



## BELFIUS BANK SA/NV

(Incorporated with limited liability under the laws of Belgium)

**Issuer and Calculation Agent**

## EMPLOYER WARRANT ISSUANCE PROGRAMME

Under the Employer Warrant Issuance Programme (the “**Programme**”) described in this base prospectus (this “**Base Prospectus**”) Belfius Bank SA/NV (with legal entity identifier (“**LEI**”) A5GWLFH3KM7YV2SFQL84) (also named Belfius Banque SA/Belfius Bank NV, “**Belfius Bank**” or “**Belfius**”) (the “**Issuer**”), may from time to time, issue warrants (together the “**Warrants**” and individually as a “**Warrant**”) which are **linked the MSCI Europe Net Total Return Index (M7EU)** (the **Underlying Index**). The Warrants issued under this Programme do not constitute warrants as referred to in the Belgian Companies and Associations Code (*Wetboek van Vennootschappen en Verenigingen/Code des Sociétés et des Associations*) and the holders of the Warrants will not have the rights of holders of warrants provided in the Belgian Companies and Associations Code. The Warrants do not give the right to subscribe to shares in the Issuer or to attend or vote at the general shareholders’ meeting of the Issuer. This Programme and the Warrants issued hereunder are distinct from, and should not be confused with, the Issuer’s long term warrant issuance programme and the warrants issued thereunder as described in its base prospectus dated 22 October 2019.

Each Tranche of Warrants will be documented by final terms (the “**Final Terms**”).

This Base Prospectus should be read and construed in conjunction with each relevant Final Terms.

The relevant Final Terms and this Base Prospectus together constitute the prospectus (the “**Prospectus**”) for each Tranche.

**The Warrants shall be derivative securities in the meaning of the Commission delegated regulation (EU) 2019/980 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004 (herein referred to as “Commission delegated regulation (EU) 2019/980”). Derivative securities are financial instruments for which the Warrant Holders could lose all or substantial portion of the principal invested.**

**Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this Base Prospectus and make their own assessment as to the suitability of investing in the Warrants, including in particular the risk factors as described below in Section 2 (Risk Factors).**

For a description of the risk factors, please revert to the full Section 2 of this Base Prospectus.

This Base Prospectus was approved by the Belgian Financial Services and Markets Authority (*Autorité des services et marchés financiers/Autoriteit voor Financiële Diensten en Markten*) (“**FSMA**”) on 18 February 2020 as competent authority under the Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the “**Prospectus Regulation**”) and is valid for one year from that date, provided that this Base Prospectus may be updated by any supplements in accordance with

Article 23 of the Prospectus Regulation. This Base Prospectus replaces and supersedes the Base Prospectus of Belfius Bank dated 23 October 2018. The obligation to supplement this Base Prospectus in the event of significant new factors, material mistakes or material inaccuracies does not apply when this Base Prospectus would no longer be valid.

The current long-term ratings of Belfius Bank are A1, with outlook ‘Stable’ (Moody’s), A-, with outlook ‘Stable’ (Standard & Poor’s) and A-, with outlook ‘Stable’ (Fitch). An outlook is not necessarily a precursor of a rating change or future credit watch action. In case of any rating action by any of the rating agencies, the most recent credit ratings of Belfius Bank are always published on Belfius Bank website, at the following address: <https://www.belfius.be/about-us/en/investors/ratings>.

Where this Base Prospectus contains hyperlinks to websites, the information on the websites does not form part of this Base Prospectus and has not been scrutinised or approved by the FSMA, except for information that is incorporated by reference in accordance with Section 5 of this Base Prospectus.

This Base Prospectus and the Final Terms (including the summary thereto) of each Tranche of Warrants that is not made within an exemption from the requirement to publish a prospectus under the Prospectus Regulation and any supplement, are available on the website [www.belfius.be](http://www.belfius.be) (under the heading “Sparen & beleggen/Epargner & investir”) and a copy can be obtained free of charge in the offices of Belfius Bank.

Pursuant to Article 8.8 of the Prospectus Regulation, a summary shall be drawn up once the Final Terms are included in this Base Prospectus, or in a supplement, or are filed, and that summary shall be specific to the individual issue.

**MIFID II product governance / target market** – Belfius Bank acts as sole manufacturer and distributor (each as defined in MiFID II) of the Warrants. The Final Terms in respect of any Warrants may include a legend entitled “MiFID II Product Governance” which will outline the target market assessment in respect of the Warrants and which channels for distribution of the Warrants are appropriate.

**PRIIPs / EEA retail investors** – The Warrants may be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”) or (ii) a customer within the meaning of Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution (recast) (as amended, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently, a key information document required by Regulation (EU) No 1286/2014 (as amended the “**PRIIPs Regulation**”) for offering or selling the Warrants or otherwise making them available to retail investors in the EEA will be prepared.

**Prohibition of sale to consumers in Belgium** – The Warrants are not intended to be offered, sold or otherwise made available, and should not be offered, sold or otherwise made available, in Belgium to “consumers” (*consommateurs/consumenten*) within the meaning of the Belgian Code of Economic Law (*Code de droit économique / Wetboek van economisch recht*).

*This Base Prospectus has been approved by the FSMA on 18 February 2020 as competent authority under the Prospectus Regulation in accordance with Article 20 of the Prospectus Regulation. This approval does not entail any appraisal of the appropriateness or the merits of any issue under the programme nor of the situation of the Issuer. The FSMA only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation and such approval should not be considered as an endorsement of the Issuer that is the subject of this Base Prospectus.*

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## **IMPORTANT REMARKS**

Potential investors in the Warrants and potential investors interested in this Offer are explicitly reminded that any investment involves financial risks. They are therefore advised to read this Base Prospectus, including the relevant Final Terms, carefully and in its entirety.

It is recommended that they consult about the Offer and the Warrants, and the risks related to any investment therein, with their legal, tax, investment and accounting advisors prior to making any investment decision.

Neither this Base Prospectus nor any other information supplied in connection with this Base Prospectus (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer that any recipient of this Base Prospectus or any other information supplied in connection with this Base Prospectus should purchase any Warrants. Each investor contemplating purchasing any Warrants should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Base Prospectus nor any other information supplied in connection with this Base Prospectus constitutes an offer or an invitation by or on behalf of the Issuer or any other person to subscribe for or to purchase any Warrants.

The delivery of this Base Prospectus does not at any time imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with this Base Prospectus is correct as of any time subsequent to the date indicated in the document containing the same. Investors should review, *inter alia*, the most recently published annual and interim financial statements of the Issuer, when deciding whether or not to purchase any Warrants.

Every significant new factor, material mistake or material inaccuracy relating to the information included in this Base Prospectus which may affect the assessment of the Warrants and which arises or is noted between the time when this Base Prospectus is approved and the closing of the offer period or the time when trading on a regulated market begins, whichever occurs later, shall be mentioned in a supplement to this Base Prospectus without undue delay, in accordance with Article 23 of the Prospectus Regulation. Accordingly, this Base Prospectus should be read and construed with any supplement hereto and with any other document or information incorporated by reference herein (if any).

No person is authorized to give any information or to make any representation not contained in or not consistent with this document or any other information supplied in connection with this Base Prospectus and, if given or made, such information or representation must not be relied upon as having been authorized by the Issuer.

This document is to be read and construed in conjunction with any amendment or supplement hereto, with any Final Terms and with all documents which are deemed to be incorporated herein by reference.

The Warrants create options exercisable by the relevant holder. There is no obligation upon any holder to exercise his Warrant nor, in the absence of such exercise, any obligation on the Issuer to pay any amount to any holder of a Warrant, unless provided otherwise. The Warrants will be exercisable in the manner set forth herein and in the relevant Final Terms.

The Warrants of each issue may be sold by the Issuer at such time and at such prices as the Issuer may select. There is no obligation upon the Issuer to sell all of the Warrants of any issue. The Warrants of any issue may be offered or sold from time to time in one or more transactions in the over-the-counter market or otherwise at prevailing market prices or in negotiated transactions, at the discretion of the Issuer.

The Issuer shall have complete discretion as to what type of warrants it issues and when.

# 1. General description of the Programme and the Warrants

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The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the Conditions of any particular Tranche of Warrants, the applicable Final Terms. This overview must be read as an introduction in conjunction with the other parts of the Base Prospectus (including any documents incorporated therein). Any decision to invest in the Warrants should be based on a consideration by the investor of the Base Prospectus as a whole.

This overview constitutes a general description of the Programme for the purposes of Article 25(1) of Commission Delegated Regulation (EU) No 2019/980. Words and expressions defined in “Terms and Conditions of the Warrants” shall have the same meanings in this overview.

Issuer:	Belfius Bank SA/NV
Calculation Agent:	Belfius Bank SA/NV. The Calculation Agent will make calculations and determinations in relation to the Warrants as set out in the Conditions, including the calculation of the Cash Settlement Amount.
Depository:	Belfius Bank SA/NV will act as depositary of the Warrants. Each (prospective) holder of Warrants must maintain a securities account and a cash account with the Depository for purposes of holding and transferring its Warrants and exercising its rights under its Warrants.
Listing and Admission to Trading:	The Issuer has not made an application for the Warrants to be listed and/or admitted to trading on a regulated market and the Issuer currently does not intend to make such application in the future.
Series and Tranches:	Warrants will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Warrants of each Series will all be subject to identical terms, except that the issue date and the issue price thereof may be different in respect of different Tranches.
Final Terms:	Each Tranche of Warrants will be the subject of the Final Terms which, for the purposes of that Tranche only, completes the Conditions of the Warrants. The Final Terms must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Warrants are the Conditions of the Warrants as completed by the applicable Final Terms.
Form of Warrants:	A Warrant constitutes a contractual claim ( <i>schuldvordering/créance</i> ) against the Issuer. The Warrants will be represented exclusively by book-entry in the records of the Depository. The Warrants cannot be physically delivered or transferred to another depositary.
Type of Warrants:	The Warrants are “American Style Warrants”, which means that they can be exercised on any Business Day during the relevant Exercise Period (subject to the Conditions).
Underlying Index:	MSCI Europe Net Total Return Index (M7EU). See section “The Underlying

Index” for a description of the Underlying Index.

Cash Settlement Amount:	Upon exercise, the Issuer will pay the Cash Settlement Amount (if any) to the holder of the Warrant. The Cash Settlement Amount will be determined by the Calculation Agent in accordance with the Conditions on the basis of a comparison of the relevant Strike Price (as defined in the applicable Final Terms) and the level of the Underlying Index on or around the exercise date (or, in case of “Averaging”, the average level of the Underlying Index on the Averaging Dates specified in the applicable Final Terms).
	The Cash Settlement Amount can be lower than the Issue Price or even zero.
Exercise procedure:	To exercise a Warrant, the holder must submit an Exercise Notice to the Issuer in accordance with Condition 7.5 ( <i>Exercise Procedure</i> ) of Section 5 ( <i>Terms and Conditions of the Warrants</i> ). Warrants that are not exercised at the expiration of the Exercise Period shall automatically become void without any indemnification, reimbursement or other payment due to the holder of such Warrant.
Currency:	Payments in respect of the Warrants will be made in Euro.
Status of the Warrants:	Direct, unconditional and unsecured obligations of the Issuer and rank without any preference among themselves, <i>pari passu</i> with all other obligations of the Issuer of the same category. This category can be seen as the “ordinary creditors” and may be qualified as “Preferred Senior creditors”, being the creditors related under article 389/1, 1° of the banking law. Such creditors have a higher priority ranking than the so-called non-preferred senior creditors defined under article 389/1, 2° of the banking law.
Issue Price:	The Issuer will determine the Issue Price in the applicable Final Terms.
Cancellation upon change of law:	The Issuer will cancel the Warrants upon the occurrence of a change of law rendering illegal the execution by it of its obligations arising out of this Information Memorandum, the Warrants, the Conditions and/or the relevant Pricing Supplement. In such case, the Issuer will pay the Fair Market Value (as determined by the Calculation Agent) to the holder of the relevant Warrants.
Taxation:	The Issuer shall not be liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer, exercise or enforcement of any Warrant and all payments made by the Issuer shall be made subject to any such tax, duty, withholding or other payment which may be required to be made, paid, withheld or deducted.
Governing law:	The Warrants and any non-contractual obligations arising out of or in connection with the Warrants are governed by and shall be construed in accordance with the laws of Belgium.
Selling Restrictions:	See Section “Subscription and Sale” below.

## 2. RISK FACTORS

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(Annex 6.3 and 14.2 of Commission delegated regulation (EU) 2019/980)

*The following sets out certain aspects of the offering of the Warrants of which prospective investors should be aware of.*

*An investment in the Warrants involves a degree of risk. Prospective investors should carefully consider the risks set forth below and the other information contained in this Base Prospectus (including information incorporated by reference) before making any investment decision in respect of the Warrants. 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 Warrants or the Issuer's ability to fulfil its obligations under the Warrants. 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 prospects 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 Warrants issued under the Programme are also described below. The Issuer has assessed the most material risks, taking into account the negative impact (including any relevant mitigation measures) of such risks on the Issuer and the probability of their occurrence ("Global Criticality"). Each risk factor relating to the Issuer is followed by the Issuer's assessment of whether such Global Criticality can be assessed as high, medium or low.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in Warrants issued under the Programme, but the inability of the Issuer to pay principal or other amounts on or in connection with any Warrants may occur for other reasons which are not known to the Issuer or which the Issuer deem immaterial at this time.*

*Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus (including any documents deemed to be incorporated in it by reference) and reach their own views prior to making any investment decision.*

*In case of doubt in respect of the risks associated with the Warrants and in order to assess their adequacy with their personal risk profile, investors should consult their own financial, legal, accounting and tax experts about the risks associated with an investment in these Warrants, the appropriate tools to analyse that investment, and the suitability of that investment in each investor's particular circumstances. No investor should purchase the Warrants described in this Base Prospectus unless that investor understands and has sufficient financial resources to bear the price, market, liquidity, structure, redemption and other risks associated with an investment in these Warrants. The market value can be expected to fluctuate significantly and investors should be prepared to assume the market risks associated with these Warrants.*

### 2.1. Risks related to Belfius Bank

#### 2.1.1. Risks related to the Financial Situation and Business Activity

##### 2.1.1.1. Credit Risk (Global Criticality: High)

Credit risks are inherent in a wide range of Belfius Bank's businesses. These include risks arising from changes in the credit quality of counterparties as well as the inability to recover amounts due from counterparties. This means that Belfius Bank is exposed to the risk that third parties (such as trading counterparties, counterparties under credit default swaps, interest rate swaps and other derivative contracts, borrowers, 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 factors may cause them to default on their obligations towards Belfius Bank.

Belfius Bank uses mainly the Advanced Internal Ratings-Based (“AIRB”) approach to calculate the probability of default, the loss given default and credit conversion factor in order to determine the capital requirement for a given exposure. The AIRB consists of assigning a scaled credit quality to each counterparty. Subject to certain minimum conditions and disclosure requirements, banks that have received regulatory approval to use the IRB approach may rely on their own internal estimates or risk components in determining the capital requirement for a given exposure.

While risk across borrower classes remains relatively low, certain categories of loans are subject to higher credit risk. In particular, the National Bank of Belgium (“NBB”) has expressed concern with regard to the evolution of the Belgian residential real estate and mortgage market (Belfius’ exposure on mortgage loans as per June 2019 stood at EUR 33.4 billion, which represents 36% of the loans to customers). Belfius Bank remains focused on monitoring the higher risk segments of its mortgage loan book, including mortgages with longer repayment terms, mortgages with a high loan-to-value ratio and loans with high debt service costs relative to the relevant borrower’s income and the share in its portfolio of mortgage ‘buy to let’ loans. In light of the NBB’s concerns, exposure to corporates in the real estate sector, which have been increasing rapidly, is also an area of focus for Belfius Bank.

The external rating agencies, Moody’s, Fitch and S&P, also emphasize the risks related to increasing indebtedness and growing economic imbalances in Belgium, notably in the real estate sector.

Furthermore, in relation to Belfius Bank’s lending to public institutions, changes in budgetary and taxation policy may affect the asset quality of loans to municipalities. In addition, one key area of attention is the hospital sector. Belgian hospitals have a low profitability. One third of hospitals are making a loss. The sector is undergoing a structural transformation after the Minister of Public Health launched the Care Reform plan, a multi-year plan reshaping the hospital landscape. One of the effects is the regrouping of general hospitals into hospital networks. For Belfius this could increase concentration. The 6th state reform, assigning the power to recognize hospitals to the Regions, could also have an impact, as a less public guarantees will be available for future financing.

Finally, since 2011, Belfius Bank has been engaged in a tactical de-risking of the ex-legacy portfolios until end 2016. Belfius Bank has been successful in achieving its aim of bringing the risk profile of the ex-legacy portfolios in line with the risk profile of its Retail and Commercial and Public and Corporate segments. As from 1 January 2017, the remainder of these ex-legacy portfolios have been integrated in Group Center and the remaining securities are being managed in natural run-off. An important component of these ex-legacy portfolios (total notional of Belfius’ ex-legacy portfolio as per June 2019 stood at EUR 27.7 billion) is the large outstanding stock of derivatives (total notional of Belfius’ ex-legacy derivatives portfolio as per June 2019 stood at EUR 20.4 billion) and bonds mainly composed of long-term inflation linked bonds issued by highly regulated UK utilities and infrastructure companies (total notional as per June 2019 stood at EUR 1.2 billion). These bonds are of satisfactory credit quality. Nevertheless in the unlikely event of a default, the loss could be substantial but within the boundaries of the Belfius risk appetite framework. The inflation linked nature of these bonds makes them furthermore sensitive to UK real rates. Together with the outstanding stock of derivatives, they could have an important additional capital charge in terms of Risk-Weighted Assets (“RWA”)<sup>1</sup> as well as increased collateral posting from Belfius Bank which could put Belfius’ overall liquidity under pressure in case of a liquidity crisis in the financial markets.

With regards to the Asset and Liability Management (“ALM”) Liquidity bond portfolio an important concentration is to be noted on long-term Italian sovereign bonds. The external rating agencies also point out the remaining ex-legacy portfolios as a potential rating pressure if not scaled back as planned. However they also acknowledge the significant efforts that have been made since 2011. There can, however, be no assurance that the risk profile of these ex-legacy portfolios will remain at current levels.

No assurances can be given that the strategy and framework to control the general credit risk profile and to limit risk concentrations will be effective and that these risks will not have an adverse effect on Belfius Bank’s results

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<sup>1</sup> Assets used to determine the minimum amount of capital that must be held by banks and other financial institutions in order to reduce the risk of insolvency.

of operations, financial condition or prospects. Nevertheless all rating agencies currently see a downgrade as unlikely.

#### **2.1.1.2. Profitability (Global Criticality: Medium)**

Changes in the profitability and changes in the expectations about the future profitability can influence the secondary market value of Belfius' liabilities. Though the Belfius management and the regulatory authorities via the Supervisory Review and Evaluation Process ("SREP") always strive for a sound and profitable business model, profitability can never be guaranteed as it depends to some extent on market factors. These factors are beyond the control of Belfius Bank.

Besides the general economic and competitive climate, monetary policy is among the most important factors determining bank profitability. By influencing the level of the interest rates and the shape of the interest rate curve, the European Central Bank ("ECB") impacts in an important way the Net Interest Rate Margin ("NIM") of commercial banks, like Belfius. This NIM contains the bank revenues from its normal lending and borrowing activity and for Belfius it constitutes a non negligible part of the overall income. By making interest rates negative and by massively buying government bonds, the ECB exerts a negative pressure on this NIM, potentially reducing total profitability. Moreover, the interest rates that Belfius has to pay on its regulated deposits cannot go negative but are, by law, floored at 0.11% per year. This constitutes a cost for the bank, as retail deposits are an important source of funding. This cost increases when market rates decrease further. Depending on future evolutions of the economy and the inflation rate, the ECB may push interest rates further into negative territory and/or flatten the rate curve even further.

#### **2.1.1.3. Liquidity (Global Criticality: Medium)**

Liquidity risk consists of the risk that the Belfius Bank will not be able to meet both expected and unexpected current and future cash flows and collateral needs. The monitoring of this risk factor is done through internal and regulatory liquidity Key Risk Indicators ("KRI") that are reported on a regular basis and the compliance with those KRI is also tested under stress scenarios.

The liquidity risk at Belfius Bank is mainly stemming from:

- the variability of the amounts of commercial funding 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 all type of loans;
- the volatility of the collateral that is to be deposited at counterparties in respect of 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 ECB;
- the capacity to obtain interbank and institutional funding.

The driving factors behind these sources of liquidity risk are to a certain extent beyond the control of Belfius Bank as they are linked to evolutions in the financial markets, to regulation and to access to interbank and other markets. As the funds collected from retail and other clients constitute an important share of Belfius' liabilities adverse market events, such as unexpectedly strong and lasting increases in interest rates may trigger changes in the behaviour of our clients in such a way that liquidity risks materialise despite Belfius' prudent management. Further to this, collateral outflows linked to Belfius' large outstanding stock of derivatives and bonds composed of long-term inflation linked bonds issued by highly regulated UK utilities and infrastructure companies may arise, depending on the movement of the UK real interest rate.

#### **2.1.1.4. Competition (Global Criticality: Medium)**

Belfius Bank faces strong competition across all its markets from local and international financial institutions including banks, life insurance companies and mutual insurance organisations. The presence of Belfius solely limited to Belgium can be assessed as a competitive disadvantage compared to its peer competitors. 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 Belfius Bank.

The introduction of the Payment Services Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market ("PSD2"), may enable the emergence of payment aggregators, which could in turn reduce the relevance of traditional bank platforms and weaken brand relationships. The development of ecosystems – which lead to the abolition of borders across economic sectors – could further exacerbate these threats.

Any failure by Belfius Bank to manage the competitive dynamics to which it is exposed could have a material adverse effect on its business, financial condition, results of operations, and prospects.

#### **2.1.1.5. Operational Risks – Non financial Risks (Global Criticality: Medium)**

Non-Financial Risk ("NFR") covers all risks that are not "financial risks" (such as market, ALM, liquidity, credit and insurance risks). NFR therefore covers among others operational risks (including fraud, HR, IT, IT security, business continuity, outsourcing, data-related risks, privacy, ...) as well as reputational, compliance and legal risks.

Belfius' losses stemming from operational incidents remain stable and limited. The main areas of operational losses were essentially due to incidents associated with external fraud and incidents in relation to execution, delivery and process management. Other categories remain limited in amount but not necessarily in number of events. When focussing on specific risks:

- Threats against data and information are their loss of integrity, their loss of confidentiality and their unplanned unavailability. The mission of information security is to guard against these threats. An information security strategy derived from these principles has been approved by mainly focusing on IT and IT security risks. The organization has a framework applicable to all actions pertaining to information security. Belfius' Risk Appetite accompanies and supports the information security strategy. It includes qualitative statements and quantitative KRI explicitly related to information security stipulating (how) Belfius wants to meet the highest standards with regard to information security. The KRI will monitor the matching between Belfius' Risk appetite and the reality on the field.
- On 25 May 2018, the General Data Protection Regulation ("GDPR") became applicable. This introduced a number of new aspects compared to the old European directive from 1995. In general, the GDPR grants more rights to natural persons - such as Belfius' customers - and imposes more obligations on processors and controllers of personal data - including Belfius and its partners/suppliers.

The respect for privacy and the protection of personal data is a key commitment at Belfius. GDPR conformity is integrated into the processes to offer products, innovative digital tools, services and information sharing to its clients.

- In line with the overall commitment to deliver value-adding products and services, Belfius wants to be extremely severe when assessing capacities with regards to fraud. A zero-tolerance policy is applicable for all forms of fraud (internal, external as well as mixed fraud). Based on the actual figures, Belfius' fraud losses remain limited. However, fraud risks are in constant evolution and require specific attention.

#### **2.1.1.6. Market Risk (Global Criticality: Medium)**

Market Risks are inherent to a range of Belfius Bank's businesses. Apart from the interest rate risk which is specified under "2.1.1.2. Profitability", Belfius is particularly sensitive to changes in the market value (in the form of value adjustments) related to specific risks within its derivatives book (mostly market value linked to

counterparty credit risk or to funding costs linked to collateral posted on the hedge transaction). These value adjustments are mostly related to the ex-legacy portfolio.

Moreover, the hedging of structured retail products with illiquid equity indices as underlying has structurally increased the equity risk. New derivative single stock activity might also bring additional equity risk.

#### **2.1.1.7 Regulatory Risk (Global Criticality: Medium)**

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 years were marked by significant changes to regulatory regimes, including the endorsement by the EU of an amendment of various regulations, inter alia, the Capital Requirements Regulation ("CRR"), the Capital Requirements Directive ("CRD")<sup>2</sup>, the Bank Recovery and Resolution Directive ("BRRD") and the Single Resolution Mechanism ("SRM")<sup>3</sup>. The "EU revised Banking Package" has been agreed in April 2019. It aims at reducing the risks in the banking sector by reinforcing banks' ability to withstand potential shocks.

In addition, on 7 December 2017 the Basel Committee announced a final agreement on the finalisation of Basel III (applicable as from 2022 at the earliest). This will result in an increase of the capital requirements for CET1. Belfius expects this impact to be manageable. Such impact can preliminary be assessed around 1.00%-1.25% of CET1 ratio, based on the current agreement. This estimation is however subject to the transposition of the international agreement in EU legal framework, the discretion of the macro prudential authority to mitigate the impact of different measures and the forthcoming structure of the balance sheet. In the event that the European authorities when transposing the Basel agreement were to deviate from this final agreement, this could have a significant impact on Belfius Bank' solvency position. Besides, in the event that the discussions at the level of the Basel Committee on Banking Supervision regarding sovereign and public exposures were to lead to an agreement on these matters, this could also materially affect Belfius Bank's capital requirements. Finally, this impact does not take into account any Targeted Review of Internal Models (TRIM) potential effects as well as the implementation of EBA guidelines related to Loss Given Default (LGD) and new definition of default.

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.

Any future changes to the derivatives regulations in particular, could affect Belfius in particular, especially in relation to its remaining outstanding notional amount of derivatives with Dexia-entities and non collateralized interest rate derivatives with international non financial counterparties.

As of today, the interest rate benchmark reforms (LIBOR, EURIBOR,...) leave uncertainties with regard to the conditions that shall apply for the transition of the stock of derivatives, which could affect Belfius.

## *2.2. Risks related to the Warrants*

### **2.2.1. Risks related to the Nature of the Warrants**

#### **2.2.1.1. Liquidity Risk**

There is no assurance that an active trading market for the Warrants will develop. Neither is it possible to predict the price at which Warrants will trade in the secondary market or whether such market will be liquid or illiquid.

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<sup>2</sup> The CRD is the legal framework for the supervision of credit institutions, investment firms and their parent companies in all Member States of the European Union and the European Economic Area, and will be the basis of the Single Supervisory Framework when that will be formally introduced.

<sup>3</sup> The purpose of the SRM is to ensure an orderly resolution of failing banks with minimal costs for taxpayers and to the real economy.

The Issuer may, but is not obliged to, list Warrants on an Exchange or MTF. No application is made to list the Warrants on an Exchange.

The Warrants can be freely transferred to any third party, except that they may not be offered, sold or delivered (i) within the United States of America, including its territories and possessions, or to U.S. persons or (ii) in Belgium, to “consumers” (*consommateurs/consumenten*) within the meaning of the Belgian Code of Economic Law (*Code de droit économique / Wetboek van economisch recht*).

#### **2.2.1.2. Bail-in of senior debt and other eligible liabilities, including the Warrants**

Given the entry into force of the bail-in regime, the Warrant Holders may lose some or all of their investment as a result of the exercise by the Resolution Authority of the “bail-in” resolution tool.

Following the transposition of the BRRD bail-in regime into Belgian law as of 1 January 2016, the Resolution Authority has the power to bail-in (i.e. write down or convert) more subordinated debt, if any, and senior debt (including contingent liabilities such as the Warrants), after having written down or converted Tier 1 capital instruments and Tier 2 capital instruments. The bail-in power will enable the Resolution Authority to recapitalise a failing institution by allocating losses to its shareholders and unsecured creditors (including the Warrant Holders) in a manner which is consistent with the hierarchy of claims in an insolvency of a relevant financial institution. The bail-in power includes the power to cancel a liability or modify the terms of contracts for the purposes of deferring the liabilities of the relevant financial institution and the power to convert a liability from one form to another.

