



## **BELFIUS FINANCING COMPANY S.A.**

*(Incorporated with limited liability under the laws of the Grand Duchy of Luxembourg)*

**Issuer**

## **BELFIUS BANK SA/NV**

*(Incorporated with limited liability under the laws of Belgium)*

**Issuer, Guarantor, Domiciliary Agent, Principal Paying Agent, Paying Agent and Calculation Agent**

## **BANQUE INTERNATIONALE A LUXEMBOURG SA**

**Fiscal Agent and Principal Paying Agent**

## **NOTES ISSUANCE PROGRAMME**

**EUR 20,000,000,000**

Under the Notes Issuance Programme (the “**Programme**”) described in this base prospectus (the “**Base Prospectus**”), Belfius Bank SA/NV (with legal entity identifier (“**LEI**”) A5GWLFH3KM7YV2SFQL84) (also named Belfius Banque SA/Belfius Bank NV, “**Belfius Bank**”) and Belfius Financing Company SA (with LEI 222100XN1KG7XBC16R52) (also named “**Belfius Financing Company**”), together the “**Issuers**” and each, individually, an “**Issuer**”, may from time to time, issue notes (in the case of notes issued by Belfius Bank referred to as the “**Belfius Bank Notes**”, in the case of notes issued by Belfius Financing Company as the “**Belfius Financing Company Notes**”, together referred to as the “**Notes**” and individually as a “**Note**”), which may be linked to various underlyings (the “**Underlying**”), that rank as senior obligations of the Issuer (the “**Notes**”). Notes issued by Belfius Financing Company will be guaranteed by Belfius Bank (the “**Guarantor**”) pursuant to a senior preferred unsecured guarantee (the “**Guarantee**”).

The aggregate principal amount of Notes outstanding will not at any time exceed EUR 20,000,000,000 (or the equivalent in other currencies).

Each Tranche of Notes 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 (as amended from time to time and including all documents incorporated by reference therein) together constitute the prospectus for each Tranche.

The Notes shall be Debt Securities or Derivative Securities as referred to in 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, as amended from time to time (herein referred to as “**Commission delegated regulation (EU) 2019/980**”). Debt Securities are debt instruments for which the Issuer commits itself to redeem the principal invested at maturity. Derivative Securities are securities of which the value is dependent on the value of an underlying.

The Notes issued will be in dematerialized form in accordance with Articles 7:35 *et seq.* of the Belgian Code of Companies and Associations, and will be represented by a book-entry in the records of the clearing system operated by the National Bank of Belgium (the “**NBB**”) or any successor thereto (the “**Securities Settlement System**”). Certain Notes issued by Belfius Financing Company are issued in bearer form.

Notes issued under this Programme constitute unsecured debt instruments. In case of insolvency or default by an Issuer, investors may not recover all amounts they are entitled to and risk losing all or a part of their investment. Investing in Notes issued under the Programme involves certain risks and may not be a suitable investment for all investors. Each prospective investor must carefully consider whether it is suitable for that investor to invest in the Notes in light of its knowledge and financial experience and should, if required, obtain professional advice. Prospective investors should read the Base Prospectus in its entirety and, in particular, the risk factors described under Section 2 (*Risk Factors*) before making an investment decision in order to fully understand the potential risks and rewards associated with the decision to invest in the Notes.

This Base Prospectus was approved by the Belgian Financial Services and Markets Authority (“**FSMA**”) on 25 May 2021 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, as amended by Regulation (EU) 2019/2115 of the European Parliament and of the Council of 27 November 2019 (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 Financing Company and of Belfius Bank dated 22 September 2020 (except with respect to any Notes offered to the public under the base prospectus dated 22 September 2020 and which offer continues after the expiration of such previous base prospectus under which it was commenced). 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.

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.

The current 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’s website, at the following address: <https://www.belfius.be/about-us/en/investors/ratings>. Investors should note that the Notes issued under the Programme will not be rated. Also, Belfius Financing Company is currently not rated.

Each of Moody’s, Standard & Poor’s and Fitch is established in the European Union and is included in the updated list of credit rating agencies registered in accordance with Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended from time to time and most recently by Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 (the “**CRA Regulation**”) published on the European Securities and Markets Authority (“**ESMA**”)’s website (<https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>) (on or about the date of this Base Prospectus).

Belfius Financing Company is a fully owned subsidiary of Belfius Bank, which means, for Notes issued by Belfius Financing Company, that the credit risks of the Issuer and the Guarantor are closely linked. Such credit risks imply that the Noteholders may lose all or part of their investment in the Notes in case the Issuer and the Guarantor become insolvent or are unable to fulfill their obligations under the Notes.

This Base Prospectus and the Final Terms (including the summary thereto) of each Tranche of Notes that is not made within an exemption from the requirement to publish a prospectus under the Prospectus Regulation (a “**Public Offer**”) and any supplement, are available on Belfius Bank’s website <https://www.belfius.be/retail/nl/producten/sparen-beleggen/beleggen/obligaties-gestructureerde-uitgifte/index.aspx> and a copy can be obtained free of charge in the offices of the Guarantor.

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** – The Final Terms in respect of any Notes will include a legend entitled “**MiFID II Product Governance**” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the target market assessment. A distributor subject to Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (recast), as amended from time to time and most recently by Regulation (EU) 2019/2115 of the European Parliament and of the Council of 27 November 2019 (the “**MiFID Directive**”) is, however, responsible for

undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the MiFID II Product Governance rules under Commission Delegated Directive (EU) 2017/593 of 7 April 2016, any distributor subscribing for any Notes is a manufacturer in respect of such Notes.

**Benchmark Regulation** – Amounts payable under the Notes may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/1011, as amended by Regulation (EU) 2019/2089 (the “**Benchmark Regulation**”). If any such reference rate does constitute such a benchmark, the applicable Final Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by the ESMA pursuant to Article 36 of the Benchmark Regulation. Not every reference rate will fall within the scope of the Benchmark Regulation. Transitional provisions in the Benchmark Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the relevant Final Terms (or, if located outside the European Union, recognition, endorsement or equivalence). 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.

Amounts payable under the Notes may be calculated by reference to the Euro Interbank Offered Rate (“**EURIBOR**”) or the London Interbank Offered Rate (“**LIBOR**”), which are provided by the European Money Markets Institute (“**EMMI**”) and the ICE Benchmark Administration Limited (“**ICE**”), respectively. As at the date of this Base Prospectus, EMMI (as administrator of EURIBOR) appears on the register of administrators and benchmarks established and maintained by the ESMA pursuant to Article 36 of the Benchmark Regulation, whereas ICE (as administrator of LIBOR), does not appear on the register of administrators and benchmarks established and maintained by the ESMA pursuant to Article 36 of the Benchmark Regulation. As far as the Issuers are aware, the transitional provisions of Article 51 of the Benchmark Regulation apply, such that ICE is currently not required to obtain recognition, endorsement or equivalence. As at the date of this Base Prospectus, ICE appears on the FCA’s register of administrators under Article 36 of Regulation (EU) No 2016/1011 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.

*This Base Prospectus was approved by the FSMA on 25 May 2021 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 Issuers or the Guarantor. 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 this Base Prospectus.*

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## 2. RISK FACTORS

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

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

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

*Factors which the Issuers believe may be material for the purpose of assessing the market risks associated with the Notes issued under the Programme are also described below. The Issuer 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 Issuers believe that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the relevant Issuer to pay interest, principal or other amounts on or in connection with any Notes and the inability of the Guarantor to make payments in respect of the guarantee applicable to the Notes may occur for other reasons which are not known to the Issuers or which the Issuers 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 Notes 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 Notes, the appropriate tools to analyse that investment, and the suitability of that investment in each investor's particular circumstances. No investor should purchase the Notes 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 Notes. The market value of the Notes is expected to fluctuate over time, and investors should be prepared to assume the market risks associated with these Notes.*

*Capitalized terms used herein and not otherwise defined shall bear the meaning ascribed to them in the “Terms and Conditions of the Notes” below. Any reference to any law, decree, regulation, directive or any implementing or other legislative measure shall be construed as a reference to such law, decree, regulation, directive or implementing or other legislative measure as the same may be amended, supplemented, restated or replaced from time to time.*

## *2.1. Risks related to Belfius Bank*

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

#### **2.1.1.1. COVID-19 and Risk Management (Global Criticality: High)**

Since the World Health Organization (“WHO”) declared the COVID-19 outbreak a public health emergency of international concern in January 2020, it has spread across the globe. The WHO has continuously raised its global risk outlook and announced more new cases outside of China than within for the first time on 26 February 2020. The outbreak is a major shock weighing on global financial markets and is now expected to heavily impact global economic growth. It is expected that there is significant disruption to economic activity, particularly a slowdown in production and a reduction in domestic and foreign demand, which may consequently have an impact on the financial position of Belfius Bank. The impact of the COVID-19 pandemic is expected to materialise in almost all risks faced by Belfius Bank (amongst others on its solvency, liquidity, insurance premiums, interest margin and fee income).

**Credit risk** is one of the most impacted risks. The COVID-19 pandemic and the subsequent lockdown measures are having a far-reaching impact on the financial situation of the Belgian economy for businesses as well as individuals. To help mitigate these impacts, Belfius Bank relied on actions taken internally together with decisions taken at both Belgian federal and at European Central Bank (“ECB”) levels.

The disruption from the COVID-19 pandemic led to the adoption of extraordinary policy measures to support economies. The responses included monetary measures, fiscal stimulus and ad-hoc regulatory packages to support credit markets and banks’ lending to households and corporates. In Belgium, measures providing liquidity support to the economy included a guarantee scheme (EUR 50 billion) made available for new credits and new lines of credit to viable non-financial businesses, viable independents and non-profit organisations, initially for a maximum of 1 year and in a second stage, 20% of the envelope of the guarantee scheme allocated to the relevant credit provider up to 3 years for loans to Small and Medium Enterprises (SMEs). In addition, there were moratoria to viable companies on loans and advances and to individuals on mortgage and consumer loans as well as payment of premiums on mortgage protection insurance, if they **could prove COVID-19 related issues**.

Monetary support from the ECB was also strong with many measures taken to keep liquidity flowing and give support to credit markets (Asset Purchase Program reinforcement, introduction of the Pandemic Emergency Purchase Program, easing TLTRO-3 conditions and additional TLTROs, ...).

Furthermore, Belfius Bank implemented on a timely manner **other own risk mitigation actions** such as transformation of mandates, request additional collaterals, enhanced work out strategy for defaulted loans and closer focus on the distressed loans (watch list). Especially for corporates, SME and self-employed, two complementary approaches were applied.

The credit risk management team adapted to the new situation and set up several operational processes to manage COVID-19 impacts, including the set-up and roll-out of a portfolio screening process, organised in waves, and aiming at the identification of vulnerable sectors/counterparties as a complementary approach to the IFRS 9 mechanical expected credit losses calculations (= COVID-19 overlays). There was also close cooperation with Business & Corporate bankers to define a priority list of credit reviews and to assess customers’ vulnerability and implement risk mitigation action plans (line reductions, additional collateral, etc). The integration of COVID-19 impacts IFRS 9 impairment models: revision of macro-economic factors and scenarios based on a long-term average for all the relevant macroeconomic factors with a backward and a forward looking part, revision of the scenario weights, definition of COVID-19 overlays, inclusion of ECB/EBA relief measures. In addition, a refined definition of analyst guidance for rating assignment to ensure a uniform approach when integrating COVID-19 impacts and sensitivities in the (re-)rating process was put in place. An enhanced watch of the regulatory risk management texts and guidance related to the effects of the COVID-19-crisis was installed. Development of new detection and early warning tools (amongst others transactional data to better capture the

ongoing evolution) as well as the creation of a detailed Credit Risk Dashboard (rating evolutions, use of credit lines, use of COVID-19 loans, payment arrears, watchlist, defaults, ...) were set-up and frequently used ensuring a regular reporting to the Management Board and Board of Directors. These measures led to a strong and as accurate as possible cost of risk approach taking into account the specific nature of the crisis with sufficient forward-looking elements and portfolio granularity to avoid severe cost of risk impacts in the coming years and at the same time, to avoid excessive pro-cyclicality.

Finally, and as translated in an update of the Risk Appetite Framework (“**RAF**”), Belfius Bank is also accounting for ECB Relaxation with respect to capital requirements. By adding more granularity into the RAF CET 1 indicator, Belfius Bank does not alter its intrinsic appetite to risk but rather allows for a more granular follow-up. In order to facilitate the support to the real economy, prudential authorities have reduced capital requirements and taken additional relaxation measures – Authorization to operate below the Pillar 2 Guidance and combined buffer requirement until at least end of 2022 and below the Liquidity Coverage Ratio (“**LCR**”) until at least end of 2021, flexibility in implementation of bank specific supervisory measures (rescheduling on-site inspections, extending deadlines for remediation actions, ...), relief in the composition of capital for Pillar 2 requirements as initially scheduled to come into effect in January 2021. In order to account for these requirements and to enable Belfius Bank to fully engage with its strategic role in the Belgian economy, the Risk Appetite Framework was updated to account for the fact that ECB continue to encourage banks to use their capital and liquidity buffers for lending purposes and loss absorption by adding more granularity in the RAF CET1 indicator. Belfius Bank does not alter its intrinsic appetite to risk but rather allows for a more granular follow-up accounting for this exceptional situation.

In view of the current economic environment, credit risks have increased substantially. Increased risk profiles and non-performing loans assessment will translate in a higher cost of risk and are putting downward pressure on Solvency and bottom-line Profit-and-Loss (“**P&L**”). It is important to highlight the still very material uncertainties in view of the unprecedented impact and nature of this crisis. The cost of risk approach follows a waterfall principle. The provisions for stage 1 & 2 are calculated in a mechanical mode, based on a view on the macro-economic conditions (past and future) (pillar 1). If Belfius Bank considers that certain risk pockets, defined in terms of sectors or groups of companies, are not sufficiently covered by the mechanical provisions, certain expert overlays are added (pillar 2). If, additionally, the assessment of certain individual counterparts indicates that they present a significantly increased credit risk, but are not yet in default, the provisions constituted could be insufficient. For these cases, an individual management adjustment on the expected credit loss in stage 2 is added (pillar 3). For counterparts in default status (stage 3), the normal impairment process is run and specific provisions are calculated and booked (pillar 4). The cost of risk increased markedly in 2020 (EUR 453 million or 35bp in 2020 versus EUR 111 million or 9bp in 2019), reflecting higher expected credit losses and anticipating on a possible worsening of the credit portfolio quality. The significant amount of ex-ante provisions taken by Belfius in 2020 (EUR 331 million) will help alleviate the P&L impact from expected non-performing loans increase as from 2021 if support measures come to an end. The coverage ratio (the part secured by collateral) was still a high 60.0% at year-end 2020 versus 62.3% in 2019.

In terms of **market risk**, the impact is quite material as the COVID-19 pandemic has triggered a chain of events in the markets that has led to a massive sell-off across asset classes and a sharp increase in volatility affecting amongst others stock markets, credit spreads, interest rates and oil prices. Whereas markets have almost completely recovered, there remains a risk of large market moves that could adversely affect the financial instruments value, including those measured at fair value through P&L. In the case of Belfius Bank, the most



important factor remains the counterparty credit risk at Belfius Bank as this can mostly only be proxy hedged.<sup>1</sup> The rest of the impact arises from market movements in interest rates and other equity instruments.<sup>2</sup> The market risks teams reacted promptly to the COVID-19 crisis by developing new detection and monitoring tools and by taking actions to protect the P&L and solvency. The actions taken throughout 2020 led to the implementation of new limits to align with the Management Board's risk appetite, significant improvement of sensitivity analysis (including cross-effects) and a proposal for new hedges.

In 2019, the operational risk management framework has been extended to **“Non-Financial Risk”**. The term Non-Financial Risk (**“NFR”**) must be understood as a broad umbrella covering all risks except “financial risks”. The NFR management is growing in importance given evolutions of risks and threats (VUCA world<sup>3</sup>) combined with an ambitious business strategy. Some examples of this evolving environment are an increase of IT security concerns everywhere in the world (including because of an increase in home-working in light of the COVID-19 crisis); swift changes in public opinion and regulatory scrutiny about AML and fiscal fraud requiring strong management practices; statistics on external frauds in Belgian banks showing a strong increase in number and amounts. The NFR management is growing in importance given evolutions of risks and threats combined with an ambitious business strategy and the COVID-19 outburst. Belfius strictly applied all governments' directives in order to protect the health of its collaborators and clients, inter alia, by distributing shifty protection means and by enabling social distancing in all premises. On its own initiatives and beyond the official directives, additional measures were also taken, such as quarantine for collaborators that went skiing in Italy or Austria in March 2020, global instructions about internal meetings, trainings, business trips or external visitors, the split of almost all staff into two teams (A/B) which could come alternatively on a bi-weekly basis, the installation of thermal cameras at the entrance of the main building, the compulsory wearing of a mouth mask, the limitation of the building capacity to maximal 30%, the implementation of approval and reservation processes for those coming on site, and so on. Further, telework became the absolute standard work organisation in 2020. Belfius had proactively and largely in advance increased the telework capacity and provided those who had no experience with teleworking (e.g. collaborators of branches) with the necessary equipment. As a result, more than 95% of all collaborators worked exclusively from home during these periods of confinement. In order to guarantee the continuity of the operations, critical activities were closely monitored in order to identify and resolve potential (staff) issues well in advance. As telework was the new organisational standard, a specific business continuity plan was also developed and tested in July in the case of a major failure of telework so that staff members performing critical activities at home are able to return to the buildings and to restart their activities within 2 hours whilst avoiding any unnecessary contamination risk.

Regarding the crisis management and business continuity, Belfius Insurance was fully included in the entire Belfius Group exercise. During the first semester of 2020, after concerns for employees and the business continuity have first been addressed, the business impacts have been tackled. As anticipated, the claims turned out to be very moderate in Life and Health thanks to the typology of our policyholders which are proportionally

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<sup>1</sup> Credit risk at Belfius Bank arises from many transactions with corporate or public entities or projects. No liquid credit protection market exists for most of those counterparties. This means that no Credit Default Swaps (**“CDS”**) referencing Belfius Bank's counterparties can be bought (or at least not at a reasonable price) to reduce its exposures to those. Therefore, Belfius Bank has to turn to alternative hedges if it wants to reduce its credit exposures. Alternatives are mostly CDS indices (referencing a panel of names) or proxy CDS (referencing similar names). Both are grouped under what Belfius Bank calls proxy hedging. The hypothesis behind proxy hedging is that Belfius Bank's exposure is highly correlated with the indices or the proxies. This is particularly true in credit market as there is a high systemic component. However, idiosyncratic movements (purely related to Belfius Bank's single name) may not be covered. Worst, a default on Belfius Bank's exposure will not systematically be linked to a cash flow from our credit protection hedges. Proxy hedging has therefore the purpose of reducing the P&L volatility but may not cover all the economic risk.

<sup>2</sup> Net income from financial instruments measured at value through profit or loss decreased to EUR 24.1 million at the end of 2020 (compared to EUR 96.1 million at the end of 2019) following the negative impact of the COVID-19 outbreak on credit spreads as well as equity markets.

<sup>3</sup> VUCA (volatility, uncertainty, complexity and ambiguity) world shows the unpredictable nature of the world at stake, e.g. taking into account the current situation with the COVID-19 outbreak. The deeper meaning of each element of VUCA serves to enhance the strategic significance of VUCA foresight and insight as well as the behaviour of groups and individuals in organisations. It discusses systemic failures and behavioural failures, which are characteristic of organisational failure.

much less vulnerable to the virus (e.g. because of the age group to which they belong). In Non-Life, the contractual conditions preserved the company against massive losses in business interruption and the economic slowdown which followed the lock-down even led to a loss experience below the normal on branches such as motor and workers' compensation (e.g. because people were less mobile in light of restrictions because of the COVID-19 crisis, but they were still required to pay their premia on their contracts). The effect of the crisis on production (i.e., the issuance of new contracts) was more noticeable, but it returned to better fortune as the de-containment progressed and the production bounced back to levels close to normal, except in Life. Finally, the most important effect at short term for Belfius Insurance comes from the financial markets causing huge volatility of the Solvency II ratio requiring close monitoring and management actions. All along the year, considering the deep uncertainty, the priority at Belfius Insurance was to protect the solvency and the P&L of the company. Hence, actions have been taken proportionate to the risk bearing capacity (Derisking of the balance sheet, duration gap management and capital management). At the end of 2020, Belfius Insurance continues to rank amongst the best capitalised Belgian Insurers with a SII ratio of 200%. Moreover, all along the year, specific monitoring and stress tests were regularly performed to assess the Belfius Insurance' resilience. Results were positive and did not require additional actions. The latest "COVID-19" stress tests assessing the sustainability of the Belfius Insurance financial plan 21-25 (forward-looking view) concluded that the risk exposure is commensurate to the risk appetite of the company.

The risks linked to the COVID-19 outbreak (**Global criticality: High**) can have an influence on the risks described hereafter.

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

Credit risks are inherent to 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 retail individuals, SME's, corporates, 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, real estate collateral value drops, operational failures or other factors may cause them to default on their obligations towards Belfius Bank.

In order to cover the **unexpected credit losses**, Belfius Bank applies the Advanced Internal Rating-Based approach ("AIRB") to derive its minimum own funds requirement. It consists of using three distinct internal models developed and maintained within Belfius Bank following the prescribed regulation (Regulation (EU) No 575/2013 and other EBA RTS) by asset class: a Probability of Default ("PD"), a Loss-Given default ("LGD") and a Credit Conversion Factor ("CCF")<sup>4</sup> for every facility (note that the PD is by definition derived at client level). In order not to lead to a too volatile capital buffer along the economic cycle, the above-mentioned risk metrics are estimated across the cycle in downturn version (Through-The-Cycle estimates).

In order to cover **the expected credit losses** ("ECL"), Belfius Bank applies a provisioning methodology relying on **IFRS 9**. Set of PD, LGD and CCF models are also used to estimate the provisions to estimate the one-year and the Lifetime Expected Credit Losses for all facilities. The one-year horizon ECL is used for clients for which the bank does not perceive a material increase of credit risk since credit origination. For this latter population, a Lifetime ECL is calculated. Unlike that performed for the capital estimates, the provisions are expressed as Point-In-Time estimates (PIT). Hence, level of provisions will be more important in time of crisis. Furthermore, the calculation is made retaining a forward-looking approach by inputting into the estimation a weighted mix of several macro-economic forward-looking scenario's (optimistic, neutral, pessimistic and stress cases). In light of the COVID-19 pandemic dampening measures have been implemented by national and regulatory authorities.

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<sup>4</sup> The CCF factor accounts for the expected evolution of the off-balance part of the exposure and is used to model the EAD.

These have been included in the ECL calculations. They refer, *inter alia* to changes to avoid, to some extent, procyclicality in ECL calculations by giving a greater weight to long-term normalized outlook evidenced by past experience when estimating long-term ECL, giving weight to Through-The-Cycle (TTC) approach and to take into account for moratoria and guarantee schemes on a granular manner (bottom-up approach aiming at analysing individual clients identified as “at COVID risk” on the one hand and a continuous credit risk monitoring on the other hand). Mixing expert judgement on a line by line basis of the main material portfolios together with a robust Early Warning Signal framework enriched with real time information is key in the credit risk monitoring.

The pro-active management of the ECL relies on the **cost of risk** (“CoR”) metric. The cost of risk approach follows a waterfall principle. At first, the provisions for expected losses are calculated in a mechanical mode, based on the macro-economic parameters as described above. Whenever Belfius Bank considers that certain risk pockets, defined in terms of sectors or groups of companies, are not sufficiently covered by these mechanical provisions, expert overlays are added. If, additionally, the assessment of certain individual counterparts indicates that they present a significantly increased credit risk, but are not yet in default, the provisions constituted could be insufficient. For these cases, an individual management adjustment on the expected credit loss is added. For non-performing counterparts the prevailing impairment process is run and specific provisions are calculated and booked based upon an individual assessment of exposure and collateral.

While risk across borrower classes remains relatively low at the current time, certain categories of loans are subject to higher credit risk. In particular, the National Bank of Belgium (the “NBB”) has expressed concern with regard to the evolution of the **Belgian residential real estate market** (Belfius Bank’s outstanding exposure on mortgage loans as per 31 December 2020 stood at a FEAD<sup>5</sup> of EUR 36 billion, which represents 28.8% of the outstanding loans (expressed in FEAD) to customers within Belfius Bank)<sup>6</sup>.

In this perspective, the NBB established in 2019 new supervisory expectations towards the production of mortgage loans (limitation in terms of more risky facilities in terms of First Time Buyers, Loan-To-Value, Buy-To-Let Loans and Debt-To-Income). In line with these measures, Belfius Bank adopted a specific risk framework in order to comply with the NBB expectations regarding the tolerated shares related to these risk pockets. Simultaneously, a follow-up framework was put in place, including a close monitoring of the higher risk segments encompassing also longer repayment terms for instance.

In case of downturn, effects of correlation between the subsegments of the real estate market and a spill-over effects between the real economy and the real estate market could amplify the effects. The fact that Belfius real estate risk is geographically concentrated on the Belgian territory and that Belfius is only active in the Belgian real economy, are potentially aggravating factors.

Belfius Bank is also closely monitoring its exposures towards Commercial Real Estate as the development of the commercial activities of the bank is leading to an increase of exposure in this segment. This concentration risk is closely monitored in the Real Estate Risk Appetite Framework following maximum concentration levels on consolidated and sub-levels. Finally, the external rating agencies, Moody’s, Fitch and S&P also emphasise the risks of increasing economic 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 concern is the hospitals sector. Belgian hospitals have a low profitability. One third of hospitals in Belgium 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 of the hospital landscape. One of the effects is the regrouping of general hospitals into hospital networks. For Belfius Bank, this could lead to an increased concentration risk. The 6<sup>th</sup> state reform,

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<sup>5</sup> Full Exposure At Default.

<sup>6</sup> See Circular NBB\_2019\_27.

assigning the power to recognise hospitals to the Regions, could also have an impact, as less public guarantees could be available for future financing. Of course, COVID-19 also had a huge impact on the hospital sector by putting exceptional resources into place to deal with the outbreak and the imposed postponement of all non-urgent surgery, consultations and medical imaging. Meanwhile, Royal Decrees were voted in order to compensate the ongoing financial impact of the COVID-19 outbreak, by making advances towards the hospital sector (whereas advances to the hospital sector are supposed to be made by the Belgian State). The objective of this financing is strictly limited to the problems & risks related to cash requirements arising from increased costs & the loss of activity. This segment is closely followed by Belfius Bank.

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, Commercial, Corporate and Public 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 Bank's ex-legacy portfolio as per 31 December 2020 stood at EUR 18.8 billion) is the large outstanding stock of derivatives (total notional of Belfius Bank's ex-legacy derivatives portfolio as per 31 December 2020 stood at EUR 12.7 billion) and bonds composed of long-term inflation linked bonds issued by highly regulated UK utilities and infrastructure companies (total notional as per 31 December 2020 stood at EUR 1.4 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<sup>7</sup>. Together with the outstanding stock of derivatives, they could have an important additional capital charge in terms of Risk Weighted Assets ("**RWA**") as well as an increased need for collateral posting from Belfius Bank which could put Belfius Bank's overall liquidity under pressure in case of a liquidity crisis in the financial markets. The ex-legacy portfolio is constantly followed-up in terms of risks which may be hedged. But also, the possibility to exit the transactions anticipatively (e.g. through unwind, sale and novation) is regularly reassessed. Belfius Bank may by example cite the following action points that were realized within the last 12 months:

- more active management of both the XVA<sup>8</sup> and credit derivatives positions;
- de-risking of Legacy swap positions with a strong focus on non-collateralised derivatives;
- de-risking of Legacy trading positions for which Belfius has an NBB derogation;
- de-risking of the bond portfolio: a strong reduction in Italian sovereign exposure was realised thanks to the sale of Italian Government bonds at the end of the fourth quarter of 2020. Belfius managed to de-risk about 30% of the outstanding Italian sovereign bonds in December 2020. 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 in terms of risk management. There can, however, be no assurance that the risk profile of these ex-legacy portfolios will remain at current levels even though a regular close risk monitoring is performed.

The Brexit uncertainty combined with the COVID-19 crisis also resulted in quite some volatility in the UK real rates. Belfius is well hedged in terms of profit & loss fluctuations but remains very sensitive to RWA volatility linked to shifts in the UK real rate due to its ex-legacy UK Water Inflation bonds.

The credit risk management relies on closely following up risk metrics as defined by the **Risk Appetite Framework ("RAF")** on three distinct levels of granularity (the third level corresponds to operational limits) linked to defined acceptable risk limits. At the highest level, the percentage of Non-Performing Loans ("**NPL**"),

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<sup>7</sup> The real interest rate is the rate of interest an investor, saver or lender receives (or expects to receive) after allowing for inflation. As such the "UK real rates" can be seen as the difference between the nominal Interest Rates levels in GBP (*i.e.*, swap rates) versus the expected Inflation Rates in UK RPI (*i.e.*, inflation swap rates).

<sup>8</sup> This refers to all adjustments made to the fair value of credit derivatives contracts to account for e.g. credit, funding and capital adjustments.

Stressed potential loss on a single name, Real estate concentration and the Earning-at-Risk metric are key to manage and understand the evolution of credit risk within Belfius Bank. At a lower level, Residential Real estate and NPL percentage are assessed at a more granular level for the latter (*e.g.*, business lines, CRE). Of course, in order to tackle potential evolution of credit risk, **stress testing based on financial planning** figures are also performed. Belfius Bank performed a RAF fundamental review at the end of 2019 with a broader risk coverage on the one hand and the introduction of a 2-level approach. In light of the COVID-19 crisis, the RAF indicators had been adjusted (CET1 ratio with respect to ECB relaxation measures with respect to capital requirements). Also, it was also decided to re-introduce a NIBT floor (like in the 2008 crisis) to reflect a conservative long-term through-the cycle estimated profitability.

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 of operations, financial condition or prospects. Between 1 January 2020, rating agencies took the following decisions: (i) on 30 March 2020, Fitch affirmed the long term rating of Belfius Bank at A- and revised the outlook from Stable to Negative and (ii) on 23 April 2020, S&P affirmed the long term rating of Belfius Bank at A-. Even with the COVID-19 impact, Belfius Bank's Solvency has been quite resilient so far, well within the RAF green zone. Belfius Bank expects the impact of deteriorating credit quality in the RWAs to come with delay over the coming quarters as the full impact of the COVID-19 on the credit quality has not materialized so far in significant downgrades impacting materially regulatory credit risk exposures – even though a slight increase of credit risk is observed in the first quarter of 2021 for the business segment. In the same context, an important level of provision has been taken in the second quarter of 2020 to absorb this coming wave of potential new defaults.

The consolidated CET 1 ratio of Belfius at the end of 2020 stood at 17.11% enabling Belfius to continue to support the Belgian economy and to execute its commercial strategy. CET 1 capital amounted to EUR 10,150 million at the same date. At the end of 2020, Belfius RWA amounted to EUR 59,309 million, an increase of EUR 2,911 million compared to EUR 56,398 million at the end of 2019, mainly due to volume and credit quality effects on the one hand and to the change in the valuation method used for the participation in Belfius Insurance on the other hand – the Danish Compromise.

The increase of defaults due to the COVID-19 crisis is expected to materialise in the course of 2021 and 2022. On the one hand, the trigger to default is based on 90 days past due on payment (three months delay). On the other hand, financial difficulties at retail and non-retail counterparty levels are expected to increase with time (*e.g.* given that they will no longer have a buffer of liquidity and taking into account the end of support measures<sup>9</sup>). The provisions taken by Belfius Bank are meant to cover this future increase of credit risk. Specific and detailed guidelines have been given to the credit analysts in the re-notation or re-rating process to ensure the COVID-19 crisis is adequately taken into account in a harmonised manner within Belfius Bank. In light of the COVID-19 crisis, Belfius Bank made a detailed analysis of its credit risk portfolio and increased its IFRS 9 provisions materially in line with the strongly deteriorated economic environment. In this respect, the Cost of Risk 2020 of EUR 453 million is composed of an increase of ECL in stages 1 and 2 for a net amount of EUR 331 million and a provision for defaulted loans of EUR 122 million. The net increase of EUR 331 million in stage 1 and 2 reflects the importance of the COVID-19 ECL overlays that were accounted for, in particular in the Business and Corporate segments. In order to cover for the increase of credit risk, linked to certain risk pockets in these segments, significant exposures were shifted from stage 1 to stage 2, inducing a net reduction of the ECL in stage 1 and an increase in stage 2 for which life time expected losses<sup>10</sup> are calculated.

#### **2.1.1.3. Profitability (Global Criticality: High)**

<sup>9</sup> The deferral of payments for mortgages and non-financial companies has been put in place since April 2020 and had initially been expected to last until 31 October 2020 for a maximum of six months. It had been prolonged until the end of March 2021.

<sup>10</sup> This relates to expected credit losses that result from all possible default events over the expected life of a financial instrument.

Belfius Bank's strategy is based on the development of a strong commercial franchise that is to be supported by solid risk and financial profile foundations, a strategy even more relevant since the COVID-19 crisis. This translates into growing commercial activities, further growing their footprints in a through the cycle profitable way and investments in future business model developments, based on solid solvency foundations.

Changes in the profitability and changes in the expectations about the future profitability can influence the secondary market value of Belfius Bank's liabilities. Though the Belfius Bank 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 external market factors.

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 ECB impacts in an important way the Net Interest Rate Margin ("NIM") of commercial banks, like Belfius Bank. This NIM contains the bank revenues from its normal lending and borrowing activity and for Belfius Bank 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 Bank must 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.

In light of the COVID-19 pandemic, the profitability of Belfius Bank decreased mainly driven by a higher cost of risk (driven itself by higher level of provision to absorb the expected credit losses). Profitability remains a challenge for Belfius Bank in the COVID-19 pandemic environment (given e.g. low rates and slow growth) and is closely monitored also on a proactive manner (Interest Rate Risk Management relying on the economic value of equity and its measure of change – Basis Point Value, Earning at Risk and Value at Risk calculation). As already indicated above, and again in light of the COVID-19 crisis, Belfius Bank made a detailed analysis of its credit risk portfolio and increased its IFRS 9 provisions materially in line with the strongly deteriorated economic environment.

#### **2.1.1.4. Market Risk (Global Criticality: High)**

Market Risks are inherent to a range of Belfius Bank's businesses. Apart from the interest rate risk which is specified under Section "2.1.1.3. Profitability", Belfius Bank is particularly sensitive to P&L volatility stemming from value adjustments (xVA's). These value adjustments are mostly related to the ex-legacy portfolio described above.

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.

More elaborately, market risk within Belfius Bank is focused on all Financial Markets activities of the bank and encompasses, as mentioned above, interest rate risk, spread risk and associated credit risk/liquidity risk, foreign-exchange risk, equity risk (or price risk), inflation risk and commodity price risk. To mitigate the market risk impact, important management actions have been taken, such as additional hedges and reduction of open positions. This has, amongst others, led to reduced credit spread sensitivities.

The market risks teams reacted promptly to the COVID-19 crisis by developing new detection and monitoring tools and by taking actions to protect the P&L and solvency. The COVID-19 crisis was particularly hard for market risk management (counterparty credit spreads (translated into Fair Value through P&L via Credit Value Adjustment (CVA)) and generated huge equity drops, equity volatility, interest rate and FX swings). Starting the first week of the COVID-19 crisis, actions were taken to further reduce the credit spread sensitivity. The other remaining risk sensitivities, although well within internal limits at the beginning of the crisis, were reduced to a

maximum extent. Permanent monitoring between Risk and Front office was put in place including intraday estimates of risks and results as well as a daily reporting to the Management Board. The actions taken throughout the year led to the implementation of new limits to align with Management Board risk appetite, significant improvement of sensitivity analysis (including cross-effects) and proposal for new hedges.

At the end of 2020, the CVA RWA decreased by EUR 642 million due to active management of counterparty credit risk including additional CVA hedges, the unwinding of uncollateralised swaps with financial counterparts and an increased use of CCP clearing. The market RWA increased by EUR 59 million as a result of market evolutions.

#### **2.1.1.5. Operational – Non-Financial Risks (Global Criticality: High)**

Non-Financial Risk (NFR) covers all risks that are not “financial risks” (such as market, Asset and Liability Management (“**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. In light of the increasing NFR risk environment due to the COVID-19 situation (e.g. taking into account higher fraud frequencies observed in the market, more home-based working, etc.), Belfius Bank has enhanced its NFR risk monitoring process to anticipate any material events. In case these would materialise, the impact in terms of magnitude could be high, even though, thanks to Belfius Bank’s enhanced risk management, the frequency of such events is expected to stay rather low.

NFR Management is growing in importance given evolutions of risks and threats (VUCA world) combined with an ambitious business strategy. Furthermore, since March 2020, Belgium has been severely affected by the coronavirus (COVID-19), which has led to national confinements and the massive and long-term use of teleworking. Moreover, Belfius has committed itself to providing financial support to individuals and companies for getting through the crisis. All these measures have led to adapted working methods and processes, but also to a changed environment in which Belfius operates and to which Belfius reacts in line with several key objectives (protecting health of clients and collaborators, activity continuity, communication process, improvement of NFR tooling framework, update of RAF with new and actionable KRIs). During this crisis, Belfius gave evidence of operational resilience and successful crisis management thanks to a pro-active approach based on risk analyses and scenarios. In summary, while non-financial risks have been part of the Belfius risk management for many years, the efforts for integrating the non-financial risk culture in Belfius have been paying off in 2020: the COVID-19 crisis has actually been a life stress test for non-financial risks, where Belfius has shown its resilience to a combination of multiple operational risks, including IT (security), human capital, business continuity, fraud, cyber and outsourcing risks.

Focusing on specific domains:

- **Information Security:** 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 organisation has a framework applicable to all actions pertaining to information security. Belfius Bank’s Risk Appetite Framework monitors and supports the information security strategy. It includes qualitative statements and quantitative KRIs explicitly related to information security stipulating how Belfius wants to meet the highest standards of information security (e.g. the ‘Be Aware’ and ‘Be Resilient’ metrics). The KRIs are monitoring the matching between Belfius Bank’s Risk Appetite and the reality on the field (e.g. number of personal data breached).

A risk management framework has been successfully implemented in 2020 to support the Core Banking Renewal (CBR) that is a major digital and transversal transformation project for the group leading to a change of paradigm for IT. Its governance relies on a CBR Controlling Board for managing the risks of this project and is chaired by the CRO and managed by the CISO.

- **Data Privacy:** 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 Bank’s customers - and imposes more obligations on processors and controllers of personal data - including Belfius Bank and its partners/suppliers.

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

Belfius published in May 2020 an updated privacy charter – the initial GDPR-version dates from May 2018 – on its website and informed its customers about this update. For its staff, an HR-privacy charter is published. Furthermore, the structural integration of GDPR workflow in the NPAP process has been re-enforced.

- **Anti-Money laundering and fraud management:** In line with the overall commitment to deliver value-adding products and services, Belfius Bank 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). The roles and responsibilities have been clearly defined which implies in a concrete manner that business and support lines are the first risk managers. The CRO (Chief Risk Officer) and NFR (Non-Financial Risk) team including the Anti-Fraud Officer as expert have a clear 2nd Line of Defence (LoD) role. In a context of evolving digital channels and faster payments processing, internal controls are continuously screened to prevent fraud and this to protect the interests of Belfius and its employees, customers, suppliers and other stakeholders.
- **Outsourcing risk:** Belfius Bank is aware that outsourcing & third-party risk should be addressed adequately and fully assumes its responsibilities in that regard, including but not limited to overseeing and managing the concerned arrangements and the risks involved. The outsourcing risk & material arrangements policy is compliant with the “Final Report on EBA Draft Guidelines on Outsourcing Arrangements”. In particular, the policy provides for the appointment of the outsourcing function and the set-up of the Outsourcing Management (steering) Committee (“**OMC**”), whose mission consists in ensuring a well governed and coordinated outsourcing in line with Belfius strategy, risk appetite and regulatory requirements. Monitoring and control of the significant providers, in particular to whom personal data is transferred, will be sharpened as of 2021 within the three lines of defence.

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

Liquidity risk consists of the risk that Belfius Bank will not be able to meet both expected and unexpected current and future cash-flows and collateral needs.

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). This volatility is stemming from evolving MTM of derivatives in Belfius Bank’s balance sheet, as a function of plenty of (market) parameters in this context, the amount to be collateralized is volatile;



- the value of the liquid reserves<sup>11</sup> by virtue of which Belfius Bank can collect funding on the repo market and/or from the ECB. In this context, the value of the securities used as collateral, instead of cash, is volatile; and
- the capacity to obtain interbank and institutional funding.

The monitoring of the liquidity risk 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. Next to the **Internal Liquidity Ratio** (working on a 3-month horizon), the short and long-term liquidity risks are managed, respectively, by means of the regulatory Liquidity Coverage Ratio (“LCR”) – 1-month horizon and the Net Stable Funding Ratio (“NSFR” – 1 year). At end of 2020, the LCR and NSFR stand at 158% and 128% respectively. These same metrics amounted respectively to 130% and 116% at end 2019.

As seen in the evolution of the liquidity ratios, during 2020, Belfius further strengthened its liquidity position. At first, the commercial activities delivered a funding surplus as the increase of deposits has been higher than the increase of the outstanding of commercial loans. Also, Belfius increased its participation to the ECB TLTRO and reached a total amount of TLTRO III funding of EUR 14.3 billion. Next to this, Belfius issued EUR 0.5 billion of covered bonds, EUR 0.5 billion of preferred senior bonds and EUR 0.5 billion of non-preferred senior bonds. On top of the liquidity benefit, the preferred and non-preferred senior bonds will enable Belfius to further contribute to the minimum requirement for own funds and eligible liabilities (“MREL”) requirements.

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 the evolution of the financial and interbank markets, and to the banking regulations. As the funds collected from retail and other clients constitute an important share of Belfius Bank’s liabilities, adverse market events such as unexpectedly strong and lasting increase in interest rates may trigger changes in the behaviour of Belfius Bank’s clients in such a way that liquidity risk actually materialises despite Belfius Bank’s prudent liquidity management. Further to this, and related to the **ex-legacy portfolio**, collateral outflows linked to Belfius Bank’s 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. This risk is closely monitored by Belfius Bank.

As seen, 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 regarding liquidity: at any time, Belfius Bank ensures it has sufficient quality assets to cover any temporary liquidity shortfalls, 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. Given its solid liquidity position, Belfius’ funding plan is more than ever driven by MREL requirements rather than by an expected liquidity shortfall.

#### 2.1.1.7. 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 Bank being solely limited to Belgium, as described in its internal risk statement, can be assessed as a competitive disadvantage compared to its 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 shares in one or more markets in which it operates.

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<sup>11</sup> Liquid reserves are reserves that are available on a good timely manner such as available cash and cash equivalents, highly liquid securities (includes government, agency and government guaranteed) as well as other unencumbered central bank eligible assets.

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 behaviours, 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. Nevertheless, Belfius Bank remains confident about its business model targeting the Belgian perimeter, its pro-active and deep work around new technologies, innovative partnerships and its evolution towards a modern banking platform.

In order to stay ahead of this risk, Belfius Bank relies at several levels on benchmarking assessments (Cost of Risk, RWA, Commercial Real Estate Activities, Macro assumptions in ST exercise, Results of Transversal EBA Benchmarking assessment, etc.).

## **2.1.2. Legal and Regulatory Risk**

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

As it 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 the amendment of various regulations, *inter alia*, the revised rules on capital requirements (CRR II/CRD V) and resolution (BRRD/SRM-R). The “EU revised Banking Package” has been agreed in April 2019 and will further reduce risks in the banking sector by even more reinforcing banks' ability to withstand potential shocks. The Revised Banking Package was published in the EU Official Journal on 7 June 2019 and covers among others: a binding leverage ratio, including a surcharge for the Banks considered as G-SIBs and O-SII, a binding NSFR ratio, a new method for the measurement of counterparty credit risk (SA-CCR), a broader application of the SME supporting factor, a reporting requirement to supervisory authorities under a revised market risk framework (Fundamental Review of the Trading Book), an enhanced framework for the interest rate risk in the Banking book, a revision of the treatment of large exposures, etc.

On 28 January 2021, the NBB notified Belfius that going forward it needs to execute the Single Resolution Board (“**SRB**”) MREL instruction regarding the MREL at the consolidated level of Belfius Bank under Directive (EU) 2019/879 (“**BRRD2**”). The SRB has been operational as an independent EU agency since 1 January 2015. The SRB started its work on developing resolution plans for banks from January 2015 and became fully operational, with a complete set of resolution powers, on 1 January 2016. The SRB is the resolution authority for banks which are considered significant or in relation to which the ECB has decided to exercise directly all of the relevant supervisory powers, and other cross-border groups, where both the parent and at least one subsidiary bank are established in two different participating Member States of the Banking Union. Belfius Bank is deemed to be a significant bank and therefore falls under the supervision of the SRB. For Belfius Bank, updated MREL requirements on a consolidated basis must be met. Belfius already met its expected BRRD2 MREL requirements at the end of 2020.

In addition to new modelling requirements (EBA Guidance on PD, LGD modelling, downturn assessment), on 7 December 2017 the Basel Committee announced a final agreement on the finalisation of Basel III (initially applicable as from 2022, it has been postponed due to COVID-19 crisis to 2023). It contains various rules on capital and liquidity requirements. The 2017 reforms (Basel IV) complement the initial Basel III. This will result

in an increase of the capital requirements for CET1. Belfius Bank expects this impact to be manageable and is already well busy with models' redevelopment for instance. Such impact can preliminary be assessed around 1.00%-1.25% of CET1 ratio, based on the current agreement. As the Basel Committee does not have the power to issue legally binding regulation, the Basel IV standards have to be translated by national authorities, possibly with some national discretions, leading to possible deviation in the above-mentioned estimated CET1 impact. Furthermore, some future requirements are still unclear with respect to the treatment of Sovereign and Public exposures. With important concentration in these segments due to the business model of Belfius Bank, this could also have a material impact on the bank's ratio.

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. As for all other financial institutions, 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 could affect Belfius Bank in particular, especially in relation to its remaining outstanding amount of derivatives with Dexia-entities and non-collateralised interest rate derivatives with international non-financial counterparties.

Also, the interest rate benchmark reforms (LIBOR, EURIBOR, ...) leave some uncertainties, mainly with regard to the conditions that shall apply for the transition of the stock of derivatives, which could affect Belfius Bank. This topic is closely followed-up by the institution as for other instruments. Please also refer to the risk factor entitled "*Risks related to Notes which are linked to "benchmarks"; benchmark discontinuation*".

## *2.2. Risks related to Belfius Financing Company*

**(with regards to the risks related to Belfius Financing Company as individual entity, Global Criticality: low)**

Belfius Financing Company is a fully owned subsidiary of Belfius Bank whose principal purpose is to raise funds to be on-lent to Belfius Bank. Notes issued by Belfius Financing Company under the Programme are guaranteed by Belfius Bank pursuant to the Guarantee. This means that the capacity of Belfius Financing Company to repay the Notes issued by it, depends mainly on Belfius Bank. In other words, the risk is transferred to Belfius Bank being the Guarantor in this context. Noteholders should therefore also take note of the risk factors in respect of Belfius Bank. It implies that, if the Guarantor's financial condition was to deteriorate, the Issuer and Noteholders may be impacted negatively. The Noteholders may lose all or part of their investment in the Notes in case the Issuer and/or the Guarantor become insolvent or are unable to fulfil their obligations under the Notes.

## *2.3. Risks related to the Securities*

### *2.3.1. Risks related to the Nature of the Securities*

#### **2.3.1.1. Risks related to the Liquidity of the Notes**

The Notes may have no established trading market, or if a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is the case for Notes that are particularly sensitive to interest rate, exchange rates or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and a higher price volatility than

conventional debt securities. The liquidity of the Notes may also be affected by a downgrade of the credit ratings of Belfius Bank. A decrease in liquidity may have an adverse effect on the market value of the Notes. In addition, where a Noteholder is seeking to achieve a sale of the Notes within a short timeframe, such lower liquidity will negatively impact the selling price of the Notes.

#### **2.3.1.2. Risks related to the Bail-in of the Notes**

The Banking Recovery and Resolution Directive (BRRD) aims to provide supervisory and resolution authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimize taxpayers' exposure to losses.

This means that Noteholders may lose some or all of their investment (including outstanding principal and accrued but unpaid interest) as a result of the exercise by the resolution authority of the "bail-in" resolution tool.

The "bail-in" resolution tool is exercised by the national resolution authority that has the power to bail-in (*i.e.* write down or convert) liabilities more subordinated than the Notes, if any, (such as the claims of non-preferred creditors of the Issuer) and preferred senior debt (such as the Notes and the Guarantee), after having written down or converted Tier 1 capital instruments and Tier 2 capital instruments. The bail-in power will enable the National Resolution Authority to recapitalise a failing institution by allocating losses to its shareholders and unsecured creditors (including the Noteholders) 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 national 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.

In addition, and for the avoidance of doubt, under the Guarantee, the Guarantor has guaranteed the obligations owed by the Issuer to the Noteholders. In the case of application of the bail-in tool to the Notes such that the

Issuer's obligations under the Notes are reduced, the amounts due under the Guarantee will be correspondingly reduced. In addition, the bail-in tool might also apply to a guarantee obligation such as the Guarantee. As a result, the bail-in tool, if applied to the Notes or to liabilities of the Guarantor, could effectively limit the extent of a recovery under the Guarantee.

#### **2.3.1.3. Risks related to Non-capital-guaranteed Notes**

Some Notes are not capital-guaranteed, meaning that the invested principal may not be repaid in full upon early redemption or at maturity, as the case may be. This means that Noteholders of a non-capital guaranteed Note could lose all or a substantial portion of the invested principal, and, if such principal is lost completely, interest may cease to be payable on such Note.

#### **2.3.1.4. The market value of an issue of Notes can be affected by various factors**

The market value of an issue of Notes will be affected by a number of factors, including, but not limited to, market interest and yield rates, volatility in the market, the creditworthiness of the Issuers and the Guarantor (as applicable), the time remaining to any redemption date or maturity date, and economic, financial and political events in one or more jurisdictions. The price at which a Noteholder will be able to sell any Notes prior to maturity may be at a discount, which could be substantial, to the market value of such Notes on the issue date. Potential investors should consider reinvestment risk in light of other investments available at that time.

#### **2.3.1.5. Risks related to Reinvesting Risk**

Noteholders are exposed to the reinvestment risk in several situations. For example, reinvestment risk arises in a declining interest rate environment because Noteholders will only be able to reinvest the principal and/or interest paid to them at lower interest rates compared to the interest rates prevailing at the time they subscribed the Notes. Reinvestment risk can be increased by the fact that Notes may include a redemption at the option of the Issuer (Call Option). If a Call Option is provided to be applicable in the relevant Final Terms, the Issuer may, redeem all or, if so provided, some of the Notes on the date or dates so provided. The Issuer may be expected to redeem Notes among others when its cost of borrowing is lower than the interest rate on the Notes.

