doubt as to their tax position should consult a professional tax adviser.*

*Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature refers to Luxembourg tax law and/or concepts only.*

*A holder of the Notes may not become resident, or deemed to be resident, in Luxembourg by reason only of the holding of the Notes, or the execution, performance, delivery and/or enforcement of the Notes.*

### **Withholding tax and Self-Applied Tax**

Under Luxembourg tax law currently in force and with the possible exception of interest paid to certain Luxembourg resident individual Noteholders or certain residual entities, there is no Luxembourg withholding tax on payments of interest (including accrued but unpaid interest). There is also no Luxembourg withholding tax, with the possible exception of payments made to certain Luxembourg resident individual Noteholders or certain residual entities, upon repayment of principal in case of reimbursement, redemption, repurchase or exchange of the Notes.

In accordance with the law of 23 December 2005 as amended on the introduction of a withholding tax on certain interest payments on savings income (the “**Law**”), interest payments made by an economic operator located in Luxembourg that would qualify as a “paying agent”, for the purposes of the law of 23 July 2016 repealing the Luxembourg law of 21 June 2005 transposing the Council Directive 2003/48/EC of 3 June 2003 (the **Savings Directive**) and amending the Law, as applicable as from 1st January 2016, to or for the benefit of Luxembourg resident individuals or to certain residual entities (as defined in the Law) securing interest payments on behalf of such individuals (unless such entities have opted either to be treated as UCITS recognised in accordance with Directive 2009/65/EC of the European Council and the Parliament, or for the exchange of information regime) are subject to a 20 per cent. withholding tax.

Pursuant to the Law, Luxembourg resident individuals, acting in the course of their private wealth, can opt to self-declare and pay a 20 per cent. tax (the “**Levy**”) on interest payments made by paying agents located in an EU Member State other than Luxembourg, a Member State of the European Economic Area other than an EU Member State or in certain dependent or associated states or territories of certain EU Member States.

Such withholding tax as described above or the Levy is in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth who does not hold the Notes as business assets.

Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent.

## SUBSCRIPTION AND SALE

Pursuant to an Amended and Restated Distribution Agreement dated on or about 11 May 2015 (the “**Distribution Agreement**”) between Belfius Bank, the Dealers and the Arranger and subject to the conditions contained therein, the Dealers have agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Distribution Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

Belfius Bank will pay each relevant Dealer a commission in respect of Notes subscribed by them. Belfius Bank has agreed to reimburse the Arranger for certain of its expenses incurred in connection with the update of the Programme and the Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Notes on a syndicated basis will be stated in the applicable Final Terms.

Belfius Bank have agreed to indemnify the Dealers against certain liabilities relating to any misrepresentation or breach of any of the representations, warranties or agreements of Belfius Bank in connection with the offer and sale of the Notes. The Distribution Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and its affiliates in the ordinary course of business. Certain of the Dealers and their affiliates may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer’s affiliates. If any of the Dealers or their affiliates has a lending relationship with the Issuer, certain of the Dealers or their affiliates routinely hedge, and certain other of those Dealers or their affiliates may hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

### United States

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), or any U.S. state securities laws and, unless so registered, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions

exempt from, or not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each of the Dealers and Belfius Bank has represented and agreed that, except as permitted by the Distribution Agreement, it has not offered, sold or delivered and will not offer, sell or deliver the Notes of any identifiable Tranche, (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Tranche as determined, and certified to the Issuer, by the Fiscal Agent, or, in the case of Notes issued on a syndicated basis, the Lead Manager, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

### **Selling restriction relating to the issue of Senior Non-Preferred Notes**

Any offering of Senior Non-Preferred Notes will be exclusively addressed to professional clients (*clients professionnels/professionele cliënten*) referred to in Annex A of the Royal Decree of 3 June 2007 concerning to the rules and arrangements for the transposition of the directive relating to markets in financial instruments (*Arrêté royal portant les règles et modalités visant à transposer la Directive concernant les marchés d'instruments financiers/ Koninklijk besluit tot bepaling van nadere regels tot omzetting van de richtlijn betreffende markten voor financiële instrumenten*).

### **Prohibition of sales to EEA Retail Investors**

From 1 January 2018, unless the Final Terms in respect of any Notes specifies the “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, the Issuer will request each Dealer to represent and agree, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision the expression “retail investor” means a person who is one (or more) of the following:

- i. a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or
- ii. a customer within the meaning of Directive 2002/92/EC (as amended, the “Insurance Mediation Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
- iii. not a qualified investor as defined in the Prospectus Directive.

For the purposes of the provision above, the expression “offer” in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe any Notes.

## Public Offer Selling Restriction under the Prospectus Directive

Prior to 1 January 2018, and from that date, if the Final Terms in respect of any Notes specify "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus as completed by the relevant Final Terms in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State::

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

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

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

## United Kingdom

Each of the Dealers and Belfius Bank has represented and agreed that:

1. in relation to any Notes which have a maturity of less than one year from the date of issue, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any such Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the "**FSMA 2000**");
2. it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA 2000) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA 2000 does not apply to Belfius Bank; and

3. it has complied and will comply with all applicable provisions of the FSMA 2000 with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

## **Belgium**

Any offering of the Notes will be exclusively conducted under applicable private placement exemptions and the restrictions described in this section (*Subscription and Sale*) will apply.

Neither the Base Prospectus nor any other offering material related to the Notes will have been or will be notified to, and neither the Base Prospectus nor any other offering material related to the Notes will have been or will be approved or reviewed by, the Belgian Financial Services and Markets Authority (the “*Autoriteit voor Financiële Diensten en Markten*”/“*Autorité des Services et Marchés Financiers*”, “**FSMA**”). The FSMA has not commented as to the accuracy or adequacy of any such material or recommended the purchase of the Notes nor will the FSMA so comment or recommend. Any representation to the contrary is unlawful.