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

- (a) the determination that Belfius Bank is failing or is likely to fail has been made by the relevant regulator, which means that one or more of the following circumstances are present:
  - (i) Belfius Bank infringes or there are objective elements to support a determination that Belfius Bank will, in the near future, infringe the requirements for continuing authorisation in a way that would justify the withdrawal of the authorisation by the competent authority, including but not limited to because Belfius Bank has incurred or is likely to incur losses that will deplete all or a significant amount of its own funds;
  - (ii) the assets of Belfius Bank are or there are objective elements to support a determination that the assets of Belfius Bank will, in the near future, be less than its liabilities;
  - (iii) Belfius Bank is or there are objective elements to support a determination that Belfius Bank will, in the near future, be unable to pay its debts or other liabilities as they fall due;
  - (iv) Belfius Bank requests extraordinary public financial support,
- (b) having regard to timing and other relevant circumstances, there is no reasonable prospect that any alternative private sector measures or supervisory action taken in respect of Belfius Bank would prevent the failure of Belfius Bank within a reasonable timeframe; and
- (c) a resolution action is necessary in the public interest.

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

#### **2.2.1.3. Warrants may not be a suitable investment for all investors**

The occurrence of fluctuations or the non-occurrence of anticipated fluctuations in the price of the Underlying Index will disproportionately affect the value of the Warrants and may lead to the Warrants expiring worthless.

Purchasers of Warrants risk losing their entire investment if the Underlying Index does not perform as anticipated. A Warrant is an asset which, other factors held constant, tends to decline in value over time and which may become worthless when it expires.

The risk of the loss of some or all of the purchase price of a Warrant upon expiration means that, in order to recover and realize a return upon his or her investment, a purchaser of a Warrant must generally be correct about the direction, timing and magnitude of an anticipated change in the value of the Underlying Index. Assuming all other factors are held constant, the more a Warrant is ‘out-of-the-money’ (i.e. a call option with a strike price that is higher than the market price of the underlying asset) and the shorter its remaining term to expiration, the greater the risk that purchasers of such Warrants will lose all or part of their investment.

The Warrants do not entitle the Warrant Holders to receive a coupon payment or dividend yield and therefore do not constitute a regular source of income. Possible losses in connection with an investment in the Warrants can therefore not be compensated by other income from the Warrants.

The Warrant has a leverage effect. This means that any variation in the price of the Underlying Index is in theory amplified. Therefore, the Warrants involve a high degree of risk. The leverage effect, means that the investment of an amount in Warrants compared to a direct investment of the same amount in the Underlying Index may result in significantly higher gains but also in significantly higher losses. The (non-)occurrence of anticipated fluctuations in the price of the Underlying Index may disproportionately affect the value of Warrants. Warrants may expire worthless if the Underlying Index does not perform as anticipated. If not exercised in accordance with the Terms and Conditions during the Exercise Period, a Warrant will become void and expire worthless. In order to recover and realize a return upon its investment, a Warrant Holder must be correct about the direction, timing and magnitude of an anticipated change in the value of the Underlying Index. If not exercised optimally, Warrant Holders may incur a loss (by example, if when exercising the Warrant on a date prior to its Maturity Date, the amount received upon exercise is smaller than the remaining value of the Warrant after that date). Warrant Holders should also consider that the return on the investment in Warrants is reduced by the costs in connection with the purchase, exercise and/or sale of the Warrants. The loss born by the Warrant Holder is limited to the original premium paid to acquire the Warrants.

A Warrant’s leverage effect is determined by applying the following formula:

$$\text{Leverage} = \frac{\partial P}{\partial S} \times \frac{S}{P}$$

where:

S = the price of the Underlying Index

P = the value of the Warrant

The ratio  $\frac{\partial P}{\partial S}$ , which is called the Delta of the Warrant, is the degree to which the Warrant changes value divided by the degree to which the Underlying Index changes value.  $\frac{\partial P}{\partial S}$  is not a constant, and the ratio changes throughout the term of the Warrant.

As and when the leverage effect approaches 1, a Warrant behaves more and more like the Underlying Index and the risk associated with the Warrant is therefore almost the same as the risk associated with holding the Warrant’s Underlying Index.

The leverage moves towards 1 as and when, among other things, the Underlying Index rises far away from the exercise price.

For this Programme, the initial leverage is significantly higher than 1. This is expected to remain so for a large part of the lifetime, or even the entire lifetime, of the Warrant.

In addition, more than one Warrant may be necessary to obtain the closing value of the Underlying Index at the payment of the Strike Price. The number of Warrants necessary to obtain the closing value of the Underlying Index at the payment of the Strike Price will be specified as such in the applicable Final Terms.

#### **2.2.1.4. The influence of trading or hedging transactions of the Issuer on the Warrants**

The Issuer may in the course of its normal business activity engage in trading in the Underlying Index. In addition, the Issuer may conclude transactions in order to hedge itself partially or completely against the risks associated with the issue of the Warrants. These activities of the Issuer may have an influence on the market price of the Warrants. A possibly negative impact of the conclusion or dissolution of these transactions on the value of the Warrants cannot be excluded.

#### **2.2.1.5. Change of law**

The Terms and Conditions of the Warrants are, save to the extent referred to therein, based on Belgian law in effect as at the date of issue of the relevant Warrants. No assurance can be given as to the impact of any judicial decision or changes to the laws in Belgium, other jurisdictions (such as FATCA under US law) or on a supranational level (e.g. EU Financial Transaction Tax) or administrative practice after the date of issue of the relevant Warrants. Investors should note that the provisions of the Terms and Conditions contain certain provisions dealing with a change of law. Such provisions will be applied, in accordance with the law in force at the relevant time.

Any relevant tax law or practice applicable as at the date of this Base Prospectus and/or the date of purchase or subscription of the Warrants may change at any time (including during any subscription period or the Exercise Period of the Warrants). Any such change may have an adverse effect on a Warrant Holder, including that (i) the Warrants may be cancelled before their Maturity Date due to whatsoever change of law resulting in the Issuer no longer being legally entitled to execute its obligations arising from this Base Prospectus and the relevant Final Terms, (ii) the liquidity of the Warrants may decrease, and/or (iii) the tax treatment of amounts payable or receivable by or to an affected Warrant Holder may be less than otherwise expected by such Warrant Holder.

#### **2.2.1.6. Potential conflicts of interest**

The Issuer and the Calculation Agent may also engage in trading activities (including hedging activities) related to the Underlying Index (or its components) and other instruments or derivative products based on or related to the Underlying Index (or its components) for its proprietary account or for other account under its management. The Issuer and the Calculation Agent may also issue other derivative instruments in respect of the Underlying Index (or its components). The Issuer and the Calculation Agent may also act as underwriter in connection with future offerings of securities relating to the Underlying Index (or its components) or may act as financial adviser to certain issuers of securities that are part of the Underlying Index or in a commercial banking capacity for certain issuers of securities that are part of the Underlying Index. Such activities could present certain conflicts of interest, could influence the levels of the Underlying Index or securities referring to the Underlying Index and could adversely affect the value of such Warrants. In case the Calculation Agent should make determinations and calculations in respect of the Warrants, the Calculation Agent shall act at all times in good faith and a commercially reasonable manner, but not necessarily in the interest of the Warrant Holder.

### **2.2.2. Risks related to the Market Risk and Underlying Index**

Due to fluctuating supply and demand for the Warrants, there is no assurance that their value will correlate with movements of the Underlying Index. Prospective purchasers intending to purchase Warrants to hedge against the market risk associated with other investments should recognize the complexities of utilizing Warrants in this manner. For example, the value of the Warrants may not exactly correlate with the value of the Underlying Index or with such other instrument for which a prospective purchaser intends to use the Warrants as a hedge.

An investment in Warrants entails significant risks that are not associated with similar investments in a conventional financial instrument. Potential investors should be aware that:

- the market price of such Warrants may be volatile;
- the Underlying Index:
  - may be subject to significant changes, whether due to the composition of the index itself, or because of fluctuations in value of the indexed assets;
  - may cease to exist entirely or may cease to be published, in which case it may be substituted with a replacement index or recalculated by the Calculation Agent. This substitution or

recalculation may not reflect the exact original index. In the case where no substitute index exists or the Calculation Agent is unable to recalculate the Underlying Index, the cancellation of the Underlying or the cessation of publication of the Underlying Index may lead to cancellation of the relevant Warrant.

- the holder of Warrants could lose all or a substantial portion of its investment in the Warrants (whether payable at maturity or upon redemption or repayment);
- if a multiplier greater than one or some other leverage factor is applied to the Warrants, the effect of changes in the Underlying Index on the value of the Warrant and the Cash Settlement Amount will be magnified;
- the risks of investing in a Warrant encompass both risks relating to the Underlying Index and risks that are linked to the Warrant itself;
- it may not be possible for investors to hedge their exposure to these various risks relating to Warrants.

The secondary market, if any, for Warrants will be affected by a number of factors, independent of the creditworthiness of each Issuer and the value of the relevant Underlying Index, including the volatility of the applicable Underlying Index and the time remaining to the expiration of the Warrant. The value of the applicable Underlying Index depends on a number of interrelated factors, including economic, financial and political events, over which the Issuer has no control. Additionally, if the formula used to determine the Cash Settlement Amount contains a multiplier or leverage factor, the effect of any change in the applicable Underlying Index will be increased. The historical experience of the relevant Underlying Index should not be taken as an indication of future performance of such Underlying Index during the term of any Warrant. Additionally, there may be regulatory and other ramifications associated with the ownership by certain investors of certain Warrants.

Transactions between Belfius Bank and third parties could impact the performance of any Warrant, which could lead to conflicts of interest between Belfius Bank and the holders of its Warrants.

Belfius Bank is active in the international securities and currency markets on a daily basis. It may thus, for its own account or for the account of customers, engage in transactions directly or indirectly involving assets that are (part of the) Underlying Index of the Warrants and may make decisions regarding these transactions in the same manner as it would if the Warrants had not been issued.

The Issuer and its affiliates may on the issue date of the Warrants or at any time thereafter be in possession of information in relation to any reference assets that may be material to holders of any Warrant and that may not be publicly available or known to (potential) investors in such Warrants. There is no obligation on the part of the Issuer in the Terms and Conditions of the Warrants to disclose any such business or information to (potential) investors in such Warrants.

### 3. CHOICES MADE BY THE ISSUER

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According to Article 8 of the Prospectus Regulation, the Issuer has chosen to issue Warrants under a base prospectus. The specific terms of each Tranche will be set forth in the applicable Final Terms. In addition, the Issuer chooses as its home Member State the Kingdom of Belgium.

The Issuer has freely defined the order in the presentation of the required items included in the schedules and building blocks of the Commission delegated regulation (EU) 2019/980 according to which this Base Prospectus is drawn up. The chosen presentation is a consequence of the combination of Annex 6, Annex 14 and Annex 17 of Commission delegated regulation (EU) 2019/980. In order to enable the Warrant Holder to identify in the presentation below the corresponding provisions of Commission delegated regulation (EU) 2019/980, cross-references will be made to the relevant annexes of Commission delegated regulation (EU) 2019/980 and their subsections. Finally, any items which do not require, in their absence, an appropriate negative statement according to Commission delegated regulation (EU) 2019/980, are not included in the presentation when the Issuer so determines.

## 4. RESPONSIBILITY STATEMENT

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(Annex 6.1 and 14.1 of Commission delegated regulation (EU) 2019/980)

Belfius Bank, with registered office at 1210 Brussels, Place Charles Rogier 11, Belgium, as Issuer, accepts responsibility for the information given in this Base Prospectus. Having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

# 5. DOCUMENTS INCORPORATED BY REFERENCE

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This Base Prospectus should be read and construed in conjunction with:

- (a) the audited consolidated accounts of Belfius Bank for the years ended 31 December 2017<sup>4</sup> and 31 December 2018<sup>5</sup>, including the reports of the statutory auditors in respect thereof, as well as for Belfius Bank the half-yearly report for the period ending 30 June 2019 (the “**Half-Yearly Report 2019**”)<sup>6</sup>, which are incorporated by reference in this Base Prospectus; and
- (b) the disclosure document on alternative performance measures (“**APM**”) for the year ended 31 December 2018 and the half-yearly document for the period ending 30 June 2019<sup>7</sup>, which are incorporated by reference in this Base Prospectus.

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

Copies of all documents incorporated by reference in this Base Prospectus may be obtained without charge from the offices of Belfius Bank and on its website (<https://www.belfius.be/>).

The tables below set out the relevant page references for:

- (a) the (i) consolidated balance sheet, (ii) consolidated statement of income, (iii) consolidated statement of comprehensive income, (iv) consolidated statement of change in equity, (v) consolidated cash flow statement, (vi) audit report on the consolidated accounts, (vii) notes to the consolidated financial statements, (viii) non-consolidated balance sheet, (ix) non-consolidated statement of income, (x) audit report on the non-consolidated accounts and (xi) APMs of Belfius Bank.
- (b) the (i) unaudited consolidated balance sheet, (ii) unaudited consolidated statement of income, (iii) unaudited consolidated statement of comprehensive income, (iv) unaudited consolidated statement of change in equity, (v) unaudited consolidated cash flow statement, (vi) limited review report on the consolidated accounts, and (vii) notes to the consolidated financial statements of Belfius Bank for the period ended 30 June 2019 as set out in the Half-Yearly Report 2019<sup>8</sup>.

Information contained in the documents incorporated by reference other than information listed in the table below is for information purposes only, and does not form part of this Base Prospectus. Such non-incorporated parts are deemed not relevant for the investor, or are covered elsewhere in this Base Prospectus.

The consolidated balance sheet and consolidated statement of income of Belfius Bank can be found in the section headed “6. Belfius Bank SA/NV” of this Base Prospectus.

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<sup>4</sup> Available on [https://www.belfius.be/about-us/dam/corporate/investors/ratios-en-rapporten/belfius-reports/en/bel\\_RA2017\\_eng.pdf](https://www.belfius.be/about-us/dam/corporate/investors/ratios-en-rapporten/belfius-reports/en/bel_RA2017_eng.pdf).

<sup>5</sup> Available on [https://www.belfius.be/about-us/dam/corporate/investors/ratios-en-rapporten/belfius-reports/en/bel\\_RA\\_2018\\_en.pdf](https://www.belfius.be/about-us/dam/corporate/investors/ratios-en-rapporten/belfius-reports/en/bel_RA_2018_en.pdf).

<sup>6</sup> Available on [https://www.belfius.be/about-us/dam/corporate/investors/ratios-en-rapporten/belfius-reports/en/bel\\_1H2019.pdf](https://www.belfius.be/about-us/dam/corporate/investors/ratios-en-rapporten/belfius-reports/en/bel_1H2019.pdf).

<sup>7</sup> Available on <https://www.belfius.be/about-us/en/investors/results-reports/reports>.

<sup>8</sup> Available on [https://www.belfius.be/about-us/dam/corporate/investors/ratios-en-rapporten/belfius-reports/en/bel\\_1H2019.pdf](https://www.belfius.be/about-us/dam/corporate/investors/ratios-en-rapporten/belfius-reports/en/bel_1H2019.pdf).

**Belfius Bank SA/NV****Belfius Bank SA/NV**

<i>(refer to pages of the Report(s))</i>	<b>Annual Report 2017</b>	<b>Annual Report 2018</b>	<b>Half-Yearly Report 2019</b>
	<b>(English version)</b>	<b>(English version)</b>	<b>(English version)</b>
	<b>audited</b>	<b>audited</b>	<b>unaudited – condensed</b>
Consolidated balance sheet	132	144	54
Consolidated statement of income	134	148	56
Consolidated statement of comprehensive income	135	150	58
Consolidated statement of change in equity	136	152	60
Consolidated cash flow statement	141	158	67
Audit report on the consolidated accounts	278	318	120
Notes to the consolidated financial statements	142	161	69
Non-consolidated balance sheet	288	330	N/A
Non-consolidated statement of income	291	333	N/A
Audit report on the non-consolidated accounts	294	336	N/A
Alternative performance measures APM	296	N/A	N/A

# 6. BELFIUS BANK SA/NV

(Annex 6.4 of Commission delegated regulation (EU) 2019/980)

## 6.1. *Belfius Bank profile*

Belfius Bank is a public limited company (*naamloze vennootschap/société anonyme*) established on 23 October 1962 for an unlimited duration and incorporated under Belgian law 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 1210 Brussels, Place Charles Rogier 11, Belgium. Belfius Bank's LEI code is A5GWLH3KM7YV2SQL84.

Its contact details for the purpose of this Base Prospectus are the following:

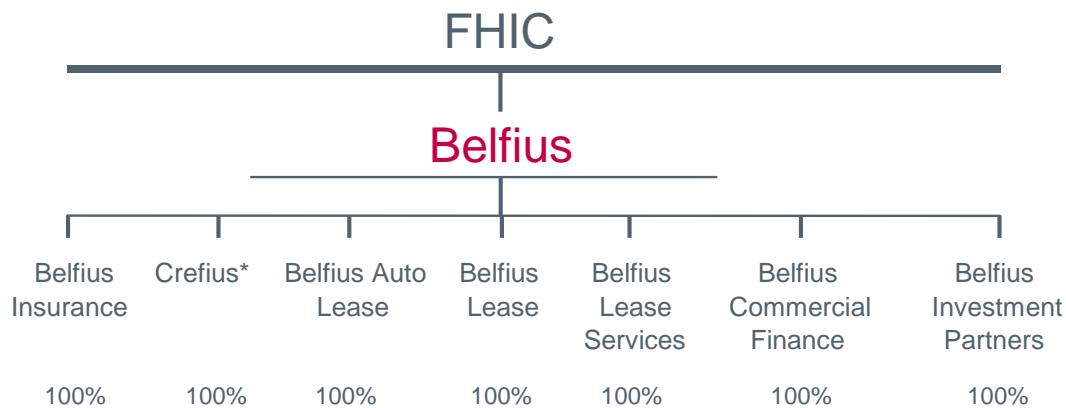
Belfius Bank SA/NV  
Place Charles Rogier 11, B-1210 Brussels, Belgium  
Telephone +32 2 222 11 11  
Website: <https://www.belfius.be>

The share capital of Belfius Bank as at 30 June 2019 was three billion, four hundred and fifty-eight million, sixty-six thousand, two hundred and twenty-seven euros and forty-one cents (EUR 3,458,066,227.41) and is represented by 359,412,616 registered shares. The shareholding of Belfius Bank is as follows: 359,407,616 registered shares are held by the public limited company of public interest Federal Holding and Investment Company ("FHIC"), in its own name, but on behalf of the Belgian State, and 5,000 registered shares are held by the public limited company Certi-Fed. Certi-Fed is a fully-owned subsidiary of FHIC. Belfius Bank shares are not listed.

At the end of June 2019, total consolidated balance sheet amounted to EUR 172 billion.

With an essentially Belgian balance sheet for its commercial activities and customers from all segments, Belfius Bank is in a position to act as a universal bank "of and for Belgian society". Belfius Bank 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 Bank aspires to a sound financial profile that results in a solid liquidity and solvency position.

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



\* Crefius is involved in granting and managing mortgages loans

Belfius and its consolidated subsidiaries are referred to herein as "**Belfius**"

## *6.2. 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 June 2019, total consolidated balance sheet of Belfius Insurance amounted to EUR 21 billion<sup>9</sup>.

### ***Crefius***

Company servicing and managing mortgage loans. At the end of June 2019, total balance sheet of Crefius amounted to EUR 45 million<sup>10</sup>.

### ***Belfius Auto Lease***

Company for operational vehicle leasing and car fleet management, maintenance and claims management services. At the end of June 2019, total balance sheet of Belfius Auto Lease amounted to EUR 363 million<sup>11</sup>.

### ***Belfius Lease***

Company for financial leasing and renting of professional capital goods. At the end of June 2019, total balance sheet of Belfius Lease amounted to EUR 872 million<sup>12</sup>.

### ***Belfius Lease Services***

Financial leasing and renting of professional capital goods to the self-employed, companies and liberal professions. At the end of June 2019, total balance sheet of Belfius Lease Services amounted to EUR 2,086 million<sup>13</sup>.

### ***Belfius Commercial Finance***

Company for financing commercial loans to debtors, debtor in-solvency risk cover and debt recovery from debtors (factoring). At the end of June 2019, total balance sheet of Belfius Commercial Finance amounted to EUR 982 million<sup>14</sup>.

### ***Belfius Investment Partners***

Company for administration and management of funds. At the end of June 2019, total balance sheet of Belfius Investment Partners amounted to EUR 150 million<sup>15</sup>.

## *6.3. Financial results*

### ***Results 2018***

In 2018, the net consolidated result for Belfius, before and after tax, was EUR 867 and EUR 649 million respectively. Belfius Banking Group contributed EUR 444.5 million and Belfius Insurance contributed EUR 204.5 million.

Total income was EUR 2,361 million, up slightly compared with 2017. Due to persistent low interest rates, net interest income of the bank fell by 2%, to EUR 1,448 million. Despite customer risk aversion for investments in a very volatile market, net fee and commission income of the bank was stable at EUR 537 million (+1%). Belfius' Life and Non-Life insurance activities contributed EUR 283 million (+6%) and EUR 199 million (-1%)

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<sup>9</sup> Belfius 1H 2019 Results - Presentation to analysts and investors, slide 46, available at: <https://www.belfius.be/about-us/en/investors/results-reports/results>.

<sup>10</sup> Total IFRS balance sheet before consolidation adjustments

<sup>11</sup> Total IFRS balance sheet before consolidation adjustments

<sup>12</sup> Total IFRS balance sheet before consolidation adjustments

<sup>13</sup> Total IFRS balance sheet before consolidation adjustments

<sup>14</sup> Total IFRS balance sheet before consolidation adjustments

<sup>15</sup> Total IFRS balance sheet before consolidation adjustments

respectively to earnings. Taking the negative effect of banking levies into account, other income was EUR -105 million, representing an improvement of 18% compared with 2017.

Belfius invested EUR 141 million in innovative digital solutions, in providing services going beyond mere bank-insurance for its customers, as well as in the recruitment of over 300 new commercial and specialist talents. These investments partly explain the increase in costs to EUR 1,426 million (+4%). Combined with income that was practically stable compared with 2017, this resulted in a Cost-Income ratio up slightly at 60.4%.

The cost of risk for operating banking activities was EUR -80 million. This low level was the result of strict risk management, as well as the good quality of loans and portfolios. The total cost of risk was EUR - 68 million.

The tax expense including deferred taxes decreased with EUR 140.1 million, or 39.2%, to EUR 216.9 million for the year ended 31 December 2018, compared to EUR 357.0 million for the year ended 31 December 2017.

Total equity increased by 5.5%, to EUR 10.0 billion as at 31 December 2018 compared to EUR 9.4 billion as at 1 January 2018. The increase was mainly due to the profit for the year ended 31 December 2018 of EUR 649 million as well as the additional Tier 1 issue of EUR 500 million. This was partially offset by payment of the full year 2017 dividend of EUR 363 million (of which EUR 75 million was paid as interim dividend in the third quarter of 2017) and an interim dividend of EUR 100 million on the 2018 profit. Furthermore, gains and losses not recognised in the statement of income decreased with EUR 265 million.

At the end of 2018, CET 1 ratio amounted to 16.0%, a decrease of 17 bps compared to 1 January 2018. The decrease in CET 1 ratio to 16.0% is the result of positive effects in CET 1 capital (+15 bps) offset by negative effects in total risk exposure (-32 bps).

CET 1 capital amounted to EUR 8,329 million, compared with EUR 8,253 million at 1 January 2018. The increase in CET 1 capital of EUR 76 million results mainly from the inclusion of the regulatory net profit, though partially offset by the correction for foreseeable dividend of EUR 266 million and despite the decrease of the “gains and losses not recognized in the statement of income”.

At the end of 2018, regulatory risk exposure of Belfius amounted to EUR 52,065 million, an increase with EUR 1,026 million compared to EUR 51,039 million at 1 January 2018.

At the end of 2018, the Belfius leverage ratio – based on the current CRR/CRD IV legislation – stood at 6.0%.

## **Results 1H 2019**

Belfius' net income 1H 2019 stands at EUR 304 million, down 9% compared to 1H 2018 where net income stood at EUR 335 million. In 1H 2019, the bank contributed EUR 179 million and the insurer EUR 126 million.

Belfius' focus on its strategic long term development continues to translate into **investments** in business model, customers and human and digital capacities, resulting into continued very **strong commercial development** in all client segments of the Belgian economy.

The combination of this strategic investment-stance, the still challenging macro-economical context and some non-typical elements such as higher claims for natural catastrophes leads to an all-in lower net income compared to 1H 2018:

- Growing loan volumes compensate for the continuous low interest rate environment and result in a **resilient net interest income** of the bank for 1H 2019.
- **Slightly increasing fee & commission income** thanks to the good development of fees from classical life and non-life insurance products and from payment services.
- **Lower insurance contributions** as a result of:
  - the material natural catastrophes in 1H 2019 impacting Belfius' non-life result;
  - lower Branch 21 reserves leading to lower guaranteed life insurance contribution, despite resilient financial margin.

- Strategic priorities result in continued investments in human capital as well as in IT and digitalization, leading to an **increase of the costs** and to a C/I ratio of 61.5%.
- Sound risk management and good credit quality of the portfolios continue to translate into historically low cost of risk of the commercial activities. The overall **increase in cost of risk** is mainly stemming from Group Center which was positively impacted in 1H 2018 by a one-off effect from the sale of some Italian government bonds.

Even with Belfius' strategy to continue to put more capital at work to further develop its commercial franchise, Belfius continues to demonstrate solid solvency levels: 15.5% CET 1 at consolidated level and 185% SII ratio for Belfius Insurance.

The total shareholders' equity (or net asset value) stood at EUR 9.6 billion, up from EUR 9.4 billion end 2018.

Belfius' Board of Directors of 8 August 2019 decided to pay an interim dividend, relative to 1H 2019 results, of EUR 100 million to its shareholder, and to set the full year 2019 dividend target pay-out ratio range at 40% to 50%.

### **Prospects**

There has been no material adverse change in the prospects of the Issuer since the date of its last published audited financial statements.

### ***Significant changes in the financial or trading position***

There are no significant changes in the financial or trading position subsequent to the period covered by the historical financial information.

#### ***6.4. Minimum CET 1 Ratio Requirement (SREP)***

The minimum CET 1 – Ratio Requirement 2019 is composed as follows:

<b>Minimum CET 1 Requirement</b>	<b>2019</b>
Pillar I minimum	4.5 %
Pillar II requirement	2.25 %
Capital conservation buffer	2.5 %
Buffer for (other) domestic systemically important institutions	1.5 %
<b>Minimum CET1 - Ratio Requirement</b>	<b>10.75 %</b>
Countercyclical buffer	0.07 %
<b>Minimum CET1 Ratio - Requirement (incl CCyB)</b>	<b>10.82 %</b>

Supervisors regularly assess and measure the risks for each bank. This core activity is called the “Supervisory Review and Evaluation Process”, or SREP for short. It summarises all the supervisor's findings of a given year. Specifically, the SREP shows where a bank stands in terms of capital requirements and the way it deals with risks. In the SREP decision, which the supervisor sends to the bank at the end of the process, key objectives are set to address the identified issues. The bank must then “correct” these within a specific time.

Belfius must comply for 2019 with a minimum CET 1 ratio of 10.75% (without countercyclical capital buffer) and 10.82% including the countercyclical capital buffer. Pursuant to its macro-prudential powers laid down in the Belgian Banking Law of 2014, the NBB decided on 28 June 2019 to increase the countercyclical buffer rate for credit risk exposures to the Belgian private non-financial sector from 0 % to 0.5 % for 3Q 2019. This decision will be binding as from 1 July 2020 onwards as it is subject to a one-year implementation period. Considering that Belgian private non-financial sector represents c. 85% of Belfius' exposures, it is expected to lead to an additional countercyclical buffer of c. 42.5 bps for Belfius. Note that if cyclical systemic risks would decrease and the credit cycle would turn, these additional buffer requirements could still be relaxed by the NBB, commensurate with the cycle.