#### **2.3.1.6. Risks related to Change of Tax Law**

The Terms and Conditions of the Notes are, save to the extent referred to therein, based on legislation in effect as at the date of issue of the Notes. No assurance can be given as to the impact of any possible 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 Notes. 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.

In addition, any relevant tax law or practice applicable as at the date of this Base Prospectus and/or the date of purchase or subscription of the Notes may change at any time (including during any subscription period or the term of the Notes). Any such change may have an adverse effect on a Noteholder, including that the Notes may be redeemed before their due date, their liquidity may decrease and/or the tax treatment of amounts payable or receivable by or to an affected Noteholder may be less than otherwise expected by such Noteholder.

### ***2.3.2. Risks related to the terms of the Notes***

#### **2.3.2.1. Risks related to Underlyings**

Investors should note that Notes which are linked to an Underlying encompass both risks relating to the relevant Underlying and risks that are linked to the Note itself.

Such risks relating to the Underlying may be linked, depending on the characteristics of the relevant Notes, to the occurrence of a Potential Adjustment Event, an Extraordinary Event, a Market Disruption Event, a

Commodity Index Event or an Event affecting the relevant Index, in which case the Calculation Agent may make adjustments or determinations as it, acting in good faith, deems appropriate, all as more fully described in the Terms and Conditions of the Notes.

#### **2.3.2.2. Risks related to Notes which are linked to “benchmarks”; benchmark discontinuation**

Reference Rates and indices, including interest rate benchmarks, such as the Euro Interbank Offered Rate (“EURIBOR”) and the London Interbank Offered Rate (“LIBOR”), which are used to determine the amounts payable under financial instruments or the value of such financial instruments (“Benchmarks”) have, in recent years, been the subject of political and regulatory scrutiny as to how they are created and operated. This has resulted in regulatory reform and changes to existing Benchmarks, with further changes anticipated. These reforms and changes may cause a Benchmark to perform differently than it has done in the past or to be discontinued. Any change in the performance of a Benchmark or its discontinuation, could have a material adverse effect on any Notes referencing or linked to such Benchmark.

In particular, on 27 July 2017, the Chief Executive of the United Kingdom Financial Conduct Authority (the “FCA”), which regulates LIBOR indicated that the continuation of LIBOR on the current basis is not guaranteed after 2021. Subsequent speeches by the Chief Executive of the FCA and other FCA officials have emphasised that market participants should not rely on the continued publication of LIBOR after the end of 2021. On 5 March 2021, the FCA announced the future cessation and/or loss of representativeness of the 35 LIBOR benchmark settings currently published by ICE Benchmark Administration Limited. Immediately after 31 December 2021, 26 of the LIBOR benchmark settings will no longer be published, while each of the 9 other benchmarks settings will no longer be representative of the relevant underlying market and economic reality they are intended to measure because these settings will be published on a synthetic basis and will therefore only be an approximation of what LIBOR would have been without application of the current reforms. Other interbank offered rates suffer from similar weaknesses to LIBOR and although work continues on reforming their respective methodologies to make them more grounded in actual transactions, they may be discontinued or be subject to changes in their administration.

With respect to EURIBOR, the European Money Markets Institute (“EMMI”), as administrator, conducted in-depth reforms over the last few years to meet the requirements of the EU Benchmark Regulation, strengthening its governance framework and developing a hybrid methodology for EURIBOR. On 2 July 2019, EMMI was granted an authorisation by the FSMA under the EU Benchmark Regulation for the administration of EURIBOR.

Any changes to the administration of a Benchmark or the emergence of alternatives to a Benchmark as a result of these reforms, may cause such Benchmark to perform differently than in the past or to be discontinued, or there could be other consequences which cannot be predicted. The potential discontinuation of a Benchmark or changes to its administration could require changes to the way in which the rate of interest is calculated in respect of any Notes referencing or linked to such Benchmark. Uncertainty as to the nature of alternative reference rates and as to potential changes to a Benchmark may adversely affect such Benchmark during the term of the relevant Notes, the return on the relevant Notes and the trading market for securities based on the same Benchmark. The development of alternatives to a Benchmark may result in Notes linked to or referencing such Benchmark performing differently than would otherwise have been the case if such alternatives to such Benchmark had not developed. Any such consequence could have a material adverse effect on the value of, and return on, any Notes referencing or linked to a Benchmark.

#### **2.3.2.3. Risks related to Fixed and Floating Interest Rates**

Notes which are “Fixed to Floating Rate Notes” or “Floating to Fixed Rate Notes” may bear interest at a rate that may be converted from a fixed rate to a floating rate, or from a floating rate to a fixed rate on a date specified in the applicable Final Terms. After conversion, the spread on the Fixed to Floating Rate Notes may be less favorable than the prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In

addition, the new floating rate at any time may be lower than the rates on other Notes. After conversion from a floating rate to a fixed rate, the fixed rate may be lower than the then prevailing rates on the issuer's Notes.

#### **2.3.2.4. Risks related to Foreign Currency Notes**

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

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

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

#### **2.3.2.5. Risks related to Notes with a multiplier or other leverage factor**

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include such features. Moreover, the reference rate could be zero or even negative. Even if the relevant reference rate becomes negative, it will still remain the basis for the calculation of the interest rate, and a margin, if applicable, will be added to such negative interest rate. For the avoidance of doubt, the Noteholders will never be required to pay a coupon to the Issuer or the Guarantor.

#### **2.3.2.6. Risks related to early redemption of the Notes**

The Terms and Conditions of the Notes provide that Notes may be redeemed prior to their stated maturity if (i) Partial Redemption is provided to be applicable in the relevant Final Terms, (ii) Call Option is provided to be applicable in the relevant Final Terms, at the option of the Issuer, and (iii) Mandatory Early Redemption is provided to be applicable in the relevant Final Terms and one or more Trigger Events (as will be defined in the relevant Final Terms) occur.

An early redemption of the Notes is likely to limit the market value of such Notes. Where the Issuer has the option to redeem the Notes prior to their stated maturity, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed during any period when the Issuer may elect to redeem such Notes. This may also be true prior to any redemption period. The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes.

Investors that choose to reinvest moneys they receive through an early redemption of Notes may be able to do so only in securities with a lower yield than the redeemed Notes. Potential investors should consider reinvestment risk in light of other investments available at that time.

### ***2.3.3 Operational risks***

#### **2.3.3.1. Reliance on the procedures of the Securities Settlement System, Euroclear, Clearstream, SIX SIS, Monte Titoli, Interbolsa, Euroclear France, LuxCSD and Clearstream Banking S.A. for transfer, payment and communication with the Issuer**

The Notes may be issued in dematerialised form under the Belgian Code of Companies and Associations and cannot be physically delivered. The Notes may be represented by book entries in the records of the Securities Settlement System. Access to the Securities Settlement System is available through the Securities Settlement System participants whose membership extends to securities such as the Notes. The Securities Settlement System participants include certain banks, stockbrokers (*“beursvennootschappen”/“sociétés de bourse”*), and Euroclear Bank SA/NV (**“Euroclear”**), Clearstream Banking Frankfurt (**“Clearstream”**), SIX SIS AG (**“SIX SIS”**), Monte Titoli S.p.A. (**“Monte Titoli”**), Interbolsa S.A. (**“Interbolsa”**), Euroclear France SA (**“Euroclear France”**) and LuxCSD S.A. (**“LuxCSD”**).

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

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

A Noteholder must rely on the procedures of the Securities Settlement System, Euroclear, Clearstream, SIX SIS, Monte Titoli, Interbolsa, Euroclear France, LuxCSD or such other participants of the Securities Settlement System or Clearstream Banking S.A. to receive payments under the Notes. The Issuers, the Guarantor nor any Agent will have any responsibility or liability for the records relating to, or payments made in respect of, the Notes within the Securities Settlement System, Euroclear, Clearstream, SIX SIS, Monte Titoli, Interbolsa, Euroclear France, LuxCSD, other participants of the Securities Settlement System or Clearstream Banking S.A.



### 3. CHOICES MADE BY THE ISSUERS

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According to Article 8 of the Prospectus Regulation, the Issuers have chosen to issue notes under a base prospectus. The specific terms of each Tranche will be set forth in the applicable Final Terms. In addition, the Issuers choose as their home Member State the Kingdom of Belgium.

The Issuers have 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 and Annex 14 of Commission delegated regulation (EU) 2019/980. In order to enable the Noteholders 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 Issuers so determine.

## 4. RESPONSIBILITY STATEMENT

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

Belfius Financing Company as Issuer and Belfius Bank as Issuer or Guarantor accept responsibility for the information given in this Base Prospectus and the Final Terms for each Tranche of Notes issued under the Programme. Having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

In addition, in the context of any Public Offer (as defined above), the Issuers also accept responsibility as set forth above for the content of this Base Prospectus, in relation to any person (an “**Investor**”) to whom any offer of Notes is made by any financial intermediary to whom the Issuer has given its consent to use this Base Prospectus in connection with Public Offers of the Notes, subject to the conditions set out below (an “**Authorised Offeror**”). However, the Issuer does not have any responsibility for any of the actions of any Authorised Offeror, including compliance by an Authorised Offeror with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to such Public Offer.

Pursuant to the paragraph above, and if so specified in the Final Terms in respect of any Tranche of Notes, the Issuer consents to the use of this Base Prospectus in connection with a Public Offer of the relevant Notes by each Authorised Offeror on the following basis:

- (a) such consent is given only for the use of this Base Prospectus, as supplemented from time to time, in relation to Public Offers of Notes occurring within 12 months from the date of this Base Prospectus;
- (b) such consent relates only to the offer period of the applicable Public Offer (the “**Offer Period**”);
- (c) such consent only relates to Public Offers made in Belgium;
- (d) the relevant Authorised Offeror is authorised to make Public Offers under the MiFID Directive provided, however, that, if any Authorised Offeror ceases to be so authorised, then the consent of the Issuer shall be given only for so long as each Authorised Offeror is so authorised to make Public Offers under the MiFID Directive;
- (e) any other conditions relating to the relevant Public Offer (as specified in the relevant Final Terms) are complied with.

Details of the Offer Period, and any other conditions relating to the Public Offer and the names of the Authorised Offeror(s) will be specified in the Final Terms relating to a Tranche of Notes.

The Issuer may give its consent to additional financial intermediaries after the date of the relevant Final Terms and, if it does so, the Issuer will publish the relevant information in relation to them on <http://www.belfius.be>.

Any Authorised Offeror wishing to use this Base Prospectus in connection with a Public Offer as set out above, is required, for the duration of the relevant Offer Period, to state on its website that it uses this Base Prospectus for such Public Offer in accordance with the consent of the Issuer and the conditions attached thereto.

The Issuers have not authorised the making of any Public Offer by any person in any circumstances and such person is not permitted to use this Base Prospectus in connection with its offer of any Notes unless (i) the offer is made by an Authorised Offeror as described above or (ii) the offer is otherwise made in circumstances falling within an exemption from the requirement to publish a prospectus under the Prospectus Regulation. Any such unauthorized offers are not made on behalf of the Issuers and the Issuers have no responsibility or liability for the actions of any person making such offers.

An Investor intending to acquire or acquiring any Notes from an Authorised Offeror will do so, and offers and sales of the Notes to an investor by an Authorised Offeror will be made, in accordance with any terms and other

arrangements in place between such Authorised Offeror and such Investor including as to price, allocation and settlement arrangements (the “**Terms and Conditions of the Public Offer**”). The Issuer will not be a party to any such arrangements with Investors in connection with the offer or sale of the Notes and, accordingly, this Base Prospectus and any Final Terms will not contain such information. The Terms and Conditions of the Public Offer shall be published by that Authorised Offeror on its website at the relevant time. None of the Issuer or any of the Dealers has any responsibility or liability for such information.

## 5. DOCUMENTS INCORPORATED BY REFERENCE

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

- (i) the audited consolidated accounts of Belfius Bank for the years ended 31 December 2019<sup>12</sup> and 31 December 2020<sup>13</sup>, including the reports of the statutory auditors in respect thereof;
- (ii) the disclosure document on alternative performance measures (“APM”) for the year ended 31 December 2019<sup>14</sup>; and
- (iii) the disclosure document on APMs for the year ended 31 December 2020<sup>15</sup>,

each of 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.

This Base Prospectus should also be read and construed in conjunction with the audited accounts of Belfius Financing Company for the years ended 31 December 2019 and 31 December 2020, including the reports of the statutory auditors in respect thereof, each as incorporated in Annex 5 of this Base Prospectus.

In accordance with Article 8(11) of the Prospectus Regulation, this Base Prospectus should also be read and construed in conjunction with the form of the Final Terms, the relevant Final Terms and the relevant Terms and Conditions of the Notes from the previous base prospectus relating to the Programme which was approved by the FSMA on 22 September 2020 (and which was replaced and superseded by this Base Prospectus) (with respect to any Notes offered to the public and which offer continues after the expiration of such previous base prospectus under which it was commenced), which are incorporated by reference in 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 the website of Belfius Bank (<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 for the financial years ended 31 December 2019 and 31 December 2020; and
- (b) the accounting policies, notes and auditors’ reports of Belfius Financing Company for the financial years ended 31 December 2019 and 31 December 2020 (each as also incorporated in Annex 5 of this Base Prospectus).

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<sup>12</sup> Available on [https://www.belfius.be/about-us/dam/corporate/investors/ratios-en-rapporten/belfius-reports/en/Belfius\\_Annual\\_Report\\_2019.pdf](https://www.belfius.be/about-us/dam/corporate/investors/ratios-en-rapporten/belfius-reports/en/Belfius_Annual_Report_2019.pdf).

<sup>13</sup> Available on [https://www.belfius.be/about-us/dam/corporate/investors/ratios-en-rapporten/belfius-reports/en/bel\\_RA2020\\_eng.pdf](https://www.belfius.be/about-us/dam/corporate/investors/ratios-en-rapporten/belfius-reports/en/bel_RA2020_eng.pdf).

<sup>14</sup> Available on [https://www.belfius.be/about-us/dam/corporate/investors/ratios-en-rapporten/belfius-reports/en/APM\\_FY\\_2019.pdf](https://www.belfius.be/about-us/dam/corporate/investors/ratios-en-rapporten/belfius-reports/en/APM_FY_2019.pdf).

<sup>15</sup> Available on [https://www.belfius.be/about-us/dam/corporate/investors/ratios-en-rapporten/belfius-reports/en/bel\\_APM\\_2020.pdf](https://www.belfius.be/about-us/dam/corporate/investors/ratios-en-rapporten/belfius-reports/en/bel_APM_2020.pdf).

Information contained in the documents incorporated by reference or incorporated in Annex 5 (as applicable) 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 balance sheet and statement of income of Belfius Financing Company can be found in the section headed “6. Belfius Financing Company SA” of this Base Prospectus.

### **Belfius Financing Company**

*(refer to pages of the Report(s))*

	<b>Annual Report 2019 Audited</b>	<b>Annual Report 2020 Audited</b>
Balance Sheet	6	6
Statement of Income	8	12
Audit Report on the Accounts	1	1
Notes to the Accounts	10	15

The consolidated balance sheet and consolidated statement of income of Belfius Bank can be found in the section headed “7. Belfius Bank SA/NV” of this Base Prospectus.

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

*(refer to pages of the Report(s))*

	<b>Annual Report 2019 (English version) audited</b>	<b>Annual Report 2020 (English version) audited</b>
Consolidated balance sheet	176	194
Consolidated statement of income	178	196
Consolidated statement of comprehensive income	180	198
Consolidated statement of change in equity	182	200
Consolidated cash flow statement	187	205
Audit report on the consolidated accounts	326	344
Notes to the consolidated financial statements	189	208
Non-consolidated balance sheet	336	352
Non-consolidated statement of income	339	355
Audit report on the non-consolidated accounts	341	357

*(refer to pages of the documents)*

	<b>Alternative performance measures 2019</b>	<b>Alternative performance measures 2020</b>
common equity tier 1 ratio	1	1
tier 1 ratio	1	1
total capital ratio	1	1
leverage ratio	1	2
solvency II ratio	2	2
net interest margin	2	3
cost-income ratio	3	3

asset quality ratio	3	3
coverage ratio	3	4
liquidity coverage ratio	2	2
net stable funding ratio	2	2
return on equity	4	4
total savings and investments	5-6	5
total loans to customers	6	6
ALM liquidity bond portfolio	6	6
ALM yield bond portfolio	6	6
credit guarantee portfolio	7	6
funding diversification	7-8	7
adjusted results	10-13	9-10

# 6. BELFIUS FINANCING COMPANY SA

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

## *6.1. General Information*

Belfius Financing Company SA, established on 29 October 2010 for an unlimited duration and incorporated under Luxembourg law, is registered with the Register of Commerce and Companies of Luxembourg under number B 156767 (“**R.C.S Luxembourg**”). The articles of association of the Issuer were last amended and restated by notarial deed on 7 May 2014.

Its registered office is located at 20, rue de l'Industrie, L-8399 Koerich, Grand Duchy of Luxembourg.

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

Belfius Financing Company SA

20, rue de l'Industrie, L-8399 Koerich, Grand Duchy of Luxembourg

LEI: 222100XN1KG7XBC16R52

Telephone: +352 27 32 95 1

Website: <https://www.belfius-financingcompany.lu>

Belfius Financing Company has existing senior bonds outstanding. Only one bond is still listed for trading on the Luxembourg Stock Exchange.

Since 7 May 2014, the Company merged with Belfius Funding N.V., a company incorporated under Dutch Law. In this merger, Belfius Funding N.V. ceased to exist by way of absorption of Belfius Funding N.V. by Belfius Financing Company S.A. The shares in the capital of both Belfius Funding N.V. and Belfius Financing Company S.A. were held by the same (sole) shareholder, Belfius Bank SA/NV.

According to Article 4 of its articles of association, the purpose of the Company is:

- (a) to hold shareholdings and stakes, in any form whatsoever, in any commercial, industrial, financial or other Luxembourg or foreign company or undertakings, as well as to manage and optimise these stakes;
- (b) to acquire by way of participations, contributions, guarantees, acquisitions or options, negotiation or any other means, securities, rights, patents, licenses and other assets, provided the Company considers it appropriate to do so, and in general to hold, manage, optimise, sell or transfer the aforementioned, in whole or in part;
- (c) to take part in commercial, financial or other transactions and to grant to any holding company, subsidiary, associated or affiliated company or any other company belonging to the same corporate group as the Company any financial assistance, loan, advance or guarantee;
- (d) to borrow, raise funds by any means whatsoever (including without limitation the issuance of preferred equity certificates (PECs) (nonconvertible or convertible into shares), loans, bonds, acknowledgements of debt and any other form of debt or type of instrument) and to ensure the reimbursement of any borrowed amount; to perform all operations directly or indirectly related to this purpose.

Belfius Financing Company may grant pledges, guarantees, liens, mortgages and any other type of security (surety), as well as any form of compensation, to Luxembourg or foreign entity(ies) in relation to its own obligations and debts, or in relation to the obligations and debts of subsidiaries, associated or affiliated companies or any company belonging to the same corporate group.

Belfius Financing Company may acquire immovable property located abroad or in Luxembourg.

Belfius Financing Company may, moreover, perform any commercial, technical or financial transactions, involving movable or immovable property, which are directly or indirectly related to the abovementioned purpose.

As at 31 December 2020, the share capital of the Belfius Financing Company amounts to EUR 3,094,004, fully subscribed and paid up to the extent of the aggregate amount of EUR 2,113,004 and represented by 251 shares without par value, held by its sole shareholder, Belfius Bank SA/NV. Belfius Financing Company is dependent on Belfius Bank for the set-up, marketing and sale of its Notes issues. In addition, Belfius Financing Company relies on the fees paid by Belfius Bank to finance its corporate activities.

Belfius Financing Company acts as a finance company. Belfius Financing Company issues notes in the market, whereby proceeds of the issued notes are fully transferred to Belfius Bank.

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

There have been no material contracts that are entered into in the ordinary course of Belfius Financing Company's business which could result in any member of the Belfius group being under an obligation or an entitlement that is material to Belfius Financing Company's ability to meet its obligations to Noteholders.

Belfius Financing Company has made no investment since the date of the last published financial statements, and no principal future investments are planned.

For 2019, the auditors of Belfius Financing Company were Deloitte Audit S.à r.l., 20, Boulevard de Kockelscheuer, L-1821 Luxembourg, B.P.1173, L-1011 Luxembourg, being member of Deloitte Touche Tohmatsu and being a member of the *Institut des Réviseurs d'Entreprises (IRE)* of Luxembourg.

For 2020, the auditors of Belfius Financing Company are KPMG Luxembourg SCOP, 39 Avenue John F. Kennedy, L-1855 Luxembourg, being member of KPMG International and being a member of the *Institut des Réviseurs d'Entreprises (IRE)* of Luxembourg.

The relevant auditor's report with respect to the audited annual accounts of Belfius Financing Company for the years ended 31 December 2019 and 31 December 2020, as incorporated in Annex 5 of this Base Prospectus, were delivered without any reservations.

## 6.2. Management Board

Belfius Financing Company has a Board of Directors. At the date of this Base Prospectus, the Board of Directors of Belfius Financing Company is composed of:

Category A Directors:

Werner Driscart

Kristin Claessens

Category B Directors

Benoît Felten

Christoph Finck

## 6.3. Selected Financial Information

The following tables summarise the audited balance sheet and, income statement of Belfius Financing Company for the period ending 31 December 2019 and 31 December 2020, as well as the unaudited Cash Flow Statement of Belfius Financing Company as at 31 December 2019 and as at 31 December 2020.



**Audited Balance Sheet of Belfius Financing Company as of  
31 December 2019 and 31 December 2020**

**BELFIUS FINANCING COMPANY S.A.**

Société Anonyme

**BALANCE SHEET**

As at December 31, 2020

(expressed in thousands of EUR)

<u>ASSETS</u>	Notes	2019 EUR '000	2020 EUR '000
<b>SUBSCRIBED CAPITAL UNPAID</b>	7	<b>981</b>	<b>981</b>
Subscribed capital not called		981	981
<b>FORMATION EXPENSES</b>	3	<b>0</b>	<b>0</b>
<b>FIXED ASSETS</b>		<b>9</b>	<b>14</b>
Tangible assets	4	9	14
<b>CURRENT ASSETS</b>		<b>10.792.037</b>	<b>9.274.113</b>
Debtors	5	228	223
Amounts owed by affiliated undertakings <i>becoming due and payable within one year</i>		228	223
<i>becoming due and payable after more than one year</i>		0	0
Other investments	6	<b>10.789.261</b>	<b>9.270.868</b>
Cash at bank and in hand		2.548	3.022
<b>PREPAYMENTS</b>		<b>7</b>	<b>9</b>
<u><b>TOTAL (ASSETS)</b></u>		<u><b>10.793.034</b></u>	<u><b>9.275.117</b></u>
<u><b>CAPITAL, RESERVES AND LIABILITIES</b></u>			
<b>CAPITAL AND RESERVES</b>	7	<b>4.628</b>	<b>4.617</b>
Subscribed capital		3.094	3.094
Reserves		887	1.008
Profit brought forward		63	88
Profit for the financial year		584	427
<b>PROVISIONS</b>		<b>223</b>	<b>0</b>
<b>OTHER CREDITORS</b>	8	<b>10.788.102</b>	<b>9.270.362</b>
Tax authorities		107	241
Social security authorities		10	10

Other creditors		
<i>becoming due and payable within one year</i>	3.014.272	1.473.905
<i>becoming due and payable after more than one year</i>	7.773.713	7.796.206
<b>DEFERRED INCOME</b>	<b>81</b>	<b>138</b>
<b><u>TOTAL (CAPITAL, RESERVES AND LIABILITIES)</u></b>	<b><u>10.793.034</u></b>	<b><u>9.275.117</u></b>

The accompanying notes form an integral part of these annual accounts.

## Audited Profit and Loss Account of Belfius Financing Company as of 31 December 2019 and 31 December 2020

### BELFIUS FINANCING COMPANY S.A.

Société Anonyme

### PROFIT AND LOSS ACCOUNT

For the year ended December 31, 2020 (expressed in thousands of EUR)

	Notes	2019 EUR '000	2020 EUR '000
<b>Other operating income</b>		<b>0</b>	<b>13</b>
<b>Raw materials and consumables and other external expenses</b>		<b>(792)</b>	<b>(683)</b>
<b>Staff costs</b>	13	<b>(306)</b>	<b>(286)</b>
Wages and salaries		(260)	(245)
Social security costs		(31)	(31)
<i>Relating to pensions</i>		(21)	(20)
<i>Other social security costs</i>		(10)	(11)
Other staff costs		(15)	(10)
<b>Value adjustments</b>		<b>(7)</b>	<b>(3)</b>
In respect of formation expenses	3	(6)	(0)
In respect of fixed assets	4	(1)	(3)
<b>Other operating expenses</b>	12	<b>(20)</b>	<b>(20)</b>
<b>Other interest receivable and similar income</b>	14	<b>146.309</b>	<b>136.392</b>
Derived from affiliated undertakings		146.292	136.391
Other interest and similar income		17	1
<b>Interest payable and similar expenses</b>	10	<b>(144.377)</b>	<b>(134.821)</b>
Other interest and similar expenses		(144.377)	(134.821)
<b>Tax on profit</b>	11	<b>(223)</b>	<b>(165)</b>

<b>Profit after taxation</b>		<b>584</b>	<b>427</b>
<b>Other taxes</b>	11	0	0
<b>Profit for the financial year</b>		<b>584</b>	<b>427</b>

The accompanying notes form an integral part of these annual accounts.

### **Unaudited Cash Flow Statement of Belfius Financing Company as at 31 December 2019 and as at 31 December 2020**

The cash flow statements below have been drawn up solely and exclusively for the purpose of the compliance of this Base Prospectus with the requirements of the Prospectus Regulation. As a consequence, these cash flow statements have been established after the date on which the audited financial statements for the financial years 2019 and 2020 have been published and therefore have not been audited by the statutory auditors of Belfius Financing Company. The cash flow statements for the financial year 2019 and the financial year 2020 are based on the audited financial statements of the said years and have been drawn up in accordance with Lux GAAP.

(Cash Flow Statement expressed in EUR)

### **CASH FLOW STATEMENT**

Reporting Unit: 6126 - Belfius Financing Company SA  
(expressed in EUR)

	<b>31 December 2019</b>	<b>31 December 2020</b>
Net cash provided by operating activities	469,064,166	-322,872,194
Net cash provided by investing activities	-10,345	-7,918
Net cash provided by financing activities	-195,328,818	-437,725
Net increase in cash and cash equivalent	273,725,003	-323,317,837
Cash & cash equivalent at the beginning of period	52,614,585	326,339,588
Cash & cash equivalent at the end of period	326,339,588	3,021,751

***Prospects***

Other than set out in this Base Prospectus, there has been no material adverse change in the prospects of Belfius Financing Company since the date of its last published audited financial statements.

***Significant changes in the financial performance***

Other than set out in this Base Prospectus, there are no significant changes in the financial performance of Belfius Financing Company subsequent to the period covered by the historical financial information.

## 7. BELFIUS BANK SA/NV

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

### 7.1. Belfius Bank profile

Belfius Bank SA/NV (the “**Issuer**” or “**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 Law of 25 April 2014 on the status and supervision of credit institutions (the “**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, telephone +32 22 22 11 11 and website <https://www.belfius.be>. Belfius Bank’s LEI code is A5GWLFH3KM7YV2SFQL84.

The share capital of Belfius Bank as at 31 December 2020 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 2020, total consolidated balance sheet amounted to EUR 188 billion.

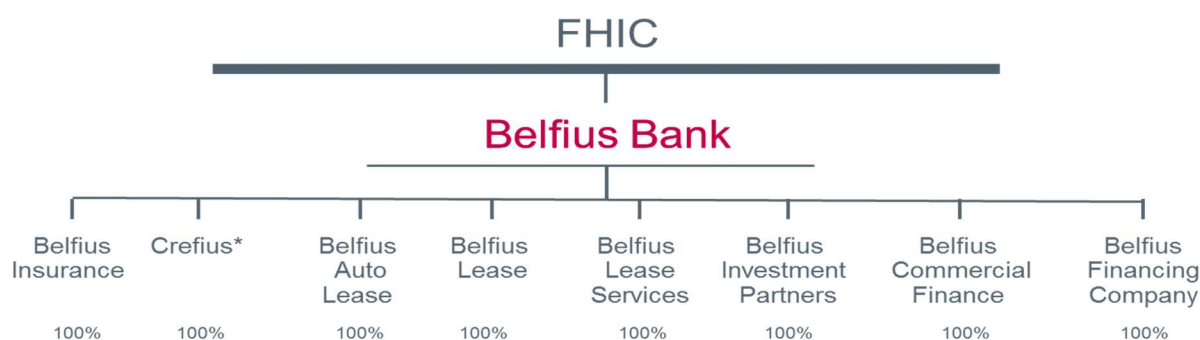
There have been no material contracts that are entered into in the ordinary course of Belfius Bank’s business which could result in any member of the Belfius group being under an obligation or an entitlement that is material to Belfius Bank’s ability to meet its obligations to Noteholders.

The auditors of Belfius Bank for the historical financial information for the financial year ended 31 December 2019 covered by this Base Prospectus are Deloitte Bedrijfsrevisoren BV o.v.v.e. CVBA, Berkenlaan 8B, 1831 Diegem, Belgium, being a member of the Belgian *Instituut van de Bedrijfsrevisoren / Institut des Réviseurs d’Entreprises*. The mandate of Deloitte Reviseurs d’Entreprises SC s.f.d. SCRL ended after the ordinary general meeting of shareholders of Belfius Bank held on 29 April 2020.

The auditors of Belfius Bank for the historical financial information for the financial year ended 31 December 2020 covered by this Base Prospectus are KPMG Reviseurs d’Entreprises SCRL, Gateway building, Luchthaven Nationaal 1 K, 1930 Zaventem, Belgium, being a member of the Belgian *Instituut der Bedrijfsrevisoren / Institut des Réviseurs d’Entreprises*. KPMG Reviseurs d’Entreprises SCRL were appointed as statutory auditors of Belfius Bank by its ordinary general meeting of shareholders held on 29 April 2020 for a term of three years.

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**”.

### 7.2. 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 2020, the total consolidated balance sheet of Belfius Insurance amounted to EUR 22 billion<sup>(1)</sup>.

#### ***Crefius***

Company servicing and managing mortgage loans. At the end of 2020, the total balance sheet of Crefius amounted to EUR 46 million<sup>(2)</sup>.

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

Company for operational vehicle leasing and car fleet management, maintenance and claims management services. At the end of 2020, the total balance sheet of Belfius Auto Lease amounted to EUR 426 million<sup>(2)</sup>.

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

Company for financial leasing and renting of professional capital goods. At the end of 2020, the total balance sheet of Belfius Lease amounted to EUR 1,010 million<sup>(2)</sup>.

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

Financial leasing and renting of professional capital goods to the self-employed, companies and liberal professions. At the end of 2020, the total balance sheet of Belfius Lease Services amounted to EUR 2,111 million<sup>(2)</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 2020, the total balance sheet of Belfius Commercial Finance amounted to EUR 1,012 million<sup>(2)</sup>.

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

Company for administration and management of investment funds. At the end of 2020, the total balance sheet of Belfius Investment Partners amounted to EUR 158 million<sup>(2)</sup> and assets under management amounted to EUR 19.3 billion.

<sup>(1)</sup> For more details, see the annual report 2020 of Belfius Insurance.

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

### *7.3. Financial results*

#### **Results 2020**

Belfius' consolidated net income amounted to EUR 532 million in 2020, which is lower than in 2019 (EUR 667 million) due to the COVID-19 crisis impact, mainly through the related Loan Loss Provisioning charge ("cost of risk"). Belfius Bank contributed for EUR 319 million (-31% compared to 2019) and Belfius Insurance for EUR 212 million (+3% compared to 2019).

The total income amounted to EUR 2,614 million in 2020, which is 5% higher than in 2019 (EUR 2,489 million) thanks to:

- an increase of net interest income bank (EUR 1,590 million in 2020 versus EUR 1,488 million in 2019) mainly thanks to:
  - higher outstanding loans with, on average, a higher margin, more than offsetting the negative impact from higher volumes of non-maturing deposits in 2020;
  - the positive impact from the TLTRO III and ECB deposit tiering;
  - a large restructuring of a specific corporate leasing file, leading to a material pre-payment interest;
  - despite the negative impact (EUR 9.7 million) from the moratorium on mortgage loans;
- excellent net fee and commission income bank (EUR 622 million in 2020 versus EUR 563 million in 2019) mainly due to higher asset management and entry fees;
- increased non-life insurance income (EUR 244 million in 2020 versus EUR 199 million in 2019), notably thanks to the success of the bank-insurance model as well as to an improved NCR linked to the lower claims frequency during COVID-19 lockdown;
- lower life insurance income (EUR 273 million in 2020 versus EUR 295 million in 2019), due to the negative impact on financial results on life insurance reserves' investments, particularly from financial instruments accounted for in fair value through P&L and to lower realised capital gains in the life insurance bond portfolio; and
- other income amounted to EUR -116 million in 2020, more negative than in 2019 (EUR -56 million). The year-on-year delta is mainly stemming from higher bank levies (EUR 222 million in 2020 versus EUR 205 million in 2019) and lower trading and hedge results mainly due to the impact of increased credit spreads on non-basic financial instruments and credit derivatives.

The operating costs remained well contained at EUR 1,465 million in 2020, which is a limited 1% increase in comparison to EUR 1,452 million in 2019, driven by a decrease in staff expenses, general expenses and network costs, and despite the fact that Belfius continued to invest structurally in IT and digitalisation. This led to a noticeable improvement in the cost-income ratio of 56.0% in 2020, compared to 58.4% in 2019.

All in all, the combination of strong income dynamics, despite some headwinds from volatile financial markets and lower-for-longer interest rate environment, together with contained operating expenses, notwithstanding continuing investments in commercial activities, ESG, IT and digitisation, led to an increase of 11% in pre-provision income, to EUR 1,149 million in 2020 (versus EUR 1,036 million in 2019).

In light of the COVID-19 crisis, Belfius made a detailed review of its credit risk portfolio, and materially increased its IFRS 9 provisions in line with the strongly deteriorated economic environment, leading to a cost of risk strongly increasing from EUR 111 million in 2019 to EUR 453 million in 2020 (or approximately 35 bps of the outstandings), of which EUR 331 million (26 bps) can be economically labelled as our current best estimate “ex-ante provisioning” of expected losses due to the effects of the COVID-19 crisis.

As a result, the net income before taxes amounted to EUR 679 million in 2020, compared to EUR 918 million in 2019.

The tax expenses amounted to EUR 147 million in 2020 compared to EUR 252 million in 2019, mainly due to lower taxable profit. The consolidated effective tax rate (ETR) stood at 22%, below the statutory tax rate (25.00% in 2020, down from 29.58% in 2019).

As a consequence, consolidated net income reached EUR 532 million in 2020, compared to EUR 667 million in 2019.

In terms of financial solidity metrics, Belfius continues to display sound solvency, liquidity and risk metrics:

- the CET 1 ratio stood at 17.1%, 126 bps up compared to December 2019 as a result of a positive impact of higher CET 1 capital (+214 bps) and a negative impact of higher total risk exposure (-88 bps);
- total capital ratio stood at 20.4%, compared to 19.2% end 2019;
- the leverage ratio increased to 6.9%, up 91 bps compared to December 2019;
- insurance activities also show continued solid solvency metrics, with a Solvency II ratio of 200% at the end of December 2020;
- at the end of 2020, Belfius also continues to show an excellent liquidity and funding profile with a LCR of 158% and a NSFR of 128%;
- total shareholders' equity (Net Asset Value) further improved to EUR 10.2 billion at the end of December 2020 (versus close to EUR 10 billion at the end of 2019).

In line with the restrictions on dividend distribution based on the ECB recommendation, the Board of Directors of 25 March 2021 has proposed to the General Meeting of 28 April 2021 to pay an ordinary dividend of EUR 77 million in respect of the accounting year ending on 31 December 2020, corresponding to the lower of (a) a pay-out ratio of 15% on the 2020 adjusted net profit and (b) 0.20% of 2020 year end CET1 ratio. At the request of the ECB, Belfius is to retain full discretion to reduce or even cancel the intended distribution beyond 30 September 2021, if the ECB recommendation would be extended or if such intended distribution would not be consistent with the outcome of the 2021 supervisory cycle. This was approved by the General Meeting.

Provided that the ECB allows it, Belfius intends to add to this first dividend an additional dividend of EUR 130 million in the last quarter of 2021, thus reaching a total pay-out ratio of 40%.

### ***Prospects***

Other than set out in this Base Prospectus, there has been no material adverse change in the prospects of Belfius Bank since the date of its last published audited financial statements.

### ***Significant changes in the financial performance***

Other than set out in this Base Prospectus, there are no significant changes in the financial performance of Belfius Bank subsequent to the period covered by the historical financial information.

## ***7.4. COVID-19 crisis***



Since the first months of 2020, the COVID-19 pandemic has massively disrupted the world in many respects, including from a social and economic point of view, on top of its dramatic health impact.

Belgium has also been severely affected by the COVID-19. The authorities announced on 17 March 2020 a nationwide lockdown, requesting individuals to stay at home and companies to implement homeworking whenever possible. This lockdown was maintained until 4 May 2020. A second lockdown was imposed at the end of October, taking effect early November, to tackle the spike of COVID-19 infections across the country. Since then, the authorities have regularly adapted the measures and restrictions, depending on the evolution of the situation.

Belfius had reacted very early on to the COVID-19 situation by first designing a crisis governance, with daily and weekly crisis Management Board meetings since February 2020, in order to address all key aspects of Belfius' general functioning, including:

- the operational risks, especially for safeguarding the health of our staff and the business continuity of our services towards our customers; and
- the financial risks, including the impact on the financial markets, liquidity and solvency, on credit risks and profit & loss accounts.

With regard to the operational aspects, Belfius was fully ready for the successive lockdowns and the subsequent homeworking mode, including from an IT viewpoint. The branch network remained open, although direct interactions were carried out under strict conditions. As expected, the incoming calls (either to the branches or to our call center Belfius Connect) significantly increased during the lockdowns. In addition, customers also shifted a lot of their banking interactions to the digital channels. As an example, the number of investment transactions signed digitally more than doubled from former levels during the COVID-19 crisis.

The COVID-19 pandemic and the subsequent lockdown measures are also having a far-reaching impact on the financial situation of the businesses and individuals across the country. To help mitigate these impacts, the Belgian federal government quickly installed an economic task force responsible for reducing the economic consequences of the COVID-19 virus pandemic leading to two different programmes designed to support the individuals, self-employed and businesses affected by the COVID-19 crisis: a Payment Holiday scheme for different loan types and two Guarantee Schemes for certain new loans.

The deferral of payments for mortgages and non-financial companies was put in place in April 2020 and was initially expected to last until 31 October 2020. In a second phase, it was decided to extend the support measures until the end of 2020. With the second partial lockdown starting at the end of October a second charter to extend the payment holiday scheme to 31 March 2021 was put in place for households as well as for non-financial companies and self-employed people.

Since the beginning of the COVID-19 crisis, Belfius has fully delivered on its societal role by providing the necessary liquidity and by granting deferred payments for individuals, companies and SMEs in temporary difficulties – and this with an overall contribution materially higher than its market share would have suggested.

During 2020:

- 23,879 company loans, in an amount of EUR 4.7 billion, benefited from deferred payments, including renewals on roll-over loans, to corporate and business customers;
- 13,840 leasing contracts of corporate and business customers similarly benefited from deferred payments in an amount of EUR 870 million;
- 424 requests for deferred payments were granted on EUR 400 million of loans to the public sector (mainly the social sector);

- 19,464 requests for deferred payment were granted on EUR 2 billion of mortgage loans under the general COVID-19 scheme, in addition to a contractual payment deferral granted to 8,863 files representing nearly EUR 1 billion;
- finally, EUR 509 million of new loans were granted under the Belgian State guarantee scheme, to corporate, business, public and social sector customers.

Early 2021, out of the EUR 4.7 billion of loans to corporate and business customers and out of the EUR 3 billion of mortgage loans that were granted moratorium during 2020, respectively EUR 1.1 billion and EUR 0.1 billion are still subject to payment holidays. 99% of corporate, business and mortgage loan customers for which the moratorium came to an end, have restarted payments of their formerly deferred amounts.

On the insurance side, Belfius Insurance similarly extended support to its customers, including through the deferred payments of premiums (especially on insurance policies related to mortgage loans) and extended covers (amongst others for health care facility volunteers and for the delivery / take away activity).

Belfius was of course not immune to the sharp decline in economic activity, the volatility of the financial markets, the widening of credit spreads and the increased cost of risk. Its 2020 results have been materially impacted, amongst others with following specifically COVID-19 related elements:

- a credit cost of EUR 453 million was booked based on the IFRS 9 expected credit losses analysis, mainly through the related Loan Loss Provisioning charge (“cost of risk”). The cost of risk mainly resulted from stage 3 provisioning for EUR 122 million and from ex-ante provisioning (stage 1 and stage 2) for EUR 331 million. The latter results from the combination of deteriorated macroeconomic parameters (EUR 124 million) and expert layers for vulnerable sectors and individually assessed counterparts (EUR 207 million);
- a modification loss of EUR 9.7 million was accounted for as a result of the payments deferrals granted on mortgages loans for so-called “vulnerable clients”, following the moratorium granted on mortgage loans; and
- the net income from financial instruments measured at fair value through profit or loss was negatively impacted, following the COVID-19 outbreak, by the negative effect on credit spreads and equity markets.

### *7.5. Minimum CET 1 requirements (SREP)*

Since the second quarter of 2020, Belfius must comply with a minimum CET 1 ratio of 9.625% that is composed of:

- a Pillar 1 minimum of 4.5%;
- a Pillar 2 Requirement (P2R) of 1.125%;
- a capital conservation buffer (CCB) of 2.5%;
- a O-SII buffer of 1.5%; and
- a total countercyclical capital buffer of 0%.

At the end of 2020, the ECB informed Belfius that the ECB is not issuing a SREP decision for the 2020 SREP cycle. As a result, for 2021 Belfius must comply with an unchanged minimum CET 1 ratio of 9.625%.

The ECB has also confirmed the Pillar 2 Guidance (P2G) for Belfius of 1% CET 1 ratio for 2020, setting the minimum requirement at 10.625%.

Further to these regulatory requirements, Belfius stated in its Risk Appetite Framework that, in normal market circumstances and under stable regulations, it would strive to respect a minimum operational CET 1 ratio of

13.5%, on solo and consolidated levels, as defined before the COVID-19 pandemic. Even during the COVID-19 pandemic, Belfius continued its support of the Belgian economy, in line with the request of the regulators. As a result, a temporary exemption was validated by the Board of Directors in the first half of 2020, to reduce the minimum operational CET 1 ratio to a zone of 12.5% - 13.5%. The reduction in the CET 1 ratio should exclusively cover any credit risk deterioration and loss provisioning, if needed, in order to keep on supporting the Belgian economy. The former minimum operational CET 1 ratio level of 13.5% will be restored once the economic and financial context has normalised.

## *7.6. 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.

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

#### **7.6.1.1. RC business description**

Belfius Bank 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 3.7 million customers through its integrated omni-channel distribution network, which includes 590 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, with over 1.58 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 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 fully direct insurer in Belgium. Corona operates exclusively via digital media and call channels. Through its Elantis and DVV brands, Belfius Insurance also offers mortgage loans and consumer loans to its customers.

#### **7.6.1.2. RC results in 2020**

The RC commercial activity remained solid in 2020, despite the COVID-19 crisis environment. As of 31 December 2020, total savings and investments amounted to EUR 122.5 billion, an increase of 7.2% compared to the end of 2019. The organic growth in 2020 amounted to EUR 7.2 billion, which is much higher than in 2019, stemming from the large increase in non-maturing deposits (saving and payment accounts), explained by the context of uncertainty linked to the COVID-19 crisis. In 2020, as was already the case in 2019, customers displayed greater interest in capital-protected products, such as payment accounts and saving accounts, in an environment of volatile stock markets. Despite this context, the amount of investments entrusted to Belfius via mandates and service contracts increased by 7.8% in 2020, reaching EUR 12.4 billion, mainly thanks to positive organic growth.

On-balance sheet deposits totalled EUR 78.0 billion as of 31 December 2020, up 8.8% from the end of 2019. This strong increase is fully explained by the exceptional increase of savings in the context of the COVID-19 lockdown. Current and savings accounts reached EUR 19.4 billion (+26.2%) and EUR 50.4 billion (+6.9%) respectively. Investments in term products (savings certificates and term accounts) continue to decrease.

Off-balance sheet investments increased by 8.7%, compared to the end of 2019, to EUR 34.3 billion, despite turbulent and uncertain economic context. This strong increase stems from both positive market effect and positive organic growth.

Life insurance reserves for investment products amounted to EUR 10.1 billion, down 7.3% compared to the end of 2019. Investments in Branch 21 life insurance guaranteed products decreased due to the low interest rate environment. This drop was partially offset by an increase in Branch 23 and Branch 44 products.

Total loans to customers rose strongly (+7.0%) to EUR 56.9 billion as of 31 December 2020. The increase was mainly in mortgage loans (+6.9%) and business loans (+8.4%). Mortgage loans, which account for two-thirds of all loans, amounted to EUR 38.0 billion at the end of 2020, while consumer loans and business loans stood at EUR 1.7 billion and EUR 16.7 billion respectively.

New long-term loans granted to retail and commercial clients during 2020 amounted to EUR 11.8 billion, compared to EUR 13.4 billion in 2019. Despite the COVID-19 crisis, new production of mortgage loans was very satisfactory in 2020 and amounted to EUR 6.5 billion (which is lower than the EUR 8.0 billion in 2019, which had been boosted by the “Woonbonus” scheme in Flanders at the end of 2019). During the same period, EUR 4.6 billion in new long-term business loans were granted, up 1.8% compared to 2019. In 2020, Belfius also assisted 15,189 new start-ups in their development.

The total insurance production from customers in the Retail and Commercial segment reached EUR 2,228 million in 2020, compared to EUR 2,302 million in 2019, which is a decrease of 3%.

Life insurance production stood at EUR 1,581 million in 2020, down by 6% compared to 2019. Unit-linked (Branch 23) production went down (-6%) due to stock market volatility and the closure of branches during the COVID-19 lockdown period. Traditional Life (Branch 21/26) production decreased (-7%) due to the low guaranteed rates.

Non-life insurance production in 2020 stood at EUR 647 million, up 5% compared to 2019, boosted by Belfius Bank’s distribution channel (+12%) and DVV Insurance (+2%). Premium collection at Corona, Belfius’ direct insurer, was more than EUR 66 million, down by 5% compared to 2019, dragged down by the discontinuation and sale of the Affinity non-life portfolio. Excluding that impact, the growth in the direct channel was 5.1%.

The mortgage loan cross-sell ratio for credit balance insurance decreased to 133% at the end of 2020. The lower cross-sell is mainly due to a switch of production towards more Singles and Private customers. The mortgage loan cross-sell ratio for property insurance remained stable at 85%.

Total insurance reserves in the Retail and Commercial segment amounted to EUR 13.2 billion. Life insurance reserves decreased slightly (-6%) as from the end of 2019 to EUR 12.2 billion at the end of 2020. Unit-linked reserves (Branch 23) increased by 4%, while traditional guaranteed life reserves (Life Branch 21/26) decreased by 10%, demonstrating the gradual life product mix transformation from guaranteed products to unit-linked products. Non-life reserves remained stable at EUR 1 billion.

RC total net income amounted to EUR 359 million in 2020.

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

### **7.6.2.1. PC business description**

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 sector customers. Specific life insurance solutions are offered, especially pension insurance in the first and second pension pillars for civil servants and investment products.

#### **7.6.2.2. PC commercial performance in 2020**

As of 31 December 2020, total savings and investments amounted to EUR 41.4 billion, up 11.2% compared to the end of 2019. On-balance-sheet deposits increased by EUR 3.1 billion (+13%) to EUR 26.3 billion. Off-balance-sheet customer investments increased by 8.5% to EUR 14.7 billion. Life insurance reserves on investment products decreased slightly to EUR 0.4 billion.

Total outstanding loans fell slightly to EUR 40.4 billion (-0,5%). In Public & Social Banking, the decrease of outstanding loans continues and is the result of lower demand, increased competition in the segment and a structural shift towards more alternative financing via the (debt) capital markets. Outstanding on Corporate loans grew by EUR 1.3 billion, mainly due to increased drawing on roll-over loans, mainly in 2Q 2020, in the context of the COVID-19 crisis.

Belfius granted EUR 8.2 billion (+14%) in new long-term loans in the Belgian economy to Corporate and Public and Social sector customers.

The production of long-term loans for Corporate customers amounted to EUR 5.6 billion (+16%), confirming Belfius' position as one of the top four banks in the segment. Its market share in terms of loans increased from 16% in 2019 to an estimated 17.5% at the end of 2020.

In 2020, Belfius granted EUR 2.6 billion (+11%) of new long-term financing to the public sector. Belfius remains the undisputed leader in this market and responds to every financing tender issued by public bodies, to which it offers sustainable financing conditions. Belfius manages the cashflow of virtually all local authorities and was awarded 64% (in number of files) of the public sector financing files put out to tender in 2020.

Belfius also further strengthened its leading position in the Debt Capital Markets (DCM) for (semi-)public and private companies: in 2020, the bank issued EUR 7.6 billion (EUR +1.7 billion) in innovative financing instruments in the form of short-term issues (average outstanding amount on commercial paper) and long-term issues (Medium Term Notes and bonds).

The Public and Corporate segment's commercial results in insurance decreased in terms of underwriting volumes, in particular for:

- non-life Gross Written Premiums ("GWP"): Implementation of run-off strategy in Brokers and Banc-assurance led to a normal decrease of GWP to EUR 90 million compared to 2019 (-8.4%); and
- production in the life segment, which exceeded with EUR 249 million 2019 by EUR 19 million, thanks to overperformance on first and second pillar, in combination with higher production in segregated funds. Production in Branch 26 remains close to zero as provided for in the strategy, or EUR 30 million lower than in 2019.

The PC total net income amounts to EUR 52 million in 2020.

#### **7.6.3. 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/RMBS, 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.

### 7.6.3.1. Bond Portfolio

#### *ALM Liquidity bond portfolio*

The ALM Liquidity bond portfolio is part of Belfius Bank's total LCR liquidity buffer and is well diversified with high credit and liquidity quality.

