BELFIUS BANK SA/NV

(incorporated with limited liability in Belgium)

EUR 500,000,000 Fixed Rate Subordinated Notes due 11 May 2026

Issue Price: 99.493%

This prospectus (the "**Prospectus**") constitutes a listing prospectus in relation to the issue of EUR 500,000,000 Fixed Rate Subordinated Notes due 11 May 2026 (the "**Subordinated Notes**") by Belfius Bank SA/NV ("**Belfius Bank**" or the "**Issuer**").

The issue price of the Subordinated Notes is 99.493 per cent. of their principal amount.

The Subordinated Notes will bear interest at the fixed rate of 3.125 per cent. per annum. Interest on the Subordinated Notes will be payable annually in arrear on 11 May in each year.

The Subordinated Notes are subject to redemption, in whole but not in part, at their principal amount together with accrued interest, at the option of the Issuer, at any time, (a) upon the occurrence of a Capital Disqualification Event (as defined herein) or (b) upon the occurrence of a Tax Event (as defined herein). If a Capital Disqualification Event (as defined herein) has occurred, the Issuer may at its sole discretion substitute all of the Subordinated Notes or vary the terms of all of the Subordinated Notes, without the consent of the holders of the Subordinated Notes (the "**Noteholders**"), so that they become or remain Qualifying Securities (as defined herein). Any such redemption, substitution or variation is subject to certain conditions. See Condition 4 (*Redemption and Purchase*) in *"Terms and Conditions of the Subordinated Notes"*.

The Subordinated Notes will constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and will at all times rank *pari passu* and without any preference among themselves, as more fully described in Condition 2 (*Status and Subordination*) in *"Terms and Conditions of the Subordinated Notes"*. The Subordinated Notes will constitute Tier 2 capital (as defined herein) of the Issuer.

An investment in Subordinated Notes involves certain risks. For a discussion of these risks see "Risk Factors". Investors should review and consider these risk factors carefully before purchasing any Subordinated Notes.

This Prospectus has been approved by the Financial Services and Markets Authority (*Autoriteit voor Financiële Diensten en Markten/Autorité des services et marchés financiers*) (the "**FSMA**") in its capacity as competent authority under Article 23 of the Belgian Law of 16 June 2006 on public offering of investment securities and the admission of investment securities to trading on a regulated market (the "**Prospectus Law**") as a prospectus for the purposes of Article 23 of the Belgian Prospectus Law and Article 5.3 of Directive 2003/71/EC, as amended by Directive 2010/73/EU (together, the "**Prospectus Directive**"). This approval does not imply any appraisal by the FSMA as to the opportunity or the merits of the securities, nor on the situation of the Issuer. Application has been made for the Subordinated Notes to be listed and to be admitted to trading, as of the Issue Date, on the regulated market of Euronext Brussels ("**Euronext Brussels**"). Euronext Brussels is a regulated market for the purposes of the Prospectus Directive.

The Subordinated Notes will be issued in minimum denominations of EUR 100,000 and integral multiples thereof. The Subordinated Notes will be issued 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 Subordinated Notes will be rated BBB- by Standard & Poor's Credit Market Services Europe Limited ("**S&P**"). **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.** S&P is established in the European Union (the "**EU**"), domiciled in the United Kingdom, and is included in the 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 (the "**CRA Regulation**"). This list is available on the ESMA website.

The Subordinated Notes will be offered and sold in offshore transactions outside the United States in reliance on Regulation S ("**Regulation S**") under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"). THE SUBORDINATED NOTES HAVE NOT BEEN OR WILL BE REGISTERED UNDER THE SECURITIES ACT, OR ANY STATE SECURITIES LAW, AND THE SUBORDINATED NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON (AS SUCH TERMS ARE DEFINED IN REGULATION S), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

Structuring Advisor

Morgan Stanley

Joint Bookrunners and Joint Lead Managers

Belfius Bank | **J.P. Morgan**

Morgan Stanley | **Société Générale Corporate & Investment Banking**

UBS Investment Bank

The date of this Prospectus is 4 May 2016

IMPORTANT INFORMATION

This Prospectus comprises a prospectus in respect of Subordinated Notes issued for the purposes of Article 5.3 of the Prospectus Directive.

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer, the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Market data and other statistical information used in this Prospectus has been extracted from a number of sources, including independent industry publications, government publications, reports by market research firms or other independent publications (each an "**Independent Source**"). The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the relevant Independent Source, no facts have been omitted which would render the reproduced information inaccurate or misleading.

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see *"Documents Incorporated by Reference"*). This Prospectus shall be read and construed on the basis that such documents are incorporated in and form part of this Prospectus.

The Joint Lead Managers (as defined in "Subscription and Sale") (other than Belfius Bank in its capacity as Issuer) have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Managers (other than Belfius Bank in its capacity as Issuer) as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer in connection thereto. None of the Joint Lead Managers (other than Belfius Bank in its capacity as Issuer) accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection thereto. The statements made in this paragraph are made without prejudice to the responsibility of the Issuer under the Prospectus.

To the fullest extent permitted by law, no Joint Lead Manager (other than Belfius Bank in its capacity as Issuer) accepts any responsibility for the contents of this Prospectus, and neither the Issuer nor any Joint Lead Manager accepts any responsibility for any statement made, or purported to be made, by any other Joint Lead Manager or on its behalf in connection with the Issuer or the issue and offering of the Subordinated Notes. Each of the Issuer (in the case only of any such statement) and any Joint Lead Manager accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Prospectus or any such statement.

No person is or has been authorised by the Issuer or the Joint Lead Managers to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with this Prospectus or the Subordinated Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or by any of the Joint Lead Managers.

Neither this Prospectus nor any other information supplied in connection with this Prospectus or any Subordinated Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or by any of the Joint Lead Managers that any recipient of this Prospectus or any other information supplied in connection with the Prospectus or any Subordinated Notes should purchase any Subordinated Notes. Each investor contemplating purchasing any Subordinated Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer.

Neither this Prospectus nor any other information supplied in connection with the issue of any Subordinated Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Joint Lead Managers to any person to subscribe for or to purchase any Subordinated Notes.

References in this section "Important Information" to a "Joint Lead Manager" shall include such entity in its capacity as a Joint Bookrunner to the Issuer as well, as applicable.

This Prospectus contains or incorporates by reference certain statements that constitute forward-looking statements. Such forward-looking statements may include, without limitation, statements relating to the Issuer's business strategies, trends in its business, competition and competitive advantage, regulatory changes, and restructuring plans. Words such as believes, expects, projects, anticipates, seeks, estimates, intends, plans or similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. The Issuer does not intend to update these forward-looking statements except as may be required by applicable securities laws. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other outcomes described or implied in forward-looking statements will not be achieved. A number of important factors could cause actual results, performance or achievements to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include: (i) the ability to maintain sufficient liquidity and access to capital markets; (ii) market and interest rate fluctuations; (iii) the strength of global economy in general and the strength of the economies of the countries in which the Issuer conducts operations; (iv) the potential impact of sovereign risk, particularly in certain European Union countries which have recently come under market pressure; (v) adverse rating actions by credit rating agencies; (vi) the ability of counterparties to meet their obligations to the Issuer; (vii) the effects of, and changes in, fiscal, monetary, trade and tax policies, and currency fluctuations; (viii) the possibility of the imposition of foreign exchange controls by government and monetary authorities; (ix) operational factors, such as systems failure, human error, or the failure to implement procedures properly; (x) actions taken by regulators with respect to the Issuer's business and practices in one or more of the countries in which the Issuer conducts operations; (xi) the adverse resolution of litigation and other contingencies; (xii) the Issuer's success at managing the risks involved in the foregoing. The foregoing list of important factors is not exclusive; when evaluating forward-looking statements, investors should carefully consider the foregoing factors and other uncertainties and events, as well as the other risks identified in this Prospectus.

This Prospectus contains various amounts and percentages which have been rounded and, as a result, when those amounts and percentages are added up, they may not total.

IMPORTANT INFORMATION RELATING TO THE USE OF THIS PROSPECTUS AND OFFER OF THE SUBORDINATED NOTES GENERALLY

This Prospectus has been approved for the purposes of the listing and admission to trading of the Subordinated Notes on the regulated market of Euronext Brussels and does not constitute an offer to sell or the solicitation of an offer to buy any Subordinated Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of any Subordinated Notes may be restricted by law in certain jurisdictions. Neither the Issuer nor the Joint Lead Managers represent that this Prospectus may be lawfully distributed, or that any Subordinated Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Joint Lead Managers which is intended to permit a public offering of any Subordinated Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Subordinated Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Subordinated Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of any Subordinated Notes. For a description of certain restrictions on offers and sales of Subordinated Notes and on distribution of this Prospectus, see *"Subscription and Sale"* below.

The Subordinated Notes may not be a suitable investment for all investors. Each potential investor in the Subordinated Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Subordinated Notes, the merits and risks of investing in the Subordinated Notes and the information contained or incorporated by reference in this Prospectus;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Subordinated Notes and the impact the Subordinated Notes will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Subordinated Notes, including where the currency for principal and/or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Subordinated Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) 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.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal 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 (i) Subordinated Notes are legal investments for it, (ii) Subordinated Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Subordinated Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Subordinated Notes under any applicable risk-based capital or similar rules.

In connection with the issue of the Subordinated Notes, Morgan Stanley & Co. International plc (the "**Stabilisation Manager**") may over-allot Subordinated Notes or effect transactions with a view to supporting the market price of the Subordinated Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Subordinated Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Subordinated Notes and 60 days after the date of the allotment of the Subordinated Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager (or any person acting on behalf of any Stabilisation Manager in accordance with all applicable laws and rules.

In this Prospectus, unless otherwise specified or the context otherwise requires, references to "**U.S.$**" are to the lawful currency of the United States, and 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.

TABLE OF CONTENTS

RISK FACTORS

An investment in the Subordinated Notes involves a degree of risk. Prospective investors should carefully consider the risks set forth below and the other information contained in this Prospectus (including information incorporated by reference) before making any investment decision in respect of the Subordinated 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 Subordinated Notes or the Issuer's ability to fulfil its obligations under the Subordinated 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 Subordinated Notes are also described below.

The Issuer believes that the factors described below represent the principal known risks inherent in investing in Subordinated Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Subordinated 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 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 Subordinated Notes" below.