The capital demand resulting from the SREP consists of two parts. One is the Pillar 2 requirement or **P2R**, which covers risks underestimated or not covered by Pillar 1. The other is the Pillar 2 guidance or **P2G**, which

indicates to banks the adequate level of capital to be maintained in order to have sufficient capital as a buffer to withstand stressed situations, in particular as assessed on the basis of the adverse scenario in the supervisory stress tests. While P2R are binding and breaches can have direct legal consequences for banks, P2G is not binding. Nevertheless, ECB Banking Supervision certainly expects banks to comply with P2G.

For Belfius Bank, the 2019 SREP decision set a P2R at 2%. The Belfius Bank P2G for 2019 remained at 1%, unchanged compared to 2018.

Further to these regulatory requirements, in current market circumstances and under current regulations, Belfius has defined a minimum operational CET 1 - ratio of 13.5%, on solo and consolidated levels. This ratio is intended to safeguard Belfius' dividend distribution assessment and decision autonomy even under some stressed financial environments. In addition, Belfius will for the time being manage with a target CET 1 - ratio range of 15% to 15.5%, higher than this minimum operational level to take into account additional unforeseeable elements. Belfius intends to manage its solvency in line with this target ratio in normal times and on a steady state basis, unless the above mentioned buffer is (partially or entirely) used, and as long as regulations on statutory and/or consolidated capital ratios would not materially change.

## *6.5. Activities*

### *Segment reporting*

Analytically, Belfius splits its activities and accounts in three segments: Retail and Commercial (RC), Public and Corporate (PC) and Group Center (GC); with RC and PC containing the key commercial activities of Belfius.

- **Retail and Commercial (RC)**, managing the commercial relationships with individual customers and with small & medium sized enterprises both at bank and insurance level;
- **Public and Corporate (PC)**, managing the commercial relationships with public sector, social sector and corporate clients both at bank and insurance level;
- **Group Center (GC)**, containing the residual results not allocated to the two commercial segments. This mainly consists of results from bond and derivative portfolio management.

#### **6.5.1. Retail and Commercial (RC)**

Belfius Bank is the number two bank-insurer in Belgium and offers individuals, self-employed persons, the liberal professions (i.e. doctors, lawyers, etc.) and SMEs a comprehensive range of retail, commercial, private banking, wealth management and insurance products and services. Belfius Bank serves its 3.6 million customers through its integrated omni-channel distribution network, which includes more than 640 branches, its modern interaction platform Belfius Connect, and a large number of automatic self-banking machines. Belfius has also been developing a digital strategy and is now a leader in mobile banking (Finalta Digital and Multichannel Banking Benchmarking Study 2017), with over 1.3 million active mobile users.

Belfius Insurance, a subsidiary of Belfius Bank, offers insurance products to its customers through the Belfius Bank branch network, as well as through the tied agent network of DVV/LAP insurance. Belfius' bank-insurance model is fully integrated, with insurance expertise offered through Belfius Bank branches and the omni-channel distribution network. It also offers insurance products through Corona Direct Insurance, which is, according to Assuralia, the fastest growing full direct insurer in Belgium. Corona operates exclusively via digital media and call channels, as well as via "affinity partners", which are external parties who offer Corona insurance products. Through its Elantis and DVV/LAP brands, Belfius Insurance also offers mortgage loans and consumer loans to its customers.

Based on the total amount of premiums, Belfius Insurance is the fifth largest insurer<sup>16</sup> in Belgium, focusing mainly on the retail market.

### *Strategy*

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<sup>16</sup> 2018: data from Assuralia.

In 2015, Belfius launched its Belfius 2020 strategy for Retail and Commercial, which is focused on achieving four ambitions by 2020:

- progress from customer satisfaction (over 95% for 2018) to customer recommendation (committed customers who are prepared to 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 for that purpose:
  - an approach with a digital and remote-access focus geared towards retail customers combined with value-added branch interactions at key life moments for customers; and
  - an approach with account management focus geared towards privilege, private and business customers supported by convenient digital and remote-access tools.
- to increase the dynamic market share in core products to a minimum of 15%; and
- to further implement Belfius' continued focus on processes with value added for Belfius' customers, with a reduction in the cost to income ratio.

In order to achieve these aims, Belfius is implementing several initiatives across Retail and Commercial:

- a more granular sub-segmentation of the customer base with appropriately designed value propositions for each of them;
- an accelerated digital transformation to enable client convenient direct sales of the 10 most important bank and insurance products, supported by in-depth customer knowledge via data analysis, the principle of mobile first and paperless sales transactions supported by digital tools and services for the account manager;
- an innovative distribution strategy with a customer oriented approach which is becoming more omni-channel in every aspect. In the future, branches will concentrate even more on proactive advice for the privilege, private and business customer segments. Information, service and sales for retail customers will increasingly be conducted through digital and remote-access channels. Belfius Connect, a new “remote” advice and sales centre, ensures better commercial accessibility for customers by satisfying their needs from early in the morning to late into the evening; and
- the further development of an all-in property offer (via Belfius Immo, a subsidiary of Belfius Bank) and the development of Belfius Investment Partners (Belfius IP), a specialised subsidiary of Belfius Bank that manages investment funds for the purpose of completing the investment products offering of Belfius for Retail and Commercial customers.

### ***RC commercial performance in 1H 2019***

The commercial activity continues to show excellent dynamics. Belfius enjoys a strong growth in **total savings and investments** of RC customers of EUR 5.9 billion in 1H 2019, amounting to EUR 110.9 billion thanks to strong organic growth in non-maturing products.

**On-balance sheet deposits** totalled EUR 70.6 billion on 30 June 2019, up +5.9% from the end of 2018. There was very good growth in the funds deposited in current and savings accounts, which reached EUR 14.7 billion (+11.5%) and EUR 46.4 billion (+5.7%) respectively at the end of June 2019. Less customer funds found their way to long-term fixed rate investments, resulting in a drop of 11.1% for savings certificates to an amount of EUR 1.5 billion. The volatile stock markets and the further evolved MIFID regulation lead to a change in product mix on new production with more non-maturing deposit products versus fewer asset management products.

**Off-balance sheet investments** (like investments funds) increased by 6.8% in 1H 2019, compared to the end of 2018, to EUR 29.5 billion, mainly thanks to favourable market conditions.

**Life insurance reserves for investment products** amounted to EUR 10.8 billion, up 0.6% compared to the end of 2018. Investments in Branch 21 life insurance guaranteed products decreased because of the low interest rates, but that drop was offset by a strong increase in Branch 23 unit-linked products and Branch 44 products.

**Total loans** to RC customers rose strongly to EUR 50.4 billion at the end of June 2019. The increase occurred mainly in consumer loans (+7.3%) and business loans (+4.3%). Mortgage loans, which account for two thirds of all loans in this segment, amounted to EUR 33.4 billion at the end of June 2019 and remained at a high level with an increase of 3 % compared to the end of 2018.

New long term loans granted to retail and commercial clients during 1H 2019 amounted to EUR 5.8 billion compared to EUR 5.2 billion in 1H 2018. In 1H 2019, the new production of mortgage loans slightly increased from EUR 2.7 billion in 1H 2018 to EUR 3.1 billion. During the same period, EUR 2.2 billion in new long-term business loans were granted, up 12.3% compared to 1H 2018. Belfius assisted 7,011 new start-ups in 1H 2019.

**Total insurance gross written premiums** from customers in the Retail and Commercial segment amounted to EUR 769 million in 1H 2019, compared to EUR 773 million in 1H 2018, a slight decrease of 0.5%.

**Life insurance production<sup>(17)</sup>** stood at slightly more than 1.0 billion in 1H 2019<sup>(18)</sup>, up 53.7% compared to 1H 2018<sup>(19)</sup> boosted by large transfers from guaranteed products (Branch 21) to unit-linked products (Branch 23).

**Non-Life insurance gross written premiums** in 1H 2019 stood at EUR 315.8 million, up 6.8% compared to 1H 2018, thanks to the bank distribution channel and good performance in all other strategic distribution channels (e.g. Corona Direct Insurance, DVV).

Indeed, thanks to the “one-stop-shopping” concept of Belfius, the mortgage loan cross-sell ratio for property insurance stood at 84.8% in 1H 2019 compared to 84.7% in 1H 2018. With a ratio of 138.1% in 1H 2019 - compared to 139% in 1H 2018 - Belfius also continues to show a solid mortgage loan cross-sell ratio for credit balance insurance.

**Total insurance reserves** in the Retail and Commercial segment amounted to EUR 13.9 billion. Life insurance reserves remained stable since the end of 2018 at EUR 12.8 billion in a context of historically low interest rates. Unit-linked reserves (Branch 23) increased by 20.9%, while traditional guaranteed life reserves (Life Branch 21/26) decreased by 5.9%, demonstrating the ongoing life product mix transformation from guaranteed products to unit-linked products. Non-life reserves remained stable at EUR 1.1 billion.

Belfius continues to set the pace in **mobile banking** in Belgium and further developed its **digitally supported business model**. On 30 June 2019, Belfius apps for smartphones and tablets had 1,334,000 users (+6.8% compared to end of 2018) and were consulted by these customers on average (slightly more than) once a day. The very high satisfaction figures show that continuous innovation, and our focus on user-friendliness and usefulness for the customer pays off.

Belfius continues to extend the functionalities of its direct channels. In 1H 2019, 63% of the new pension saving contracts, 40% of the new credit cards and 30% of the new savings accounts were subscribed via direct channels.

RC net income after tax amounted to EUR 236 million in 1H 2019 compared to EUR 242 million in 1H 2018.

## 6.5.2. Public and Corporate (PC)

Belfius offers a comprehensive range of banking and insurance products and services to approximately 11,000 public and social institutions and 10,700 corporates. In 2018, it had the market leading position in the public and social sector anchored by its over 150-year involvement in the sector, as well as being the fourth-largest bank for corporates by loans. Belfius has successfully developed its corporate offering, expanding its market share of

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<sup>17</sup> Gross Written Premiums and transfers.

<sup>18</sup> Of which EUR 453,4 million Gross Written Premiums and EUR 551,9 million transfers.

<sup>19</sup> Of which EUR 477,8 million Gross Written Premiums and EUR 176,1 million transfers.

loans to medium and large-sized corporates from 8.7% in 2013 to 14.5%<sup>20</sup> in 2018. Belfius estimates that it serves approximately 50% of Belgian market of companies with a turn-over equal or above EUR 10 million.

Belfius offers services to the Belgian public and social sectors (including hospitals, schools, universities and retirement homes). It provides these clients with a wide and integrated range of products and services, including credit lending, treasury management, insurance products, financial markets products and financial IT tools. Belfius' corporate banking activities are focused on large- and medium-sized corporates which have a decision-making centre in Belgium as well as corporates offering services to the public sector.

Belfius Insurance also sells insurance products to its public and social clients. Specific life insurance solutions are offered, especially pension insurance in the first and second pension pillars for civil servants and investment products in Branch 26 (life insurance with a capital guarantee and guaranteed minimum return, to which a variable profit participation feature may be added).

### ***Strategy***

Within the Public and Corporate market, Belfius intends to maintain its position as the leader in the public and social market and to continue its growth strategy in the Belgian corporate market.

By implementing its Public and Corporate Strategy, Belfius has set itself the goal of consolidating the robust growth it has recorded in this segment since 2015. The bank's aim is to grow its share of the (loans) market to more than 15% in the Belgian corporate sector and in doing so to underline its position among the leading banks working in behalf of corporates in Belgium.

In April 2018, Belfius introduced a totally new, very much contemporary approach to Wealth Management, combining personalised, innovative service with integrated digitisation. The aim is for Belfius to offer its affluent customers a unique wealth management experience, for both their private and professional wealth.

Customer satisfaction is one of Belfius' top priorities, once again achieving 98% in 2018. Belfius has established a focused strategy to maintain this remarkably high standard. First, the bank offers a wide range of classic products meeting all basic financial needs as effectively as possible. In addition to these traditional products, Belfius also looks to add value to its client relationships by leveraging its in-depth client and market understanding and offering tailor-made products and services to meet the needs of corporate and public and social clients.

In light of the challenges faced by public institutions and businesses in Belgium, Belfius continues to pursue its Smart Belgium programme. Smart Belgium is an initiative through which Belfius, together with partners from the public sector, private sector and academic institutions, has created a forum enabling smart solutions for a better society to be developed. Belfius acts as a financial partner and contact for local governments, intermunicipal authorities, new and existing businesses, hospitals, schools, retirement homes, care centres, academics and the public in general. The bank is supporting these partners with their smart projects in different areas.

In 2017, Belfius also created its subsidiary Smart Belgium Services in partnership with Strategy&, a member of the worldwide PwC network. The aim is to help guide local authorities and businesses within a unique ecosystem and facilitate the co-creation of innovative solutions designed to make Belgium smarter. Smart Belgium Services was created to assist customers in developing a strategic framework for Smart projects, from the initial design stage to final implementation.

In 2018, SBS helped guide local authorities in their transition to becoming smart cities. This involved a Smart City Scan and the development of a Smart City strategy, as well as prototyping, co-creation and the practical implementation of the strategy itself.

In the corporate sector, Belfius builds on mutual trust and respect in order to develop sustainable and long-term client relationships. This aspiration for client intimacy means that Belfius does not focus on only selling

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<sup>20</sup> Estimated figure.

products, but also on advising, servicing and consulting with clients. To realise these objectives Belfius took a series of actions over the past few years, including:

- developing employee benefit products with a focus on mobility solutions (e.g., car leases), wage improvements (e.g., warrants and bonuses) and risk protection (e.g., hospitalisation, group insurance and collective pension plans);
- supporting international trade and mitigating related risks through trade finance (e.g., documentary credits, warranties and standby letters of credit), international payment solutions and cash pooling; and
- assisting clients with working capital management through the development of sound strategies and in-depth analyses of inventory management, credit management, and cash and treasury management.

Belfius is of the opinion that its local proximity to corporate customers and accessible decentralised decision centres provide a key competitive advantage over Belgian banking subsidiaries of international banks, enabling it to respond to customer needs quickly.

### ***PC commercial performance in 1H 2019***

On 30 June 2019, **total savings and investments** of PC customers stood at EUR 34.1 billion, an increase of 4.2% compared with the end of 2018. **On-balance sheet deposits** decreased by EUR 0.4 billion (-1.7%), to EUR 22.4 billion. The **off-balance sheet investments** of PC customers registered an increase of 19% to reach EUR 11.2 billion, following excellent activity in the corporate commercial paper business line. **Life insurance reserves for investment products** amounted to EUR 0.6 billion.

**Total loans** to PC customers increased by EUR 1.4 billion (+3.5%) to EUR 41.1 billion. Outstanding loans in Public and Social banking slightly decreased mainly due to continued low demand and the structural shift to more alternative financing sources through (Debt) capital markets. Belfius' commercial strategy towards Belgian corporates results in an increase of 12.3% (compared to December 2018) of outstanding loans to EUR 14.6 billion at the end of June 2019. Off-balance sheet commitments decreased with 2.3% to EUR 20.0 billion.

Belfius granted EUR 3.7 billion (+21%) of new long-term loans to Corporate customers and the Public sector in 1H 2019. Long-term loan production for Corporate customers increased by 13% to EUR 2.6 billion. This increase is a.o. the result of our growth ambition in this corporate segment and Belfius' pertinent and clear positioning as a "Business to Government" market specialist.

Despite continued low loan demand in 1H 2019, Belfius granted EUR 1.1 billion in new long-term funding to the Public sector. The bank is and remains uncontested market leader, and replies to every funding tender from Public sector entities. It manages the treasury of practically all local authorities.

Belfius also confirmed its position as leader in Debt Capital Markets (DCM) for (semi-)Public and Corporate customers by offering diversified financing solutions. During 1H 2019, the bank has placed a total funding amount of EUR 3.9 billion short term and EUR 0.6 billion long term notes (allocated amount) for public and social sector clients and kept its level of participation rate at 86%. With a participation rate of 80% in new long term bond issuance, Belfius also confirmed during 1H 2019 its position as leader in bond issues for Belgian corporate clients.

Belfius also structured and placed capital market transactions within Equity Capital Markets (ECM), such as IPO's, capital increases and private placement of shares for various corporate clients in 1H 2019. These mandates were executed in close cooperation with Kepler Cheuvreux, Europe's leading independent equity broker, with whom Belfius entered into a strategic partnership end 2017 to create a new equity franchise with strong local presence in Belgium.

With regard to insurance activities, total gross written premiums in the Public and Corporate segment amounted to EUR 218 million in 1H 2019. Gross written premiums in the life segment amounted to EUR 150 million in 1H 2019, an increase of 6.3% compared to 1H 2018, a good performance despite the historically low interest rate environment. Gross written premiums in the non-life segment amounted to EUR 68 million in 1H 2019, a

decrease of almost EUR 17 million or -20% compared to 1H 2018. Please be reminded that in 2Q 2018, Belfius Insurance decided to focus its non-life insurance business on the segment of social sector through direct distribution and to put the non-life activities towards other institutional and corporate customers through the brokerage and bank channel in run-off, and to reallocate freed-up resources to its strong developing non-life insurance business with SME customers through its own (bank and DVV) distribution channels.

PC net income after tax amounted to EUR 117 million in 1H 2019 compared to EUR 127 million in 1H 2018.

### **6.5.3. Group Center (GC)**

Group Center operates through two sub-segments:

- Run-off portfolios, which are mainly comprised of:
  - a portfolio of bonds issued by international issuers, especially active in the public and regulated utilities sector (which includes the UK inflation-linked bonds), covered bonds and ABS<sup>21</sup>/RMBS<sup>22</sup>, the so-called ALM Yield bond portfolio;
  - a portfolio of credit guarantees, comprising credit default swaps and financial guarantees written on underlying bonds issued by international issuers, and partially hedged by Belfius with monoline insurers (mostly Assured Guaranty); and
  - a portfolio of derivatives with Dexia entities as counterparty and with other foreign counterparties;
- ALM liquidity and rate management and other Group Center activities, composed of liquidity and rate management of Belfius (including its ALM Liquidity bond portfolio, derivatives used for ALM management and the management of central assets) and other activities not allocated to commercial activities, such as corporate and financial market support services (e.g. Treasury), the management of two former specific loan files inherited from the Dexia era (loans to *Gemeentelijke Holding/Holding Communal* and Arco entities), and the Group Center of Belfius Insurance.

These portfolios and activities are further described below:

#### **6.5.3.1. Bond Portfolio**

##### ***ALM Liquidity bond portfolio***

The ALM Liquidity bond portfolio is part of Belfius Bank's total Liquidity Coverage Ratio ("LCR")<sup>23</sup> liquidity buffer and is a well-diversified, high credit and liquidity quality portfolio.

At the end of June 2019, the ALM Liquidity bond portfolio stood at EUR 8.0 billion<sup>24</sup>, up EUR 0.3 billion or 4% compared to December 2018, mainly due to a reinvestment program in LCR eligible bonds. End of June 2019 the portfolio was composed of sovereign and public sector bonds (62%), covered bonds (31%), asset-backed securities (4%) and corporates bonds (3%). The Belgian and the Italian government bonds in the ALM Liquidity bond portfolio amounted respectively to EUR 1.5 billion and to EUR 1.5 billion as of 30 June 2019.

At the end of June 2019, the ALM Liquidity bond portfolio has an average life of 8.2 years, and an average rating of BBB+ (100% of the portfolio being investment grade (IG)).

##### ***ALM Yield bond portfolio***

The ALM Yield bond portfolio of Belfius Bank is used to manage excess liquidity (after optimal commercial use in the business lines) and consists mainly of high quality bonds of international issuers.

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<sup>21</sup> Asset-Backed Securities.

<sup>22</sup> Residential Mortgage-Backed Securities.

<sup>23</sup> It refers to the proportion of highly liquid assets held by financial institutions, to ensure their ongoing ability to meet short-term obligations.

<sup>24</sup> Nominal amount.

At the end of June 2019, the ALM Yield bond portfolio stood at EUR 3.5 billion<sup>25</sup>, down 2% compared to December 2018, mainly due to amortizations. End of June 2019, the portfolio was composed of corporates (71%), sovereign and public sector (13%), asset-backed securities (9%), and financial institutions (7%). Almost 85% of the corporate bonds, mainly composed of long-term inflation linked bonds, are issued by highly-regulated UK utilities and infrastructure companies such as water and electricity distribution companies. These bonds are of satisfactory credit quality, and the majority of these bonds are covered with an issuer credit protection by a credit insurer (monoline insurer) that is independent from the bond issuer.

At the end of June 2019, the ALM Yield bond portfolio has an average life of 20.0 years and the average rating remained at A. 95% of the portfolio is investment grade (IG).

#### **6.5.3.2. Derivatives portfolio**

##### ***Derivatives with Dexia-entities and foreign counterparties***

During the period it was part of the Dexia Group, former Dexia Bank Belgium (now Belfius Bank) was Dexia Group's "competence center" for derivatives (mainly interest rate swaps): this meant that all Dexia entities were able to cover their market risks with derivatives with Dexia Bank Belgium, mainly under standard contractual terms related to cash collateral. Former Dexia Bank Belgium systematically rehedged these derivative positions externally, as a result of which these derivatives broadly appear twice in Belfius accounts: once in relation to Dexia-entities and once for hedging. The remaining outstanding notional amount of derivatives with Dexia-entities and non collateralized interest rate derivatives with international non financial counterparties amounted to EUR 20.5 billion<sup>26</sup> at the end of June 2019 (compared to EUR 26.4 billion at the end of December 2018), of which EUR 16.4 billion with Dexia entities (compared to EUR 21.6 billion at the end of December 2018). The fair value of those Dexia derivatives amounts to EUR 3.3 billion.

At the end of June 2019, the average rating of the portfolio stood at BBB+ and the average residual life of the portfolio stood at 13.0 years<sup>27</sup>. The decrease in average rating (from A- as of year-end 2018) relates to a derisking action (novation of uncollateralized derivatives from a AAA-rated counterparty).

##### ***Credit guarantees***

At the end of June 2019, the credit guarantees portfolio amounted to EUR 3.7 billion<sup>28</sup>, down 2% compared to December 2018, mainly due to amortizations. It relates essentially to Financial Guarantees and Credit Default Swaps issued on corporate/public issuer bonds (86%) and ABS (14%). 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 mainly from various monoline insurers (US reinsurance companies, essentially Assured Guaranty) result in a portfolio that is 100% investment grade (IG) in terms of credit risk profile. This portfolio also contains Total Return Swaps for an amount of EUR 0.4 billion<sup>29</sup>.

At the end of June 2019, the average rating of the portfolio remained at A- and the average residual life of the portfolio stood at 9.9 years.

#### **6.5.3.3. Other Group Center activities**

The other activities allocated to Group Center include:

- the interest rate and liquidity transformation activity performed within ALM, after internal transfer pricing with commercial business lines, including the use of derivatives for global ALM management;
- the management of two legacy loan files inherited from the Dexia era, i.e., the investment loans to two groups in liquidation, namely *Gemeentelijke Holding/Holding Communal* and some Arco entities;

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<sup>25</sup> Nominal amount.

<sup>26</sup> Nominal amount.

<sup>27</sup> Calculated on EaD.

<sup>28</sup> Nominal amount.

<sup>29</sup> Nominal amount

- the results from hedging solutions implemented for clients (so-called financial markets client flow management activities);
- the results of treasury activities (money market); and
- the results including revenues and costs on assets and liabilities not allocated to a specific business line.

The Group Center of Belfius Insurance is also fully allocated to these other Group Center activities. The Belfius Insurance Group Center contains income from assets not allocated to a specific business line, the cost of Belfius Insurance's subordinated debt, the results of certain of its subsidiaries and costs that are not allocated to a specific business line.

### ***Financial results GC***

GC net income after tax stood at EUR -48 million in 1H 2019, compared to EUR -33 million in 1H 2018.

### ***6.6. Post-balance sheet events***

#### ***Interim dividend***

The Board of Directors of 8 August 2019 has decided to pay out an interim dividend of EUR 100 million, which has been paid in 3Q 2019.

### ***6.7. Risk Management***

#### ***Credit risk management within Belfius bank***

When granting credits to individuals (essentially mortgage loans), to self-employed persons and to small enterprises, Belfius Bank employs standardised and automated processes including credit scoring and/or rating models. Changes in objective information are reflected in the credit grade of the relevant borrower with the resultant grade influencing the management of that borrower's loans. There is a risk that Belfius Bank's credit scoring and/or rating processes may not be effective in evaluating the credit quality of customers for instance in case of structural changes in the economy of clients' behaviours or in identifying changes in loan quality in a timely manner. Any such failure in the timely identification of loan impairment could materially adversely affect Belfius Bank's business, results of operations, financial condition and prospects.

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 clients' financial situation (e.g. in relation to liquidity and capital), 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 continuity and the borrower's repayment capacity are demonstrated. To support the credit decision process, a Risk Adjusted Return on Capital ("RAROC") 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 decision-making powers are increasingly delegated to the regional commercial and credit teams, strengthening the principle of decision-by-proximity. This has resulted in a greater involvement of the various teams in the decision-making process, as well as stronger monitoring of the use of the delegated powers mentioned above.

Belfius Bank monitors the evolution of the solvency of its borrowers throughout the whole credit lifecycle. The different portfolios of the Retail and Commercial Business for which risk management relies on a portfolio approach are reviewed periodically. Customer ratings, using an individualised approach, are also updated periodically, in line with the bank's choice to apply AIRB 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.

## Fundamentals of credit risk in 2018

### *Banking activities in Retail and Commercial*

The Belgian GDP growth slowed down slightly in 2018 compared with previous year. The employment growth, however, remained important and the inflation hardly cooled down. Against this background, lending to the Retail and Commercial business line remained at a high level, and this based on a stable lending policy in general, albeit adjusted for some elements (see further).

The production of consumer loans in 2018 was 20% higher than the previous year. Mainly the volume of car loans and loans for private use increased sharply due to commercial actions. The criteria used for granting consumer loans remained generally unchanged from the preceding years and in line with the “Responsible Lending” charter of the Belgian Financial Sector Federation (Febelfin). The production of consumer loans applied via mobile channels came at cruising speed in 2018; 20% of the consumer loans were applied by using the Belfius App. The rules for evaluating mobile loan requests remained basically the same as for loans requested through traditional channels. Belfius remains however very vigilant on the risk profile of mobile loan requests, both in terms of credit risk and fraud risk.

The production of mortgage loans was very sustained throughout 2018, and remained at almost the same level the previous years. The early repayment wave (and the consecutive internal financing) which characterized 2015 and 2016, faded out in 2017 and disappeared almost completely in 2018. Nevertheless, Belfius’ portfolio of mortgage loans substantially grew over 2018, due to the increased financing of new real estate projects, i.e. property acquisitions or constructions. The share of loans with a higher LTV combined with a longer maturity in the portfolio slightly increased, because of the evolution of the product mix (higher proportion of loans to younger borrowers for a first home acquisition). Notwithstanding this evolution, the overall credit quality of the mortgage portfolio remained excellent and even slightly improved (as illustrated by the average probability of default).

The historical low risk level of the mortgage portfolio is also reflected by the cost of risk that remains at a very low level. The Risk Department continued its reinforced monitoring of the potential higher risk segments of mortgage loans (combinations of longer repayment terms, higher loan-to-value financing ratios and higher debt service costs vs. income ratios, as well as buy-to-let transactions). The results of this monitoring are presented periodically through the appropriate governance channels (i.e. the various credit risk-related committees, including the Management Board, the Audit Committee and the Risk Committee). On this basis, the Bank took measures to keep production in these niches within strict limits. This approach is in line with the concerns expressed by the NBB with regard to the evolution of the Belgian residential real estate and mortgage market.

