

Belfius Non-Preferred Senior inaugural benchmark issue

Investor presentation

September 2017



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- New Belgian law for Non-Preferred Senior (NPS) instruments
- Belgian law in line with other European NPS laws
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Offering

- ❑ Belfius Inaugural Non-Preferred Senior issue
- ❑ EUR denominated benchmark transaction
- ❑ Bullet structure with fixed rate coupon
- ❑ Non-Preferred Senior under Belgian law d.d.31 July 2017
- ❑ Documentation: EMTN programme
- ❑ Rating: Baa3 / BBB (Moody's / S&P)

Rationale

- ❑ Contributing to expected MREL requirements
- ❑ Building up a new layer of instruments (Non-Preferred Senior)
- ❑ Further optimising liquidity and capital structure
- ❑ Diversification of funding sources and investor base

Key Investment Highlights

- ❑ Belgian bank insurance group with very strong commercial franchise and strategy focused on Belgian anchored sustainable activities
- ❑ Strong capital base with fully loaded CET1 ratio at 16.1% and fully loaded total capital ratio at 18.5%
- ❑ Belfius has manageable MREL needs

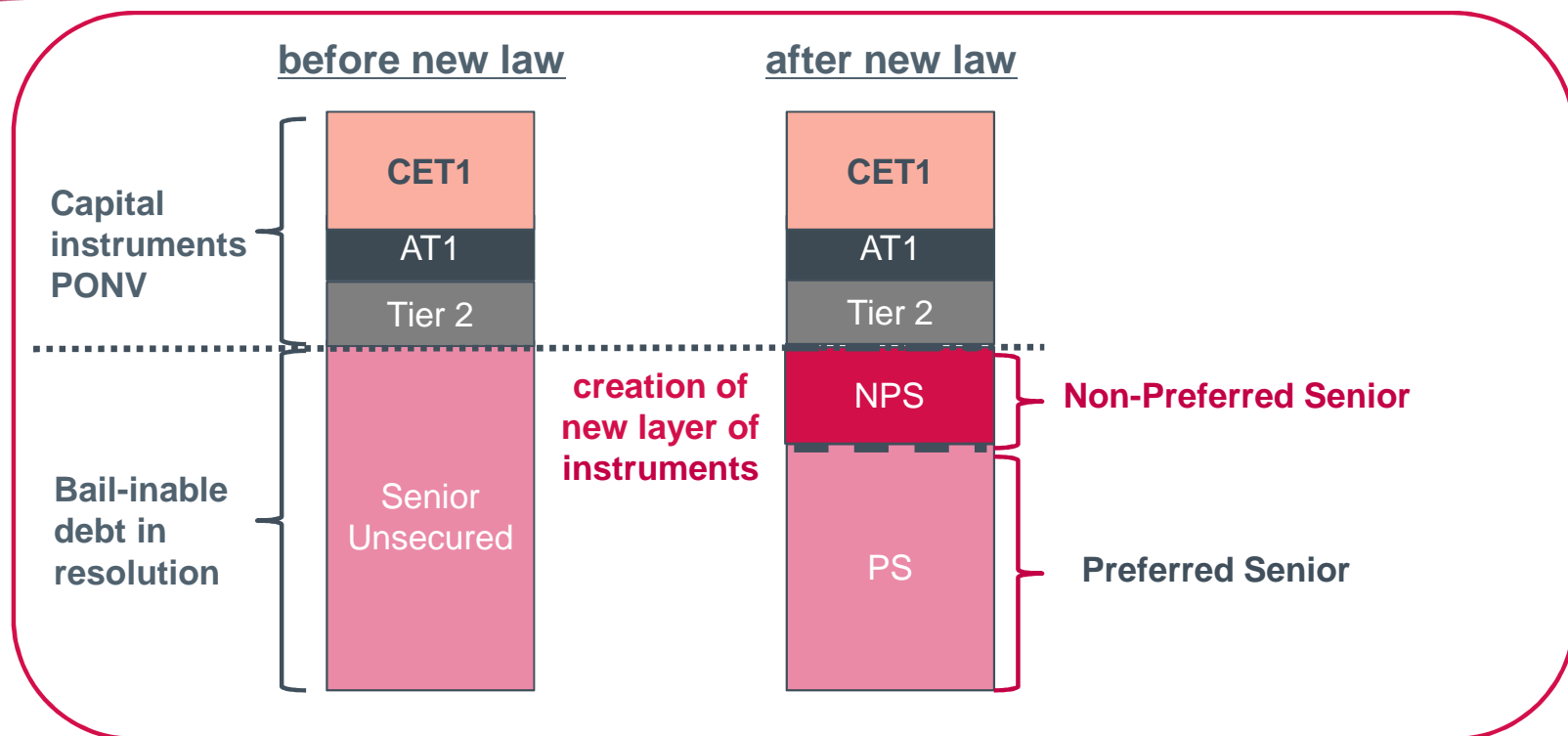
The full investor presentation on the Belfius 1H 2017 Results is available on the Belfius website www.belfius.com