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

Like other banks, Belfius Bank faces financial risk in the conduct of its business, such as credit risk, operational risk and market risk (including 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 perspective of continuity and the borrower's repayment capacity are 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 a significant added value to Belfius Bank's customers, regardless of the segment in which they operate. Credit and risk committees are regionalised and the delegation of decision-making powers are increasingly delegated to the regional commercial and credit teams is continued, 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 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 and Financial Markets activities and encompasses interest rate risk, spread risk and 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 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 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 is in place and 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 his 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 and Commercial and Public and 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 Guideline.

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.

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, Belfius Bank does not expect such prohibition to have a material impact on its business as it is currently being conducted.

The Lead Regulator (as defined in Condition 2) 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 Subordinated 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 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.

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 Subordinated 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) 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 Subordinated Notes) of a failing institution and/or to convert certain debt claims (which could be the Subordinated 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). 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 19 of this Prospectus.

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).

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 (as defined in Condition 2) 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, the Belgian Banking Law grants a “bail in” power to the National Resolution Authority as set out in paragraph 9 (*European Resolution Regime*) above). This bail-in tool entered in force on 1 January 2016. Any application of the bail-in tool would, however, only occur after, or at the same time as, the write-down or conversion of the Subordinated Notes by the Resolution Authority.

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 MREL requirements. 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

Subject to certain exceptions, as soon as any of these proceedings 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;
- A continued 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 continued 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 Subordinated 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 to permit the start and continuation of the economic recovery. By injecting money into the economy and by creating proper financing systems, substitutes for the interbank market have been created and confidence within the banking system is being restored. The creation of a banking union in the European Union and the subsequent requirements imposed upon financial institutions by that banking union is expected to support and further strengthen the confidence in the stability of the financial systems. 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.

Despite recent nervousness in financial markets, the capital and credit markets have experienced an overall reduction in the volatility and disruption they have experienced over past years. In some cases, this has resulted in upward pressure on stock prices and bonds, and has also resulted in increased business and consumer confidence. Subsequently, the economy has left a period of distress and entered a phase of low economic growth and low interest rates. However, should the economy fall back into recession then it cannot be excluded that a lack of confidence, increased volatility in the financial markets and reduced business activity 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 Subordinated 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 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 Subordinated 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, 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**").

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

In December 2015, 10 of the original 11 Member States issued a statement setting out areas where agreement had been reached as well as areas that were still open. Estonia has indicated that it no longer supports the proposal. The statement indicates that a decision on the open issues should be made by end of June 2016.

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. 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 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 Subordinated Notes

Each of the factors described above may also have an impact on the risks associated with the Subordinated 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 Subordinated Notes. Prospective investors should consult their own financial and legal advisers about risks associated with investment in the Subordinated Notes and the suitability of investing in the Subordinated Notes in light of their particular circumstances.

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

Each potential investor in any Subordinated 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 Subordinated Notes are legal investments for it.

In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Subordinated Notes, the merits and risks of investing in the Subordinated Notes and the information contained or incorporated by reference in this 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 Subordinated 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 Subordinated 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 Subordinated 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.

Subordinated 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 Subordinated 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 Subordinated Notes will perform under changing conditions, the resulting effects on the value of the Subordinated Notes and the impact this investment will have on the potential investor's overall investment portfolio.

2. ***Noteholders 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***

Noteholders 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 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 Noteholders losing some or all of their investment in the Subordinated Notes.

3. *Impact of write-down and conversion powers on listings*

To the extent the Subordinated Notes are written-down or converted pursuant to the BRRD or otherwise, the Issuer does not expect any securities issued upon conversion of the Subordinated 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 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 conversion or bail-in power. As a result, there may not be an active market for any securities Noteholders may hold after the exercise of the write-down or conversion powers.

4. *The Subordinated Notes may be redeemed prior to maturity upon the occurrence of a Capital Disqualification Event or a Tax Event*

Subject to certain conditions being met, the Subordinated Notes may, at any time, be redeemed prior to their maturity date, in whole but not in part, at their principal amount together with accrued interest, at the option of the Issuer, upon the occurrence of (a) a Capital Disqualification Event or (b) a Tax Event (see Condition 4 (*Redemption, Purchase and Options*)).

The redemption of the Subordinated Notes upon the occurrence of a Capital Disqualification Event or a Tax Event, or the (perceived) prospect of such redemption, could have a material adverse effect on the value of the Subordinated Notes.

If the Issuer redeems the Subordinated Notes in any of the circumstances mentioned above, there is a risk that the Subordinated Notes may be redeemed at times when the redemption proceeds are less than the current market value of the Subordinated 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.

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

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

(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 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.

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

There is no restriction on the amount of debt that the Issuer may issue that ranks senior to, or *pari passu* with, the Subordinated 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.

7. *There are no events of default (other than in the event of a dissolution or liquidation of the Issuer) allowing acceleration of the Subordinated Notes if certain events occur*

The Conditions of 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 12 (*Enforcement*)) allowing acceleration of the Subordinated Notes if certain events occur. Accordingly, if the Issuer fails to meet any obligations under the Subordinated 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

Subordinated Notes will be the institution of proceedings for the dissolution or liquidation of the Issuer in Belgium.

8. Substitution and variation relating to Subordinated Notes

Subject to certain conditions provided in the Conditions of the Subordinated Notes, the Issuer may, at its sole discretion and without the consent of the Noteholders, either substitute the relevant Subordinated Notes or vary their terms, so that they become or remain Qualifying Securities (see Condition 7 (*Substitution and Variation*)). If the Issuer has not opted to substitute or vary the Subordinated Notes in accordance with the Conditions following a Capital Disqualification Event (as defined in the Conditions of the Subordinated Notes), the relevant Subordinated Notes may be redeemed early (in whole but not in part) at the Issuer's sole option.

The exercise of these rights by the Issuer may have an adverse effect on the position of 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 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 Subordinated Notes, if any, will be the same for all Noteholders, some Noteholders 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 Subordinated Notes prior to such substitution.

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

When Subordinated 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 Subordinated 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 Subordinated Notes before investing in the Subordinated Notes.

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

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

11. *There is no active trading market for the Subordinated Notes*

The Subordinated Notes will be new securities that may not be widely distributed and for which there is currently no active trading market. If the Subordinated 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 has been made for the Subordinated Notes to be admitted to the regulated market of Euronext Brussels, there is no assurance that such application will be accepted, that an active trading market will develop or that any listing or admission to trading will be maintained. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Subordinated Notes, nor that such application for any listing or admission to trading will be maintained in respect of the Subordinated Notes.

12. *Modification, waivers and substitution*

The Conditions of the Subordinated Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally, including modifications to the Conditions 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.

13. *EU Savings Directive – Common Reporting Standard*

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 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.

Investors who are in any doubt as to their position should consult their professional advisers.

14. U.S. withholding tax under FATCA

With respect to (i) Subordinated 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) Subordinated 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 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 any financial institution through which payment on the Subordinated Notes is made that is a non-U.S. financial institution 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 Subordinated Notes on or after the Grandfather Date pursuant to a reopening of a Series of Subordinated Notes that was created on or before the Grandfather Date (the "original Subordinated Notes") and such further Subordinated Notes are not fungible with the original Subordinated Notes for U.S. federal income tax purposes, payments on such further Subordinated Notes may be subject to withholding under FATCA and, should the original Subordinated Notes and the further Subordinated Notes be indistinguishable for non-tax purposes, payments on the original Subordinated Notes may also become subject to withholding under FATCA. 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 Subordinated 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 Subordinated Notes are made is not a Participating FFI.

The United States has concluded several 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 and it is not expected to be required to withhold tax on any "foreign passthru payments" 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 apply in respect of any payments made on the Subordinated Notes by any paying agent.

If any amount of deduction or withholding from principal or other payments on the Subordinated 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 Subordinated Notes than expected. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them.

15. Change of law

The Conditions of the Subordinated Notes are, save to the extent referred to Condition 15(a) (*Governing Law*), based on English law in effect as at the date of issue of the Subordinated 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 Subordinated Notes.

In addition, any relevant tax law or practice applicable as at the date of this Prospectus and/or the date of purchase or subscription of the Subordinated Notes may change at any time (including during any subscription period or the term of the Subordinated 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 Subordinated Notes. Any such change may have an adverse effect on a Noteholder, including that the Subordinated 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.

16. Reliance on the procedures of the Securities Settlement System, Euroclear and Clearstream, Luxembourg for transfer, payment and communication with the Issuer

The Subordinated Notes will be issued in dematerialised form under the Belgian Companies Code and cannot be physically delivered. The Subordinated 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 Subordinated Notes. The Securities Settlement System participants include certain banks, stockbrokers ("*beursvennootschappen*"/"*sociétés de bourse*"), and Euroclear and Clearstream, Luxembourg.

Transfers of interests in the Subordinated 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 Subordinated Notes.

Neither the Issuer, nor any of the Joint Lead Managers, 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 and Clearstream, Luxembourg to receive payments under the Subordinated Notes. The Issuer will have no responsibility or liability for the records relating to, or payments made in respect of, the Subordinated Notes within the Securities Settlement System.

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

The Agency Agreement 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, simultaneously with the receipt by it of the relevant amounts, pay to the Noteholder, directly or through the NBB, any amounts due in respect of the Subordinated Notes. However, no Agent is required to segregate any such amounts received by it in respect of the Subordinated 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.

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

Each Agent appointed in respect of the Subordinated Notes will act in its respective capacity in accordance with the Conditions of the Subordinated Notes 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.

19. Potential Conflicts of Interest

Potential conflicts of interest may exist between the Issuer, the Agents, the Joint Lead Managers, the Calculation Agent and the Noteholders. The Calculation Agent in respect of the Subordinated Notes may be the Issuer or a Joint Lead Manager, 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 Conditions of the Subordinated Notes that may influence any interest amount due on, and for the amount receivable upon redemption of, the Subordinated 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 Subordinated Notes. The Issuer and its affiliates (including, if applicable, any Joint Lead Manager or Agent) may engage in trading activities (including hedging activities) related to the Subordinated Notes, for its proprietary accounts or for other accounts under their management.

20. Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Subordinated Notes in euro. 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 euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of the euro 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 euro would decrease (i) the equivalent yield on the Subordinated Notes in the Investor's Currency, (ii) the equivalent value of the principal payable on the Subordinated Notes in the Investor's Currency and (iii) the equivalent market value of the Subordinated 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.

21. Interest rate risks

Investment in the Subordinated Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Subordinated Notes.

22. Credit ratings may not reflect all risks

The Subordinated Notes will at the date of this Prospectus be rated BBB- by Standard & Poor's Credit Market Services Europe Limited. Other independent credit rating agencies could decide to assign credit ratings to the Subordinated Notes and such credit ratings may be higher than, the same as or lower than the credit ratings provided by Standard & Poor's Credit Market Services Europe Limited. Furthermore, other securities issued by the Issuer have currently been assigned credit ratings by other independent credit rating agencies.