Belfius has more than 275,000 self-employed workers, professionals and SMEs as customers. Each one of them can rely on the personal service of a business banker. Belfius Bank’s approach to have lending decisions for business loans taken by local teams working close to the customer was further intensified in 2018. This strategy contributes to a better customer service while numerous tests and realised statistics indicate that the risk remains under control. The continuous fine-tuning of the decision-making logic and the enhanced and quickly reactive monitoring on deteriorating risk profiles is bearing fruit. Through the continuation of the “Go4Credits” project, Belfius enhanced also in 2018 the efficiency of its credit approval process for the Commercial Business line.

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 2018, according to Graydon, 10,714 companies were forced to cease business against 10,831 in 2017, a decrease of 1.08 %. However, the number of bankruptcies (3,102) in the Brussels-Capital Region remained at a very high level. This is an increase of 14.8 % compared with 2017, an absolute record. The average size of failed companies declined in considerable measure through 2018. Merely 2 companies with more than 100 employees went bankrupt, which is unique. As a result, the number of jobs put at risk by a bankruptcy of the employer decreased substantially faster than the number of

bankruptcies. When looking at the relation between sectors and jobs put at risk due to a bankruptcy, the catering industry and the construction industry still swallow the highest job losses. But there is a fundamental difference between both industries: never before more jobs were lost in the catering industry, while the number of jobs put at risk in the construction industry decreased. Overall, 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 2018, Belfius kept providing the public and social sector, as well as mid & large companies, with an extensive and integrated range of dedicated 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 also become 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 balance of payments of the majority of Belgian municipalities showed in 2018 an equilibrium, or even a surplus. Local authorities continue in such a way their collective contribution to the budgetary surplus of the country as a whole. Another eye-catching evolution in 2018 was the decline of indebtedness of municipalities, together with the decrease of the interest charges. (historic low interest). Nevertheless, 4 big challenges with an important financial impact will remain for the local authorities in the following years:

- the expected growth of the pension costs related to their statutory staff;
- the demographic evolution (the ageing population in general and the population growth in the big cities) and social cohesion;
- the impact of the tax shift that gradually erodes the taxable basis of the personal income tax;
- the investment capacity of local authorities in the context of the Stability Pact (ESA-standards).

In such a way, it is not surprising that the local landscape is changing fast. Just as the police zones in the past, the former municipal fire brigades are transformed into a separate local public administration: the ‘assistance’ zone. Municipalities and provinces pass on more and more specific activities to autonomous companies. Public centres for social welfare increasingly create associations that take over their custodial activities, and 15 Flemish municipalities merged into 7 new municipalities in early 2019. At the same time, provinces lose a part of their competences and financial means, while municipalities and regional agencies take over some of their assignments.

Hospitals have an acceptable financial structure, established over the past through a fair equity base accompanied by government subsidies. Profitability, however, is weak. Several hospitals are financially unstable. One third of the hospitals is making a loss. This induces an overall reduced available repayment capacity. Recent hospital activity levels are rising. Increased revenues are related to innovative treatments and pharmacy revenues. Day hospitalisation is gaining importance. Taking care of patients in a future-proof medical and technical environment is to be realized within challenging budgetary healthcare restrictions for an aging population.

The hospital sector is undergoing a transformation. As part of the Care Reform plan, a multi-year plan reshaping the hospital landscape, a law was voted in February 2019 imposing general hospitals to create a 25-hospital network from 1 January 2020 onwards: 13 in Flanders, 8 in Wallonia and 4 in Brussels. Network proposals are in the process of recognition by the respective Regions. As a consequence of the Sixth Belgian State Reform, Regions are responsible for hospital recognition, as well as for hospital infrastructure. Networks will be responsible to define their care supply and internal organisation. Every hospital within a hospital network will offer general care, and will have to define how it will organize more specialised services such as maternity care and emergency care throughout the network. For the hospitals, the creation of networks could not only be a step

forward in the improvement of health services, but also for the financial health of the sector. For Belfius, the network creation could increase concentration, the new regional hospital infrastructure financing mechanisms could imply lower regional guarantees for future financings.

Belfius' corporate business is focused on Belgian companies with a turnover in excess of EUR 10 million. Belfius has taken the necessary measures to ensure that her growth strategy in this segment goes hand in hand with a good creditworthiness and acceptable risk concentrations. The credit profile of the corporate lending remained fairly stable during 2018, which also meant that the cost of risk remained at an acceptable level and within the limits set. Real GDP growth in Belgium slowed down slightly in 2018 to 1.5%, driven by the normalising pace of the expansion of business investments and the slowing export. The progress of private consumption, however, was supported by the increasing purchasing power, even though the employment growth steadily lost power. Protectionist measures often have a bigger negative impact than just their direct effect on the countries concerned or the products affected, because of the uncertainty created by such measures, and because of the global interconnectedness of the production chains. The escalating trade war between China and the USA, but also the budget problems in Italy or a hard Brexit can in such a way spoil 2019. Belfius keeps monitoring actively the global Brexit risks and impacts at a portfolio level. Until now, this monitoring did not reveal elements leading to a special concern.

Belfius monitors sector risks in a proactive way and defined specific measures with regard to a limited number of more vulnerable sectors. In the shipping industry, Belfius Bank continued to focus exclusively, as it has done in previous years, on shipping companies and other shipping-related businesses that have a commercial relationship with the Bank and a clear link with the Belgian economy. Connections with companies that do not meet these criteria were further substantially reduced in the course of 2018, mainly through a targeted pruning action that was already started in 2017. The residual credit risk on these companies has been reduced to a negligible level. The shipping industry experienced in 2018 a consolidation unprecedented since 2014. With costs rising, rates limping and private-equity investors seeking exits, more consolidation should follow.

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

Finally, it is worth mentioning that Belfius further intensified its portfolio management in the course of 2018, in the first place through the gradual sale of higher risk exposures and/or exposures that are no longer considered as being core business (e.g. shipping-related business without a commercial relationship), but also by developing risk hedging and risk sharing programs.

## ***Insurance***

The management of the credit risk of Belfius Insurance is the responsibility of Belfius Insurance risk management team, albeit in collaboration with the credit risk teams of Belfius Bank and aligned with the risk management guidelines that are applicable for the whole Belfius group. As such, this implies that credit limits are defined on a consolidated basis and that transfers of limits between the Bank and Insurance are permitted, on the condition that both parties agree. The CROs of Belfius Bank and Belfius Insurance coordinate the requests among each other.

## ***Exposure to credit risk***

Belfius Bank measures its credit risk in terms of Full Exposure at Default (“FEAD”)<sup>30</sup>

The definition of FEAD is determined as follows:

- for balance sheet assets (except for derivatives): the gross carrying amounts (before credit risk adjustments);
- for derivatives: the fair value of derivatives after netting, increased with the potential future exposure calculated under the current exposure method (add-on);
- for Securities Financing Transactions (repo's and reverse repo's): the carrying amount as well as the excess collateral provided for repurchase agreements;
- for off-balance sheet commitments: either the undrawn part of credit facilities or the maximum commitment of Belfius for guarantees granted to third parties.

Belfius credit risks are based on a consolidation scope that includes its fully consolidated subsidiaries, Belfius Insurance included.

At 30 June 2019, the total credit risk exposure within Belfius reached EUR 170.8 billion, an increase of EUR 4.0 billion or 2.4 % compared to the end of 2018.

At bank level the credit risk exposure increased with 2.6 % to EUR 156.7 billion. At the level of Belfius Insurance, the credit risk exposure went up by 1% to EUR 14.1 billion at 30 June 2019.

Breakdown of credit risk by counterpart

(FEAD, in EUR billion)	31/12/2018	30/06/2019	of which	
			Bank	Insurer
Central governments	20.5	20.3	14.4	5.9
<i>of which government bonds</i>	9.6	9.8	4.1	5.7
Public sector entities	45.7	45.5	43.7	1.9
Corporate	32.9	35.5	34.1	1.4
Monoline insurers	4.5	4.6	4.6	-
ABS/MBS	0.8	0.8	0.7	0.1
Project Finance	2.2	2.6	2.6	-
Individuals, self-employed and SME's	47.9	49.4	45.7	3.7
Financial institutions	12.1	12.1	11.0	1.1
Other	-	-	-	-
<b>Total</b>	<b>166.7</b>	<b>170.8</b>	<b>156.7</b>	<b>14.1</b>

The credit risk exposure on public sector entities and institutions that receive guarantees of these public sector entities (27% of the total) and on individuals, self-employed and SMEs (29% of the total) constitute the two main categories. The credit risk exposure on public sector entities was stable, while the credit risk exposure on individuals, self-employed and SMEs increased by EUR 1.5 billion due to increasing commercial activities. The expansion of Belfius' corporate activities is also reflected in higher credit risk exposure (+EUR 2.6 billion) for this segment leading to an increase of its relative proportion from 20% by the end of 2018 to 21% by June 2019.

The relative proportion of the segment central governments remained stable at 12%. Half (50%) of the government bonds portfolio is invested in Belgian government bonds at the Group level. While at bank level the Belgian government bonds represents 39% of the total government bond portfolio, the relative proportion at Belfius Insurance stood at 58%.

<sup>30</sup> Belfius uses the term of Full EAD or FEAD. Full Exposure At Default (FEAD) is the total exposure at default (EAD), including the total amount of a free credit line and other off-balance-sheet transactions (with the exception of derivatives), before application of credit conversion factors (CCF). EAD is an estimation of the maximum extent to which a bank may be exposed to a counterparty in the event of, and at the time of, that counterparty's default.

The credit risk exposure on financial institutions remained stable during the first half of 2019 (at 7% on 30 June 2019). The credit risk on monoline insurers on bonds issued by issuers principally active in infrastructure and public utilities projects is predominantly an indirect risk arising from credit guarantees written by Belfius Bank and reinsured with monoline insurers. During the first half of 2019, their relative proportion was stable at 2.7%.

Belfius' positions are mainly concentrated in the European Union: 96% or EUR 150.5 billion at bank level and 98% or EUR 13.8 billion for Belfius Insurance. The total relative credit risk exposure on counterparties situated in Belgium is 75%, 6% in the United Kingdom, 4% in France, 2.4% in the United States and Canada and 1.4% both in Spain and in Italy.

The credit risk exposure to counterparties in the United Kingdom amounted to EUR 9.6 billion as of end June 2019. About half of this credit risk exposure concerns bonds, of which close to two-third are inflation-linked, issued by utilities and infrastructure companies in the United Kingdom that operate in regulated sectors such as water, gas and electricity distribution. These bonds are of satisfactory credit quality (100% investment grade), and moreover the majority of the outstanding bonds are covered with a credit protection issued by a credit insurer that is independent from the bond issuer. The remainder concerns the bond portfolio of Belfius Insurance, a short-term credit portfolio for treasury management of Belfius Bank and receivables on clearing houses. The credit risks on those portfolios are also of good credit quality.

The risks linked to a hard Brexit for Belfius have decreased compared to last year due to the temporary recognition of LCH as a Qualified Central Clearing Counterparty. This implies that the clearing services can be continued without interruption until December 2020 which should leave sufficient time for a full recognition. Belfius has also become direct clearing member of Eurex as an additional mitigant.

At 30 June 2019, 82% of the total credit risk exposure had an internal credit rating of investment grade (IG).

### ***Asset quality***

At the end of June 2019, the amount of impaired loans was EUR 1,806 million, a decrease of 3.1% compared to year-end 2018, driven by pruning, write-offs and files returning to performing. During the same period, the gross outstanding loans to customers increased by 2.2% and amounted to EUR 92,758 million as the end of June 2019. As a consequence, the asset quality ratio improved from 2.05% at year-end 2018 to 1.95% at the end of June 2019. The stage 3 impairments on loans (*i.e.* non-performing credit exposures) decreased by 2.3%. As such, the coverage ratio increased to 62.1% at the end of June 2019 compared to 61.6% at the end of 2018. The stage 1 & 2 impairments (*i.e.* performing credit exposures and under-performing credit exposures respectively) on loans and advances to customers increased by EUR 32 million from end 2018 to EUR 369 million at the end of June 2019, as a result of the growth of the portfolio and underlying evolutions.

### ***Market 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 ALM. The structural exposure at Belfius results from the imbalance between its assets and liabilities in terms of volumes, durations and interest rate sensitivity.

Belfius' 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.

The real operational responsibility of the effective ALM is delegated to the Asset & Liability Committee (“ALCo”). The ALCo manages interest rate risk, foreign exchange risk, and liquidity risk of the Bank’s respectively insurer’s balance sheet 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, that has the final authority before any practical implementation.

The ALCo of the 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;
- the insurance of robust and sustainable funding.

The ALCo meets regularly, chaired by the Chief Financial Officer (CFO), with meetings attended by the Chief Risk Officer (CRO) and members of the Management Board responsible for commercial business lines (or their mandatees).

The ALCo of Belfius Insurance plays the same role for the insurance company pursuing the same objectives but with a focus on the economic value and solvency according to the Solvency II regulation. The risk indicators are calculated based on a harmonised risk method for Belfius, supplemented by factors specific to Belfius Insurance relating to their risk management.

### **Liquidity risk**

#### *Liquidity management framework*

Belfius Bank manages its liquidity with a view to comply with internal and regulatory liquidity ratios. In addition, limits are defined for the balance sheet amount that can be funded over the short term and on the interbank market. These limits are integrated in the Risk Appetite Framework (RAF) approved by the Board of Directors and reported on a quarterly basis. Available liquidity reserves also play a key role: at any time, Belfius Bank ensures it has sufficient quality assets to cover a temporary liquidity shortfall, both in normal markets and under stress scenarios. Belfius Bank defined specific guidelines for the management of LCR eligible bonds and non LCR eligible bonds, both approved by the Management Board. All this is laid down in liquidity guidelines, approved by the ALCo.

Asset and Liability Management (ALM), a division situated within the scope of the Chief Financial Officer (CFO), is the front-line manager for the liquidity requirements of Belfius Bank. ALM analyses and reports on current and future liquidity positions and risks. It defines and coordinates funding plans and actions under the operational responsibility of the CFO and under the general responsibility of the Management Board. The CFO also bears final operational responsibility for managing the interest rate risk contained in the banking balance sheet via the ALM department and the ALCo, meaning that total bank balance sheet management lies within its operational responsibility.

ALM organises a weekly Assets and Liabilities Forum (“ALF”), in presence of the Risk department, the Treasury department and representatives of the commercial business lines. This forum coordinates the implementation of the funding plan validated by ALCo.

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

ALM reports on a daily basis to the CFO and CRO and on a monthly basis to the Board of Directors 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 and challenges the retained assumptions and models.

In addition to the RAF-limits, a set of liquidity KRI is defined in the liquidity guidelines. Compliance with KRI is monitored and reported on a daily basis. The objective of these KRI is to remain sufficiently liquid and to respect regulatory liquidity ratios in stress situations. Several stress simulations have been defined which take into account action plans with recovery measures. These recovery measures are regularly tested in the market.

Next to that a daily liquidity dashboard is generated in order to detect as early as possible any liquidity problems.

ALF also monitors all aspects relating to asset encumbrance (*i.e.* a ratio of encumbered assets (assets that are used for collateral, repo, covered bonds, ABS or other purposes and that cannot be used elsewhere) versus total assets):

- Analysis of the potential regulatory and economic impacts of asset encumbrance;

- Coordination of all projects that impact asset encumbrance;
- Optimisation of the asset allocation.

*Consolidation of the liquidity profile*

During the first half of 2019, Belfius consolidated its diversified liquidity profile by:

- maintaining a funding surplus within the commercial balance sheet;
- continuing to obtain diversified long-term funding from institutional investors;
- collecting short and medium-term deposits (Commercial Paper (“CP”)/Certificates of Deposit (“CD”)/European Medium Term Notes (“EMTN”)) from institutional investors.

Belfius Bank reached end of June 2019 a 12 month average LCR of 132%<sup>31</sup>. The LCR of the Bank has remained above 100% during the first semester of 2019.

The Net Stable Funding Ratio (“NSFR”)<sup>32</sup>, based on our current interpretation of current Basel III rules, stood at 115% end of June 2019.

Therefore, Belfius Bank currently complies with the CRD IV requirements (minimum requirements both LCR and NSFR set at 100% as from 1 January 2018).

However, failure to comply with these ratios in the future may lead to regulatory sanctions.

Wholesale funding may also prove difficult if Belfius Bank does not achieve LCR and NSFR ratios comparable to peers, as this could be interpreted as a sign of lower resilience against liquidity issues.

*Minimum requirement for own funds and eligible liabilities*

In April 2019, the NBB has notified Belfius Bank of the MREL requirement imposed by the Single Resolution Board (SRB).

The BRRD provides that institutions established in the European Union (EU) should meet a minimum requirement for own funds and eligible liabilities (“MREL”) to ensure an effective and credible application of the bail-in tool. The SRB MREL determination follows the methodology laid down in the “SRB 2017 MREL Policy”, published by the SRB on 20 December 2017. The MREL shall be calculated as the amount of own funds and eligible liabilities expressed as a percentage of the total liabilities and own funds (“TLOF”<sup>33</sup>).

The SRB determines the consolidated MREL requirement for Belfius Group at the level of 10.56% of its total liabilities and own funds, to be met at all times and taking into account an evolving balance sheet. Based upon data as of 30 June 2019, the MREL requirement of 10.56% of TLOF amounts to EUR 14.08 billion. Based upon data as of 30 June 2019, Belfius’ MREL of EUR 16 billion exceeds the MREL requirement.

Following the current SRB methodology, Belfius Group exceeded the MREL requirement based on data 31 December 2017, and hence no transitional period has been defined by the SRB for Belfius.

As mentioned in the 2018 SRB Policy for the second wave of resolution plans, the SRB has also set out a subordination benchmark for O-SIIs<sup>34</sup>. Applying this benchmark, using current CBR<sup>35</sup> applicable to Belfius, would lead to a level of 18.07%<sup>36</sup> of the total risk exposures. Based upon data as of 30 June 2019, Belfius achieves a subordinated MREL level of 21.3% of RWA.

The SRB reserves the right to adjust the aforementioned policy at a later stage in the light of the future design of the BRRD and further development of the MREL policy. Following the publication of the Banking Package in

<sup>31</sup> Belfius discloses a 12 month average LCR in accordance to EBA guidelines on LCR disclosure.

<sup>32</sup> Net Stable Funding Ratio is a liquidity standard requiring banks to hold enough stable funding to cover the duration of their long-term assets.

<sup>33</sup> TLOF: based on prudential scope of consolidation with prudential netting of derivatives exposures.

<sup>34</sup> Other Systemically Important Institutions.

<sup>35</sup> Combined Buffer Requirement.

<sup>36</sup> 18.07% = 14% + CBR.

the Official Journal of the EU on 7th June 2019 and the CRR2 that came into force on 27th June 2019, Belfius will be impacted by a change in MREL eligibility as “liabilities should be directly issued and should not be owned by an undertaking in which the institution has a participation of more than 20%”. As a consequence, Belfius will have to exclude liabilities issued by Belfius Financing Company, i.e. Belfius’ Luxembourg based issuance vehicle for CP and Retail Bonds (that are currently partly accounted for as MREL eligible instruments). Excluding these retail senior securities may lead to a manageable MREL shortage. Current understanding is that, in case of shortage, the SRB will define a transition period that it will communicate together with the updated MREL requirement based on BRRD2, expected to apply from 1H 2021 onwards.

#### *Liquidity reserves*

At the end of June 2019, Belfius Bank had readily realisable liquidity reserves of EUR 29.5 billion. These reserves consisted of EUR 8.6 billion in cash, EUR 11.7 billion in ECB eligible bonds (of which EUR 8 billion are CCP-eligible<sup>37</sup>), EUR 6.8 billion in other assets also eligible at the ECB and EUR 2.4 billion in other liquid bonds.

These liquidity reserves represent 4.5 times the Bank’s institutional funding outstanding end of June 2019 and having a remaining maturity of less than one year.

#### *Funding diversification at Belfius Bank*

Belfius Bank has a historical stable volume of commercial funding that comes from its RC and PC customers. RC and PC funding equals EUR 93.9 billion of which EUR 70.4 billion is from RC. The increase of EUR 3.7 billion commercial funding compared to end of 2018 is used to finance the increase of commercial loans.

The loan-to-deposit ratio, which indicates the proportion between assets and liabilities of the commercial balance sheet, remained rather stable and stands at 93% at the end of June 2019.

Belfius Bank also receives medium-to-long-term wholesale funding, including EUR 8.0 billion from covered bonds (EUR 5.6 billion backed by mortgage loans and EUR 2.4 billion by public sector loans), EUR 1.4 billion from Senior Unsecured, and EUR 4.0 billion in TLTRO funding from ECB as at 30 June 2019.

The Non Preferred Senior Bonds of EUR 1.75 billion, as from 5 November 2019, have enabled Belfius to further contribute to the regulatory requirement of MREL.

The remainder of the Bank’s funding requirements comes from institutional short-term deposits (Treasury) mainly obtained through placement of Certificates of Deposit and Commercial Paper.

Next to that, Belfius Bank also has a historical bond portfolio, including an ALM portfolio for liquidity management purposes, with highly liquid assets.

As a result of derivative contracts to cover interest rate risk of its activities, Belfius Bank has an outstanding position in derivatives for which collateral must be posted and is being received (cash & securities collateral). Against the background of historical low interest rates, in net terms, Belfius Bank posts more collateral than it receives.

#### *Encumbered assets*

Like every credit institution, a non-negligible part of Belfius Bank’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.

Finally, it should be noted that the 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 the 3 March 2015. The general liens could have an impact on the recourse that a noteholder would have on the general estate of the Issuer in the case of an insolvency as the

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<sup>37</sup> CCP = Central Counterparties.

claims which benefit from a general lien will rank ahead of the claim of any Noteholder against the general estate in accordance with Article 6, indent 8 of Annex III to the Banking Law. However, this impact should in principle be mitigated by the fact that the Banking Law requires all Belgian credit institutions (including the Issuer) to have sufficient unencumbered assets to meet any claims of depositors as set out in Article 110, §2, indent 2 of the Banking Law. In addition, no mortgage pandbrieven can be issued if the amount of the underlying assets exceeds 8 per cent. of the issuing credit institution's total assets. The value of the underlying assets for mortgage pandbrieven is taken into account by the NBB when monitoring compliance with both thresholds. Finally, pursuant to Article 3 of the Regulation of the NBB concerning the practical modalities for the application of the Law of 3 August 2012 that establishes a legal regime for Belgian covered bonds dated 29 October 2012 (*Circulaire van 29 oktober 2012 over de praktische regels voor de toepassing van de wet van 3 augustus 2012 tot invoering van een wettelijke regeling voor Belgische covered bonds/Circulaire du 29 octobre 2012 relative aux modalités pratiques d'application de la loi du 3 août 2012 instaurant un régime légal pour les covered bonds*), the NBB may impose more stringent requirements on a case by case basis, taking into account the level of collateralisation of the Issuer's assets.

For the avoidance of doubt, the general liens for the benefit of the deposit guarantee fund and the depositors only relates to the general estate of the Issuer, not to the special estate that underlies any mortgage pandbrieven or other covered bonds issued by the Issuer. The deposit guarantee fund and the depositors do not benefit from a similar general lien on the special estate.

According to Belfius current interpretation of the EBA guideline on the matter, the encumbered assets at Belfius Bank level amount to EUR 34 billion in June 2019 and represent 21.6% of total bank balance sheet and collateral received under securities format, which amounts to EUR 158.2 billion (EUR 154.0 billion assets and EUR 4.1 billion collateral received). This represents a slight decrease of the encumbrance ratio of -0.2% compared to end 2018.

Belfius is active on the covered bond market since the set-up of the first covered bond programme in 2012. In June 2019, the total amount issued was EUR 8.0 billion. End June 2019, the assets encumbered for this funding source are composed of commercial loans (public sector and mortgage loans) and amount to EUR 10.0 billion (increase of EUR 0.1 billion compared to end 2018).

The Bank is also collecting funding through repo markets<sup>38</sup> for a limited amount and other collateralised deposits. End June 2019, the total amount of assets used as collateral for this activity amounts to EUR 6.0 billion, of which EUR 4.6 billion linked to the ECB funding.

The balance of encumbered assets is mainly linked to collateral pledged (gross of collateral received) for the derivatives exposures for EUR 14.3 billion (increase of EUR 1.8 billion compared to end 2018), under the form of cash or securities. A significant part of collateral pledged is financed through collateral received from other counterparties with whom the Bank concluded derivatives in the opposite direction.

Regarding the "Other assets" (unencumbered) on balance sheet, they are mainly composed of assets not available for encumbrance such as derivatives value, fair value revaluation of portfolio hedge and tax assets.

### ***Operational risk – Non financial risks***

The NFR framework determines the principles that ensure an effective management of Belfius' non-financial risks. The principles are further elaborated in specific Policies/Guidelines adapted to the business activities. These general principles are in compliance with the applicable legal requirements.

The framework is based on four axes:

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<sup>38</sup> Repo markets are markets where repos are negotiated. A repo is a repurchase agreement. In a repo, one party sells an asset (usually fixed-income securities) to another party at one price and commits to repurchase the same or another part of the same asset from the second party at a different price at a future date. If the seller defaults during the life of the repo, the buyer (as the new owner) can sell the asset to a third party to offset his loss. The asset therefore acts as collateral and mitigates the credit risk that the buyer has on the seller. The repo market is vital to other financial markets as it is the main source of financing for dealers.

- a risk mapping and taxonomy in order to ensure consistency within the organization, including a regular review of this mapping and taxonomy to identify emerging risks;
- clear roles and responsibilities, as well as a well-defined way of working together for all the risks based on the 3 Lines of Defense (“**LoD**”) model;
- a strong governance/committee structure involving the appropriate level of management; and
- transversal risk processes and related policies, such as: self-assessment of risks and internal controls, incident monitoring, risk reporting, risk appetite definition and follow up, business continuity and crisis management

The formal definition of a Risk Appetite Framework (“**RAF**”) is the key reference for the group Risk Management practice and covers not only Financial Risk but also NFR.

The RAF for NFR contains qualitative and quantitative statements and is articulated around three concepts on which limits are defined:

- “Risks”: What are the risks? How to appreciate the risk level?
- “Returns”: What are the potential losses/gains related to those risks?
- “Capacity”: What is the capacity to absorb/manage the risks?

For NFR, there are two levels of limits: the highest level of risk limits is part of the RAF (with limits and follow-up at Board of Directors/Risk Committee level), and these are further declined into consistent sub-limits with a follow up at NFR Committee level (Management Board level).

Managing NFR is based on the following principles:

- A decentralised responsibility in which each of the Bank’s line management organizations has the primary responsibility for monitoring the NFRs in its individual sphere of activity (first line of defence);
- A systematic collection and control of data on operational incidents;
- A yearly bottom-up Self-Assessment of Risks and Internal Controls in all departments and subsidiaries of Belfius;
- The new product approval process which involves a number of steps and ex-ante risks analysis that must be completed before the new product (product, activity, process or system) can be introduced to the market;
- A correct management of insurance policies;
- An information security which protects Belfius’ information that has a value for the organization;
- A respect for privacy and the protection of personal data (GDPR);
- In collaboration with Internal Audit and Compliance, a fraud risk policy with a zero-tolerance policy for all forms of fraud (internal, external as well as mixed fraud);
- A business continuity policy which requires an analyse of the business impact on critical activities, the development of recovery plans and the testing of the plans regarding business continuity at least once a year.

The reporting mechanisms ensure that the responsible parties are notified quickly if incidents occur. Major incidents are also reported to the CRO/Management Board, and these reports include an action plan for avoiding, mitigating or limiting risks in the future. This action plan is developed under the responsibility of the relevant line management.

For Belfius Insurance and Belfius Investment Partners, the establishment of an overview of operational incidents is also crucial to achieve a better understanding of the operational risk associated with each activity. This constitutes a relevant source of information for management (for example, the annual loss). The major operational incidents are investigated thoroughly and are subject to a specific action plan and appropriate follow-up.