At the end of 2020, the ALM Liquidity bond portfolio stood at EUR 7.5 billion<sup>(1)</sup>, down EUR 0.6 billion, or -7%, compared to December 2019. The decrease was mainly due to the partial deleveraging of EUR 0.6 billion of Italian sovereign bonds. At the end of 2020, the portfolio was composed of sovereign and public sector bonds (62%), covered bonds (32%), corporate bonds (4%) and asset-backed securities (2%). Belgian and Italian government bonds in the ALM Liquidity bond portfolio both amounted to EUR 1.5 billion<sup>(1)</sup> and EUR 0.9 billion<sup>(1)</sup> respectively.

At the end of 2020, the ALM Liquidity bond portfolio had an average life of 6.9 years, and an average rating of A- (99.9% of the portfolio being investment grade) compared to BBB+ at year end 2019. The average rating improved thanks to the partial deleveraging of the Italian sovereign position.

<sup>(1)</sup> Nominal amount.

#### *ALM Yield bond portfolio*

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

At the end of 2020, the ALM Yield bond portfolio stood at EUR 3.4 billion<sup>(1)</sup>, down EUR 0.1 billion or -3.8%, compared to December 2019. At the end of 2020, the portfolio was composed of corporates (72%), sovereign and public sector (12%), asset-backed securities (10%) and financial institutions (6%). Almost 85% of corporate bonds, composed mainly of long-term inflation linked bonds, are issued by highly regulated UK hospitals, infrastructure companies and utilities such as water and electricity distribution companies. These bonds are of satisfactory credit quality and the majority of these bonds are covered by credit protection from a credit insurer (monoline insurer) that is independent from the bond issuer.

At the end of 2020, the ALM Yield bond portfolio had an average life of 19.2 years. The average rating of the ALM Yield bond portfolio stood at A. 97% of the portfolio was investment grade.

<sup>(1)</sup> Nominal amount.

### 7.6.3.2. Derivatives portfolio

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

During the period it was part of the Dexia Group, formerly Dexia Bank Belgium SA/NV (“**Dexia Bank Belgium**”) (now Belfius Bank), it was Dexia Group’s “competence centre” 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. The former Dexia Bank Belgium systematically reheded 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 total outstanding amount of derivatives with Dexia entities and interest rate derivatives with international counterparties amounted to EUR 12.2 billion<sup>(1)</sup> at the end of 2020, down EUR 3.6 billion, or - 23%, compared to EUR 15.8 billion at the end of December 2019<sup>(2)</sup>.

Derivatives with Dexia entities decreased by 19% (or EUR -2.2 billion) to EUR 9.8 billion at the end of 2020. This decrease is mainly due to amortisations. Derivatives with international counterparties decreased by EUR 1.4 billion (or -37%) to EUR 2.4 billion at the end of 2020. This strong decrease in non-collateralised foreign counterparty derivatives is mainly the result of the novation in June 2020 of derivatives with counterparty CAFFIL (*Caisse Française de Financement Local*) to its holding SFIL and subsequently cleared by LCH SA.

The fair value of Dexia and international counterparty derivatives amounted to EUR 2.9 billion at the end of 2020. After collateralisation, the Exposure at Default (“**EAD**”) amounted to EUR 0.9 billion.

At the end of 2020, the average rating of the total portfolio stood at BBB and the average residual life of the portfolio stood at 12.8 years<sup>(3)</sup>.

<sup>(1)</sup> Nominal amount.

<sup>(2)</sup> Pro forma figure. Please note that Kofiba (ex-Dexia Kommunalbank Deutschland / DKD) was bought in the second quarter of 2019 by Helaba and is therefore now a collateralised derivative on a foreign counterparty out of the Dexia Group and therefore no longer reported here.

<sup>(3)</sup> Calculated on EAD.

#### *Credit guarantees*

At the end of 2020, the credit guarantees portfolio amounted to EUR 3.2 billion<sup>(1)</sup> down EUR 0.6 billion or - 15% compared to December 2019. It essentially relates to Financial Guarantees, and Credit Default Swaps issued on corporate/public issuer bonds (91%) and ABS (9%). 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) resulted in a portfolio that is 99% investment grade in terms of credit risk profile. This portfolio also contains Total Return Swaps for an amount of EUR 0.2 billion<sup>(1)</sup>.

At the end of 2020, the average rating of the portfolio stood at A- (compared to A at year end 2019). The average residual life of the portfolio stood at 9.0 years.

<sup>(1)</sup> Nominal amount.

### 7.6.3.3. 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;
- the flow management, including hedge management, of internal and external interest rate derivative flows given that Group Center is the Belfius Competence Centre for interest rate derivatives;
- treasury activities (money market activities); and
- the results including revenue 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.

GC total net income amounts to EUR 107 million in 2020.

## *7.7. Post-balance sheet events*

### ***Dividend***

In line with the restrictions on dividend distribution based on the ECB recommendation, the Board of Directors of 25 March 2021 has proposed to the General Meeting of 28 April 2021 to pay an ordinary dividend of EUR 77 million in respect of the accounting year ending on 31 December 2020, corresponding to the lower of (a) a pay-out ratio of 15% on the 2020 adjusted net profit and (b) 0.20% of 2020 year end CET1 ratio. At the request of the ECB, Belfius is to retain full discretion to reduce or even cancel the intended distribution beyond 30 September 2021, if the ECB recommendation would be extended or if such intended distribution would not be consistent with the outcome of the 2021 supervisory cycle. This was approved by the General Meeting.

Provided that the ECB allows it, Belfius intends to add to this first dividend an additional dividend of EUR 130 million in the last quarter of 2021, thus reaching a total pay-out ratio of 40%.

### ***Immovlan***

In January 2021, Belfius took a 30% stake in Immovlan. With a 30% stake, Belfius becomes a major shareholder of Immovlan. This participation falls within the framework of a strategic collaboration agreement between Belfius and Immovlan aimed at combining their digital expertise and continuing to diversify their range of services related to residential real estate.

## *7.8. Risk Management*

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

The credit decision processes within Belfius consist of three different types:

- automated decisions where the Bank compares the customer's credit application with a series of technical risk and commercial parameters;
- delegated decisions, *i.e.* decisions taken by staff to whom, *intuitu personae* and based on the certification of their risk competencies, decision-taking powers have been delegated;
- the regular process of the credit committees.

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

When granting credits to medium-sized and large enterprises as well as Public and Social customers, an individualized approach is implemented. Credit analysts examine the file autonomously and define the customer's internal rating. Then a credit committee takes a decision on the basis of various factors such as



solvency, the customer relationship, the customer's prospects, the credit application and the collateral. In the analysis process, credit applications are carefully examined and only accepted if the perspective of continuity and the borrower's repayment capacity are demonstrated.

To support the credit decision process, a Risk Adjusted Return on Capital ("RAROC") or RoNRE is used to assess the expected profitability of the credit transaction or even of the full relationship with the customer is adequate (compared to a target level). As such, the RAROC is an instrument for differentiating the risks and for guiding the risk-return combinations in an optimal way.

Belfius Bank has further intensified in 2019 its strategy of being close to its customers. This approach provides a significant added value to our customers, regardless of the segment in which they operate. Credit and risk committees are regionalized and the delegation of decision-making powers to the regional commercial and credit teams is continued, strengthening the principle of decision-by-proximity. This 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.

The 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 individualized approach, are also updated periodically, in line with the Bank's choice to apply AIRB models. The economic review process of credit applications guarantees that any signs of risk can be detected in time and subsequently monitored and/or addressed. It is also complemented with early warning tools to detect proactively clients' financial deterioration. This review process is organized, according to the Credit Review Guideline, in an annual cycle, with in-depth analyses for customers with important credit exposures and/or significant (positive or negative) evolutions in their risk profile.

## **Fundamentals of credit risk in 2020**

### Retail (mortgages and consumer credits)

Several factors have influenced the mortgage lending activity:

- termination of tax benefits on mortgage loans as of 1 January 2020, which has accelerated the production of loans at the end of 2019 followed by a slowdown early 2020;
- supervisory expectations regarding the lending standards of mortgage loans which have been implemented by means of a strengthening of the underwriting criteria; and
- the COVID-19 crisis, which has impacted the confidence of the customers, and which has made the acquisition of properties more difficult because of the lockdown.

Despite this complicated environment, the production volumes of mortgage loans remained relatively high leading to an FEAD of EUR 36 billion at the end of 2020. The average PD is remaining stable at 0.50% over the years.

The integration into the Risk Appetite Framework of a target Mortgage production and portfolio, the adjustment of the underwriting rules (with respect to LTVs (Loan To Value), DSTIs (Debt Service to Income), ...) for specific risk pockets and a continuous monitoring with feedback loop to the underwriting criteria, have allowed Belfius to steer its Mortgage production and portfolio to align with the NBB supervisory expectations.

This resulted in a significant improvement of credit standards at origination, in particular the high LTV segment (>80% and 90%) for both buy-to-let loans and first-time buyer loans. Since 2019 the part of the production with an LTV >90% decreased by 17%.

The asset quality ratios remained very low given that due to the COVID-19 moratoria and other support measures many clients were able to avoid payment difficulties.

Despite low inflow of Non-Performing Loans (NPL) loans, and consequently low stage 3 impairments, the Cost of Risk has been strongly impacted by the COVID-19 crisis. This impact is fully related to the stage 1 and 2

impairments, reflecting a strategy of anticipative provisioning in line with the macro-economic perspectives and to cover for potential negative evolutions in certain risk pockets (as higher LTV and/or a buy-to-let mortgage loan).

The production of consumer loans further slowed down, a trend already observed in 2019 resulting in a FEAD of EUR 5.2 billion at year end 2020, which is 0.6% lower than in 2019.

#### Business and Corporate clients (including COVID-19 sensitive sectors)

The Belgian economy heavily depends on international trade and most of its economic sectors are geared towards the export of products. Global trade weakened in 2020, while the disruption to trade flows and supply chains further amplified the negative effects, especially for the sectors delivering goods and services to sectors highly impacted by the sanitary crisis. The UK left the EU on 31 January 2020. An agreement on its new partnership with the EU, more specifically by the EU-UK Trade and Cooperation Agreement was agreed on 24 December 2020. As a result, a number of uncertainties have been removed, but certain risks remain present: the treaty does not solve everything, lacks some safeguards and could hold some surprises.

Belfius' exposure to Business and Corporate (mostly large- and medium sized corporates with a decision-making centre in Belgium as well as corporates offering services to the public sector) clients amounted in a FEAD of EUR 50.5 billion at the end of 2020.

The quality of the portfolios remains stable. Belfius keeps taking the necessary measures to ensure that its growth strategy goes hand in hand with a good creditworthiness.

The credit risk in the loan portfolio has been dominated in 2020 by the COVID-19 crisis and its significant economic impact:

- a risk mitigation strategy for corporates, SME and self-employed was defined in the context of the COVID-19, based upon two complementary approaches: a bottom-up approach analysing individual clients identified as “at risk” and continuous credit risk monitoring. The bottom-up approach was executed by screening the portfolio with pluri-disciplinary teams of Front Office, Loans, Risk Management and Legal. This in-depth analysis of the loan portfolio was conducted in stages in order to prioritise on most COVID-19 impacted sectors and companies with the lowest estimated resilience.

With 90% of the exposures screened at year end, our analyses revealed that only a small fraction of Belfius' outstanding exposure is actually situated in these highly impacted sectors or have been subject to specific risk mitigating actions to temper the risk;

- Belfius has mapped the impact of the COVID-19 crisis specifically for the segment of Business and Corporate clients. The sectors actually suffering the most from the crisis are those which have been obliged to cease the major part of their activities due to a decision of the government, the second most affected sectors are those which are heavily impacted by social distancing measures. Business and market players active in these sectors have been severely hit financially, as it is extremely difficult for them to offset the lost turnover, and to return swiftly to the usual turnover once the economy rebounds;
- sector risks are monitored in a proactive way and specific measures have been defined with regard to a limited number of more vulnerable sectors:
  - Belfius exposure to the more COVID-19 sensitive sectors (categories 1 and 2) is limited to 5.4% of the total portfolio;
  - several assessments indicate that the commercial real estate sector has shown good resilience, also against the COVID-19 crisis, except for certain pockets of risk as commercial real estate for Retail and Hotel/Leisure; and
  - Belfius' exposure to these risk pockets is limited and overall, our acceptance policy, based on guidelines and best practices, has contributed to a sound risk level of the commercial real

estate portfolio, which is correctly diversified in terms of underlying asset types, individual name concentration and geographical spread; and

Sector sensitivity	% of total portfolio <sup>(1)</sup>
<b>CATEGORY 1</b> Sectors directly forced to stop the major part of their activities due to Government's decision (Such as hospitalities, arts, events and retail trade excluding food)	1.4%
<b>CATEGORY 2</b> Other sectors with activities heavily impacted by the social distancing measures (Such as travel, transport, airlines, automotive and wholesale trade)	4.0%
<b>CATEGORY 3</b> Other sectors delivering services for directly impacted sectors at levels 1 and 2 (Such as construction, shipping, warehousing, non-residential real estate and service companies)	6.8%
<b>CATEGORY 4</b> Sectors that will be suffering from the global economical impact of the crisis (Macro-economic effect with demand and production disruptions)	15.8%

<sup>(1)</sup> Total loans and debt instruments portfolio (FEAD) on Belfius Bank balance sheet amounts to EUR 180 billion (incl.GC) as per end December 2020.

- in addition to the existing risk monitoring and as part of the management of the COVID-19 impact, Belfius has put in place a robust risk mitigation strategy with specific committees, action plans and reporting and monitoring activities. The Risk department accelerated the improvement of the process of early warning indicators in order to permanently keep the risks in this market segment well under control.

Within this global context the number of bankruptcies decreased significantly (-33%<sup>(1)</sup>) in 2020: many companies survived indeed the pandemic through robust support measures:

- they received financial assistance from the government;
- they retained access to credit thanks to agreements between the government and banks;
- they could temporarily suspend the repayment of their loans;
- while the moratorium on bankruptcies also played a not negligible role.

<sup>(1)</sup> Source: Graydon.

Nevertheless, in 2020 the Cost of Risk related to business and corporate loans exceeded significantly the target level, not only driven by the strong increase of the Stage 1 and 2 impairment stock, caused by the deterioration of the macroeconomic factors and the creation of additional COVID-19 layers, but also by some important files that shifted to stage 3.

#### Public sector clients

Belfius' loan portfolio to the public and social sector amounted to EUR 38.3 billion (FEAD) at the end of 2020 and maintained its low risk profile despite the COVID-19 pandemic:

- Belgian public finances headed for what concerns 2020 towards a historic deficit, while also the debt ratio jumped to record heights;
- the deterioration is of a comparable magnitude in all EU countries, so that the EU decided to mobilise for the first time the maximum budgetary flexibility by activating the 'general escape clause';
- independently of the COVID-19 impacts and the budgetary easing measures planned by the EU, the Belgian finances present an important deficit, which will require financial reconstruction measures in the medium term.

2020 has been a turbulent year for local authorities, who were right in the front line of the sanitary crisis:

- the health crisis will in general not make a material impact in the municipal finances, at least in the short term, although there are differences between regions;
- however, the issue of the pension cost related to their statutory staff and the higher pressure on Social Service will certainly be raised again later on in this legislature, and it is just the question to what extent the ambitious and necessary local investment plans will be executed;
- a revision of the multiannual plan seems inevitable for some of the municipalities, but globally municipalities have strong tools to support economic recovery.

From a risk management point of view, the hospital sector is since a few years a focus of attention:

- the figures 2019 confirm once more the fragile financial situation of the hospitals. The extreme low margins remain a reality;
- hospitals are therefore hardly able to face financial setbacks, and certainly not a tsunami like the COVID-19 crisis;
- the (promised) government compensation will therefore be essential to absorb the losses;
- in the long term, a structural reform of their financing seems crucial; only in this way they will be able to provide the strong healthcare that is vital for a prosperous economy;
- 2020 can thus become a turning point for our health care system and for the way hospitals are organised.

The senior housing sector contains traditionally considerable addition risks to operators due to the age and average health profile of the occupiers:

- it is a fact that COVID-19 is an epidemic that has severely hit older adults in Belgium;
- there is a clear concern that growing contagion in senior-care buildings could hurt operations and lead to occupancy declines;
- the viability of some smaller senior living operators might come under pressure, especially in regions where the sector already experienced headwinds related to oversupply and elevated cost pressure;
- the financial health and occupation rate of the affected senior homes are therefore closely monitored by Belfius.

### ***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 Belfius Bank and Belfius 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***

## Breakdown of credit risk by counterparty

	31 December 2019	31 December 2020
(FEAD <sup>(1)</sup> , in EUR billion)		
Central governments .....	18.1	36.6
Public sector entities .....	44.3	43.6
Corporate & project finance.....	38.9	42.9
Monoline insurers .....	4.7	4.6
ABS/MBS .....	0.7	0.4
Individuals, self-employed and SME's .....	52.2	54.6
Financial institutions .....	13.4	11.5
<b>Total.....</b>	<b>172.4</b>	<b>194.1</b>

<sup>(1)</sup> FEAD = Full Exposure At Default

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

The figures in the above table are the figures after elimination of intra-group exposures and with exclusion of equity positions and other assets not qualified as credit exposure, but with inclusion of credit exposure of trading activities and counterparty credit risk.

Exposures are allocated to the final counterparty, apart from ABS/MBS for which the exposure to the original counterparty is used.

As at 31 December 2020, the total credit risk exposure within Belfius reached EUR 194.1 billion, which is an increase of EUR 21.7 billion or 12.6% compared to the end of 2019.

This increase is entirely attributable to the banking activity as the credit risk exposure at the level of Belfius Insurance remained stable at EUR 14.4 billion at the end of 2020.

The increase by EUR 18.5 billion observed on the segment central governments is mostly due to the additional liquidity reserve taken up by Belfius and deposited at the NBB considering the adjusted TLTRO III scheme implemented by the ECB. Nearly half (49%) of the government bonds portfolio is invested in Belgian government bonds at the Group level. While at bank level the Belgian government bonds represents 45% of the total government bond portfolio, the relative proportion at Belfius Insurance stood at 51%.

The credit risk exposure on individuals, self-employed and SMEs (28% of the total), Public Sector entities (22%) and corporates (22% of the total) constitute the three main categories. The exposure on the categories individuals, self-employed and SMEs, and corporates increased by EUR 2.3 billion and EUR 4.1 billion respectively, reflecting Belfius' strategy to support the Belgian economy.

The credit risk exposure on public sector entities and institutions that receive guarantees of these public sector entities decreased by EUR 0.7 billion.

The credit risk exposure on financial institutions declined by EUR 2.0 billion in 2020.

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. The exposure declined by EUR 0.1 billion over the period.

Belfius' positions are mainly concentrated in the European Union: 92% or EUR 166.1 billion at bank level and 89% or EUR 13.7 billion for Belfius Insurance. The total relative credit risk exposure on counterparties situated in Belgium is 70%, 5% in France, 4% in the United Kingdom, 1.4% in the United States and Canada, 0.9% in Spain and 0.9% in Italy.

The credit risk exposure to counterparties in the United Kingdom amounted to EUR 7.6 billion. 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 most of the outstanding bonds are covered by a credit protection issued by a credit insurer that is independent from the bond issuer. The remainder concerns the bond portfolio of Belfius Insurance, a short-term credit portfolio for treasury management of Belfius Bank and receivables on clearing houses. The credit risks on those portfolios are also of satisfactory credit quality. Exposures to UK declined by EUR 1.9 billion over the period as a consequence of business transfers from our counterparties in anticipation of Brexit.

At the end of December 2020, 82% of the total credit risk exposure had an internal credit rating investment grade (IG).

#### ***Asset quality – Expected credit losses***

##### **IFRS 9 impairment methodology at Belfius**

The basic principles of the process to compute IFRS 9 expected credit losses (“ECL”) are as follows:

- Belfius Bank, and its subsidiaries, recognise loss allowances for ECL on financial instruments at amortised cost or at fair value through OCI;
- ECL are measured through a loss allowance that depends on the financial instrument's status:
  - for performing exposures (*i.e.* instruments that have not incurred a significant increase in credit risk since origination), referred to as stage 1, a 12-month ECL is calculated,
  - for under-performing exposures (*i.e.* instruments that have incurred a significant increase in credit risk since origination), referred to as stage 2, Lifetime ECL are calculated,
  - non-performing exposures (*i.e.* exposures that become credit-impaired), are classified in stage 3 and the ECL reflect the remaining exposure after a best-estimate of future recoveries.
- ECL are probability-weighted estimates of credit losses. This is expressed as the present value of cash shortfalls *i.e.* the difference between the cash flows that are due to the entity in accordance with the contract and the cash flows that the entity expects to receive;
- ECL calculations use probability of default (“PD”) and loss given default (“LGD”) parameters. Point-in-time PD's are used to *inter alia* incorporate forward-looking macroeconomic information through the use of four different macro-economic scenarios. These scenarios are built upon internal information delivered by the Belfius Research Department, who uses external and internal information to generate a forecast “neutral” scenario of relevant economic variables along with a representative range of other possible forecast scenarios. The external information includes economic data and forecasts published by governmental bodies and monetary authorities;
- Belfius assigns probabilities to the four forecast scenarios (neutral, optimistic, pessimistic and stress) and makes the link between macro-economic variables and credit risk and credit losses through identified and documented relationships between key drivers of credit risk and credit losses for each portfolio of financial instruments on the one hand and statistical analysis of historical data on the other hand;
- given that ECL estimations are complex and to a certain extent judgmental, the afore-mentioned mechanical approach is completed by management judgment through “management call” layers. These layers can be positive or negative and aim to include any elements entering in the ECL calculation which have not been taken into account by the mechanical computation on an individual level or a (sub)portfolio level.

### Drivers of the cost of risk in the first half of 2020

In the COVID-19 perspective, the cost of risk is built according to a waterfall principle:

- the provisions for stage 1 and 2 are calculated in a mechanical mode, based on a view on the macro-economic conditions (past and future) (pillar 1);
- if Belfius considers that certain risk pockets, defined in terms of sectors or groups of companies, are not sufficiently covered by the mechanical provisions, certain expert overlays are added (pillar 2);
- if, additionally, expert analysis point to counterparts with a potentially increased credit risk, that were not detected by the mechanical approach and not yet classified ‘as unlikely to pay’, the provisions constituted could be insufficient. For these cases, an individual management adjustment on the expected credit loss in stage 2 is added (pillar 3);
- for counterparts in a default status (stage 3), the normal impairment process is run and specific provisions are calculated and booked (pillar 4). Provision levels are based on an individual assessment of exposure and collateral. A number of corporate loans, that were already showing increased risk profiles pre-crisis, have shifted to default in 2020, requiring additional specific impairments (stage 3). Some other loans resulted in release of impairments.

The Cost of Risk 2020 of EUR 453 million is composed of an increase of ECL’s in stages 1 and 2 for a net amount of EUR 331 million and a provision for defaulted loans of EUR 122 million.

The net increase of EUR 331 million in stages 1 and 2 reflects the importance of the COVID-19 ECL overlays that were accounted for, in particular in the Business and Corporate segments. In order to cover for the increase of credit risk, linked to certain risk pockets in these segments, significant exposures were shifted from stage 1 to stage 2, inducing a net reduction of the ECL in stage 1 and an increase in stage 2 for which life time expected losses are calculated.

### Covid-19 adjustments to the impairment methodology: further insights

The current crisis is unprecedented with very unusual features such as its speed and scale, a widespread lockdown of activities, uncertainties about the timing and shape of recovery, the impact of the measures taken by the Federal State, the Regions, central banks and regulators, etc.

In this context, Belfius’ basic principles for ECL computations have remained largely unchanged, however some material adjustments to the afore-mentioned approach were required in order:

- to maintain adequate coverage ratios on estimated increased risk profiles and
- to comply with updated regulations, for instance on forbearance and guidelines to avoid pro-cyclicality.

Therefore, the following adjustments were made:

#### Pillar 1: macroeconomic factors-methodology

Expected credit loss calculations are based on a long-term average (2009-2022) for all the relevant macroeconomic factors, with a backward and a forward-looking part.

To calculate ECL, Belfius still defines four probability weighted forward-looking scenarios each with their own macro-economic parameters to build optimistic, neutral, pessimistic and stress cases. Yet, the scenarios have been adapted to the current circumstances and more probability weight has been put on the pessimistic and stress scenarios.

Counteractive dampening measures have been implemented by national and regulatory authorities. These have been included in the ECL calculations. They refer, *inter alia*:

- to changes to avoid, to some extent, pro-cyclicality in ECL calculations by giving a greater weight to long-term normalised outlook evidenced by past experience when estimating long-term ECL (giving weight to through-the-cycle approach);
- to account for moratoria and guarantee schemes: regulatory guidance was given with respect to the treatment of exposures covered by public and private moratoria related to Covid-19, both from a prudential (forbearance as unlikely-to-pay classification) and an accounting perspective (as an

indication of significantly increased credit risk).

#### Pillar 1: macroeconomic factors used in 2020

Belfius' neutral scenario includes an important recession for 2020, however, expectations have been revised to mitigate recession figures in the course of the year on the basis of macro-economic figures (Belgian GDP: -8% in the fourth quarter vs -10,6% in the second quarter). This recession is expected to be followed by a partial rebound in 2021 and 2022 (Belgian GDP: +3.9% in 2021 and +3.3% in 2022) enabled by the vaccination campaign and assuming that no new major lockdown effect are to be expected.

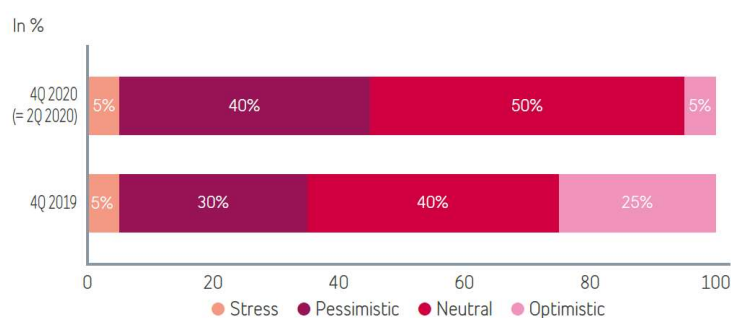
In terms of unemployment, the neutral scenario implies an unemployment increase from 5.4% in 2019 to 9.2% in 2020. An improvement to 7.4% in 2021 is forecasted. The 2020 unemployment figure includes the exceptional temporary unemployment observed that is expected to be, to a certain extent, converted into structural unemployment.

The neutral case is completed with an optimistic, a pessimistic and a stress scenario. The table (below) illustrates the Belgian GDP Growth assumptions, as of the fourth quarter of 2020, under the four scenarios. Please note, that for the credit provisioning as of end 2019 other, pre-COVID-19 assumptions were used.

#### GDP BE (% YoY)

Scenarios	As of end 2019		As of 4Q 2020		
	2020	2020	(2Q20)	2021	(2Q20)
Optimistic	1.5	-7.3	(-6.0)	9.0	(5.0)
Neutral	1.1	-8.0	(-10.6)	3.9	(8.2)
Pessimistic	0.8	-10.3	(-12.5)	3.1	(6.0)
Stress	-0.5	-12.5	(-13.9)	2.3	(6.4)

A 50% weight has been assigned to the neutral scenario, while the weight of the more negative scenarios has been increased due the COVID-19 crisis, bringing the weight of these scenarios to 45%. The more optimistic scenario is given a 5% probability. The weights were modified in the second quarter of 2020 and kept unchanged since then.



These macro-economic factors and scenarios, combined with increasing loan volumes and some portfolio rating downgrade migrations, led to a cost of risk of EUR 124 million in 2020.

#### Pillar 2 and 3: overlays to cover for certain risk pockets

The Covid-19 adjusted mechanical calculations are completed with expert overlays. Due to the unusual situation and the sectoral impact of Covid-19, these overlays gained further scale and importance in the course of 2020. The overlays are designed to result, overall, in best estimate total coverage of ECL in some specifically identified risk pockets (defined in terms of sectors, groups of companies or individual exposures) when the credit risk is estimated (potentially) insufficiently covered by the mechanical provisions.



<b>VULNERABLE COMPANIES</b>	Companies with low ratings belonging to sectors identified as very much impacted by Covid-19 and flagged as having lower resilience
<b>COMMERCIAL REAL ESTATE</b>	Sensitive market segments (e.g. retail, leisure, hospitality)
<b>MORTGAGES</b>	Loans at risk: to borrowers using moratorium and loans with indicators pointing out to potentially higher risk pockets (buy to let loans, loans to borrowers with low ratings)
<b>INDIVIDUAL NAMES</b>	Expert analysis pointing to counterparts with a potentially increased credit risk, that were not detected by the mechanical approach and not yet classified "as unlikely-to-pay"

Concretely, one or more IFRS 9 parameters have been stressed when computing the ECL. For mortgages a stressed Loss Given Default (LGD) value was applied, for Commercial Real Estate and vulnerable companies an add-on was applied on the mechanically calculated expected credit loss, reflecting the characteristic of the risk pocket.

This review fed the formal quarterly impairment process and resulted into shifts of individual files or risk pockets from stage 1 to 2 and to the application of the Expected Credit Loss levels that were deemed adequate to cover the increased credit risk.

These overlays led to a cost of risk of EUR 207 million in 2020.

### ***Asset quality - Asset quality ratio***

At the end of 2020, the amount of impaired loans amounted to EUR 1,997 million, an increase of 7% compared to year end 2019, mainly driven by a limited number of specific customers in default. During the same period, the gross outstanding loans to customers increased by 4.1% and amounted to EUR 98,640 million as the end of 2020. As a consequence, the asset quality ratio remained stable at 2.02% at the end of 2020. The coverage ratio slightly decreased to 60.0% at the end of 2020 compared to 62.3% at the end of 2019.

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

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 and Strategic Officer (CFSO), 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 Bank, 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 regarding liquidity: at any time, Belfius Bank ensures it has sufficient quality assets to cover any temporary liquidity shortfalls, 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 the liquidity guideline, approved by the ALCo.

ALM, a division situated within the scope of the Chief Financial and Strategic Officer (“CFSO”), is the front-line manager for the liquidity requirements of Belfius Bank. It identifies, analyses and reports on current and future liquidity positions and risks and defines and coordinates funding plans and actions under the operational responsibility of the ALCo and under the general responsibility of the Management Board. The ALCo also bears final operational responsibility for managing the interest rate risk contained in the banking balance sheet via the ALM.

ALM organises a regular Assets and Liabilities Forum (“ALF”), in presence of the Risk department, the Treasury department of the Financial Markets and representatives of the commercial business lines. The Asset and Liability Forum is in the first place a discussion forum on all topics with a link to the ALCo in preparation for the ALCo memos. This forum has been mandated by ALCo to translate the strategic funding plans into tactical and operational funding strategies aligned to the financing needs stemming from Belfius’ balance sheet and within the regulatory constraints (LCR, NSFR, encumbrance, MREL...).

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 CFSO 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, challenges the retained hypothesis and models, realises simulation over stress situations and oversees compliance with limits, as laid down in the Liquidity Guidelines.

The strategy of the liquidity risk management is described in the Liquidity Risk Management Guidelines and in the Risk Appetite Framework (“RAF”). The RAF constitutes the highest level of risk limits and principles that express the risk tolerance of Belfius Bank.

Monitoring is done through internal and regulatory liquidity Key Risk Indicators (“KRI”), with respective internal limits set up in the RAF. The liquidity KRI are reported on a regular basis and any exceeding of the limit is reported to the ALF and to ALCo, which has power of decision. Respect of those KRI is also tested under stress scenarios.

In addition, a series of early warnings indicators are monitored daily to identify as soon as possible liquidity tension on the markets.

### *Exposure to liquidity risk*

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 the way these funds are allocated to customers through all types of loans;
- the volatility of the collateral that is to be deposited at counterparties as part of the CSA framework for derivatives and repo transactions (so called cash & securities collateral);
- the value of the liquid reserves by virtue of which Belfius Bank can collect funding on the repo market and/or from the ECB;
- the capacity to obtain interbank and institutional funding.

This year was focussed on the management of the liquidity risk under COVID-19 crisis. From the start, Belfius Bank maintained its strong liquidity position mainly through a strong increase in commercial deposits which compensated:

- the temporary difficulties on the short-term wholesale markets; and
- the increase of commercial assets driven by moratorium of loans and increased drawing on credit lines in the first half year. In 2020, Belfius Bank participated in the TLTRO III for an additional amount of EUR 11.5 billion, thus reaching a total amount of EUR 14.3 billion of TLTRO funding. TLTRO II has been fully paid back. EUR 2 billion of retained covered bonds has been issued and to be pledged at the ECB as part of the collateral requirements for TLTRO III purposes.

### *Preserving of the liquidity profile*

During 2020, 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; and
- collecting short and medium-term (CP/CD/EMTN) deposits from institutional investors.

Belfius Bank participated in the ECB TLTRO III funding programme for an amount of EUR 14.3 billion with the purpose to finance investment needs of SMEs, social sector and retail clients (mortgage loans excluded).

Belfius Bank closed the year 2020 with a 12-month average Liquidity Coverage Ratio (LCR) of 158%. The LCR of Belfius Bank has remained within its driving range during 2020 with a strong increase after the participation in the TLTRO III.

The Net Stable Funding Ratio (NSFR), based on our current interpretation of Basel III rules, stood at 128% at year-end 2020, an increase also explained by the participation in the TLTRO III.

### *Minimum requirement for own funds and eligible liabilities (“MREL”)*

On 17 April 2019, the NBB notified Belfius Bank regarding the MREL requirement imposed by the Single Resolution Board (SRB), setting the consolidated MREL requirement for Belfius Group at 10.56% of its Total Liabilities and Own Funds (TLOF), to be met at all times.

Based upon data as of 31 December 2020 and according to the current Banking Recovery and Resolution Directive (commonly referred to as ‘BRRD1’), Belfius’ eligible own funds and liabilities for MREL purpose stood at EUR 19.8 billion, in excess of the MREL requirements of EUR 16.1 billion.

On 28 January 2021, the NBB notified Belfius that going forward it is to execute the SRB MREL instruction regarding the minimum requirement for equity and eligible liabilities at the consolidated level of Belfius Bank under BRRD2. For Belfius Bank, the MREL requirement on a consolidated basis is set at 22.87% of Total Risk Exposure Amounts (TREA) and 6.84% of Leverage Risk Exposures (LRE). Belfius Bank must meet the target no later than 1 January 2024 and must provide for a linear build-up of equity and eligible liabilities towards the requirement. The SRB also determined an interim target of 22.37% of TREA and 6.84% of LRE which must be met by 1 January 2022. The SRB MREL instruction also provides for a subordination requirement: Belfius Bank must meet at least 15.25% of TREA and 6.84% of LRE by means of subordinated MREL. Own funds used to

meet the combined buffer requirement (CBR) set out in Directive 2013/36/EU (at 4% of TREA for Belfius currently) are not eligible to meet the requirements expressed in TREA. Belfius Bank must comply with this subordination requirement by 1 January 2024 at the latest.

With the annual review of MREL requirements by SRB, Belfius currently estimates that its MREL subordination requirement could be lowered to 13.5% of TREA (or 17.5% of TREA including current CBR requirement) from 2023 onwards, based on forward looking assessment of the formula applied by SRB.

It is noted that Belfius will be impacted by a change in MREL eligibility, from 1 January 2021 onwards, whereby “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, the liabilities issued by Belfius Financing Company SA (Belfius’ Luxembourg-based issuance vehicle for CP and Retail Bonds) cease to be MREL-eligible and are to be excluded. Applying this exclusion pro forma as per end 2020, Belfius MREL would be EUR 2.2 billion lower (from EUR 19.8 billion to EUR 17.6 billion). Despite such exclusion, Belfius already meets its expected BRRD2 MREL requirements end 2020. Indeed, expressed in TREA, Belfius MREL of EUR 17.6 billion amounts to 29.67% (including a CBR of 4%), or 25.67%, to be compared to 22.87% of the 2024 final binding target. In the same way, Belfius’ MREL subordination of EUR 14.4 billion amounts 24.28% (including a CBR of 4%) or 20.28% to be compared to EUR 15.25% of the binding target. Expressed in LRE, Belfius MREL subordination of 9.27% stands in excess of the 6.84% MREL requirement.

#### *Liquidity reserves*

At the end of 2020, Belfius Bank had quickly available liquidity reserves of EUR 35.7 billion. These reserves consisted of EUR 24.9 billion in cash, EUR 7.8 billion in ECB eligible bonds (of which EUR 6.2 billion are CCP-eligible (Central Counterparty-eligible), EUR 1.3 billion in other assets also eligible at the ECB and EUR 1.5 billion in other liquid bonds. These liquidity reserves represent 13.5 times Belfius Bank’s institutional funding outstanding end 2020 and having a remaining maturity of less than one year.]

#### *Funding diversification at Belfius Bank*

Belfius Bank, as a universal bank, has a stable volume of commercial funding that comes from its RC and PC customers. Seeing the further increase of commercial funding, this source of funding represents an increasing part of total funding of Belfius Bank. RC and PC funding equals EUR 105 billion of which EUR 71 billion is from RC. The increase of EUR 10 billion commercial funding compared to 2019 is used to finance the commercial loans.

The loan-to-deposit ratio, which indicates the proportion between assets and liabilities of the commercial balance sheet, decreased under COVID-19 crisis and stands at 89% at the end of 2020.

Belfius Bank also receives medium-to-long-term wholesale funding, including EUR 7.7 billion from covered bonds (EUR 5.3 billion backed by mortgage loans and EUR 2.4 billion by public sector loans) and EUR 14.3 billion in TLTRO funding from ECB as at 31 December 2020.

Note that during 2020 Belfius Bank issued EUR 0.5 billion Covered Bonds, EUR 0.5 billion Preferred Senior Bonds and EUR 0.5 billion Non-Preferred Senior Bonds. The Preferred and Non-Preferred Senior Bonds will enable Belfius Bank to further contribute to the MREL requirements.

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

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*

Encumbered assets represent the on- and off-balance sheet assets that are pledged or used as collateral for Belfius' liabilities. Belfius has encumbered a part of its loan portfolio for issuing covered bonds and residential mortgage-backed securities (RMBS). Furthermore, assets are encumbered for repurchase agreements and collateral swaps. Belfius also participates in TLTRO, for which assets are pledged as collateral. Finally, a part of Belfius' encumbrance results from collateral posted to secure derivatives transactions.

Belfius is active on the covered bond market since the set-up of the first covered bond programme in 2012. In December 2020, the total amount issued was EUR 7.7 billion. At the end of December 2020, the assets encumbered for this funding source are composed of commercial loans (public sector and mortgage loans) and amount to EUR 9.7 billion (decrease of EUR 0.2 billion compared to the end of 2019).

Belfius Bank is also collecting funding through repo markets for a limited amount and other collateralised deposits. At the end of December 2020, the total amount of assets used as collateral for this activity amounts to EUR 19.9 billion, of which EUR 17.6 billion linked to the ECB funding. The increase of this amount is explained by the additional withdrawal in 2020 of EUR 10.3 billion under TLTRO III. A small part of the credit claims is directly pledged as collateral for intraday liquidity.

Since 2017 in the context of the management of its liquidity buffer, Belfius is also active in securities lending transactions under agreed Global Master Securities Lending Agreements (GMSLA).

The balance of encumbered assets is mainly linked to collateral pledged (gross of collateral received) for the derivatives exposures under the form of cash or securities and in 2020 to the collateral posted for the TLTRO funding. A significant part of collateral pledged is financed through collateral received from other counterparties with whom Belfius Bank concluded derivatives in the opposite direction. The exceptional drawing on the TLTRO III, allowing Belfius to generate additional P&L and capital in order to sustain the Belgian economy, has led to a higher than normal asset encumbrance ratio.

Regarding the "Other assets" (unencumbered) on the 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.

At year end 2020 (point-in-time) the sources of asset encumbrance (matching liabilities) mainly consisted of:

- own covered bonds issued (EUR 7.7 billion);
- TLTRO (EUR 14.3 billion);
- derivatives exposures (EUR 11.6 billion); and
- securities lending transactions (EUR 2.4 billion).]

### ***Non-financial risk – operational risk***

In 2019, the operational risk framework has been extended to a "Non-Financial Risk" framework. The term Non-Financial Risk (NFR) must be understood as a broad umbrella covering all risks except "financial risks" (such as market, ALM, liquidity, credit and insurance risks). NFR covers among others operational risks (including fraud, HR, IT, IT-security, business continuity, outsourcing, data-related risks, privacy ...) as well as reputational, compliance, legal risks, etc.

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

The framework is based on four axes:

- 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 Defence" model (decentralized responsibility);
- 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.

### *Risk Appetite*

The formal definition of a Risk Appetite Framework (RAF) is the key reference for the group Risk Management practice and it covers both financial and non-financial risks.

The RAF for NFR contains quantitative elements (target values or ratios) and qualitative elements (statements) and is articulated around three concepts on which limits are defined:

- “Risks”: What are the risks? How to appreciate the risk level (past and forward looking)?
- “Risk management capacity”: What is the capacity to manage the risks?
- “Loss tolerance”: What are the potential P&L and future RWA impacts Belfius tolerates?

### *Transversal risk processes*

#### *Incident Management*

The systematic collection and control of data on operational incidents is one of the main requirements of the Basel Committee regarding operational risk management.

The reporting mechanisms ensure that the responsible parties are notified quickly when incidents occur. Major incidents are also reported to the CRO/Management Board. Such incidents are also subject to specific action plans and appropriate follow-ups under the responsibility of the concerned line management for avoidance, mitigation or limitation of the related risk.

For the period 2018-2020, Belfius Bank’s average annual potential net losses stemming from operational incidents amounted to EUR 2.19 million. Note that one-off costs to manage the COVID-19 situation and operational savings made in the COVID-19 context are not included.

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.

The most important part of the financial impact resulting from operational incidents comes from the bank’s retail business.

#### *Self Assessment of Risks and Internal Controls*

Another important task of risk management is the analysis of the overall main potential risks and related key controls, performed within Belfius Group’s main entities. This is achieved through a bottom-up Self Assessment of Risks and Internal Controls in all departments and subsidiaries, using the Committee of Sponsoring Organizations of the Treadway Commission (COSO) methodology. These exercises may result in the development of additional action plans to further reduce potential risks. These exercises also provide an excellent overview of the main risk areas in the various businesses. These self-assessments are conducted annually and use the same methodology both for the Risk Control Self Assessment (RCSA) and for the yearly reports submitted to the respective Boards of Directors regarding the assessment of internal control. Belfius Bank submits the senior management report on the assessment of the internal control also to its regulator.

#### *New Product Approval Process*

The process of developing or changing a function (product, service, activity, process or system) involves a sound (ex-ante) risk assessment, the so-called New Product Approval Process. Its purpose is to ensure that all risks related to any new or changed functions are assessed by relevant experts and addressed accordingly and is overseen by a dedicated steering committee.

### *Managing insurance policies*

The possible financial impact of Belfius Bank's operational risks are also mitigated by taking out insurance policies, principally covering professional liability, fraud, theft and interruption of business and cyber risk. This is standard practice in the financial services' industry.

### *Business continuity*

Belfius Bank is committed to its clients, counterparties and regulators to put in place, maintain and test viable alternative arrangements that, following an incident, allow the continuation or the resumption of critical business activities at the agreed operational level and entirely compliant with the Belgian regulation.

The supporting process, the business continuity and crisis management, is in a uniform way applied at all Belfius' entities and relies on a.o. threat analysis, business impact analysis, reallocation strategies (dual office, remote work, etc.), effective management reporting, business continuity plans as well as exercise and maintenance programs. In that way, Belfius can proof its resilience also to the current COVID-19 situation.

### ***Focus on key non-financial risks/domains***

#### *Information security*

For Belfius Bank, the purpose of information security is to protect Belfius Bank's information that has a value for the organization: *i.e.*, the information generated by the business, the information belonging to our clients, and also the information derived from freely accessible or publicly available data, which has acquired a value as a result of the treatment carried out by or on behalf of Belfius Bank. The threats against data and the information are their loss of integrity, their loss of confidentiality and their unplanned unavailability. The mission of information security is to safeguard against these threats.

Belfius Bank also considers that the objective regarding information security extends to managing the risks linked to the consequences of these threats if they have materialized in terms of customers' confidence, finance, reputation, peer confidence (regulators, financial markets) and confidence of our business partners. An information security strategy derived from these principles has been approved and is applicable to all actions pertaining to information security.

In order to guarantee the information security within Belfius Bank, the Information Security Steering (ISS) Committee, managed by the Chief Information Security Officer (CISO) and chaired by the Chief Risk Officer, ensures a well governed and coordinated information security strategy whereby an adequate system of "prevention", "detection", "protection" and "reaction" is put in place, in line with regulatory requirements towards information security.

The steering of Belfius information security is relying on tangible figures and quantitative statements: deviations from risk appetite are challenged. Moreover, large security projects are grouped together in a security roadmap which typically spans the course of two years. Of course, the ever-evolving security threat landscape requires organizations to be resilient and anticipate on existing and future threats.

A risk management framework has been successfully implemented in 2020 for supporting the Core Banking Renewal that is a major digital and transversal transformation project for the group leading to a change of paradigm for IT. Its governance relies on a CBR Controlling Board for managing the risks of this project. The CBR Controlling board is also chaired by the CRO and managed by the CISO.

#### *Respect for privacy, protection of personal data and customer satisfaction*

The respect for privacy and the protection of personal data is a key commitment at Belfius Bank, which is translated into a sound internal governance and principles to be followed in respect of GDPR. Belfius is also very committed to avoid personal data breaches and to manage any incident as quickly as possible.

Belfius published in May 2020 an updated privacy charter – the initial GDPR-version dates from May 2018 - on its website and informed its customers about this update. Towards the staff, an HR-privacy charter is published.

All activities treating personal data are obviously centrally documented by the business lines in a privacy register. GDPR conformity, including a risk assessment for the rights and freedom of the persons whose personal data is treated, is integrated into every process to offer (existing, adapted and new) products, innovative digital tools, services and information sharing to its clients.

In order to continuously guarantee data privacy within Belfius, a dedicated steering related to GDPR regularly meets and a Data Privacy Officer (DPO) is part of the 2nd line of defence. The Belfius Management and several committees are on a recurrent basis informed about GDPR in Belfius. A network of privacy correspondents, active in each department, has been set up. They work closely with the DPO to continuously raise awareness, control and monitor processes and activities being in line with GDPR. Staff members must also follow on a regular basis GDPR-courses.

Data subject rights can be executed by data subjects via multiple possibilities, including the Belfius online applications and mobile apps. More than 98% of the data subject rights are asked via the Belfius online app and receive an answer in the same app within 1 business day.

#### *Fraud risk*

Belfius applies a zero-tolerance policy for all forms of fraud (internal, external and mixed fraud schemes), is monitoring the threats continuously and is managing the risk based on a global anti-fraud policy defined and steered by senior management

The roles and responsibilities have been clearly defined which implies in a concrete manner that business and support lines are the first risk managers. The CRO and NFR team including the Anti-Fraud Officer as expert has a clear 2<sup>nd</sup> Line of Defence (LoD) role.

In a context of evolving digital channels and faster payments processing, internal controls are continuously screened to prevent fraud and this to protect the interests of Belfius and its employees, customers, suppliers and other stakeholders.

### *7.9. Ratings*

As at the date of this Base Prospectus, Belfius Bank had the following ratings:

	<b>Stand-alone rating (*)</b>	<b>Long-term rating</b>	<b>Outlook</b>	<b>Short-term rating</b>
Fitch .....	A-	A-	Stable	F1
Moody's .....	Baa1	A1	Stable	Prime-1
Standard and Poor's .....	A-	A-	Stable	A-2

*(\*) Intrinsic creditworthiness*

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.

### *7.10. Other information*

#### ***Dependency of the Issuer***

The Issuer 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.

#### ***Arrangements resulting in a change of control***

As at the date of this Base Prospectus, 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.

#### ***Recent events***

Other than as stated in the section entitled "Post-balance sheet items" above, as at the date of this Base Prospectus there are no recent events particular to Belfius Bank which are, to a material extent, relevant to the evaluation of its solvency.

### *7.11. Litigation*

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

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<sup>(1)</sup>. 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. For litigations for which no provision has been made, such impact remains unquantifiable at this stage. Note that, apart from the cases listed below, continued vigilance can be 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.

<sup>(1)</sup> Note that, where relevant, Art. 92 of IAS 37 may apply to this section.

## **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 Enterprise 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 programme between July and September 2011. 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 two separate procedures, i.e. one procedure before the Dutch-speaking Enterprise Court of Brussels 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 Enterprise 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. On 16 November 2020, a further “Deminor” procedure was initiated, in which all plaintiffs except one joined, to anticipate a possible nullity of the original summons. The content of the two proceedings is identical. As a result, they will be treated together.

The plaintiffs have requested that the Brussels courts rule, among other things:

- in first order, that the agreements pursuant to which they became shareholders of the relevant Arco entities are null and void as a consequence of an alleged defect in consent;
- that the defendants therefore should reimburse, in solidum, the plaintiffs’ financial contribution in these entities plus interest;
- that, in the alternative, a compensation is asked from Belfius Bank for an alleged violation of the information duty; and
- that 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, DRS Belgium (Deminor) and the Chairman of the Management Board of the Arco entities are also defendants in the proceedings before the Enterprise Court of Brussels. In

the meantime, the VZW Arcocclaim also intervenes in this litigation procedure (on grounds of an alleged transfer of claim by one of the plaintiffs/shareholders). On 1 February 2021, Belfius Bank submitted its final legal briefs. The case will normally be pleaded during several pleading sessions in June 2021.

- Furthermore, on 7 February 2018, 2 cooperative shareholders summoned the Belgian State before the Court of First Instance of Brussels stating that the Belgian State has made a fault by promising and introducing a guarantee scheme for shareholders of financial cooperative companies (such as the Arco cooperative shareholders) which has been considered illicit state aid by the European Commission. These 2 plaintiffs also summoned Belfius Bank on 8 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 organised themselves via social media to mobilise other Arco shareholders to become claimant in this procedure, and to the knowledge of Belfius, as of end June 2020, approximately 5,380 Arco shareholders did so. The VZW Arcocclaim also intervenes in this litigation procedure. 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 in order for these claims to be declared inadmissible and/or without merit.

### **3. Funding Loss**

Belfius Bank is facing some legal actions regarding the issue of indemnities charged for funding losses incurred by Belfius 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 Belfius Bank in the case of early repayment of a professional credit. Belfius booked provisions to cover the potential adverse outcome of litigation proceedings. These provisions are reassessed on an ongoing basis, taking into account the evolution of Belgian case law.

### **4. 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. Belfius 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 Internationale à 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.