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 Subordinated 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.

OVERVIEW OF THE SUBORDINATED NOTES

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by the remainder of, this Prospectus (including any documents incorporated by reference). Words and expressions defined or used in "Terms and Conditions of the Subordinated Notes" shall have the same meaning in this overview.

Issuer	Belfius Bank
Information relating to the Issuer	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
Structuring Advisor	Morgan Stanley & Co. International plc
Joint Bookrunners and Joint Lead Managers	Belfius bank SA/NV, J.P. Morgan Securities plc, Morgan Stanley & Co. International plc, Société Générale and UBS Limited
Fiscal, Calculation, Paying and Domiciliary Agent	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
The Subordinated Notes	EUR 500,000,000 Fixed Rate Subordinated Notes
ISIN	BE0002251206
Common Code	140681512
Issue Price	99.493 per cent.
Issue Date	11 May 2016
Maturity Date	11 May 2026
Denomination	EUR 100,000 and integral multiples thereof
Form of the Subordinated Notes	The Subordinated 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.
Clearing Systems	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 Subordinated Notes. Participants in the Securities Settlement System include certain banks, stockbrokers (*beursvennootschappen / sociétés de bourse*), Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, société anonyme, ("**Clearstream, Luxembourg**"). Accordingly, the Subordinated Notes will be eligible to clear through, and therefore accepted by, Euroclear and Clearstream, Luxembourg, and investors can hold their interests in the Subordinated Notes within securities accounts in Euroclear and Clearstream, Luxembourg.

Interest	3.125% per annum.
Early Redemption	The Subordinated Notes may be redeemed prior to their maturity date, in whole but not in part, at their principal amount together with accrued interest, at the option of the Issuer, upon the occurrence of (a) a Capital Disqualification Event or (b) a Tax Event (see Condition 4 (*Redemption, Purchase and Options*)).
Status of the 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 *"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, (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 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.
Cross Default	None.
Negative Pledge	None.
Rating	BBB- (S&P)
Withholding Tax	All payments of principal and interest in respect of the Subordinated 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 Subordinated Notes – Taxation", "Common Reporting Standard – Exchange of Information" and "Belgian Taxation on the Subordinated Notes".
Governing Law	English law save that (i) any matter relating to title to, and the dematerialised form of, the Subordinated 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 Subordinated Notes, and (ii) Conditions 1, 2, 11 and 12, will be governed by, and construed in accordance with Belgian law.
Listing and Admission to Trading	Application has been made for the Subordinated Notes to be listed and to be admitted to trading, as of the Issue Date, on the regulated market of Euronext Brussels ("**Euronext Brussels**"). Euronext Brussels is a regulated market for the purposes of the Prospectus Directive.
Selling Restrictions	See "Subscription and Sale"
Risk Factors	Please see "Risk Factors" above for further details.
Use of Proceeds	The net proceeds of the issue of the Subordinated Notes will be used by Belfius Bank for its general corporate purposes.

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the audited consolidated accounts of Belfius Bank for the years ended 31 December 2014 and 31 December 2015, including the reports of the statutory auditors in respect thereof, which are incorporated by reference in this Prospectus.

Such documents shall be incorporated in and form part of this 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 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 Prospectus.

Copies of all documents incorporated by reference in this Prospectus may be obtained without charge from the offices of the Issuer and the website of the Issuer at www.belfius.com.

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 2014 and 2015 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 Prospectus. The non-incorporated parts of such documents are not relevant for the investor or are covered elsewhere in this Prospectus.

The consolidated balance sheet and consolidated statement of income of Belfius Bank for the years 2014 and 2015 can also be found in the section headed “Description of the Issuer” on page 48 of this Prospectus.

	Belfius Bank SA/NV	
	Annual Report 2014 (English version) **(audited)**	**Annual Report 2015 (English version)** **(audited)**
consolidated balance sheet	76	82
consolidated statement of income	78	84
consolidated cash flow statement	85	90
audit report on the consolidated accounts	188	198
notes to the consolidated financial statements	86	91
non-consolidated balance sheet	192	202
non-consolidated statement of income	195	205
audit report on the non-consolidated accounts	198	208

TERMS AND CONDITIONS OF THE SUBORDINATED NOTES

*The following is the text of the Terms and Conditions of the Subordinated Notes (the "**Conditions**"), save for the paragraphs in italics that shall not form part of the Terms and Conditions of the Subordinated Notes.*

The EUR 500,000,000 Fixed Rate Subordinated Notes (the "**Subordinated Notes**", which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 13 and forming a single series with the Subordinated Notes) of Belfius Bank SA/NV ("**Belfius Bank**" or the "**Issuer**") are issued on 11 May 2016 (the "**Issue Date**"), subject to and with the benefit of an agency agreement dated 9 May 2016 (such agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") made between the Issuer and Belfius Bank SA/NV as fiscal agent, calculation agent, paying agent and domiciliary agent (the "**Agent**", which term shall include any successor or replacement Agent appointed from time to time pursuant to the terms of the Agency Agreement).

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Agency Agreement. Copies of the Agency Agreement are available for inspection free of charge during normal business hours by the holders at the specified office of the Agent. The holders of the Subordinated Notes are deemed to have notice of all the provisions of the Agency Agreement applicable to them.

References herein to "**Conditions**" are, unless the context otherwise requires, to the numbered paragraphs below.

1 Form, Denomination and Title

The Subordinated Notes are issued in dematerialised form 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 Companies Code 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**") or other Securities Settlement System participants for credit by Euroclear, Clearstream, Luxembourg or other Securities Settlement System participants to the securities accounts of their subscribers.

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

Transfers of the Subordinated Notes will be effected only through records maintained by the Securities Settlement System, Euroclear and Clearstream, Luxembourg or other Securities Settlement System participants and in accordance with the applicable procedures of the Securities Settlement System, Euroclear and Clearstream, Luxembourg 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 Subordinated 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 Condition, "**Noteholder**" and "**holder**" means each person evidenced as holding a Subordinated Note by the book-entry system.

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

The Subordinated Notes are issued in denominations of EUR 100,000 and integral multiples thereof and can only be settled through the Securities Settlement System in nominal amounts equal to a whole denomination (or a whole multiple thereof).

2 Status and Subordination

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 *"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, (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 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.

In these 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).

"**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.

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

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

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

3 Interest

(a) Rate of Interest and Interest Payment Dates

Each Subordinated Note bears interest on its outstanding principal amount at a rate per annum equal to the Rate of Interest from and including the Issue Date, payable annually in arrear on each Interest Payment Date.

In these Conditions:

"**Interest Payment Date**" means 11 May in each year, commencing with the Interest Payment Date falling on 11 May 2017.

"**Rate of Interest**" means 3.125 per cent per annum.

(b) Accrual of Interest

Each Subordinated Note will cease to bear interest from and including its due date for redemption thereof unless payment of principal is improperly withheld or refused or unless default is otherwise made in respect of payment, in which case interest will continue to accrue at the rate specified in Condition 3(a) (*Interest – Rate of Interest and Interest Payment Dates*) (both before and after judgment and if necessary to be increased with judicial interest) until the day on which all sums due in respect of such Subordinated Note up to that day are received by or on behalf of the relevant Noteholder.

(c) Calculation of interest amounts

The amount of interest payable in respect of each Subordinated Note for any period shall be calculated by:

(1) applying the applicable Rate of Interest to EUR 100,000;

(2) multiplying the product thereof by the Day Count Fraction; and

(3) rounding the resulting figure to the nearest cent (half a cent being rounded upwards) on any amount due and payable.

In these Conditions, "**Day Count Fraction**" means, in respect of the calculation of an amount of interest for any period of time (the "**Calculation Period**"),

(A) 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 number of days in such Determination Period; and

(B) 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 number of days in such Determination Period; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the number of days in such Determination Period,

where:

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

"**Determination Date**" means 11 May.

(d) *Rounding*

For the purposes of any calculations required pursuant to these 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), and (y) all figures shall be rounded to seven significant figures (with halves being rounded up).

(e) *Determination of Agent binding*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 3 by the Agent shall (in the absence of wilful default, bad faith or manifest or proven error) be binding on the Issuer, the Agent and all Noteholders.

4 Redemption and Repurchase

(a) *Redemption at maturity*

Unless previously purchased and cancelled or redeemed as herein provided, the Subordinated Notes will be redeemed at their principal amount (together with interest accrued and unpaid, if any, to the Maturity Date) on the Maturity Date.

In these Conditions, "**Maturity Date**" means 11 May 2026.

(b) *Redemption upon occurrence of a Capital Disqualification Event*

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 7 (*Substitution and Variation*), the Issuer may, subject to the conditions set out in Condition 4(e), within 90 days of the occurrence of the relevant Capital Disqualification Event and on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 9 (with a copy to the Agent), at its option, redeem all, but not some only, of the Subordinated Notes, at any time, at the Redemption Amount, 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 4 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 Conditions:

"**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).

"**Redemption Amount**" means 100 per cent of the principal amount of the Subordinated Notes.

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

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

Subject to the conditions set out in Condition 4(e), 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 9 (with a copy to the Agent), which notice shall be irrevocable) redeem all, but not some only, of the Subordinated Notes outstanding on the next Interest Payment Date at the 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 Subordinated Notes would not be deductible in case of a Tax Deductibility Event, in each case, were a payment in respect of the Subordinated 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 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 Subordinated Notes, the Issuer has or will on or before the next Interest Payment Date or the Maturity Date (as applicable) become obliged to pay additional amounts as provided or referred to in Condition 6 (and such obligation cannot be avoided by the Issuer taking reasonable measures available to it) (a "**Tax Gross-up Event**"); and

(b) on the next Interest Payment Date or the Maturity Date (as applicable) any payment by the Issuer in respect of the Subordinated Notes ceases (or will cease) to be deductible by the Issuer for Belgian corporate income tax purposes or such deductibility is reduced (a "**Tax Deductibility Event**").

"**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.

(d) *Repurchases*

Subject to the conditions set out in Condition 4(e), the Issuer and any of its subsidiaries may at any time repurchase in their sole discretion, without having any obligation to do so, Subordinated Notes in the open market or otherwise at any price.