## *6.8. Ratings*

At 15 December 2019, Belfius Bank had the following ratings:

	<b>Long-term rating</b>	<b>Outlook</b>	<b>Short-term rating</b>
Fitch.....	A-	Stable	F1
Moody's .....	A1	Stable	Prime-1
Standard and Poor's.....	A-	Stable	A-2

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

A downgrade of Belfius Bank may impact the value of the Warrants as the likelihood that Belfius Bank will be able to meet its requirements can be considered to be lower in case of a downgrade (i.e. the credit risk that the clients have on Belfius Bank is perceived to be higher). However, an impact on the cash flows is unlikely in case of a downgrade, unless Belfius Bank goes into default as a result of that downgrade

## *6.9. Other information*

Belfius Bank is not dependent on any of its subsidiaries, save for Belfius Insurance SA/NV. Belfius Insurance SA/NV holds the licenses required for insurance undertakings, and Belfius Bank consequently relies on it for the insurance activities carried out by it.

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

There are no arrangements known to Belfius Bank, the operation of which may at a subsequent date result in a change of control of Belfius Bank.

Belfius (Belfius Bank and its consolidated subsidiaries) is involved as a party 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.

Belfius recognises provisions for such litigations when, in the opinion of its management taking into account all available elements, including an analysis by its company lawyers and external legal advisors as the case may be,

- a present obligation has arisen as a result of past events,
- it is probable that Belfius will have to make a payment, and
- the amount of such payment can be estimated reliably.

With respect to certain other litigations against Belfius, of which management is aware, no provision has been made according to the principles outlined here above, as 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 the opinion of Belfius, the most important cases are listed below, regardless of whether a provision has been made or not. Their description does not deal with elements or evolutions that do not have an impact on the position of Belfius. If the cases listed below were to be successful for the opposite parties, they could eventually result in monetary consequences for Belfius. Such impact remains unquantifiable at this stage. Note that, apart from the cases listed below, a vigilance has been observed in the prevention of money laundering (AML) in the Belgian financial sector. In this context, as is customary, Belfius is collaborating with the Belgian authorities and monitors this closely.

## **1. Housing Fund of the Brussels Capital Region**

On 9 October 2012, the Housing Fund of the Brussels Capital Region (Woningfonds van het Brussels Hoofdstedelijk Gewest/Fonds du Logement de la Région de Bruxelles-Capitale) summoned Belfius Bank before the Brussels Commercial Court. The Housing Fund subscribed for a total amount of EUR 32,000,000 to 4 treasury notes issued by Municipal Holding (Gemeentelijke Holding/Holding Communal), placed by Belfius acting as dealer under the Municipal Holding commercial paper program, between July and September 2011 (Commercial Paper program). Due to severe financial difficulties encountered by the Municipal Holding, the Housing Fund granted a voluntary waiver to the Municipal Holding on 24 November 2011 and received repayment for EUR 16 million. The Municipal Holding entered into liquidation in December 2011. Due to the intervention of Belfius as dealer of the treasury notes, the Housing Fund 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 since 2016. The date of the hearings is not yet known.

No provision has been made for this claim.

## **2. Arco - Cooperative shareholders**

Various parties, including Belfius Bank, have been summoned by Arco - Cooperative shareholders in three separate procedures, i.e. one procedure before the Dutch speaking Commercial Court of Brussels, one procedure before the Court of First Instance of Antwerp, Section Turnhout and another procedure before the Court of First Instance of Brussels:

- On 30 September 2014, 737 shareholders from 3 companies of the Arco Group (Arcopar, Arcoplus and Arcofin) initiated (with support of Deminor) proceedings against the Arco entities and Belfius Bank before the Dutch speaking Commercial Court of Brussels (the “**Deminor Proceedings**”). On 19 December 2014, 1,027 additional shareholders of the Arco entities joined in the Deminor Proceedings. On 15 January 2016, 405 additional shareholders of the Arco entities joined the Deminor Proceedings,

resulting in a total of 2,169 plaintiffs. The plaintiffs have requested that the Brussels Court rule, among other things, that:

- the agreements by virtue of which they became shareholders of the relevant Arco entities are null and void;
- the defendants should, jointly and severally, reimburse the plaintiffs their financial contribution in these entities plus interest; and
- the defendants are liable for certain additional damages to the plaintiffs.

The financial contribution of the 2,169 plaintiffs for which reimbursement is sought amounted to approximately EUR 6.5 million (principal amount) as at the date of this Report. The plaintiffs' claims in the Deminor Proceedings are based on allegations of fraud and/or error on the part of the Arco entities and Belfius Bank. In the alternative, the plaintiffs have argued that Belfius Bank breached its general duty of care as a normal and prudent banker. In relation to Belfius Bank, the plaintiffs have referred to certain letters and brochures allegedly containing misleading information issued by the predecessors of Belfius Bank. The Belgian State and the Chairman of the Management Board of the Arco entities are also defendants in the proceedings before the Commercial Court of Brussels. Belfius Bank has submitted its first legal briefs on 16 August 2018 and the case will normally be pleaded during several pleading sessions in June 2021.

- Separately from the abovementioned proceedings before the Commercial Court of Brussels, on 24 October 2016, three shareholders in Arcopar initiated court proceedings (the "Turnhout Proceedings") against Belfius Bank before the Court of First Instance of Antwerp, section Turnhout. The plaintiffs in the Turnhout Proceedings request that Belfius Bank is to be held liable to pay an "undetermined provisional amount of 2,100 EUR" per plaintiff plus interest and costs, because they claim that Belfius Bank misled them in subscribing Arcopar-shares. As at the date of this Report, the aggregate amount of the claims of the plaintiffs in the Turnhout Proceedings amounted to approximately EUR 6,300 EUR (principal amount). The plaintiffs base their claims upon promotional material that was distributed by the predecessors of Belfius Bank as well as the Arco entities and the former Belgian Christian collective of workers' associations (ACW). On 27 February 2017, Belfius Bank summoned Arcopar to intervene in the Turnhout Proceedings and to indemnify Belfius Bank for any amount for which it would be held liable towards the plaintiffs. In subsidiary order, the plaintiffs have also filed a claim against Arcopar and Belfius Bank requesting that their subscription of Arcopar shares is to be declared null and void. On 3 April 2018, the plaintiffs also summoned the Belgian State to intervene in the Turnhout Proceedings. All parties requested the Court to transfer this case to the Court of First Instance of Brussels. The Court decided on 19 November 2018 to grant the requested transfer and this procedure is now joined with the procedure before the Court of First Instance of Brussels.
- Furthermore, on 7 February 2018, 2 cooperative shareholders summoned the Belgian State before the Court of First Instance of Brussels because they state that the Belgian State has made a fault by promising and introducing a guarantee scheme for shareholders of financial cooperative companies (like the Arco cooperative shareholders) which has been considered illicit state aid by the European Commission. These 2 plaintiffs also summoned Belfius Bank on 7 February 2018 to intervene in this procedure, and claim compensation from Belfius Bank because they consider that Belfius Bank erred in the sale of the Arco shares. Groups of Arco-shareholders organized themselves via social media to mobilize other Arco shareholders to become claimant in this procedure, and to the knowledge of Belfius, as of end June 2019, approximately 5,380 Arco shareholders did so. There is not yet a pleading calendar in this case.

No provision has been made for these claims because Belfius Bank is of the opinion that it has sufficient valid arguments to result in these claims being declared inadmissible and/or without merit.

### **3. Ethias**

Ethias is managing one of Belfius' pension plans under an insurance agreement whereby Ethias must provide a guaranteed return on the pension reserves. Given the fact that the plan is managed in a segregated fund and that 100% of the financial gains on the underlying assets were contractually allocated to the plan, Belfius had to value these assets at their market value according to IFRS rules (IAS 19). In the course of 2016, Ethias claimed a significant increase in costs. Following Belfius' refusal, Ethias notified its intent to transfer the plan to a "main fund". If that were to occur Belfius would no longer be able to book the plan at the market value of the assets but would rather have to calculate the present value of the reserves based upon Ethias guaranteed return. In order to prevent this, Belfius summoned Ethias before the Court (tribunal de l'entreprise de Bruxelles/ondernemingsrechtbank Brussel) on 12 January 2017.

In 2019, Belfius and Ethias concluded an out of court settlement. The end of the judicial procedure will be acted by the Court. As part of the agreement, the abovementioned pension plan remains segregated. Belfius also received from Ethias the necessary financial information about the plan's assets as to allow a valuation of the plan using the market value of its assets.

#### **4. Funding Loss**

Belfius Bank is facing some legal actions regarding the issue of indemnities charged for funding losses incurred by the Bank. The latter are charged to professional clients in the case of early repayment of professional credits. These indemnities are calculated in line with the current legal dispositions and the contractual framework of such credits to reflect the financial losses that are actually incurred by the Bank in the case of early repayment of a professional credit. Belfius booked a provision to cover the potential adverse outcome of those active litigation proceedings for which it assesses to have a less strong case.

#### **5. Investigations into Panama Papers**

These paragraphs are mentioned for completeness only, although the matters below do not comprise a litigation. On 5 December 2017, a police search under the lead of an examining magistrate of Brussels (onderzoeksrechter/juge d'instruction) took place at Belfius Bank's head office in the framework of the Belgian "Panama Papers" Parliamentary Commission. The Bank was investigated as a witness and has not been accused of any wrongdoing. The scope of the investigation is to establish whether there are any violations of anti-money laundering obligations and to investigate the link between Belfius Bank (or its predecessors), and, amongst others, Experta and Dexia Banque International Luxembourg (i.e. former entities of the Dexia group).

To date, Belfius Bank did not receive any further information since the above mentioned police search.

### ***6.10. Management and Supervision of Belfius Bank***

#### ***6.10.1. Composition of the Management Board and the Board of Directors***

##### **A. Management Board**

The Management Board currently has five 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 Base Prospectus, the Management Board consists of the following five members:

Name	Position	Significant other functions performed outside Belfius Bank
Marc Raisière.....	Chairman	none
Marianne Collin.....	Member	none
Dirk Gyselinck.....	Member	none

Name	Position	Significant other functions performed outside Belfius Bank
Olivier Onclin .....	Member	none
Johan Vankelecom .....	Member	none

In addition, the Management Board in concertation with the Board of Directors appointed three associated members. They took up their position on 1 January 2019. These are Mr. Patrick Devis, IT manager, Mrs. Camille Gillon, HR & Building Management manager and Mr. Geert Van Mol, Data & Digital manager. The associated members attend the meetings of the Management Board in an advisory capacity.

A Group Management Committee was also established from 1 January 2019. This Committee is made up of the five members of the Management Board of Belfius Bank, the chairman of the Management Board of Belfius Insurance (Mr. Dirk Vanderschrick). Each of them has the right to vote. The associated members attend the Group Management Committee but have an advisory role only. The purpose of this Committee is to deal with various strategic group files and important issues for a bankinsurer.

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 its management powers to the Management Board set up from among its members. Such delegation of its powers does not extend to the determination of general policy of Belfius Bank, or to any other powers that are reserved pursuant to the Belgian Companies and Associations Code or to the Banking Law to the Board of Directors.

As a result, the Management Board is responsible for the effective management of Belfius 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 Belfius Bank's business activities are in line with the strategy, risk management and general policy set by the Board of Directors. It passes on relevant information to the Board of Directors to enable it to take informed decisions. It formulates proposals and advices to the Board of Directors with a view to define or improve Belfius Bank's general policy and strategy.

The members of the Management Board are required to carry out their duties in complete objectivity and independence.

Under the supervision of the Board of Directors, the Management Board takes the necessary measures to ensure that Belfius Bank has a robust structure suited to Belfius Bank's organisation, including supervisory measures, with a view to guaranteeing the effective and prudent management of Belfius Bank in accordance with the 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.

#### ***B. 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 Shareholders Meeting of Belfius Bank by law or the articles of association of Belfius Bank. In accordance with the 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 business address for the members of the Board of Directors is 1210 Brussels, Place Charles Rogier 11, Belgium.

***Composition as at the date of this Base Prospectus***

As at the date of this Base Prospectus, the Board of Directors consists of fifteen members, five 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 Belfius 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  Responsible for IT, Digital & Data, Human Resources Management, Communication, Audit, Corporate Office & Secretary General	none
Marianne Collin.....	Member of the Management Board of Belfius Bank  Chief Risk Officer  Responsible for Risk Management and Compliance	none
Dirk Gyselinck.....	Member of the Management Board of Belfius Bank  Responsible for Public & Corporate Banking, Financial Markets, Wealth Management, Customer Loan Services	none
Olivier Onclin.....	Member of the Management Board of Belfius Bank  Responsible for Retail & Commercial Banking, Customer Transaction Services	none

<b>Name</b>	<b>Position</b>	<b>Significant other functions performed outside Belfius Bank</b>
Johan Vankelecom .....	Member of the Management Board of Belfius Bank Chief Financial Officer Responsible for Accounting, Strategic Planning & Performance Management, Socio-Economic Research, Strategic Corporate Development, Asset and Liability Management, Legal and Tax	none
Paul Bodart .....	Member of the Board of Directors of Belfius Bank (Independent Director)	Professor in Financial Markets at the Solvay Business School
Jean-Pierre Delwart .....	Member of the Board of Directors of Belfius Bank (Independent Director)	Chairman of the Board of Directors of Solvac
Carine Doutrelepont .....	Member of the Board of Directors of Belfius Bank (Independent Director)	Lawyer and Part-Time Professor at the Université Libre de Bruxelles (ULB)
Martine De Rouck.....	Member of the Board of Directors of Belfius Bank (Independent Director)	Director of Orange Belgium SA
Georges Hübner .....	Member of the Board of Directors of Belfius Bank (Independent Director)	Full Professor at HEC Liège and the Liège University and Associated Professor at the University of Maastricht, School of Business and Economics, Limburg Institute of Financial Economics
Diane Rosen.....	Member of the Board of Directors of Belfius Bank (Independent Director)	Director of Exochange SPRL
Chris Sunt .....	Member of the Board of Directors of Belfius Bank (Independent Director)	Lawyer
Lutgart Van Den Berghe .....	Member of the Board of Directors of Belfius Bank (Independent Director)	Part-Time Professor at the Vlerick Business School

Name	Position	Significant other functions performed outside Belfius Bank
Rudi Vander Vennet .....	Member of the Board of Directors of Belfius Bank (Independent Director)	Full Professor in Financial Economics and Banking at the University of Ghent (UG) and Lecturer Banking and Insurance at Solvay Business School (ULB)

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.

#### *6.10.2. Advisory committees set up by the Board of Directors*

The Board of Directors of Belfius Bank has 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 (and the majority of the members for the Audit Committee) is independent within the meaning of Article 7:87, §1 of the Belgian Companies and Associations Code. The members of these advisory committees sit at a maximum on three of these committees. A Mediation Committee has also been established within the Belfius group.

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.

##### *A. Nomination committee*

The Nomination Committee consists of at least three members appointed for a term not exceeding that of their Board of Directors membership, all being non-executive directors and a majority of them being independent directors (within the meaning of Article 7:87, §1 of the Belgian Companies and Associations Code). The chairman of the Board of Directors is a member of the Nomination Committee.

As of the date of this Base 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
Johan Tack	Director of Belfius Insurance, invited as representative of Belfius Insurance

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 Belfius 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 approval of the Shareholders Meeting or of the Board of Directors as the case may be, candidates suited to fill 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, 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;
- assesses the governance memorandum and if necessary proposes amendments; 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 to be 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 Belfius 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 Belfius Bank, Belfius Insurance, Corona and Belfius Investment Partners.

#### ***B. Remuneration committee***

The Remuneration Committee consists of at least three members appointed for a term not exceeding that of their Board of Directors membership, all being non-executive directors and a majority of them being independent directors (within the meaning of Article 7:87, §1 of the Belgian Companies and Associations Code). The chairman of the Board of Directors is a member of the Remuneration Committee.

As of the date of this Base 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
Johan Tack	Director of Belfius Insurance, invited as representative of Belfius Insurance

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 Belfius Bank.

In order to perform its tasks correctly, 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.

The Audit Committee contributes to the establishment of objectives for the independent control function of the Auditor General and for the Compliance Officer.

The audit department provides an independent regular analysis of the remuneration policy and its implementation.

The Remuneration Committee prepares the decisions of the Board of Directors by inter alia:

- Developing the remuneration policy, as well as making practical remuneration proposals for the chairman, the non-executive members of the Board of Directors and the members of the advisory committees under the Board of Directors. The Board of Directors submits these remuneration proposals to the Shareholders Meeting for approval.
- Developing the remuneration policy as well as making practical proposals for the remuneration of the chairman of the Management Board and, on his proposal, for the remuneration of the members of the Management Board. The Board of Directors then determines the remuneration of the chairman and the members of the Management Board.
- Providing advice on the proposals made by the chairman of the Management Board of Belfius Bank in relation to the severance remuneration for members of the Belfius Bank Management Board. On the proposal of the remuneration committee, the Board of Directors of Belfius Bank determines the severance remuneration of the chairman and members of the Belfius Bank Management Board.
- Advising the Board of Directors in relation to the remuneration policy for employees whose activity has a material impact on the risk profile of 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.
- Preparing the remuneration report approved by the Board of Directors and published in the annual report.
- Periodically checking to ensure that the remuneration programmes are achieving their objective and are in line with applicable conditions.
- Annually assessing the performance and objectives of the members of the Management Board.

- Providing an opinion of the elaboration of a global “Risk Gateway” in consultation with the Risk Committee, containing various levers applied at various points in the performance management cycle with an impact on determination of the variable remuneration.

The Remuneration Committee exercises direct supervision over the determination of objectives and remuneration of the individuals responsible for the independent control functions (Chief Risk Officer, General Auditor & the Compliance Officer).

The Remuneration Committee acts for both Belfius Bank, Belfius Insurance, Corona and Belfius Investment Partners.

#### **C. Audit committee**

The Audit Committee consists of at least three members appointed for a term not exceeding that of their Board of Directors membership, all being non-executive directors (within the meaning of Article 7:87, §1 of the Belgian Companies and Associations Code) and a majority of them must be independent directors.

As at the date of this Base Prospectus, the Audit Committee of Belfius Bank has the following membership:

<b>Name</b>	<b>Position</b>
Georges Hübner .....	Chairman Director of Belfius Bank
Paul Bodart .....	Member Director of Belfius Bank
Chris Sunt .....	Member Director of Belfius Bank

The majority of the members of the Audit Committee are independent within the meaning of Article 7:87, §1 of the Belgian Companies and Associations Code. The chairman of the Audit Committee is appointed by its members. Members of the Audit Committee have collective expertise in the field of banking as well as in accounting and audit and at least one member of the audit committee is an expert in the field of accounting and/or audit.

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.

#### **D. Risk Committee**

The Risk Committee consists of at least three members appointed for a term not exceeding that of their Board of Directors membership, all being non-executive directors (within the meaning of Article 7:87, §1 of the Belgian Companies and Associations Code) and a majority of them being an independent director.

As at the date of this Base Prospectus, the Risk Committee has the following membership:

<b>Name</b>	<b>Position</b>
Rudi Vander Vennet .....	Chairman Director of Belfius Bank
Georges Hübner .....	Member Director of Belfius Bank

Name	Position
Diane Rosen.....	Member Director of Belfius Bank
Chris Sunt .....	Member Director of Belfius Bank

The members of the Risk Committee have the individual expertise and professional experience required to define the strategy regarding risk and the level of risk appetite 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 Belfius 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 Belfius Bank with its customer tariffs.
- assessing activities which expose Belfius Bank to real risks;
- supervising requirements in terms of capital and liquidity, the capital base and Belfius Bank's liquidity situation;
- the guarantee that risks are proportional to Belfius Bank's capital;
- formulating an opinion with regard to major transactions and new proposals for strategy activities that have a significant impact on Belfius Bank's risk appetite;
- obtaining information and analysing management reports as to the extent and nature of the risks facing Belfius Bank; and
- 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 Belfius Bank's committee, a joint Risk Committee of Belfius Bank and Belfius Insurance may be held. To promote sound remuneration policy and practices, subject to the tasks of the Nomination Committee and the Remuneration Committee, the Risk Committee examines whether incentives in the remuneration system take proper account of the institution's risk management, equity requirements and liquidity position, as well as the probability and distribution of profit over time.

The Risk Committee and the Audit Committee periodically exchange information, in particular concerning the quarterly risk report, the senior management report on the assessment of internal control and the risk analyses performed by the Legal, Compliance and Audit Departments. The aim of this exchange of information is to enable the two committees to perform their tasks properly and to take the form of a joint meeting.

#### **E. Mediation Committee**

A Mediation Committee has been established within the Belfius group.

As at the date of this Base Prospectus, the Mediation Committee has the following membership:

Chairman.....	Jozef Clijsters Chairman of the Board of Directors of Belfius Bank and Belfius Insurance
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<b>Members</b>	Jean-Pierre Delwart Independent Director Belfius Bank
	Johan Tack Independent Director Belfius Insurance

The Mediation Committee is responsible for passing opinions relating to material transactions or operations between, on the one hand, Belfius Bank and its subsidiaries and, on the other hand, Belfius Insurance and its subsidiaries, or between their respective subsidiaries. Such opinions are sent to the Board of Directors of the companies concerned, which will then take a definitive decision on the planned transaction or operation.

### *6.11. Selected Financial Information*

The following tables summarise the consolidated balance sheet and, income statement of Belfius Bank for the period ending 31 December 2017, 31 December 2018 and 30 June 2019.

#### **1. Consolidated Balance Sheet**

		1 January 2018 <sup>39</sup>	31 December 2018	30 June 2019
	Notes	IFRS 9	IFRS 9	IFRS 9
<b>Assets</b>		<i>(in thousands of EUR)</i>		
<b>Cash and balances with central banks</b>	5.2	<b>10,236,669</b>	<b>8,314,303</b>	<b>9,018,450</b>
<b>Loans and advances due from credit institutions</b>	5.3	<b>13,801,882</b>	<b>13,106,846</b>	<b>14,528,612</b>
Measured at amortised cost		13,801,882	13,106,846	14,528,612
Measured at fair value through other comprehensive income		0	0	0
Measured at fair value through profit or loss		0	0	0
<b>Loans and advances</b>	5.4	<b>85,406,374</b>	<b>91,122,512</b>	<b>93,004,976</b>
Measured at amortised cost		83,060,191	89,302,446	91,267,939
Measured at fair value through other comprehensive income		0	0	0
Measured at fair value through profit or loss		2,346,183	1,820,067	1,737,036
<b>Debt securities &amp; equity instruments</b>	5.5	<b>30,776,327</b>	<b>28,568,766</b>	<b>29,194,852</b>
Measured at amortised cost		21,143,773	21,610,561	22,256,069
Measured at fair value through other comprehensive income		6,962,747	5,216,152	5,168,702

<sup>39</sup> For comparability purposes, Belfius presents the balance sheet at Date of Initial Application (DIA) on 1/1/18 with the balance sheet end December 2018 and June 2019.

	Notes	1 January 2018 <sup>39</sup> IFRS 9	31 December 2018 IFRS 9	30 June 2019 IFRS 9
<b>Assets</b>		<i>(in thousands of EUR)</i>		
Measured at fair value through profit or loss		2,669,808	1,742,052	1,770,081
<b>Unit linked products insurance activities</b>		<b>2,597,572</b>	<b>2,837,971</b>	<b>3,418,324</b>
<b>Derivatives</b>	5.6	<b>16,414,511</b>	<b>12,767,585</b>	<b>14,334,966</b>
<b>Gain/loss on the hedged item in portfolio hedge of interest rate risk</b>	5.6	<b>5,046,357</b>	<b>4,590,806</b>	<b>5,111,548</b>
<b>Investments in equity method companies</b>	5.7	<b>31,481</b>	<b>47,949</b>	<b>56,769</b>
<b>Tangible fixed assets</b>	5.8	<b>1,059,212</b>	<b>1,065,607</b>	<b>1,118,982</b>
<b>Intangible assets</b>	5.9	<b>162,074</b>	<b>191,497</b>	<b>202,578</b>
<b>Goodwill</b>	5.10	<b>103,966</b>	<b>103,966</b>	<b>103,966</b>
<b>Tax assets</b>	5.11	<b>337,298</b>	<b>378,192</b>	<b>395,499</b>
Current tax assets		20,343	77,683	75,728
Deferred tax assets		316,955	300,508	319,771
<b>Technical insurance provisions - part of the reinsurer</b>		<b>276,930</b>	<b>99,902</b>	<b>108,802</b>
<b>Other assets</b>	5.12	<b>947,299</b>	<b>950,202</b>	<b>1,073,325</b>
<b>Non current assets (disposal group) held for sale and discontinued operations</b>	5.13	<b>18,782</b>	<b>19,047</b>	<b>20,627</b>
<b>Total assets</b>		<b>167,216,734</b>	<b>164,165,152</b>	<b>171,692,275</b>

	Notes	1 January 2018 <sup>40</sup> IFRS 9	31 December 2018 IFRS 9	30 June 2019 IFRS 9
<b>Liabilities</b>		<i>(in thousands of EUR)</i>		
<b>Cash and balances from central banks</b>	6.1	<b>3,978,544</b>	<b>3,962,322</b>	<b>3,954,278</b>
<b>Credit institutions borrowings and deposits</b>	6.2	<b>7,131,349</b>	<b>5,866,810</b>	<b>7,138,529</b>
Measured at amortised cost		7,131,349	5,866,810	7,138,529

<sup>40</sup> For comparability purposes, Belfius presents the balance sheet at Date of Initial Application (DIA) on 1/1/18 with the balance sheet end December 2018 and June 2019.

	Notes	1 January 2018 <sup>40</sup>	31 December 2018	30 June 2019
		IFRS 9	IFRS 9	IFRS 9
Measured at fair value through profit or loss		0	0	0
<b>Borrowings and deposits</b>	6.3	<b>76,328,151</b>	<b>79,661,310</b>	<b>83,287,482</b>
Measured at amortised cost		76,274,483	79,609,747	83,233,917
Measured at fair value through profit or loss		53,669	51,563	53,565
<b>Debt securities issued and other financial liabilities</b>	6.4	<b>28,268,533</b>	<b>26,686,872</b>	<b>26,398,536</b>
Measured at amortised cost		22,027,063	19,274,694	18,006,875
Measured at fair value through profit or loss		6,241,470	7,412,178	8,391,661
<b>Unit linked products insurance activities</b>		<b>2,597,572</b>	<b>2,837,971</b>	<b>3,418,324</b>
<b>Derivatives</b>	5.6	<b>21,195,874</b>	<b>17,740,280</b>	<b>20,202,999</b>
<b>Gain/loss on the hedged item in portfolio hedge of interest rate risk</b>	5.6	<b>105,017</b>	<b>165,078</b>	<b>366,764</b>
<b>Provisions for insurance activities</b>	6.5	<b>14,583,630</b>	<b>13,907,770</b>	<b>13,360,413</b>
<b>Provisions and contingent liabilities</b>	6.6	<b>538,164</b>	<b>626,752</b>	<b>548,310</b>
<i>(in thousands of EUR)</i>				
<b>Subordinated debts</b>	6.7	<b>1,198,968</b>	<b>1,219,469</b>	<b>1,213,610</b>
Measured at amortised cost		1,198,968	1,219,469	1,213,610
Measured at fair value through profit or loss		0	0	0
<b>Tax liabilities</b>	5.11	<b>84,521</b>	<b>30,825</b>	<b>114,380</b>
Current tax liabilities		51,351	22,301	70,633
Deferred tax liabilities		33,170	8,524	43,747
<b>Other liabilities</b>	6.8	<b>1,761,932</b>	<b>1,500,070</b>	<b>1,530,477</b>
<b>Liabilities included in disposal group and discontinued operations</b>		0	0	0
<b>Total liabilities</b>		157,772,256	154,205,529	161,534,102

Notes	1 January 2018 <sup>41</sup>	31 December 2018	June 30 2019
	IFRS 9	IFRS 9	IFRS 9

<sup>41</sup> For comparability purposes, Belfius presents the balance sheet at Date of Initial Application (DIA) on 1/1/18 with the balance sheet end December 2018 and June 2019.