## **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”). Accordingly, each of the Dealers, and Belfius Bank has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

## **General**

These selling restrictions may be modified by the agreement of Belfius Bank and the Dealers. Any such modification will be set out in a supplement to this Base Prospectus.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Base Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has severally but not jointly agreed that it shall, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Base Prospectus, any other offering material or any Final Terms in all cases at its own expense.

## **FORM OF FINAL TERMS**

*Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme.*

**Final Terms dated [●]**

**Belfius Bank SA/NV**

Issue of [Aggregate Nominal Amount of Tranche]  
[Title of Notes]

under the €10,000,000,000

**Euro Medium Term Note Programme**

## PART A - CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions set forth in the Base Prospectus dated 18 May 2017 [and the Base Prospectus Supplement[s] dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (as amended, including by Directive 2010/73/EU and to the extent implemented in any Member State of the European Economic Area which has implemented the Prospectus Directive) (the “**Prospectus Directive**”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented].

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus dated 18 May 2017 [and the Base Prospectus Supplement[s] dated [●]]. The Base Prospectus dated 18 May 2017 [and the Base Prospectus Supplement[s] dated [●]] [is]/[are] available for viewing at *www.bourse.lu* and at *www.belfius.com*. The Base Prospectus [and the supplement(s) to the Base Prospectus] [is] [are] available for inspection during normal business hours at the office of the Fiscal Agent [and the office of the Issuer].

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus (or equivalent) with an earlier date.]*

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the “**Terms and Conditions**”) set forth in the Base Prospectus 9 May 2016. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (as amended, including by Directive 2010/73/EU and to the extent implemented in any Member State of the European Economic Area which has implemented the Prospectus Directive) (the “**Prospectus Directive**”) and must be read in conjunction with the Base Prospectus dated 18 May 2017 [and the Supplement[s] to the Base Prospectus dated [●]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Terms and Conditions which are extracted from the Base Prospectus dated 9 May 2016. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms, the terms and conditions set forth in the Base Prospectus dated 9 May 2016 and the Base Prospectus dated 18 May 2017. [The Base Prospectus dated 18 May 2017 [, the supplement[s] to the Base Prospectus dated [●]] and the terms and conditions set forth in the Base Prospectus dated 9 May 2016 are available for inspection during normal business hours at the office of the Fiscal Agent and [the office of the Issuer].]

*[Include whichever of the following apply or specify as “Not Applicable”. Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]*

1 (I) Series Number: [ ]  
 [(II) Tranche Number: [ ]  
*(delete if not applicable)*

	(III) Date on which Notes become fungible	[Not Applicable] / [The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the <i>[insert description of Series]</i> (ISIN: [ ]) on [[ ]] / [the Issue Date]/[with effect from the date that is 40 days following the Issue Date]]
2	Specified Currency or Currencies:	[ ]
3	Aggregate Nominal Amount:	[ ]
	[(I)] Series:	[ ]
	[(II)] Tranche:	[ ]]
		<i>(delete if not applicable)</i>
4	Issue Price:	[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [ ] <i>(insert if Notes are fungible with a previous issue)</i> ]
5	(I) Specified Denomination(s):	[ ] [and integral multiples of [ ] in excess thereof up to and including [●]]. <i>(Note: No Notes may be issued which have a minimum denomination of less than EUR 100,000 (or nearly equivalent amount in other currencies.)</i>
	(II) Calculation Amount:	[ ]
6	(I) Issue Date:	[ ]
	(II) Interest Commencement Date:	[ ] / [Issue Date] / [Not applicable]
7	Maturity Date:	[Fixed maturity date: [ ] / [Interest Payment Date falling on or nearest to [ ] <i>(specify in this format for Floating Rate Notes or CMS-Linked Interest Notes)</i> ]] / [No fixed maturity date: perpetual] <i>(Note: Subordinated Notes that are included in or count towards the Tier 2 capital of the Issuer will have a minimum maturity of five years or such other minimum maturity as required by the Applicable Banking Regulation.)</i>
8	Interest Basis:	[Not Applicable. The Notes do not bear any interest] [[ ] per cent. Fixed Rate (Further particulars specified in Paragraph 14 of Part A of the Final Terms below)] [[EURIBOR/LIBOR] +/- [Margin]] Floating Rate, Further particulars specified below] [CMS-Linked Interest Note] [Zero Coupon]



		[Range Accrual Note]
		[Resettable Note (Further particulars specified in Paragraph 15 of Part A of the Final Terms below)]
		<i>(include all which are relevant)</i>
9	Redemption/Payment Basis:	[Par Redemption] / [Specified Redemption Amount].
10	Change of Interest Basis:	[Applicable. Notes are [Fixed to Floating Rate Notes / Floating to Fixed Rate Notes]] / [Not Applicable]
11	Put/Call Options:	
	(I) Call Option: (Condition 3(c))	[Applicable. Further details specified in Paragraph 19 of Part A of the Final Terms below] / [Not Applicable].
	(II) Put Option: (Condition 3(d))	[Applicable. Further details specified in Paragraph 20 of Part A of the Final Terms below] / [Not Applicable].
12	(I) Status of the Notes:	[Senior Preferred] / [Senior Non-Preferred] / [Subordinated] Notes
	(II) Subordinated Notes	[Applicable] / [Not applicable] <i>(if Not applicable, delete the sub-paragraphs under this paragraph)</i>
	• Condition 3(e) (Redemption upon Capital Disqualification Event)	[Applicable. Further details specified in Paragraph 23 of Part A of the Final Terms below] / [Not applicable]
	• Condition 6(d): Substitution and Variation	[Applicable] / [Not applicable]
	(III) Senior Non-Preferred Notes	[Applicable] / [Not applicable] <i>(if Not applicable, delete the sub-paragraphs under this paragraph)</i>
	• Condition 3(g) (Redemption of Senior Non-Preferred Notes upon the occurrence of a MREL/TLAC Disqualification Event)	[Applicable. Further details specified in Paragraph 23 of Part A of the Final Terms below] / [Not applicable]
	• Condition 6(d): Substitution and Variation	[Applicable] / [Not applicable]
	(III) Date of any additional [Board] approval for issuance of Notes	[ ] [and [ ], respectively]] / [Not Applicable] <i>(specify if Notes require separate / new authorisation. Otherwise specify “Not Applicable”)</i>

obtained:

13 Method of distribution: [Syndicated][Non-syndicated]

**Provisions Relating to Interest (if any) Payable**

14 **Fixed Rate Note Provisions** [Applicable] / [Applicable for the Interest Periods specified below] / [Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

(I) Interest Periods to which Fixed Rate Note Provisions are applicable: [All] / [Notes are Fixed to Floating Rate Notes, and Fixed Rate Note Provisions shall apply for the following Interest Periods: From and including [the Interest Commencement Date] to but excluding [ ], from and including [ ] to but excluding [ ].... and from and including [ ] to but excluding [ ]] / [Notes are Floating to Fixed Rate Notes, and Fixed Rate Note Provisions shall apply for the following Interest Periods: From and including [ ] to but excluding [ ], from and including [ ] to but excluding [ ].... and from and including [ ] to but excluding [ ]].  
*(delete as appropriate)*

(II) Step-Up Notes: [Applicable] / [Not Applicable]

(III) Rate(s) of Interest: [ ] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear] [for the period from [ ] to [ ]... and [ ] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear] for the period from [ ] to [ ]]

(IV) Interest Payment Date(s): [Each [ ] and [ ], from and including [ ] up to and including [ ]] / [[date][, [date].... and [date]]]  
[Subject to adjustment in accordance with the Business Day Convention.]

(V) Interest Period Dates [Each [ ] and [ ], from and including [ ] up to and including [ ]] / [[date][, [date].... and [date]]]  
[Subject to adjustment in accordance with the Business Day Convention.] / [Not subject to adjustment in accordance with the Business Day Convention.]

(VI) Business Day Convention: [Following Business Day Convention]

(VII) Fixed Coupon Amount(s): [[ ] per Calculation Amount] / [Not Applicable]

(VIII) Broken Amount(s): [[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]] / [Not Applicable]

(IX) Day Count Fraction: [Actual/Actual][Actual/Actual-ISDA]/[Actual/365(fixed)][Actual/360][360/360][Bond]

		Basis][30E/360][Eurobond Basis][30E/360 (ISDA)]/[Actual/Actual (ICMA)]
	(X) Determination Dates:	[[ ] in each year][Not applicable]
	(XI) Business Centre(s):	[ ] / [Not Applicable]
15	<b>Resettable Note Provisions</b>	[Applicable/Not Applicable]
		<i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(I) Initial Rate of Interest:	[ ] per cent. per annum payable in arrear on each Resettable Note Interest Payment Date
	(II) Resettable Note Interest Payment Date(s):	[Each [ ] and [ ], from and including [ ] up to and including [ ]] / [[ <i>date</i> ][, [ <i>date</i> ].... and [ <i>date</i> ]] [Subject to adjustment in accordance with the Business Day Convention.]
	(III) Interest Period Date(s):	[Each [ ] and [ ], from and including [ ] up to and including [ ]] / [[ <i>date</i> ][, [ <i>date</i> ].... and [ <i>date</i> ]] [Subject to adjustment in accordance with the Business Day Convention.] / [Not subject to adjustment in accordance with the Business Day Convention.]
	(IV) Business Day Convention:	[Following Business Day Convention] / [Modified Following Business Day Convention]
	(V) First Margin:	[+/-] [ ] per cent. per annum
	(VI) Subsequent Margin:	[+/-] [ ] per cent. per annum
	(VII) Day Count Fraction:	[Actual/Actual] [Actual/Actual-ISDA] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [30E/360 (ISDA)] [Actual/Actual-ICMA]
	(VIII) Determination Dates	[ ]
	(IX) First Resettable Note Reset Date:	[ ]
	(X) Second Resettable Note Reset Date:	[ ]
	(XI) Subsequent Resettable Note Reset Date[s]:	[[ ], [ ], [ ]] / [Not Applicable]
	(XII) Reset Determination Date[s]:	[[ ], [ ], [ ]] / [Not Applicable]
	(XIII) Relevant Screen Page:	[[ ], [ ], [ ]] / [Not Applicable]
	(XIV) Mid-Swap Rate	[Single Mid-Swap Rate] [Mean Mid-Swap Rate]