Key structural features



Issuer	Belfius Bank
Structure	Bullet structure Fixed coupon
Status	Non-Preferred Senior, intended to be MREL compliant instrument
Documentation	EMTN prospectus dated 18 May 2017, as supplemented on 1 September 2017
Denominations	EUR 100,000 and integral multiples thereof
Expected Rating	Baa3 / BBB (Moody's / S&P)
Listing	Luxembourg Stock Exchange
Loss Absorption	Statutory loss absorption Upon resolution the Notes may be written down or converted into CET1 by the relevant resolution authority.
Early Redemption Event	MREL Disqualification Event and Tax Event
Substitution or variation	Upon MREL Disqualification Event
Applicable law	English law, Form, Status and Event of Default clauses under Belgian law
Clearing	Securities Settlement System of NBB

New Belgian law for Non-Preferred Senior instruments



Belgian Law 31 July 2017 – Art 389/1

The new law modifies the hierarchy of claims in case of resolution and allows the creation of a new class of Non-Preferred Senior (NPS) instruments between subordinated debt and more senior unsecured debt (i.e. the preferred senior debt). The Preferred Senior category consists of all current senior liabilities (a.o. wholesale unsecured, PSB deposits, corporate deposits, etc.).

5 All senior unsecured notes issued before the publication of the law fall within the preferred senior class

New Belgian law for Non-Preferred Senior instruments



Hierarchy of claims

The new law modifies the hierarchy of claims in case of resolution (comparable to French “Loi Sapin 2”).

Introduction of a new category of debt instruments, to be built up within the senior unsecured class.

Ranking

Non-Preferred Senior notes are unconditional, senior and unsecured obligations and will rank pari passu amongst themselves and senior to subordinated notes, but junior to senior preferred notes and any claims benefiting from legal or statutory preferences.

Maturity

The original maturity may not be less than 1 year.

Documentation

Documentation must state explicitly the non-preferred senior status.

Applicable law

Can be governed by Belgian or foreign law.

Structures

The principal amount and interest may not be in function of an event that is uncertain at the time of issue, except, with respect of interest only, if it can be calculated at any time in accordance with a formula established in the notes' terms. (such as an index or a floating rate).

Instruments with a redemption at the option of the issuer are allowed.