	<b>Notes</b>	<b>1 January 2018<sup>40</sup></b>	<b>31 December 2018</b>	<b>30 June 2019</b>
		<b>IFRS 9</b>	<b>IFRS 9</b>	<b>IFRS 9</b>
				<b>IFRS 9</b>
<b>Equity</b>		<i>(in thousands of EUR)</i>		
Subscribed capital		3,458,066	3,458,066	3,458,066
Additional paid-in capital		209,232	209,232	209,232
Treasury shares		0	0	0
Reserves and retained earnings		5,120,363	4,738,565	5,123,319
Net income for the period		0	649,028	304,430
<b>Shareholders' core equity</b>		<b>8,787,661</b>	<b>9,054,891</b>	<b>9,095,048</b>
Fair value changes of debt instruments measured at fair value through other comprehensive income		375,113	218,588	312,017
Fair value changes of equity instruments measured at fair value through other comprehensive income		187,222	75,031	166,106
Fair value changes due to own credit risk on financial liabilities designated as at fair value through profit or loss to be presented in other comprehensive income		0	0	0
<i>(in thousands of EUR)</i>				
Fair value changes of derivatives following cash flow hedging		(18,901)	13,679	(45,225)
Remeasurement pension plans		112,998	42,170	47,937
Discretionary participation features of insurance contracts	6.5	0	41,850	61,743
Other reserves		215	212	212
<b>Gains and losses not recognised in the statement of income</b>		<b>656,646</b>	<b>391,530</b>	<b>542,790</b>
<b>Total shareholders' equity</b>		<b>9,444,308</b>	<b>9,446,422</b>	<b>9,637,838</b>
Additional Tier-1 instruments included in equity		0	497,083	497,083
Non-controlling interests		171	16,118	23,252
<b>Total Equity</b>		<b>9,444,478</b>	<b>9,959,623</b>	<b>10,158,173</b>
<b>Total Liabilities and Equity</b>		<b>167,216,734</b>	<b>164,165,152</b>	<b>171,692,275</b>

## 2. Consolidated Statement of Income

	Notes	31 December 2017 IAS 39	31 December 2018 IFRS 9	30 June 2019 IFRS 9
<i>(in thousands of EUR)</i>				
Interest income	7.1	3,561,100	3,399,369	1,728,736
Interest expense	7.1	(1,609,627)	(1,527,831)	(783,666)
Dividend income	7.2	73,083	70,981	44,080
Net income from equity method companies	7.3	4,195	1,745	4,149
Net income from financial instruments at fair value through profit or loss	7.4	46,143	(10,644)	57,842
Net income on investments and liabilities	7.5	173,958	121,704	54,390
Fee and commission income	7.6	721,472	734,366	367,801
Fee and commission expenses	7.6	(168,809)	(178,710)	(91,584)
Technical result from insurance activities	7.7	(208,814)	(53,890)	(26,366)
Gross earned premiums		1,451,024	1,488,048	738,284
Other technical income and charges		(1,659,838)	(1,541,939)	(764,650)
Other income	7.8	141,895	193,666	111,241
Other expense	7.9	(379,913)	(389,568)	(311,441)
<b>Income</b>		<b>2,354,682</b>	<b>2,361,189</b>	<b>1,155,183</b>
Staff expense	7.10	(562,324)	(614,740)	(305,487)
General and administrative expenses	7.11	(479,313)	(496,938)	(246,557)
Network costs		(243,300)	(219,110)	(104,066)
Depreciation and amortisation of fixed assets	7.12	(83,672)	(95,004)	(53,892)
<b>Expenses</b>		<b>(1,368,608)</b>	<b>(1,425,792)</b>	<b>(710,002)</b>
<b>Gross income</b>		<b>986,074</b>	<b>935,397</b>	<b>445,181</b>
Impairments on financial instruments and provisions for credit commitments	7.13	(33,013)	(66,397)	(30,481)
Impairments on tangible and intangible assets	7.14	9,467	(2,124)	(417)
Impairments on goodwill	7.15	0	0	0
<b>Net income before tax</b>		<b>962,528</b>	<b>866,876</b>	<b>414,282</b>

	Notes	31 December 2017 IAS 39	31 December 2018 IFRS 9	30 June 2019 IFRS 9
<i>(in thousands of EUR)</i>				
Current tax (expense) income	7.16	(191,258)	(145,506)	(102,231)
Deferred tax (expense) income	7.16	(165,749)	(71,381)	(7,472)
<b>Total Tax (expense) income</b>		<b>(357,007)</b>	<b>(216,886)</b>	<b>(109,702)</b>
<b>Net income after tax</b>		<b>605,522</b>	<b>649,989</b>	<b>304,580</b>
Discontinued operations (net of tax)		0	0	0
<b>Net income</b>		<b>605,522</b>	<b>649,989</b>	<b>304,580</b>
Attributable to non-controlling interests		20	962	150
Attributable to equity holders of the parent		605,502	649,028	304,430

# 7. TERMS AND CONDITIONS OF THE WARRANTS

(Annex 14.4 of Commission delegated regulation (EU) 2019/980)

The following is the text of the terms and conditions (the “**Terms and Conditions**”, each chapter or subchapter individually referred to as “**Condition**”) of the Warrants, subject to completion and amendment and as supplemented or varied in accordance with the relevant provisions of the Final Terms. In the event of any inconsistency between the provisions of the Final Terms and the other provisions of this Programme, the Final Terms will prevail. All capitalised terms that are not defined in these Terms and Conditions will have the meanings given to them in the relevant Final Terms.

References in the Terms and Conditions to the Warrants are to the Warrants of one Series only, not to all Warrants that may be issued under the Programme.

The Warrants will be issued in series (each a “**Series**”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the Strike), the Warrants of each Series being intended to be interchangeable with all other Warrants of that Series. Each Series may be issued in tranches (each a “**Tranche**”) on the same or different issue dates. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price and principal amount of the Tranche will be identical to the terms of other Tranches of the same Series) will be set out in the Final Terms.

## *7.1. Form, Issue Price and Title*

### *7.1.1. Form*

A Warrant constitutes a contractual claim (*schuldvordering/créance*) against the Issuer, subject to these Conditions, subject to completion and as supplemented in accordance with the provisions of the applicable Final Terms.

The Warrants will be represented exclusively by book-entry in the records of Belfius Bank SA/NV as depositary of the Warrants (the Depositary) in accordance with Article 17 of Royal Decree No. 62 of 10 November 1967 concerning the custody and clearing of fungible financial instruments (as coordinated) (Royal Decree No. 62).

The Warrants will not be physically delivered and cannot be transferred to another depositary. Each (prospective) holder of Warrants must maintain a securities account and a cash account with the Depositary for purposes of holding and transferring its Warrants and exercising its rights under its Warrants.

The issue of the Warrants has been authorized by resolutions of the Issuer, as will be specified in the relevant Final Terms.

### *7.1.2. Title and Transfer*

The person who from time to time shows in the records of the Depositary as the holder of a Warrant will be considered as the “holder” of that Warrant for all purposes. A certificate issued by the Depositary as to the amount of Warrants standing to the credit of any person shall be conclusive and binding for all purposes save in case of manifest error.

Title to the Warrants will pass by account transfer within the accounts system of the Depositary, in accordance with the applicable terms and conditions of the Depositary.

All transactions (including permitted transfers) in relation to the Warrants must be effected through the Depositary, subject to and in accordance with the applicable rules and procedures of the Depositary.

Once a Warrant has been exercised (as referred to in Condition 7.5 (*Exercise Procedure*) below), it can no longer be transferred to another person.

Warrants may not be offered, sold or delivered (i) within the United States of America, including its territories and possessions, or to U.S. persons or (ii) in Belgium, to “consumers” (consommateurs/consumenten) within the meaning of the Belgian Code of Economic Law (Code de droit économique / Wetboek van economisch recht).

## *7.2. Governing law and jurisdiction*

The Warrants are governed by the laws of Belgium. All disputes arising out of or in connection with the Warrants shall be exclusively submitted to the jurisdiction of the competent courts in Brussels.

## *7.3. Currency*

The Warrants are issued in EUR and their value will always be expressed in EUR.

## *7.4. Definitions*

The terms used in this Base Prospectus shall have the meaning as expressed hereunder, unless defined otherwise in this Base Prospectus. The definitions do not apply to terms used in the extracts and press releases that, as the case may be, are mentioned in this Base Prospectus.

<b>Actual Exercise Date</b>	: Means, in respect of any Warrant, the date on which a duly completed Exercise Notice is delivered (or deemed to be delivered pursuant to Condition 7.5.1) in accordance with Condition 7.5.1 ( <i>Exercise Notice</i> ).
<b>Business Day</b>	A day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in each Applicable Business Centre specified in the applicable Final Terms and, if TARGET2 is an Applicable Business Centre specified in the applicable Final Terms, any day on which the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET2) System ( <b>TARGET2</b> ) is open (a <b>TARGET2 Settlement Day</b> )
<b>Calculation Agent</b>	: Belfius Bank NV/SA (abbreviated as “ <b>Belfius Bank</b> ”), unless specified otherwise in the relevant Final Terms.
<b>Commission</b>	: The commission included in the Issue Price, as specified under the relevant Final Terms.
<b>Companies and Associations Code</b>	: The Belgian companies code, introduced by the Law of 7 May 1999 (as amended) or, to the extent applicable, the Belgian code of companies and associations, introduced by the Law of 23 March 2019 (as amended).
<b>Component Security</b>	: Each component security or other asset included in the Underlying

Index.

- Depository:** : Belfius Bank SA/NV.
- Disrupted Day** : Any scheduled trading day on which (i) the Index Sponsor fails to publish the level of the Underlying Index; (ii) the Related Exchange fails to open for trading during its regular trading session; or (iii) a Market Disruption Event occurs.
- Early Closure** : The closure on any Exchange Business Day of the Exchange in respect of any Component Security or the Related Exchange(s) prior to its scheduled closing time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) (as the case may be) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the relevant Valuation Time on such Exchange Business Day.
- Early Termination Amount** : Means that, if the Warrants are cancelled upon the occurrence of (i) a change of law rendering illegal the execution by it of its obligations arising out of this Base Prospectus or (ii) an Index Adjustment Event and the Calculation Agent is unable to determine a substitute index or calculate the level of the Underlying Index in accordance with Condition 7.10, the Issuer will pay an amount to each Warrant Holder in respect of each Warrant held by such Warrant Holder which amount shall be the Fair Market Value of a Warrant.
- Exchange** : In respect of each Component Security, the principal stock exchange on which such Component Security is principally traded, as determined by the Calculation Agent.
- Exchange Business Day** : Any Scheduled Trading Day on which (i) the Index Sponsor publishes the level of the Underlying Index; and (ii) the Related Exchange is open for trading during its respective regular trading session, notwithstanding any Exchange or the Related Exchange closing prior to its Scheduled Closing Time.
- Exchange Disruption** : Any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to effect transactions in, or obtain market values for, the Shares (i) any Component Security on the Exchange, in respect of such Component Security; or (ii) in futures or options contracts relating to the Share on any relevant Underlying Index on the Related Exchange.
- Exercise Period** : Each Business Day from (and including) the date as specified in the

relevant Final Terms until (but excluding) the Maturity Date.

- Fair Market Value** : The valuation determined by the Calculation Agent using (i) the most relevant available market data, or, (ii) if no such relevant data may be found at the relevant time, a valuation mathematical model generally accepted in the financial sector that maximises the use of relevant observable inputs and minimises the use of unobservable inputs. The value of the Warrants is determined, as with options, by valuation models for options (for example, the ‘Black & Scholes’ model, trinomial model,...).
- Final Terms** : The document containing the specific final terms relating to a specific series of the Warrants.
- IFRS** : International Financial Reporting Standards.
- Issue Date** : The issue date specified as such in the relevant Final Terms.
- Issue Price** : The issue price specified as such in the relevant Final Terms.
- Issuer** : Belfius Bank SA/NV.
- Market Disruption Event** : (a) (i) the occurrence or existence, in respect of any Component Security of:
- (A) a Trading Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded;
  - (B) an Exchange Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded; or
  - (C) an Early Closure in respect of such Component Security; and

- (ii) the portion of the level of the Underlying Index attributable to Component Security in respect of which a Trading Disruption, an Exchange Disruption or an Early Closure occurs or exists comprises 20 per cent. or more of the level of the Underlying Index, in each case on the basis of the official opening weightings as published by the Index Sponsor as part of the market “opening data”; or
- (b) the occurrence or existence in respect of futures or options contracts relating to the Underlying Index of:
  - (i) a Trading Disruption which the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Related Exchange;
  - (ii) an Exchange Disruption which the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Related Exchange; or
  - (iii) an Early Closure, in each case in respect of such futures or options contracts.

<b>Maturity Date</b>	: The maturity date specified as such in the relevant Final Terms.
<b>Offer</b>	: Any offer on the basis of and, in accordance with, this Base Prospectus and the relevant Final Terms.
<b>Offering Period</b>	: The offering period specified as such in the relevant Final Terms.
<b>Underlying Index</b>	: MSCI Europe Net Total Return Index (M7EU). See section 11 ( <i>The Underlying Index</i> ) for a description of the Underlying Index.
<b>Related Exchange</b>	: EUX-Eurex, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to the Underlying Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to the Underlying Index on such temporary substitute exchange or quotation system as on the original Related Exchange). Scheduled Closing Time means in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.
<b>Scheduled Settlement Date</b>	: The second Business Day following the Actual Exercise Date, unless specified otherwise in the applicable Final Terms.
<b>Scheduled Trading Day</b>	: Any day on which: (i) the Index Sponsor is scheduled to publish the level of the Underlying Index and (ii) the Related Exchange is scheduled to be open for trading for its regular trading session.

<b>Strike Price</b>	: The Strike Price is equal to 112.31% of the Initial Price of the Underlying Index, specified as such in the relevant Final Terms.
<b>Trading Disruption</b>	: Any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (i) relating to any Component Security on the Exchange in respect of such Component Security, or (ii) in futures or options contracts relating to the Underlying Index on the Related Exchange.
<b>Valuation Time</b>	: (b) for the purposes of determining whether a Market Disruption Event has occurred: <ul style="list-style-type: none"> <li>(i) in respect of any Component Security, the Scheduled Closing Time on the Exchange in respect of such Component Security, and</li> <li>(ii) in respect of any options contracts or future contracts on the Underlying Index, the close of trading on the Related Exchange; and</li> </ul> (c) in all other circumstances, the time at which the official level of the Underlying Index is calculated and published by the Index Sponsor.
<b>Warrant Holder</b>	: A person holding Warrants through a participant or, in the case a participant acts on its own account, that participant.

## *7.5. Exercise Procedure*

### *7.5.1. Exercise Notice*

The day on which the Warrants are exercised is called the Actual Exercise Date and falls within the Exercise Period. Warrants may only be exercised by the delivery of a duly completed exercise notice (an **Exercise Notice**), sent by e-mail to the address BO-Derivatives-Manual-Settlement@belfius.be or to the relationship manager of Belfius Bank using the template form made available by the Depositary. An Exercise Notice is only duly completed if it specifies:

- (i) the Series of the Warrants and the number of Warrants being exercised; and
- (ii) the Warrant holder's securities account at the Depositary to be debited with the Warrants.

An Exercise Notice delivered in accordance with the paragraph above is binding and irrevocable. After the delivery of an Exercise Notice in respect of any Warrants, the holder of such Warrants may not transfer such Warrants

If not exercised in accordance with the Terms and Conditions during the Exercise Period, a Warrant will become void and expire worthless, without any indemnification, reimbursement or other payment due to the holder of such Warrant.

A Warrant Holder may also sell Warrants to the Issuer on the secondary market. In such case the selling price of a Warrant will be determined in good faith by the Issuer in accordance with the principles laid down in Condition 7.6.1 below.

### **7.5.2. Settlement**

Upon exercise, the Issuer will pay the Cash Settlement Amount (if any) to the holder of the Warrant. The Cash Settlement Amount will be determined by the Calculation Agent in accordance with this Conditions on the basis of a comparison of the relevant Strike Price (as defined in the relevant Final Terms) and the level of the Underlying Index on or around the Exercise Date (or, in case of “Averaging”, the average level of the Underlying Index on the Averaging Dates specified in the Final Terms).

#### **7.5.2.1 Settlement Date**

The **Settlement Date** means the later of:

- (a) the Scheduled Settlement Date; or
- (b) if the Valuation Date is postponed due to the occurrence of a Disrupted Day, the Valuation Date.

On the relevant Settlement Date, the Issuer shall pay the Cash Settlement Amount (if any) to the holder of each duly exercised Warrant.

**Cash Settlement Amount** means, in relation to any Warrant being exercised, the amount determined by the Calculation Agent equal to:

- (a) if the Final Price is higher than the Strike Price:

$$(\text{Final Price} - \text{Strike Price}) \times \text{Parity} + \text{Guaranteed Cash Amount}$$

- (b) otherwise:

$$\text{Guaranteed Cash Amount}.$$

The Cash Settlement Amount can be lower than the Issue Price or even zero.

**Parity** has the meaning given to such term in the applicable Final Terms.

**Strike Price** has the meaning given to such term in the applicable Final Terms.

**Guaranteed Cash Amount** has the meaning given to such term in the applicable Final Terms.

#### **7.5.2.2 Determination of the Final Price**

On the Valuation Date, the Calculation Agent shall determine the **Final Price** as follows:

- (i) if Averaging is not specified in the applicable Final Terms: the level of the Underlying Index at the Valuation Time on the relevant Valuation Date; or
- (ii) if Averaging is specified in the applicable Final Terms: the arithmetic mean of the levels of the Underlying Index as of the Valuation Time on each Averaging Date.

The **Valuation Date** means the date specified as such in the applicable Final Terms or if such date is not a Scheduled Trading Day in respect of the Underlying Index, the Final Price of the Underlying Index shall be determined on the basis of the level of the Underlying Index as calculated on the immediately following Scheduled Trading Day or, if Averaging is specified as applicable, means the final Averaging Date (in each case subject to Condition 7.9 (*Description of market disruption event or settlement disruption that affects the Underlying Index*) below).

### **7.5.3. Consequence of the Exercise**

An Exercise Notice delivered in accordance with Condition 7.5.1 above is binding and irrevocable. After the delivery of an Exercise Notice in respect of any Warrants, the holder of such Warrants may not transfer such Warrants.

### **7.5.4. Exercise period**

These Warrants can be exercised during the Exercise Period. Consequently, the only means through which the Warrant Holder can realize value from the Warrant prior to the Actual Exercise Date is to sell it through the secondary market.

The Exercise Period is defined in the relevant Final Terms.

## *7.6. Further information relating to the Warrants*

### *7.6.1. Information relating to the pricing of the Warrants*

The value of the Warrants is determined, as with options, by valuation models for options (for example, the ‘Black & Scholes’ model, trinomial model,...). This value is determined by different variables. The impact of some of these variables can be described as follows:

- The Underlying Index: the value of the Warrant increases if the Underlying Index’s value increases in respect to the Strike Price.
- The Strike Price: the value of the Warrant increases if the Underlying Index’s value increases in respect to the Strike Price.
- The volatility: the value of the Warrant varies according to the expected volatility of the Underlying Index’s value until Maturity Date. The volatility is the change in the value of the Underlying Index calculated over a fixed time interval. The probability of a Warrant being more in-the-money is higher if the Underlying Index is highly volatile (i.e. if it has a large number of substantial price movements), than when the Underlying Index is little volatile. Accordingly, the value of a Warrant will increase if the volatility of the Underlying Index increases.
- The remaining maturity: the longer the remaining maturity (until Maturity Date) of a Warrant, the greater the probability of the Warrant being in-the-money at a certain point in time during this remaining maturity. Therefore under normal circumstances, the value of the Warrant with a longer remaining maturity will be greater than the value of a Warrant with a shorter remaining maturity. In short, the value of the Warrant decreases if the remaining maturity diminishes.
- The interest rate for the remaining maturity: the value of the Warrant increases if the interest rate until Maturity Date increases.

Investors may find information about the historical returns of the Underlying Index on the website <https://www.msci.com/real-time-index-data-search> or, if such information cannot be consulted on the website, through a written request at the corporate seat of the Issuer.

**Investors should take into consideration that all variables mentioned above may each influence the value of the Warrant independently. In practice, any of these variables can vary at the same time. Consequently, the change in the value of the Warrant can only be determined by taking into consideration the combined effect of the changes in value of each of these variables separately.**

### *7.6.2. Information relating to the behaviour of the Warrants*

Generally, the (non-)occurrence of anticipated fluctuations in the value of the Underlying Index may disproportionately affect the value of Warrants. Warrants may expire worthless if the Underlying Index does not perform as anticipated. If not exercised in accordance with the Terms and Conditions during the Exercise Period, a Warrant will become void and expire worthless. In order to recover and realize a return upon its investment, a Warrant Holder must be correct about the direction, timing and magnitude of an anticipated change in the value of the Underlying Index. Warrant Holders should also consider that the return on the investment in Warrants is reduced by the costs in connection with the purchase, exercise and/or sale of the Warrants. A general description of these costs is provided in Condition 7.6.3 below.

More in particular, investing in a Warrant allows the Warrant Holder to exercise its option(s) in case the Underlying Index value fixes above the Strike Price during the Exercise Period (i.e. in-the-money). The Warrant Holder benefits in this case of the increase of the Underlying Index. Should the fixing occur below the Strike Price during the Exercise Period (i.e. out-the-money), the loss is then limited to the original premium paid to

acquire the options. The Warrant Holder may also benefit (suffer) from a positive (negative) evolution of the price of the Warrant during its lifetime.

The Warrant has a leverage effect. This means that any variation in the price of the Underlying Index is in theory amplified.

A Warrant's leverage effect is determined by applying the following formula:

$$(\text{Leverage} = \partial P / \partial S \times S/P)$$

where:

S = the value of the Underlying Index

P = the value of the Warrant

The ratio  $\partial P / \partial S$ , which is called the Delta of the Warrant, is the degree to which the Warrant changes value divided by the degree to which the Underlying Index changes value.  $\partial P / \partial S$  is not a constant, and the ratio changes throughout the term of the Warrant.

As and when the leverage effect approaches 1, a Warrant behaves more and more like the Underlying Index, and the risk associated with the Warrant is therefore almost the same as the risk associated with retaining that Underlying Index. The above formula reveals that the leverage tends towards 1 if the Delta of the Warrant,  $\partial P / \partial S$ , and S/P tend towards 1. Both ratios move towards 1 as and when, among other things, the Warrant's term gets longer and therefore the Warrant's initial time value rises.

The Warrants issued by Belfius Bank have a long term. The unavoidable consequence of this is that the initial leverage effect of the Warrant is significantly higher than 1. That also remains so for a large part of the lifetime of the Warrant.

#### *7.6.3. Costs in connection with the purchase, exercise and/or sale of the Warrants*

Subscribers to Warrants shall pay the Issue Price as specified in the relevant Final Terms. The Issue Price is paid by the holder. There are no additional costs of subscription. Only applicable subscription fees in the Underlying Index, as may exist at such time and applicable taxes are due.

In respect of the exercise of a Warrant during the Exercise Period, the Warrant Holder has to pay the Strike Price specified in the relevant Final Terms. The Strike Price is equal to a percentage of the net asset value of the Underlying Index, which will be posted on [www.belfius.be](http://www.belfius.be) denominated in EUR, specified as such in the relevant Final Terms. In addition, the Warrant Holder shall pay the applicable subscription fees in the Underlying Index, as may exist at such time.

### *7.7. Cancellation*

The early termination features of the Warrants specified below are only possible upon (i) events of force majeure or other events which significantly modify the economy of the Warrant and for which the Issuer is not responsible (ii), except in the case of force majeure, the Issuer is required to indemnify the Warrant Holder for the loss suffered by the Warrant Holder because of the early termination; (iii) the condition that no costs are charged to the Warrant Holder and (iv) a pro rata refund of the costs already borne by the investor (in the proportion (total initial term minus elapsed period)/total initial term), such as commissions, must be provided for.

#### *7.7.1. Cancellation upon change of law or an Index Adjustment Event*

The Issuer will cancel the Warrants upon the occurrence of a change of law rendering illegal the execution by it of its obligations arising out of this Base Prospectus, the Warrants and/or the relevant Final Terms or upon the occurrence of an Index Adjustment Event and the Calculation Agent is unable to substitute the Underlying Index or calculate the Underlying Index in accordance with section 7.10 below. The principles enumerated in the preamble to this Chapter 7 shall apply.

### **7.7.2. Discharge upon cancellation**

Any Warrants so cancelled in accordance with this Condition may not be reissued or resold and the obligations of the Issuer in respect of any such Warrants shall be *de iure* fully discharged upon payment of the Early Termination Amount and of the loss incurred by the Warrant Holders. The principles enumerated in the preamble to this Chapter 7 shall apply.

### **7.8. Payment**

Subscribers to Warrants shall pay the Issue Price on the subscribed Warrants in cash.

Any amounts payable by the Issuer in respect of the Warrants, shall be made by transfer to the cash account indicated by the Warrant Holders, subject to all applicable laws and regulations.

If the date for payment due to the Warrant Holders is a day, which is not a business day in the place of payment, the Warrant Holders shall not be entitled to payment until the next business day, unless otherwise specified in the relevant Final Terms.

### **7.9. Description of market disruption event or settlement disruption that affects the Underlying Index**

If any Valuation Date is a Disrupted Day, then the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the scheduled Valuation Date is a Disrupted Day. In that case, (i) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day and (ii) the Calculation Agent shall determine the level of the Underlying Index as of the Valuation Time on that eighth Scheduled Trading Day in accordance with the formula for and method of calculating the Underlying Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on that eighth Scheduled Trading Day of each security comprised in the Underlying Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security as of the Valuation Time on that eighth Scheduled Trading Day).

### **7.10. Adjustments to the Underlying Index**

The adjustments features of the Warrants specified below are only possible, for essential features of the product, if such modification would allow the rights and obligations under the Warrants to be exercised and performed by the Warrant Holders in view of realising a return to the extent possible in accordance with the initially agreed terms and contractual equilibrium, and provided the following cumulative conditions are met: (i) it is limited to events of force majeure or other events which significantly modify the economy of the contract and for which the Issuer is not responsible; (ii) the modification itself is not significant, so that it does not create an imbalance between the rights and obligations of the parties, to the detriment of the Warrant Holders. The Issuer must take all measures and make every effort to continue the product under similar circumstances; (iii) no costs are charged to the Warrant Holders, and (iv) the contract term must be drawn up in a plain and intelligible manner.

If the Underlying Index is (i) not calculated and announced by the Index Sponsor but is calculated and announced by a successor sponsor acceptable to the Calculation Agent, or (ii) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of the Underlying Index, then that index (the **Successor Index**) will be deemed to be the Underlying Index.

If on or prior to any Valuation Date in respect of the Underlying Index, the Index Sponsor announces that it will:

- (i) make a material change in the formula for or the method of calculating the Underlying Index or in any other way materially modifies the Underlying Index (other than a modification prescribed in that formula or method to maintain the Underlying Index in the event of changes in constituent stock and capitalization and other routine events) (an **Index Modification**);
- (ii) permanently cancel the Underlying Index and no Successor Index exists (an **Index Cancellation**), or

(iii) fails to calculate or announce the Underlying Index (**Index Disruption**),

(each an “**Index Adjustment Event**”) the Calculation Agent shall determine if such Index Adjustment Event has a material effect on the Warrants and if so,

- (i) substitute the Underlying Index with a replacement index using, in the determination of the Calculation Agent, the same or a substantially similar method of calculation as used in the calculation of the Underlying Index and the Calculation Agent shall determine the adjustments, if any, to be made to these Conditions and/or the applicable Final Terms to account for such substitution;
- (ii) if the Calculation Agent is unable to substitute the Underlying Index in accordance with paragraph (a) above, calculate the level of the Underlying Index using, in lieu of a published level for the Underlying Index, the level for the Underlying Index as at that Valuation Date as determined by the Calculation Agent in accordance with the formula for and the method of calculating the Underlying Index last in effect prior to the change, failure or cancellation, but using only those securities that comprised that Index immediately prior to that Index Adjustment Event.