### **5. Investigation by public prosecutor into the activities of an independent bank agency**

Public prosecution has been initiated, amongst others against Belfius Bank, for its alleged role in potentially fraudulent activities that would have been conducted with the assistance of a director of an independent bank agency of Belfius Bank in violation of several (banking) regulations.

After a first consultation of the criminal file early January 2021, Belfius continues to believe that it has sufficient valid arguments in order for these claims to be declared inadmissible and/or without merit.

No provision has been booked for this case.

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

### **7.12.1. 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 from 1 January 2019, the Management Board has consisted of the following five members:

<b>Name</b>	<b>Position</b>	<b>Significant other functions performed outside Belfius Bank</b>
Marc Raisière .....	Chairman	none
Marianne Collin.....	Member	none
Dirk Gyselinck .....	Member	none
Olivier Onclin .....	Member	none
Johan Vankelecom.....	Member	none

In addition, effective 1 January 2019, the Management Board in consultation with the Board of Directors appointed three associated members, 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 onwards. This Committee is made up of the five members of the Management Board of Belfius Bank and the chairman of the Management Board and the CFO of Belfius Insurance and the three associated members of the Management Board, in an advisory capacity. The Group Management Committee deals with various group strategic matters and important issues for a bank insurance group. Within the Management Board of Belfius Bank, the financial conglomerate dimensions receive a focused attention. To this end the agenda of the Management Board includes since this year, at this least on a quarterly basis, a Group Financial Conglomerate Review (GFCR). This GFCR aims at contributing to enable an optimal integration across the Belfius Group.

The above members of the Management Board have their business address at 1210 Brussels, Place Charles Rogier 11, Belgium.

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. These powers do not include determining Belfius Bank's overall policy, nor actions reserved for the Board of Directors by the other provisions in the Belgian Companies and Associations Code or by the Banking Law.

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 recommendations 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 form a collegial body. They 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, including supervisory measures, to ensure that Belfius Bank has a robust structure suited to Belfius Bank's organisation in order to guarantee 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**

The Board of Directors defines and supervises the strategy and objectives of the bank as well as the risk management, including the level of risk appetite, on proposal or recommendation of the Management Board.

In the context of this responsibility, the Board of Directors is actively involved in general policy, in particular with regard to supervision of the risk policy, organisation and financial stability of the bank and its governance, including the definition of the bank's objectives and values. The Board of Directors also approves the bank's governance memorandum.

Pursuant to the articles of association of Belfius Bank, the Board of Directors of Belfius Bank is composed of a minimum of ten 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.

As from 28 April 2021, the Board of Directors consists of sixteen members, five of whom sit on the Management Board.

The appointment of two new independent directors, Mr. Bruno Brusselmans and Mr. Peter Hinssen have been submitted to and accepted by the Ordinary General Meeting of Shareholders of 2021.

Mr. Jozef Clijsters and Mr. Jean-Pierre Delwart resigned as Independent Director and chairman of the Board of Directors and Independent Director respectively on 28 April 2021 following the Ordinary General Meeting of Shareholders of 2021. Mr. Chris Sunt was appointed as Chairman of the Board of Directors from 28 April 2021 following the Ordinary General Meeting of Shareholders of 2021 in replacement of Mr. Jozef Clijsters.

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.

<b>Name</b>	<b>Position</b>	<b>Significant other functions performed outside Belfius Bank</b>
Chris Sunt.....	Chairman of the Board of Directors of Belfius Bank	
	Independent Director	none
Marc Raisière .....	Chairman of the Management Board	
	Responsible for IT, Digital & Data, Human Resources Management, Communication, Audit, Corporate Office & Secretary General	none
Marianne Collin.....	Member of the Management Board	
	Chief Risk Officer	
	Responsible for Risk Management and Compliance	none

<b>Name</b>	<b>Position</b>	<b>Significant other functions performed outside Belfius Bank</b>
Dirk Gyselinck .....	Member of the Management Board Responsible for Wealth, Enterprises & Public	none
Olivier Onclin .....	Member of the Management Board Responsible for Private Business & Retail Banking	none
Johan Vankelecom.....	Member of the Management Board Chief Financial & Strategic Officer, Responsible for Corporate Strategy, M&A/Partnerships/ Participations, Capital Management, Financial Conglomerate Steering and Investor Relations, ALM, Legal & Tax, Accounting, Strategic Planning and Performance Management (SPPM), Strategic Research & Belfius' Asset Management	none
Paul Bodart.....	Member of the Board of Directors of Belfius Bank (Independent Director)	Director of companies and non-profit organisations
Bruno Brusselmans.....	Member of the Board of Directors of Belfius Bank (Independent Director)	Chief Information Officer at Luminus-EDF Group
Martine De Rouck.....	Member of the Board of Directors of Belfius Bank (Independent Director)	Independent Director of Orange Belgium
Carine Doutrelepont.....	Member of the Board of Directors of Belfius Bank (Independent Director)	Lawyer and full Professor at the Université Libre de Bruxelles (ULB)
Peter Hinssen.....	Member of the Board of Directors of Belfius Bank (Independent Director)	Director of companies
Georges Hübner .....	Member of the Board of Directors of Belfius Bank (Independent Director)	Full Professor at HEC Liège - University of Liège

<b>Name</b>	<b>Position</b>	<b>Significant other functions performed outside Belfius Bank</b>
Isabel Neumann.....	Member of the Board of Directors of Belfius Bank (Independent Director)	Non-Executive Director at King's college London University
Diane Zygas-Rosen	Member of the Board of Directors of Belfius Bank (Independent Director)	Director Humanitarian Services at Belgian Red Cross and Vice President Blood Services at Belgian Red Cross
Lutgart Van Den Berghe.....	Member of the Board of Directors of Belfius Bank (Independent Director)	Emeritus extraordinary Professor at the University of Ghent (UG) and emeritus part-time Professor at the Vlerick Business School
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.

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

The Board of Directors of Belfius Bank established various advisory committees to assist in its task, *i.e.* a Nomination Committee, a Remuneration Committee, an Audit Committee and a Risk Committee. These committees are exclusively composed of Non-Executive Directors. In line with the EBA guidelines, the majority of the members of the advisory committees are independent directors. These directors are members of a maximum of three of these advisory committees. A Mediation Committee has also been installed within the governance of 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*

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

<b>Name</b>	<b>Position</b>
Lutgart Van Den Berghe.....	Chairman – Director of Belfius Bank
Chris Sunt.....	Member – Chairman of the Board of Directors of Belfius Bank
Diane Zygas-Rosen .....	Member – Director of Belfius Bank

The members of the Nomination Committee have the required skills, on the basis of their education and professional experience, to give a competent and independent judgment on the composition and operation of 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, suitable candidates to fill in 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 expected time commitment; the Nomination Committee also sets the 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 capacity of a director or a candidate director to meet the criteria set forth for being considered as an independent director;
- examines issues related to 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 implementation of corporate governance rules;
- 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 remediation actions.

In performing its duties, the Nomination Committee ensures that decision-taking within the Board of Directors is not dominated by a single individual or a small group of individuals, 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***

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

<b>Name</b>	<b>Position</b>
Lutgart Van Den Berghe.....	Chairman – Director of Belfius Bank
Chris Sunt.....	Member – Chairman of the Board of Directors of Belfius Bank



Name	Position
Diane Zygas-Rosen .....	Member – Director of Belfius Bank

The members of the Remuneration Committee have the required skills, on the basis of their educational 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 Auditor General and the Compliance Officer.

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 General 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***

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
Martine De Rouck.....	Member Director of Belfius Bank
	Member
Diane Zygas-Rosen.....	Director of Belfius Bank

The majority of the members of the audit committee are independent directors. Members of the audit committee have collective expertise in the field of banking, accountancy and auditing. At least one independent director 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 held three joint meetings in 2020, in particular when the insurance company's annual financial statements for 2019 and the half-yearly financial statements at 30 June 2020 were presented.

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

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
Isabel Neumann.....	Member Director of Belfius Bank
Martine De Rouck.....	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 faced by Belfius Bank; and
- monitoring the Internal Capital Adequacy Assessment Process (ICAAP), the Internal Liquidity Adequacy Assessment Process (ILAAP) and the Recovery Plan.

The Risk Committee of Belfius Bank operates independently of the Risk and Underwriting Committee of Belfius Insurance. At 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 properly take into consideration 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 may 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:

<b>Chairman</b> .....	Chris Sunt Chairman of the Board of Directors of Belfius Bank
<b>Members</b> .....	<b>Carine Doutrelepon</b> Member Independent Director of Belfius Bank <b>Jean-Michel Kupper</b> Member Independent Director of Belfius Insurance <b>Cécile Coune</b> Member Independent Director of Belfius Insurance

The Mediation Committee is responsible for passing opinions relating to material transactions or operations between, on the one hand, Belfius Bank and its subsidiaries and, on the other hand, Belfius Insurance and its subsidiaries, or between their respective subsidiaries, which may give rise to potential conflicts of interest. 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.

## ***7.12. Selected Financial Information***

The following tables summarise the consolidated balance sheet and, income statement of Belfius Bank for the period ending 31 December 2019 and 31 December 2020.

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

		<b>31 December 2019 IFRS 9</b>	<b>31 December 2020 IFRS 9</b>
	<b>Notes</b>		
<b>Assets</b>		<i>(in thousands of EUR)</i>	
<b>Cash and balances with central banks</b>	5.2	6,715,928	25,433,799
<b>Loans and advances due from credit institutions</b>	5.3	16,207,838	11,911,665
Measured at amortised cost		16,207,838	11,911,665
Measured at fair value through other comprehensive income		0	0
Measured at fair value through profit or loss		0	0
<b>Loans and advances</b>	5.4	94,944,479	98,108,050
Measured at amortised cost		93,391,477	96,811,908
Measured at fair value through other comprehensive income		0	0
Measured at fair value through profit or loss		1,553,002	1,296,142
<b>Debt securities &amp; equity instruments</b>	5.5	29,489,565	28,848,865
Measured at amortised cost		22,476,427	22,039,067
Measured at fair value through other comprehensive income		5,257,278	5,170,430
Measured at fair value through profit or loss		1,755,860	1,639,368
<b>Unit linked products insurance activities</b>		3,671,372	3,813,059
<b>Derivatives</b>	5.6	13,304,709	12,188,113
<b>Gain/loss on the hedged item in portfolio hedge of interest rate risk</b>	5.6	4,881,797	4,631,922
<b>Investments in equity method companies</b>	5.7	64,124	98,880
<b>Tangible fixed assets</b>	5.8	1,215,355	1,189,898
<b>Intangible assets</b>	5.9	206,384	195,833
<b>Goodwill</b>	5.10	103,966	103,966
<b>Tax assets</b>	5.11	338,443	403,390
Current tax assets		53,723	33,622
Deferred tax assets		284,720	369,769
<b>Technical insurance provisions - part of the reinsurer</b>	6.5	108,074	107,075
<b>Other assets</b>	5.12	1,163,606	931,216
<b>Non current assets (disposal group) held for sale and discontinued operations</b>	5.13	23,826	25,700
<b>Total assets</b>		172,439,465	187,991,433

		<b>31 December 2019 IFRS 9</b>	<b>31 December 2020 IFRS 9</b>
	<b>Notes</b>		
<b>Liabilities</b>		<i>(in thousands of EUR)</i>	
<b>Cash and balances from central banks</b>	6.1	4,016,777	14,173,519
<b>Credit institutions borrowings and deposits</b>	6.2	5,819,363	5,008,193
Measured at amortised cost		5,819,363	5,008,193
Measured at fair value through profit or loss		0	0
<b>Borrowings and deposits</b>	6.3	85,449,910	95,337,975
Measured at amortised cost		85,397,137	95,286,940
Measured at fair value through profit or loss		52,773	51,036
<b>Debt securities issued and other financial liabilities</b>	6.4	27,654,505	24,402,198
Measured at amortised cost		19,341,686	16,068,804
Measured at fair value through profit or loss		8,312,819	8,333,394
<b>Unit linked products insurance activities</b>		3,671,372	3,813,059
<b>Derivatives</b>	5.6	18,630,116	18,310,156
<b>Gain/loss on the hedged item in portfolio hedge of interest rate risk</b>	5.6	262,708	373,447
<b>Provisions for insurance activities</b>	6.5	13,180,229	12,659,377
<b>Provisions and contingent liabilities</b>	6.6	517,345	624,107
<b>Subordinated debts</b>	6.7	1,157,266	1,150,681
Measured at amortised cost		1,157,266	1,150,681
Measured at fair value through profit or loss		0	0
<b>Tax liabilities</b>	5.11	136,648	84,660
Current tax liabilities		81,540	68,470
Deferred tax liabilities		55,108	16,190
<b>Other liabilities</b>	6.8	1,437,224	1,320,664
<b>Liabilities included in disposal group and discontinued operations</b>		0	0
<b>Total liabilities</b>		161,933,465	177,258,036

		<b>31 December 2019 IFRS 9</b>	<b>31 December 2020 IFRS 9</b>
	<b>Notes</b>		
<b>Equity</b>		<i>(in thousands of EUR)</i>	
Subscribed capital		3,458,066	3,458,066
Additional paid-in capital		209,232	209,232
Treasury shares		0	0
Reserves and retained earnings		5,013,573	5,616,576
Net income for the period		667,496	531,615
<b>Shareholders' core equity</b>		9,348,367	9,815,490
Fair value changes of debt instruments measured at fair value through other comprehensive income		336,856	213,853
Fair value changes of equity instruments measured at fair value through other comprehensive income		262,716	121,161
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
Fair value changes of derivatives following cash flow hedging		(81,709)	(68,761)
Remeasurement pension plans		84,319	69,161
Discretionary participation features of insurance contracts	6.5	33,212	57,552
Other reserves		212	208
<b>Gains and losses not recognised in the statement of income</b>		635,605	393,173
<b>Total shareholders' equity</b>		9,983,972	10,208,663
Additional Tier-1 instruments included in equity		497,083	497,083
Non-controlling interests		24,945	27,651
<b>Total Equity</b>		10,506,000	10,733,397
<b>Total Liabilities and Equity</b>		172,439,465	187,991,433

## 2. Consolidated Statement of Income

		<b>31 December 2019 IFRS 9</b>	<b>31 December 2020 IFRS 9</b>
	<b>Notes</b>		
		<i>(in thousands of EUR)</i>	
Interest income	7.1	3,441,636	3,352,799
Interest expense	7.1	(1,541,463)	(1,361,293)

		<b>31 December 2019 IFRS 9</b>	<b>31 December 2020 IFRS 9</b>
	<b>Notes</b>	<i>(in thousands of EUR)</i>	
Dividend income	7.2	70,279	50,265
Net income from equity method companies	7.3	4,918	4,848
Net income from financial instruments at fair value through profit or loss	7.4	96,148	24,086
Net income on investments and liabilities	7.5	53,190	54,517
Fee and commission income	7.6	756,445	810,261
Fee and commission expenses	7.6	(176,873)	(169,319)
Technical result from insurance activities	7.7	(19,975)	67,851
Gross earned premiums		1,463,046	1,475,214
Other technical income and charges		(1,483,021)	(1,407,363)
Other income	7.8	216,569	217,989
Other expense	7.9	(412,287)	(438,356)
<b>Income</b>		<b>2,488,587</b>	<b>2,613,649</b>
Staff expense	7.10	(636,777)	(630,182)
General and administrative expenses	7.11	(488,519)	(471,136)
Network costs		(212,174)	(211,417)
Depreciation and amortisation of fixed assets	7.12	(114,909)	(152,184)
<b>Expenses</b>		<b>(1,452,379)</b>	<b>(1,464,919)</b>
<b>Gross income</b>		<b>1,036,208</b>	<b>1,148,730</b>
Impairments on financial instruments and provisions for credit commitments	7.13	(111,438)	(453,133)
Impairments on tangible and intangible assets	7.14	(6,761)	(16,614)
Impairments on goodwill	7.15	0	0
<b>Net income before tax</b>		<b>918,010</b>	<b>678,984</b>
Current tax (expense) income	7.16	(210,116)	(228,428)
Deferred tax (expense) income	7.16	(41,791)	81,069
<b>Total Tax (expense) income</b>		<b>(251,907)</b>	<b>(147,360)</b>
<b>Net income after tax</b>		<b>666,103</b>	<b>531,624</b>
Discontinued operations (net of tax)		0	0
<b>Net income</b>		<b>666,103</b>	<b>531,624</b>
Attributable to non-controlling interests		(1,393)	9
Attributable to equity holders of the parent		667,496	531,615

# 8. TERMS AND CONDITIONS OF THE NOTES

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(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 Notes, 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 Notes are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

Bearer Notes are issued under an agency agreement dated the date of this Base Prospectus (as amended or supplemented as at the date of issue of the Notes (the “**Issue Date**”), referred to as the “**Agency Agreement**”, see Annex 4), between Belfius Financing Company as Issuer, Belfius Bank and Banque Internationale à Luxembourg, when relevant.

The Notes 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 first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a “**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, first payment of interest and principal amount of the Tranche will be identical to the terms of other Tranche of the same Series) will be set out in the Final Terms.

To the extent applicable, the Issuer and the Calculation Agent undertake to comply with Book VI of the Belgian Code of Economic Law in respect of Notes issued under the Programme and placed in the framework of a public offer in Belgium. For this purpose, a public offer has the meaning set forth in Article 2 of the Prospectus Regulation.

In accordance with Articles VI.82 to VI.84 of the Belgian Code of Economic Law, the Issuer or the Calculation Agent may only make a unilateral modification of a product if the following four 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 (see the events listed under “Potential Adjustment Events” and “Extraordinary Events”);
- (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 Noteholders. The Issuer must take all measures and make every effort to continue the product under similar circumstances;
- (iii) no costs are charged to the Noteholder; and
- (iv) the contract term must be drawn up in a plain and intelligible manner.

Furthermore, the redemption features provided by section 8.5.3. (“Redemption at the option of the Issuer”) of the Prospectus, which will be further specified in the Final Terms of each Series, are deemed to be the principal object of the contract within the meaning of Article VI.82 of the Belgian Code of Economic Law. The other early redemption features of the Notes provided by this Section 8 (as described under sections 8.7.2.3. *Potential Adjustment Events*, 8.7.2.4. *Extraordinary Events*, 8.7.3.1. *Terms applicable irrespective of whether an Index is*



*Multiple Exchange or not*, 8.7.4.2. *Potential Adjustment Events*, 8.7.4.3. *Extraordinary Events*, 8.7.5.2. *Market Disruption*, 8.7.6.2. *Commodity Index Event*, and 8.7.7.2. *Events affecting the Index*) are only possible (i) as a consequence of events of force majeure or other events which significantly modify the economy of the Note and for which the Issuer is not responsible (the repayment will then, (a) in the case of force majeure or in the case of Notes without capital protection, be at least at market value without charging additional costs to the consumer or (b) in the case of capital protected Note, Monetization (as defined below) or buy back at market value) (ii), except in the case of force majeure, the Issuer is required to indemnify the Noteholder for the loss suffered by the Noteholder because of the early redemption; (iii) no costs are charged to the noteholder and (iv) no deduction of any costs whatsoever is allowed and a *pro rata* refund of the costs already borne by the investor (in the proportion (total initial term minus elapsed period)/total initial term), must be provided for. The Terms and Conditions allow for the substitution of the Issuer provided that the conditions listed in section 8.16 are met.

Besides these early redemption features, the following sections relate to situations in which certain features of the Notes may be modified: 8.7.2.3. *Potential Adjustment Events*, 8.7.2.4. *Extraordinary Events*, 8.7.3.1. *Terms applicable irrespective of whether an Index is Multiple Exchange or not*, 8.7.3.2. *Terms applicable to an Index that is not Multiple Exchange*, 8.7.4.2. *Potential Adjustment Events*, 8.7.4.3. *Extraordinary Events*, 8.7.5.2. *Market Disruption*, 8.7.6.2. *Commodity Index Event*, and 8.7.7.2. *Events affecting the Index*.

In the case of a Note without capital protection, the Issuer shall pay in accordance with the indemnification-principle laid down in Article VI.83. 10° CEL, at least the Fair Market Value of the Note. “**Fair Market Value**” means the valuation using (i) the most relevant available market data or market quotation, or, (ii) if no such relevant data or quotation may be found at the relevant time, a valuation mathematical model generally accepted in the financial sector.

In the case of a capital protected Note, the Issuer opts for the monetization of the relevant Notes. “**Monetization**” means that the underlying financial structure (derivative component) of a capital protected Note will be unwound at its market value and added to the bond component. The Fair Market Value of the Note, consisting of the Fair Market Value of both the bond and the derivative component, will be capitalized at least up to the protected level (Fair Market Value means the valuation using (i) the most relevant available market data or market quotation, or, (ii) if no such relevant data or quotation may be found at the relevant time, a valuation mathematical model generally accepted in the financial sector). In case of such Monetization of the Note, the Noteholders will always have the right, as an alternative to the Monetization, to sell the Note to the Issuer or to an agent appointed by the Issuer at market value. In any case of early redemption (for capital protected Notes as well as for Notes without capital protection), but not in the case of Monetization, no deduction of any costs will be applied and the costs already borne by the Noteholders will be refunded *pro rata temporis* to the Noteholders.

## 8.1. *Form, Denomination and Title*

The Denomination of the Notes will be at least EUR 1,000. Certain Belfius Financing Company Notes are issued in bearer form (“**Bearer Notes**”)<sup>16</sup> in the Denominations specified in the relevant Final Terms. These Belfius Financing Company Notes will be represented by a Permanent Global Note, deposited with Banque Internationale à Luxembourg (“**BIL**”) as common depositary for Euroclear and Clearstream Banking S.A. and will not be exchangeable for definitive notes.

The Belfius Bank Notes and certain Belfius Financing Company Notes are issued in dematerialised form (“**Dematerialised Notes**”) in the Denomination(s) specified in the relevant Final Terms.

Dematerialised Notes are issued in dematerialised form via a book-entry system maintained in the records of the NBB (having as its address, de Berlaimontlaan 14, 1000 Brussels, Belgium) as operator of the Securities Settlement System (NBB-SSS) in accordance with Article 7:35 and following of the Belgian Code of Companies and Associations and will be credited to the accounts held with the Securities Settlement System (NBB-SSS) by

<sup>16</sup> Belfius Financing Company Notes may be issued in Bearer form or in Dematerialized form.

Belfius Bank, Euroclear, Clearstream, SIX SIS, Monte Titoli, Interbolsa, Euroclear France, LuxCSD or other Securities Settlement System (NBB-SSS) participants for credit by Belfius Bank, Euroclear, Clearstream, SIX SIS, Monte Titoli, Interbolsa, Euroclear France, LuxCSD or other Securities Settlement System (NBB-SSS) participants to the securities accounts of their subscribers.

Transfer of Dematerialised Notes will be effected only through records maintained by the Securities Settlement System (NBB-SSS), Belfius Bank, Euroclear, Clearstream, SIX SIS, Monte Titoli, Interbolsa, Euroclear France and LuxCSD or other Securities Settlement System (NBB-SSS) participants and in accordance with the applicable procedures of the Securities Settlement System (NBB-SSS), Euroclear, Clearstream, SIX SIS, Monte Titoli, Interbolsa, Euroclear France and LuxCSD or other Securities Settlement System (NBB-SSS) participants.

The Notes will not be physically delivered. They will be held in a securities account.

Title to the Belfius Financing Company Notes that are not issued in dematerialised form shall pass by transfer to or from the securities account. In these Terms and Conditions, the “Noteholder” means the person who has the Notes on his or her securities account.

## *8.2. Pay Offs*

### **Introduction**

The pay-offs allowed in the Programme can be divided into six main categories in function of the calculation and payment of Interest (periodic or not), the calculation methodology of the amount paid at redemption of the Notes (the “**Redemption Amount**”) (one calculation and payment at maturity, or a sum of periodic calculation paid at maturity) and the settlement of the Redemption Amount (cash or physical). These categories are:

- A. Structures with a periodic payment;
- B. Structures with one payment at maturity with cap;
- C. Structures with one payment at maturity without cap;
- D. Structures with a sum of periodic calculations and payment at maturity;
- E. Structures with a periodic payment and physical settlement; and
- F. Structures with an amortizing redemption.

The formulas proposed below try to be general formulas meant to be used for a lot of different types of products. In accordance with the Prospectus Regulation, the Issuer can decide not to use some components of the formula by setting these components on 0 or 1 or not applicable. The Final Terms will specify which formula(s) will be used for a specific product issued and which specific parameters go into the formula. If a component of the formula is 0 or 1 or not applicable, and the respective component is not used for a specific issue of Notes, it is possible to render the formula in the Final Terms without the unapplied component(s).

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## A. Structures with a periodic payment

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The first category includes the products generating a periodic payment of Interest (fixed or variable) (the “**Periodic Payment**”) and a Redemption Amount which can be equal or not to 100% of the capital invested less fees.

### Definition

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The Periodic Payments can be calculated applying the next formula(s) [for n periods]:

$$\text{Formula } i = (\text{Participation Rate}_i \times \max(X\%_i, \min(\text{Performance}_i, Y\%_i)) + \text{Bonus}_i)$$

The Redemption Amount at Maturity (period n) can be calculated applying the next formula:

$$\text{Formulai} = \text{Denomination} + [\text{Denomination} \times (\text{Participation Rate}_i \times \max(X\%_i, \min(\text{Performance}_i, Y\%_i)) + \text{Bonus}_i)]$$

The Final Terms will specify the parameters (Participation Rate, X%, Y%) of the specific issue (see introduction). The Final Terms will also specify if a combination of more than one of these formulas is used. The Final Terms will furthermore specify:

- 1) How many periods (n) will be used and what formula relates to what period.
- 2) Which underlying (the “**Underlying**”) will be used to calculate the Performance (Rate, Share or Basket of Shares, Share Index or Basket of Share Indexes, Commodity Index or Basket of Commodity Indexes, Inflation Index, Fund or Basket of Funds) (as defined in the Final Terms).
- 3) Which sub formula will apply to calculate the Performance. This Performance can be:
  - a) a single fixing
  - b) a difference between 2 Underlyings:  $\text{Underlying}_1 - \text{Underlying}_2$
  - c)  $\frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}}$ , with or without reset of the Initial Price
  - d)  $\frac{\text{Initial Price} - \text{Final Price}}{\text{Initial Price}}$ , with or without reset of the Initial Price
  - e)  $\frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price} - \text{Final Price}}$ , with or without reset of Initial Price
  - f)  $\frac{\text{Initial Price} - \text{Final Price}}{\text{Final Price}}$ , with or without reset of Initial Price
  - g)  $\frac{\text{Final Price}}{\text{Initial Price}}$

$$\sum_{j=1}^Y w_{i,j} \times \max\left(U\%, \min\left(\left(\frac{\text{FinalPrice}_j - \text{InitialPrice}_j}{\text{InitialPrice}_j}\right), Z\%\right)\right), \text{ with or without reset of the Initial Price.}$$

W means the weight of the Underlying. Y can be the number of Underlyings, or can be the number of periods.

The Final Terms will also determine how the Final Price and Initial Price are defined. These can be 1 observation, an average of X observations, with a look-back feature (lowest/highest during a certain period).

- 4) If the structure can be called either by the Issuer at certain dates, or when the Underlying reaches a certain level at a certain date or during a certain period.
- 5) If the value of some parameters depends on the level of the Underlying at a certain date or during a certain period (=condition).
- 6) How the  $\text{Bonus}_i$  is defined. The  $\text{Bonus}_i$  can be
  - a. a fixed rate
  - b. a fixed rate subject to a condition on the Underlying
  - c. a rate which is the result of a formula such as the formulas above.
  - d. A rate which is the result of a sum of formulas such as the formulas above.
- 7) What the Participation Rate will be.
- 8) What the floor X% will be.
- 9) What the cap Y% will be.
- 10) What daycount convention has to be applied.

## Examples

### 1. Collared Floater (5 years, payment every 3 months)

#### **Definition:**

*In a Collared Floater, the Noteholder receives periodically a variable interest rate (linked to an Underlying). This rate is capped at a certain percentage (Y%) and floored at another level (X%). The Noteholder receives 100% of his invested capital at Maturity.*

#### **Product:**

*Periodic payments:*

1. Periods: 20
2. Underlying: EURIBOR3months
3. Performance will be a single fixing (subformula 3.a) is applicable). Fixing in advance (2 Business Days before start of the Interest Period)
4. Not applicable
5. Not applicable
6. Bonus = 0%
7. Participation Rate = 100%
8. X% = 2.20% (annualized)
9. Y% = 5.00% (annualized)
10. Daycount: act/360, mod fol, adjusted

The formula for the Periodic Payments will be

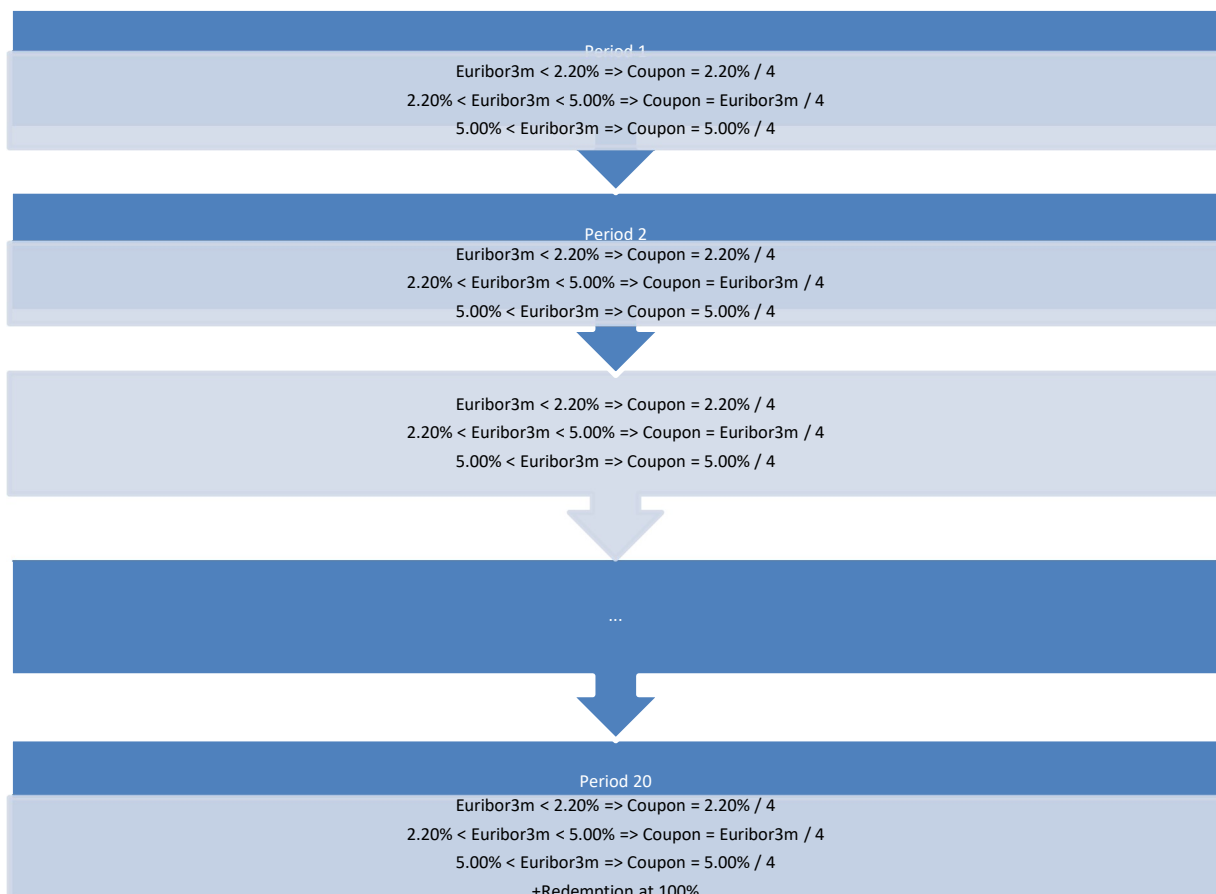
$$\begin{aligned} & (Participation Rate_i \times \max(X\%_i, \min(Performance_i, Y\%_i))) + Bonus_i \\ & = (100\% \times \max(2.20\%, \min(Performance, 5.00\%)) + 0\%) \end{aligned}$$

*Redemption Amount:*

1. Not Applicable
2. Underlying: EURIBOR3months
3. Single fixing 2 Business Days before start of the Interest Period (subformula 3.a) is applicable).
4. Not applicable
5. Not applicable
6. Bonus = 0%
7. Participation Rate = 0%
8. X% = 0%
9. Y% = 0%
10. No Daycount

The formula for the Redemption Amount will be

$$\begin{aligned} & Denomination + [Denomination \times (Participation Rate_i \times \max(X\%_i, \min(Performance_i, Y\%_i)) + Bonus_i)] \\ & = Denomination + [Denomination \times (0\% \times \max(0\%, \min(Performance_i, 0\%)) + 0\%)] \\ & = Denomination \end{aligned}$$



Note: In the example above the amounts are divided by 4, but the day count convention is act/360. This division is done for simplification purposes.

## 2. Target Memory Autocall

### **Definition:**

*In a Target Memory Autocall, there is no right to receive 100% of the invested capital less fees at Maturity.*

*-> If, on an Interest Payment Date, the Underlying (typically an index) has lost more than a certain percentage of its initial value (for example -30%), no Interests are paid and the Interests (for example, 7.50%) are recorded in the Memory which starts at zero.*

*-> If the Underlying has not lost more than a certain percentage of its initial value (for example, -30%), the Interests and the memory are paid.*

*-> If the Underlying is above a predefined level (typically its initial value), the Interests and the memory are paid and the Note is redeemed at par (autocallable).*

*At Maturity, if the Underlying is below a third predefined level (for example, -50%), the Redemption Amount is linked to the evolution of the Underlying, which means that investors will receive less than the invested capital, less fees. Otherwise, the Note is redeemed at par*

### **Product:**

Periodic payments (i = 1 to 4):

- |                                      |
|--------------------------------------|
| 1. Periods: 5<br>2. Underlying: SX5E |
|--------------------------------------|

3. Performance will be  $\frac{Final\ Price - Initial\ Price}{Initial\ Price}$  (Subdivision 3.c) is applicable), no reset for the Initial Price
4. Callable is applicable (Subdivision 4) is applicable) if  $Performance_i \geq 0\%$
5. Condition is applicable (Subdivision 5))
6.  $Bonus_i = -\sum_{w=1}^{i-1} Formula_w$  if  $Performance_i \geq -30\%$   
 $= 0\%$  if  $Performance_i < -30\%$
7. Participation Rate = period i (i = 1 to 4) if  $Performance_i \geq -30\%$   
 $= 0\%$  if  $Performance_i < -30\%$
8.  $X\% = 7.50\%$  if  $Performance_i \geq -30\%$   
 $= 0\%$  if  $Performance_i < -30\%$
9.  $Y\% = 7.50\%$  if  $Performance_i \geq -30\%$   
 $= 0\%$  if  $Performance_i < -30\%$
10. Daycount: 30/360, following, unadjusted

➡ If  $Performance_i \geq -30\%$  and  $< 0\%$

The formula for the Periodic Payments will be

$$\begin{aligned} & (Participation\ Rate_i \times \max(X\%_i, \min(Performance_i, Y\%_i)) + Bonus_i) \\ & = (i \times \max(7.50\%, \min(Performance_i, 7.50\%))) - \sum_{w=1}^{i-1} Formula_w \end{aligned}$$

➡  $= (i \times (7.50\%)) - \sum_{w=1}^{i-1} Formula_w$  If  $Performance_i < -30\%$ ,

Formula for the Periodic Payments will be

$$\begin{aligned} & (Participation\ Rate_i \times \max(X\%_i, \min(Performance_i, Y\%_i)) + Bonus_i) \\ & = (0\% \times \max(0\%, \min(Performance_i, 0\%))) + 0\% = 0 \end{aligned}$$

➡ If  $Performance_i \geq 0\%$ , then the transaction terminates automatically (autocallable).

Formula<sub>i</sub> for Redemption Amount will be:

$$\begin{aligned} & Denomination + [Denomination \times (Participation\ Rate_i \times \max(X\%_i, \min(Performance_i, Y\%_i)) + Bonus_i)] \\ & = Denomination + \left[ Denomination \times \left( i \times \max(7.50\%_i, \min(Performance_i, 7.50\%_i)) - \sum_{w=1}^{i-1} Formula_w \right) \right] \\ & = Denomination + \left[ Denomination \times \left( i \times 7.50\% - \sum_{w=1}^{i-1} Formula_w \right) \right] \end{aligned}$$

Redemption Amount:

1. Periods: 5
2. Underlying: SX5E
3. Performance will be  $\frac{Final\ Price - Initial\ Price}{Initial\ Price}$  (Subdivision 3.c) is applicable), no reset for the Initial Price
4. Call is activated if  $Performance_i \geq 0\%$
5. Conditions are activated
6.  $Bonus_i = -\sum_{w=1}^{i-1} Formula_w$  if  $Performance_i \geq -30\%$ ;  $= 0\%$  if  $Performance_i < -30\%$

7. Participation Rate = 5 if  $\text{Performance}_i \geq -30\%$ ; = 0% if  $\text{Performance}_i < -30\%$  and  $\geq -50\%$ ; = 100% if  $\text{Performance}_i < -50\%$
8.  $X\% = 7.50\%$  if  $\text{Performance}_i \geq -30\%$ ; = 0% if  $\text{Performance}_i < -30\%$  and  $\geq -50\%$ ; = -100% if  $\text{Performance}_i < -50\%$
9.  $Y\% = 7.50\%$  if  $\text{Performance}_i \geq -30\%$ ; = 0% if  $\text{Performance}_i < -30\%$  and  $\geq -50\%$ ; = 100% if  $\text{Performance}_i < -50\%$
10. Daycount: 30/360, following, unadjusted

➡ If  $\text{Performance}_i \geq -30\%$  and  $< 0\%$ , then  $\text{Formula}_i$  will be:

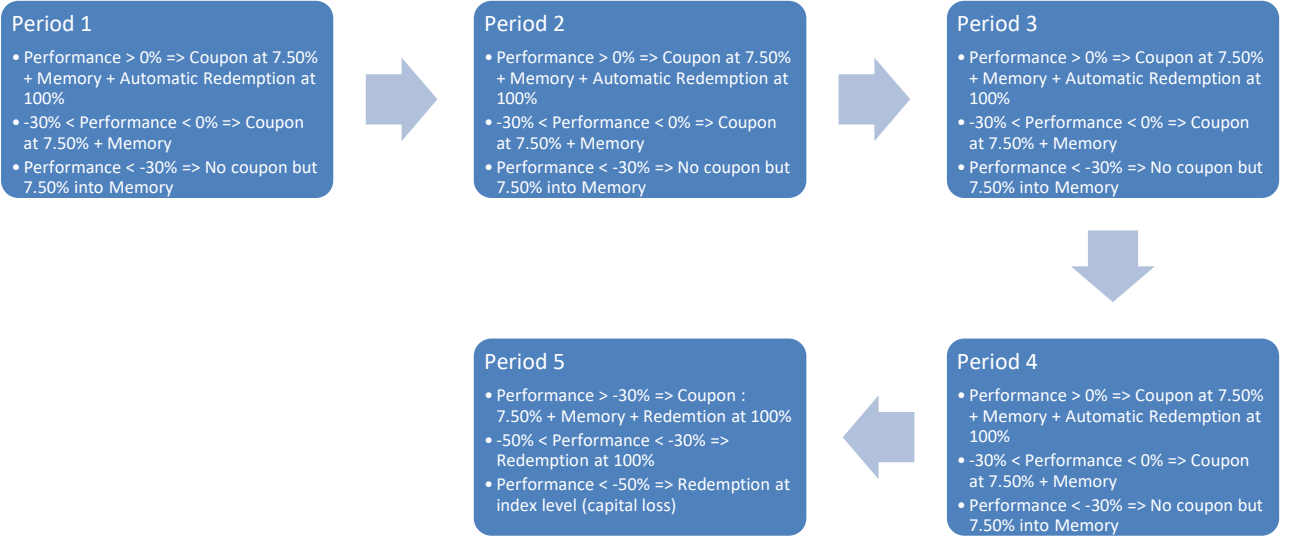
$$\begin{aligned} & \text{Denomination} + [\text{Denomination} \times (\text{Participation Rate}_i \times \max(X\%_i, \min(\text{Performance}_i, Y\%_i)) + \text{Bonus}_i)] \\ &= \text{Denomination} + \text{Denomination} \times [(5 \times \max(7.50\%, \min(\text{Performance}_i, 7.50\%))) - \sum_{w=1}^{i-1} \text{Formula}_w] \\ &= \text{Denomination} + \left[ \text{Denomination} \times \left( i \times 7.50\% - \sum_{w=1}^{i-1} \text{Formula}_w \right) \right] \end{aligned}$$

➡ If  $\text{Performance}_i < -30\%$  and  $\geq -50\%$ , then  $\text{Formula}_i$  will be:

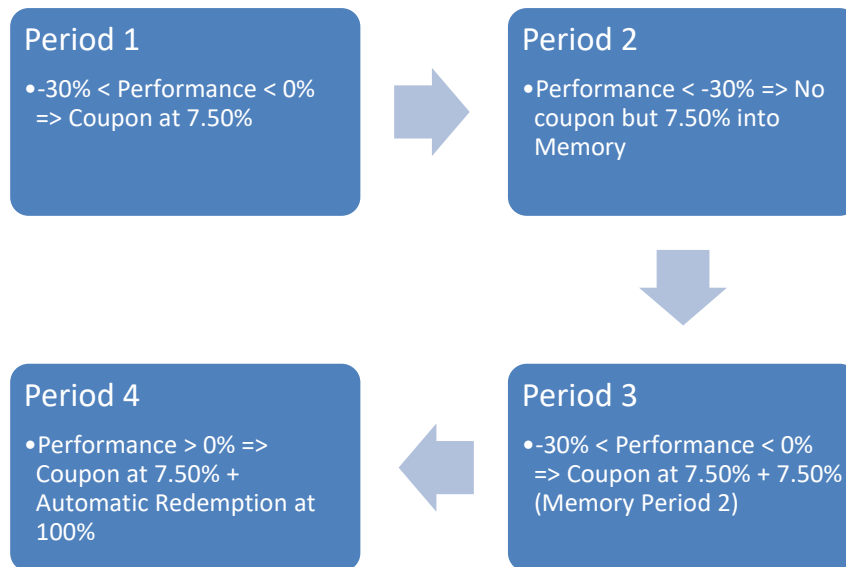
$$\begin{aligned} & \text{Denomination} + [\text{Denomination} \times (\text{Participation Rate}_i \times \max(X\%_i, \min(\text{Performance}_i, Y\%_i)) + \text{Bonus}_i)] \\ &= \text{Denomination} + [\text{Denomination} \times (0\% \times \max(0\%, \min(\text{Performance}_i, 0\%)) + 0\%)] \\ &= \text{Denomination} \end{aligned}$$

➡ If  $\text{Performance}_i < -50\%$ , then  $\text{Formula}_i$  will be:

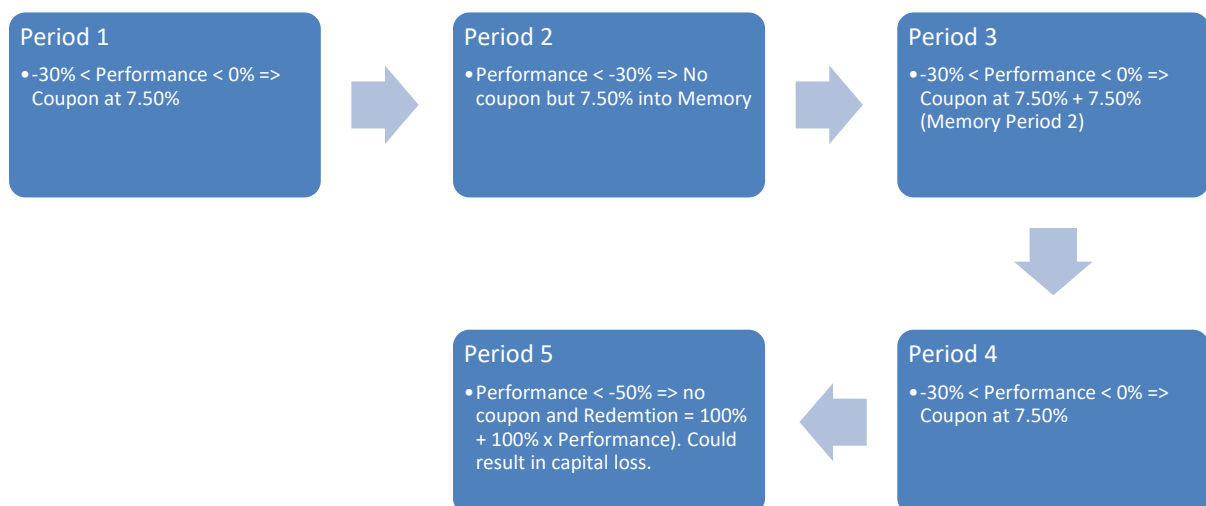
$$\begin{aligned} & \text{Denomination} + [\text{Denomination} \times (\text{Participation Rate}_i \times \max(X\%_i, \min(\text{Performance}_i, Y\%_i)) + \text{Bonus}_i)] \\ &= \text{Denomination} + [\text{Denomination} \times (100\% \times \max(-100\%, \min(\text{Performance}_i, 100\%)) + 0\%)] \end{aligned}$$



Optimistic Scenario



### Pessimistic Scenario



### 3. Light Reverse

#### Definition:

*In a Light Reverse, one single barrier needs to be observed at Maturity. There is no right to receive 100% of the invested capital less fees at maturity*

*The Noteholder receives periodically (typically every year) a fixed Interest rate (for example 5.50%).*

*At Maturity, the Noteholder receives 100% of its investment if the Underlying (typically an Index) has not lost more than a pre-defined percentage (for example -40%) of its initial value. Otherwise the index performance is paid and there is a loss of capital.*

#### Product:

*Periodic payments:*

- |  |
|--|
| <ol style="list-style-type: none"> <li>1. Periods: 5</li> <li>2. Underlying: SX5E</li> </ol> |
|--|



3. Performance is  $\frac{Final\ Price - Initial\ Price}{Initial\ Price}$  (Subdivision 3.c) is applicable), no Reset for the Initial Price
4. Not applicable
5. Not applicable
6. Bonus = 5.50%
7. Participation Rate = 100%
8.  $X\% = 0\%$
9.  $Y\% = 0\%$
10. Daycount: 30/360, unadjusted, following

The formula for the Periodic Payments will be

$$\begin{aligned} & (Participation\ Rate_i \times \max(X\%_i, \min(Performance_i, Y\%_i)) + Bonus_i) \\ & = (0\% \times \max(0\%, \min(Performance, 0\%)) + 5.50\%) = 5.50\% \end{aligned}$$

*Redemption Amount:*

1. Periods: Not Applicable
2. Underlying: Eurostoxx 50 (SX5E)
3. Performance is  $\frac{Final\ Price - Initial\ Price}{Initial\ Price}$  (Subdivision 3.c) is applicable), no Reset for the Initial Price
4. Not applicable
5. Digitals are activated (Subdivision 5) is applicable)
6. Bonus = 0%
7. Participation Rate = 0% if Performance  $\geq -40\%$ ;  
100% if Performance  $< -40\%$ .
8.  $X\% = 0\%$  if Performance  $\geq -40\%$ ;  
-100% if Performance  $< -40\%$ .
9.  $Y\% = 0\%$  if Performance  $\geq -40\%$ ;  
100% if Performance  $< -40\%$ .
10. Daycount: 30/360, unadjusted, following

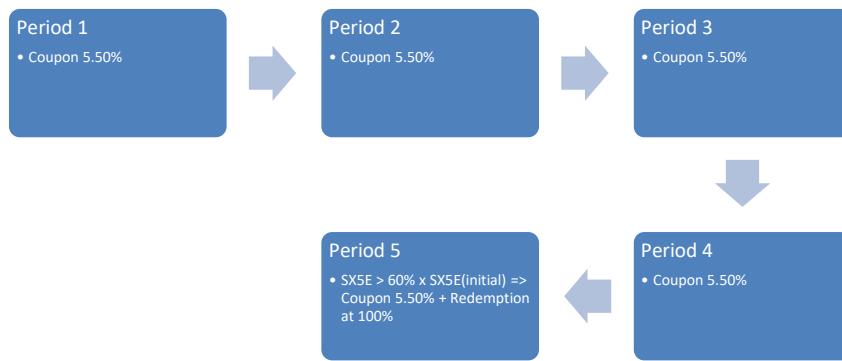
➡ If Performance  $\geq -40\%$ , then formula for the Redemption Amount will be

$$\begin{aligned} & Denomination + [Denomination \times (Participation\ Rate_i \times \max(X\%_i, \min(Performance_i, Y\%_i)) + Bonus_i)] \\ & = Denomination + [Denomination \times (0\% \times \max(0\%, \min(Performance_i, 0\%)) + 0\%)] \\ & = Denomination \end{aligned}$$

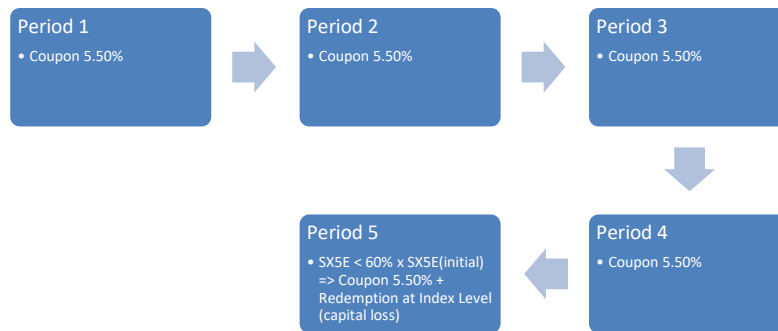
➡ If Performance  $< -40\%$ , then formula for the Redemption Amount will be

$$\begin{aligned} & Denomination + [Denomination \times (Participation\ Rate_i \times \max(X\%_i, \min(Performance_i, Y\%_i)) + Bonus_i)] \\ & = Denomination + [Denomination \times (100\% \times \max(-100\%, \min(Performance_i, 100\%)) + 0\%)] \\ & = Denomination + [Denomination \times Performance_i] \end{aligned}$$

Optimistic Scenario



### Pessimistic Scenario



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## B. Structures with one payment at maturity with cap

---

The second category includes the products which do not generate any Periodic Payments but one global payment at Maturity. This last payment can be fixed (in a so-called “zero coupon product”) or variable. The formulas as stipulated below will specify if the Note have a Redemption Amount at 100% of the capital invested less fees or not.