Belgian law in line with other European NPS laws



	Belgian law	French law	Spanish law
Introduction of a new category of instruments.	X	X	X
Instruments ranking between subordinated debt and senior preferred debt	X	X	X
Minimum original maturity of 1 year	X	X	X
Structures/derivatives	The principal amount and interest may not be in function of an event that is uncertain at the time of issue, except, with respect of interest only, if it can be calculated at any time in accordance with a formula established in the notes' terms. (such as an index or a floating rate).	No structured product. No further specification about definition of structured product.	No derivative features. No further specification of 'derivatives features'.
Contractual reference to statutory ranking	X	X	X



Contributing to expected MREL requirements

Building up a new layer of Non-Preferred Senior instruments

Further optimising liquidity and capital structure

Diversification of funding sources and investor base

Inaugural Non-Preferred Senior transaction

Proposed terms



Issuer	Belfius Bank SA/NV “ the Issuer ”
Issuer Ratings	A2/ A-/ A- (Moody’s, S&P, Fitch)
Description	EUR [•] Dated Fixed Rate Senior Non-Preferred Notes (the “ Senior Non-Preferred Notes ”)
Expected Issue rating	Baa3 / BBB (Moody’s / S&P)
Size	Benchmark
Documentation	Issued under EMTN programme dated 18 May 2017, as supplemented on 1 September 2017
Format	Reg S
Ranking	The Senior Non-Preferred Notes constitute direct, unconditional, senior and unsecured obligations of the Issuer and shall at all times rank pari passu among themselves and will rank ahead of subordinated notes but behind senior preferred notes and any claims benefiting from legal or statutory preferences.
Structure	Bullet
Interest	[•]% p.a.
Loss absorbency	Statutory loss absorbency
Tax Call	The Issuer may, at its option redeem (all, but not some only) the Senior Non-Preferred Notes if, at any time, (i) the Issuer would be obliged to pay any additional amounts (a “ Tax Gross-up Event ”), or (ii) a payment in respect of the Senior Non-Preferred Notes would not be deductible (a “ Tax Deductibility Event ”). At par, together with interest accrued and unpaid and subject to conditions for redemption.
Regulatory Call	The Issuer may redeem (all, but not some only) the Senior Non-Preferred Notes if the Senior Non-Preferred Notes cease (or would cease) to qualify, in whole or in part, as MREL-Eligible instruments under applicable MREL regulations, either by reason of a change or such regulations becoming effective, 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 regulations. (a “ MREL/TLAC Disqualification Event ”). At par, together with interest accrued and unpaid and subject to conditions for redemption.