If the Calculation Agent is unable to either select a substitute index in accordance with paragraph (a) above or calculate the level of the Underlying Index in accordance with paragraph (b) above or determine the adjustments, if any to be made to these Conditions and/or the applicable Final Terms to account for such substitution, or is able to do so but determines, in its discretion, (i) that such substitution or adjustment would not achieve a commercially reasonable result for either the Issuer or the holders of the Warrants or (ii) is or would be unlawful at any time under any applicable law or regulation or would contravene any applicable licensing requirements for the Issuer, the Calculation Agent or any other entity to perform the calculations required in respect of the Warrants (or it would be unlawful or would contravene those licensing requirements were a calculation to be made at such time), then the Issuer may give notice to the holders of the Warrants in accordance with Condition 7.14 (*Notices*) and cancel in accordance with Condition 7.7 (*Cancellation*) all, but not some only, of the Warrants. If the Issuer cancels the Warrants, then the Issuer will pay the Early Termination Amount to each holder of a Warrant in respect of each Warrant.

The Issuer shall not have any duty to monitor, enquire or satisfy itself as to whether any Index Adjustment Event has occurred. If the holders of the Warrants provide the Issuer with details of the circumstances which could constitute an Index Adjustment Event, the Issuer will consider such notice, but will not be obliged to determine that an Index Adjustment Event has occurred solely as a result of receipt of such notice.

### *7.11. Rounding*

For the purposes of any calculations required pursuant to these Terms and Conditions (unless otherwise specified in the relevant Final Terms), (i) 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 (ii) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up). For these purposes “**unit**” means, the lowest amount of such currency that is available as legal tender in the country of such currency.

### *7.12. Status of Warrants*

The Warrants and the payments relating to them are direct, unconditional and unsecured obligations of the Issuer and rank at all times *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by laws relating to creditors’ rights. This category can be seen as the “ordinary creditors” and may be qualified as “Preferred Senior creditors”, being the creditors related under Article 389/1, 1° of the banking law. Such creditors have a higher priority ranking than the so-called non-preferred senior creditors defined under Article 389/1, 2° of the banking law.

### *7.13. Responsibility of the Calculation Agent*

In relation to each issue of Warrants, the Calculation Agent acts solely as agent of the Issuer and does not assume any obligation or duty to, or any relationship of agency or trust for or with, the Warrant Holders. All

calculations and determinations made in respect of the Warrants by the Calculation Agent shall (save in the case of manifest error) be final, conclusive and binding on the Issuer and the Warrant Holder. The foregoing, does not prejudice nor limit any remedy the Warrant Holder may have under applicable law against the Issuer regarding acts or omissions of the Calculation Agent.

#### *7.14. Notices*

All notices from the Issuer, the Calculation Agent or the Depositary to the Warrant Holders shall be validly given by a direct notification on an electronic platform managed by Belfius Bank and accessible by every Warrant Holder, each time as the Issuer in his discretionary opinion shall deem necessary to give fair and reasonable notice to the Warrant Holders. The Warrant Holder will be notified of his or her existing position at least once a year.

Any such notice shall be deemed to have been given on the date immediately following the date of notification from Belfius Bank.

#### *7.15. Taxation*

##### *BELGIAN TAXATION ON THE WARRANTS*

The following is a general description of the principal Belgian tax consequences for investors receiving, holding or disposing of, the Warrants issued by Belfius Bank and is of a general nature based on the Issuer's understanding of current law and practice. This general description is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date. Investors should appreciate that, as a result of changing law or practice, the tax consequences may be otherwise than as stated below. Investors should consult their professional advisers on the possible tax consequences of subscribing for, purchasing, holding, selling or converting the Warrants issued by Belfius Bank under the laws of their countries of citizenship, residence, ordinary residence or domicile for reasons that, among others, the tax legislation of the investor's Member State and of the Issuer's country of incorporation may have an impact on the income received from the Warrants.

##### *7.15.1. Belgian income tax*

###### **7.15.1.1. Belgian resident individuals**

Individuals 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 Warrants as a private investment, are subject to the following tax treatment with respect to the Warrants. Other tax rules apply to Belgian resident individuals who do not hold the Warrants as a private investment.

Belgian resident individuals who hold the Warrants as a private investment, are not taxable on a capital gain realised on the Warrants, provided the capital gain results from the normal administration of a private estate. A capital loss realised up disposal of the Warrants is not tax deductible. The benefit realized upon exercise of the Warrants, is not taxable.

###### **7.15.1.2. Belgian resident companies**

If the company (subject to the ordinary Belgian Corporate Income Tax regime) would realise a capital gain on the Warrants, that capital gain would be fully subject to corporate tax. A capital loss recorded or realised on the Warrants would tax deductible.

The Cash Settlement Amount received upon exercise of the Warrants is fully taxable.

###### **7.15.1.3. Belgian non-residents**

Warrant Holders who are not resident of Belgium for Belgian tax purposes, who have acquired the Warrants and who are not holding the Warrants 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, holding or disposal of the Warrants.

## 7.15.2. Other taxes

### 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 Warrants on a secondary market if such transaction is either entered into or carried out in Belgium through a professional intermediary. The rate applicable for secondary sales and purchases in Belgium through a professional intermediary is 0.35% with a maximum amount of EUR 1,600 per transaction and per party and collected by the professional intermediary. 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 acquisition of Warrants upon their issuance (primary market) is not subject to the tax on stock exchange transactions.

As from 1 January 2017, Belgian residents (individuals and legal entities) who undertake transactions via foreign intermediaries are also subject to the tax on stock exchange transactions. The Belgian resident must file a tax return and pay the tax due within two months after the transaction unless the foreign intermediary reported and paid the tax itself.

Following the Law of 25 December 2016, the scope of application of the tax on the stock exchange transactions has been extended as of 1 January 2017 to secondary market transactions of which the order is directly or indirectly made to a professional intermediary established outside of Belgium by (i) a private individual with habitual residence in Belgium or (ii) a legal entity for the account of its seat or establishment in Belgium (both referred to as a “**Belgian Investor**”). In such a scenario, the tax on the stock exchange transactions is due by the Belgian Investor, unless the Belgian Investor can demonstrate that the tax on the stock exchange transactions due has already been paid by the professional intermediary established outside of Belgium. In the latter case, the foreign professional intermediary also has to provide each client (which gives such intermediary an order) with a qualifying order statement (*bordereau/borderel*), at the latest on the business day after the day the transaction concerned was realised. The qualifying order statements must be numbered in series and a duplicate must be retained by the financial intermediary. The duplicate can be replaced by a qualifying agent day-today listing, numbered in series. Alternatively, professional intermediaries established outside of Belgium could appoint a stock exchange tax representative in Belgium, subject to certain conditions and formalities (“**Stock Exchange Tax Representative**”). Such Stock Exchange Tax Representative will then be liable toward the Belgian Treasury for the tax on stock exchange transactions on behalf of clients that fall within one of the aforementioned categories (provided that these clients do not qualify as exempt persons for stock exchange tax purposes – see below) and for complying with the reporting obligations and the obligations relating to the order statement (*bordereau/borderel*) in that respect. If such a Stock Exchange Tax Representative would have paid the tax on stock exchange transactions due, the Belgian Investor will, as per the above, no longer be the debtor of the tax on stock exchange transactions.

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.

### Financial Transaction Tax

On 14 February 2013, the EU Commission adopted a proposal for a Council Directive (the “Draft Directive”) on a common financial transaction tax (“FTT”). Pursuant to the Draft Directive, the FTT shall be implemented and enter into effect in eleven EU Member States (Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovak Republic, Slovenia and Spain; the “Participating Member States”). In December 2015, Estonia withdrew from the Participating Member States.

The Commission's Proposal currently stipulates that once the FTT enters into force, the participating Member States shall not maintain or introduce 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).

The Commission's Proposal has a very broad scope and could, if introduced, apply to certain dealings in Warrants (including secondary market transactions) in certain circumstances. The issuance and subscription of Warrants 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. According to the Draft Directive, the FTT shall be payable on financial transactions provided that at least one party to the financial transaction is established (or deemed established) in a Participating Member State and that there is a financial institution established (or deemed established) in a Participating Member State which is a party to the financial transaction, or is acting in the name of a party to the transaction. 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 FTT shall, however, not apply to among others primary market transactions referred to in Article 5 (c) of Regulation (EC) No 1287/2006, including the activity of underwriting and subsequent allocation of financial instruments in the framework of their issue.

The rates of the FTT shall be fixed by each Participating Member State but for transactions involving financial instruments other than derivatives they shall amount to at least 0.1% of the taxable amount. The taxable amount for such transactions shall in general be determined by reference to the consideration paid or owed in return for the transfer or the market price (whichever is higher). The FTT shall be payable by each financial institution established (or deemed established) in a Participating Member State which is a party to the financial transaction, which is acting in the name of a party to the transaction or where the transaction has been carried out on its account. Where the FTT due has not been paid within the applicable time limits, each party to the relevant financial transaction, including persons other than financial institutions, shall become jointly and severally liable for the payment of the FTT due.

However, the FTT proposal remains subject to negotiation between the Participating Member States, and the scope of any such tax is uncertain. Additional EU Member States may decide to participate and/or other Participating Member States may decide to withdraw.

Prospective Holders of the Warrants should consult their own tax advisers in relation to the consequences of the FTT associated with the subscription, purchase, holding or disposal of the Warrants.

# 8. TERMS AND CONDITIONS OF THE OFFER

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(Annex 14.5 of Commission delegated regulation (EU) 2019/980)

The Warrants will be offered for subscription as specified in the relevant Final Terms at the relevant Issue Price (Commission included). The Issuer has the right to anticipatively terminate the Offering Period if the maximum amount of the Warrants issue has been reached or if the market conditions adversely affect the interest of the Issuer, as the case may be.

The Warrants have not been offered or sold and will not be offered or sold directly or indirectly and this Base Prospectus and the relevant Final Terms has not been distributed and will not be distributed, except in such circumstances that will result in compliance with all applicable laws and regulations.

The Warrants are not intended to be offered, sold or otherwise made available, and should not be offered, sold or otherwise made available, in Belgium to “consumers” (*consommateurs/consumenten*) within the meaning of the Belgian Code of Economic Law (*Code de droit économique / Wetboek van economisch recht*).

The Warrants are deposited in a Belfius Bank securities account and Belfius Bank will not charge any fees for this service nor for the opening of such securities account.

The Issuer has the right to cancel any issue of Warrants under the Programme during their Offering Period until the fifth business day before their Issue Date, either (i) when it reasonably believes that investors will not subscribe to the Offer for an amount of at least the Minimum Amount specified in the relevant Final Terms or (ii) in case it considers there is a material adverse change in market conditions. Investors that have subscribed to these Warrants will be notified pursuant to Condition 7.14 of such cancellation. The Issuer has the right to anticipatively terminate the Offering Period if the Maximum Amount of the relevant Warrants issue has been reached or if the market conditions adversely affect the interest of the Issuer, as the case may be.

The Warrants have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and are subject to U.S. tax law requirements and, subject to certain exceptions, Warrants may not be offered, sold or delivered within the United States of America, including its territories and possessions, or to U.S. persons.

The Warrants have not been offered, sold or delivered and will not be offered, sold or delivered, as part of their distribution at any time, or otherwise until 40 days after the commencement of the offering within the United States or to, or for the account or the benefit of, U.S. persons and a dealer to which the Warrants are sold during the restricted period, will receive a confirmation or other notice setting forth the restrictions on offers and sales of the Warrants within the U.S. or to, or for the account or benefit of, U.S. persons.

The Warrants will be offered at the relevant Issue Price (Commission included). This price comprises all costs.

The financial service will be performed by Belfius Bank.

The Offer is governed by the laws of Belgium. All disputes arising out of or in connection with the Offer shall be exclusively submitted to the jurisdiction of the competent courts in Brussels.

## 9. ADMISSION TO TRADING

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(Annex 14.6 of Commission delegated regulation (EU) 2019/980)

The Warrants offered will not be the object of an application for admission to trading on a stock exchange or a regulated market. There are no securities issued by Belfius of the same class as the Warrants to be offered that are already admitted to trading on a stock exchange.

# 10. USE OF PROCEEDS

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(Annex 14.3 of Commission delegated regulation (EU) 2019/980)

The net proceeds of the issue of the Warrants will be used for general corporate purposes of Belfius Bank and for covering the risks resulting of the issue of the Warrants. The Warrants issue will be subject to some out-of-pocket expenses and publicity fees estimated to be around EUR 25,000.

# 11. THE UNDERLYING INDEX

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(Annex 17 of Commission delegated regulation (EU) 2019/980)

The Underlying Index is the MSCI Europe Net Total Return Index (M7EU). The Index Sponsor is MSCI. The Index Sponsor is registered as a benchmark administrator in the public register maintained by the European Securities and Markets Authority (ESMA) under Article 36 of Regulation (EU) 2016/1011 (the “**Benchmark Regulation**”).

In case of an Index Adjustment Event, the Calculation Agent may decide to substitute the Underlying Index or the value of the Underlying Index with another reference rate. If the Calculation Agent is unable to substitute the Underlying Index, it may calculate the Initial Price by reference to other reference rates. Any such reference rate may constitute a benchmark for the purposes of the Benchmark Regulation. Not every reference rate will fall within the scope of the Benchmark Regulation. The registration statuses of any administrator under the Benchmark Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the relevant Final Terms to reflect any change in the registration status of the administrator.

The MSCI Europe Index represents the performance of large and mid-cap equities across 15 developed countries in Europe (Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the U.K.).

As of October 2019 it had more than 400 constituents and covered approximately 85% of the free float-adjusted market capitalization across the European developed market equity universe.

The index is built using MSCI’s Global Investable Market Index (GIMI) methodology, which is designed to take into account variations reflecting conditions across regions, market-cap segments, sectors and styles.

More information about the Underlying Index, including past and the future performance and volatility, can be obtained by electronic means free of charge at <https://www.msci.com/documents/10199/db217f4c-cc8c-4e21-9fac-60eb6a47faf0>.

## Disclaimer

The Index Sponsor and its licensors, research partners or data providers have no relationship with the Issuer, other than the licensing of the Issuer’s right to insert the Underlying Index and the related trademarks for use in connection with the Warrants. “Index Sponsor” shall also refer to the entities belonging to the same corporate group as the Index Sponsor.

The Index Sponsors and its licensors, research partners or data providers do not (i) sponsor, endorse, sell or promote the Warrants, (ii) recommend that any person invest in the Warrants or any other securities, (iii) have any responsibility or liability for or make any decisions regarding the timing, amount or pricing of the Warrants, (iv) have any responsibility or liability for the administration, management or marketing of the Warrants, (v) consider the needs of the Warrants or the owners of the Warrants in determining, composing or calculation the Underlying Index or have an obligation to do so.

The Index Sponsor and its licensors, research partners or data providers give no warranty and exclude any liability (whether in negligence or otherwise) in connection with the Warrants and their performance.

The Index Sponsor does not assume any contractual relationship with the purchasers of the Warrants or any third parties. Specifically (i) the Index Sponsor and its licensors, research partners or data providers do not give any warranty, express or implied, and exclude, in particular, any liability about: (x) the results to be obtained by the Warrants, the owner of the Warrants or any other person in connection with the use of the Underlying Index and the data contained in the Underlying Index, (y) the accuracy, timeliness, and completeness of the Underlying Index and its data; (z) the merchantability and fitness for a particular purpose or use of the Underlying Index and its data; (xx) the performance of the Warrants generally.

The Index Sponsor and its licensors, research partners or data providers give no warranty and exclude any liability, for any errors, omissions or interruptions of in the Underlying Index or its data. Under no

circumstances will the Index Sponsor or its licensors, research partners or data providers be liable (whether in negligence or otherwise) for any lost profits or indirect, punitive, special or consequential damages or losses, arising as a result of such errors, omissions or interruptions in the Underlying Index or its data or generally in relation to the Warrants, even in circumstances where the Index Sponsor or its licensors, research partners or data providers are aware that such loss or damage may occur.

The licensing agreement between the Issuer and the Index Sponsor is solely for their benefit and not for the owners of the Warrants or any third parties.

## 12. THIRD PARTY INFORMATION, EXPERT STATEMENTS AND DECLARATIONS

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(Annex 6.1 and 17.3 of Commission delegated regulation (EU) 2019/980)

Except for the audited financial statements of the Issuer, there has not been any statement or report attributed to a person as an expert which is included in this Base Prospectus.

Further, and except for the audited financial statements of the Issuer, there is no information in this Base Prospectus which has been audited or reviewed by statutory auditors and no auditor has produced a report with respect to this Base Prospectus.

The Issuer does not intend to provide post-issuance information.

Where information in this Base Prospectus has been sourced from third parties, this information has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from the information published by such third parties no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.

## 13. DOCUMENTS ON DISPLAY

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(Annex 6.14 of Commission delegated regulation (EU) 2019/980)

Copies of (i) the annual reports dated 31 December 2017 and 31 December 2018 for the Issuer and of all subsequent annual reports to be published, (ii) the Half-Yearly Report 2019, and (iii) the articles of association of the Issuer are available free of charge at the office of Belfius Bank and will be available during the entire lifetime of the Warrants.

Additionally, the annual reports of Belfius Bank are available on its internet site <https://www.belfius.be/about-us/en/investors/results-reports/reports>.

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# ANNEX 1: Template for Final Terms

## **FINAL TERMS**

*Set out below is the form of Final Terms which will be completed for each series of Warrants issued under the Programme.*

[Date]

### **BELFIUS BANK SA/NV**

Limited liability Company of unlimited duration incorporated under Belgian law

**Issue of [...] (Aggregate Nominal Amount of Series of Warrants)**

**[Title of relevant Series of Warrants]**

**under the**

**Employer Warrant Issuance Programme**

**[MIFID II product governance / Retail investors, professional investors and ECPs target market – Belfius Bank SA/NV acts as sole manufacturer and distributor (each as defined in Directive 2014/65/EU (as amended, "MiFID II")) of the Warrants. Solely for the purposes of Belfius Bank SA/NV's product approval process, the target market assessment in respect of the Warrants has led to the conclusion that: (i) the target market for the Warrants is eligible counterparties, professional clients and retail clients, each as defined in MiFID II; (ii) all channels for distribution to eligible counterparties and professional clients are appropriate; and (iii) the following channels for distribution of the Warrants to retail clients are appropriate - investment advice, portfolio management and non-advised sales.]**

**PROHIBITION OF SALES TO CONSUMERS IN BELGIUM** – The Warrants are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any consumer (*consument/consommateur*) within the meaning of the Belgian Code of Economic Law (*Wetboek van economisch recht/Code de droit économique*).

**[PRIIPs Regulation - A key information document required by Regulation (EU) No 1286/2014 (as amended the "PRIIPs Regulation") for offering or selling the Warrants or otherwise making them available to retail investors in the EEA has been prepared and is available on [●].]**

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 18 February 2020 which constitutes a base prospectus for the purposes of the Prospectus Regulation (Regulation (EU) 2017/1129) (the "**Prospectus Regulation**"). This document constitutes the Final Terms of the Warrants described herein for the purposes of Article 8 of the Prospectus Regulation and must be read in conjunction with the Base Prospectus, including, for the avoidance of any doubt, any supplements to the Base Prospectus. Full information on the Issuer and the Offer of the Warrants is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for viewing at [●] and copies may be obtained from the Issuer at that address.

These Final Terms relate to the securities and must be read in conjunction with, and are subject to, the provisions contained in the Base Prospectus as so supplemented. These Final Terms, and the relevant provisions constitute the conditions of each series of the Warrants described herein. A summary of the Base Prospectus is attached to these Final Terms.

In case of any inconsistency between the Base Prospectus and the Final Terms, the Final Terms shall prevail.

The issue of the Warrants has been authorized by resolutions of the Issuer dated [●].

<b>Series Number:</b>	[●]
<b>Tranche Number:</b>	[●]
<b>Warrant type:</b>	The Warrants can only be exercised during the Exercise Period;
<b>Commission:</b>	[●] EUR;
<b>Costs:</b>	There are no additional costs of subscription, no additional costs upon exercise (besides the payment of the Strike Price) and no additional costs upon a sale to the Issuer. Only applicable subscription fees in the Underlying Index, as may exist at such time and applicable taxes are due;
<b>Applicable Business Centre:</b>	[●];
<b>Exercise Period:</b>	Each business day on which commercial banks in Belgium are open for business from (and including) [●] until (but excluding) the Maturity Date;
<b>Cancellation:</b>	In certain events, the Warrants may be cancelled (Please refer to Condition 7.7 ( <i>Cancellation</i> ));
<b>Adjustments:</b>	In certain events, the features of the Underlying Index may be adjusted (Please refer to Condition 7.10 ( <i>Adjustments to Indices</i> ));
<b>Form:</b>	Book entry;
<b>Currency:</b>	EUR;
<b>ISIN Code:</b>	[●];

<b>Issue Date:</b>	[●];
<b>Issue Price:</b>	[10,50] EUR (being [10] EUR, increased with the Commission);
<b>Issuer:</b>	Belfius Bank, a limited liability company incorporated under the laws of Belgium (hereinafter "Belfius Bank") (see the Base Prospectus for information about the Issuer);
<b>Maturity Date:</b>	[●];
<b>Offering Period:</b>	The Warrants will be offered for subscription from [●] until and including [●] (4 p.m. Brussels time);
<b>Minimum Amount of the Offer:</b>	[100.000 EUR];
<b>Maximum Amount of the Offer:</b>	[No Maximum];
<b>Parity:</b>	The Parity is the number of Warrants necessary to buy an Underlying Index at the payment of the Strike Price. The Parity equals a percentage of the Initial Price of the Underlying Index at Issue Date divided by the Issue Price minus Commission;
<b>Strike Price:</b>	The Strike Price is equal [112.31]% of the Initial Price of the Underlying Index;
<b>Initial Price:</b>	The closing value of the Underlying Index on [ ]
<b>Averaging:</b>	[Applicable]/[Not Applicable];
<b>Averaging Dates:</b>	[Applicable]/[Not Applicable];
<b>Valuation Date:</b>	[●];

<b>Rounding:</b>	[In accordance with Condition 7.11 ( <i>Rounding</i> )]/[specify];
<b>Governing law and jurisdiction:</b>	The Warrants are governed by the laws of Belgium. All disputes arising out of or in connection with the Warrants shall be exclusively submitted to the jurisdiction of the competent courts in Brussels;
<b>Underlying Index:</b>	MSCI Europe Net Total Return Index (M7EU);
<b>Cash Settlement Amount:</b>	The amount determined by the Calculation Agent in accordance with Condition 7.5.2 ( <i>Settlement</i> ) of the Conditions in relation to any Warrant being exercised;
<b>Guaranteed Cash Amount:</b>	[Parity × Initial Price × Marginal Tax Rate (53.5%) × ATN Warrants (23%)]/[Parity × Min(Initial Price, Average Close Price of the Underlying Index during the 30 days before the initial valuation date) × Marginal Tax Rate (53.5%) × ATN Warrants (23%)]; and
<b>Responsibility:</b>	The Issuer accepts responsibility for the information contained in these Final Terms.

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# ANNEX 2: Articles of Association

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## COORDINATED TEXT OF THE ARTICLES OF ASSOCIATION

OF

BELFIUS BANK SA/NV

1210 Brussels (Saint-Josse-ten-Noode), Place Charles Rogier 11  
Business number BE0403.201.185 (Brussels Register of legal entities)

after amendment of the Articles of Association of 20 December 2019

### OVERVIEW

(in accordance with article 75, first paragraph, 2° of the Companies Code)

#### INCORPORATION DEED:

Company incorporated under the name “Banque de Financement”/ “Financieringsbank” under the terms of a deed executed by Albert Raucq Notary public in Brussels, through the intervention of Rudy Pauwels, Notary public in Deinze, on the twenty-third of October nineteen sixty-two, published in the annex to the Moniteur belge (Belgian State Gazette) of the eighth of November thereafter, under number 29878.

#### AMENDMENTS TO THE ARTICLES OF ASSOCIATION:

The Articles of Association have been amended further to records drawn up by:

##### 1) the Notary public Albert RAUCQ, aforenamed:

- on the fifteenth of October nineteen sixty-five, published in the annex to the Moniteur belge of the sixth of November thereafter, under number 32196;
- on the thirtieth of December ninety sixty-six, published in the annex to the Moniteur belge of the twenty-first of January nineteen sixty-seven under number 149-1;
- on the fourteenth of June nineteen sixty-eight, published in the annex to the Moniteur belge of the twenty-ninth of June thereafter, under number 1822-1 (change of company name);
- on the twenty-third of June nineteen sixty-nine, published in the annex to the Moniteur belge of the fourth of July thereafter, under number 1840-1;

##### 2) the Notary public Gilberte RAUCQ, in Brussels:

- on the twentieth of September nineteen seventy-two, published in the annex to the Moniteur belge of the fourteenth of October thereafter, under number 2811-3;
- on the eleventh of October nineteen seventy-nine, published in the form of an excerpt in the annex to the Moniteur belge of the eighth of November thereafter, under number 1847-5;
- on the twenty-seventh of October nineteen eighty-two, published in the annex to the Moniteur belge of the twenty-third of November thereafter, under number 2238-9;
- on the thirtieth of May nineteen eighty-three, published in the form of an excerpt in the annex to the Moniteur belge of the twenty-third of June thereafter, under number 1605-4 and 5;
- on the sixteenth of December nineteen eighty-three, published in the form of an excerpt in the annex to the Moniteur belge of the fourteenth of January nineteen eighty-four, under number 366- 13;
- on the seventeenth of October nineteen eighty-five, published in the form of an excerpt in the annex to the Moniteur belge of the thirteenth of November thereafter, under number 851113-22 and the thirty-first of October nineteen eighty-six, published in the form of an excerpt in the annex to the Moniteur belge of the second of December nineteen eighty-six under numbers 861202-142 and 143;
- on the seventeenth of November nineteen eighty-six, published in the form of an excerpt in the annex to the Moniteur belge of the sixteenth of December thereafter, under numbers 861216-221 and 222;
- on the thirtieth of October nineteen eighty-seven, published in the form of an excerpt in the annex to the Moniteur belge of the twenty-eighth of November thereafter, under numbers 871128-284 and 285;

- on the fourth of December nineteen eighty-nine, published in the form of an excerpt in the annex to the Moniteur belge of the third of January nineteen ninety, under numbers 900103-75 and 76;
- on the twenty-seventh of June nineteen ninety, published in the form of an excerpt in the annex to the Moniteur belge of the twenty-sixth of July thereafter, under numbers 900726-54 and 55;
- on the twenty-fifth of May nineteen ninety-two , published in the form of an excerpt in the annex to the Moniteur belge of the eighteenth of June thereafter, under numbers 920618-56 and 57;
- on the first of June nineteen ninety-three, published in the form of an excerpt in the annex to the Moniteur belge of the twenty-sixth of June thereafter, under numbers 930626-26 and 27;
- on the twenty-sixth of June nineteen ninety-five, published in the form of an excerpt in the annex to the Moniteur belge of the twentieth of July thereafter, under numbers 950720-31 and 32;
- on the twenty-sixth of May nineteen ninety-seven, published in the form of an excerpt in the annex to the Moniteur belge of the twenty-fifth of June thereafter, under numbers 970625-14 and 15;
- on the twelfth of February nineteen ninety-eight (containing a change of company names), published in the form of an excerpt in the annex to the Moniteur belge of the eighteenth of February thereafter, under numbers 980218-434 and 435;
- on the twenty-fourth of September nineteen ninety-eight, published in the form of an excerpt in the annex to the Moniteur belge of the twenty-first of October thereafter, under numbers 981021-351 and 352;
- on the twenty-fourth of February nineteen ninety-nine, published in the form of an excerpt in the annex to the Moniteur belge of the eighteenth of March thereafter, under numbers 990318-36 and 37.

**3) the notary public Eric SPRUYT, in Brussels:**

- on the first of April nineteen ninety-nine (change of company name), published in the annex to the Moniteur belge of the thirteenth of May thereafter, under numbers 990513-142 and 143;
- on the thirty-first of May nineteen ninety-nine, published in the annex to the Moniteur belge of the twenty-third of June thereafter, under number 990623-458;
- on the twenty-ninth of December nineteen ninety-nine, published in the annex to the Moniteur belge of the seventeenth of February two thousand, under numbers 20000217-211 and 212.
- on the thirty-first of October two thousand, published in the annex to the Moniteur belge of the twenty-fourth of November thereafter, under numbers 20001124-567 and 568.