(e) *Conditions to redemption*

Any optional redemption or repurchase of the Subordinated Notes pursuant to this Condition 4 is subject to the following conditions (in each case, if and to the extent then required by Applicable Banking Regulation):

(a) compliance with any conditions prescribed under the Applicable Banking Regulation, including the prior approval of the Lead Regulator (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 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 that the relevant change 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 Subordinated Notes to the extent set out in the Applicable Banking Regulation and required by the Lead Regulator.

(f) Cancellation

Subject to the conditions set out in Condition 4(e), all Subordinated Notes repurchased by or on behalf of the Issuer or any of its subsidiaries may be cancelled. Any Subordinated Notes so cancelled may not be re-issued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

5 Payments

(a) Principal and interest

Payment of principal and interest in respect of Subordinated Notes will be made in accordance with the applicable rules and procedures of the Securities Settlement System, Euroclear, Clearstream, Luxembourg and any other Securities Settlement System participant holding interest in the Subordinated Notes, and any payment made by or on behalf of the Issuer to the Securities Settlement System will constitute good and final discharge for the Issuer in respect of such payment. Upon receipt of any payment in respect of the Subordinated Notes, the Securities Settlement System, Euroclear, Clearstream, Luxembourg 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 6. No commission or expenses shall be charged to the Noteholders in respect of such payments.

(c) Appointment of Agent

The Agent initially appointed by the Issuer and its respective specified offices are listed below. The Agent acts solely as agent of the Issuer and does 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 Agent and to appoint additional or other 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 Subordinated 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 Subordinated Note is not a Business Day, the holder shall not be entitled to payment until the next following Business Day, nor to any interest or other sum in respect of such postponed payment.

"**Business Day**" means a day other than a Saturday or Sunday (i) on which the Securities Settlement System is operating and (ii) on which banks and forex markets are open for general business in Belgium and (iii) (if a payment in euro is to be made on that day), which is a business day for the TARGET System.

"**TARGET 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.

6 Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Subordinated 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 the Kingdom of Belgium or any political subdivision or any Belgian 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 Subordinated Notes after such withholding or deduction shall be not less than the respective amounts of principal and interest which would have been receivable in respect of the Subordinated 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 Subordinated 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 Subordinated Note by reason of his having some connection with Belgium other than the mere holding of the Subordinated Note; or

(2) *Non-Eligible Investors*: to a holder who, at the time of issue of the Subordinated 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 Subordinated 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 Subordinated 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 Subordinated 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 Subordinated Notes*: to a holder who is liable to such withholding or deduction because the Subordinated 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 Conditions, any amounts paid by or on behalf of the Issuer in respect of the Subordinated 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 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.

7 Substitution and Variation

Following a Capital Disqualification Event, 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 9, substitute or vary the terms of all, but not some only, 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 this Condition 7 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 Conditions:

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

(a) rank equally with the ranking of the Subordinated Notes;

(b) have terms not materially less favourable to Noteholders than the terms of 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 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;

   (2) do not contain terms which would cause a Capital Disqualification Event 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 and Maturity Date as apply to 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;

(5) do not contain terms providing for the mandatory or voluntary deferral or payments of principal and/ or interest; and

(6) do not contain terms providing for loss absorption through principal write-down, write-off or conversion to ordinary shares;

(c) are listed on (i) the regulated market of Euronext Brussels or (ii) such other regulated market in the European Economic Area as selected by the Issuer; and

(d) where the Subordinated Notes which have been substituted or varied had a published 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 Subordinated Notes as so substituted or varied.

"**Rating Agency**" means Standard and Poor's Credit Market Services or any affiliate thereof.

8 Substitution of the Issuer

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 Subordinated 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 Subordinated 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 Subordinated Notes and the substitution is subject to Belfius Bank irrevocably and unconditionally guaranteeing on a subordinated basis 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 Subordinated 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 Subordinated 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 Subordinated Notes 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 Subordinated 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 (4) above;

(9) each stock exchange which the Subordinated Notes are listed on or the relevant competent authority relating thereto shall have confirmed that following the proposed substitution of the Issuer, such Subordinated Notes would continue to be listed on such stock exchange;

(10) following the substitution, the Subordinated Notes will continue to be represented by book-entry in the records of the Securities Settlement System;

(11) where the Subordinated Notes had a published rating from a Rating Agency immediately prior to the substitution of the Issuer, the Subordinated Notes shall continue to be rated by such Rating Agency immediately following such substitution and the published ratings assigned to the Subordinated Notes by such Rating Agency immediately following such substitution will be no less than those assigned to the Subordinated 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 this Condition 8 to obligations under the Subordinated 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.

9 Notices

Notices to the Noteholders shall be valid if delivered by or on behalf of the Issuer to the NBB for communication by it to the participants of the Securities Settlement System. Any such notice shall be deemed given on the date and at the time it is delivered to the Securities Settlement System. For so long as the Subordinated Notes are admitted to listing and trading on a regulated market, any notices to holders must also be published in accordance with the rules and regulations of such market and, in addition to the foregoing, will be deemed validly given on the date of such publication.

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.

10 Prescription

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

11 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 the Subordinated Notes, including the modification or waiver of any provision of these Conditions. 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 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 Subordinated 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 these Conditions (including any proposal (i) to modify the maturity of the Subordinated Notes or the dates on which interest is payable in respect of the Subordinated Notes, (ii) to reduce or cancel the principal amount of, or interest on, the Subordinated Notes, (iii) to change the currency of payment of the Subordinated 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 Subordinated 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.

12 Enforcement

If default is made in the payment of any principal or interest due in respect of the Subordinated Notes or any of them and such default continues for a period of 30 days or more after the due date, any holder of Subordinated 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 may give written notice to the Agent at its specified office that its Subordinated Note(s) is (are) immediately repayable, whereupon the Redemption Amount of such Subordinated 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 12 shall be available to the holders of Subordinated Notes, whether for recovery of amounts owing in respect of the Subordinated Notes or in respect of any breach by the Issuer of any of its obligations under or in respect of the Subordinated Notes.

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

13 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 Subordinated Notes in all respects (or in all respects except for the date for and amount of the first payment of interest) so as to be consolidated and form a single series with the Subordinated Notes, and references in these to "Subordinated Notes" shall be construed accordingly.

14 Contracts (Rights of Third Parties) Act 1999

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

15 Governing Law and Jurisdiction

(a) Governing Law

The Subordinated 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 Subordinated 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 Subordinated Notes, and (ii) Conditions 1, 2, 11 and 12, 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 Subordinated 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 Subordinated 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 Subordinated 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 Dexia Management Services Ltd of 200 Aldersgate Street, 13th Floor, London EC1A 4HD, 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 9. Nothing shall affect the right to serve process in any manner permitted by law.

CLEARING

The Subordinated Notes are in dematerialised form in accordance with Articles 468 et seq. of the Belgian Companies Code. The Subordinated 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 Subordinated Notes can be held by their holders through the participants in the Securities Settlement System, including Euroclear and Clearstream, Luxembourg, and through other financial intermediaries which in turn hold the Subordinated Notes through Euroclear, Clearstream, Luxembourg or other participants in the Securities Settlement System. Possession of the Subordinated Notes will pass by account transfer.

Payment of principal and interest in respect of Subordinated Notes will be made in accordance with the applicable rules and procedures of the Securities Settlement System, Euroclear, Clearstream, Luxembourg and any other Securities Settlement System participant holding interest in the Subordinated Notes, and any payment made by or on behalf the Issuer to the Securities Settlement System will constitute good and final discharge for the Issuer in respect of such payment. Upon receipt of any payment in respect of the Subordinated Notes, the Securities Settlement System, Euroclear, Clearstream, Luxembourg 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, or another participant duly licensed in Belgium to keep dematerialised securities accounts showing their position in the Subordinated Notes (or the position held by the financial institution through which their Subordinated Notes are held with the NBB, Euroclear 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 Subordinated Notes will be used by Belfius Bank for its general corporate purposes.

DESCRIPTION OF THE ISSUER

Belfius Bank profile

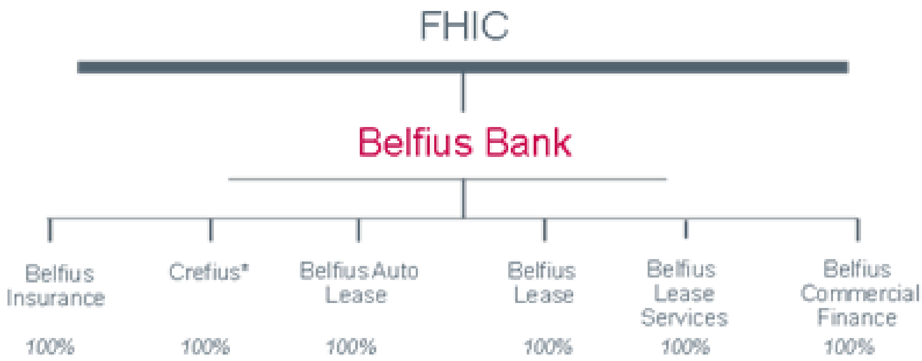
Belfius Bank SA/NV (the "**Issuer**" or "**Belfius Bank**") is a public limited company (*naamloze vennootschap/société anynome*) of unlimited duration incorporated under the Belgian law of 23 October 1962 which collects savings from the public. The Issuer is licensed as a credit institution in accordance 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 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 2015, 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 Prospectus



**Company granting and managing mortgage loans*

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 2015, total consolidated balance sheet of Belfius Insurance amounted to EUR 27 billion1.

Crefius

[1] Total IFRS balance sheet before consolidation adjustments.

Company granting and managing mortgage loans. At the end of 2015, total balance sheet of Crefius amounted to EUR 42 million2.

Belfius Auto Lease

Company for operational vehicle leasing and car fleet management, maintenance and claims management services. At the end of 2015, total balance sheet of Belfius Auto Lease amounted to EUR 242 million3.

Belfius Lease

Company for financial leasing and renting of professional capital goods. At the end of 2015, total balance sheet of Belfius Lease amounted to EUR 653 million4.

Belfius Lease Services

Company for financial leasing and renting of professional capital goods to the self-employed companies and liberal professions. At the end of 2015, total balance sheet of Belfius Lease Services amounted to EUR 1,742 million5.

Belfius Commercial Finance

Company for financing commercial loans to debtors, debtor insolvency risk cover and debt recovery from debtors. At the end of 2015, total balance sheet of Belfius Commercial Finance amounted to EUR 676 million6.

Results 2015

In 2015, Belfius recorded a net income group share of EUR 506 million, against EUR 462 million in 2014, up 9.6%. The bank's contribution to the consolidated net income amounted to EUR 290 million (compared to EUR 245 million in 2014) and that of the insurance group to EUR 216 million (compared to EUR 217 million in 2014).