### Definition

---

The Variable Linked Redemption Amount can be constituted out of the next formula(s):

$$\text{Formula } i = \text{Denomination} + [\text{Denomination} \times (\text{Participation Rate}_i \times \max(X\%, \min(\text{Performance}_i, Y\%_i)) + \text{Bonus}_i)]$$

The Final Terms will specify the parameters (Participation Rate, X%, Y%) of the specific issue (see introduction). The Final Terms will also specify if a combination of more than one of these formulas is used. The Final Terms will furthermore specify:

- 1) Which Underlying will be used to calculate the Performance (Rate, Share or Basket of Shares, Share Index or Basket of Share Indexes, Commodity Index or Basket of Commodity Indexes, Inflation Index, Fund or Basket of Funds).
- 2) Which sub formula will apply to calculate the Performance. This Performance can be:
  - a) a single fixing
  - b) a difference between 2 Underlyings:  $\text{Underlying}_1 - \text{Underlying}_2$
  - c)  $\frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}}$ , with or without reset of the Initial Price
  - d)  $\frac{\text{Initial Price} - \text{Final Price}}{\text{Initial Price}}$ , with or without reset of the Initial Price
  - e)  $\frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}}$ , with or without reset of Initial Price
  - f)  $\frac{\text{Initial Price} - \text{Final Price}}{\text{Initial Price}}$ , with or without reset of Initial Price
  - g)  $\frac{\text{Final Price}}{\text{Initial Price}}$

$$\sum_{j=1}^Y w_{i,j} \times \max \left( U\%, \min \left( \left( \frac{\text{Final Price}_j - \text{Initial Price}_j}{\text{Initial Price}_j} \right), Z\% \right) \right), \text{ with or without reset of the Initial Price.}$$

W means the weight of the Underlying. Y can be the number of Underlyings, or can be the number of periods.

The Final Terms will also determine how the Final Price and Initial Price are defined. These can be 1 observation, an average of X observations, with a look-back feature (lowest/highest during a certain period).

- 3) If the structure can be called either by the Issuer at certain dates, or when the Underlying reaches a certain level at a certain date or during a certain period.
- 4) If the value of some parameters depends on the level of the underlying at a certain date or during a certain period (=condition).
- 5) How the Bonus<sub>i</sub> is defined. The Bonus<sub>i</sub> can be:
  - a. a fixed rate;
  - b. a fixed rate subject to a condition on the Underlying;
  - c. a rate which is the result of a formula such as the formulas above; or
  - d. a rate which is the result of a sum of Formulas such as the Formulas above.
- 6) What the Participation Rate will be.
- 7) What the floor X% will be.
- 8) What the cap Y% will be.
- 9) What daycount convention has to be applied.

## Examples

### 1. Call spread

#### Definition:

*In a Call spread, there is no Periodic Payment. At Maturity, the Redemption Amount will be equal to 100% of the capital invested less fees plus any positive evolution of the Underlying capped at a defined level.*

#### Product:

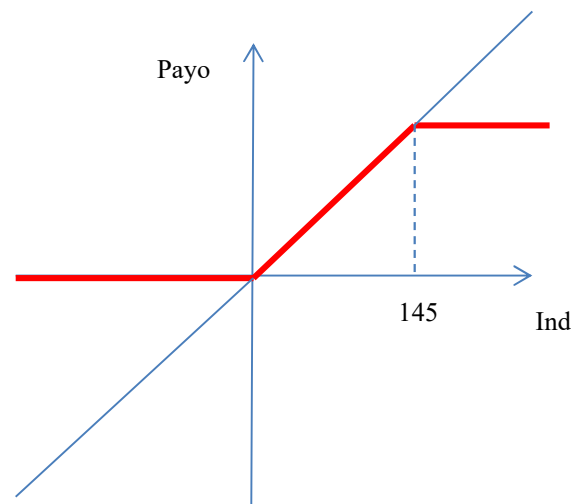
*Redemption Amount:*

1. Underlying: Eurostoxx 50 (SX5E)
2. Performance is  $\frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}}$  (Subdivision 2.c) is applicable) where Initial Price is closing level of Index observed at 24/09/2012 and Final Price is arithmetic average of the closing levels observed at 10/09/2017, 11/09/2017 and 12/09/2017.
3. Not applicable
4. Not applicable
5. Bonus = 0%
6. Participation Rate = 100%
7.  $X\% = 0\%$
8.  $Y\% = 45\%$
9. No daycount

The formula for the Redemption Amount will be:

$$\text{Denomination} + [\text{Denomination} \times (\text{Participation Rate}_i \times \max(X\%_i, \min(\text{Performance}_i, Y\%_i)) + \text{Bonus}_i)]$$

$$\text{Denomination} + [\text{Denomination} \times (100\% \times \max(0\%, \min(\text{Performance}, 45\%)) + 0\%)] =$$



Optimistic Scenario:

$$\text{Performance} = 30\% \Rightarrow \text{Denomination} + [\text{Denomination} \times (100\% \times \max(0\%, \min(30\%, 45\%)) + 0\%)] = 130\%$$

Pessimistic Scenario:

$$\text{Performance} = -30\% \Rightarrow \text{Denomination} + [\text{Denomination} \times (100\% \times \max(0\%, \min(-30\%, 45\%)) + 0\%)] = 100\%$$

## 2. Digital on CMS

### Definition:

The Digital on CMS product is the combination of a typical Zero Coupon bond (with a predefined interest payment at maturity) and a potential additional payment (the digital feature) if the Underlying (in this case the CMS rate) is above a certain level at maturity.

### Product:

#### Redemption Amount:

1. Underlying: CMS10y
2. Performance is a single fixing ((Subdivision 2.a) is applicable)
3. Not applicable
4. Condition is applicable ((Subdivision 4) is applicable) -> at observation date, if CMS10y is at or above 2.10%
5. Bonus = 25.20 %
6. Participation Rate = 0% if CMS10y < 2.10%  
100% if CMS10y ≥ 2.10%
7. X% = 0% if CMS10y < 2.10%  
10.40 % if CMS10y ≥ 2.10%
8. Y% = 0% if CMS10y < 2.10%  
10.40 % if CMS10y ≥ 2.10%
9. No daycount

➡ If CMS10y < 2.10%, then

Formula for the Redemption Amount will be

$$\begin{aligned} & \text{Denomination} + [\text{Denomination} \times (\text{Participation Rate}_i \times \max(X\%_i, \min(\text{Performance}_i, Y\%_i)) + \text{Bonus}_i)] \\ & \text{Denomination} + [\text{Denomination} \times (0\% \times \max(0\%, \min(\text{Performance}_i, 0\%)) + 25.20\%)] \\ & = \text{Denomination} + [\text{Denomination} \times (25.20\%)] \end{aligned}$$

➡ If CMS10y ≥ 2.10%, then

Formula for the Redemption Amount will be

$$\begin{aligned} & \text{Denomination} + [\text{Denomination} \times (\text{Participation Rate}_i \times \max(X\%_i, \min(\text{Performance}_i, Y\%_i)) + \text{Bonus}_i)] \\ & \text{Denomination} + [\text{Denomination} \times (100\% \times \max(10.40\%, \min(10.40\%)) + 25.20\%)] \\ & = \text{Denomination} + [\text{Denomination} \times (10.40\% + 25.20\%)] \end{aligned}$$

### Period 1

- CMS10y < 2.10% =>  
Redemption Price = 100% + 25.20% + 0%
- CMS10y > 2.10% => 100% + 25.20% + 10.40%

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## C. Structures with one payment at maturity without cap

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The third category includes the Notes which do not generate any Periodic Payments but one global payment at Maturity. This last payment can be fixed (in a so-called “zero coupon product”) or variable. The formulas as stipulated below will specify if the product is with redemption at 100% of the capital invested less fees or not.

### Definition

---

The Variable Linked Redemption Amount can be constituted out of the next formula(s):

$$\text{Formula } i = \text{Denomination} + [\text{Denomination} \times (\text{Participation Rate}_i \times \max(X\%, \text{Performance}_i) + \text{Bonus}_i)]$$

The Final Terms will specify the parameters (Participation Rate, X%) of the specific issue (see introduction). The Final Terms will also specify if a combination of more than one of these formulas is used. The Final Terms will furthermore specify:

- 1) Which underlying will be used to calculate the Performance (Rate, Share or Basket of Shares, Share Index or Basket of Share Indexes, Commodity Index or Basket of Commodity Indexes, Inflation Index, Fund or Basket of Funds).
- 2) Which sub formula will apply to calculate the Performance. This Performance can be:
  - a) a single fixing
  - b) a difference between 2 Underlyings: Underlying<sub>1</sub> – Underlying<sub>2</sub>
  - c)  $\frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}}$ , with or without reset of the Initial Price
  - d)  $\frac{\text{Initial Price} - \text{Final Price}}{\text{Initial Price}}$ , with or without reset of the Initial Price
  - e)  $\frac{\text{Final Price} - \text{Initial Price}}{\text{Final Price}}$ , with or without reset of Initial Price
  - f)  $\frac{\text{Initial Price} - \text{Final Price}}{\text{Final Price}}$ , with or without reset of Initial Price
  - g)  $\frac{\text{Final Price}}{\text{Initial Price}}$
  - h)  $\sum_{j=1}^Y w_{i,j} \times \max\left(U\%, \min\left(\left(\frac{\text{Final Price}_j - \text{Initial Price}_j}{\text{Initial Price}_j}\right), Z\%\right)\right)$ , with or without reset of the Initial Price. W means the weight of the Underlying. Y can be the number of Underlyings, or can be the number of periods.

The Final Terms will also determine how the Final Price and Initial Price are defined. These can be 1 observation, an average of X observations, with a look-back feature (lowest/highest during a certain period).

- 3) If the structure can be called either by the Issuer at certain dates, or when the Underlying reaches a certain level at a certain date or during a certain period.
- 4) If the value of some parameters depends on the level of the underlying at a certain date or during a certain period (=condition).
- 5) How the Bonus<sub>i</sub> is defined. The Bonus<sub>i</sub> can be:
  - a. a fixed rate;
  - b. a fixed rate subject to a condition on the Underlying;
  - c. a rate which is the result of a Formula such as the Formulas above; and
  - d. A rate which is the result of a sum of Formulas such as the Formulas above.
- 6) What the Participation Rate will be.
- 7) What the floor X% will be.
- 8) What daycount convention has to be applied.

## Examples

### 1. Optimal Performance

#### Definition:

*In an Optimal Performance, there is no right to receive 100% of the invested capital less fees at Maturity. At Maturity, if the underlying (typically an equity index or equity share) is at or above its initial level, but below a defined threshold (for example 150%) investors receive 100 % of the invested capital plus a fixed amount (50% in this example).*

*If the Underlying is above this defined threshold of 150%, Noteholders will receive the performance of the Underlying.*

*If the Underlying is strictly below its initial level, Noteholders will receive 150 % of the performance. Below a certain level of the underlying, Noteholders will suffer a capital loss.*

#### Product:

#### Redemption Amount:

1. Underlying: Eurostoxx 50 (SX5E)
2. Performance =  $\frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}}$  if Final Price is  $\geq$  Initial Price (Subdivision 2.c) is applicable), no Reset for the Initial Price  
=  $\frac{\text{Final Price}}{\text{Initial Price}}$  if Final Price is  $<$  Initial Price (Subdivision 2.e) is applicable), no Reset for the Initial Price
3. Not applicable
4. Digitals are activated (Subdivision 4) is applicable)
5. Bonus = 0% if Final Price is  $\geq$  Initial Price  
- 100% if Final Price is  $<$  Initial Price
6. Participation Rate = 100% if Final Price is  $\geq$  Initial Price  
150% if Final Price is  $<$  Initial Price
7. X% = 50% if Final Price is  $\geq$  Initial Price  
Not applicable if Final Price is  $<$  Initial Price
8. Y% = not applicable
9. No daycount

➡ If Final Price is  $\geq$  Initial Price:

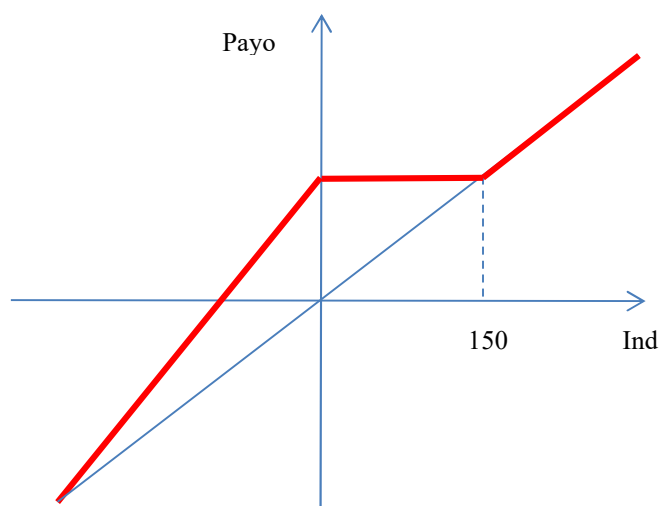
Formula for the Redemption Amount will be

$$\begin{aligned} & \text{Denomination} + [\text{Denomination} \times (\text{Participation Rate}_i \times \max(X\%_i, \min(\text{Performance}_i, Y\%_i)) + \text{Bonus}_i)] \\ & = \text{Denomination} + [\text{Denomination} \times (100\% \times \max(50\%, \min(\text{Performance})) + 0\%)] \end{aligned}$$

➡ If Final Price is  $<$  Initial Price then:

Formula for the Redemption Amount will be

$$\begin{aligned} & \text{Denomination} + [\text{Denomination} \times (\text{Participation Rate}_i \times \max(X\%_i, \min(\text{Performance}_i, Y\%_i)) + \text{Bonus}_i)] \\ & = \text{Denomination} + [\text{Denomination} \times (150\% \times \max(\min(\text{Performance})) - 100\%)] \end{aligned}$$



#### Optimistic Scenario

Final Price = 135% x Initial Price =>

$$Denomination + [Denomination \times (100\% \times \max(50\%, \min(35\%))) + 0\%] = 150\%$$

#### Pessimistic Scenario

Final Price = 40% x Initial Price =>

$$Denomination + [Denomination \times (150\% \times \max(\min(40\%)) - 100\%)] = 60\%$$

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### D. Structures with a sum of periodic calculation and payment at maturity

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The fourth category includes the products which does not generate any Periodic Payments but one global payment at Maturity. This last payment can be seen as the sum of different periodical components.

The formulas as stipulated below will specify if the Note will have a Redemption Amount of 100% of the capital invested less fees or not.

#### Definition

---

The Variable Linked Redemption Amount can be constituted out of the next formula(s):

$$Formula\ i = Denomination +$$

$$\left[ Denomination \times \max \left( V\%, \sum_{i=1}^n (Participation\ Rate_i \times \max(X\%_i, \min(Performance_i, Y\%_i)) + Bonus_i) \right) \right]$$

The Final Terms will specify the parameters (Participation Rate, X%, Y%) of the specific issue (see introduction). The Final Terms will also specify if a combination of more than one of these formulas is used. The Final Terms will furthermore specify:

- 1) How many periods (n) will be used and what formula relates to what period.
- 2) Which Underlying will be used to calculate the Performance (Rate, Share or Basket of Shares, Share Index or Basket of Share Indexes, Commodity Index or Basket of Commodity Indexes, Inflation Index, Fund or Basket of Funds).
- 3) Which sub formula will apply to calculate the Performance. This Performance can be:
  - a) a single fixing
  - b) a difference between 2 Underlyings:  $Underlying_1 - Underlying_2$
  - c)  $\frac{Final\ Price - Initial\ Price}{Initial\ Price}$ , with or without reset of the Initial Price



- d)  $\frac{Initial\ Price - Final\ Price}{Initial\ Price}$ , with or without reset of the Initial Price
- e)  $\frac{Final\ Price - Initial\ Price}{Initial\ Price}$ , with or without reset of Initial Price
- f)  $\frac{Initial\ Price - Final\ Price}{Final\ Price}$ , with or without reset of Initial Price
- g)  $\frac{Final\ Price}{Initial\ Price}$

- h)  $\sum_{j=1}^Y w_{i,j} \times \max\left(U\%, \min\left(\left(\frac{FinalPrice_j - InitialPrice_j}{InitialPrice_j}\right), Z\%\right)\right)$ , with or without reset of the Initial Price. W means the weight of the Underlying. Y can be the number of Underlyings, or can be the number of periods.

The Final Terms will also determine how the Final Price and Initial Price are defined. These can be 1 observation, an average of X observations, with a look-back feature (lowest/highest during a certain period).

- 4) If the Note can be called either by the Issuer at certain dates, or when the Underlying reaches a certain level at a certain date or during a certain period.
- 5) If the value of some parameters depends on the level of the underlying at a certain date or during a certain period (=condition).
- 6) How the Bonus<sub>i</sub> is defined. The Bonus<sub>i</sub> can be:
  - a. a fixed rate
  - b. a fixed rate subject to a condition on the Underlying
  - c. a rate which is the result of a Formula such as the Formulas above.
  - d. A rate which is the result of a sum of Formulas such as the Formulas above.
- 7) What the Participation Rate will be.
- 8) What the floor X% will be.
- 9) What the cap Y% will be.
- 10) What the global floor of V% will be.
- 11) What daycount convention has to be applied.

## Examples

### 1. Cliquet

#### Definition:

The Cliquet will pay at maturity the sum of the yearly performances of the Underlying, where yearly performances are floored at  $X\%$  (for example,  $-3\%$ ) and capped at  $Y\%$  (for example,  $7\%$ ).

Global payout is floored at  $V\%$  (for example,  $0\%$ ) to have a right to receive  $100\%$  of the invested capital less fees at Maturity.

#### Product:

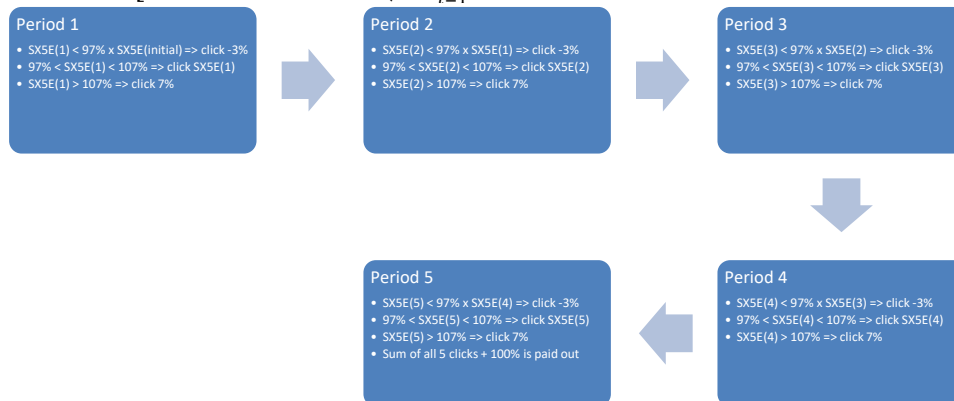
#### Redemption Amount:

1. Periods (n): 5
2. Underlying: SX5E
3. Performance is  $\frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}}$  ( subformula 3.c)) with annual reset.
4. Not applicable
5. Not applicable
6. Bonus =  $0\%$
7. Participation Rate =  $100\%$
8.  $X\% = -3\%$
9.  $Y\% = 7\%$
10.  $V\% = 0\%$
11. No daycount

The Variable Linked Redemption Amount is equal to:

$$\text{Denomination} + \left[ \text{Denomination} \times \max \left( V\%, \sum_{i=1}^n (\text{Participation Rate}_i \times \max(X\%_i, \min(\text{Performance}_i, Y\%_i)) + \text{Bonus}_i) \right) \right]$$

$$= \text{Denomination} + \left[ \text{Denomination} \times \max \left( 0\%, \sum_{i=1}^5 (100\% \times \max(-3\%, \min(\text{Performance}_i, 7\%)) + 0\%) \right) \right]$$



---

## E. Structures with periodic payments and physical settlement

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Typically, this category refers to Notes called reverse convertible for which the Redemption Amount is not equal to 100% of the capital invested less fees and can be done in physical instruments (shares for instance) depending on the final value of these shares instead of cash.

### Definition

---

The Periodic Payments can be constituted out of the next formula(s) (for n periods):

$$\text{Formula } i = (\text{Participation Rate}_i \times \max(X\%_i, \min(\text{Performance}_i, Y\%_i)) + \text{Bonus}_i)$$

The Redemption Amount at the end of period n can be constituted out of the next formula's.

If the Performance is at or above a certain Barrier, the Redemption Amount is in cash at par.

If the Performance is below a certain Barrier, then physical settlement will apply.

Number of shares to be delivered

$$\frac{\text{Denomination}}{\text{Specified Denomination}} \times \left[ \frac{\text{Specified Denomination}}{\text{Initial Price}} - \left( \text{Non - integer amount of } \frac{\text{Specified Denomination}}{\text{Initial Price}} \right) \right]$$

Fractional Share Amount

$$\frac{\text{Denomination}}{\text{Specified Denomination}} \times \text{Final Price} \times \left( \text{non - integer amount of } \frac{\text{Specified Denomination}}{\text{Initial Price}} \right)$$

These formulas stipulate how many shares will be delivered per Specified Denomination of the Notes. The number of shares has to be an integer amount. The non-integer amount will then be paid in cash (= Fractional Share Amount).

The Final Terms will specify the parameters (Participation Rate, X%, Y%) of the specific issue (see introduction). The Final Terms will also specify if a combination of more than one of these formulas is used. The Final Terms will furthermore specify:

- 1) How many periods (n) will be used and what formula relates to what period.
- 2) Which underlying will be used to calculate the Performance (Rate, Share or Basket of Shares, Share Index or Basket of Share Indexes, Commodity Index or Basket of Commodity Indexes, Inflation Index, Fund or Basket of Funds).
- 3) Which sub formula will apply to calculate the Performance. This Performance can be:
  - a) a single fixing
  - b) a difference between 2 Underlyings:  $\text{Underlying}_1 - \text{Underlying}_2$
  - c)  $\frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}}$ , with or without reset of the Initial Price
  - d)  $\frac{\text{Initial Price} - \text{Final Price}}{\text{Initial Price}}$ , with or without reset of the Initial Price
  - e)  $\frac{\text{Final Price} - \text{Initial Price}}{\text{Final Price}}$ , with or without reset of Initial Price
  - f)  $\frac{\text{Initial Price} - \text{Final Price}}{\text{Initial Price}}$ , with or without reset of Initial Price
  - g)  $\frac{\text{Final Price}}{\text{Initial Price}}$
  - h)  $\sum_{j=1}^Y w_{i,j} \times \max \left( U\%, \min \left( \left( \frac{\text{Final Price}_j - \text{Initial Price}_j}{\text{Initial Price}_j} \right), Z\% \right) \right)$ , with or without reset of the Initial Price. W means the weight of the Underlying. Y can be the number of Underlyings, or can be the number of periods.

The Final Terms will also determine how the Final Price and Initial Price are defined. These can be 1 observation, an average of X observations, with a look-back feature (lowest/highest during a certain period).

- 4) If the structure can be called either by the Issuer at certain dates, or when the Underlying reaches a certain level at a certain date or during a certain period.
- 5) If the value of some parameters depends on the level of the underlying at a certain date or during a certain period (=condition).
- 6) How the Bonus<sub>i</sub> is defined. The Bonus<sub>i</sub> can be:
  - a. a fixed rate;
  - b. a fixed rate subject to a condition on the Underlying;
  - c. a rate which is the result of a Formula such as the Formulas above; and
  - d. a rate which is the result of a sum of Formulas such as the Formulas above.

- 7) What the Participation Rate will be.
- 8) What the floor X% will be.
- 9) What the cap Y% will be.
- 10) What daycount convention has to be applied.

## Example

### 1. Reverse Convertible on Total shares

#### Definition:

*The Reverse Convertible will pay a high fixed Interest Rate during the lifetime of the Note. The Redemption Amount will depend on the evolution of the Underlying. Is the Underlying at or above a certain barrier, the Redemption Amount will be at 100%. Is the Underlying below the barrier, the Redemption will be in a number of shares of the Underlying*

#### Product:

*Periodic payments:*

1. Periods (n): 5
2. Underlying: Total
3. Performance is  $\frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}}$  ( subformula 3.c))
4. Not applicable
5. Not applicable
6. Bonus = 8 %
7. Participation Rate = 0%
8. X% = 0 %
9. Y% = 0%
10. Daycount: 30/360, unadjusted, following

$$\begin{aligned} & (\text{Participation Rate}_i \times \max(X\%_i, \min(\text{Performance}_i, Y\%_i)) + \text{Bonus}_i) \\ & = (0\% \times \max(0\%_i, \min(\text{Performance}_i, 0\%_i)) + 8\%) \end{aligned}$$

*Variable Linked Redemption Amount:*

1. Periods (n): 5
2. Underlying: Total
3. Performance is  $\frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}}$  ( subformula 3.c))
4. Not applicable
5. Applicable: Condition = 70% x Initial Price
6. Bonus = 8 %
7. Participation Rate = 0%
8. X% = 0 %
9. Y% = 0%
10. Daycount: 30/360, following, unadjusted

➡ If Final Price is at or above 70% of Initial Price, then 100%,

*Denomination*

➡ Otherwise number of shares (Subdivision 5) is applicable)

Number of shares to be delivered

$$\frac{\text{Denomination}}{\text{Specified Denomination}} \times \left[ \frac{\text{Specified Denomination}}{\text{Initial Price}} - \left( \text{Non} - \text{integer amount of } \frac{\text{Specified Denomination}}{\text{Initial Price}} \right) \right]$$

Fractional Share Amount

$$\frac{\text{Denomination}}{\text{Specified Denomination}} \times \text{Final Price} \times \left( \text{non} - \text{integer amount of } \frac{\text{Specified Denomination}}{\text{Initial Price}} \right)$$

Optimistic scenario

Final Price > 70% x Initial Price, then Coupon of 8% + 100% Redemption

Pessimistic scenario

For instance, if Final Price of Total = 22.90, which is below 70% x 38.20 (Initial Price of Total), then

Per Specified Denomination of € 1000,

$$\left[ \frac{1000}{38.20} - \left( \text{Non} - \text{integer amount of } \frac{1000}{38.20} \right) \right] = 26 \text{ shares of Total.}$$

And

$$22.90 \times \left( \text{non} - \text{integer amount of } \frac{1000}{38.20} \right) = 4.08 \text{ euro in cash}$$

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## F Structures with a periodic payment of interest and an amortizing redemption

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Typically, this category refers to Notes generating a periodic payment of Interest (fixed or variable) (the “**Periodic Payment**”) and for which the Redemption Amount at maturity is not equal to 100% of the capital invested less fees but for which the Redemption will be made in parts during the life of the instrument (several Partial Redemption Dates).

### Definition

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The Periodic Payments of Interest can be calculated by applying the next formula(s) [for n periods]:

$$\text{Formula}_i = \text{Denomination} * \text{Pool Factor}_i \times \text{Interest Rate}_i$$

The Redemption Amount<sub>i</sub> on Redemption Date<sub>i</sub> (for i = 1 to period n-1) can be calculated by applying the next formula:

$$\text{Formula}_i = [\text{Denomination} \times (\text{Pool Factor}_i - \text{Pool Factor}_{i+1})]$$

Save for the period i = n for which the Redemption Amount<sub>n</sub> on Redemption Date<sub>n</sub> can be calculated by applying the next formula:

$$\text{Formula}_n = [\text{Denomination} \times (\text{Pool Factor}_n)]$$

The Final Terms will specify the parameters (Pool Factor<sub>i</sub>, Interest Rate<sub>i</sub>, Redemption Amount<sub>i</sub>, Redemption Date<sub>i</sub>) of the specific issue (see introduction). The Final Terms will also specify if a combination of more than one of these formulas is used. The Final Terms will furthermore specify:

- 1) How many periods (n) will be used and what formula relates to what period.
- 2) In case of Floating Rate Notes, which underlying (the “**Underlying**”) will be used to calculate the Interest Rate<sub>i</sub> (Rate, Share or Basket of Shares, Share Index or Basket of Share Indexes, Commodity Index or Basket of Commodity Indexes, Inflation Index, Fund or Basket of Funds) (as defined in the Final Terms).

In case of Fix Rate Note, the Interest Rate<sub>i</sub> determined for each period.

- 3) Which sub formula will apply to calculate the Performance. This Performance can be:

- a) a single fixing
- b) a difference between 2 Underlyings: Underlying<sub>1</sub> – Underlying<sub>2</sub>
- c)  $\frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}}$ , with or without reset of the Initial Price
- d)  $\frac{\text{Initial Price} - \text{Final Price}}{\text{Initial Price}}$ , with or without reset of the Initial Price
- e)  $\frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}}$ , with or without reset of Initial Price
- f)  $\frac{\text{Initial Price} - \text{Final Price}}{\text{Initial Price}}$ , with or without reset of Initial Price
- g)  $\frac{\text{Final Price}}{\text{Initial Price}}$

- h)  $\sum_{j=1}^Y w_{i,j} \times \max \left( U\%, \min \left( \left( \frac{\text{Final Price}_j - \text{Initial Price}_j}{\text{Initial Price}_j} \right), Z\% \right) \right)$ , with or without reset of the Initial Price. W means the weight of the Underlying. Y can be the number of Underlyings, or can be the number of periods.

The Final Terms will also determine how the Final Price and Initial Price are defined. These can be 1 observation, an average of X observations, with a look-back feature (lowest/highest during a certain period).

- 4) The Partial Redemption Date(s)<sub>i</sub>.
- 5) What the Pool Factor<sub>i</sub> will be.
- 6) What daycount convention has to be applied.

## Example

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### 1. Liquidity

#### **Definition:**

*The Liquidity issue will pay a step up Interest Rate (1% the first year, 1% the second year, 1.10% the third year, 1.30% the fourth year, 1.60% the fifth year, 2% the sixth year) during the lifetime of the Notes. The Redemption Amount will be spread over time, with partial redemption of the invested capital (less fees) starting from year 3. The Interest Amount is paid on the outstanding nominal of the Notes, which means that we must apply a pool factor to the Denominations in order to compute the Interest Amount received on each Denomination. The cumulative Redemption Amounts will be at 100%.*

#### **Product:**

*Periodic payments of interest and capital:*

*1. Periods (n): 6*

*2. Interest Rates*

i	Interest Rate <sub>i</sub>
1	1%
2	1%
3	1.10%
4	1.30%
5	1.60%
6	2%

*3. Not Applicable*

*4. Redemption Dates*

i	Redemption Date <sub>i</sub>
1	7 October 2015
2	7 October 2016
3	7 October 2017
4	7 October 2018
5	7 October 2019
6	7 October 2020

*5. Pool Factor*

i	Pool Factor <sub>i</sub>
1	100%
2	100%
3	100%
4	75%
5	50%
6	25%

*6. Daycount: ACT/ACT ICMA, unadjusted, following*

### *8.3. Interest on the Notes*

The interest to be paid on the Notes (the “**Interest**”) can be based on a fixed rate (“**Fixed Rate**”, such Notes to be referred to as “**Fixed Rate Notes**”), a floating rate (“**Floating Rate**”, such Notes referred to as “**Floating Rate Notes**”) or linked to any other variable, formula and/or underlying (“**Variable Linked Rate**”, such Notes to be referred to as “**Variable Linked Rate Notes**”) (Fixed Rate, Floating Rate and Variable Linked Rate are together referred to as “**Interest Rate**”). The Interest Rate is expressed as a percentage per annum.

The Notes can also be Zero Coupon Notes, in which case no Interest is paid periodically.

The Interest is calculated per Note for each Interest Period as the product of the Calculation Amount, the Interest Rate and the Day Count Fraction, unless an Interest Amount is specified in the relevant Final Terms, in which case the Interest payable in respect of such Note for such Interest Period shall equal such Interest Amount.

Interest shall cease to accrue on each Note from the due date for redemption thereof unless payment of the principal thereof or delivery of the Redemption Amount (as defined below) to be delivered in respect thereof is improperly withheld or refused or unless default is otherwise made in respect of such payment. In such event, interest shall only cease to accrue from the date on which payment of such Redemption Amount in respect thereof is made or, if earlier and if applicable, from the seventh day after notice is given to the Noteholders in accordance with these Terms and Conditions that payment of the Redemption Amount will be made, provided that, upon such presentation, payment is in fact made.

#### *8.3.1. Fixed Rate Notes*

Each Fixed Rate Note bears interest on its outstanding principal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Interest Rate specified in the relevant Final Terms, such interest being payable in arrears on each Interest Payment Date.

#### *8.3.2. Floating Rate Notes*

Floating Rate Notes bear Interest at the Floating Rate specified in the relevant Final Terms, as fixed on the Interest Determination Date applicable to the relevant Interest Payment Date and payable in arrears. The Floating Rate will be determined by the Calculation Agent as the sum of the rate published on the Publication Source for the specified Designated Maturity and the Spread, all as specified in the relevant Final Terms.

If however a Maximum Rate is specified in the Final Terms and the Floating Rate (determined as described above) is equal to or higher than the Maximum Rate, the Floating Rate will be such Maximum Rate.

If however a Minimum Rate is specified in the Final Terms and the Floating Rate (determined as described above) is equal to or lower than the Minimum Rate, the Floating Rate will be such Minimum Rate.

#### *8.3.3. Variable Linked Rate Notes*

Variable Linked Rate Notes bear Interest at the Variable Linked Rate specified in the relevant Final Terms, as fixed in the way specified in the Final Terms, and payable in arrears. The Variable Linked Provisions below will apply.

#### *8.3.4. Zero Coupon Notes*

Zero Coupon Notes may be issued at their principal amount or at a discount to it, applying an Amortisation Yield, and will not bear Interest. Zero Coupon Notes that are also Bearer Notes may be subject to certain formalities on transfer under the laws of Luxembourg.



### *8.3.5. Payment of the Interest*

Interest on the Notes will be payable in arrears on the applicable Interest Payment Date. The first payment of Interest will be on the first Interest Payment Date following the Issue Date. The last payment will be on the Maturity Date.

### *8.3.6. Benchmark Replacement*

Notwithstanding the other provisions in this Condition 8.3.6, if the Issuer determines that a Benchmark Event occurs in relation to the relevant Reference Rate when any Interest Rate (or the relevant component part thereof) remains to be determined by reference to such Reference Rate, then the following provisions shall apply to the relevant Notes:

- (i) the Issuer shall use reasonable endeavours, as soon as reasonably practicable, to appoint and consult with an Independent Adviser with a view to the Issuer determining (without any requirement for the consent or approval of the Noteholders) (A) a Successor Rate (as defined below) or, failing which, an Alternative Reference Rate (as defined below), for purposes of determining the Interest Rate (or the relevant component part thereof) applicable to the Notes and (B) in either case, an Adjustment Spread (as defined below);
- (ii) if the Issuer is unable to appoint an Independent Adviser prior to the IA Determination Cut-Off Date (as defined below), the Issuer (acting in good faith and in a commercially reasonable manner) may still determine (A) a Successor Rate or, failing which, an Alternative Reference Rate and (B) in either case, an Adjustment Spread (as defined below) in accordance with this Condition 8.3.6;
- (iii) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with paragraphs (i) or (ii) above, such Successor Rate or, failing which, Alternative Reference Rate (as applicable) shall be the Reference Rate for each of the future Interest Periods (as applicable) (subject to the subsequent operation of, and to adjustment as provided in, this Condition 8.3.6;
- (iv) if the Issuer, following consultation with the Independent Adviser (if any) and acting in good faith, determines a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) in accordance with the above provisions, the Issuer may (without any requirement for the consent or approval of the Noteholders) also specify changes to these Terms and Conditions, including but not limited to (A) the Day Count Fraction, Business Day Convention, Business Days, Interest Determination Date and/or the definition of Floating Rate Notes or Variable Linked Notes applicable to the Notes and (B) the method for determining the fall-back rate in relation to such Notes, in any such case in order to ensure the proper operation of such Successor Rate or Alternative Reference Rate or any Adjustment Spread (as applicable). If the Issuer, following consultation with the Independent Adviser (if any) and acting in good faith, determines that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Reference Rate (as applicable). If the Issuer is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread. For the avoidance of doubt, the Fiscal Agent and any other agents party to the Agency Agreement shall, at the direction and expense of the Issuer, effect such consequential amendments to the Agency Agreement and these Terms and Conditions as may be required in order to give effect to the application of this Condition 8.3.6. No consent shall be required from the Noteholders in connection with determining or giving effect to the Successor Rate or Alternative Reference Rate (as applicable) or such other changes, including for the execution of any documents or other steps to be taken by the Fiscal Agent and any other agents party to the Agency Agreement (if required or useful); and

- (v) the Issuer shall promptly, following the determination of any Successor Rate, Alternative Reference Rate or Adjustment Spread (as applicable), give notice thereof to the Calculation Agent, the Fiscal Agent and, in accordance with Condition 8.17, the Noteholders. Such notice shall specify the effective date(s) for such Successor Rate or Alternative Reference Rate (as applicable), the Adjustment Spread (if any) and any consequential changes made to the Agency Agreement and these Terms and Conditions (if any).

An Independent Adviser appointed pursuant to this Condition 8.3.6 shall act in good faith as an expert and (in the absence of bad faith or fraud) shall have no liability whatsoever to the Calculation Agent, the Fiscal Agent or the Noteholders for any advice given to the Issuer in connection with any determination made by the Issuer pursuant to this Condition 8.3.6.

Without prejudice to the obligations of the Issuer under this Condition 8.3.6, the Reference Rate and the other provisions in this Condition 8.3.6 will continue to apply unless and until the Calculation Agent has been notified of the Successor Rate or Alternative Reference Rate (as applicable), the Adjustment Spread (if any) and any consequential changes made to the Agency Agreement and these Terms and Conditions (if any).

For the purposes of this Condition 8.3.6:

**“Adjustment Spread”** means a spread (which may be positive or negative) or formula or methodology for calculating a spread, which the Issuer, following consultation with the Independent Adviser (if any) and acting in good faith, determines is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) in order to reduce or eliminate, to the extent reasonably practicable in the relevant circumstances, any economic prejudice or benefit (as applicable) to the Noteholders as a result of the replacement of the Reference Rate with the Successor Rate or the Alternative Reference Rate (as applicable) and is the spread, formula or methodology which:

- (i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or
- (ii) in the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Issuer, following consultation with the Independent Adviser (if any) and acting in good faith, determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as applicable); or
- (iii) if no such customary market usage is recognised or acknowledged, the Issuer, following consultation with the Independent Adviser (if any) and acting in good faith, determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as applicable); or
- (iv) if no such industry standard is recognised or acknowledged, the Issuer, in its discretion, following consultation with the Independent Adviser (if any) and acting in good faith, determines to be appropriate.

**“Alternative Reference Rate”** means the rate that the Issuer determines has replaced the relevant Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) in respect of bonds denominated in the Specified Currency and of a comparable duration to the relevant Interest Period, or, if the Issuer determines that there is no such rate, such other rate as the Issuer determines in its discretion is most comparable to the relevant Reference Rate.

**“Benchmark Event”** means:

- (i) the relevant Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist; or
- (ii) a public statement by the administrator of the relevant Reference Rate stating that it will, by a specified date within the following six months, cease to publish the relevant Reference Rate, permanently or

indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the relevant Reference Rate); or

- (iii) a public statement by the supervisor of the administrator of the relevant Reference Rate stating that the relevant Reference Rate has been or will be, by a specified date within the following six months, permanently or indefinitely discontinued; or
- (iv) a public statement by the supervisor or the administrator of the relevant Reference Rate that means that the relevant Reference Rate will be prohibited from being used within the following six months; or
- (v) it has become unlawful for the Calculation Agent, the Fiscal Agent or any other agents party to the Agency Agreement to calculate any payments due to be made to any Noteholders using the relevant Reference Rate.

**“IA Determination Cut-Off Date”** means no later than five Business Days prior to the relevant Interest Determination Date (as applicable) relating to the next succeeding Interest Period.

**“Independent Adviser”** means an independent financial institution of international repute or other independent financial adviser experienced in the international debt capital markets, in each case selected and appointed by the Issuer at its own expense.

**“Reference Rate”** means (i) the applicable reference rate specified in the Floating Rate Note Provisions of the Final Terms in respect of the Floating Rate applicable to the Floating Rate Notes or, as the case may be, (ii) the applicable reference rate specified in the Variable Linked Rate Note Provisions of the Final Terms in respect of the Market Rate applicable to the Variable Linked Rate Notes.

**“Relevant Nominating Body”** means, in respect of a Reference Rate:

- (i) the central bank for the currency to which the Reference Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate; or
- (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (A) the central bank for the currency to which the Reference Rate relates, (B) any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate, (C) a group of the aforementioned central banks or other supervisory authorities or (D) the Financial Stability Board or any part thereof.

**“Successor Rate”** means the rate that the Issuer determines is a successor to, or replacement of, the Reference Rate (as applicable) which is formally recommended by any Relevant Nominating Body.

## *8.4. Definitions*

**“Averaging Dates”:**

Means the dates specified as such in the relevant Final Terms.

If an Averaging Date in respect of the Underlying is not a Scheduled Trading Day, then, the Averaging Date for such Underlying shall be the first succeeding Valid Date. If the first succeeding Valid Date has not occurred as of the Valuation Time on the eighth Scheduled Trading Day immediately following the original date that, but for the occurrence of another Initial Averaging Date or Disrupted Day, would have been the final Averaging Date in relation to the relevant Scheduled Valuation Date, then (1) that eighth Scheduled Trading Day shall be deemed the Averaging Date (irrespective of whether that eighth Scheduled Trading Day is already an Averaging Date) in respect of such Underlying and, (2) the Calculation Agent shall determine its good faith estimate of the value for the Underlying as of the Valuation Time on that Averaging Date.

If an Averaging Date for the Underlying is affected by the occurrence of a Disrupted Day, then, the Averaging Date for such Underlying shall be the first succeeding Valid Date. If the first succeeding Valid Date in respect of such Underlying has not occurred as of the Valuation Time on the eighth Scheduled Trading Day immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date in relation to the relevant Scheduled Valuation Date, then (1) that eighth Scheduled Trading Day shall be deemed the Averaging Date (irrespective of whether that eighth Scheduled Trading Day is already an Averaging Date) in respect of such Underlying and, (2) the Calculation Agent shall determine its good faith estimate of the value for the Underlying as of the Valuation Time on that Averaging Date.

**“Business Day”:**

Regarding the Notes issued outside the X/N System, **“Business Day”** means:

a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the place(s) and on the days specified for that purpose in the related Final Terms, a TARGET Settlement Day, if “TARGET”, “TARGET2” or “TARGET Settlement Day” is specified for that purpose in the related Final Terms or if place(s) and days, or such terms, are not so specified in the related Final Terms.

Regarding the Notes that will be issued through the X/N Clearing System (**“X/N System”**) of the NBB, **“Business Day”** means:

- (i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and
- (ii) in the case of euro, (a) a day other than a Saturday or Sunday on which the NBB-SSS is operating and (b) a day on which banks and forex markets are open for general business in Belgium and (c) (if a payment in euro is to be made on that day), a day which is a business day for the TARGET2 System (a **“TARGET Business Day”**); and
- (iii) in the case of a currency other than euro and/or one or more business centres (the **“Business Centre(s)”**), as specified in the applicable Final Terms, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in each of the Business Centres.

**“Business Day Convention”:**

means the convention for adjusting any relevant date if it would otherwise fall on a day that is not a Business Day. The following terms, when used in conjunction with the term “Business Day Convention” and a date, shall mean that an adjustment will be made if that date would otherwise fall on a day that is not a Business Day so that:

- (i) if **“Following”** is specified, that date will be the first following day that is a Business Day;
- (ii) if **“Modified Following”** or **“Modified”** is specified, that date will be the first following day that is a Business Day unless that day falls in

the next calendar month, in which case that date will be the first preceding day that is a Business Day; and

- (iii) if “**Preceding**” is specified, that date will be the first preceding day that is a Business Day.

In the event of Notes cleared to the X/N Clearing System, the Following Business Days Convention will always be applicable for Fixed Rate Notes (unless otherwise specified in the applicable Final Terms).

**“Calculation Agent”:**

means Belfius Bank, unless specified otherwise in the relevant Final Terms. Whenever the Calculation Agent is required to act or to exercise judgment in any way, it will do so in good faith and in a commercially reasonable manner. The Calculation Agent shall have no responsibility to Noteholders for good faith errors or omissions in its calculations (without limitation, errors or omissions due to events which are not under the direct control of the Calculation Agent) and determinations as provided in the Terms and Conditions, except for those resulting from the gross negligence or wilful misconduct of the Calculation Agent. (see section 8.13 (*Responsibility of the Calculation Agent*) in this Base Prospectus).

**“Calculation Amount”:**

means the Denomination or such other Amount as specified in the applicable Final Terms.

**“Day Count Fraction”:**

means, in respect of the Notes and the calculation of the Interest:

- (i) if “1/1” is specified or nothing is specified, 1;
  - (ii) if “**Actual/Actual-ICMA**” is specified in the applicable Final Terms:
    - (aa) if the Interest Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Interest Period divided by the product of:
      - (x) the number of days in such Determination Period; and
      - (y) the number of Determination Periods normally ending in any year;
- and
- (bb) if the Interest Period is longer than one Determination Period, the sum of:
    - (x) the number of days in such Interest Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
    - (y) the number of days in such Interest Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

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

**“Determination Dates”** means the dates specified in the applicable Final Terms or, if none is so specified, the Interest Payment Date and, the Interest Commencement Date.

- (iii) if **“Actual/Actual”** or **“Act/Act”** is specified, the actual number of days in the Interest Period in respect of which payment is being made divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of:
  - (a) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366; and
  - (b) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (iv) if **“Actual/365 (Fixed)”**, **“Act/365 (Fixed)”**, **“A/365 (Fixed)”** or **“A/365F”** is specified, the actual number of days in the Interest Period in respect of which payment is being made divided by 365;
- (v) if **“Actual/360”**, **“Act/360”** or **“A/360”** is specified, the actual number of days in the Interest Period in respect of which payment is being made divided by 360;
- (vi) if **“30/360”**, **“360/360”** or **“Bond Basis”** is specified, the number of days in the Interest Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\begin{aligned} &\text{Day Count Fraction} \\ &= \\ &\frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360} \end{aligned}$$

Where:

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

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

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

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

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

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

- (vii) if **“30E/360”** or **“Eurobond Basis”** is specified, the number of days in the Interest Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

Day Count Fraction

=

$$\frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

Where:

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

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

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

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

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

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

**“EURIBOR”**

means that the rate for the relevant Interest Determination Date will be the rate for deposits in euros for a period of the Designated Maturity as of 11:00 a.m., Brussels time on the day that is two TARGET Settlement Days preceding that Interest Determination Date, as determined by the Calculation Agent.

**“Hedge Positions”**

means any purchase, sale, entry into or maintenance of one or more (i) positions or contracts in securities, options, futures, derivatives or foreign exchange, (ii) stock loan transactions or (iii) other instruments or arrangements (howsoever described) by the Issuer or, in the case of Belfius Financing Company Notes, Guarantor in order to hedge, individually or on a portfolio basis, the Notes.

**“Interest Commencement Date”**: means the Issue Date or such other date specified in the relevant Final Terms.

**“Interest Determination Date”**: means each date specified as such in the relevant Final Terms.

**“Interest Payment Date”**: means each date, as specified in the relevant Final Terms, on which the Interest as determined by the Calculation Agent for the applicable Interest Period is payable in accordance with Condition 8.3.5. *Payment of the Interest*.

If such day is not a Business Day it will be adjusted by the Business Day Convention specified in the relevant Final Terms.

**“Interest Period”**: means each period from, and including, one Interest Period End Date to, but excluding, the next following applicable Interest Period End Date, except

	that the initial Interest Period will commence on, and include, the Interest Commencement Date.
<b>“Interest Period End Date”:</b>	<p>If <b>“Adjusted”</b> is specified in the relevant Final Terms, Interest Period End Date means the relevant Interest Payment Date.</p> <p>If <b>“No Adjustment”</b> is specified in the relevant Final Terms, Interest Period End Date means the relevant Interest Payment Date, without however applying any adjustment in accordance with the Business Day Convention specified to be applicable to the Interest Payment Dates.</p> <p>If <b>“Adjusted”</b> or <b>“No Adjustment”</b> is not specified in the relevant Final Terms, the Interest Period End Date(s) shall be as specified in those Final Terms.</p>
<b>“Issue Date”:</b>	means the date on which the Notes are issued as specified in the relevant Final Terms.
<b>“Maturity Date”:</b>	means the date on which the Notes come to maturity as specified in the relevant Final Terms, unless such day is not a Business Day in which case it will be adjusted by the Following Business Day Convention, unless otherwise specified in the relevant Final Terms.
<b>“Specified Currency”:</b>	means the currency of the Notes as specified in the relevant Final Terms.
<b>“TARGET Settlement Day”:</b>	means any day on which TARGET 2 (the Trans-European Automated Real-time Gross settlement Express Transfer system) is open.
<b>“Valid Date”:</b>	means a Scheduled Trading Day that is not a Disrupted Day and on which another Averaging Date, or Initial Averaging Date as applicable, in respect of the relevant Valuation Date, or Initial Valuation Date as applicable, does not or is not deemed to occur.

## *8.5. Redemption and Purchase*

### *8.5.1. Final Redemption*

Unless previously entirely redeemed, purchased and cancelled or unless its maturity is extended pursuant to an Issuer’s or Noteholder’s Option the Notes shall be redeemed on the Maturity Date. The Notes may not be redeemed prior to that date, without prejudice to the other provisions of these Terms and Conditions.

The Redemption of the Notes can be Variable Linked (**“Variable Linked Redemption Amount”**), in which case the Variable Linked Provisions below will apply.

### *8.5.2. Partial Redemption*

If Partial Redemption is provided to be applicable in the relevant Final Terms, the Notes shall be partially redeemed without giving notice to the Noteholders on the Partial Redemption Date(s) so provided in the relevant Final Terms. Any such partial redemption of Notes shall be at the relevant Partial Redemption Amount specified in the relevant Final Terms.

### *8.5.3. Redemption at the Option of the Issuer*

If a Call Option is provided to be applicable in the relevant Final Terms, the Issuer may, on giving irrevocable notice to the Noteholders falling within the Issuer’s Optional Redemption Period redeem all or, if so provided, some of the Notes in the principal amount or integral multiples thereof and on the date or dates so provided. Any such redemption of Notes shall be at their Redemption Amount together with interest accrued to the date fixed



for redemption, unless otherwise specified in the relevant Final Terms. Any such redemption or exercise must relate to the Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed, as specified in the relevant Final Terms, and be no greater than the Maximum Redemption Amount to be redeemed, as specified in the relevant Final Terms.

All Notes in respect of which any such notice is given shall be redeemed, or the Issuer's option shall be exercised, on the date specified in such notice.