**4) The notaries public Herwig VAN DE VELDE and Eric SPRUYT, both in Brussels:**

- on the twenty-eighth of March two thousand and two, published in the annexes to the Moniteur belge of the nineteenth of April thereafter, under numbers 20020419-483 and 484, containing, inter alia, the merger by acquisition by the Company, of the limited liability company “Dexia Bank Belgium”, shortened to “Dexia Bank”, the limited liability cooperative company “Artesia Services” and the limited liability company “Bacob”.

**5) The notary public Herwig VAN DE VELDE, aforenamed:**

- on the thirtieth of April two thousand and three, published in the annexes to the Moniteur belge under numbers 2003-05-19/0055624 and 0055625;
- on the twenty-ninth of August two thousand and three, published in the Annexes to the Moniteur belge under numbers 20030919/0096816 and 0096817.

**6) The notary public Carole GUILLEMYN, in Brussels:**

- on the twelfth of July two thousand and four, published in the Annex to the Moniteur belge of the fifth of August two thousand and four, under numbers 04116572 and 04116573

**7) The notary public Herwig VAN DE VELDE aforenamed:**

- on the thirty-first of August two thousand and four, published in the Annexes to the Moniteur belge of the twenty-second of September thereafter, under numbers 04134061 and 04134062.
- on the thirty-first of May two thousand and five, published in the Annex to the Moniteur belge of the twenty-seventh of June thereafter, under numbers 090336 and 090337.
- on the first of July two thousand and five, published in the Annex to the Moniteur belge under numbers 2005-08-05/0113834 and 0113835.
- on the thirty-first of August two thousand and five, published in the Annex to the Moniteur belge, under numbers 0131421 and 0131422.
- on the fifteenth of December two thousand and five, published in the Annex to the Moniteur belge of the eleventh of January two thousand and six, under numbers 06011365 and 0601366.

**8) The notary public Carole GUILLEMYN, aforenamed:**

- on the eighteenth of June two thousand and seven, published in the Annex to the Moniteur belge of 12 July thereafter, under numbers 2007-07-12/07101587 and 07101588.

9) The notary public Carole GUILLEMYN, aforenamed:

- on the twenty-ninth of December two thousand and eight, published in the Annex to the Moniteur belge of 23 January 2009, under numbers 2009-01-23/0012192 and 12193.

10) The notary public Herwig VAN DE VELDE, aforenamed:

- on the twenty-seventh of February two thousand and nine, published in the Annex to the Moniteur belge on 19 March 2009, under numbers 09040827 and 09040828.

11) The notary public Carole GUILLEMYN, aforenamed:

- on 15 December 2011, published in the Annex to the Moniteur belge of 31 January 2012, under numbers 26315 and 26316.

12) The notary public Carole GUILLEMYN, aforenamed:

- on 9 May 2012, published in the Annex to the Moniteur belge of 29 May 2012, under numbers 12095628 and 12095627.

- on 2 December 2013, published in the Annex to the Moniteur belge of 10 January thereafter, under numbers 14011044 and 14011045.

The articles of association have been amended further to record drawn up by Peter Van Melkebeke, notary public in Brussels, on 19 March 2019 (containing, inter alia the adoption of a new text of articles of association), published in the Annex to the Moniteur belge of 16 April thereafter, under numbers 19052152 and 19052153.

The articles of association have been amended for the last time further to record drawn up by Peter Van Melkebeke, notary public in Brussels, on 20 December 2019 (containing, inter alia the adoption of a new text of articles of association), filed for publication with the Annexes to the Moniteur belge.

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**COORDINATED ARTICLES OF ASSOCIATION**  
**on 20 December 2019**

**SECTION 1 – LEGAL FORM – NAME – REGISTERED OFFICE – PURPOSE**

**Article 1 – NAME, LEGAL FORM, DURATION**

The Company is a limited liability Company.

The name of the company is “Belfius Banque” in French, “Belfius Bank” in Dutch, “Belfius Bank” in German and “Belfius Bank” in English.

The Company may carry on its commercial activities under the following denominations: its name and its commercial denominations "Belfius Banque & Assurances", "Belfius Bank & Verzekeringen", "Belfius Bank & Versicherungen", "Belfius Bank & Insurance" and "Belfius",

The Company is established for an indefinite duration.

The Company is an organisation of public interest, in the sense of article 1:12 of the code of companies and associations.

**Article 2 – REGISTERED OFFICE, OTHER OFFICES**

The registered office of the Company is situated in the Brussels Capital Region.

The registered office may be transferred to another place, within the Brussels Capital Region, by decision of the Board of Directors.

The company may establish offices and branches wherever in the world the Board of Directors deems it useful.

**Article 3 - PURPOSE**

The Company's purpose is to carry on the business of a credit institution in accordance with the conditions stipulated by the law and regulations governing credit institutions that have been approved by the National Bank of Belgium.

As such, the Company may - for its own account and for the account of third parties or in cooperation with third parties – by itself or by intermediary of natural persons or legal entities, both in Belgium and abroad, undertake any and all permitted activities of a credit institution, any and all banking transactions and associated transactions, all investment services transactions and associated transactions, including inter alia:

1° transactions regarding deposits, credits within the broadest sense, brokerage, stock exchange related operations, launches of issues, guarantees and surety;

2° short, medium and long-term credit transactions, sustain investments by provinces, municipalities and organisations of a regional character, as well as investments effected by all public establishments, companies, associations and organisations, which are constituted for provincial, municipal or regional purposes, and which provinces, municipalities and organisations of a regional character are authorised to support;

3° to further, by means of appropriate credit transactions, the day-to-day operation of the budgets of provinces, municipalities and organisations of a regional character, and of all other institutions referred to in 2° above, as well as the day-to-day management of their exploitations, companies and enterprises;

4° transactions in financial derivatives.

Furthermore, the Company also has the purpose of distributing products from third party insurance companies. The Company may acquire, own and sell shares and participations in one or more companies, within the limits provided for by the legal status of credit institutions.

The Company is entitled to carry out any transactions of whatever nature, inter alia financial, commercial, including goods and estate, relating directly or indirectly to the furtherance of its purpose or of such a nature as to facilitate the achievement thereof.

All the provisions of the present article must be interpreted in the broadest sense and within the context of the laws and regulations governing transactions of credit institutions.

**SECTION II – CAPITAL - SHARES**

**Article 4 – CAPITAL, SHARES**

The issued and fully paid-up capital amounts to three billion four hundred fifty eight million sixty six thousand two hundred twenty seven euros and forty one cent (EUR 3,458,066,227.41).

The capital is divided into three hundred fifty-nine million four hundred twelve thousand six hundred sixteen registered shares (359,412,616) with no face value, each representing one / three hundred fifty-nine million four hundred twelve thousand six hundred sixteenth (1/359,412,616<sup>th</sup>) fraction of the share capital.

**Article 5 - AUTHORISED CAPITAL**

The Board of Directors is authorised to increase the capital in one or more instalments at such times and on such terms and conditions as it shall determine up to a maximum amount of three billion four hundred fifty eight million sixty six thousand two hundred twenty seven euros and forty one cent (EUR 3,458,066,227.41). Such authorization shall be valid for a period of five years from the publication in the annexes to the Moniteur belge [Belgian State Gazette] of the amendment to the Articles of Association resolved by the extraordinary General Meeting of 19 March 2019. It shall be renewable.

The Board of Directors is authorised to issue in one or more instalments and on the conditions permitted by law, convertible bonds, bonds redeemable in shares, subscription rights or other financial instruments that in time entitle to acquire shares up to a maximum total amount fixed such that the capital resulting from the conversion or redemption of bonds or the exercise of the subscription rights or other financial instruments is not increased above the remaining maximum limit to which the Board of Directors is authorised to increase the capital pursuant to paragraph 1 hereof.

Increases of capital decided pursuant to these authorisations may be made by way of cash subscriptions, non-cash contributions, within the permitted legal limits, as well as by capitalisation of available or unavailable reserves, or share premiums, with or without an issue of new shares.

The Board of Directors shall act in observance of shareholders' statutory preferential rights.

Any share premium resulting from an increase of capital resolved by the Board of Directors shall be recorded in a reserve account not available for distribution, which shall offer the same third party guarantees as the capital, and may not, other than where capitalised by resolution of the General Meeting or Board of Directors as provided above, be reduced or cancelled other than by resolution of the General Meeting taken in the conditions prescribed by article 7:208 of the code of companies and associations.

## **Article 6 – FORM OF THE SECURITIES**

The securities issued by the Company will be registered or dematerialised, as specified by the Board of Directors or by the General Meeting on the occasion of their issue.

# **SECTION III – BOARD OF DIRECTORS – MANAGEMENT BOARD – OTHER COMMITTEES**

## **A. BOARD OF DIRECTORS**

### **Article 7 - COMPOSITION**

7.1 The Company is managed by a Board of Directors composed of a minimum of ten members, who are appointed and may be revoked by the General Meeting.

One third of the members of the Board of Directors must be of a different gender to the other members.

7.2 The mandates of the members of the Board of Directors are granted for a period of maximum four years.

The non-executive Board members are eligible for re-election for a maximum of two mandates.

The tasks of a Board member shall end on conclusion of the ordinary General Meeting that decides on the accounts for the previous year, held in the year in which that member's mandate elapses.

7.3 For the execution of their mandate, the General Meeting determines the remuneration of the directors.

7.4 In the event of there being a vacancy on the Board, the Board of Directors provides for an interim appointment, as the case may be in accordance with the nomination procedures referred to in this article. The following General Meeting shall make a permanent appointment. The mandate of the person so appointed shall be granted for a period of maximum four years.

7.5 The Board of Directors shall elect a Chairman from among its non-executive members and, if appropriate, one or more Vice-Chairmen, as well as the holders of other positions. The Board of Directors appoints its Secretary, who is either a member of the Board or not.

7.6 The Board of Directors draws up internal regulations governing its procedures and regularly reviews those procedures. The Board communicates the internal regulations to the shareholders pursuant to article 2:32 of the code of companies and associations.

## **Article 8 – EXECUTIVE AND NON-EXECUTIVE MEMBERS**

8.1 The members of the Board of Directors have, both together and individually, the right profile for leading the institution and the composition of the Board of Directors guarantees that decisions are taken in the light of a sound and prudent policy.

8.2 The Board of Directors comprises executive and non-executive members.

8.3 The majority of members of the Board of Directors are non-executive.

8.4 The executive members are appointed on the proposal of the Management Board as a member of the Management Board.

8.5 At least four of the non-executive members are independent, it being understood that, for the purposes of the present article, independent means the Board members who have the characteristics described in article 27 of the Law of 25 April 2014 relative to the status and regulation of credit institutions and listed companies (the "Banking Law").

## **Article 9 - ROLE OF THE BOARD OF DIRECTORS**

9.1 The Board of Directors determines the Company's business strategy and oversees the implementation of that strategy.

9.2 The Board of Directors is actively involved in everything related to this responsibility for general policy, in particular as regards supervision of risk policy, the organisation, the financial stability of the bank and its management, including by determining the objectives and values of the institution.

The Board of Directors appoints people to the necessary roles and assigns the necessary powers and supervises those roles and powers.

9.3 The Board of Directors draws up a corporate governance memorandum.

## **Article 10 – POWERS OF THE BOARD OF DIRECTORS**

10.1 The Board of Directors shall have the powers to carry out all acts which are useful or necessary for the achievement of the purpose of the Company, except for the powers reserved to the General Meeting by law.

The Board of Directors shall be vested with powers to carry out all such operations as useful or necessary for the management of the Belfius Art Collection. When deliberating and deciding on said collection, it shall in particular ensure that the collection is dynamically managed, opened regularly to the public in conjunction with cultural events or otherwise, and that it will not leave Belgian territory permanently.

10.2 The Board of Directors may delegate special powers to its Chairman, its Vice-Chairmen or one or more of its members.

Under its powers for the management of the Belfius Art Collection, only the Board of Directors may transfer the day-to-day management thereof to an "Art Council" and fix the composition and powers thereof taking into account the provisions of Article 10.1 of these articles of association.

10.3. No decision can be made concerning the Belfius Art Collection as of the time and during the period that a private shareholder, who is not himself controlled within the meaning of Article 1:14 of the code of companies and associations by the Belgian State, the Communities and Regions or any other public authority, has acquired control of the company within the meaning of Article 1:14 of the code of companies and associations, except as provided in the following paragraph.

The Board of Directors shall, within a period of six months from such time as control of the company has changed as afore indicated, proceed to place the Belfius Art Collection in a legal entity (i) which shall be de jure controlled by a Belgian private foundation, and (ii) where the company shall be a certificate holder of said legal entity within the meaning of Article 7:61 of the code of companies and associations or via another mechanism with the same scope and spirit as provided in the new Companies and Associations Code.

The Board of Directors of the foundation shall ensure that the Federal Participation and Investment Company or its legal successor and the company are represented in the bodies of the aforementioned legal entity and Belgian private foundation alongside an art expert (with an advisory role), whereby the representative of FPIM/SFPI or his legal successor shall have the right to veto decisions concerning a sale or relocation of the Belfius Art Collection abroad, with the exception of decisions concerning the normal management of said collection in accordance with the principles set out in Article 10.1. Such decisions which do not concern the normal management may be placed on the agenda and taken provided that the representative of FPIM/SFPI or his legal successor is present. This veto right shall be mentioned explicitly in the articles of association of the Belgian private foundation.

## **Article 11 - MEETINGS OF THE BOARD OF DIRECTORS**

11.1 The Board meets when convened by the Chairman or, in the event of his absence, by one of the Vice-Chairmen or, in the event of the absence of the latter, two other members of the Board, whenever the interests of the Company so require. A meeting must be convened if three members of the Board so request.

Notices of meetings shall be validly made by letter, fax, email or any other means referred to in article 2281 of the Civil Code. Any Board member present or duly represented shall be assumed automatically to have been properly convened.

The Board of Directors may always hold valid deliberations, even if no meeting has been convened, providing all members are present or represented.

11.2 The meetings are chaired by the Chairman of the Board. In the absence of the Chairman, shall be replaced by one of the Vice-Chairmen and, in the latter's absence, by a member designated by the other members of the Board from among the non-executive members.

All deliberations require at least half of the members to be present or represented, unless the deliberation concerns a matter as stipulated in Article 10.1, paragraph 2 of these Articles of Association, in which case at least ninety-five percent of the members have to be present or represented.

Decisions are taken by a majority of votes cast by the members present or represented, unless the deliberation concerns a matter as stipulated in Article 10.1, paragraph 2 of these Articles of Association, in which case a ninety-five percent majority of the votes cast by all members present or represented shall be required.

In the event of a tied vote, the Chairman or the person representing him has the casting vote.

11.3 A member of the Board who is unable to be present may, by letter or any other means of communication in which the authority to vote on his behalf is recorded in a document, authorise another member to represent him and vote in his stead.

However, no member of the Board may represent more than one other member.

11.4 The decisions of the Board of Directors may be taken through the unanimous written consent of its members. The agreement of the directors may be placed either on one single document (letter, fax, printed e-mail or any other document) or on several copies of the same document. The decisions shall bear the date of the last agreement placed on the said document or documents.

Meetings may also be held by telephone conference or by videoconference. In that case, the meeting of the Board of Directors shall be deemed to be held at the Company's registered office.

11.5 The minutes of the meetings are approved by the Board and signed by the Chairman or one of the Vice-Chairmen (in the event of the Chairman being absent) or by two non-executive directors (in the event of the Chairman and Vice-Chairmen being absent).

Copies and extracts of the minutes of the Board are signed either by the Chairman or one of the Vice-Chairmen of the Board, by the Chairman or the Vice-Chairman or a member of the Management Board, or by the Secretary-General, or by the Secretary of the Board.

## B. MANAGEMENT BOARD

### Article 12 –

12.1 In accordance with the article 24 of the Law of 25 April 2014 relative to the status and regulation of credit institutions and listed companies (the "Banking Law"), a management board will be put in place composed exclusively by members of the Board of Directors.

12.2 The Management Board put in place constitutes a collegiate body endowed with the same powers as a management committee, as stipulated in article 24, §1 of the Banking Law. It exercises the effective management of the bank.

The Management Board ensures that the bank's activities are in keeping with the strategy, the risks and the policy approved by the Board of Directors and provides the Board of Directors with the relevant information, in order that the Board can make well-informed decisions.

The Management Board establishes the most suitable systems for internal audit and ensures that the bank operates in a transparent manner.

### Article 13 - COMPOSITION

13.1 The Board of Directors determines the number of members of the Management Board.

The members of the Management Board constitute a collegial body.

13.2 The Chairman, Vice-Chairman and members are appointed by the Board of Directors from among the members referred to in article 8.4, on nomination of the Management Board and in accordance with the regulations governing financial institutions. The appointment of the Chairman of the Management Board will take place on presentation of the Management Board, after consultation with the Chairman of the Board of Directors.

13.3 The Chairman, Vice-Chairman and members may be removed from office by the Board of Directors, on the advice of the Management Board and in accordance with the regulations governing financial institutions.

Termination of the mandate of a member of the Management Board will result in the immediate termination of his mandate as a member of the Board of Directors.

13.4 The remuneration of members of the Management Board is determined by the Board of Directors, in consultation with the Chairman of the Management Board.

- 13.5 The Management Board may appoint a Secretary, who is either a member of the Committee or not.
- 13.6 The Management Board draws up regulations governing its procedures and regularly reviews those procedures.

#### **Article 14 - DISCHARGE**

Each year, the Board of Directors will advise on the discharge to be given to the members of the Management Board regarding the execution of their missions during the previous year.

#### **Article 15 – MEETING OF THE MANAGEMENT BOARD**

15.1 The quorum with which the Management Board may validly deliberate and decide is at least half the members present in person or by proxy.

Each member may give a proxy to a fellow board member by ordinary letter, telefax, printed email or any other written document.

Each member can only represent one of his colleagues.

Meetings may also be held by telephone conference or by videoconference. In that case, the meeting of the Management Board shall be deemed to be held at the registered office.

The decisions of the Management Board may be taken through the unanimous written consent of its members. The agreement of the members of the Management Board may be placed either on one single document (letter, fax, printed e-mail or any other document) or on several copies of the same document. The decisions shall bear the date of the last agreement placed on the said document or documents.

15.2 The decisions of the Management Board shall be taken by the simple majority of votes of all members present or represented. In case of a tied vote, the vote of the Chairman of the Management Board shall prevail.

15.3 Copies and extracts of the minutes of the Management Board are signed by its Chairman or, if the Chairman is absent, by its Vice-Chairman or, if both the Chairman and Vice-Chairman are absent, by one of its members or by the Secretary-General or by the Secretary of the Board.

15.4 The Management Board may delegate special powers to its Chairman, Vice-Chairman, one or more of its members, one or more members of the staff or any other person. It may authorise sub-delegation thereof.

### **C. OTHER COMMITTEES**

#### **Article 16 – AUDIT COMMITTEE – NOMINATION COMMITTEE – REMUNERATION COMMITTEE – RISK COMMITTEE AND ADVISORY COMMITTEES**

16.1 The Board of Directors shall establish an Audit Committee, a Nomination Committee, a Remuneration Committee and a Risk Committee, as well as any other committee the Board deems necessary, and will determine the composition, functioning, manner of deliberation and tasks of those committees in accordance with the legal provisions.

16.2 The Board of Directors may establish one or more additional advisory committees from among its members and on its responsibility.

16.3 The Board of Directors approves the regulations governing the procedures of each of these committees. Each committee conducts an annual review of its procedures.

### **D. REPRESENTATION**

#### **Article 17 – REPRESENTATION OF THE COMPANY**

17.1 The Company is represented either by two members of the Management Board or by one member of the Management Board acting jointly with the persons delegated for this purpose.

17.2 The Company is also validly represented by one or more specially authorised agents within the limits of the powers conferred upon them.

### **E. CONFLICTS OF INTEREST**

#### **Article 18 –DUTY OF DELICACY**

18.1 Without prejudice to article 7:96 of the code of companies and associations and article 24bis of the Law of 25 April 2014 relative to the status and regulation of credit institutions and listed companies (the “Banking Law”), if a Board member or a member of the Management Board has a direct or indirect interest of any nature whatsoever that is in conflict with a proposed act or decision which, as applicable, is or may become within the sphere of competence of the Board of Directors or the Management Board, including as a result of a dual function, shall inform the Chairman at once and may not take part in the deliberations or the vote on that proposal; however, when a dual function concerns a company linked to the company in the sense of article 1:20 of the code of companies and associations, it may, notwithstanding the above, attend deliberations and take part in the vote.

18.2 In a general sense, the bank operates a transparent and detailed policy on conflicts of interest.

## SECTION IV – MEETINGS OF SHAREHOLDERS

### Article 19 – MEETINGS OF SHAREHOLDERS

19.1 The General Meeting of shareholders represents all shareholders.

Decisions of the General Meeting are binding, even in respect of shareholders who abstain or vote against the motion.

Each share gives entitlement to one vote.If the shares are split into sub-shares, in sufficient quantity the sub-shares shall confer the same rights as a share, unless the law provides to the contrary.

19.2 The holders of convertible bonds, holders of subscription rights and certificates, issued in collaboration with the Company, may only attend the General Meeting in an advisory capacity.

### Article 20 – CONVENING GENERAL MEETINGS

The ordinary General Meetings are convened by the Board of Directors.

The Board of Directors or the auditors may convene extraordinary and special General Meetings.They are obliged to do so at the request of one or more shareholders who own at least one-tenth of the capital, within three weeks of the date of the postmark of the registered letter sent to the Board of Directors which states and justifies the items on the agenda and the motions.

### Article 21 – ANNUAL MEETING

The Annual Meeting of shareholders takes place on the last Wednesday of April at 2.30 p.m., at the registered office or any other place indicated in the attendance notice.If that day is a legal or bank holiday, the Meeting will take place on the following bank working day.

### Article 22 – FORMALITIES FOR ADMISSION TO THE GENERAL MEETING

The holders of registered shares must give notice of their intention to attend the General Meeting.

Any shareholder may be represented at the General Meeting by a proxy holder, whether the latter is himself a shareholder or not.

The holders of convertible bonds, subscription rights and certificates, issued in collaboration with the Company, may only attend the General Meeting in an advisory capacity.

The holders of registered convertible bonds, subscription rights and certificates, issued in collaboration with the Company, must at least five days prior to the date of the General Meeting, give notice in writing of their intention to attend the General Meeting.

The holders of dematerialised convertible bonds, subscription rights and certificates, issued in collaboration with the Company, must at least five days prior to the date of the General Meeting, present a certificate drawn up by the accredited account holder or clearing institution confirming that the securities are unavailable until the date of the Meeting, inclusive. They shall be admitted to the General Meeting upon presentation of the certificate proving that their securities or the certificate were deposited in time.

Co-owners, beneficial owners and bare owners, secured creditors and secured debtors must be represented respectively by one and the same person.

Shareholders and holders of convertible bonds, subscription rights and certificates issued in collaboration with the company may, pursuant to the provision of article 7:139 of the code of companies and associations, put questions to the directors and/or auditor(s) about their reports or points on the agenda. These questions will be answered, where appropriate, by the directors or auditors during the General Meeting.

Shareholders may, from the time the general meeting is convened, put the questions dealt with above to the address stated in the attendance notice. Provided these shareholders and holders of convertible bonds, subscription rights and certificates issued in collaboration with the company have satisfied the formalities for admission to the meeting and these questions reach the company at the latest on the sixth day prior to the meeting, these questions will be answered.

With the exception of resolutions which have to be passed by notarial act, the shareholders may adopt all resolutions, unanimously and in writing, for which the General Meeting is empowered.For this purpose the Board of Directors shall send the shareholders a registered circular and send the Board members and statutory auditors a circular by ordinary mail, fax, e-mail or any other medium stating the agenda and motions and requesting approval of the motions by the shareholders and return of the letter, duly signed, to the address stated in the circular, within a period of fifteen banking days of receipt.If the approval of all shareholders is not received within this period, the resolution shall be deemed not passed.The holders of convertible bonds, subscription rights and certificates issued with the company's collaboration may take note of these resolutions at the registered office of the company.

## **Article 23 – ORGANISATION OF THE MEETING**

The Chairman of the Board of Directors chairs the Meeting. He designates the other members of the board of the Meeting.

In the event of his absence, the Chairman is replaced by one of the Vice-Chairmen or, in event of the latter's absence, by a member of the Board of Directors, designated by the other members.

The minutes of the Meeting shall be signed by the members of the board of the Meeting and by the shareholders who so request.

Copies and extracts of the minutes of the Meeting shall be signed by the Chairman or one of the Vice-Chairmen of the Board of Directors or by two Non-Executive Directors, or by the Secretary-General or by the Secretary of the Meeting.

## **Article 24 – AMENDMENT OF THE ARTICLES OF ASSOCIATION**

When an amendment of these Articles of Association pertains to Articles 10.1, second paragraph, 10.2, second paragraph, 10.3, 11.2, 12.1 or 24, the General Meeting of shareholders, including the general meeting held after a meeting at which the quota for presence and/or majority were not reached, shall deliberate validly on such changes only if those present represent at least ninety-five percent of the capital and when it has obtained at least ninety-five percent of the votes.

## **SECTION V - AUDITORS**

### **Article 25 - AUDITORS**

The auditing of the financial situation and the annual accounts of the Company is entrusted to one or more auditors approved by the National Bank of Belgium, who are appointed for a period of three years by the General Meeting, on the proposal of the Board of Directors after recommendation by the audit committee and on the nomination of the Works Council.

If several auditors are appointed, they shall form a collegial body.

## **SECTION VI – ANNUAL ACCOUNTS**

### **Article 26 – FINANCIAL YEAR, INVENTORY, ANNUAL ACCOUNTS**

The financial year starts on the first of January and ends on the thirty-first of December.

On the thirty-first of December of each year, the Board of Directors draws up an inventory of all assets, rights, receivables, debts and liabilities of whatever kind relating to the business activity of the Company and the Company's own funds allocated to this.

It reconciles the accounts with the inventory data and draws up the annual accounts.

### **Article 27 – DISTRIBUTION OF PROFITS**

27.1 To the amount of the legal minimum, at least one twentieth of the net profits is taken each year to be allocated to the legal reserve.

Distributable profits are made up of the net profits for the financial year, minus prior losses and the allocation provided for in the preceding paragraph, increased by the amount of credit balances carried forward.

27.2 The General Meeting, on the proposal of the Board of Directors, determines the portion of the distributable profits to be allocated to shareholders in the form of dividends. With regard to any surplus, if any, the General Meeting decides either to carry it forward or to enter it under one or more reserve items of which it regulates the use and application. Furthermore, the General Meeting may decide to distribute sums withdrawn from the reserves available to it; in this case, the decision shall expressly indicate the reserve items from which the withdrawals are made. However, dividends are in the first instance taken from the distributable profits of the respective financial year.

27.3 The terms of payment of dividends are determined by the Board of Directors.

Under the conditions provided for the code of companies and associations, the Board of Directors may pay interim dividends.

## **SECTION VII – WINDING-UP**

### **Article 28 – WINDING-UP, DISTRIBUTION OF AVAILABLE ASSETS**

In the event of the Company being voluntary wound up and without prejudice to the relevant legal and regulatory provisions, the General Meeting appoints one or more liquidators, and determines their powers and fees and fixes the liquidation procedure.

The Board of Directors is as a matter of law responsible for the liquidation until the liquidators are appointed. After clearance of the Company's debts and liabilities, the liquidation proceeds are distributed equally between the shareholders in one or more instalments.

## **SECTION VIII – MISCELLANEOUS PROVISIONS**

### **Article 29 – ELECTION OF DOMICILE**

The shareholders, members of the Board, auditors and liquidators are obliged to elect domicile in Belgium for all their dealings with the Company. If they do not comply with this obligation, they shall be deemed to have elected domicile at the registered office of the Company, where all writs, notices and summonses will be served upon them and where all letters and communications may be sent to them.

**REGISTERED OFFICE OF  
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