	(XV) Mid-Swap Maturity:	[ ] / [Not Applicable]
	(XVI) Business Centre(s):	[ ] / [Not Applicable]
16	<b>Floating Rate Note / CMS-Linked Interest Note Provisions</b>	<p>[Applicable. The Notes are [Floating Rate Notes] / [CMS-Linked Interest Notes]] / [Applicable for the Interest Periods specified below] / [Not Applicable]</p> <p><i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i></p>
	(I) Interest Periods to which Floating Rate Note Provisions are applicable:	<p>[All] / [Notes are Floating to Fixed Rate Notes, and Floating Rate Note Provisions shall apply for the following Interest Periods: From and including [the Interest Commencement Date] to but excluding [ ], from and including [ ] to but excluding [ ].... and from and including [ ] to but excluding [ ]] / [Notes are Fixed to Floating Rate Notes, and Floating Rate Note Provisions shall apply for the following Interest Periods: From and including [ ] to but excluding [ ], from and including [ ] to but excluding [ ].... and from and including [ ] to but excluding [ ]] / [Not Applicable, the Notes are CMS-Linked Interest Notes].</p> <p><i>(delete as appropriate)</i></p>
	(II) Specified Interest Payment Dates:	<p>Each [ ] and [ ], from and including [ ] up to and including [ ], subject to adjustment in accordance with the Business Day Convention] / Not subject to any adjustment as the Business Day Convention in (IV) below is specified as Not Applicable</p> <p><i>(Specify “Not Applicable” if fallback in Condition 2(m) applies)</i></p>
	(III) Interest Period Dates:	<p>[Not applicable] / [ Each [ ] and [ ], from and including [ ] up to and including [ ]]</p> <p><i>(Specify “Not Applicable” if fallback in Condition 2(m) applies)</i></p>
	(IV) Business Day Convention:	<p>[Following Business Day Convention] / [Modified Following Business Day Convention] / [Not Applicable]</p> <p><i>(delete as appropriate)</i></p>
	(V) Business Centre(s):	[ ] / [Not Applicable]
	(VI) Reference Banks:	[ ]
	(VI) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination] / [ISDA Determination] / [CMS-Linked Interest Notes provisions in paragraph (XI) below apply]
	(VII) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s):	[Calculation Agent][name]
	(VIII) Screen Rate	[Applicable] / [Not Applicable]

Determination:	<i>(if Not applicable, delete the sub-paragraphs under this paragraph)</i>
– Reference Rate:	[ ] /
– Interest Determination Date(s):	[[date][, [date].... and [date]] / [As specified in Condition 2(m)]
– Relevant Screen Page:	[ ]
– Margin:	[Not Applicable] / [[+/-][ ] per cent. per annum[ in respect of Interest Period from and including [the Interest Commencement Date] to but excluding [ ], [[+/-][ ] per cent. per annum from and including [ ] to but excluding [ ].... and [[+/-][ ] per cent. per annum from and including [ ] to but excluding [ ]]
– Leverage:	[ ] / [Not Applicable]
(IX) ISDA Determination:	[Applicable] / [Not Applicable] <i>(if Not applicable, delete the sub-paragraphs under this paragraph)</i>
– Floating Rate Option:	[ ]
– Designated Maturity:	[ ]
– Reset Date:	[date][, [date].... and [date]
– Margin:	[Not Applicable] / [[+/-][ ] per cent. per annum[ in respect of Interest Period from and including [the Interest Commencement Date] to but excluding [ ], [[+/-][ ] per cent. per annum from and including [ ] to but excluding [ ].... and [[+/-][ ] per cent. per annum from and including [ ] to but excluding [ ]]
– Leverage:	[ ] / [Not Applicable]
(X) Linear interpolation	[Not Applicable/ Applicable – the Rate of Interest for the [long/ short] [first/last] Interest Period shall be calculated using Linear Interpolation ( <i>specify for each short or long interest period</i> )]
(XI) CMS-Linked Interest Notes:	[Applicable] / [Not Applicable] <i>(if Not applicable, delete the sub-paragraphs under this paragraph)</i>
– Reference Rate: (Condition 2(b)(D))	[CMS Reference Rate] / [Leveraged CMS Reference Rate] / [CMS Reference Rate Spread] / [Leveraged CMS Reference Rate Spread] applies. <i>(delete as appropriate)</i>
– CMS Rate:	[ ] / [CMS Rate 1 and CMS Rate 2] <i>(specify if CMS Reference Rate or Leveraged CMS Reference</i>

Rate are applicable, otherwise specify “CMS Rate 1 and CMS Rate 2”).

- CMS Rate 1: [ ] / [Not Applicable]  
(specify if CMS Reference Rate Spread or Leveraged CMS Reference Rate Spread are applicable, otherwise specify as “Not Applicable”)
  - CMS Rate 2: [ ] / [Not Applicable]  
(specify if CMS Reference Rate Spread or Leveraged CMS Reference Rate Spread are applicable, otherwise specify as “Not Applicable”)
  - Designated Maturity: [ ] [For [CMS Rate 1: [ ] and for CMS Rate 2[ ]]
  - Reference Currency: [ ] [For [CMS Rate 1: [ ] and for CMS Rate 2[ ]]
  - Interest Determination Date(s): [ ] [For [CMS Rate 1: [ ] and for CMS Rate 2[ ]]  
[Subject to adjustment in accordance with the Business Day Convention.]
  - Business Day Convention: [Following Business Day Convention] / [Not subject to adjustment in accordance with the Business Day Convention.]  
(delete as appropriate)
  - Specified time: [ ] [For [CMS Rate 1: [ ] and for CMS Rate 2[ ]]
  - Relevant Screen Page: [ ] [For [CMS Rate 1: [ ] and for CMS Rate 2[ ]]
  - Margin: [Not Applicable] / [[+/-][ ] per cent. per annum[ in respect of Interest Period from and including [the Interest Commencement Date] to but excluding [ ], [[+/-][ ] per cent. per annum from and including [ ] to but excluding [ ].... and [[+/-][ ] per cent. per annum from and including [ ] to but excluding [ ]]
  - Leverage: [ ] / [Not Applicable]
  - (XII) Minimum Rate of Interest: [ ] per cent. / [Not Applicable]
  - (XIII) Maximum Rate of Interest: [ ] per cent. / [Not Applicable]
  - (XIV) Day Count Fraction: [Actual/Actual][Actual/Actual-  
ISDA]/[Actual/365(fixed)][Actual/360][30/360][360/360][Bond  
Basis][30E/360][Eurobond Basis][30E/360 (ISDA)]/[Actual/  
Actual (ICMA)]
  - (XV) Determination Date [ ]
- 17 **Zero Coupon Note Provisions** [Applicable] / [Not Applicable]  
(if Not applicable, delete the sub-paragraphs under this