The above-described Redemption at the Option of the Issuer does not cover the situation of an early redemption upon the occurrence of a force majeure event or an Extraordinary Event, as specified in section 8.

#### *8.5.4. Mandatory Early Redemption*

If Mandatory Early Redemption is provided to be applicable in the relevant Final Terms and one or more Trigger Events (as defined in the Final Terms), the Issuer shall without giving notice to the Noteholders automatically redeem all or, if so provided, some of the Notes in the principal amount or integral multiples thereof on the Mandatory Early Redemption Date(s) so provided in the relevant Final Terms once the Calculation Agent determines that a Trigger Event has occurred. Any such redemption of Notes shall be at the Mandatory Early Redemption Amount specified in the relevant Final Terms.

The Trigger Events mentioned above can relate to the following (without however being exhaustive, these are merely examples):

- in case a Variable Linked Redemption Amount depends on the evolution of one or more Underlyings, a Trigger Event applies, for example, if the level of the relevant Underlying exceeds on a specified date a certain pre-defined value as specified in the relevant Final Terms;
- in case the relevant Notes bear interest, a Trigger Event applies, for example, if the sum of the Interest Amounts paid together with the Interest Amount payable on the next following Interest Payment Date exceeds an amount specified in the relevant Final Terms. As a consequence, the Interest Amount payable in respect of such Note for the relevant Interest Period may be capped in order not to exceed the amount specified in the relevant Final Terms.

#### *8.5.5. Repurchase*

The Issuer or, as applicable, the Guarantor and any of their subsidiaries may at any time purchase Notes in the open market or otherwise at any price. The price will be determined by the Issuer, the Guarantor or any of their subsidiaries at the relevant time. They will determine the price in accordance with market practice and at their discretion, but the investors will remain free to accept the proposed price, or to continue to hold their Notes.

#### *8.5.6. Cancellation*

All Notes purchased by or on behalf of the Issuer, as applicable, the Guarantor or any of their subsidiaries may thereafter be cancelled by the Fiscal Agent or by the Domiciliary Agent by a reduction of the principal amount of such notes. Any Notes so redeemed or purchased and cancelled in accordance with this Condition may not be reissued or resold and the obligations of the Issuer and, as applicable, the Guarantor in respect of any such Notes shall be discharged.

### *8.6. Payment*

Noteholders shall pay the Denominations on the subscribed Notes in cash at the time of subscription or by debit of the cash account linked to the securities account, in which Notes are to be held, on the Issue Date.

If the Issue Date is a day, which is not a Business Day in the place of payment of the Denominations, payment will be due on that day as adjusted by the Following Business Day Convention, unless otherwise specified in the relevant Final Terms.

Any amounts payable by the Issuer in respect of the Notes, be they Interests, Redemption Amounts or other, shall be made by transfer to the cash account linked to the securities account in which the Notes are held subject to all applicable laws and regulations.

If the date for payment of Interest, Redemption Amount or any other amount due to the Noteholders is a day, which is not a Business Day in the place of payment, the Noteholders shall not be entitled to payment until the day as adjusted by the Following Business Day Convention, unless otherwise specified in the relevant Final Terms.

## *8.7. Variable Linked Provisions*

A Variable Linked Rate or a Variable Linked Redemption Amount can depend on the evolution of one or more Underlyings. If it is specified in the Final Terms that the Underlying is either (i) one or more Market Rates; (ii) a Share or a Basket of Shares, (iii) a Share Index or a Basket of Share Indices, (iv) a Fund or a Basket of Funds, (v) a Commodity or a Basket of Commodities, (vi) a Commodity Index or a Basket of Commodity Indices, or (vii) an Inflation Index, the applicable provisions below in relating to the respective Underlying will apply.

More information on the relevant index can be found via the Bloomberg channels or as otherwise specified in the Final Terms (as applicable).

### *8.7.1. Market Rate*

The Underlying can be a Market Rate, such as the EUR CMS Rate or the 3 Month EURIBOR, as defined below, or any other Market Rate, as defined in the relevant Final Terms.

Please also refer to the provisions of *Condition 8.3.6 (Benchmark Replacement)*.

<b>EUR CMS Rate:</b>	Means that the rate for the relevant Interest Determination Date will be the annual swap rate for euro swap transactions with a maturity of the Designated Maturity, expressed as a percentage, as of 11:00 a.m., Frankfurt time, on the day that is two TARGET Settlement Days preceding that Interest Determination Date, as determined by the Calculation Agent.
<b>3 Month EURIBOR:</b>	Means EUR-EURIBOR Reuters, fixed at 11:00 am Brussels time, as displayed on Reuters Screen page EURIBOR01.

### *8.7.2. Share or Basket of Shares*

#### **8.7.2.1. Definitions**

<b>Share:</b>	Means the share specified as such in the relevant Final Terms.
<b>Share Basket:</b>	Means a basket of shares as specified in the relevant Final Terms.
<b>i:</b>	The addition of the letter i in subscript to any term indicates that this term is meant to apply to each Share in the Share Basket separately.
<b>w:</b>	Means the weight of a certain Share in the Share Basket.
<b>Exchange:</b>	Means each exchange or quotation system specified as such for such Share in the relevant Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Share has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Share on such temporary substitute exchange or quotation system as on the original Exchange).
<b>Related Exchange:</b>	Means, each exchange or quotation system specified as such for the relevant Share in the relevant Final Terms, 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 such Share has temporarily

relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Share on such temporary substitute exchange or quotation system as on the original Related Exchange), provided, however, that where “All Exchanges” is specified as the Related Exchange in the relevant Final Terms, “Related Exchange” shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Share.

<b>Initial Price:</b>	Means the price specified as such or otherwise determined in the relevant Final Terms or, if no means for determining the Initial Price are so provided: in respect of the Initial Valuation Date, the Relevant Price of the relevant Share at the Valuation Time on the Initial Valuation Date, as determined by the Calculation Agent, and in respect of each subsequent Valuation Date, the Final Price for the Valuation Date immediately preceding such Valuation Date, or, if Initial Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Initial Valuation Date, of the prices of the relevant Share or Share Basket as of the Valuation Time on each Initial Averaging Date.
<b>Final Price:</b>	Means the Relevant Price of the relevant Share on the relevant Valuation Date, as determined by the Calculation Agent, or, if Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Valuation Date, of the prices of the relevant Share or Share Basket as of the Valuation Time on each Averaging Date.
<b>Initial Valuation Date:</b>	Means the Issue Date or such other date as specified in the relevant Final Terms, and if such date is not a Scheduled Trading Day in respect of the relevant Share, the Initial Price of such Share shall be determined on the basis of the Relevant Price of such Share as calculated on the immediately following Scheduled Trading Day, subject to Market Disruption, or, if Initial Averaging is specified as applicable, means the final Initial Averaging Date.
<b>Valuation Date:</b>	Means any date specified as such in the relevant Final Terms, and if such date is not a Scheduled Trading Day in respect of the relevant Share, the Final Price of such Share shall be determined on the basis of the Relevant Price of such Share as calculated on the immediately following Scheduled Trading Day, subject to Market Disruption, or, if Averaging is specified as applicable, means the final Averaging Date.
<b>Relevant Price:</b>	Means the price of the relevant Share determined by the Calculation Agent at the Valuation Time on the Exchange.
<b>Valuation Time:</b>	Means the time on the relevant Valuation Date, specified as such in the related Final Terms or, if no such time is specified, the Scheduled Closing Time on the relevant Exchange on the relevant Valuation Date, in relation to each Share to be valued. If the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time.
<b>Scheduled Closing Time:</b>	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 Trading Day:</b>	Means any day on which the Exchange and each Related Exchange are scheduled to be open for trading for their respective regular trading sessions.
<b>Exchange Business Day:</b>	Means any Scheduled Trading Day on which each Exchange and each Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time.

### 8.7.2.2. Market Disruption

“**Market Disruption Event**” means in respect of a Share, the occurrence or existence of (i) a Trading Disruption, (ii) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time or (iii) an Early Closure.

In that respect, “**Trading Disruption**” means 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 the Share on the Exchange, or (ii) in futures or options contracts relating to the Share on any relevant Related Exchange.

In that respect, “**Exchange Disruption**” means 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, (i) the Shares on the Exchange, or (ii) in futures or options contracts relating to the Share on any relevant Related Exchange.

In that respect, “**Early Closure**” means the closure on any Exchange Business Day of the relevant Exchange or any 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) 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 Valuation Time on such Exchange Business Day.

In addition, in that respect “**Disrupted Day**” means any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred.

If any Valuation Date is a Disrupted Day, then:

- if the Underlying is a Share, 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 its good faith estimate of the value of the Share as of the Valuation Time on that eighth Scheduled Trading Day; and
- if the Underlying is a Basket of Shares, the Valuation Date for each Share not affected by the occurrence of a Disrupted Day shall be the scheduled Valuation Date, and the Valuation Date for each Share affected by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to that Share, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day relating to that Share. In that case, (i) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date for the relevant Share, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine its good faith estimate of the value for that Share as of the Valuation Time on that eighth Scheduled Trading Day.

### 8.7.2.3. Potential Adjustment Events

Upon the occurrence on or after the Issue Date up to and including the last Valuation Date of a Potential Adjustment Event (as defined below), the Calculation Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Shares and if so will:

- make the corresponding adjustment(s), if any, to any relevant variable in the Variable Linked formulae of the Notes, which may include the Initial Price or the Final Price, used to calculate any Variable Linked Rate or Variable Linked Redemption Amount as the Calculation Agent determines appropriate to account for that diluting or concentrative effect (provided that no adjustments will be made to

account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Share); and

- determine the effective date(s) of the adjustment(s).

The Calculation Agent may (but need not) determine the appropriate adjustment(s) by reference to the adjustment(s) in respect of such Potential Adjustment Event made by an options exchange to options on the relevant Shares traded on such options exchange.

For the purpose hereof, “**Potential Adjustment Event**” shall mean any of the following:

- a subdivision, consolidation or reclassification of relevant Shares (unless resulting in a Merger Event), or, a free distribution or dividend of any such Shares to existing holders by way of bonus, capitalisation or similar issue;
- a distribution, issue or dividend to existing holders of the relevant Shares of (a) such Shares, or (b) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the issuer of such Shares equally or proportionately with such payments to holders of such Shares, or (c) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the issuer of the Shares as a result of a spin-off or other similar transaction or (d) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other consideration) at less than the prevailing market price as determined by the Calculation Agent;
- an extraordinary dividend as determined by the Calculation Agent;
- a call by the issuer of the relevant Shares in respect of such Shares that are not fully paid;
- a repurchase by the issuer of the relevant Shares or any of its subsidiaries of such Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;
- in respect of the issuer of the relevant Shares, an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of the issuer of the relevant Shares pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred stock, warrants, debt instruments or stock rights at a price below their market value, as determined by the Calculation Agent, provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights; or
- any other event that may have a diluting or concentrative effect on the theoretical value of the relevant Shares.

If the Calculation Agent determines that the event significantly modifies the economy of the Note regardless of any adjustment the Calculation Event could make, the Calculation Agent may notify the Noteholders, in accordance with the paragraph “Notices”, that the relevant consequence of the Potential Adjustment Event shall be either in the case of a capital protected Note (i) the Monetization of the Notes, with the right for the Noteholders, as an alternative to the Monetization, to sell the Note to the Issuer at market value, or in other cases than the capital protected Note (ii) the early redemption of the Notes at their Fair Market Value and in accordance with the principles and conditions explained under Section 8.

#### **8.7.2.4. Extraordinary Events**

“**Extraordinary Event**” means any of Merger Event, Tender Offer, Nationalisation, Insolvency, Delisting, De-merger Event, or Insolvency Filing, as the case may be.

“**Merger Event**” means in respect of any relevant Shares:

- any reclassification or change of such Shares that results in a transfer of or an irrevocable commitment to transfer all of such Shares outstanding to another entity or person; or

- any consolidation, amalgamation, merger or binding share exchange of the issuer of the relevant Shares with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such issuer is the continuing entity and which does not result in a reclassification or change of all of such Shares outstanding);
- any takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100% of the outstanding Shares of the issuer of the relevant Shares that results in a transfer of or an irrevocable commitment to transfer all such Shares (other than such Shares owned or controlled by such other entity or person); or
- any consolidation, amalgamation, merger or binding share exchange of the issuer of the relevant Shares or its subsidiaries with or into another entity in which the issuer of the relevant Shares is the continuing entity and which does not result in a reclassification or change of all such Shares outstanding but results in the outstanding Shares (other than Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50% of the outstanding Shares immediately following such event (a “Reverse Merger”) in each case if the effective date of the Merger Event is on or before the final Valuation Date.

**“Tender Offer”** means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10% and less than 100% of the outstanding voting shares of the issuer of the relevant Shares, as determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant.

**“Nationalisation”** means that all the Shares or all the assets or substantially all the assets of the issuer of the relevant Shares are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof.

**“Insolvency”** means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting the issuer of the relevant Shares, (A) all the Shares of that issuer are required to be transferred to a trustee, liquidator or other similar official or (B) holders of the Shares of that issuer become legally prohibited from transferring them (each time as determined in good faith by the Calculation Agent).

**“Delisting”** means that the Exchange announces that pursuant to the rules of such Exchange, the Shares cease (or will cease) to be listed, traded or publicly quoted on the Exchange for any reason (other than a Merger Event or Tender Offer) and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as the Exchange (or where the Exchange is within the European Union, in any member state of the European Union).

**“De-merger Event”** means that the issuer of the relevant Shares is affected by a de-merger (such as, but not limited to, spin off, scission or any operation of a similar nature) leading to the attribution of a basket comprising New Shares and/ or Other Consideration and/ or the relevant Share affected by the de-merger (as the case may be), such basket resulting from such de-merger.

In that respect, **“New Shares”** means ordinary or common shares, whether of the entity or person involved or a third party, that are promptly scheduled to be (i) publicly quoted, traded or listed on an exchange or quotation system located in the same country as the Exchange (or where the Exchange is within the European Union, in any member state of the European Union) and (ii) not subject to any currency exchange controls, trading restrictions or other trading limitations. Other Consideration means cash and/ or any securities (other than New Shares) or assets whether of the entity or person involved or a third party.

**“Insolvency Filing”** means that the issuer of the relevant Shares institutes or has instituted against it by a regulator, supervisor, or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organization or the jurisdiction of its head or home office, or it

consents to a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official or it consents to such a petition, provided that proceedings instituted or petitions presented by creditors and not consented to by the issuer of the relevant Shares shall not be deemed an Insolvency Filing.

Upon the occurrence on or after the Issue Date up to and including the last Valuation Date, in the determination of the Calculation Agent, of an Extraordinary Event in respect of any Share, the Calculation Agent, on or after the effective date of such Extraordinary Event, may make such adjustments as it, acting in good faith, deems appropriate (including substitution of any affected Share). Such adjustments to be effective as of the date determined by the Calculation Agent, to account for the effect of the relevant Extraordinary Event to protect the theoretical value of the Notes to the Noteholders immediately prior to such Extraordinary Event.

For the avoidance of doubt, if the Calculation Agent determines that the event significantly modifies the economy of the Note regardless of any adjustment the Calculation Event could make, the Calculation Agent will notify the Noteholders, in accordance with the paragraph "Notices", that the relevant consequence of the Extraordinary Event shall be either in the case of a capital protected Note (i) the Monetization of the Notes, or in other cases (ii) the early redemption of the Notes at their Fair Market Value and in accordance with the principles explained under Section 8.

### ***8.7.3. Share Index or Basket of Share Indices***

The terms applicable to an Index will differ, depending on whether the Index is specified in the relevant Final Terms to be Multiple Exchange or not. The applicable provisions below will apply.

#### **8.7.3.1. Terms applicable irrespective of whether an Index is Multiple Exchange or not**

##### **Definitions**

<b>Index:</b>	Means the index specified as such in the relevant Final Terms.
<b>Index Basket:</b>	Means a basket of indices as specified in the relevant Final Terms.
<b>i:</b>	The addition of the letter i in subscript to any term indicates that this term is meant to apply to each Index in the Index Basket separately.
<b>w:</b>	Means the weight of a certain Index in the Index Basket.
<b>Index Sponsor:</b>	Means the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the relevant Index and (b) announces (directly or through an agent) the level for the relevant Index on a regular basis during each Scheduled Trading Day.
<b>Initial Price:</b>	Means the price specified as such or otherwise determined in the relevant Final Terms or, if no means for determining the Initial Price are so provided: in respect of the Initial Valuation Date, the level of the relevant Index at the Valuation Time on the Initial Valuation Date, as determined by the Calculation Agent, and in respect of the each subsequent Valuation Date, the Final Price for the Valuation Date immediately preceding such Valuation Date, or, if Initial Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Initial Valuation Date, of the levels of the relevant Index as of the Valuation Time on each Initial Averaging Date.
<b>Final Price:</b>	Means the level of the relevant Index at the Valuation Time on the relevant Valuation Date, as determined by the Calculation Agent or, if Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Valuation Date, of the levels of the relevant Index as of the Valuation Time on each Averaging Date.

<b>Initial Valuation Date:</b>	Means the Issue Date or such other date as specified in the relevant Final Terms, and if such date is not a Scheduled Trading Day in respect of the relevant Index, the Initial Price of such Index shall be determined on the basis of the level of such Index as calculated on the immediately following Scheduled Trading Day, subject to Market Disruption, or, if Initial Averaging is specified as applicable, means the final Initial Averaging Date.
<b>Valuation Date:</b>	Means any date specified as such in the relevant Final Terms, and if such date is not a Scheduled Trading Day in respect of the relevant Index, the Final Price of such Index shall be determined on the basis of the level of such Index as calculated on the immediately following Scheduled Trading Day, subject to Market Disruption, or, if Averaging is specified as applicable, means the final Averaging Date.
<b>Relevant Price</b>	Means the level of the relevant Index determined by the Calculation Agent at the Valuation Time on the relevant Valuation Date.
<b>Scheduled Closing Time:</b>	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.

### **Consequences of Disrupted Days**

If any Valuation Date is a Disrupted Day, then:

- if the Underlying is an Index, 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 Index as of the Valuation Time on that eighth Scheduled Trading Day in accordance with the formula for and method of calculating the 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 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); and
- if the Underlying is a Basket of Indices, the Valuation Date for each Index not affected by the occurrence of a Disrupted Day shall be the scheduled Valuation Date, and the Valuation Date for each Index affected by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to that Index, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day relating to that Index. In that case, (i) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date for the relevant Index, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine the level of that Index as of the Valuation Time on that eighth Scheduled Trading Day in accordance with the formula for and method of calculating that 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 that 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).

### **Adjustment to Indices**

- If a relevant 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 that Index, then that index (the “**Successor Index**”) will be deemed to be the Index.

- If (i) on or prior to any Valuation Date in respect of an Index, the relevant Index Sponsor announces that it will make a material change in the formula for or the method of calculating that Index or in any other way materially modifies that Index (other than a modification prescribed in that formula or method to maintain that Index in the event of changes in constituent stock and capitalization and other routine events) (an “**Index Modification**”) or permanently cancels the Index and no Successor Index exists (an “**Index Cancellation**”) or (ii) on any Valuation Date, the Index Sponsor fails to calculate and announce a relevant Index (an “**Index Disruption**” and together with an Index Modification and an Index Cancellation, each an “**Index Adjustment Event**”), the Calculation Agent shall determine if such Index Adjustment Event has a material effect on the Notes and if so, shall calculate the level of the Index, using, in lieu of a published level for that Index, the level for that Index as at that Valuation Date as determined by the Calculation Agent in accordance with the formula for and the method of calculating that 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.

For the purpose hereof “**Index Sponsor**” means the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the Index and (b) announces (directly or through an agent) the level of the Index on a regular basis during each Scheduled Trading Day.

For the avoidance of doubt, if the Calculation Agent determines that the event significantly modifies the economy of the Note regardless of any adjustment the Calculation Event could make, the Calculation Agent will notify the Noteholders, in accordance with the paragraph “**Notices**”, that the relevant consequence of the Extraordinary Event shall be either in the case of a capital protected Note (i) the Monetization of the Notes, or in other cases (ii) the early redemption of the Notes at their Fair Market Value and in accordance with the principles explained under Section 8.

#### **8.7.3.2. Terms applicable to an Index that is not Multiple Exchange**

**Exchange:** Means each exchange or quotation system specified as such for such Index in the relevant Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Shares underlying such Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Share on such temporary substitute exchange or quotation system as on the original Exchange).

**Related Exchange:** Means, each exchange or quotation system specified as such for the relevant Index in the relevant Final Terms, 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 such 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 such Index on such temporary substitute exchange or quotation system as on the original Related Exchange), provided, however, that where “**All Exchanges**” is specified as the Related Exchange in the relevant Final Terms, “**Related Exchange**” shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Index.

**Valuation Time:** Means the time on the relevant Valuation Date, specified as such in the related Final Terms or, if no such time is specified, the Scheduled Closing Time on the relevant Exchange on the relevant Valuation Date, in relation to each Index to be valued. If the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular

trading session, then the Valuation Time shall be such actual closing time.

**Scheduled Trading Day:** Means any day on which the Exchange and each Related Exchange are scheduled to be open for trading for their respective regular trading sessions.

**Exchange Business Day:** Means any Scheduled Trading Day on which each Exchange and each Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time.

### **Market Disruption**

**“Market Disruption Event”** means in respect of an Index, the occurrence or existence of (i) a Trading Disruption, (ii) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time or (iii) an Early Closure. For the purposes of determining whether a Market Disruption Event exists at any time, if a Market Disruption Event occurs in respect of a security included in the relevant Index at any time, then the relevant percentage contribution of that security to the level of the Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that security and (y) the overall level of the Index, in each case immediately before the occurrence of such Market Disruption Event.

In that respect, **“Trading Disruption”** means 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 securities that comprise 20 percent or more of the level of the relevant Index, or (ii) in futures or options contracts relating to the relevant Index on any relevant Related Exchange.

In that respect, **“Exchange Disruption”** means 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, (i) securities that comprise 20 percent or more of the level of the relevant Index, or (ii) in futures or options contracts relating to the relevant Index on any relevant Related Exchange.

In that respect, **“Early Closure”** means the closure on any Exchange Business Day of any relevant Exchange(s) relating to securities that comprise 20 per cent or more of the level of the relevant Index or any 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) 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 Valuation Time on such Exchange Business Day.

In addition, in that respect **“Disrupted Day”** means any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred.

### **8.7.3.3. Terms applicable to an Index that is Multiple Exchange**

**Exchange:** Means in respect of each component security of the Index (each, a “Component Security”), the principal stock exchange on which such Component Security is principally traded, as determined by the Calculation Agent.

**Related Exchange:** Means, each exchange or quotation system specified as such for the relevant Index in the relevant Final Terms, 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 such 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 such Index on such temporary substitute exchange or quotation system as on the original Related Exchange), provided, however, that where “All Exchanges” is

specified as the Related Exchange in the relevant Final Terms, “Related Exchange” shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Index.

**Valuation Time:** Means: (i) for the purposes of determining whether a Market Disruption Event has occurred: (a) in respect of any Component Security, the Scheduled Closing Time on the Exchange in respect of such Component Security, and (b) in respect of any options contracts or future contracts on the Index, the close of trading on the Related Exchange; and (ii) in all other circumstances, the time at which the official level of the Index is calculated and published by the Index Sponsor.

**Scheduled Trading Day:** Means any day on which: (i) the Index Sponsor is scheduled to publish the level of the Index and (ii) the Related Exchange is scheduled to be open for trading for its regular trading session.

**Exchange Business Day:** Means any Scheduled Trading Day on which (i) the Index Sponsor publishes the level of the 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.

“**Market Disruption Event**” means either

- (i) (a) the occurrence or existence, in respect of any Component Security of:
  - (1) 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;
  - (2) 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
  - (3) an Early Closure in respect of such Component Security; and
- (b) the aggregate of all 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 Index; or
- (ii) the occurrence or existence, in respect of futures or options contracts relating to the Index, of: (a) a Trading Disruption; (b) an Exchange Disruption, which in either case 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 (c) an Early Closure, in each case in respect of such futures or options contracts.

For the purposes of determining whether a Market Disruption Event in respect of any Index exists at any time, if a Market Disruption Event occurs in respect of a Component Security at any time, then the relevant percentage contribution of that Component Security to the level of the Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that Component Security and (y) the overall level of the Index, in each case using the official opening weightings as published by the Index Sponsor as part of the market “opening data”.

In that respect, “**Trading Disruption**” means 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 Index on the Related Exchange.

In that respect, “**Exchange Disruption**” means 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: (i) any Component Security on the Exchange, in respect of such Component Security; or (ii) in futures or options contracts relating to the Index on the Related Exchange.

In that respect, “**Early Closure**” means the closure on any Exchange Business Day of the Exchange in respect of any Component Security or the Related Exchange prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange or Related Exchange (as the case may be) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange or Related Exchange (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.

In addition, in that respect “**Disrupted Day**” means any Scheduled Trading Day on which: (i) the Index Sponsor fails to publish the level of the Index; (ii) the Related Exchange fails to open for trading during its regular trading session; or (iii) a Market Disruption Event has occurred.

#### **8.7.4. Fund or Basket of Funds**

##### **8.7.4.1. Definitions**

<b>Reference Fund:</b>	Means the Reference Fund specified as such in the relevant Final Terms.
<b>Fund Basket:</b>	Means a basket of Reference Funds as specified in the relevant Final Terms.
<b>i:</b>	The addition of the letter i in subscript to any term indicates that this term is meant to apply to each Reference Fund in the Fund Basket separately.
<b>w:</b>	Means the weight of a certain Reference Fund in the Fund Basket.
<b>Fund Interest Unit:</b>	Means a notional unit of account of ownership in a Reference Fund, whether a share or another type of unit.
<b>Initial Price:</b>	Means the price specified as such or otherwise determined in the relevant Final Terms or, if no means for determining the Initial Price are so provided: in respect of the Initial Valuation Date, the Relevant Price of a Fund Interest Unit in the relevant Reference Fund for the Initial Valuation Date, as determined by the Calculation Agent, and in respect of the each subsequent Valuation Date, the Final Price for the Valuation Date immediately preceding such Valuation Date, or, if Initial Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Initial Valuation Date, of the prices of the relevant Fund Interest Unit in the relevant Reference Fund as of the Valuation Time on each Initial Averaging Date.
<b>Final Price:</b>	Means the Relevant Price of a Fund Interest Unit in the relevant Reference Fund for the relevant Valuation Date, as determined by the Calculation Agent or, if Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Valuation Date, of the prices of the relevant Fund Interest Unit in the relevant Reference Fund as of the Valuation Time on each Averaging Date.
<b>Initial Valuation Date:</b>	Means the Issue Date or such other date as specified in the relevant Final Terms, and if such date is not a Scheduled Fund Valuation Date in respect of the relevant Reference Fund, the Initial Price of a Fund Interest Unit in such Reference Fund shall be determined on the basis of the Relevant Price of such Fund Interest Unit as calculated on the immediately following Scheduled Fund Valuation Date, or, if Initial Averaging is specified as applicable, means the final Initial Averaging Date.
<b>Valuation Date:</b>	Means any date specified as such in the relevant Final Terms, and if such date is not a Scheduled Fund Valuation Date in respect of the relevant Reference Fund, the Final Price of a Fund Interest Unit in such Reference Fund shall be determined on the basis of the Relevant Price of such Fund Interest Unit as calculated on the immediately following Scheduled Fund Valuation Date, or, if

Averaging is specified as applicable, means the final Averaging Date.

**Relevant Price:** Means the price of the relevant Fund Interest Unit as published by the Fund Administrator.

In case a price in respect of any Valuation Date is not published by the fourth Scheduled Fund Valuation Date, the Calculation Agent may determine such price taking into account prevailing market conditions.

**Scheduled Fund Valuation Date:** Means any date in respect of which the relevant Reference Fund (or its service provider that generally determines such value) is scheduled, according to its Fund Documents (without giving effect to any gating, deferral, suspension or other provisions permitting the Reference Fund to delay or refuse redemption of Fund Interest Units); to determine the value of such Fund Interest Unit or, if the relevant Reference Fund only reports its aggregate net asset value, the date in respect of which such Reference Fund is scheduled to determine its aggregate net asset value.

**Fund Documents:** Means, with respect to any Fund Interest Unit, the constitutive and governing documents, subscription agreements and other agreements of the related Reference Fund specifying the terms and conditions relating to such Fund Interest Unit, as amended from time to time.

#### 8.7.4.2. Potential Adjustment Events

Upon the occurrence on or after the Issue Date up to and including the last Valuation Date of a Potential Adjustment Event (as defined below), the Calculation Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Fund Interest Units and if so will:

(i) make the corresponding adjustment(s), if any, to any relevant variable in the Variable Linked formulae of the Notes, which may include the Initial Price or the Final Price, used to calculate any Variable Linked Rate or Variable Linked Redemption Amount as the Calculation Agent determines appropriate to account for that diluting or concentrative effect (provided that no adjustments will be made to account solely for changes in volatility, expected dividends or liquidity relative to the relevant Fund Interest Unit); and

(ii) determine the effective date(s) of the adjustment(s).

For the purpose hereof, “**Potential Adjustment Event**” shall mean any of the following:

- a subdivision, consolidation or reclassification of the relevant Fund Interest Units or a free distribution or dividend of any such Fund Interest Units to existing holders by way of bonus, capitalisation or similar issue;
- a distribution, issue or dividend to existing holders of the relevant Fund Interest Units of (a) an additional amount of such Fund Interest Units, or (b) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Reference Fund equally or proportionately with such payments to holders of such Fund Interest Units, or (c) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Reference Fund as a result of a spin-off or other similar transaction or (d) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other consideration) at less than the prevailing market price as determined by the Calculation Agent;
- an extraordinary dividend as determined by the Calculation Agent;
- a repurchase by the Reference Fund of relevant Fund Interest Units whether the consideration for such repurchase is cash, securities or otherwise, other than in respect of a redemption of Fund Interest Units initiated by a Noteholder in such Fund Interest Units initiated by a Noteholder in such Fund Interest Units that is consistent with the Fund Documents; or
- any other event that may have a diluting or concentrative effect on the theoretical value of the relevant Fund Interest Units.

If the Calculation Agent determines that the event significantly modifies the economy of the Note regardless of any adjustment the Calculation Event could make, the Calculation Agent may notify the Noteholders, in accordance with the paragraph “Notices”, that the relevant consequence of the Potential Adjustment Event shall be either in the case of a capital protected Note (i) the Monetization of the Notes, with the right for the Noteholders, as an alternative to the Monetization, to sell the Note to the Issuer at market value, or in other cases than the capital protected Note (ii) the early redemption of the Notes at their Fair Market Value and in accordance with the principles and conditions explained under Section 8.

#### **8.7.4.3. Extraordinary Events**

Means any of Nationalisation, Insolvency, Fund Insolvency Event, Fund Modification, Strategy Breach, Regulatory Action and Reporting Disruption.

“**Nationalisation**” means that all the Fund Interest Units or all or substantially all the assets of a Reference Fund are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof.

“**Insolvency**” means that by reason of voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting a Reference Fund, (i) all the Fund Interest Units of that Reference Fund are required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Fund Interest Units of that Reference Fund become legally prohibited from transferring or redeeming them.

“**Fund Insolvency Event**” means, in respect of any Fund Interest Unit, that the related Reference Fund (i) is dissolved or has a resolution passed for its dissolution, winding-up, official liquidation (other than pursuant to a consolidation, amalgamation or merger); (ii) makes a general assignment or arrangement with or for the benefit of its creditors; (iii) (A) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organization or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors’ rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official, or (B) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors’ rights, or a petition is presented for its winding-up or liquidation, and such proceeding or petition is instituted or presented by a person or entity not described in clause (A) above and either (x) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (y) is not dismissed, discharged, stayed or restrained in each case within fifteen days of the institution or presentation thereof; (iv) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (v) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all of its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within fifteen days thereafter; or (vi) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (v) through (vi) above.

“**Fund Modification**” means (i) any change or modification of the related Fund Documents that could reasonably be expected to affect the value of such Fund Interest or the rights or remedies of any holders thereof, in each case, as determined by the Calculation Agent, or (ii) the Reference Fund Investment Manager imposes fees or dealing rules that increase the effective dealing costs relating to any Reference Fund.

“**Strategy Breach**” means any breach or violation of any strategy or investment guidelines stated in the related Fund Documents that is reasonably likely to affect the value of such Fund Interest or the rights or remedies of any holders thereof, in each case, as determined by the Calculation Agent.

**“Regulatory Action”** means, with respect to any Fund Interest Unit, (i) cancellation, suspension or revocation of the registration or approval of such Fund Interest Unit or the related Reference Fund by any governmental, legal or regulatory entity with authority over such Fund Interest Unit or Reference Fund, (ii) any change in the legal, tax, accounting, or regulatory treatments of the relevant Reference Fund that is reasonably likely to have an adverse impact on the value of such Fund Interest Unit or on any investor therein (as determined by the Calculation Agent), or (iii) the related Reference Fund or its Fund Investment Manager becoming subject to any investigation, proceeding or litigation by any relevant governmental, legal or regulatory authority involving the alleged violation of applicable law for any activities relating to or resulting from the operation of such Reference Fund or Fund Investment Manager.

**“Reporting Disruption”** means, in respect of any Fund Interest Unit, the occurrence of any event affecting such Fund Interest Unit that, in the determination of the Calculation Agent, would make it impossible or impracticable for the Calculation Agent to determine the value of such Fund Interest Unit, and such event is expected to continue for the foreseeable future.

Upon the occurrence on or after the Issue Date up to and including the last Valuation Date, in the determination of the Calculation Agent, of an Extraordinary Event in respect of any Reference Fund, the Calculation Agent, on or after the effective date of such Extraordinary Event, may make such adjustments as it, acting in good faith, deems appropriate (including substitution of any affected Reference Fund). Such adjustments to be effective as of the date determined by the Calculation Agent, to account for the effect of the relevant Extraordinary Event to protect the theoretical value of the Notes to the Noteholders immediately prior to such Extraordinary Event.

For the avoidance of doubt, if the Calculation Agent determines that the event significantly modifies the economy of the Note regardless of any adjustment the Calculation Event could make, the Calculation Agent will notify the Noteholders, in accordance with the paragraph “Notices”, that the relevant consequence of the Extraordinary Event shall be either in the case of a capital protected Note (i) the Monetization of the Notes, with the right for the Noteholders, as an alternative to the Monetization, to sell the Note to the Issuer at market value, or in other cases than the capital protected Note (ii) the early redemption of the Notes at their Fair Market Value and in accordance with the principles and conditions explained under Section 8.

### ***8.7.5. Commodity or Basket of Commodities***

#### **8.7.5.1. Definitions**

<b>Commodity:</b>	Means the Commodity specified as such in the relevant Final Terms.
<b>Commodity Basket:</b>	Means a basket of Commodities as specified in the relevant Final Terms.
<b>i:</b>	The addition of the letter i in subscript to any term indicates that this term is meant to apply to each Commodity in the Commodity Basket separately.
<b>w:</b>	Means the weight of a certain Commodity in the Commodity Basket.
<b>Initial Price:</b>	Means the price specified as such or otherwise determined in the relevant Final Terms or, if no means for determining the Initial Price are so provided: in respect of the Initial Valuation Date, the price of the relevant Commodity on the Initial Valuation Date, as determined by the Calculation Agent, and in respect of the each subsequent Valuation Date, the Final Price for the Valuation Date immediately preceding such Valuation Date or, if Initial Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Initial Valuation Date, of the prices of the relevant Commodity or Commodity Basket as of the Valuation Time on each Initial Averaging Date.
<b>Final Price:</b>	Means the price of the relevant Commodity at the Valuation Time on the relevant Valuation Date, as determined by the Calculation Agent or, if Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Valuation Date, of the prices of the relevant Commodity or Commodity Basket as of the

	Valuation Time on each Averaging Date.
<b>Initial Valuation Date:</b>	Means the Issue Date or such other date as specified in the relevant Final Terms, and if such date is not a Commodity Business Day in respect of the relevant Commodity, the Initial Price of such Commodity shall be determined on the basis of the price of such Commodity as calculated on the immediately following Commodity Business Day, subject to Market Disruption, or, if Initial Averaging is specified as applicable, means the final Initial Averaging Date.
<b>Valuation Date:</b>	Means any date specified as such in the relevant Final Terms, and if such date is not a Commodity Business Day in respect of the relevant Commodity, the Final Price of such Commodity shall be determined on the basis of the Relevant Price of such Commodity as calculated on the immediately following Commodity Business Day, subject to Market Disruption, or, if Averaging is specified as applicable, means the final Averaging Date.
<b>Relevant Price</b>	Means the price of the relevant Commodity determined by the Calculation Agent at the Valuation Time on the relevant Valuation Date.
<b>Commodity Business Day:</b>	Means for the relevant Commodity a day that is (or, but for the occurrence of a Market Disruption Event, would have been) a day on which the relevant Exchange is open for trading during its regular trading session, notwithstanding any such Exchange closing prior to its scheduled closing time.
<b>Exchange:</b>	Means the exchange or principal trading market specified in the relevant Final Terms.

#### 8.7.5.2. Market Disruption

**“Market Disruption Event”** means any of (i) Price Source Disruption, (ii) Trading Disruption, (iii) Disappearance of Commodity, (iv) Material Change in Formula, (v) Material Change in Content or (vi) Tax Disruption, as defined below, except that for a Commodity that is Bullion, (iv) Material Change in Formula and (v) Material Change in Content will not apply.

**“Price Source Disruption”** means (A) the failure of the Price Source to announce or publish the price (or the information necessary for determining the price) for the relevant Commodity; or (B) the temporary or permanent discontinuance or unavailability of the Price Source.

**“Trading Disruption”** means the material suspension of, or the material limitation imposed on, trading in the futures contract on the Commodity or the Commodity on the Exchange. For these purposes:

a suspension of the trading in the futures contract on the Commodity or the Commodity on any Commodity Business Day shall be deemed to be material only if:

all trading in the futures contract on the Commodity or the Commodity is suspended for the entire day; or

all trading in the futures contract on the Commodity or the Commodity is suspended subsequent to the opening of trading on that day, trading does not recommence prior to the regularly scheduled close of trading in such futures contract on the Commodity or Commodity on such day and such suspension is announced less than one hour preceding its commencement; and

a limitation of trading in the futures contract on the Commodity or the Commodity on any Commodity Business Day shall be deemed to be material only if the relevant Exchange establishes limits on the range within which the price of the futures contract on the Commodity or the Commodity may fluctuate and the closing or settlement price of the futures contract on the Commodity or the Commodity on such day is at the upper or lower limit of that range.

**“Disappearance of Commodity”** means:

the permanent discontinuation of trading, in the relevant futures contract on the Commodity; or



the disappearance of, or of trading in, the relevant Commodity; or

the disappearance or permanent discontinuance or unavailability of a price for the Commodity, notwithstanding the availability of the related Price Source or the status of trading in the relevant futures contract on the Commodity or the relevant Commodity.

**“Material Change in Formula”** means the occurrence of a material change in the formula for or the method of calculating the relevant price of the Commodity.

**“Material Change in Content”** means the occurrence of a material change in the content, composition or constitution of the Commodity or relevant futures contract on the Commodity.

**“Tax Disruption”** means the imposition of, change in or removal of an excise, severance, sales, use, value-added, transfer, stamp, documentary, recording or similar tax on, or measured by reference to, the relevant Commodity (other than a tax on, or measured by reference to overall gross or net income) by any government or taxation authority, if the direct effect of such imposition, change or removal is to raise or lower the Relevant Price on the day that would otherwise be a Pricing Date from what it would have been without that imposition, change or removal.

**“Bullion”** means Gold, Silver, Platinum or Palladium, as the case may be.

In case a Market Disruption Event occurs the Calculation Agent will determine in good faith and in a commercially reasonable manner the Final Price of the relevant Commodity (or a method for determining the Final Price of the relevant Commodity).

If the Calculation Agent determines that the event significantly modifies the economy of the Note regardless of any adjustment the Calculation Event could make, the Calculation Agent may notify the Noteholders, in accordance with the paragraph “Notices”, that the relevant consequence of the Potential Adjustment Event shall be either in the case of a capital protected Note (i) the Monetization of the Notes, with the right for the Noteholders, as an alternative to the Monetization, to sell the Note to the Issuer at market value, or in other cases than the capital protected Note (ii) the early redemption of the Notes at their Fair Market Value and in accordance with the principles and conditions explained under Section 8.

#### *8.7.6. Commodity Index or Basket of Commodity Indices*

##### *8.7.6.1. Definitions*

<b>Commodity Index:</b>	Means the Commodity Index specified as such in the relevant Final Terms.
<b>Commodity Index Basket:</b>	Means a basket of Commodities Indices as specified in the relevant Final Terms.
<b>i:</b>	The addition of the letter i in subscript to any term indicates that this term is meant to apply to each Commodity Index in the Commodity Index Basket separately.
<b>w:</b>	Means the weight of a certain Commodity Index in the Commodity Index Basket.
<b>Initial Price:</b>	Means the price specified as such or otherwise determined in the relevant Final Terms or, if no means for determining the Initial Price are so provided: in respect of the Initial Valuation Date, the level of the relevant Commodity Index or Basket on the Initial Valuation Date, as determined by the Calculation Agent, and in respect of each subsequent Valuation Date, the Final Price for the Valuation Date immediately preceding such Valuation Date or, if Initial Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Initial Valuation Date, of the levels of the relevant Commodity Index or Commodity Index Basket as of the Valuation Time on each Initial Averaging Date.

<b>Final Price:</b>	Means the level of the relevant Commodity Index at the Valuation Time on the relevant Valuation Date, as determined by the Calculation Agent or, if Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Valuation Date, of the levels of the relevant Commodity Index or Commodity Index Basket as of the Valuation Time on each Averaging Date.
<b>Initial Valuation Date:</b>	Means the Issue Date or such other date as specified in the relevant Final Terms, and if such date is not a Scheduled Publication Day in respect of the relevant Commodity Index, the Initial Price of such Commodity Index shall be determined on the basis of the price of such Commodity Index as calculated on the immediately following Scheduled Publication Day, subject to the occurrence of any Commodity Index Event, or, if Initial Averaging is specified as applicable, means the final Initial Averaging Date.
<b>Valuation Date:</b>	Means any date specified as such in the relevant Final Terms, and if such date is not a Scheduled Publication Day in respect of the relevant Commodity Index, the Final Price of such Commodity Index shall be determined on the basis of the Relevant Price of such Commodity Index as calculated on the immediately following Scheduled Publication Day, subject to the occurrence of any Commodity Index Event, or, if Averaging is specified as applicable, means the final Averaging Date.
<b>Relevant Price</b>	Means the level of the relevant Commodity Index or Commodity Index Basket determined by the Calculation Agent at the Valuation Time on the relevant Valuation Date.
<b>Scheduled Publication Day:</b>	Means any day on which the Commodity Index Sponsor is scheduled to publish the level of the relevant Commodity Index.
<b>Commodity Index Sponsor:</b>	Means the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the relevant Commodity Index and (b) announces (directly or through an agent) the level of the Commodity Index on a regular basis.

#### **8.7.6.2. Commodity Index Event**

If, in the opinion of the Calculation Agent, any Commodity Index is modified by the Commodity Index Sponsor, cancelled by the Commodity Index Sponsor, replaced by a successor commodity index or remains unpublished by the Commodity Index Sponsor, or if, in the opinion of the Calculation Agent, a Commodity Index Market Disruption Event occurs (any of the above events, a “**Commodity Index Event**”), the Calculation Agent shall determine in its sole discretion, but in good faith and in a commercially reasonable manner, how such Commodity Index Event affects the Notes and what its consequences should be.

For the avoidance of doubt, if the Calculation Agent determines that the event significantly modifies the economy of the Note regardless of any adjustment the Calculation Event could make, the Calculation Agent will notify the Noteholders, in accordance with the paragraph “Notices”, that the relevant consequence of the Commodity Index Event shall be either in the case of a capital protected Note (i) the Monetization of the Notes, with the right for the Noteholders, as an alternative to the Monetization, to sell the Note to the Issuer at market value, or in other cases than the capital protected Note (ii) the early redemption of the Notes at their Fair Market Value and in accordance with the principles and conditions explained under Section 8.

A “**Commodity Index Market Disruption Event**” means any of (a) the termination or suspension of, or material limitation or disruption in, the trading of any exchange-traded futures contract included in a relevant Commodity Index, and (b) the settlement price of any such contract has increased or decreased by an amount equal to the maximum permitted price change from the previous day’s settlement price, or (c) the exchange fails to publish official settlement prices for any such contract.

### 8.7.7. Inflation Index

#### 8.7.7.1. Definitions

<b>Index:</b>	Means the index specified as such in the relevant Final Terms.
<b>Initial Index:</b>	Means the level of the index determined by the Calculation Agent in accordance with the relevant Final Terms.
<b>Final Index:</b>	Means the level of the index determined by the Calculation Agent in accordance with the relevant Final Terms.
<b>Index Sponsor:</b>	Means the sponsor of the Index as specified in the Final Terms.
<b>Reference Month:</b>	Means the calendar month for which the level of the Index was reported, regardless of when this information is published or announced.

#### 8.7.7.2. Events affecting the Index

##### (i) Delay of Publication

If any level of the Index for a Reference Month has not been published or announced by the day that is five Business Days prior to the next Interest Payment Date, the Calculation Agent may either determine the level of the Index based on its own calculations or make any adjustment to the Notes as it may deem appropriate.

If the Calculation Agent determines that the event significantly modifies the economy of the Note regardless of any adjustment the Calculation Event could make, the Calculation Agent may notify the Noteholders, in accordance with Condition 8.17 (*Notices*), that the Notes will be redeemed early. In case of such early redemption, the Calculation Agent shall give its good faith estimate of the value of the Notes.

##### (ii) Cessation of Publication

If a level for the Index has not been published or announced for two consecutive months or the Index Sponsor announces that it will no longer continue to publish or announce the Index then the Calculation Agent may determine a successor Index or make any adjustment to the Notes as it may deem appropriate.

If the Calculation Agent determines that no appropriate successor Index exists, or that the event significantly modifies the economy of the Note regardless of any adjustment the Calculation Event could make, the Calculation Agent may notify the Noteholders, in accordance with Condition 8.17 (*Notices*), that the Notes will be redeemed early. In case of such early redemption, the Calculation Agent shall give its good faith estimate of the value of the Notes.

##### (iii) Rebasing of the Index

If the Calculation Agent determines that the Index has been or will be rebased at any time, the Index as so rebased will be used for purposes of determining the level of the Index from the date of such rebasing; provided, however, that the Calculation Agent may make such adjustments to the Notes as it may deem appropriate.

If the Calculation Agent determines that the event significantly modifies the economy of the Note regardless of any adjustment the Calculation Event could make, the Calculation Agent may notify the Noteholders, in accordance with Condition 8.17 (*Notices*), that the Notes will be redeemed early. In case of such early redemption, the Calculation Agent shall give its good faith estimate of the value of the Notes.

##### (iv) Material Modification

If, on or prior to the day that is five Business Days before an Interest Payment Date, the Index Sponsor announces that it will make a material change to the Index, then the Calculation Agent may make any such adjustment to the Index or to the Notes as it may deem appropriate.

If the Calculation Agent determines that the event significantly modifies the economy of the Note regardless of any adjustment the Calculation Event could make, the Calculation Agent may notify the Noteholders, in

accordance with Condition 8.17 (*Notices*), that the Notes will be redeemed early. In case of such early redemption, the Calculation Agent shall give its good faith estimate of the value of the Notes.

If the Calculation Agent determines that the event significantly modifies the economy of the Note regardless of any adjustment the Calculation Event could make, the Calculation Agent will notify the Noteholders, in accordance with the paragraph “Notices”, that the relevant consequence shall be either in the case of a capital protected Note (i) the Monetization of the Notes, with the right for the Noteholders, as an alternative to the Monetization, to sell the Note to the Issuer at market value, or in other cases than the capital protected Note (ii) the early redemption of the Notes at their Fair Market Value and in accordance with the principles and conditions explained under Section 8.

### 8.8. 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.

### 8.9. Status of the Notes

On 31 July 2017, Belgium adopted a legislation establishing a new category of debt securities available to credit institutions. The law provides for a new Article 389/1 into the Banking Law. In particular, Article 389/1 aims at increasing the effectiveness of the bail-in tool and introduces a new category of claims in the statutory creditor hierarchy in the case of a liquidation procedure (*procédure de liquidation/liquidatieprocedure*) of a credit institution. Article 389/1 of the Banking Law now divides senior notes into: (i) senior preferred notes, retaining the same ranking as the previous senior notes; and (ii) senior non-preferred notes. Senior non-preferred notes are direct, unconditional, senior, and unsecured (*chirographaires/chirografair*) obligations. In the case of liquidation, they will rank senior to subordinated notes but junior to both ordinary senior preferred notes and to claims benefiting from legal or statutory preferences. Furthermore, senior non-preferred notes must have the following characteristics: they may not contain embedded derivatives or be derivatives themselves (it being understood that floating rate debt instruments which are derived from a commonly used reference rate and debt instruments which are not denominated in the national currency of the issuer, provided that principal, repayment and interest are denominated in the same currency, may not solely on the basis of these characteristics be considered as debt instruments containing embedded derivatives); their maturity may not be less than one year; and their terms must expressly provide that the claim is unsecured (*chirographaire/chirografair*) and that their ranking is as set forth in Article 389/1, 2° of the Banking Law.

The Notes are senior notes and the payments of principal and interest 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 relevant Issuer as referred under Article 389/1, 1° of the law of 25 April 2014 on the legal status and supervision of credit institutions and stockbroking firms (senior preferred obligations), present and future, but, in the event of insolvency, only to the extent permitted by laws relating to creditors’ rights. Senior preferred obligations have a higher priority ranking than the so-called non-preferred obligations that are defined under Article 389/1, 2°.

### 8.10. Clearing Systems

The clearing systems operated by Euroclear, Clearstream Banking S.A., the Securities Settlement System (NBB-SSS), and such other clearing system as may be agreed between the Issuer and the Fiscal Agent or Domiciliary Agent and as specified in the relevant Final Terms.