The net profit reflects a good performance of both Belfius Bank and Belfius Insurance. The result of Belfius Bank was mainly driven by the good commercial activity, a strict cost control and the positive evolution of fair value adjustments, partially compensated by tactical de-risking losses, higher collective provisions in legacy books and higher taxes. For Belfius Insurance, the result was in line with last year.

The net income from commercial activities (Franchise) rose by 5% to EUR 611 million. The main reasons for the strong increase of net income from the commercial businesses are:

- the increase of income to EUR 2,321 million, up 4.4% and this despite higher sector levies and the impact on interest income from the higher amount of mortgage prepayments in 2015. Despite the low interest rate environment, net interest income of Franchise increased with 3% to EUR 2,067 million. Net fee and commission income of Franchise increased in 2015 with 11% to EUR 498 million, mainly at Belfius Bank, as customers are more and more interested in Belfius' large offering in off-balance sheet products following the low interest rate environment.
- the decrease of costs of commercial activities by 3.5% to EUR 1,384 million. This is explained by the strategic attention paid to processes providing added value for the customer, and the disciplined implementation of the long-term cost-cutting plan, despite significant investments in

[2] Total IFRS balance sheet before consolidation adjustments.

[3] Total IFRS balance sheet before consolidation adjustments.

[4] Total IFRS balance sheet before consolidation adjustments.

[5] Total IFRS balance sheet before consolidation adjustments.

[6] Total IFRS balance sheet before consolidation adjustments.

"digital". Compared with 2014, the Cost-Income ratio for commercial activities improved significantly by 5% to 59.6%.

- the continuing stabilisation of the cost of risk as it confirms the good risk profile of our Franchise.

The total net income of the Side-activities (see below) amounted to EUR -105 million against EUR -119 million in 2014.

The CET 1-ratio (Phased in) was 15.9% at 31 December 2015 compared to 14.7% at 31 December 2014. The CET-1 ratio (Fully Loaded) was 14.9% at 31 December 2015 compared to 13.2% at 31 December 2014.

The total capital ratio (Phased in) amounted to 17.7% at the end of 2015 against 16.1% end 2014. The total capital ratio (Fully Loaded) amounted to 16.2% at the end of 2015 against 14.3% end 2014.

The regulatory risk exposure decreased to EUR 47.0 billion end 2015, a decrease of 2.5 billion compared to 2014, thanks to further de-risking and lower regulatory credit risk exposures on some public counterparties.

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).

Segment reporting 2015

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

The **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; and
- **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.

The **Side** segment incorporates the legacy, inherited from the Dexia-era and that is managed under a tactical de-risking strategy and in natural run-off mode. This segment consists of (i) the Legacy portfolios (bonds & credit guarantees), (ii) transactions with Dexia Group entities and (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 provides a full range of banking products and a varied selection of life and non-life insurance products that address the needs of the different customer segments seamlessly: retail, privilege, private but also business (that consist of the self-employed, the liberal professions and small and medium-sized enterprises).

Belfius Bank is among the top 4 leading banks in Belgium and serves its approximately 3.5 million customers through 724 points of sale, internet and mobile banking applications, a contact center and a large number of automatic self banking machines, which makes the bank a 24-hour-a-day operation.

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 that is active via the internet and "affinity"-partners[7].

Strategy

In the course of 2015, also in light of the digital revolution, Belfius' 2020 strategy towards RC clients was designed.

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 relationship management on the one hand, and efficient, user-friendly direct channels on the other. Two complementary omni-channel approaches are being developed to that end: 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%;
- to further implement the continued focus on processes with true added value for the customers, and as such target a further improvement in cost-income ratio to <= 60%.

RC results in 2015

The RC commercial activity was particular dynamic in 2015: for instance, total customer assets grew by 2.8% in 2015 to EUR 99.0 billion.

On-balance sheet deposits totalled EUR 60.1 billion at the end of 2015, slightly down (by 0.8%) from the end of 2014. Customers adopted a rather wait-and-see attitude for deposits because of the historically low interest rates, which meant that less capital found its way to long-term capital investments (a drop of 17.5% for savings certificates and of 20.4% for bonds issued by Belfius). However, the funds deposited in current and savings' accounts continued to grow during the financial year of 2015. The funds deposited in current and savings' accounts amounted to EUR 8.9 billion (+12.7 %[8]) and EUR 37.3 billion (+5.1%[9]) respectively.

The slight decrease in on-balance sheet deposits was nonetheless more than compensated by a very good performance by off-balance sheet investments, which went up by 16.3% compared to the end of 2014, to EUR 28.6 billion, and this thanks to a more pronounced customers' preference for products with potentially higher yields (mutual funds, mandates).

Technical reserves of life insurance sold via the bank channel amounted to EUR 10.4 billion, down by 6.3% compared to the end of 2014. Investments in Branch 21 life insurance products decreased because of the low interest rates, but that drop was partially offset by the successful Branch 44 product and Branch 23 products.

Total loans to customers rose to EUR 35.8 billion at the end of 2015. The increase occurred in mortgage loans (+6.9%) and business loans (+1%). Mortgage loans, which account for nearly two thirds of all loans, amounted to EUR 23.1 billion at the end of 2015, while consumer loans and business loans represented EUR 1.6 billion and EUR 10.2 billion respectively.

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[7] Affinity partners are external parties with whom Corona collaborates and that offer Corona insurance products.

[8] Compared to the end of 2014.

[9] Compared to the end of 2014.

New long term loans granted to retail clients during 2015 amounted to EUR 6.1 billion of which 90% were mortgage loans, and EUR 2.4 billion new long term business loans.

The gross production of insurance products to customers in the Retail and Commercial segment amounted to EUR 1,740 million, compared to EUR 1,839 million in 2014, i.e. a 5.4% drop, in line with market tendencies stemming from low client interest in Branch 21 Life insurance.

Life insurance premiums amounted to EUR 1,259 million, compared to EUR 1,375 million in 2014; a 9% drop. The strong increase in Life Branch 23 premiums (+34%), particularly via the bank channels was compensated by a decrease in Life Branch 21 premiums (-35%). This is in due to low client appetite in low interest rate environment.

Non-life insurance premiums amounted to EUR 481 million, up 4% compared to the end of 2014. This increase was possible thanks to further bank-insurance development and increased cross selling activities, in particular with mortgage loans.

Total life insurance reserves, in the Retail and Commercial segments, dropped by 3.4% to EUR 17.3 billion at the end of 2015 as a result of a difficult context characterised by low interest rates. A clear shift between products can be noted in the reserves. Branch 23 reserves increased by 15%, whereas Branch 21 and 26 reserves dropped by 8.6%.

RC net income after taxes rose from EUR 421 million in 2014 to EUR 455 million in 2015 (+8%) thanks to the continued solid commercial dynamics.

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

Belfius is market leader in the Public and Social sectors. Investments of those sectors are however limited due to measures to decrease the budget deficits at all public sector levels.

However, Belfius remains the reference partner of the Public and Social sectors in Belgium, and will continue to invest in fully dedicated and convenient products and services for these clients, as such ensuring them to be served in any case. Further capitalizing on its strong client intimacy and unique knowledge of these sectors, Belfius will assist Belgian corporates in their offering towards the Public and the Social sectors, as such offering them a unique edge in this very competitive but interesting market. In addition, as Belfius disposes of all products and services Belgian corporates require, and further building on its local knowledge and unique proximity, Belfius continues to develop its renewed ambitions towards Belgian corporates, as such fully taking on its role of supporting the Belgian economy.

As such, the Public and Corporate strategic axes are:

- continued leadership in the Public and Social segment based on a unique intimacy and service offering;
- clear growth strategy to Belgian corporates based on our proximity and Business-to-Government (B2G) services.

In concrete terms, these ambitions are to be reflected in an increase of Belfius' market share in the Belgian corporate market, from 8% to 13% over the next 3 to 5 years. Sizeable investments have been made to support this development: a 25% increase in the number of corporate bankers, recruitment of more credit analysts, a new organisation of the marketing and sales teams, and of the financial markets' teams in order to provide better business services.

To remain the undisputed leader in the Public and Social sectors, Belfius will continue to assist these clients in funding collection through the capital markets, to focus on the professional management of outstanding debt, and extend its successful services linked to the "Smart Cities" needs of public clients.

Finally, also for these PC clients, Belfius started the bank-insurance approach and is able to serve both their banking and insurance needs.

PC results in 2015

At 31 December 2015, total PC customer assets were EUR 29.1 billion, an increase of 6.6% compared with the end of 2014. On-balance sheet deposits rose by 8.5%, from EUR 19.9 billion to EUR 21.6 billion. The off-balance sheet customer assets registered a slight growth of 1.4%.

Total outstanding loans went down slightly (-2.5%) to EUR 38.4 billion. This decline was due to lower demand, increased competition on the Public and Social Sector market, and the increase in alternative financing (in particular disintermediation, where Belfius is the market leader in the Public and Social market). Outstanding loans for the Corporate segment increased to stand at EUR 8.9 billion at the end of December 2015. Off-balance sheet commitments rose by EUR 1.3 billion to EUR 20 billion at the end of December 2015.

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 by 18.6% to EUR 121 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, and is reflected in the increase in premium revenues for occupational accident cover and property damage cover.

Gross premiums received in the Life segment amounted to EUR 259 million, an increase of 2.4% 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 taxes rose from EUR 109 million in 2014 to EUR 134 million in 2015, up 24% thanks to continued solid commercial dynamics.

Group Center (GC)

At Belfius Bank, the Group Center mainly contains 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 not paid for or received by the commercial activities 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 Belfius Insurance, 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 taxes amounted to EUR 22 million in 2015, compared to EUR 51 million in 2014.

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:

- a Legacy bond portfolio of approximately EUR 18 billion;
- a 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 a tactical de-risking plan leading to a significant reduction of those Side portfolios, including a reduction of funding to Dexia entities to almost zero by the end of February 2015.

In the light of Belfius' ambitions towards a lower risk profile, Belfius Bank will continue its 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.

In 2015 the executed tactical de-risking amounted to EUR 1.6 billion, of which EUR 1 billion in the Legacy bond portfolio and EUR 0.6 billion in the Legacy credit guarantee portfolio. This tactical de-risking resulted in a reduction of risk exposure of EUR 0.6 billion and in a net loss (after tax) of EUR -108 million in 2015. Belfius has already made significant progress in its tactical de-risking policy, especially in its ambition to significantly decrease the non-investment grade exposures within the Legacy portfolios.