		<i>paragraph)</i>
	(I) Amortisation Yield:	[ ] per cent. per annum
	(II) Day Count Fraction	[Actual/Actual][Actual/Actual- ISDA]/[Actual/365(fixed)][Actual/360][30/360][360/360][Bond Basis][30E/360][Eurobond Basis][30E/360 (ISDA)]/[Actual/ Actual (ICMA)]
	(III) Determination Date	[ ]
18	<b>Range Accrual Provisions</b>	[Applicable] / [Not Applicable] <i>(if Not applicable, delete the sub-paragraphs under this paragraph)</i>
	(I) Reference Rate:	[ ]
	(II) Specified Rate:	[[ ] per cent.]
	(III) Upper Barrier:	[ ]
	(IV) Lower Barrier:	[ ]
	(V) Maximum Rate of Interest:	[ ] per cent. / [Not Applicable]
	(VI) Minimum Rate of Interest:	[ ] per cent. / [Not Applicable]
	(VII) Day Count Fraction	[Actual/Actual][Actual/Actual- ISDA]/[Actual/365(fixed)][Actual/360][30/360][360/360][Bond Basis][30E/360][Eurobond Basis][30E/360 (ISDA)]/[Actual/ Actual (ICMA)]
	(VIII) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s):	[Calculation Agent][ <i>name</i> ]
	(IX) Specified Interest Payment Dates:	Each [ ] and [ ], from and including [ ] up to and including [ ]], subject to adjustment in accordance with the Business Day Convention] / Not Applicable <i>(Specify “Not Applicable” if fallback in Condition 2(m) applies)</i>
	(X) Interest Period Dates:	[Not applicable] / [ Each [ ] and [ ], from and including [ ] up to and including [ ]] <i>(Specify “Not Applicable” if fallback in Condition 2(m) applies)</i>
	(XI) Business Day Convention:	[Following Business Day Convention] / [Modified Following Business Day Convention] <i>(delete as appropriate)</i>
	(XIII) Business Centre(s):	[ ] / [Not Applicable]

**Provisions Relating to Redemption**

- 19 **Call Option (Condition 3(c))** [Applicable]/[Not Applicable]  
*(if Not applicable, delete the sub-paragraphs under this paragraph)*
- (I) Optional Redemption Date(s): [ ] [Subject to adjustment in accordance with the Business Day Convention.]
- (II) Business Day Convention: [Following Business Day Convention] / [Modified Following Business Day Convention]  
*(delete as appropriate)*
- (III) Redemption Amount (Call) of each Note [Specified Redemption Amount] / [Par Redemption]
- (IV) Specified Fixed Percentage Rate: [[ ] per cent.] / [ ] per cent. in respect of the Optional Redemption Date falling on [ ], [ ] per cent. in respect of the Optional Redemption Date falling on [ ] / [Not Applicable]  
*(Specify only if “Specified Redemption Amount” is selected. Note: the Specified Fixed Percentage Rate must be at least 100 per cent.)*
- (V) If redeemable in part: [Applicable]/[Not Applicable]
- (a) Minimum Nominal Redemption Amount: [ ] / [Not Applicable]
- (b) Maximum Nominal Redemption Amount: [ ] / [Not Applicable]
- (VI) Notice period: [ ]
- 20 **Put Option (Condition 3(d))** [Applicable][Not Applicable]  
*(if Not applicable, delete the sub-paragraphs under this paragraph)*
- (I) Optional Redemption Date(s): [ ] [Subject to adjustment in accordance with the Business Day Convention.]
- (II) Business Day Convention: [Following Business Day Convention] / [Modified Following Business Day Convention]  
*(delete as appropriate)*
- (III) Redemption Amount (Put) of each Note: [Specified Redemption Amount] / [Par Redemption]
- (IV) Specified Fixed Percentage Rate: [[ ] per cent.] / [Not Applicable]  
*(Specify only if “Specified Redemption Amount” is selected. Note: the Specified Fixed Percentage Rate must be at least 100 per cent.)*



- (V) Notice period: [ ]
- (VI) Address for Notices: [Belfius Bank SA/NV  
Long Term Funding GI 01/10  
Pachecolaan 44  
1000 Brussels  
Belgium  
Tel.: +32 2 250 70 64 or +32 2 222 70 28  
Fax: +32 2 222 24 16  
E-mail: ltfunding@belfius.be] / [●]

With a copy to:

**[Belfius Bank SA/NV**

Transaction Services Securities (Transaction Release and  
Custody Management)

GI 03/04

Pachecolaan 44

1000 Brussels

Belgium

Tel.: +32 2 222 19 55 or +32 2 222 14 80 or +32 2 222 14 08

Fax: +32 2 285 10 87

E-mail: cmtransrelease@belfius.be; cmcustodymgt@belfius.be]  
/ [●]

- (VII) If redeemable in part: [Applicable]/[Not Applicable]

- (a) Minimum Nominal Redemption Amount: [ ] / [Not Applicable]

- (b) Maximum Nominal Redemption Amount: [ ] / [Not Applicable]

- 21 **Final Redemption Amount of each Note** [Specified Redemption Amount] / [Par Redemption]

- (I) Specified Fixed Percentage Rate: [[ ] per cent.] / [Not Applicable]  
(Specify only if “Specified Redemption Amount” is selected.  
Note: the Specified Fixed Percentage Rate must be at least 100 per cent.)