Inaugural Non-Preferred Senior transaction

Proposed terms

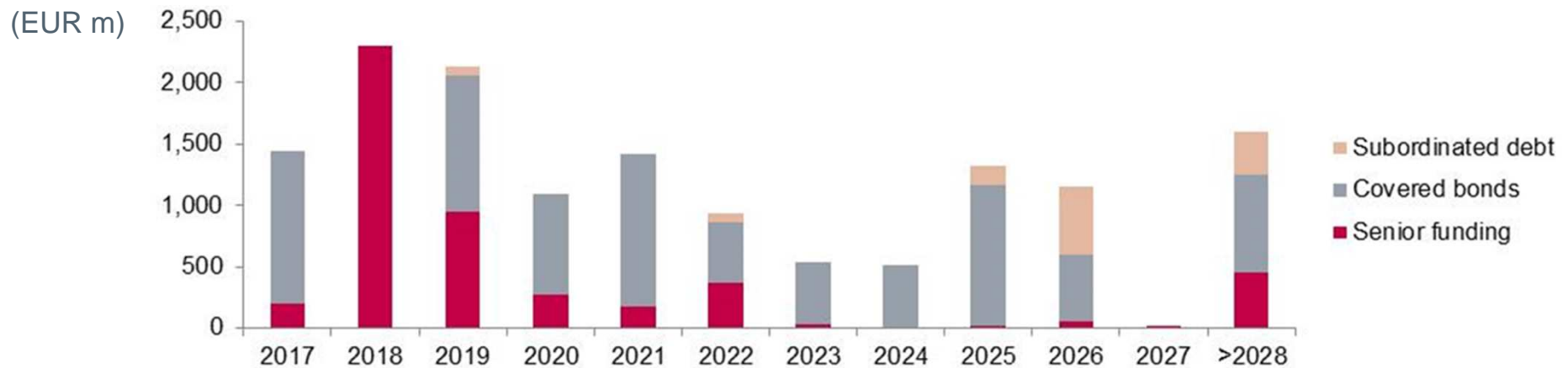


Substitution and Variation	Following a MREL/TLAC Disqualification Event, the Issuer may, at its sole discretion and without the consent of the Noteholders, substitute or vary the terms of the Senior Non-Preferred Notes as long as the changes made are not detrimental to noteholders.
Event of Default	If default is made in the payment of any principal or interest of the Senior Non-Preferred Notes, and such default continues for a period of 30 days or more after the due date, any holder of Senior Non-Preferred Notes may institute proceedings for the dissolution or liquidation of the issuer in Belgium.
Set-off	No set-off in respect of any amount owed to the noteholder by the Issuer arising under or in connection with the Senior Non-Preferred Notes.
Denominations	EUR 100,000 and integral multiples thereof
Listing	Luxembourg Stock Exchange
Governing Law	English law, except for form, status and event of default provisions which will be governed by the laws of Belgium
Clearing	The Securities Settlement System of the National Bank of Belgium

Full terms and conditions and definitions of capitalised terms can be found in the Belfius EMTN programme dated 18 May 2017, as supplemented. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.



Redemption profile of medium/long term wholesale funding as of June 2017



- ❑ The funding needs of Belfius are in line with the redemptions, however can be adapted in function of general evolutions within the banking environment.
- ❑ Various instruments can be targeted under both benchmark or private placement formats, e.g. EMTN senior preferred notes, Tier 2, Certificates of Deposits, covered bonds, as well as the newly created Non-Preferred Senior instruments.

Funding strategy and MREL considerations



- It is expected that a formal MREL level will be given to Belfius by the Single Resolution Board (SRB) in 2017.
- At this stage, **no formal MREL target has been communicated to Belfius.**
- Based on the MREL Calibration Methodology published by the SRB, Belfius' mechanical target (*) would potentially amount to 27.25% of risk-weighted exposures (in fully loaded format).

Estimated current Belfius level is 24.2% ()**



- MREL needs for Belfius are manageable.
- Belfius will build up a MREL buffer with emphasis on the new layer of Non-Preferred Senior notes.
- At this stage we intend to issue 1 to 2 Non-Preferred Senior benchmarks per year, in combination with private placements.

(*) Potential MREL requirement published by SRB in November 2016, could be equal to the higher of:

- Double (Pillar 1 + Pillar 2 requirement) + Combined Buffer Requirement (CBR) plus Market Confidence Charge (equal to the CBR less 125 bp)
- 8% of total liabilities and own funds (taking into account derivative netting where applicable)