The Legacy bond portfolio

At the end of 2015, the Legacy bond portfolio amounted to EUR 8.1 billion which represents a decrease of EUR 1.4 billion compared to December 2014. Tactical de-risking (EUR 1.0 billion) and natural amortization of the portfolio was partially compensated by foreign currency effects. End 2015, the portfolio was composed of sovereign and public sector (13%), corporate (44%) and financial institutions (26%) bonds and asset-backed securities (17%).

Since 2011, the Legacy bond portfolio has been decreased by more than half (-56%) or EUR 10.2 billion of which two-third due to tactical de-risking and one third of natural amortizations. Tactical de-risking has been mainly executed in the asset categories financial institutions (-83%), asset-backed securities (-73%), international sovereigns & public sector (-51%) and covered bonds (-6%). The outstanding amount of corporate exposure is slightly increasing due to foreign currency effects.

The Legacy bond portfolio has an expected average life of 15 years. With an average rating of A-, the portfolio remains of good credit quality; 94% of the portfolio is investment grade.

The Legacy Credit guarantee (intermediation) portfolio

At the end of 2015, the credit guarantee portion of Belfius' Legacy portfolio amounted to EUR 5.4 billion, which represents a decrease of EUR 1.1 billion (of which EUR 0.6 billion due to tactical de-risking) compared to December 2014. It relates essentially to Credit Default Swaps and Financial Guarantees issued on corporate/public issuer bonds (70%), ABS (28%) and covered bonds (2%). 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. Since 2014, the average rating of the portfolio has further improved from BBB+ to A-. End 2015, the expected average residual life of the portfolio stood at 7.9 years. Since the end of 2011, the Legacy credit guarantee portfolio has been reduced by EUR 6.2 billion or 54%.

Funding to Dexia

At the end of 2014, Dexia funding amounted to EUR 10.6 billion, of which EUR 10.5 billion bonds issued by Dexia Crédit Local (DCL) with the guarantee from the Belgian, French and Luxembourg governments. Funding to Dexia further decreased at the beginning of 2015, with EUR 5.25 billion of these bonds maturing in January and EUR 5.25 billion in February 2015. As a result, funding to Dexia was reduced to below EUR 100 million. As at 31 December 2015, the remaining funding relates to a loan to Dexia Crediop (EUR 4.2 million) for which Dexia Crediop has made a deposit of the same amount with Belfius, the co-financing of a loan (EUR 57.3 million) granted by DCL to a very creditworthy British real estate (social housing) company, that technically passes through the accounts of DCL, and EUR 0.3 million auto lease financing for Dexia SA.

Please note also that, while it was still part of the Dexia Group, the former Dexia Bank (now Belfius Bank) was the 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 the standard contractual terms related to cash collateral. The 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 the hedging. The remaining outstanding notional amount of derivatives with Dexia amounted to about EUR 49 billion at the end of December 2015, a decrease of EUR 6 billion compared to the end of 2014.

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.

Post-balance-sheet events

Dividend

On proposal of the Board of Directors of February 24, 2016, the General Assembly of April 27, 2016 has decided to distribute an ordinary dividend of EUR 75 million on April 29, 2016 in respect of the accounting year 2015.

Possible conversion of the documentation of subordinated debt instruments held by Arcopar

Belfius Bank and Arcopar are examining the conversion of 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 the EMTN program, in order to increase the marketability and liquidity of these instruments.

Risk Management

Fundamentals of credit risk in 2015

Banking activities in Retail and Commercial

The Belgian macroeconomic climate improved slightly in 2015. 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 below).

Demand for consumer credit remained stable in 2015. The criteria used for granting consumer loans remained generally unchanged compared to 2014 and is in line with the "Responsible Lending" charter that is part of the Belgian Financial Sector Federation (Febelfin).

As far as the production of mortgage loans is concerned, 2015 can be divided into 2 separate periods. The decision taken by the new Flemish government in the summer of 2014 to wind down the "housing bonus" system, resulted in a sharp increase in demand for housing loans in the second half of 2014 which continued during the first months of 2015. In addition, the historically low interest rates also led to an unprecedented wave of early repayments. The vast majority of prepaid existing mortgage loans were refinanced internally. Furthermore, Belfius Bank was able to attract a considerable number of new customers with adequate credit quality by refinancing their former mortgage loans at other banks. During the second half of 2015 the production of new mortgage loans returned to levels less impacted by refinancing.

In this exceptional market environment, the Risk Department conducted reinforced internal 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). Belfius Bank took measures to keep production in these niches within strict limits. In the meantime the cost of risk on mortgage loans remained under control, though there was a slight increase in the cost of risk on mortgage loans that originates from the market and loan allocation conditions in the years preceding the financial crisis of 2008-2011. Since then, the allocation policy has been gradually adjusted to take account of the changing market circumstances.

Belfius has 200.000 self-employed workers, professionals and SMEs as customers. Each one of them can rely on the personal service of a business banker. Belfius Bank's project to have lending decisions for business loans taken by local teams working close to the customer was further intensified in 2015. 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 2015, according to GRAYDON, 10,605 companies were forced to cease trading, which was 6.1% lower than the number in 2014. 23,050 jobs were as such put at risk. This is the lowest number since 2008, the beginning of the economic crisis, and a decrease of 11.6% in comparison with 2014. The main reason for this positive trend, also visible in risk statistics of the portfolio of business lending of Belfius Bank, was the economic growth of 1.3%. 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 2015, Belfius kept providing the public and social sector, as well as mid & large corporations, 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, thanks to, among others, low inflation. Worth mentioning is that municipalities received in 2015 an increased support of regional authorities through various funds and subsidies. This additional effort of the regional authorities should not be underestimated considering that the latter experienced themselves the impact of the sixth State reform, the low inflation and the necessary budgetary discipline. 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 increasing costs of social aid and security (in particular the reform of the fire brigades) and finally the challenges of the ageing population.

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 globally improved but remains all in all rather limited. 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 banking business is focused on Belgian companies with an annual turnover exceeding 10 million euro. With 6,000 corporate customers, Belfius Bank is actually positioned as a challenger in this segment, but a new growth strategy has been started in 2015. Belfius has taken the necessary measures to ensure that this growth strategy will go hand in hand with a good creditworthiness and acceptable risk concentrations. The credit profile of the corporate banking lending remained fairly stable during 2015, which also meant that the cost of risk remained at an acceptable level and within the limits set. The Belgian economy gradually recovered during 2015 but growth remained low. The rather unforeseen growth recession in China in the second half of the year disturbed the growth engine. The 2015 index jump imposed by the Belgian government however supported the competitiveness of Belgian companies, backed by the low import costs of energy and raw material. As a result, the general recovery of profitability of Belgian corporates - already started in 2014 – continued in 2015.

Belfius monitors sector risks in a proactive way and defined specific measures with regard to a limited number of more vulnerable sectors. The sustainable energy sector in Belgium for example faces since 2012 some challenges due to, among other things, the run-down of the subsidy mechanisms regarding green energy. A change in the energy policy could potentially bring some relief to this sector. In the meantime, the less performing files identified are being monitored with the appropriate attention as part of the existing watch list process. 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. The shipping companies' performance globally improved, helped by reduced bunkering expenses and cost optimisations through alliances. The indicators and opinions on the future evolution of the shipping sector remain however divergent. Finally, the commercial property sector is also being watched closely, despite its usually good performance. Belfius Bank has further reinforced acceptance standards for these customers to enable any market corrections to be absorbed. Furthermore, a lot of work was put in the frequent monitoring of real estate during the full life cycle of the underlying credit loans.

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 2015, the credit risk exposure[10], within Belfius reached EUR 172 billion, a decrease of EUR 13 billion or -7% compared to the end of 2014. At bank level the credit risk exposure amounted to EUR 153 billion, down 8% compared to end 2014. This decrease is mainly explained by the full repayment of the government-guaranteed bonds issued by DCL, the sale of EUR 1.3 billion (notional) of Italian government bonds and the executed tactical de-risking during 2015. At the level of Belfius Insurance, the credit risk exposure decreased by 3% to EUR 19 billion at the end of 2015.

The credit risk exposure on public sector entities and the institutions that receive guarantees of these public sector entities (30% of the total) and on individuals, self-employed and SMEs (24% of the total) constitute the two main categories.

The relative proportion of the segment central governments decreased from 17% end 2014 to 10% end 2015. This decrease is mainly due to the repayment of the government-guaranteed bonds issued by DCL in the beginning of the year. Within this segment, the credit risk on government bonds decreased by 10% from EUR 15.4 billion at the end of 2014 to EUR 13.9 billion at the end of 2015. More than half (58%) of the government bonds portfolio is invested in Belgian government bonds. While at bank level the Belgian government bonds represent one third of the total government bond portfolio, the relative proportion at Belfius Insurance stood represented almost 80%. The relative proportion of Italian government bonds went down from 34% at the end of 2014 to 29% at the end of December 2015, due to the afore mentioned sale at bank level.

Breakdown of credit risk by counterparty

	31/12/2014	31/12/2015
in EUR billion		
Central governments	31,7	17,2
of which government bonds	*15,4*	*13,9*
Public sector entities	49,3	51,5
Corporate	24,0	26,1
Monoline insurers	4,0	3,6
ABS/MBS	2,4	1,8
Project Finance	1,9	1,8
Individuals, self-employed and SME's	39,3	40,5
Financial institutions	32,4	29,2
Total	**185,2**	**171,9**

End 2015, the credit risk exposure on corporates and financial institutions was respectively 15% and 17%. The credit risk on monoline insurers (2% of the total) on bonds issued by issuers principally active in

[10] Full Exposure at Default.

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 163 billion at group level and 98% or EUR 18.9 billion for Belfius Insurance.

70% of the total credit risk exposure is on counterparts categorized in Belgium country exposures, 7% in the United Kingdom, 6% in France and 4% in Italy and in Spain.

At the end of December 2015, 84% of the total credit risk exposure had an internal credit rating "investment grade".

Asset quality

At the end of 2015, the amount of impaired loans and advances to customers amounted to EUR 2,029 million, which is a slight decrease (-2%) from previous year. In 2015, the specific impairments on loans and advances to customers remained stable. As such, the asset quality ratio improved slightly to 2.29% and the coverage ratio strengthened slightly to 57.1% at the end of 2015.

In 2015, collective impairments on loans and advances to customers increased by EUR 28 million.