- 22 **Zero Coupon Note Redemption Amount of each Zero Coupon Note** [Specified Redemption Amount] / [Par Redemption] / [Amortised Face Amount]

- (I) Specified Fixed Percentage Rate: [[ ] per cent.] / [Not Applicable]  
(Specify only if “Specified Redemption Amount” is selected.  
Note: the Specified Fixed Percentage Rate must be at least 100 per cent.)

**Early Redemption**

- (I) Tax Event Redemption Amount (Condition 3(f)) [Specified Redemption Amount] / [Par Redemption] / [Amortised Face Amount] / [Not Applicable]  
(Note: the Specified Fixed Percentage Rate must be at least 100 per cent.)
- (a) Specified Fixed Percentage Rate: [[ ] per cent.] / [Not Applicable]  
(Specify only if “Specified Redemption Amount” is selected. Note: the Specified Fixed Percentage Rate must be at least 100 per cent.)
- (b) Amortisation Yield: [[ ] per cent.] / [Not Applicable]  
(Specify only if “Amortised Face Amount” is selected.)
- (c) Day Count Fraction: [Actual/Actual][Actual/Actual-  
ISDA]/[Actual/365(fixed)][Actual/360][30/360][360/360][Bond  
Basis][30E/360][Eurobond Basis][30E/360 (ISDA)]/[Actual/  
Actual (ICMA)]  
(Specify only if “Amortised Face Amount” is selected.)
- (II) Redemption upon occurrence of a Tax Event (Condition 3(f)) Redemption [on any Interest Payment Date] / [on any Resettable Note Interest Payment Date] / [at any time] after the occurrence of a Tax Event which is continuing
- (III) Capital Disqualification Event Early Redemption Price (Condition 3(e)) [Specified Redemption Amount, and the Specified Fixed Percentage Rate is [ ] per cent.] / [Par Redemption] / [Not applicable]  
(Note: the Specified Fixed Percentage Rate must be at least 100 per cent.)
- (IV) Redemption upon Capital Disqualification Event Redemption [on any Interest Payment Date] / [on any Resettable Note Interest Payment Date] / [at any time] after the occurrence of a Capital Disqualification Event which is continuing
- (V) MREL/TLAC Disqualification Event Early Redemption Price (Condition 3(g)): [Specified Redemption Amount, and the Specified Fixed Percentage Rate is [ ] per cent.] / [Par Redemption] / [Not applicable]  
(Note: the Specified Fixed Percentage Rate must be at least 100 per cent.)
- (VI) Events of Default in respect of Senior Preferred Notes Condition 11(B): [Applicable] / [Not Applicable]  
Condition 11(C): [Applicable] / [Not Applicable]
- (VII) Event of Default Redemption Amount (Condition 11): [Specified Redemption Amount] / [Par Redemption] / [Amortised Face Amount]  
(Note: the Specified Fixed Percentage Rate must be at least 100 per cent.)
- (a) Specified Fixed [[ ] per cent.] / [Not Applicable]

- Percentage Rate: *(Specify only if “Specified Redemption Amount” is selected. Note: the Specified Fixed Percentage Rate must be at least 100 per cent.)*
- (b) Amortisation Yield: ☐ per cent.] / [Not Applicable]  
*(Specify only if “Amortised Face Amount” is selected.)*
- (c) Day Count Fraction: [Actual/Actual][Actual/Actual-  
ISDA]/[Actual/365(fixed)][Actual/360][30/360][360/360][Bond  
Basis][30E/360][Eurobond Basis][30E/360 (ISDA)]/[Actual/  
Actual (ICMA)]  
*(Specify only if “Amortised Face Amount” is selected.)*
- 24 **Target Early Redemption Event (Condition 3(h))** [Applicable] / [Not Applicable]  
*(if Not applicable, delete the sub-paragraphs under this paragraph)*
- (I) Target Level: ☐ per Calculation Amount] / ☐ per cent.]
- (II) Target Early Redemption Amount: [Specified Redemption Amount] / [Par Redemption]
- (III) Specified Fixed Percentage Rate: ☐ per cent.] / [Not Applicable]  
*(Specify only if “Specified Redemption Amount” is selected. Note: the Specified Fixed Percentage Rate must be at least 100 per cent.)*
- (IV) Target Determination Date(s): [date][, [date].... and [date]
- (V) Target Determination Time [ ]
- (VI) Target Mandatory Early Redemption Date [The Interest Payment Date following the Interest Determination Date on which the Target Early Redemption Event occurred][ ]
- 25 **Substitution (Condition 7)** [Applicable] / [Not Applicable]

#### General Provisions Applicable to the Notes

- 26 Business Day Jurisdictions for payments [ ]

Signed on behalf of the Issuer:

By: .....  
Duly authorised

## PART B - OTHER INFORMATION

### 1 LISTING AND ADMISSION TO TRADING

- (i) Admission to trading: [Application has been made for the Notes to be listed on [the official list of the [Luxembourg Stock Exchange] and admitted to trading on the Regulated Market of the [Luxembourg Stock Exchange]] / [other stock exchange] / [Not Applicable.]  
*(Where documenting a fungible issue need to indicate that the original notes are already admitted to trading.)*
- (ii) Earliest day of admission to trading: [Application has been made for the Notes to be admitted to trading with effect from [ ].] / [On or around [ ].] / [Not applicable.]
- (iii) Estimate of total expenses related to admission to trading: [ ]

### 2 RATINGS

- Ratings: [The Notes to be issued have been specifically rated:  
[S & P: [ ]]  
[Moody's: [ ]]  
[Other: [ ]]  
[The Notes to be issued have not been specifically rated, but Notes of the type being issued under the Programme generally have been rated:  
[S & P: [ ]]  
[Moody's: [ ]]  
[Other: [ ]]  
*Insert one (or more) of the following options, as applicable:*<sup>1</sup>  
[[Insert legal name of particular credit rating agency entity providing rating] is established in the EU and registered under Regulation (EC) No 1060/2009, as amended by Regulation (EU) No 513/2011 (the "CRA Regulation").]  
[[Insert legal name of particular credit rating agency entity providing rating] is established in the EU and has applied for registration under Regulation (EC)

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<sup>1</sup> A list of registered Credit Rating Agencies is published on the ESMA website (<http://www.esma.europa.eu/>).