### *8.11. Events of Default*

In any of the following events (“**Events of Default**”) any Noteholder may by written notice to the Issuer and, in the case of Belfius Financing Company Notes, the Guarantor at its or their specified office declare his Note or Notes immediately due and payable with the following consequences (unless, such Event of Default shall have been remedied prior to the receipt of such notice):

- (a) if default is made by the Issuer for a period of 30 calendar days or more in the payment of interest on the Notes when and as the same shall become due and payable; or
- (b) in the event of default by the Issuer or, in the case of Belfius Financing Company Notes, the Guarantor, as the case may be, in the due performance of any other obligation under the terms and conditions of the Notes, unless remedied within 45 days after receipt of a written notice thereof given by any Noteholder; or
- (c) in the event of a merger, consolidation or other reorganisation of the Issuer or, as applicable, the Guarantor with, or a sale or other transfer by the Issuer or, as applicable, the Guarantor of all or a substantial part of its assets to, any other incorporated or unincorporated person or legal entity, unless, in each case not involving or arising out of insolvency, the person or entity surviving such merger, consolidation or other reorganisation or to which such assets shall have been sold or transferred shall have assumed expressly and effectively or by law all obligations of the Issuer or, as applicable, the Guarantor, as the case may be, with respect to the Notes and, the interests of the holders of Notes are not materially prejudiced thereby; or
- (d) in the event that the Issuer or, as applicable, the Guarantor is adjudicated bankrupt or insolvent, or admits in writing its inability to pay its debts as they mature, or makes an assignment for the benefit of its creditors, or enters into a composition with its creditors, or applies for a moratorium, or institutes or has instituted any proceedings under any applicable bankruptcy law, insolvency law, composition law or any law governing the appointment of a receiver, administrator, trustee or other similar official for the whole or any substantial part of its assets or property or any other similar law, or in the event that any such proceedings are instituted against the Issuer or, as applicable, the Guarantor and remain undismissed for a period of 30 days, or
- (e) if, for any reason, the relevant Guarantee ceases to be in full force and effect.

Notice of any Event of Default shall be given to the Noteholders in accordance with Condition 8.17. *Notices*.

### *8.12. Modifications of the Agency Agreement*

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

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

All calculations shall be made in a commercially reasonable manner. The Calculation Agent shall have no responsibility to Noteholders for good faith errors or omissions in its calculations (without limitation, errors or omissions due to events which are not under the direct control of the Calculation Agent) and determinations as provided in the Terms and Conditions, except for those resulting from the gross negligence or wilful misconduct of the Calculation Agent. The calculations and determinations of the Calculation Agent shall be made in accordance with the Terms and Conditions (having regard in each case to the criteria stipulated herein and where relevant on the basis of information provided to or obtained by employees or officers of the Calculation Agent responsible for making the relevant calculation or determination) and shall, in the absence of manifest error, be final, conclusive and binding on the Issuer and the Noteholders. The Calculation Agent acts solely as agent of the Issuer and does not assume any obligations or duty to, or any relationship of agency or trust for or with, the

Noteholders. The Calculation Agent will make its determinations in a reasonable manner, taking into account the Terms and Conditions. The Calculation Agent will not act in an entirely discretionary manner, but will instead act in a reasonable manner, taking into account market practices and the economics of the product represented by the Notes.

#### *8.14. Prescription*

Claims against the Issuer or, in the case of Belfius Financing Company Notes, the Guarantor for payment in respect of any Note shall be prescribed in accordance with Article 2262 and following of the Belgian Civil Code and become void unless made within five years from the date on which such payment first becomes due (in respect of interest) and within ten years from the date on which such payment become due (in respect of capital).

#### *8.15. Currency Indemnity*

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

#### *8.16. Substitution*

- (i) In case of dissolution, liquidation, reconstruction, merger, amalgamation or any other kind of reorganization, the Issuer and, in the case of Belfius Financing Company Notes, the Guarantor may, without any further consent or co-operation from the Noteholders, at any time, procure that any affiliated or associated corporation of the Issuer or, in the case of Belfius Financing Company Notes, the Guarantor is substituted for the Issuer as the debtor under the Terms and Conditions to be offered by assigning all its rights and obligations to such other corporation (the “**Substituted Issuer**”). For the avoidance of doubt, any other kind of reorganization to which reference is made in the preceding sentence, also encompasses the situation where the Guarantor decides, based on a decision of the Board of Directors of Belfius Bank, to substitute itself for Belfius Financing Company. The Substituted Issuer has to have a long-term debt rating of at least the same level as the one of the Issuer at the time of substitution, if any, and provided that:
  - (a) no payment of any Redemption Amount or of interest on any Note is overdue and no other circumstances exist capable of causing the acceleration or redemption of the Notes;
  - (b) the Substituted Issuer shall agree to indemnify the holders of each Note against: all tax, duty, fee or governmental charge which is imposed on such holder by the jurisdiction of the country of the

Substituted Issuer's residence for tax purposes and, if different, of its incorporation or any political subdivision or taxing authority thereof or therein with respect to such Note and which would not have been so imposed had such substitution not been made; and any costs or expenses incurred in connection with any such substitution; and

- (c) in the case of Belfius Financing Company Notes, the Guarantor agrees on the provisions of such substitution as described herein, undertakes that the provisions in the Guarantee with respect to the relevant Issuer will apply to the Substituted Issuer in the event of such substitution and shall be bound by all the obligations to be fulfilled by it under the Guarantee and the Terms and Conditions of the Notes as a result of such substitution and such obligations shall be legal, valid and enforceable; if the Issuer is substituted by the Guarantor, there is no requirement for an additional and separate guarantee of the obligations under the Notes.
- (ii) The Issuer hereby irrevocably and unconditionally guarantees that the Substituted Issuer shall pay all amounts of Redemption Amount of and interest on the Notes when due. In the event of substitution, this guarantee ceasing to be the valid and binding obligation of the Issuer, enforceable against the Issuer in accordance with its terms, shall constitute an Event of Default.
- (iii) In the event of substitution all references in these Terms and Conditions to the Issuer shall from then on be deemed to refer to the Substituted Issuer and the references in Condition 8.19 (*Taxation*) to Luxembourg shall be deemed to be to the country where the Substituted Debtor has its domicile or tax residence.
- (iv) The Substituted Issuer obtains all necessary governmental and regulatory approvals and consents.
- (v) Any potential compensation due by Belfius shall be limited to the net incremental tax cost borne by the investor. For example, if a withholding tax would become due further to the Substitution, but this withholding tax comes in lieu of a taxation (at the same tax rate) otherwise due further to an obligation to report (part of) the income in the personal income tax return, then no additional compensation is due (on this part). Similarly, no compensation is due if i) the investor is entitled to a tax credit for this withholding tax through the tax return or ii) for the part of the withholding tax for which the investor is entitled to claim a reduction based on the applicable income tax treaty.

Notice of any substitution shall be given to the Noteholders in accordance with Condition 8.17 (*Notices*).

### *8.17. Notices*

All notices to holders of Notes (including notices to convene a meeting of Noteholders) will be deemed to have been validly given if given through the X/N Clearing System (in case of Belfius Bank Notes and certain Belfius Financing Company Notes) or the systems of Euroclear and Clearstream Banking S.A. in accordance with the procedures of the relevant clearing system and, if mandatorily applicable, the relevant company law rules.

The Notes being held in a securities account, all notices to the Noteholders shall be validly given by a direct notification, in the case of Belfius Financing Company Notes from the Paying Agent to the Noteholders and, in the case of Belfius Bank Notes from Belfius Bank to the Noteholders, each time as the Issuer in his discretionary opinion shall deem necessary to give fair and reasonable notice to the Noteholders.

Any such notice shall be deemed to have been given on the date immediately following the date of notification from the Paying Agent in case of Belfius Financing Company Notes, and from Belfius Bank in case of Belfius Bank Notes.

### *8.18. Meeting of Noteholders*

#### *8.18.1. Definitions*

1. references to a meeting are to a meeting of Noteholders of a single Series of Notes and include, unless the context otherwise requires, any adjournment
2. references to “**Notes**” and “**Noteholders**” are only to the Notes of the Series in respect of which a meeting has been, or is to be, called and to the holders of those Notes, respectively
3. “**agent**” means a holder of a voting certificate or a proxy for, or representative of, a Noteholder
4. “**block voting instruction**” means an instruction issued in accordance with clause 8.18.4. paragraphs 4 to 8
5. “**Extraordinary Resolution**” means a resolution passed at a meeting duly convened and held in accordance with this Agreement by a majority of at least 75 per cent of the votes cast
6. “**voting certificate**” means a certificate issued in accordance with clause 8.18.4 paragraphs 1, 2, and 3 and
7. references to persons representing a proportion of the Notes are to Noteholders or agents holding or representing in the aggregate at least that proportion in principal amount of the Notes for the time being outstanding.

### *8.18.2. Powers of meetings*

A meeting shall, subject to the Terms and Conditions and without prejudice to any powers conferred on other persons by the Agency Agreement, have power by Extraordinary Resolution:

1. to sanction any proposal by the relevant Issuer or the Guarantor or any modification, abrogation, variation or compromise of, or arrangement in respect of, the rights of the Noteholders against the Issuer or the Guarantor, whether or not those rights arise under the Notes
2. to sanction the exchange or substitution for the Notes of, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer, the Guarantor or any other entity
3. to assent to any modification of the Agency Agreement, the Notes proposed by the Issuer, the Guarantor, the Fiscal Agent or the Domiciliary Agent
4. to authorise anyone to concur in and do anything necessary to carry out and give effect to an Extraordinary Resolution
5. to give any authority, direction or sanction required to be given by Extraordinary Resolution
6. to appoint any persons (whether Noteholders or not) as a committee or committees to represent the Noteholders’ interests and to confer on them any powers or discretions which the Noteholders could themselves exercise by Extraordinary Resolution and
7. to approve the substitution of any entity for the relevant Issuer or the Guarantor (or any previous substitute) as principal debtor or guarantor in circumstances not provided for in the Terms and Conditions
8. provided that the special quorum provisions in clause 8.18.7. paragraph 4 shall apply to any Extraordinary Resolution (a “special quorum resolution”) for the purpose of sub-paragraph 2.2 or 2.7.

### *8.18.3. Convening a meeting*

1. The relevant Issuer or the Guarantor may at any time convene a meeting. If it receives a written request by Noteholders holding at least 10 per cent in principal amount of the Notes of any Series for the time being outstanding and is indemnified to its satisfaction against all costs and expenses, the Issuer shall convene a meeting of the Noteholders of that Series. The meeting shall be held at a time and place as determined by the Issuer or, where applicable, the Guarantor, subject to, in the case of Belfius Financing Company Notes, approval by the Fiscal Agent or the Domiciliary Agent.
2. At least 21 days’ notice (exclusive of the day on which the notice is given and of the day of the meeting) shall be given to the Noteholders. A copy of the notice shall be given by the party convening the meeting to the other



parties. The notice shall specify the day, time and place of meeting and the nature of the resolutions to be proposed and shall explain how Noteholders may appoint proxies or representatives, obtain voting certificates and use block voting instructions and the details of the time limits applicable.

#### *8.18.4. Arrangements for voting*

1. If a Noteholder Note wishes to obtain a voting certificate in respect of it for a meeting, he must notify the Paying Agent at least 48 hours before the time fixed for the meeting. The Paying Agent shall then issue a voting certificate in respect of it.

2. A voting certificate shall:

- be a document in the English language;
- be dated;
- specify the meeting concerned and the serial numbers of the Notes; and
- entitle, and state that it entitles, its bearer to attend and vote at that meeting in respect of those Notes.

3. Once a Paying Agent has issued a voting certificate for a meeting in respect of a Note, it shall not release the Note until either:

- the meeting has been concluded; or
- the voting certificate has been surrendered to the Paying Agent.

4. If a Noteholder wishes the votes attributable to it to be included in a block voting instruction for a meeting, then, at least 48 hours before the time fixed for the meeting, (i) he must notify for that purpose the Paying Agent and (ii) he or a duly authorised person on his behalf must direct the Paying Agent how those votes are to be cast. The Paying Agent shall issue a block voting instruction in respect of the votes attributable to all Notes for which it has received such notification.

5. A block voting instruction shall:

- be a document in the English language
- be dated
- specify the meeting concerned
- list the total number and serial numbers of the Notes, distinguishing with regard to each resolution between those voting for and those voting against it
- certify that such list is in accordance with directions received as provided in paragraphs 8, 10 and 13 and
- appoint a named person (a “proxy”) to vote at that meeting in respect of those Notes and in accordance with that list. A proxy need not be a Noteholder.

6. Once a Paying Agent has issued a block voting instruction for a meeting in respect of the votes attributable to any Notes the directions to which it gives effect may not be revoked or altered during the 48 hours before the time fixed for the meeting.

7. Each block voting instruction shall be deposited at least 24 hours before the time fixed for the meeting at the specified office of the relevant Issuer or the Guarantor or such other place as the Issuer shall designate or approve, and in default it shall not be valid unless the chairman of the meeting decides otherwise before the meeting proceeds to business. If the Issuer requires, a notarial certified copy of each block voting instruction shall be produced by the proxy at the meeting but the Issuer need not investigate or be concerned with the validity of the proxy’s appointment.

8. A vote cast in accordance with a block voting instruction shall be valid even if it or any of the Noteholders' instructions pursuant to which it was executed has previously been revoked or amended, unless written intimation of such revocation or amendment is received from the relevant Issuer by the chairman of the meeting in each case at least 24 hours before the time fixed for the meeting.

9. No instructions may be giving by the Noteholder to the Paying Agent at the same time for the purposes of both paragraph 5 and paragraph 8 for the same meeting.

#### *8.18.5. Chairman*

The chairman of a meeting shall be such person as the Issuer may nominate in writing, but if no such nomination is made or if the person nominated is not present within 15 minutes after the time fixed for the meeting the Noteholders or agents present shall choose one of their number to be chairman, failing which the Issuer may appoint a chairman. The chairman need not be a Noteholder or agent. The chairman of an adjourned meeting need not be the same person as the chairman of the original meeting.

#### *8.18.6. Attendance*

The following may attend and speak at a meeting:

1. Noteholders and agents
2. the chairman
3. the Issuer, the Guarantor and the Fiscal Agent or Domiciliary Agent as applicable (through their respective representatives) and their respective financial and legal advisers.

#### *8.18.7. Quorum and Adjournment*

1. No business (except choosing a chairman) shall be transacted at a meeting unless a quorum is present at the commencement of business. If a quorum is not present within 15 minutes from the time initially fixed for the meeting, it shall, if convened on the requisition of Noteholders, be dissolved. In any other case it shall be adjourned until such date, not less than 14 nor more than 42 days later, and time and place as the chairman may decide. If a quorum is not present within 15 minutes from the time fixed for a meeting so adjourned, it shall be adjourned until such date, not less than 14 nor more than 42 days later, and time and place as the chairman may decide. If a quorum is not present within 15 minutes from the time fixed for a meeting so adjourned, the meeting shall be dissolved.

2. Two or more Noteholders or agents present in person shall be a quorum:

(i) in the cases marked "No minimum proportion" in the table below, whatever the proportion of the Notes which they represent; and

(ii) in any other case, only if they represent the proportion of the Notes shown by the table below.

COLUMN 1	COLUMN 2	COLUMN 3	COLUMN 4
Purpose of Meeting	Any meeting except one referred to in column 3	Meeting previously once adjourned through want of a quorum	Meeting previously twice adjourned through want of a quorum
	Required proportion	Required Proportion	Required Proportion
To pass a special quorum resolution	two thirds of the principal amount of the Notes	one third of the principal amount of the Notes	No minimum proportion
To pass any other Extraordinary Resolution	A clear majority of the principal amount of the Notes	No minimum proportion	No minimum proportion
Any other purpose	10 per cent of the principal amount of the	No minimum proportion	No minimum proportion

COLUMN 1	COLUMN 2	COLUMN 3	COLUMN 4
	Notes		

3. The chairman may (and shall if directed by a meeting) adjourn the meeting “from time to time and from place to place”. Only business which could have been transacted at the original meeting may be transacted at a meeting adjourned in accordance with this clause.

4. At least 10 days’ notice of a meeting adjourned for want of a quorum shall be given in the same manner as for an original meeting and that notice shall state the quorum required at the adjourned meeting. No notice need, however, otherwise be given of an adjourned meeting.

#### *8.18.8. Voting*

1. Each question submitted to a meeting shall be decided by a show of hands unless a poll is (before, or on the declaration of the result of, the show of hands) demanded by the chairman, the Issuer, the Guarantor or one or more persons representing 2 per cent. of the Notes.

2. Unless a poll is demanded a declaration by the chairman that a resolution has or has not been passed shall be conclusive evidence of the fact without proof of the number or proportion of the votes cast in favour of or against it.

3. If a poll is demanded, it shall be taken in such manner and (subject as provided below) either at once or after such adjournment as the chairman directs. The result of the poll shall be deemed to be the resolution of the meeting at which it was demanded as at the date it was taken. A demand for a poll shall not prevent the meeting continuing for the transaction of business other than the question on which it has been demanded.

4. A poll demanded on the election of a chairman or on a question of adjournment shall be taken at once.

5. On a show of hands every person who is present in person and who produces a voting certificate or is a proxy or representative has one vote. On a poll every such person has one vote in respect of each principal amount equal to the minimum denomination of such Series of Notes so produced or represented by the voting certificate so produced or for which he is a proxy or representative. Without prejudice to the obligations of proxies, a person entitled to more than one vote need not use them all or cast them all in the same way.

6. In case of equality of votes the chairman shall both on a show of hands and on a poll have a casting vote in addition to any other votes which he may have.

#### *8.18.9. Effect and Publication of an Extraordinary Resolution*

An Extraordinary Resolution shall be binding on all the Noteholders, whether or not present at the meeting and each of them shall be bound to give effect to it accordingly. The passing of such a resolution shall be conclusive evidence that the circumstances justify its being passed. The Issuer shall give notice of the passing of an Extraordinary Resolution to Noteholders within 14 days but failure to do so shall not invalidate the resolution.

#### *8.18.10. Minutes*

Minutes shall be made of all resolutions and proceedings at every meeting and, if purporting to be signed by the chairman of that meeting or of the next succeeding meeting, shall be conclusive evidence of the matters in them. Until the contrary is proved every meeting for which minutes have been so made and signed shall be deemed to have been duly convened and held and all resolutions passed or proceedings transacted at it to have been duly passed and transacted.

#### *8.19. Taxation*

Investors should take into account that the tax aspects of the Notes could differ depending on, amongst others:

1. the Issuer: Belfius Bank or Belfius Financing Company; and

2. the clearing of the Notes: i) Notes issued in the X/N clearing system of the NBB (ISIN codes starting with “BE”, hereafter referred to as “**BE’ Notes**”) or, for Notes which are non-eligible for the X/N clearing system, ii) Notes issued outside the X/N clearing system (ISIN codes starting with “XS”, hereafter referred to as “**XS’ Notes**”).

Some differences that may be relevant are briefly summarised below:

**Interest payments (including any amounts repaid on maturity date in excess of the issue price):**

**‘BE’ Notes:**

- Exempt “X” investors (including but not limited to Belgian companies and non-residents) qualify for a Belgian withholding tax exemption.
- Non-exempt “N” investors (including but not limited to Belgian private persons and entities subject to the Belgian tax on legal entities regime) are subject to a Belgian withholding tax of currently 30%.

**‘XS’ Notes:**

- Interest payments on Notes issued by Belfius Financing Company are not subject to Luxembourg withholding tax. A Belgian withholding tax of currently 30% will be borne by a.o. Belgian private investors who hold the Notes on a Belgian bank account. If no Belgian withholding tax is levied (e.g. because the interest is paid outside of Belgium without the intervention of a Belgian financial intermediary), then these investors are obliged to spontaneously declare the related interest income in their Belgian personal income tax return.
- Interest payments on Notes issued by Belfius Bank are subject to a 30% Belgian withholding tax. Certain investors may be able to recover, in full or in part, the Belgian withholding tax, e.g. through their tax return or by filing a request for reclaim with the Belgian tax authorities based on the applicable double tax treaty.

**Taxation upon sale of the Notes on the secondary market:**

**‘BE’ Notes:**

- Non-exempt “N” investors will be subject to a Belgian withholding tax of currently 30% on the *pro rata* interest amount. The residual capital gain is tax exempt.

**‘XS’ Notes:**

- Notes issued by Belfius Financing Company: no withholding is levied upon sale of the Notes to Belfius Bank. However, Belgian private investors will need to spontaneously declare the corresponding taxable *pro rata* interest amount in their personal income tax return.
- Notes issued by Belfius Bank: if the Notes are sold to Belfius Bank, the positive difference between the redemption price and the initial issue price will be subject to a Belgian withholding tax of currently 30%. Certain investors may be able to recover, in full or in part, the Belgian withholding tax, e.g. through their tax return or by filing a request for reclaim with the Belgian tax authorities based on the applicable double tax treaty.

In any event, investors should consult their professional advisers on the possible tax consequences of subscribing for, purchasing, holding, selling or converting the Notes issued by Belfius Bank and/or Belfius Financing Company 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 securities.

## *8.20. Governing Law and Jurisdiction*

### *8.20.1. Governing law*

The Notes and the Guarantee are governed by Belgian law.

The Agency Agreement is (or would be, once established) governed by Luxembourg law with respect of Bearer Notes and by Belgian law with respect of Dematerialized Notes.

### *8.20.2. Jurisdiction*

All disputes arising out of or in connection with the Notes or the Guarantee shall be submitted to the jurisdiction of the competent courts in Belgium.

## *8.21. Acknowledgment and Consent of the Bail-in Power with regards to the Guarantee*

Under the Guarantee, the Guarantor has guaranteed the obligations owed by the Issuer to the Noteholders. In the case of application of the Bail-in Power to the Notes or to liabilities of the Guarantor, the amounts due under the Guarantee may be correspondingly reduced. Each Noteholder (which includes any current or future holder of a beneficial interest in the Notes) hereby acknowledges and agrees the Guarantee may be subject to the Bail-in Power by the Resolution Authority and acknowledges and accepts to be bound by (i) the variation of the terms and conditions of the Notes, as deemed necessary by the Resolution Authority, to give effect to the exercise of any Bail-in Power by the Resolution Authority and (ii) the effect of the exercise of the Bail-in Power by the relevant Resolution Authority. For the avoidance of doubt, as a result of the foregoing, the Bail-in Power, if applied to the Notes or to liabilities of the Guarantor, could effectively limit the extent of a recovery under the Guarantee.

In this Condition,

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

## *8.22. Acknowledgment and Consent of the Bail-in Power with regards to the Notes*

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

- (i) all, or part of the Relevant Amounts in respect of the Notes being reduced or cancelled;
- (ii) all or part of the Relevant Amounts in respect of the Notes being converted into shares, other securities or other obligations of the Issuer or another person and such shares, securities or obligations being issued to or

conferred on the Noteholder, including by means of a variation, modification or amendment of the terms and conditions of the Notes;

(iii) the Notes or the Relevant Amount in respect of the Notes being cancelled; and

(iv) the maturity of the Notes being amended or altered, or the amount of interest payable on the notes, or date on which interest becomes payable; including by suspending payment for a temporary period being amended.

In this Condition,

“**Bail-in Power**” has the same meaning as provided under Condition 8.21 (*Acknowledgment and Consent of the Bail-in Power with regards to the Guarantee*).

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

### *8.23. Financial Service*

The financial service will be performed by Belfius Bank (in Belgium) and BIL (in Luxembourg).

### *8.24. Representation of Noteholders*

There is no representation of the holders of the Notes in relation to any offer of Notes.

### *8.25. Guarantee*

The section below only applies to Belfius Financing Company Notes.

The Guarantor has, by a senior preferred guarantee (the “**Guarantee**”, see Annex 2), unconditionally and irrevocably guaranteed on a senior preferred unsubordinated basis the due and punctual payment of the principal of and interest on the Notes as well as of any additional amounts which may be required to be paid by Belfius Financing Company (as described under *Condition 8.19. Taxation*) subject to the exercise by the resolution authority of the “bail-in” resolution tool, which may apply to the guarantee.

The obligations of the Guarantor under the Guarantee are direct, unconditional and unsecured obligations of the Guarantor and rank *pari passu* with all other outstanding unsecured and senior preferred obligations of the Guarantor, present and future, but, in the event of insolvency, only to the extent permitted by laws relating to creditors’ rights.

# 9. TERMS AND CONDITIONS OF THE OFFER

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

The Notes will be offered for subscription during the Offering Period (specified in the relevant Final Terms) at the relevant Issue Price. Any applicable fees or commissions will be specified in the relevant Final Terms. The Issuer has the right to cancel any issue of Notes 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 Notes will be notified pursuant to Condition 8.17 of such cancellation. The Issuer has the right to anticipatively terminate the Offering Period if the Maximum Amount of the relevant Notes issue has been reached or if the market conditions adversely affect the interest or the redemption amounts to be paid by the Issuer.

The cash account of the Noteholder will be debited on the Issue Date. At the same date, the Notes will be transferred on the securities accounts of the Noteholders.

If Notes are deposited in a securities account with Belfius Bank, Belfius Bank will not charge any fees for this service, nor for the opening of such securities account. If a Noteholder chooses to deposit his or her securities with another financial institution, he or she must inquire the fees charged by this institution.

The Notes have not been offered or sold and will not be offered or sold directly or indirectly and this Base Prospectus 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 Notes 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, Notes may not be offered, sold or delivered within the United States of America, including its territories and possessions, or to U.S. persons.

The Notes 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 Notes are sold during the restricted period, will receive a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the U.S. or to, or for the account or benefit of, U.S. persons.

Until 40 days after the commencement of the offering, an offer or sale of Notes within the U.S. by a dealer that is not participating in the offering may violate the registration requirements imposed by the U.S. Securities Act of 1933, as amended.

Any document connected with the issue of the Notes has only been issued or passed on and will only be issued and passed on in the United Kingdom to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the “UK FSMA”) in connection with the issue or sale of any Notes, has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in circumstances in which section 21(1) of the UK FSMA does not apply to the Issuer and all applicable provisions of the UK FSMA with respect to anything done in relation to such Notes in, from or otherwise involving the United Kingdom have been complied with and will be complied with.

## 10. ADMISSION TO TRADING AND DEALING ARRANGEMENTS

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

The Notes will not be the subject of an application for admission to trading on a regulated or non-regulated market, nor have any Notes previously issued under the Notes Issuance Programme ever been the subject of an application for admission to trading on a regulated market or equivalent market.

If liquidity is provided to be “Applicable” in the relevant Final Terms for any Notes, the price of the Notes is available on demand in the offices of Belfius Bank or on the website [www.belfius.be](http://www.belfius.be), and this on each Business Day during the term of such Notes in every office of Belfius Bank until 28 calendar days preceding their Maturity Date and 56 calendar days for equity linked notes, unless in Belfius Bank’s determination, market conditions preclude it from quoting a price. If Belfius Bank quotes a price, it can be considered market maker for the Notes and will organise the secondary market, thereby providing liquidity through bid and offer rates. The main terms of the commitment of Belfius Bank will be specified in the relevant Final Terms and (i) **“Maximum Spread”** means on any given moment the maximum spread between the then applicable bid and offer rates; (ii) **“Maximum Commission”** means the maximum commission on the bid and offer rates; and (iii) **“Maximum Exit Penalty”** means the maximum exit penalty applicable to the nominal amount of the Notes. The bid and offer rates of the Notes on any given moment are subject to the market conditions, interest rates, forward rates; credit spreads of the relevant Issuer or, in the case of Belfius Financing Company Notes, the Guarantor, etc.

In case of sale of the Notes before maturity, the sale proceeds can be lower than the invested amount.



## 11. USE OF PROCEEDS

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The net proceeds of Notes, *i.e.* the Nominal Amount less any expenses and fees, will be used for general corporate purposes of Belfius Bank. If, in respect of any particular issuance, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms. In the case of Belfius Financing Company Notes, the proceeds of the issued notes are fully transferred to Belfius Bank.

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

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

There has not been any statement or report attributed to a person as an expert which is included in this Base Prospectus.

## 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 2019 and 31 December 2020 for the Issuer and, as applicable, the Guarantor and of all subsequent annual reports to be published and (ii) copies of the articles of association of the Issuer and, as applicable, the Guarantor are available free of charge at the office of Belfius Bank and will be available during the entire lifetime of the Notes.

Additionally, the annual reports of Belfius Bank are available on its website <https://www.belfius.be/about-us/en/investors/results-reports/reports>, and the annual reports of Belfius Financing Company are available in Annex 5 of this Base Prospectus.

Moreover, copies of the annual reports of Belfius Bank are available on the Luxembourg Stock Exchange-website: <https://www.bourse.lu/issuer/BelfiusBank/38543>.

# Annex 1: Template for Final Terms

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## APPLICABLE FINAL TERMS

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

**[MiFID II PRODUCT GOVERNANCE – Solely for the purposes of the product approval process of [the/each] Manufacturer (i.e., each person deemed a manufacturer for purposes of the EU Delegated Directive 2017/593, hereinafter referred to as a “Manufacturer”), the target market assessment in respect of the Notes as of the date hereof has led to the conclusion that: (i) the target market for the Notes is eligible counterparties, professional clients [and retail clients] each as defined in Directive 2014/65/EU (as amended, “MiFID II”); [and] (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate; [and] (iii) the following channels for distribution of the Notes to retail clients are appropriate – investment advice, portfolio management, non-advised sales and pure execution services – subject to the distributor’s suitability and appropriateness obligations under MiFID II, as applicable]. [Consider any negative target market.] Any person subsequently offering, selling or recommending the Notes (a “Distributor”) should take into consideration [the/each] Manufacturer[’s/s’] target market assessment. A distributor subject to MiFID II is, however, responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining [the/each] Manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]**

**Final Terms dated [●]**

**[Belfius Financing Company SA] [Belfius Bank SA/NV]**

Issue of [Title of Notes]  
[Guaranteed by Belfius Bank SA/NV]  
under the

**Belfius Financing Company SA**

**and**

**Belfius Bank SA/NV**

**Notes Issuance Programme**

## PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions set forth in this Base Prospectus dated 25 May 2021, 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 Notes described herein for the purposes of Article 8 of the Prospectus Regulation and must be read in conjunction with such Base Prospectus and any supplement thereto.** These Final Terms and this Base Prospectus together constitute the Programme for the Tranche. Full information on the Issuer[, the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for inspection at [the office of the Guarantor,] the office of the Issuer and the website [www.belfius.be](http://www.belfius.be). A summary of the offer of the Notes is provided in an annex to the Final Terms.

[This Base Prospectus will be valid until the date of approval by the FSMA of the updated base prospectus that will replace and supersede it, no later than 25 May 2022 inclusive. The updated base prospectus will be available for inspection at [the office of the Guarantor,] the office of the Issuer and the website [www.belfius.be](http://www.belfius.be).]

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]*

*[When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Programme under Article 23 of the Prospectus Regulation.]*

1	(i)	Issuer:	[Belfius Bank SA/NV][Belfius Financing Company SA]
	(ii)	Guarantor:	[N/A][Belfius Bank SA/NV]
	(iii)	Calculation Agent:	Belfius Bank SA/NV
2	(i)	Series Number:	[●]
	[(ii)]	Tranche Number:	[●]
			<i>(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).</i>
3		Specified Currency or Currencies:	[●]
4		Maximum Amount:	
	[(i)]	]Series:	[●]
	[(ii)]	Tranche:	[●]
5		Minimum Amount:	
	[(i)]	]Series:	[●]
	[(ii)]	Tranche:	[●]
6		Offering Period:	[●] (except in case of early closing)
7		Issue Price:	[●] per cent. [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]
8		Denominations:	[●]
9	[(i)]	Issue Date:	[●]
	[[ (ii) ]]	Interest Commencement Date:	[●]
10		[Scheduled] Maturity Date:	[●]
11		Interest Basis:	[[●] per cent. Fixed Rate] [Floating Rate] [Zero Coupon] [Variable Linked Rate] [Not Applicable] (further particulars specified below)
12		Redemption/Payment Basis:	[Redemption at par] [Variable Linked Redemption] (further particulars specified below)
13		Change of Interest or Redemption/Payment Basis:	[Not Applicable/(Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis, including the (mandatory) scheduled dates for any Change of Interest in the case of Fixed to Floating Rate Notes or Floating to Fixed Rate Notes)]
14		Call Options:	[Applicable/Not Applicable] [(further particulars specified below)]
15		Mandatory Early Redemption:	[Applicable/Not Applicable] [(further particulars specified below)]
16		Status of the Notes:	Preferred Senior Notes

17	[Date [Board] approval for issuance of Notes obtained:	[●] (N.B Only relevant where Board (or similar) authorisation is required for the particular Tranche of Notes)]
18	Form of Notes:	[Bearer Notes/Dematerialised Notes]
19	New Global Note:	Not Applicable
<b>PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE</b>		
20	Fixed Rate Note Provisions	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Fixed Rate:	[●] per cent. per annum
	(ii) Interest Payment Date(s):	[annually/semi-annually/quarterly on ●]
	(iii) Business Days:	[●]
	(iv) Business Day Convention:	[●]
	[(v) Fixed Interest Amount:	[●]]
	[(v)/(vi) Day Count Fraction:	[●]]
	[(v)/(vi)/(vii) Interest Period End Date(s):	[Adjusted/No Adjustment/Other]]
	[(v)/(vi)/(vii)/(viii) Calculation Amount:	[●]]
	[Other terms relating to the method of calculating interest for Fixed Rate Notes:	[●](N.B. Give details)]
21	Floating Rate Note Provisions	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Publication Source:	[EUR-EURIBOR-Reuters (ISDA)/Other]
	(ii) Designated Maturity:	[●]
	(iii) Spread:	[●]
	(iv) Interest Payment Date(s):	[annually/semi-annually/quarterly on ●]
	(v) Day Count Fraction:	[●]
	(vi) Interest Determination Date:	[●]
	(vii) Business Days:	[●]
	(viii) Business Day Convention:	[●]
	(ix) Interest Period End Date(s)	[●] [Adjusted/No Adjustment/Other]
	[(x) Maximum Rate:	[●]]
	[(x)/(xi) Minimum Rate:	[●]]
22	Zero Coupon Note Provisions	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	Amortisation Yield:	[●] per cent. per annum
	Business Days:	[●]
	Business Day Convention:	[●]
	Any other formula/basis of determining amount payable:	[●]
23	Variable Linked Rate Note Provisions	[Applicable/Not Applicable]

		<i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Underlying:	[Market Rate/Share/Basket of Shares/Share Index/Basket of Share Indices/Fund/Basket of Funds/Commodity/Basket of Commodities/Commodity Index/Basket of Commodity Indices/Inflation Index]
	(ii) Variable Linked Rate:	[●] <i>(Provide the formula or other method of determination)</i>
	(iii) Interest Payment Date(s):	[●]
	(iv) Business Days:	[●]
	(v) Business Day Convention:	[●]
<b>PROVISIONS RELATING TO REDEMPTION</b>		
24	Call Option	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	Optional Redemption Date(s):	[●]
	Optional Redemption Period:	[●]
	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Note of [●] Denomination
	[If redeemable in part:]	[Applicable/Not Applicable]
	[Minimum Redemption Amount:	[●]]
	[Maximum Redemption Amount:	[●]]
	Notice period:	[●]
25	Mandatory Early Redemption	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Trigger Event(s):	[●]
	(ii) Mandatory Early Redemption Date(s):	[The Interest Payment Date immediately following the occurrence of the Trigger Event(s) as determined by the Calculation Agent. Should the Trigger Event(s) occur on an Interest Payment Date, then the Mandatory Early Redemption Date shall be postponed until the next Interest Payment Date/[●]]
	(iii) Mandatory Early Redemption Amount:	[●] per Note of [●] Denomination
26	Redemption Amount(s) of each Note	[[●] per Note of [●] Denomination] <i>(delete in case of Variable Linked Redemption)</i>
	<i>(Include below provisions in case of a Variable Linked Redemption)</i>	
	<b>Variable Linked Redemption</b>	
	(i) Underlying:	[Market Rate/Share/Basket of Shares/Share Index/Basket of Share Indices/Fund/Basket of Funds/Commodity/Basket of Commodities/Commodity Index/Basket of Commodity Indices/Inflation Index]
	(ii) Variable Linked Redemption Amount:	[●] <i>(Provide the formula or other method of determination)</i>

- (iii) Business Days: [●]
- (iv) Business Day Convention: [●]
- (v) Initial Averaging: [Not Applicable / Applicable]
- (vi) Averaging: [Not Applicable / Applicable]
- [(vi) Initial Averaging Dates: [●]]
- [(vi) Averaging Dates: [●]]
- 27 Partial Redemption: [Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Partial Redemption Date(s) [●]
- (ii) Partial Redemption Amounts: [●]

## VARIABLE LINKED PROVISIONS

(Include the relevant provisions below, if the Underlying is one or more **Market Rates**)

- (i) Publication Source: [●]
- (ii) Designated Maturity: [●]
- (iii) Spread: [●]
- (iv) Interest Determination Date: [●]
- [(v) Day count Fraction: [●]]

(Include the relevant provisions below, if the Underlying is a **Share**)

- (i) Share: [●] (Insert full title of the Share, its ISIN code and the name of the issuer)
- (ii) Exchange: [●]
- (iii) Related Exchange: [[●]/All Exchanges]
- (iv) Valuation Date(s): [●]
- [(v) Initial Valuation Date: [●]]
- [(v) Initial Price: [●]]

(Include the relevant provisions below, if the Underlying is **Share Basket**)

- (i) Share Basket:

<i>i</i>	$w_{(j=1)}$	$w_{(j=2)}$	...	Share	Exchange	Related Exchange	Securities code
1	[●]%	[●]%	[●]%	[●]	[●]	[●]/All Exchanges	[●]
2	[●]%	[●]%	[●]%	[●]	[●]	[●]/All Exchanges	[●]
...	[●]%	[●]%	[●]%	[●]	[●]	[●]/All Exchanges	[●]

- (ii) Valuation Date(s): [●]
- [(iii) Initial Valuation Date: [●]]

(Include the relevant provisions below, if the Underlying is a **Share Index**)

- (i) Index: [●]



- (ii) Exchange: [[•]/Multiple Exchange]
- (iii) Related Exchange: [[•]/All Exchanges]
- (iv) Valuation Date(s): [•]
- [(v) Initial Valuation Date: [•]]
- [(v) Initial Price: [•]]

*(Include the relevant provisions below, if the Underlying is a **Basket of Share Indices**)*

- (i) Index Basket:

$i$	$w_{(j=1)}$	$w_{(j=2)}$	...	Index	Exchange	Related Exchange
1	[•]%	[•]%	[•]%	[•]	[•]/Multiple Exchange	[•]/All Exchanges
2	[•]%	[•]%	[•]%	[•]	[•]/Multiple Exchange	[•]/All Exchanges
...	[•]%	[•]%	[•]%	[•]	[•]/Multiple Exchange	[•]/All Exchanges

- (ii) Valuation Date(s): [•]
- [(iii) Initial Valuation Date: [•]]

*(Include the relevant provisions below, if the Underlying is a **Fund**)*

- (i) Reference Fund: [•] *(Insert full title of the Reference Fund, including its sponsor, the ISIN code, class, if applicable, and a short description)*
- (ii) Valuation Date(s): [•]
- [(iii) Initial Valuation Date: [•]]
- [(iii) Initial Price: [•]]

*(Include the relevant provisions below, if the Underlying is a **Basket of Funds**)*

- (i) Fund Basket:

$i$	$w_{(j=1)}$	$w_{(j=2)}$	...	Reference Fund	Class	Fund Description	Fund Administrator	ISIN Code
1	[•]%	[•]%	[•]%	[•]	[•]	[•]	[•]	[•]
2	[•]%	[•]%	[•]%	[•]	[•]	[•]	[•]	[•]
...	[•]%	[•]%	[•]%	[•]	[•]	[•]	[•]	[•]

- (ii) Valuation Date(s): [•]
- [(iii) Initial Valuation Date: [•]]

*(Include the relevant provisions below, if the Underlying is a **Commodity**)*

- (i) Commodity: [•]
- (ii) Exchange: [•]
- (iii) Price Source: [•]
- (iv) Valuation Time: [•]

- (v) Valuation Date(s): [•]  
 [(vi) Initial Valuation Date: [•]]  
 [(vi) Initial Price: [•]]

*(Include the relevant provisions below, if the Underlying is a **Basket of Commodity**)*

- (i) Commodity Basket:

$i$	$w_{(j=1)}$	$w_{(j=2)}$	...	Commodity	Exchange	Price Source	Valuation Time
1	[•]%	[•]%	[•]%	[•]	[•]	[•]	[•]
2	[•]%	[•]%	[•]%	[•]	[•]	[•]	[•]
...	[•]%	[•]%	[•]%	[•]	[•]	[•]	[•]

- (ii) Valuation Date(s): [•]  
 [(iii) Initial Valuation Date: [•]]

*(Include the relevant provisions below, if the Underlying is a **Commodity Index**)*

- (i) Commodity Index: [•]  
 (ii) Valuation Time: [•]  
 (iii) Valuation Date(s): [•]  
 [(iv) Initial Valuation Date: [•]]  
 [(iv) Initial Price: [•]]

*(Include the relevant provisions below, if the Underlying is a **Basket of Commodity Indices**)*

- (i) Commodity Index Basket:

$i$	$w_{(j=1)}$	$w_{(j=2)}$	...	Commodity Index	Valuation Time
1	[•]%	[•]%	[•]%	[•]	[•]
2	[•]%	[•]%	[•]%	[•]	[•]
...	[•]%	[•]%	[•]%	[•]	[•]

- (ii) Valuation Date(s): [•]  
 [(iii) Initial Valuation Date: [•]]

*(Include the relevant provisions below, if the Underlying is an **Inflation Index**)*

- (i) Index: [•]  
 [The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.]  
 (ii) Initial Index: [•]  
 (iii) Final Index: [•]  
 (iv) Index Sponsor: [•]  
 (v) Reference Month: [•]  
 (include, if applicable, relevant disclaimer with respect to the index sponsor) [The [indicate relevant index sponsors] (the “**Index Sponsors**”) and their licensors, research partners or

data providers have no relationship with the Issuer [and Guarantor], other than the licensing of the Issuer's [and/or Guarantor's] right to insert the *[name of the applicable index]* and the related trademarks for use in connection with the Notes. "Index Sponsors" shall also refer to the entities belonging to the same corporate group as the Index Sponsors. The Index Sponsors and their licensors, research partners or data providers do not (i) sponsor, endorse, sell or promote the Notes, (ii) recommend that any person invest in the Notes or any other securities, (iii) have any responsibility or liability for or make any decisions regarding the timing, amount or pricing of the Notes, (iv) have any responsibility or liability for the administration, management or marketing of the Notes, (v) consider the needs of the Notes or the owners of the Notes in determining, composing or calculation the *[relevant index]* or have an obligation to do so. The Index Sponsors and their licensors, research partners or data providers give no warranty and exclude any liability (whether in negligence or otherwise) in connection with the Notes and their performance. The Index Sponsors do not assume any contractual relationship with the purchasers of the Notes or any third parties. Specifically (i) The Index Sponsors and their 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 Notes, the owner of the Notes or any other person in connection with the use of the *[relevant index]* and the data contained in the *[relevant index]*, (y) the accuracy, timeliness, and completeness of the *[relevant index]* and its data; (z) the merchantability and fitness for a particular purpose or use of the *[relevant index]* and its data; (xx) the performance of the Notes generally. The Index Sponsors and their licensors, research partners or data providers give no warranty and exclude any liability, for any errors, omissions or interruptions of in the *[relevant index]* or its data. Under no circumstances will the Index Sponsors or their 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 *[relevant index]* or its data or generally in relation to the Notes, even in circumstances where the Index Sponsors or their licensors, research partners or data providers are aware that such loss or damage may

occur. The licensing agreement between the Issuer [and the Guarantor] and the Index Sponsors is solely for their benefit and not for the owners of the Notes or any third parties.]

[*other disclaimers to be added as appropriate*]

## REASONS FOR THE OFFER

Reasons for the offer:

[●](See “Use of Proceeds” wording in Base Prospectus – if reasons for offer different from general corporate purposes of the Issuer, will need to include those reasons here.)

## DISTRIBUTION

Dealer(s):

[Belfius Bank SA/NV/ [●]]

[Selling fees:

[●]] [*To be further completed as appropriate*][1. Fees included in the Issue Price, linked to the structuration and management of the Notes and borne by the investors:

Total commission and concession:

- Upfront fee: [●] % of the subscribed nominal amount of Notes.
- Recurring annual fees: [●] % of the subscribed nominal amount of Notes, *i.e.* a maximum of [●]% if the Notes are held until the scheduled Maturity Date.

The above mentioned fees are indicative only. These fees may fluctuate either upwards or downwards depending on the market conditions during the Offer Period.

[2. Fees and other costs not included in the Issue Price, and borne by the investors:

Brokerage Fee: [●] % of the subscribed nominal amount of Notes, payable upfront

[Additional selling restrictions:

[●]]

## OPERATIONAL INFORMATION

ISIN Code:

[●]

Common Code:

[●]

Clearing System(s):

[●]

Principal Paying Agent:

\*[Belfius Bank SA/NV][ Banque Internationale à Luxembourg, SA]

Paying Agent:

\*[N/A][ Belfius Bank SA/NV ]

[Relevant Benchmark[s]]

[Not Applicable]/[specify benchmark] is provided by [administrator legal name]. As at the date hereof, [administrator legal name][appears]/[does not appear] in the register of administrators and

benchmarks established and maintained by ESMA pursuant to Article 36 (*Register of administrators and benchmarks*) of the Benchmark Regulation.]/[As far as the Issuer is aware, as at the date hereof, [specify benchmark] does not fall within the scope of the Benchmark Regulation.]

**SECONDARY MARKET** (*Include this provision if Secondary Market is provided*)

[Applicable]

Maximum Spread: [●]

Maximum Commission: [●]

Maximum Exit Penalty: [●]

**RESPONSIBILITY**

The Issuer [and the Guarantor] accept[s] responsibility for the information contained in these Final Terms.

Signed on behalf of the Issuer:

By:.....

Duly authorised

[Signed on behalf of the Guarantor:

By:.....

Duly authorised]

# Annex 2: Guarantee

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A form of the Guarantee is reproduced here below:

**BELFIUS FINANCING COMPANY SA**  
**And**  
**BELFIUS BANK SA/NV**  
**Notes Issuance Programme**  
**GUARANTEE**  
**by**  
**Belfius Bank SA/NV**  
**IN RELATION TO NOTES ISSUED BY Belfius Financing Company**

25 May 2021

WHEREAS the Board of Directors of Belfius Financing Company S.A. (the “**Issuer**” or “**Belfius Financing Company**”) has decided on 26 February 2021 to update the Notes Issuance Programme (the “**Programme**”) under which it may from time to time issue Notes (the “**Belfius Financing Company Notes**”), which may be linked to various underlyings (the “**Underlying**”), that rank as senior preferred obligations of the Issuer (the “**Belfius Financing Company Notes**”) according to the terms and conditions enumerated in such decision. Belfius Financing Company Notes will be guaranteed by Belfius Bank SA/NV (also named Belfius Banque SA/Belfius Bank NV) (the “**Guarantor**” or “**Belfius Bank**”) pursuant to this senior preferred guarantee (the “**Guarantee**”);

WHEREAS the Management Board of Belfius Bank has approved to guarantee the issuance by Belfius Financing Company of Belfius Financing Company Notes under the Programme by its decision of 17 March 2021;

WHEREAS the Management Board of Belfius Bank in its decision of 17 March 2021 has delegated all powers to execute such Guarantee to Mr. D. Gyselinck, member of the Management Board, with the right for him to delegate his powers;

The Guarantor hereby unconditionally and irrevocably guarantees as and for its own debt to each holder of each Belfius Financing Company Note (each a “**Noteholder**” and together the “**Noteholders**”) to pay or procure to pay such amounts to the Noteholders who have not obtained due payment from the Issuer if and when such amounts fall due under the Terms and Conditions. The Terms and Conditions are those enumerated in the Base Prospectus and the relevant Final Terms, and which are included by reference in the present Guarantee. This Guarantee is enforceable against the Guarantor upon first demand sent by the holder by registered mail to the statutory seat of the Guarantor.

The Base Prospectus has been approved by the Financial Services and Markets Authority in its decision of 25 May 2021.

It is understood that any payments to be made under this Guarantee shall be made in the currency of the underlying Notes.

This Guarantee is a continuing guarantee and nothing but payment in full of the amounts due by the Issuer in application of the Notes hereby guaranteed shall discharge the Guarantor of its obligations hereunder in respect of such Notes.

This Guarantee shall be governed by, and interpreted in accordance with, the laws of Belgium.

This Guarantee may be executed in any number of counterparts.

All actions arising out of or based upon this Guarantee are to be brought before the competent Courts in Brussels.

In witness whereof, the Guarantor has authorised and caused this Guarantee to be duly executed and delivered as of 25 May 2021.

On behalf of Belfius Bank SA/NV

[Dirk Gyselinck  
Member of the Management Board]

# Annex 3: Articles of Association

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## **A. Belfius Bank**

Copies of the articles of Association (in English, French and Dutch) of Belfius Bank may be obtained without charge from the offices of Belfius Bank and are also available on the website of Belfius Bank (<https://www.belfius.be>) in the Company profile, section “Who we are” (link <https://www.belfius.be/about-us/en/corporate-governance/governance/articles-of-association>).



## B. Belfius Financing Company

### BELFIUS FINANCING COMPANY S.A.

Société anonyme  
R.C.S. Luxembourg B 156.767

## Articles of Association Dated 7 May 2014

### Title I. - Denomination, Registered office, Object, Duration

**Art. 1.** There is hereby established a *société anonyme* under the name of “Belfius Financing Company”.

**Art. 2.** The registered office of the company is established in the municipality of Koerich.

It may be transferred to any other place in the municipality of Koerich by a decision of the board of directors

If extraordinary political or economic events occur or are imminent, which might interfere with the normal activity at the registered office, or with easy communication between this office and abroad, the registered office may be declared to have been transferred abroad provisionally until the complete cessation of these abnormal circumstances.

Such decision, however, shall have no effect on the nationality of the company. Such declaration of the transfer of the registered office shall be made and brought to the attention of third parties by the organ of the corporation, which is best situated for this purpose under such circumstances.

**Art. 3.** The company is established for an unlimited period.

**Art. 4.** The purpose of the Company is: (a) to hold shareholdings and stakes, in any form whatsoever, in any commercial, industrial, financial or other Luxembourg or foreign company or undertakings, as well as to manage and optimise these stakes, (b) to acquire by way of participations, contributions, guarantees, acquisitions or options, negotiation or any other means, securities, rights, patents, licenses and other assets, provided the Company considers it appropriate to do so, and in general to hold, manage, optimise, sell or transfer the aforementioned, in whole or in part; (c) to take part in commercial, financial or other transactions and to grant to any holding company, subsidiary, associated or affiliated company or any other company belonging to the same corporate group as the Company any financial assistance, loan, advance or guarantee; (d) to borrow, raise funds by any means whatsoever (including without limitation the issuance of preferred equity certificates (PECs) (nonconvertible or convertible into shares), loans, bonds, acknowledgements of debt and any other form of debt or type of instrument) and to ensure the reimbursement of any borrowed amount; to perform all operations directly or indirectly related to this purpose.