Liquidity risk

Consolidation of the liquidity profile

During 2015, Belfius Bank continued its efforts to further diversify its liquidity profile by:

- stabilising its funding surplus within the commercial balance sheet;
- continuing to obtain and diversify long-term funding from institutional investors by issuing, amongst others, covered bonds backed by quality loans (mortgage and public sector loans), and Penates 5, the first public Residential Mortgage Backed Security in Belgium since 2007;
- collecting short and medium-term (CP/CD/EMTN) deposits from institutional investors;
- continuing its downsizing of the Legacy portfolio.

Early 2015, Belfius Bank ended its use of the European Central Bank LTRO/MRO facilities with its outstanding falling from EUR 3.5 billion at the end of 2014 to EUR 0. Belfius Bank participates to the ECB TLTRO funding programme though, and this for an amount of EUR 1.7 billion 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%). In Belgium the law requires banks to already respect a LCR of 100% from that date onwards. Belfius Bank closed the year 2015 with a LCR ratio of 132%. The LCR ratio of the bank has remained above 100% during the whole year 2015.

The Net Stable Funding Ratio (NSFR), based on our current interpretation of current Basel III rules, stood at 108% at year-end 2015.

Liquidity reserves

At the end of 2015 Belfius Bank had quickly mobilisable liquidity reserves of EUR 33.8 billion. These reserves consisted of EUR 0.3 billion in cash, EUR 19.9 billion in ECB eligible bonds (of which 13.9 are CCP-eligible), EUR 11.8 billion in other assets also eligible at the ECB and EUR 1.8 billion in other liquid bonds.

These reserves represent more than 5 times Belfius Bank's unsecured (senior unsecured) institutional funding amount outstanding at the end of 2015 and having a remaining maturity of less than one year.

Funding diversification at Belfius Bank

In 2015, following the full reimbursement of securities issued by Dexia Crédit Local (DCL) for EUR 10.5 billion and the continuous downsizing of the Legacy portfolio, Belfius Bank was able to further reduce its dependency on secured wholesale funding.

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 81 billion of which EUR 60 billion is from RC.

Belfius Bank also receives medium-to-long-term wholesale funding, including EUR 7.3 billion from covered bonds (EUR 5.5 billion backed by mortgage loans and EUR 1.8 billion by public sector loans), ABS issued for EUR 3.1 billion and EUR 1.7 billion in TLTRO funding from ECB as at 31 December 2015.

In 2015, Belfius Bank issued the first public Residential Mortgage Backed Security in Belgium since 2007 and this for a total amount of EUR 800 million.

The remainder of Belfius 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, and a historical bond portfolio (Legacy bond portfolio) that was set up between 2003 and 2008.

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). 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 91% at the end of 2015.

Encumbered assets

According to Belfius' interpretation of the EBA guideline on the matter, the encumbered assets at Belfius Bank level amount to EUR 38 billion end 2015 and represent 24% of its total bank balance sheet and collateral received under securities format, which amounts to EUR 162 billion (EUR 154 billion assets and EUR 9 billion collateral received). This represents a decrease of the encumbrance ratio of 7% compared to end 2014.

Since the set-up of the first covered bond programme in 2012, Belfius Bank has issued covered bonds for a total amount of EUR 7.915 billion. End 2015, the assets encumbered for this funding source are composed of public sector and mortgage loans and amount to EUR 9.9 billion. A few years ago Belfius Bank also securitised public loans through securitisation vehicles called DSFB 2 & 4. During the year 2015, Belfius Bank bought back DSFB 2, and further securitised mortgage loans through the vehicle called Penates 5. Penates 5 has been externally sold for an amount of EUR 0.8 billion. Public sector and mortgage loans encumbered for securitisations externally sold (DSFB 4 and Penates 5) amount to EUR 3.2 billion end 2015.

Belfius Bank is also collecting funding through repo markets and other collateralised deposits. End 2015, the total amount of assets used as collateral for this activity amounted to EUR 4.0 billion, of which EUR 1.9

billion was linked to the ECB funding of EUR 1.7 billion end 2015. In 2015, the volume of assets encumbered for this funding source decreased by EUR 11.0 billion. This is explained by the decrease of ECB funding from EUR 5.0 billion end 2014 to EUR 1.7 billion end 2015 and by the decrease of the repo funding from EUR 7.3 billion end 2014 to EUR 1.1 billion end 2015.

The balance of encumbered assets is mainly linked to collateral pledged (gross of collateral received) for the derivatives exposures for EUR 19.2 billion (decrease of EUR 4.4 billion compared to end 2014), 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.

Ratings

At 29 April 2016, Belfius Bank had the following ratings:

	Long-term rating	**Outlook**	**Short-term rating**
Fitch	A-	Stable	F2
Moody's	A3	Stable	Prime-2
Standard and Poor’s	A-	Negative	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 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.

There are no recent events particular to Belfius Bank which are, to a material extent, relevant to the evaluation of its solvency.

Litigation

Belfius Bank (together with 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 the IFRS rules, Belfius Bank 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 Bank of which management is aware (and for which, according to the principles outlined above, no provision has been made), the 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 Bank’s consolidated financial statements.

The most important cases are listed below, regardless of whether a provision has been made or not. If these cases listed below were to be successful, 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 in a total amount of EUR 32,000,000 to 4 treasury notes issued by Municipal Holding between July and September 2011. 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 2015. 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 Tribunal. 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. On 26 November 2015, the Labour Tribunal adjourned the hearing for oral pleadings to 20 October 2016 for procedural reasons having no impact on the merits of the case. There was no further significant evolution in this claim during 2015. No provision has been made for this claim.

- *Arco*

  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 them 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 2015. No provision has been made for this claim.

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. The members of the Management Board form a college.

As of the date of this Prospectus, the Management Board has consisted of the following six members:

Name	Position	Significant other functions performed outside Belfius Bank
Marc Raisière	Chairman	none
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 setting of general policy, or to any other powers that are reserved pursuant to the Companies Code or 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 Appetite Framework 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 opinions of the Board of Directors with a view to the definition or improvement of 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 and to take care of the interests of the different stakeholders. This implies that the necessary conditions must be met in order to carry out the functions of a bank in a stable and continuous manner.

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 surveillance 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 to the Management Board of Belfius Bank all such powers to the maximum extent permitted under Belgian law.

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 Prospectus

As at the date of this Prospectus, the Board of Directors consists of 13 members, 6 of whom sit on the Management Board.

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.

Name	**Position**	**Significant other functions performed outside Belfius Bank**
Jozef Clijsters.........................	Chairman of the Board of Directors of Belfius Bank	none
Marc Raisière.........................	Chairman of the Management Board of Belfius Bank	none

Name	Position	Significant other functions performed outside Belfius Bank
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
Dirk Gyselinck	Member of the Management Board of Belfius Bank Responsible for Public & Corporate Banking	none
Dirk Vanderschrick.................	Member of the Management Board of Belfius Bank Responsible for Retail and Commercial Banking	none
Eric Hermann	Member of the Management Board of Belfius Bank Chief Risk Officer	none
Olivier Onclin	Member of the Management Board of Belfius Bank Chief Operating Officer Responsible for Operations, IT, Purchasing & Facility Management and Organisation	none
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 HEC Management School – University of Liège Associated Professor at the University of Maastricht, School of Business and Economics, Limburg Institute
Carine Doutrelepont...............	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	Lawyer

Name	Position	Significant other functions performed outside Belfius Bank
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 Vennet	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 Prospectus, the Nomination Committee of Belfius Bank has the following membership:

Name	Position
Lutgart Van Den Berghe.......................	Chairman – Director of Belfius Bank
Jozef Clijsters......................................	Member - Chairman of the Board of Directors of Belfius Bank
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 Prospectus, the Remuneration Committee of Belfius Bank has the following membership:

Name	**Position**
Lutgart Van Den Berghe	Chairman - Director of Belfius Bank
Jozef Clijsters......................................	Member - Chairman of the Board of Directors of Belfius Bank
Carine Doutrelepont	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 Remuneration Committee prepares the decisions of the Board of Directors that relate, amongst other things, to the following:

- Development of the remuneration policy, and making practical 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 will submit this remuneration to the General Meeting for approval.
- Development of the remuneration policy and making practical proposals for the remuneration of the chairman of the Management Board and, on his proposal, 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 about 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 effect on the risk profile of the Belfius Group (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.
- Preparation of the remuneration report approved by the Board of Directors and published in the annual report.
- Exercising periodic controls to ensure that the remuneration programmes are achieving their purpose and are in line with the conditions that apply.
- The annual assessment of 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 Prospectus, the Audit Committee of Belfius Bank has the following membership:

Name	Position
Georges Hübner	Chairman 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 Prospectus, the Risk Committee has the following membership:

Name	Position
Rudi Vander Vennet..............................	Chairman Director of Belfius Bank
Georges Hübner	Member 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 specific report on operational risks, the effective management report relating to assessment of internal audit 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.

Audited Consolidated Financial Statements of Belfius Bank

Belfius Bank's Audited Consolidated Balance Sheet

	Note	31 December 2014 (Pro Forma (1))	31 December 2015
Assets *(EUR '000)*			
Cash and balances with central banks	5.2.	2,412,855	576,276
Loans and advances due from banks	5.3.	31,058,774	24,318,002
Loans and advances to customers	5.4.	87,157,989	87,189,152
Investments held to maturity	5.5.	2,834,531	5,017,155
Financial assets measured at fair value through profit or loss	5.7.	6,100,168	3,222,991
Financial assets available for sale	5.6.	25,087,002	19,733,565
Derivatives	5.9.	31,130,082	25,943,567
Fair value revaluation of portfolio hedge		5,071,952	4,372,902
Investments in equity method companies	5.10.	146,494	106,775
Tangible fixed assets	5.11.	1,297,180	1,199,789
Intangible assets (1)	5.12.	89,749	81,941
Goodwill (1)	5.13.	103,966	103,966
Current tax assets (1)	.	9,257	6,116
Deferred tax assets (1)	5.14.	685,671	565,622
Other assets	5.15.	1,196,572	1,169,777
Non-current assets held for sale and discontinued operations	5.16.	24,932	3,354,528
Total Assets		**194,407,174**	**176,962,124**

	Note	31 December 2014 (Pro Forma (1))	31 December 2015
Liabilities *(EUR '000)*			
Due to banks	6.1.	21,407,816	11,537,622
Customer borrowings and deposits	6.2.	66,513,874	68,162,754
Financial liabilities measured at fair value through profit or loss	6.4.	9,166,712	6,916,469