No 1060/2009, as amended by Regulation (EU) No 513/2011 (the “CRA Regulation”), although notification of the registration decision has not yet been provided.]

*[Insert legal name of particular credit rating agency entity providing rating]* is established in the EU and is neither registered nor has it applied for registration under Regulation (EC) No 1060/2009, as amended by Regulation (EU) No 513/2011 (the “CRA Regulation”).

*[Insert legal name of particular credit rating agency entity providing rating]* is not established in the EU but the rating it has given to the [Notes] is endorsed by *[insert legal name of credit rating agency]*, which is established in the EU and registered under Regulation (EC) No 1060/2009, as amended by Regulation (EU) No 513/2011 (the “CRA Regulation”).

*[Insert legal name of particular credit rating agency entity providing rating]* is not established in the EU but is certified under Regulation (EC) No 1060/2009, as amended by Regulation (EU) No 513/2011 (the “CRA Regulation”).]

*[Insert legal name of particular credit rating agency entity providing rating]* is not established in the EU and is not certified under Regulation (EC) No 1060/2009, as amended by Regulation (EU) No 513/2011 (the “CRA Regulation”) and the rating it has given to the Notes is not endorsed by a credit rating agency established in the EU and registered under the CRA Regulation.]

*[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]*

**3 INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE**

[ ] / [So far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.] / [ The Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.]

**4 [Fixed Rate Notes only - YIELD]**

Indication of yield: [ ]

**5 [Floating Rate Notes or CMS-Linked Interest Notes only – Historic Interest Rates]**

Details of historic [LIBOR][EURIBOR][CMS Rate] rates can be obtained from [*Reuters page*]

6 **[*Range Accrual Notes only – Historic Reference Rates*]**

Details of historic [LIBOR][EURIBOR][CMS Rate] rates can be obtained from [*Reuters page*]

## 7 OPERATIONAL INFORMATION

Intended to be held in a manner which would allow Eurosystem eligibility: [Yes] / [No]

ISIN Code: [ ]

[Temporary ISIN Code:] [ ]

Common Code: [ ]

[Temporary Common Code:] [ ]

Delivery: Delivery [against/free of] payment

Names and addresses of additional Paying Agent(s) (if any): [ ]

Name and address of Calculation Agent (if any): [ ]

[Name and address of the operator of the Alternative Clearing System] [ ]

## 8 DISTRIBUTION

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated:
- (A) Names and addresses of Dealers and underwriting commitments: [Not Applicable/give names, addresses and underwriting commitments]
- (B) Date of [Subscription] Agreement: [●]
- (C) Stabilising Manager(s) if any: [Not Applicable/give name]
- (iii) If non-syndicated, name and address of Dealer: [Not Applicable/give name and address]
- (iv) Additional Selling Restrictions: [Not applicable] / [include details] / [For the purpose of this issuance, the U.S. Selling Restrictions are deleted and replaced by the following selling restriction wording: "The Notes have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. Each relevant Dealer/Manager under this issuance has agreed that it will not offer or sell any Notes within the United States, except as permitted by the Distribution Agreement. The Notes are being offered and sold outside the United States in reliance on Regulation S. In addition, until 40 days after the commencement of the offering, an offer or sale of the relevant Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act." ] [Text to be

- included where Reg. S. Compliance Category 1 is selected]*
- (v) US Selling Restrictions  
(Categories of potential  
investors to which the Notes  
are offered): [Reg. S Compliance [Category 1/Category 2]; TEFRA not  
applicable]
- (vi) Prohibition of Sales to EEA  
Retail Investors [Applicable / Not Applicable]  
*(If the offer of the Notes is concluded prior to 1 January 2018,  
or on and after that date the Notes clearly do not constitute  
"packaged" products, "Not Applicable" should be specified. If  
the offer of the Notes will be concluded on or after 1 January  
2018 and the Notes may constitute "packaged" products and no  
KID will be prepared, "Applicable" should be specified.)*



## GENERAL INFORMATION

1. Application has been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the Luxembourg Stock Exchange's regulated market.
2. Belfius Bank has obtained all necessary consents, approvals and authorisations in Belgium in connection with the issue and performance of the Notes. The update of the Programme by Belfius Bank was authorised by a resolution of the Management Board of Belfius Bank passed on 29 March 2017.
3. Belfius Bank is an Authorised European Institution.
4. Save as disclosed in the section headed "Description of the Issuer" of this Base Prospectus, there has been no material adverse change in the prospects of Belfius Bank on a consolidated basis since 31 December 2016. In addition, there are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the prospects of Belfius Bank for the current financial year.
5. Save as disclosed in the section headed "Description of the Issuer" of this Base Prospectus, there has been no significant change in the financial or trading position of Belfius Bank since 31 December 2016.
6. Except as disclosed under the section "Description of the Issuer – Litigation", neither Belfius Bank nor any of its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Belfius Bank is aware) during the 12 months preceding the date of this Base Prospectus which may have or have had in the recent past significant effects, on the financial position or profitability of Belfius Bank or any of its subsidiaries.
7. The Notes have been accepted for clearance through the Securities Settlement System. The Common Code and the International Securities Identification Number (ISIN) (and any other relevant identification number for any Alternative Clearing System) for each Series of Notes will be set out in the applicable Final Terms.
8. The address of the National Bank of Belgium (i.e. the operator of the Securities Settlement System) is Boulevard de Berlaimont 14, B-1000 Brussels, Belgium and the address of the operator of any Alternative Clearing System will be specified in the applicable Final Terms.
9. There are no material contracts entered into other than in the ordinary course of Belfius Bank's business, which could result in Belfius Bank being under an obligation or entitlement that is material to Belfius Bank's ability to meet its obligations to Noteholders in respect of the Notes being issued.
10. The issue price and the amount of the relevant Notes will be determined before filing of the applicable Final Terms of each Tranche, based on then prevailing market conditions.
11. Copies of the annual report and audited annual accounts of Belfius Bank for the years ended 31 December 2015 and 31 December 2016, including the reports of the statutory auditors in respect thereof, may be obtained, and copies of this Base Prospectus and any supplements and each Final