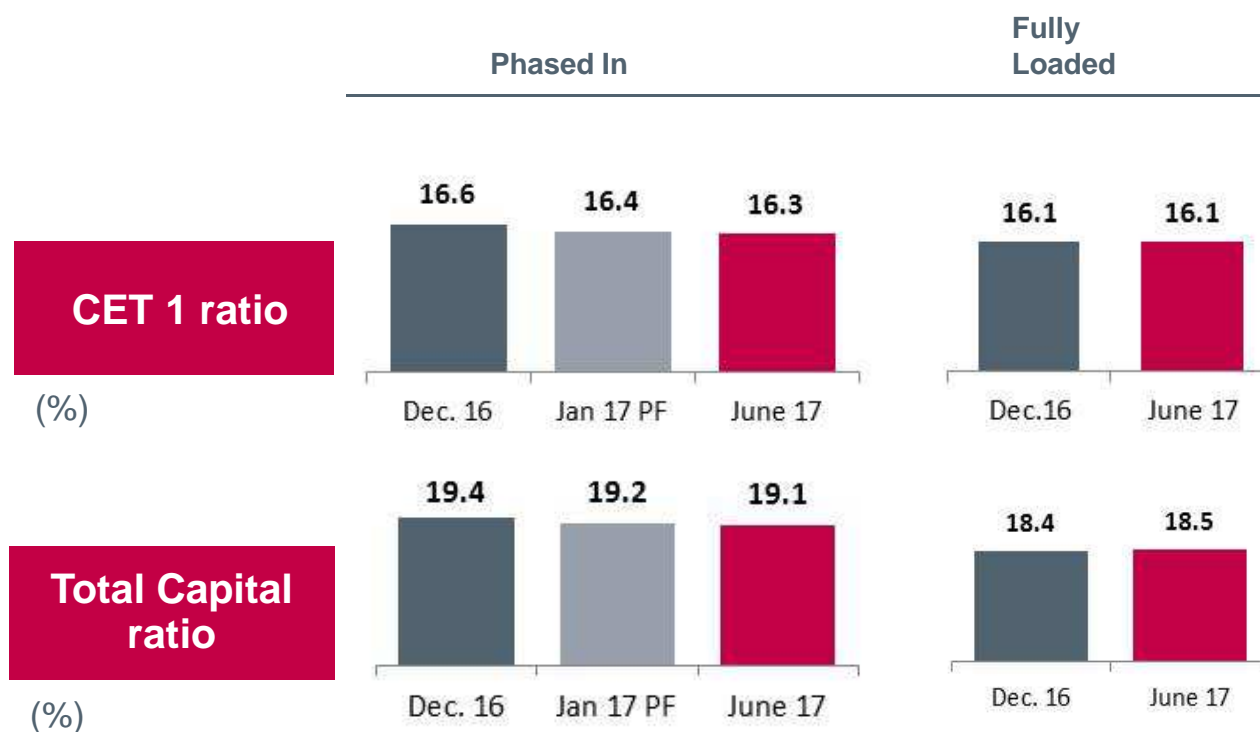
(**) including senior unsecured instruments

Funding strategy and MREL considerations



Very solid capital base, with capital ratios well above minimum requirements

Basel 3 *



* Danish Compromise : for the determination of the Common Equity Tier 1 capital, the regulatory authority requires Belfius to apply a prudential deconsolidation of Belfius Insurance and to apply a risk weighting of 370% on the participation after deduction of goodwill

Rating Overview Belfius



	Moody's <i>last action on 29/03/2017</i>	S&P <i>last action on 10/11/2016</i>	Fitch <i>last action 15/04/2016</i>
Senior	A2 positive outlook	A- stable outlook	A- stable outlook
Standalone rating	baa2	bbb+	a-
Non-Preferred Senior	Baa3	BBB	
Tier 2	Baa3	BBB-	BBB+

■ Latest rating actions:

- In January 2016, Moody's upgraded Belfius' stand-alone Baseline Credit Assessment (BCA) to baa3 and its LT-rating to A3
- In April 2016, Fitch upgraded Belfius' stand-alone Viability Rating (VR) to a- and its LT-rating to A-
- In November 2016, S&P revised Belfius' outlook from negative to stable and confirmed its ratings
- In March 2017, Moody's upgraded Belfius' stand-alone Baseline Credit Assessment (BCA) to baa2 and its LT-rating to A2. The ST-rating has been upgraded from Prime-2 to Prime-1. The outlook has changed from stable to positive



- ❑ Belgian law creating a new class of Non-Preferred Senior instruments (NPS)
- ❑ NPS ranking ahead of subordinated notes, but behind senior preferred notes
- ❑ Belfius has manageable MREL needs
- ❑ Belfius will be a recurrent issuer of NPS in the coming years
- ❑ Belgian bank insurance group with very strong commercial franchise and strategy focused on Belgian anchored sustainable activities, governed by a solid financial and risk management framework
- ❑ Belfius is a solid financial institution with large capital base



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