Derivatives	5.9.	38,165,388	30,060,085
Fair value revaluation of portfolio hedge		293,993	226,472
Debt securities	6.3.	29,112,916	27,777,552
Subordinated debts	6.7.	886,358	913,004
Technical provisions of insurance companies	6.5.	18,047,274	16,688,571
Provisions and contingent liabilities	6.6.	477,169	405,543
Current tax liabilities (1)		28,259	42,369
Deferred tax liabilities (1)	5.13.	230,301	271,967
Other liabilities	6.8	2,150,517	2,056,561
Liabilities included in disposal groups and discontinued operations	6.9	0	3,243,438
Total Liabilities		**186,480,577**	**168,302,407**

	Note	31 December 2014	31 December 2015
Equity (EUR '000)			
Subscribed capital	1.4.	3,458,066	3,458,066
Additional paid-in capital		209,232	209,232
Treasury shares		0	0
Reserves and retained earnings		3,675,506	4,135,228
Net income for the period		461,642	506,076
Core shareholders' equity		**7,804,446**	**8,308,602**
Remeasurement available-for-sale reserve on securities		604,176	757,329
Frozen fair value of financial assets reclassified to loans and advances		(585,455)	(544,177)
Remeasurement defined benefit plan		97,975	119,611
Discretionary participation features of insurance contracts	6.5.	12,346	28,788
Other reserves		(9,666)	(11,462)
Gains and losses not recognised in the statement of income		**119,376**	**350,089**
Total shareholders' equity		**7,923,822**	**8,658,691**
Non-controlling interests		2,775	1,026

Total Equity	**7,926,597**	**8,659,717**
Total Liabilities and Equity	**194,407,174**	**176,962,124**

(1) Certain line items were aggregated in 2014 and have been detailed further in 2015 to facilitate the reading of the balance sheet.

Belfius Bank's Audited Consolidated Statement of Income

	Note	31 December 2014 (Pro Forma (1)(2))	31 December 2015
(EUR '000)			
Interest income	7.1.	5,558,955	4,672,441
Interest expense (1)	7.1.	(3,471,479)	(2,648,756)
Dividend income	7.2.	49,418	61,647
Net income from equity method companies	7.3.	1,980	8,292
Net income from financial instruments at fair value through profit or loss	7.4.	(221,734)	37,732
Net income on investments and liabilities	7.5.	41,370	14,180
Fee and commission income	7.6.	544,637	601,668
Fee and commission expense	7.6.	(97,516)	(104,668)
Premiums and technical income from insurance activities	6.5.	1,736,252	1,444,631
Technical expense from insurance activities	6.5.	(2,031,966)	(1,730,512)
Other income (2)	7.7.	137,261	138,992
Other expense (1) (2)	7.8.	(176,192)	(311,785)
Income		**2,070,986**	**2,183,862**
Staff expense	7.9.	(637,295)	(610,419)
General and administrative expense	7.10.	(440,317)	(432,834)
Network costs		(284,594)	(275,993)
Depreciation and amortisation of fixed assets	7.11.	(85,581)	(77,205)
Expenses		**(1,447,787)**	**(1,396,451)**
Gross operating income		**623,199**	**787,411**
Impairments on financial instruments and provisions for credit commitments	7.12.	(58,545)	(92,665)
Impairments on tangible and intangible assets	7.13.	(4,924)	(12,798)
Impairments on goodwill	7.14.	0	0
Net income before tax		**559,730**	**681,948**
Current tax (expense) income (2)	7.15.	(35,730)	(61,135)

Deferred tax (expense) income (2)	7.15.	(64,119)	(114,738)
Net income after tax		**459,881**	**506,075**
Discontinued operations (net of tax)		0	0
Net income		**459,881**	**506,075**
Attributable to non-controlling interests		(1,761)	(1)
Attributable to equity holders of the parent		461,642	506,076

(1) In order to align the presentation of the bank levies to 2015 classification, the levies related to the deposit guarantee scheme were in 2014 consolidated statement of income reclassified from “interest expense” to “other expense”.

(2) Certain line items were aggregated in 2014 and have been detailed further in 2015 to facilitate the reading of the statement of income.

COMMON REPORTING STANDARD – EXCHANGE OF INFORMATION

The exchange of information is governed by the Common Reporting Standard ("**CRS**").

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 2003/48EC 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. Belgium transposed DAC 2 and CRS into the law of 16 December 2015.

Under CRS, financial institutions resident in a CRS country is 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.

A first reporting under CRS will take place in 2017 relating to financial information of calendar year 2016.

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 Subordinated Notes.

BELGIAN TAXATION ON THE SUBORDINATED NOTES

The following is a general description of the principal Belgian tax consequences for investors receiving interest in respect of or disposing of the Subordinated 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 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 Subordinated 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 Subordinated Notes are in principle subject to the 27 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 Subordinated 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 Subordinated Notes by or on behalf of the Issuer may be made without deduction of withholding tax in respect of the Subordinated 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 and Clearstream, Luxembourg are directly or indirectly Participants for this purpose.

Holding the Subordinated Notes through the Securities Settlement System enables Eligible Investors to receive the gross interest income on their Subordinated Notes and to transfer the Subordinated Notes on a gross basis.

Participants to the NBB system must enter the Subordinated 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 inkomenstenbelastingen 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, 2º 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, 5º 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, 2º 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 Subordinated 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 27 per cent. withholding tax. This withholding tax is withheld by the NBB and paid to the Belgian Treasury.

Transfers of Subordinated 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 Subordinated 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 Subordinated 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 Subordinated 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 Subordinated 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 Subordinated Notes held in Euroclear or Clearstream, Luxembourg as Participants to the Securities Settlement System, provided that Euroclear or Clearstream only hold X Accounts and that they are able to identify the holders for whom they hold Subordinated Notes in such account.

In accordance with the Securities Settlement System, a Noteholder who is withdrawing Subordinated Notes from an Exempt Account will, following the payment of interest on those Subordinated 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 Subordinated Notes from the last preceding Interest Payment Date until the date of withdrawal of the Subordinated Notes from the Securities Settlement System. As a condition of acceptance of the Subordinated 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 Subordinated Notes as a private investment, are subject to a withholding tax of 27 per cent. on interest payments. The withholding tax constitutes the final taxation; the interest on the Subordinated 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 27 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 Subordinated 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 Subordinated 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 Subordinated 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 Subordinated 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 27 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 27 per cent. withholding tax to the Belgian tax authorities.

Capital gains realised on the sale of the Subordinated 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 Subordinated 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 Subordinated Notes, provided that they qualify as Eligible Investors and that they hold their Subordinated 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 Subordinated 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 650 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 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.

SUBSCRIPTION AND SALE

Each of Belfius Bank SA/NV, J.P. Morgan Securities plc, Morgan Stanley & Co. International plc, Société Générale and UBS Limited (the "**Joint Lead Managers**") will have, pursuant to a Subscription Agreement to be dated on or about 9 May 2016, jointly and severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe the Subordinated Notes at 99.493% of their principal amount less a selling concession. In addition, the Issuer has agreed to reimburse the Joint Lead Managers for certain of their expenses in connection with the issue of the Subordinated Notes. The Subscription Agreement entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

United States

The Subordinated Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and the Subordinated 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 the registration requirements of the Securities Act.

The Notes are eligible for Category 2 for purposes of Regulation S under the Securities Act.

Each Joint Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Subordinated Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the completion of the offering within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each dealer to which it sells Subordinated Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Subordinated Notes within the United States or to, or for the account or benefit of, U.S. persons substantially to the following effect:

> *"The Subordinated Notes covered hereby have not been registered under the U.S. Securities Act of 1933 (the "**Securities Act**") and may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the completion of the offering, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S."*

The Subordinated Notes are being offered and sold outside of the United States to non-U.S. persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Subordinated Notes, an offer or sale of Subordinated Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Joint Lead Manager 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 Subordinated Notes which are the subject of the offering contemplated by this Prospectus 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 Joint Lead Manager or Joint Lead Managers 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 referred to (a) to (c) shall result in a requirement for the Issuer or the Joint Lead Managers 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 the provisions above, the expression an "**offer to the public**" in relation to any Subordinated 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 Subordinated Notes so as to enable an investor to decide to purchase or subscribe to any Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, 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 Joint Lead Managers has represented and agreed that:

1. 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 Financial Services and Markets Act 2000 (the "**FSMA 2000**")) received by it in connection with the issue or sale of any Subordinated Notes in circumstances in which section 21(1) of the FSMA 2000 does not apply to Belfius Bank; and
2. 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 Subordinated Notes in, from or otherwise involving the United Kingdom.

Belgium

Any offering of the Subordinated Notes will be exclusively conducted under applicable private placement exemptions and the restrictions described in this section (*Subscription and Sale*) will apply.

Japan

The Subordinated 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 Managers, 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 Subordinated 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

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Subordinated Notes, or possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required.

Each Manager has 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 Subordinated Notes or has in its possession or distributes this Prospectus, any other offering material, in all cases at its own expense.

GENERAL INFORMATION

1. Application has been made for the Subordinated Notes to be listed and to be admitted to trading, as of the Issue Date, on the regulated market of Euronext Brussels.

2. Belfius Bank has obtained all necessary consents, approvals and authorisations in Belgium in connection with the issue and performance of the Subordinated Notes. The transaction was authorised by a resolution of the Management Board of Belfius Bank passed on 5 May 2015.

3. Belfius Bank is an Authorised European Institution.

4. There has been no material adverse change in the prospects of Belfius Bank on a consolidated basis since 31 December 2015. 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. There has been no significant change in the financial or trading position of Belfius Bank since 31 December 2015.

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 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 Subordinated Notes have been accepted for clearance through the Securities Settlement System. The Common Code is 140681512 and the International Securities Identification Number (ISIN) is BE0002251206.

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.

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 Subordinated Notes being issued.

10. Copies of the annual report and audited annual accounts of Belfius Bank for the years ended 31 December 2014 and 31 December 2015, including the reports of the statutory auditors in respect thereof, may be obtained, and copies of this Prospectus may be obtained, and copies in physical form of the Agency Agreement, the Subscription Agreement and the Articles of Association of the Issuer will be available for inspection, at the specified offices of the Fiscal Agent and each of the Paying Agents during normal business hours, so long as any of the Subordinated Notes is outstanding. 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, Berkenlaan 8B, 1831 Diegem (a member of IBR - IRE Instituut der Bedrijfsrevisoren/lnstitut des Réviseurs d'Entreprises). They rendered unqualified audit reports on the financial statements of Belfius Bank for the years ended 31 December 2014 and 2015.

11. Eligible Investors do not include, inter alia, Belgian resident investors who are individuals or certain non-profit making organisations.

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