Terms may be obtained, and copies in physical form of the Agency Agreement and the Articles of Association of the Issuer will be available for inspection, at the specified offices of the Issuer and each of the Paying Agents during normal business hours, for the period of 12 months following the date of this Base Prospectus. Copies of such Agreements may also be requested at the e-mail address which will be specified on the Issuer's website ([www.belfius.com](http://www.belfius.com)). The audit of Belfius Bank's financial statements was conducted by DELOITTE Reviseurs d'Entreprises SC s.f.d. SCRL, represented by Bart Dewael and Philip Maeyaert, Gateway building, Luchthaven Nationaal 1 J, 1930 Zaventem (a member of IBR – IRE *Instituut der Bedrijfsrevisoren/Institut des Réviseurs d'Entreprises*). They rendered unqualified audit reports on the financial statements of Belfius Bank for the years ended 31 December 2015 and 2016.

12. Eligible Investors do not include, *inter alia*, Belgian resident investors who are individuals or certain non-profit making organisations.
13. The Base Prospectus and the Final Terms of tranches listed on the Luxembourg Stock Exchange and all documents that have been incorporated by reference will be available on the Luxembourg Stock Exchange website ([www.bourse.lu](http://www.bourse.lu)).

**REGISTERED OFFICE OF BELFIUS BANK SA/NV**

Boulevard Pachéco 44  
B-1000 Brussels  
Belgium

**DEALERS**

**Banco Bilbao Vizcaya Argentaria, S.A.**

29, Avenue de l'Opéra  
75001 Paris  
France

**Belfius Bank SA/NV**

Boulevard Pachéco 44  
B-1000 Brussels  
Belgium

**Citigroup Global Markets Limited**

Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

**Crédit Agricole Corporate and Investment Bank**

9, Quai du Président Paul Doumer  
92920 Paris La Défense Cedex  
France

**J.P. Morgan Securities plc**

25 Bank Street  
Canary Wharf  
London E14 5JP  
United Kingdom

**Morgan Stanley & Co. International plc**

25 Cabot Square  
Canary Wharf  
London E14 4QA  
United Kingdom

**Société Générale**

29, boulevard Haussmann  
75009 Paris  
France

**UBS Limited**

5 Broadgate  
London EC2M 2QS  
United Kingdom

**Barclays Bank PLC**

5 The North Colonnade  
Canary Wharf  
London E14 4BB  
United Kingdom

**BNP Paribas**

10 Harewood Avenue  
London NW1 6AA  
United Kingdom

**Commerzbank Aktiengesellschaft**

Kaiserstrasse 16 (Kaiserplatz)  
60311 Frankfurt am Main  
Germany

**Crédit Suisse Securities (Europe) Limited**

One Cabot Square  
London E14 4QJ  
United Kingdom

**Landesbank Baden-Württemberg**

Am Hauptbahnhof 2  
70173 Stuttgart  
Germany

**Nomura International plc**

1 Angel Lane  
London EC4R 3AB  
United Kingdom

**The Royal Bank of Scotland plc (trading as NatWest Markets)**

250 Bishopsgate  
London EC2M 4AA  
United Kingdom

**UniCredit Bank AG**

Arabellastrasse 12  
D-81925 Munich  
Federal Republic of Germany

#### **CALCULATION AGENT**

**Belfius Bank SA/NV**  
Boulevard Pachéco 44  
B-1000 Brussels  
Belgium

#### **FISCAL AGENT**

**Belfius Bank SA/NV**  
Boulevard Pachéco 44  
B-1000 Brussels  
Belgium

#### **PRINCIPAL PAYING AGENT**

**Belfius Bank SA/NV**  
Boulevard Pachéco 44  
B-1000 Brussels  
Belgium

#### **PAYING AGENT**

**Belfius Bank SA/NV**  
Boulevard Pachéco 44  
B-1000 Brussels  
Belgium

#### **ARRANGER**

**Société Générale**  
29, boulevard Haussmann  
75009 Paris  
France

#### **LUXEMBOURG LISTING AGENT**

**Banque Internationale à Luxembourg SA**  
69, route d'Esch  
L-1470 Luxembourg  
Luxembourg

#### **AUDITORS**

**Deloitte Bedrijfsrevisoren BV o.v.v.e. CVBA**  
Gateway building, Luchthaven Nationaal 1 J  
1930 Zaventem  
Belgium

**LEGAL ADVISERS**

**To the Issuer**

**Jones Day**  
4, Rue de la Regence  
1000 Brussels  
Belgium

**To the Dealers**

*in respect of English law*

**White & Case LLP**  
5 Old Broad Street  
London EC2N 1DW  
United Kingdom

*in respect of Belgian law*

**White & Case LLP**  
62, Rue de la Loi  
1040 Brussels  
Belgium