The Company may grant pledges, guarantees, liens, mortgages and any other type of security (surety), as well as any form of compensation, to Luxembourg or foreign entity(ies) in relation to its own obligations and debts, or in relation to the obligations and debts of subsidiaries, associated or affiliated companies or any company belonging to the same corporate group.

The Company may acquire immovable property located abroad or in Luxembourg.

The Company may moreover perform any commercial, technical or financial transactions, involving movable or immovable property, which are directly or indirectly related to the abovementioned purpose.

### Title II. - Capital, Shares

**Art. 5.** The share capital of the Company is set at three million ninety-four thousand four euro (EUR 3,094,004) divided into two hundred and fifty-one (251) shares, without nominal value.

The shares are in registered form.

The company may, to the extent and under the terms permitted by law, purchase its own shares.

The corporate capital may be increased or reduced in compliance with the legal requirements.

The company recognises only one single owner per share. If one or more shares are jointly owned or if the ownership of such share(s) is disputed, all persons claiming a right to such share(s) have to appoint one single attorney to represent such share(s) towards the company.

The failure to appoint such attorney implies a suspension of all rights attached to such share(s).

### Title III. – Management

**Art. 6.** The Company shall be managed by a board of directors composed of at least three (3) directors, who need not be shareholders of the Company. The directors shall be elected by the shareholders at a general meeting, which shall determine their number, remuneration and term of office. The term of office of a director may not exceed six (6) years and the directors shall hold office until their successors are elected. The directors may be re-elected for consecutive terms of office. The directors are split in two (2) categories, directors of category A and directors of category B.

In case the company is incorporated by a sole shareholder, or if, at a general meeting of shareholders, it is noted that the company only has one shareholder, the composition of the board of directors may be limited to one sole director until the next annual general meeting at which it is noted that the company has (again) more than one shareholder.

In this case, the sole director exercises the powers devolving on the board of directors.

The directors are elected by a simple majority vote of the shares present or represented. Any director may be removed at any time with or without cause by the general meeting of shareholders.

In the event of a vacancy in the office of a director because of death, retirement or otherwise, this vacancy may be filled out on a temporary basis until the next meeting of shareholders, in compliance with the applicable legal provisions.

**Art. 7.** The board of directors will elect from among its members a chairman. When he is prevented, he is replaced by the eldest director. The first chairman may be appointed by the extraordinary general shareholders meeting following the incorporation of the company.

The board of directors convenes upon call by the chairman or by the eldest director, when the chairman is prevented, as often as the interest of the corporation so requires. It must be convened each time two directors so request.

Any director may act at any meeting of the board of directors by appointing in writing or by telegram, telex or facsimile another director as his proxy. A director may represent one or more of his colleagues.

The board of directors can deliberate and/or act validly only if all the directors are present or represented at a meeting of the board of directors. If the required presence quorum is not attained, the meeting shall be adjourned and a second meeting shall be convened at the same hour, five business days later, which will deliberate and/or act validly only if a majority of the directors is present or represented at such meeting.

Decisions shall be taken by a majority vote of the directors present or represented at such meeting. In case of a tie in votes, the vote of the chairman of the meeting will be decisive.

Board resolutions can also be taken by circular letter, the signatures of the different board members may be apposed on several exemplars of the board resolution in writing.

Any director may also participate in any meeting of the board of directors by conference call, videoconference or by other similar means of communication allowing all the persons taking part in the meeting to hear one another. The participation in a meeting by these means is equivalent to a participation in person at such meeting.

**Art. 8.** The board of directors is vested with the broadest powers to perform all acts of administration and disposition in compliance with the corporate object.

All powers not expressly reserved by law or by the present articles of association to the general meeting of shareholders fall within the competence of the board of directors. The board of directors may pay interim dividends, in compliance with the legal requirements.

**Art. 9.** The Company will only be bound by the joint signature of any A director together with any B director or by the single signature to whom such signatory power has been validly delegated by the board of directors or by a decision signed by a director A and by a director B jointly

**Art. 10.** The board of directors may delegate its powers to conduct the daily management of the company to one or more directors, officers, managers or other agents, shareholder or not, acting alone or jointly.

The board of directors may also commit the management of all the affairs of the corporation or of a special branch to one or more managers, and give special powers for determined matters to one or more proxy holders, selected from its own members or not, either shareholders or not.

**Art. 11.** Any litigations involving the company either as plaintiff or as defendant, will be handled in the name of the company by the board of directors, represented by its chairman or by the director delegated for this purpose.

#### **Title IV. - Supervision**

**Art. 12.** The company is supervised by one or several statutory auditors, appointed by the general meeting of shareholders which will fix their number and their remuneration, as well as the term of their office, which must not exceed six years.

Whenever required by law the company is supervised by one or several independent auditors in lieu of the statutory auditor(s).

The independent auditors are appointed, pursuant to the related legal provisions, either by the general meeting of shareholders or by the board of directors. The independent auditors shall fulfil all the duties set forth by the related law.

#### **Title V. - General meeting**

**Art. 13.** The general meeting of shareholders of the company represents all the shareholders of the company. It has the broadest powers to order, carry out or ratify acts relating to the operations of the company, unless the present articles of association provide otherwise.

The annual general meeting will be held in the city of Luxembourg at the place specified in the convening notices on the third Wednesday of March at 10.00 a.m.

If such day is a legal holiday, the general meeting will be held on the next following business day.

Other general meetings of shareholders may be held at such places and dates as may be specified in the respective notices of meeting.

Each share entitles one vote. Each shareholder may participate to the meetings of the shareholders by appointing in writing, by telecopy, email or any other similar means of communication, another person as his proxy-holder.

If all shareholders are present or represented at a meeting of the shareholders, and if they declare knowing the agenda, the meeting may be held without convening notice or prior publication.

If the company only has one sole shareholder, the latter exercises the powers devolving on the general meeting,

#### **Title VI. - Accounting year, Allocation of profits**

**Art. 14.** The accounting year of the company shall begin on January 1 and shall terminate on December 31 of each year.

**Art. 15.** After deduction of any and all of the expenses of the company and the amortizations, the credit balance represents the net profits of the company. Of the net profits, five percent (5,00 %) shall be appropriated for the legal reserve; this deduction ceases to be compulsory when the reserve amounts to ten percent (10,00 %) of the capital of the company, but it must be resumed until the reserve is entirely reconstituted if, at any time, for any reason whatsoever, it has been touched.

The balance is at the disposal of the general meeting.

#### **Title VII. - Dissolution, Liquidation**

**Art. 16.** The company may be dissolved by a resolution of the general meeting of shareholders. The liquidation will be carried out by one or more liquidators, physical or legal persons, appointed by the general meeting of shareholders which will specify their powers and fix their remunerations.

#### **Title VIII. - General provisions**

**Art. 17.** All matters not governed by these articles of association are to be construed in accordance with the law of August 10<sup>th</sup> 1915 on commercial companies and the amendments hereto.

## Annex 4: Agency Agreement

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**BELFIUS FINANCING COMPANY SA**

**as Issuer**

**and**

**BELFIUS BANK SA/NV**

**as Guarantor of Notes issued by Belfius Financing Company SA, Paying Agent and  
Calculation Agent**

**BANQUE INTERNATIONALE A LUXEMBOURG SA**

**as Fiscal Agent and Principal Paying Agent**

### **AGENCY AGREEMENT**

**Relating to the Notes issued in bearer form by Belfius Financing Company  
SA (hereafter the “Bearer Notes”)**

**under the**

**BELFIUS FINANCING COMPANY SA**

**AND**

**BELFIUS BANK SA/NV**

**NOTES ISSUANCE PROGRAMME**

25 May 2021

**This Agency Agreement** (the “**Agreement**”) is made as of 25 May 2021 and amends and restates the Agency Agreement dated 22 September 2020 as modified from time to time **BETWEEN**:

- (1) **Belfius Financing Company, SA** with its registered office located at 20, rue de l'Industrie, L-8399 Koerich, Grand Duchy of Luxembourg (“**Belfius Financing Company**”, the “**Issuer**”);
- (2) **Belfius Bank SA/NV**, with its registered office at Place Charles Rogier 11, B-1210 Brussels, Belgium (“**Belfius Bank**” in its capacity as guarantor of the Notes the “**Guarantor**”, in its capacity as paying agent, the “**Paying Agent**” and its capacity as calculation agent, the “**Calculation Agent**” in the case of Notes issued by Belfius Financing Company under the Notes Issuance Programme); and
- (3) **BANQUE INTERNATIONALE A LUXEMBOURG, SOCIETE ANONYME** with its register office at 69, route d’Esch, L-2953, Luxembourg, Grand Duchy of Luxembourg (“**BIL**”, in its capacity as fiscal agent the “**Fiscal Agent**” and its capacity as principal paying agent the “**Principal Paying Agent**”).

#### **WHEREAS**

- (A) Belfius Financing Company, in accordance with the resolutions of the Board of Directors of Belfius Financing Company, passed on 26 February 2021, may from time to time issue Bearer Notes (the “**Belfius Financing Company Notes**”) under the updated Notes Issuance Programme to be dated on or around 25 May 2021 (the “**Programme**”), which may be linked to various underlyings (the “**Underlying**”), that rank as senior obligations of the Issuer (the “**Notes**”). The Notes will be guaranteed by the Guarantor pursuant to a senior guarantee (the “**Guarantee**”) in accordance with the resolutions of the Management Board of the Guarantor passed on 17 March 2021.
- (B) The Programme is described in the prospectus (the “**Prospectus**”) dated 25 May 2021 that replaces and supersedes, as of such date, the Prospectus dated 22 September 2020.
- (C) For the purposes of the Programme the parties (or their predecessors) to this Agency Agreement entered into an agency agreement dated 22 September 2020 (the “**Original Agency Agreement**”) to be amended, restated and superseded by this Agency Agreement.
- (D) Any Bearer Notes issued on or after the date of this Agency Agreement shall be issued under the Programme pursuant to this Agency Agreement. The amendments to the Original Agency Agreement made by this Agency Agreement shall not apply in respect of any further Belfius Financing Company Notes issued pursuant to the Original Agency Agreement on or after the date hereof that are consolidated and form a single series with any Notes issued prior to the date hereof.

#### **IT HAS BEEN AGREED AS FOLLOWS:**

#### **Article 1**

The Issuer hereby warrants as follows:

- (i) That it is duly incorporated and validly existing under the laws of its country of incorporation and that it has corporate power and authority to conduct its business and to execute, deliver and comply with the provisions of this Agreement and the Notes, as the case may be;
- (ii) that all necessary consents, authorizations, notifications, registrations and filings have been obtained or made (and are in full force and effect) in connection with the compliance by the Issuer with the respective terms of this Agreement and the Notes including all payments to be made by the Issuer thereunder or in connection therewith;
- (iii) that this Agreement constitutes, and upon due execution, issue and/or delivery as aforesaid the Notes will constitute, valid and legally binding obligations of the Issuer in accordance with their respective terms;
- (iv) that the Prospectus is accurate in all material respects and does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading;
- (v) that the financial statements and other financial information in the Programme present fairly its financial position and since the date of the most recent financial statements therein contained there has been no material adverse change, financial or otherwise in the condition, general affairs, results of operation or prospects other than as referred to in the Prospectus;

- (vi) that no events exist which, had any Notes been issued, would (or, with the giving of notice or lapse of time or both, could) constitute an event of default under the Notes;
- (vii) that no litigation, arbitration or administrative proceedings are presently current or pending or, to the knowledge of the Issuer threatening which would or might have a material adverse effect on the Issuer or on the ability of the Issuer to perform its obligations under this Agreement and the Notes;
- (viii) that under presently applicable rules, all payments to be made by the Issuer under this Agreement and the Notes are exempt from any taxes, by way of deduction or withholding, and the Issuer is not required by law to make any deduction or withholding therefrom;
- (ix) that the Issuer will pay all and any stamp and other similar taxes and duties payable in its country of incorporation in connection with the authorization, execution and delivery of the Notes, the initial delivery of the Notes and the execution and delivery of this Agreement.

## Article 2

The Bearer Notes are issued in bearer form in the Denominations specified in the relevant Final Terms. They will be represented by a Permanent Global Note, deposited with BIL as common depositary for Euroclear Bank SA/NV and Clearstream Banking S.A. and will not be exchangeable for definitive notes.

The Bearer Notes will not be physically delivered. They will be held in a securities account.

## Article 3

The Issuer appoints BIL as Principal Paying Agent and Fiscal Agent and Belfius Bank as Calculation Agent and Paying Agent (together referred to as the “**Agents**”) in respect of any Tranche of Bearer Notes issued under the Programme upon the terms and subject to the conditions herein set forth, unless otherwise specified in the relevant Final Terms.

## Article 4

The Issuer or the Guarantor authorises and directs the Fiscal Agent, from the funds provided to it, to make payments of principal and interest on the Bearer Notes on the relevant due dates.

- (1) The Issuer will, before 10.00 a.m. (Central European Time), on each date on which any payment in respect of any Bearer Notes becomes due under the Conditions, transfer to an account specified by the Fiscal and Principal Paying Agent from time to time such amount in the relevant currency as shall be sufficient for the purposes of such payment in funds settled through such payment system as the Fiscal and Principal Paying Agent and the Issuer may from time to time agree.
- (2) Any funds paid by or by arrangement with the Issuer to the Fiscal and Principal Paying Agent pursuant to subclause (1) shall be held by the relevant Agent for payment to the Noteholders, until any payments under the Bearer Notes become prescribed under the Conditions.
- (3) The Issuer will ensure that no later than 10.00 a.m. (Central European Time) on the second Business Day (as defined below) immediately preceding the date on which any payment is to be made to the relevant Agent pursuant to subclause (1), the Fiscal and Principal Paying Agent shall receive an irrevocable payment confirmation by authenticated SWIFT from the paying bank of the Issuer. For the purposes of this subclause, “**Business Day**” means any day on which TARGET2 (the Trans-European Automated Real-time Gross settlement Express Transfer system) is open and any other day so specified in the relevant Final Terms.
- (4) The Fiscal and Principal Paying Agent shall notify by facsimile or by e-mail the Issuer forthwith:
  - (a) if it has not by the relevant date specified in subclause (1) received unconditionally the full amount in the Specified Currency required for the payment; and
  - (b) if it received unconditionally the full amount of any sum payable in respect of the Bearer Notes after such date.
- (5) If for any reason the Fiscal and Principal Paying Agent considers in its sole discretion that the amounts to be received by it pursuant to subclause (1) will be, or the amounts actually received by it pursuant thereto are, insufficient to satisfy all claims in respect of all payments then falling due in respect of the Bearer Notes, the Agents shall not be obliged to pay any such claims until the Fiscal and Principal Paying Agent have received the full amount of all such payments.

(6) Without prejudice to subclause (5), if the Fiscal and Principal Paying Agent pays any amounts to the holders of Bearer Notes or to any other Paying Agent at a time when it has not received payment in full in respect of the relevant Bearer Notes in accordance with subclause (1) (the excess of the amounts so paid over the amount so received being the “**Shortfall**”), the Issuer will, in addition to paying amounts due under subclause (1), pay to the Fiscal and Principal Paying Agent on demand interest (at a rate which represents the Fiscal and Principal Paying Agent’s cost of funding the Shortfall) on the Shortfall (or the unreimbursed portion thereof) until receipt in full by the Fiscal and Principal Paying Agent of the Shortfall.

(7) The Fiscal and Principal Paying Agent shall on demand promptly reimburse each other Paying Agent for payments in respect of Bearer Notes properly made by such Paying Agent in accordance with this Agreement and the Conditions unless the relevant Agent has notified the relevant Paying Agent that the Fiscal and Principal Paying Agent does not expect to receive on the due date of a payment in respect of the Bearer Notes sufficient funds to make payment of all amounts falling due in respect of such Bearer Notes.

(8) Whilst any Bearer Notes are represented by a Permanent Global Note, all payments due in respect of such Notes shall be made to, or to the order of, the holder of the Permanent Global Note, subject to and in accordance with the provisions of the Permanent Global Note. On the occasion of any such payment, the Paying Agent to which any Permanent Global Note was presented for the purpose of making such payment shall cause the appropriate Schedule to the relevant Permanent Global Note to be annotated in order to evidence the amounts and dates of such payments of principal and/or interest as applicable.

(9) If the amount or principal and/or interest then due for payment is not paid in full (otherwise than by reason of a deduction required by law to be made therefrom or a certification required by the terms of a Note not being received), the Paying Agent to which a Note is presented for the purpose of making such payment shall make a record of such shortfall on the relevant Note and such record shall, in the absence of manifest error, be *prima facie* evidence that the payment in question has not to that extent been made.

## **Article 5**

The Calculation Agent shall in respect of the Notes:

- (a) obtain such quotes and rates and/or make such determinations, calculations, adjustments, notifications and publications as may be required to be made by it by the chapter Terms and Conditions of the Notes in the Prospectus (the “**Terms and Conditions**”) at the times and otherwise in accordance with the Terms and Conditions;
- (b) maintain a record of all quotations obtained by it and of all amounts, rates and other items determined or calculated by it and make such record available for inspection at all reasonable times by the Issuer, the Guarantor and the Paying Agents;
- (c) promptly notify (and confirm in writing to) the Issuer, the other Paying Agents of each Interest Amount, Interest Rate and Interest Payment Date and all other amounts, rates and dates which it is obliged to determine or calculate under the Conditions as soon as practicable after their determination and of any subsequent amendments to them under the Conditions; and
- (d) use its best endeavours to cause each Interest Amount, Interest Rate and Interest Payment Date and all other amounts, rates and dates which it is obliged to determine or calculate under the Conditions to be published as required in accordance with the Conditions as soon as possible after their determination or calculation.

## **Article 6**

The Issuer, or failing him, the Guarantor, will indemnify the Fiscal Agent against any loss, liability and reasonable expenses which may be incurred by it by reason of, or in connection with the exercise of its duties as Fiscal Agent, except such as may result from the Fiscal Agent's own negligence or wilful misconduct. The Fiscal Agent shall not be liable to pay interest on any moneys deposited with it by the Issuer and/or the Guarantor for the purpose of its functions as Fiscal Agent.

The indemnities contained in this Article 6 shall survive the termination or expiry of this Agreement.

## **Article 7**

The Issuer, failing whom the Guarantor, shall pay the fees and expenses in respect of the Agents’ services in relation to any Tranche of Notes to the Fiscal Agent as separately agreed with the Fiscal Agent.

The Issuer will also reimburse the Fiscal Agent all reasonable out-of-pocket expenses (including, *inter alia*, publication, cable and telex costs and postage) incurred by it in connection with the services rendered hereunder, upon its written request.

The Fiscal Agent shall be responsible for the remuneration of the Agents and for the reimbursement of the expenses incurred by them.

### **Article 8**

(1) Each Agent shall be entitled to deal with money paid to it by the Issuer for the purpose of this Agreement in the same manner as other money paid to a banker by its customers except:

(a) that it shall not exercise any right of set-off, lien or similar claim in respect thereof except in the case of money due to the Issuer, and any amounts that are due but unpaid or are to be reimbursed by the Issuer under this Agreement; and

(b) that it shall not be liable to account to the Issuer for any interest thereon.

No monies held by any Agent need be segregated except as required by law.

(2) In acting hereunder and in connection with the Bearer Notes, each Agent shall act solely as an agent of the Issuer and will not thereby assume any obligations towards or relationship of agency or trust for or with any of the owners or holders of the Bearer Notes.

(3) Each Agent hereby undertakes to the Issuer to perform such obligations and duties, and shall be obliged to perform such duties and only such duties, as are herein specified and in the Conditions, and no implied duties or obligations shall be read into any such document against any Agent, other than the duty to act honestly and in good faith and to exercise the diligence of a reasonably prudent agent in comparable circumstances.

(4) The Fiscal and Principal Paying Agent may consult with legal and other professional advisers and the opinion of such advisers shall be full and complete protection in respect of any action taken, omitted or suffered hereunder in good faith and in accordance with the opinion of such advisers.

(5) Each Agent may rely upon and shall be protected and shall incur no liability for or in respect of any action taken, omitted or suffered in reliance upon any instruction, request or order from the Issuer or any notice, resolution, direction, consent, certificate, affidavit, statement, cable, facsimile, telex or other paper or document which it reasonably believes to be genuine and to have been delivered, signed or sent by the proper party or parties or upon written instructions from the Issuer.

(6) Any Agent and its officers, directors and employees may become the owner of and/or acquire any interest in, any Notes with the same rights that it or they would have had if the Paying Agent concerned were not appointed hereunder, and may engage or be interested in any financial or other transaction with the Issuer and may act on, or as depositary, trustee or agent for, any committee or body of holders of Notes or in connection with any other obligations of the Issuer as freely as if the Agent were not appointed hereunder.

(7) The Issuer shall provide the Fiscal and Principal Paying Agent with a certified copy of the list of persons authorised to execute documents and take action on its behalf in connection with this Agreement and shall notify the Fiscal and Principal Paying Agent immediately in writing if any of such persons ceases to be so authorised or if any additional person becomes so authorised together, in the case of any additional authorised person, with evidence satisfactory to the Agent that such person has been so authorised.

(8) Except as ordered by a court of competent jurisdiction or as required by law or applicable regulations, the Issuer and each of the Agents shall be entitled to treat the bearer of any Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof).

### **Article 9**

This Agreement may be amended by the parties hereto without the consent of the Noteholders, for the purpose of curing any ambiguity or in any manner which the parties may mutually deem necessary or desirable.

### **Article 10**

The Issuer agrees that there shall at all times be a Fiscal Agent, until all the Notes shall have been redeemed and/or purchased and cancelled or shall have become void under the provisions of the prescription clause in the Terms and Conditions.



Each of the Agents may be removed at any time by the filing with it of at least 90 days written notice to that effect signed by or on behalf of the Issuer, specifying the date on which such removal shall become effective, and each of the Agents may at any time resign by giving at least 90 days written notice (unless the Issuer agrees to accept less notice) to that effect to the Issuer, specifying the date on which such resignation shall become effective, provided however that no such notice shall take effect less than 45 days prior to and 45 days after a payment date under the Notes in any year and that no such resignation or removal shall take effect until a new Fiscal Agent, Principal Paying Agent, Paying Agent or Calculation Agent has been appointed by the Issuer and such appointment has been accepted by the Issuer. Upon its removal or resignation becoming effective, the successor Fiscal Agent shall be entitled to receive all funds and documents on deposit with or held by its predecessor as Fiscal Agent.

### **Article 11**

The Issuer and the Guarantor undertake to deliver to the Principal Paying Agent during the term of the Notes, upon its request, copies of its annual report and interim report, if any.

### **Article 12**

The Issuer and the Guarantor may at any time convene a meeting of Noteholders. The provisions for convening a meeting of Noteholders are detailed in the Programme.

### **Article 13**

Any notice hereunder shall be addressed

if to Belfius Financing Company:

to: Belfius Financing Company SA  
20 rue de l'Industrie  
L-8399 Koerich  
Grand Duchy of Luxembourg  
Attn.: Laurent Lassine  
Fax: +352 27 32 95 20  
Tel: +352 27 32 95 1  
mailto: cp@belfius-fc.lu

if to Belfius Bank:

to: Belfius Bank SA/NV  
Place Charles Rogier 11  
B-1210 Bruxelles  
Belgium  
P/A RT 06/22  
Attn: Financial Markets Transaction Services  
Fax: +32 2 285 10 87  
Phone: + 32 2 222 14 80  
Swift: GKCCBEBB  
mailto: CMcustodymgt@belfius.be

if to BIL:

to: Banque Internationale à Luxembourg, société anonyme  
69, route d'Esch  
L-2953 Luxembourg  
Grand Duchy of Luxembourg  
Attn.: Agency Services  
Phone: +352 4590 1  
Fax: +352 4590 3473  
Swift: BILLLULL  
mailto: paying.agency@bil.com and Agency.Services@bil.com

All such notices shall be sent by registered mail. Such notices shall be effective upon receipt of the registered mail.

### **Article 14**

(1) No Paying Agent shall be responsible or accountable to anyone with respect to the validity of this

Agreement or the Notes or for any act or omission by it in connection with this Agreement or any Note except for its own gross negligence, wilful default or bad faith, including that of its officers, directors and employees.

(2) No Paying Agent shall have any duty or responsibility in case of any default by the Issuer in the performance of its obligations under the Terms and Conditions or, in the case of receipt of a written demand from a Noteholder, with respect to such default, provided however that forthwith upon receipt by the Agent of a notice given by a Noteholder in accordance with Condition "*Events of Default*", the Agent will notify the Issuer and the Guarantor thereof and furnish them with a copy of such notice.

Whenever in the performance of its duties under this Agreement a Paying Agent shall deem it necessary or desirable that any fact or matter be proved or established by the Issuer prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by an authorised officer of the Issuer and delivered to such Paying Agent and such certificate shall be full authorisation to such Paying Agent, in its capacity as such, for any action taken or suffered in good faith by it under the provisions of this Agreement in reliance upon such certificate.

### **Article 15**

This Agreement is governed by and construed in accordance with the laws of the Grand Duchy of Luxembourg. All disputes arising in connection herewith between the Issuer, the Guarantor, the Fiscal Agent, the Principal Paying Agent, the Calculation Agent shall be subject to the non-exclusive jurisdiction of the courts of Luxembourg.

THUS DONE AND SIGNED ON 25 May 2021

Belfius Financing Company SA.  
as Issuer

By:

Belfius Bank SA/NV  
as Guarantor of Notes issued by Belfius Financing Company S.A, Paying Agent and Calculation Agent

By:

BANQUE INTERNATIONALE A LUXEMBOURG société anonyme  
as Fiscal Agent and Principal Paying Agent

By:

## ANNEX 1: TEMPLATE FOR PERMANENT GLOBAL NOTE

### **BELFIUS FINANCING COMPANY SA**

*(Incorporated with limited liability under the laws of the Grand Duchy of Luxembourg)*

**Issuer**

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

*(Incorporated with limited liability under the laws of Belgium)*

**Issuer, Guarantor, Domiciliary Agent, Principal Paying Agent, Paying Agent and Calculation Agent**

**BANQUE INTERNATIONALE A LUXEMBOURG,**

**SOCIETE ANONYME**

**Fiscal Agent and Principal Paying Agent**

### **NOTES ISSUANCE PROGRAMME**

**EUR 20,000,000,000**

## **PERMANENT GLOBAL NOTE**

**Permanent Global Note Series No: [●]**

**Nominal Amount of the Tranche: [●]**

**ISIN Code of the Notes: [●]**

This Permanent Global Note is issued in respect of the Bearer Notes (the “**Notes**”) of the Tranche(s) and Series specified in Part A of the Schedule hereto of Belfius Financing Company SA (the “**Issuer**”) and guaranteed by Belfius Bank SA/NV (the “**Guarantor**”) pursuant to the Guarantee dated 25 May 2021, as amended and supplemented from time to time.

#### **Interpretation and Definitions**

References in this Permanent Global Note to the “**Conditions**” are to the Terms and Conditions of the Notes (which are in the form set out in Annex 2 to the Agency Agreement dated 25 May 2021 between Belfius Financing Company SA as the Issuer, Belfius Bank SA/NV as the Guarantor of Notes issued by Belfius Financing Company SA, Calculation Agent and Paying Agent and Banque Internationale à Luxembourg, société anonyme as the Fiscal Agent and Principal Paying Agent, as such form is supplemented and/or modified and/or superseded by the provisions of this Permanent Global Note (including the supplemental definitions and any modifications or additions set out in Part A of the Schedule hereto). Other capitalised terms used in this Permanent Global Note shall have the meanings given to them in the Conditions or in the Agency Agreement. No provisions of this Permanent Global Note shall alter or impair the obligation of the Issuer and the Guarantor to pay the principal of and interest on the Notes when due in accordance with the Conditions and the relevant Guarantee.

Subject as provided in this Permanent Global Note, the Issuer (failing whom the Guarantor), promises to pay the Noteholder on Maturity Date and/or on such earlier date(s) as all or any of the Notes represented by this Permanent Global Note may become due and repayable in accordance with the Conditions, the amount payable under the Conditions in respect of the Notes represented by this Global Note on each such date and to pay interest (if any) on the nominal amount of the Notes from time to time represented by this Permanent Global Note.

This Permanent Global Note shall not be valid or become obligatory for any purpose until authenticated by or on behalf of the Fiscal Agent.

This Permanent Global Note shall be governed by and construed in accordance with Belgian law.

**IN WITNESS** whereof the Issuer has caused this Permanent Global Note to be duly signed on its behalf.

[Dated as of the Issue Date]

**Belfius Financing Company SA**

By:

#### **CERTIFICATE OF AUTHENTICATION**

This Permanent Global Note is authenticated by or on behalf of the Fiscal Agent.

**BANQUE INTERNATIONALE A LUXEMBOURG, société anonyme**

as Fiscal Agent  
By:

Authorised Signatory  
For the purposes of authentication only.

## **SCHEDULE: FINAL TERMS**

[Insert the relevant Final Terms that relate to the Permanent Global Note]

## **ANNEX 2: TERMS AND CONDITIONS**

See prospectus Section 8 TERMS AND CONDITIONS

# Annex 5: Reports Belfius Financing Company

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## **A. Audited accounts of Belfius Financing Company as at 31 December 2019**

See below.

## **B. Audited accounts of Belfius Financing Company as at 31 December 2020**

See below.



**BELFIUS FINANCING COMPANY S.A.  
SOCIETE ANONYME**

**ANNUAL ACCOUNTS AND REPORT OF  
THE RÉVISEUR D'ENTREPRISES AGRÉÉ**

**AS AT DECEMBER 31, 2019**

20, rue de l'Industrie

L-8399 Windhof

R.C.S. Luxembourg: B 156767

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To the Sole Shareholder of  
Belfius Financing Company S.A. 20, rue de l'Industrie  
L-8399 Windhof  
REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

## **Report on the Audit of the Annual Accounts**

### *Opinion*

We have audited the annual accounts of Belfius Financing Company S.A. (the "Company"), which comprise the balance sheet as at December 31, 2019, and the profit and loss account for the year then ended, and notes to the annual accounts, including a summary of significant accounting policies.

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of the Company as at December 31, 2019, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

### *Basis for Opinion*

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of July 23, 2016 on the audit profession (Law of July 23, 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier (CSSF). Our responsibilities under the EU Regulation N° 537/2014, the Law of July 23, 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the Réviseur d'Entreprises Agréé for the Audit of the Annual Accounts" section of our report. We are also independent of the Company in accordance with the International Ethics Standards Board for Accountants'

Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Société à responsabilité limitée au capital de 35.000 € RCS Luxembourg B 67.895

Autorisation d'établissement 10022179

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of the audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

- Debt instruments issuances and bond investments:

Short-term and long-term debt issuances are presented under Creditors in the annual accounts. These issuances are backed by bonds recognised under Investments in the annual accounts.

These transactions form the core activity of the Company and are the most material items of its financial position. In addition, these bonds contribute significantly to the results of the Company consisting in interest income they generate. Therefore, we have considered the completeness of the Creditors balance, the existence of the Investments balance and the accuracy of the related interest income as key audit matters for the purpose of our audit.

**Audit responses:**

We have assessed the design and implementation of key control activities which the Company performs in relation to debt instrument issuance, bond investments and related interest income. We have performed a test of operating effectiveness of these identified relevant controls. We completed our audit procedures by:

performing substantive testing on interest income related to Investments;

obtaining and analysing external confirmations from custodian banks in relation to the completeness and existence of respectively Creditors and Investments as at December 31, 2019.

*Other information*

The Board of Directors is responsible for the other information. The other information comprises the information stated in the management report but does not include the annual accounts and our report of the *Réviseur d'Entreprises Agréé* thereon.

Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

*Responsibilities of the Board of Directors and Those Charged with Governance for the Annual Accounts*

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

*Responsibilities of the Réviseur d'Entreprises Agréé for the Audit of the Annual Accounts*

The objectives of our audit are to obtain a reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the *Réviseur d'Entreprises Agréé* that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the *Réviser d'Entreprises Agréé* to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the *Réviser d'Entreprises Agréé*. However, future events or conditions may cause the Company to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

## *Report on Other Legal and Regulatory Requirements*

We have been appointed as *Réviser d'Entreprises Agréé* by the General Meeting of the Sole Shareholder on March 15, 2017 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 10 years.

The management report is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement is included in the management report. The information required by Article 68ter paragraph (1) letter c) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings as amended, is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in the EU Regulation N° 537/2014, on the audit profession were not provided and that we remained independent of the Company in conducting the audit.

For Deloitte Audit, *Cabinet de Révision Agréé*



Ludovic Bardon, *Réviser d'Entreprises Agréé*

Partner

Luxembourg, March 18, 2020

BELFIUS FINANCING COMPANY S.A.

Société Anonyme

**BALANCE SHEET**

As at December 31, 2019 (expressed  
in thousands of EUR)

BELFIUS FINANCING COMPANY S.A.

Société Anonyme

BALANCE SHEET

As at December 31, 2019 (expressed in thousands of EUR)

<b><u>ASSETS</u></b>	<b>Notes</b>	<b>2019 EUR '000</b>	<b>2018 EUR '000</b>
<b>SUBSCRIBED CAPITAL UNPAID</b>	7	<b>981</b>	<b>981</b>
Subscribed capital not called		981	981
<b>FORMATION EXPENSES</b>	3	<b>0</b>	<b>6</b>
<b>FIXED ASSETS</b>		<b>9</b>	<b>0</b>
Tangible assets	4	9	0
<b>CURRENT ASSETS</b>		<b>10.792.037</b>	<b>9.485.870</b>
Debtors	5	228	188.727
Amounts owed by affiliated undertakings			
<i>becoming due and payable within one year</i>		228	26.628
<i>becoming due and payable after more than one year</i>		0	162.099
	6		
Other investments		10.789.261	9.294.283
Cash at bank and in hand		2.548	2.860
<b>PREPAYMENT S</b>		<b>7</b>	<b>5</b>
<b><u>TOTAL (ASSETS)</u></b>		<b><u>10.793.034</u></b>	<b><u>9.486.862</u></b>

**CAPITAL, RESERVES AND LIABILITIES**

<b>CAPITAL AND RESERVES</b>	7	<b>4.628</b>	<b>4.468</b>
Subscribed capital		3.094	3.094
Reserves		887	772
Profit brought forward		63	37
Profit for the financial year		584	565
<b>PROVISIONS</b>		<b>223</b>	<b>533</b>
<b>OTHER CREDITORS</b>	8	<b>10.788.102</b>	<b>9.481.742</b>
Tax authorities		107	97
Social security authorities		10	13
Other creditors			
<i>becoming due and payable within one year</i>		3.014.272	1.229.743

*becoming due and payable after more than one year*

7.773.713      8.251.889

**DEFERRED INCOME**

**81                      119**

**TOTAL (CAPITAL, RESERVES AND LIABILITIES)**

	<u>10.793</u>	<u>9.486.</u>
<u>.034</u>		<u>862</u>

The accompanying notes form an integral part of these annual accounts.



BELFIUS FINANCING COMPANY S.A.

Société Anonyme

**PROFIT AND LOSS ACCOUNT**

For the year ended December 31, 2019

(expressed in thousands of EUR)

BELFIUS FINANCING COMPANY S.A.

Société Anonyme

PROFIT AND LOSS ACCOUNT

For the year ended December 31, 2019 (expressed in thousands of EUR)

	Notes	2019 EUR '000	2018 EUR '000
<b>Staff costs</b>	13	<b>(306)</b>	<b>(296)</b>
Wages and salaries		(260)	(254)
Social security costs		(31)	(29)
<i>Relating to pensions</i>		<i>(21)</i>	<i>(19)</i>
<i>Other social security costs</i>		<i>(10)</i>	<i>(10)</i>
Other staff costs		(15)	(13)
<b>Value adjustments</b>		<b>(7)</b>	<b>(26)</b>
In respect of formation expenses	3	(6)	(26)
In respect of fixed assets	4	(1)	0
<b>Other operating expenses</b>	9	<b>(812)</b>	<b>(824)</b>
<b>Other interest receivable and similar income</b>	14	<b>146.309</b>	<b>158.594</b>
Derived from affiliated undertakings		146.292	158.593
Other interest and similar income		17	1
<b>Interest payable and similar expenses</b>	10	<b>(144.377)</b>	<b>(156.655)</b>
Other interest and similar expenses		<del>(144.377)</del>	<del>(156.655)</del>
<b>Tax on profit</b>	11	<b>(223)</b>	<b>(228)</b>
<b>Profit after taxation</b>		<b><u>584</u></b>	<b><u>565</u></b>
<b>Other taxes</b>	11	<b>0</b>	<b>0</b>
<b>Profit for the financial year</b>		<b><u>584</u></b>	<b><u>565</u></b>

The accompanying notes form an integral part of these annual accounts.

BELFIUS FINANCING COMPANY S.A.

Société Anonyme

**NOTES TO THE ACCOUNTS**

As at December 31, 2019 (expressed  
in thousands of EUR)

Belfius Financing Company  
S.A.

**NOTES TO THE ACCOUNTS**

**NOTE 1 - GENERAL**

Belfius Financing Company S.A. (the “Company”) is a wholly-owned subsidiary of Belfius Bank S.A./N.V.

Belfius Financing Company S.A. falls under the requirements of Luxembourg rules and regulations applicable to companies issuing debt securities having no voting rights on the regulated market of the Luxembourg Stock Exchange.

The current debt issuance programmes of the Company are:

*Long Term: Notes Issuance Programme (NIP)*

The limit of the Notes Issuance Programme amounts to EUR 20.000.000.000. The debt securities issued under this program are guaranteed by Belfius Bank S.A./N.V. Notes may be issued on a preferred senior basis. The Notes are not listed and are governed by Belgian law and are mainly placed with retail investors.

*Short Term: Euro-Commercial Paper Programme (ECP)*

The Euro-Commercial Paper Programme amounts to maximum EUR 10.000.000.000. These debt securities issued under this programme are not listed and are guaranteed by Belfius Bank S.A./N.V. and have a minimum maturity of one day and a maximum maturity of 364 days.

The financial year of the Company runs from January 1 until December 31 of each year.

The Company is exempt from drawing up consolidated accounts in accordance with Article 1711-1 of the commercial Law of August 10, 1915, as amended.

Its registered office is established in the municipality of Koerich, at 20, rue de l’Industrie, L-8399 Windhof, Grand-Duchy of Luxembourg.

The Company’s annual accounts are included in the consolidated accounts of Belfius Bank S.A./N.V., incorporated under the Law of Belgium. These can be obtained from Belfius Bank S.A./N.V., Place Charles Rogier 11, B-1210 Brussels, Belgium.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### General principles

These annual accounts are prepared in accordance with generally accepted accounting principles and in accordance with the law s and regulations in force in the Grand-Duchy of Luxembourg.

#### Translation of currencies

The Company maintains its accounting records in euro (EUR) and the annual accounts are prepared in this currency.

Assets and liabilities denominated in currencies other than EUR are translated at rates of exchange applicable at the balance sheet date. Transactions denominated in other currencies are translated at the approximate rates applicable at the time of the transactions. Exchange gains and losses are credited or charged to the profit and loss account. This, as well, applies to all current assets and liabilities considering the intrinsic economic link between these positions.

#### Formation expenses and similar expenses

The formation expenses and similar expenses are amortized linearly over a period of 5 years. Similar expenses include debt issuance costs.

#### Tangible fixed assets

Office Equipment is carried at its acquisition cost less any accumulated depreciation and any accumulated impairment losses. Office equipment is depreciated on a reducing balance basis over a period of 9 years.

#### Debtors

Loans defined as debtors are stated in the balance sheet at their acquisition value. The carrying value of the loans includes the interest accrued. Incidental costs related to new loans are expensed in the financial year in which they are incurred.

## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Other debtors and receivables are stated at nominal value which includes interest which is due or accrued.

Value adjustments are made in respect of debtors in case of durable depreciation in value according to the opinion of the Board of Directors.

### **Investments**

Bonds are stated in the balance sheet at their acquisition value determined according to the principle of the individualized price or the average acquisition price. Incidental costs related are expensed in the financial period in which they are incurred.

The carrying value of the bonds includes the interest accrued.

The bonds do not expose the Company to market risk and therefore, value adjustments are made in respect of these investments in case of durable depreciation in value according to the opinion of the Board of Directors.

### **Provisions**

At the end of each period provisions are recorded to cover all foreseeable liabilities and charges. Provisions relating to previous periods are regularly reviewed and released if the reasons for which the provisions were recorded have ceased to apply.

### **Creditors**

Amounts payable represented by promissory notes are stated at their net proceeds corresponding to the repayment value. The carrying value includes the interests which are due or accrued.

## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Amounts payable represented by promissory notes for which the repayment value differs from the issue price are stated at their reimbursement value considering the application of the following rule: the positive difference (premium) or negative difference (discount) between the issue price and the reimbursement price is amortized over the period between issue date and maturity date.

### **Other interest receivable and similar income**

Other interest receivable and similar income are recognised on an accrual basis.

### **Interest payable and similar expenses**

Interest payable and similar expenses are recognised on the accrual basis.

### **Taxes**

Taxes are accounted for on an accrual basis.

## **NOTE 3 - FORMATION EXPENSES**

The caption includes costs in relation with the ECP and NIP programmes which have been activated in 2013 and 2014 respectively. They are amortized on a period of five years straight line.

	<b>Cost</b>	<b>Amortization</b>	<b>Net book value</b>
	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>
Costs activated in relation to the ECP	195	195	0
Costs activated in relation to the NIP	99	99	0
	<b>294</b>	<b>294</b>	<b>0</b>

#### NOTE 4 - FIXED ASSETS

This caption includes costs in relation with the acquisition of Office Equipment in 2019. They are depreciated over a period of nine years and on a reducing balance basis.

	<b>Cost</b>	<b>Amortization</b>	<b>Net book value</b>
	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>
Office Equipment	10	1	9
	<u>10</u>	<u>1</u>	<u>9</u>

#### NOTE 5 - DEBTORS

As at December 31, 2019, there is no more debtor consisting of loan to Belfius Bank S.A./N.V. which were repayable at nominal value (December 31, 2018: EUR 188.456.840). Reference is made to note 14 in relation to the interest income from debtors amounts owed by affiliated undertakings during the year.

The carrying value of the debtors is as follows:

	<b>2019</b>	<b>2018</b>
	<b>EUR '000</b>	<b>EUR '000</b>
Within one year	228	26.628
After one year and within five years	0	0
More than five years	0	162.099
<b>TOTAL</b>	<u><b>228</b></u>	<u><b>188.727</b></u>

The movements on debtors between December 31, 2018 and December 31, 2019 are mainly attributable to loans reimbursements.

In the opinion of the Board of Directors, no durable depreciations exist to justify a value adjustment on the debtors.

#### NOTE 6 - INVESTMENTS

As at December 31, 2019, investments consist of bonds issued by Belfius Bank S.A./N.V. which are repayable at nominal value.

The carrying value of the investments includes the related accrued interest and is as follows:

<b>2019</b>	<b>2018</b>
<b>EUR '000</b>	<b>EUR '000</b>



Within one year	3.014.866	1.203.483
After one year and within five years	4.957.139	5.333.966
More than five years	2.817.256	2.756.834
<b>TOTAL</b>	<b>10.789.261</b>	<b>9.294.283</b>

In the opinion of the Board of Directors, no durable depreciations exist to justify a value adjustment on the bonds.

#### NOTE 7 - CAPITAL AND RESERVES

The movements in capital and reserves during the year were as follows:

	<b>Subscribed capital EUR '000</b>	<b>Legal reserve EUR '000</b>	<b>Other reserves EUR '000</b>	<b>Profit brought forward EUR '000</b>	<b>Profit for the financial year EUR '000</b>
Balance as at January 1, 2019	<b>3.094</b>	<b>242</b>	<b>530</b>	<b>37</b>	<b>565</b>
Allocation of prior year result	0	28	87	450	(565)
Dividend paid	0	0	0	(424)	0
Result for the year	0	0	0	0	584
<b>Balance as at December 31, 2019</b>	<b><u>3.094</u></b>	<b><u>270</u></b>	<b><u>617</u></b>	<b><u>63</u></b>	<b><u>584</u></b>

## **NOTE 7 - CAPITAL AND RESERVES (CONTINUED)**

### **Subscribed capital and results brought forward**

As at December 31, 2019, the share capital of the Company amounts to EUR 3.094.004, fully subscribed and paid up to the extent of the aggregate amount of EUR 2.113.004, represented by 251 shares without par value, held by its Sole Shareholder, Belfius Bank S.A./N.V.

#### **Legal reserve**

In accordance with Luxembourg Company Law, the Company is required to transfer a minimum of 5% of its net gain for each financial year to a legal reserve. This requirement ceases to be necessary once the balance of the legal reserve reaches 10% of the issued share capital. The legal reserve is not available for distribution to the Sole Shareholder.

#### **Other reserves**

For the year ended December 31, 2019, the Company reduced its wealth tax liability in accordance with tax legislation by setting up a special reserve (classified under “reserves”) in an amount equal to five times the amount of the payable wealth tax.

This reserve shall be maintained during the period of five years from the year following that during which the wealth tax was reduced.

## **NOTE 8 - CREDITORS**

As at December 31, 2019, creditors are composed of long-term debts in relation with the NIP programme and of short-term debts in relation with the ECP programme fully and irrevocably guaranteed by Belfius

Bank S.A./N.V. Reference is made to note 10 in relation to the interest payable and similar expenses.

The creditors, due and payable within one year, include also the trade creditors and tax and social security debts for a total amount of EUR 117.251 (2018: EUR 126.628).

## NOTE 8 - CREDITORS (CONTINUED)

The carrying value of creditors includes the related accrued interest, as follows:

	<b>2019</b>	<b>2018</b>
	<b>EUR '000</b>	<b>EUR '000</b>
Within one year	3.014.389	1.229.853
After one year and within five years	4.956.663	5.333.204
More than five years	2.817.050	2.918.685
<b>TOTAL</b>	<b>10.788.102</b>	<b>9.481.742</b>

The movements on debts occurred during the year ended December 31, 2019 are attributable to new issues made under the ECP and NIP programmes net of repayments during the year.

## NOTE 9 - OTHER OPERATING EXPENSES

Other operating expenses are composed as follows:

	<b>2019</b>	<b>2018</b>
	<b>EUR '000</b>	<b>EUR '000</b>
Occupancy fees	27	25
Service providers		
Accounting / administrative fees	400	393
Technology & system fees	132	158
Legal & tax fees	37	34
External statutory audit fees	34	32
Rating agencies fees	106	103
Professional associations costs	16	20
Training fees	1	2
Directors' fees	20	20
Bank fees & assimilated	31	29
Other fees	8	8
<b>TOTAL</b>	<b>812</b>	<b>824</b>

## NOTE 10 - INTEREST PAYABLE AND SIMILAR EXPENSES

Interest payable and similar expenses are composed as follows:

	2019 EUR '000	2018 EUR '000
Interest payable and similar expenses on notes payable ( <i>NIP programme</i> )	140.477	156.569
Interest payable and similar expenses on notes payable ( <i>ECP programme</i> )	3.900	86
<b>TOTAL</b>	<b>144.377</b>	<b>156.655</b>

## NOTE 11 - TAXATION

The Company is subject to the common tax law applicable to Luxembourg commercial companies.

## NOTE 12 - EMOLUMENTS, ADVANCES AND LOANS GRANTED TO THE MEMBERS OF THE ADMINISTRATIVE MANAGERIAL AND SUPERVISORY BODIES

The Company granted Directors' fees of EUR 19.530 (2018: EUR 19.530) in total to the independent members of the Board of Directors for the services rendered during the year.

## NOTE 13 - EMPLOYEES

The Company has employed 4 people during the financial year (2018: 4 people).

## NOTE 14 - OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

Other interest receivable and similar income are composed as follows:

	2019 EUR '000	2018 EUR '000
Interest income and similar income concerning affiliated undertakings ( <i>bonds in relation with ECP programme</i> )	4.057	300
Interest income and similar income concerning affiliated undertakings ( <i>loans and bonds in relation with NIP programme</i> )	142.235	158.293
Other financial income	17	1
<b>TOTAL</b>	<b>146.309</b>	<b>158.594</b>

#### **NOTE 15 - FEES TO THE RÉVISEUR D'ENTREPRISES AGRÉÉ**

The fees to the *Réviseur d'Entreprises Agréé* accounted for the year ended December 31, 2019 are equal to the amount to EUR 33.613 inclusive of VAT (2018: EUR 32.450).

**BELFIUS FINANCING COMPANY S.A.**  
**SOCIETE ANONYME**

Annual accounts and Report of the Réviseur  
d'Entreprises agréé

as at December 31, 2020

20, rue de l'Industrie  
L-8399 Windhof  
**R.C.S. Luxembourg: B 156767**

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- Notes to the accounts	15 - 25

To the Sole Shareholder of  
Belfius Financing Company S.A.  
20, rue de l'Industrie  
L-8399 Windhof  
Luxembourg

## REPORT OF THE REVISEUR D'ENTREPRISES AGREE

### *Report on the audit of the annual accounts*

#### *Opinion*

We have audited the annual accounts of Belfius Financing Company S.A. (the "Company"), which comprise the balance sheet as at 31 December 2020, and the profit and loss account for the year then ended, and notes to the annual accounts, including a summary of significant accounting policies.

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of the Company as at 31 December 2020 and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

#### *Basis for opinion*

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the EU Regulation N° 537/2014, the Law of 23 July 2016 and ISAs are further described in the « Responsibilities of "Réviseur d'Entreprises agréé" for the audit of the annual accounts » section of our report. We are also independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of the audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### *Debt instruments issuances and bond investments*

##### *Description*

Short-term and long-term debt issuances amounting to KEUR 9,270,111 are presented under Creditors in the annual accounts. These issuances are backed by bonds recognized under Investments in the annual accounts for an amount of KEUR 9,270,868.

These transactions form the core activity of the Company and are the most material items of its financial position, investments representing 99% of total assets and creditors 99% of total liabilities.

Therefore, we have considered the completeness and accuracy of the Creditors, the existence and accuracy of the Investments as key audit matters for the purpose of our audit.

##### *How our audit addressed the area of focus*

Our procedures included, but were not limited to the following:

- We performed substantive procedures over the Investments and Creditors by obtaining external confirmations and reconciling year-end positions.



## Other interest income and similar income and interest payable and similar expenses

### *Description*

The result of the Company is significantly driven by interest income on investments and interest expenses on creditors. As of 31 December 2020, other interest income and similar income amounted to KEUR 136,392 and interest payable and similar expenses amounted to KEUR 134,821.

Therefore, we have considered the accuracy of interest revenue recognition and completeness of interest expenses as key audit matters for the purpose of our audit.

### *How our audit addressed the area of focus*

Our procedures included, but were not limited to the following:

- Assess the design and implementation of key control activities which the Company performs in relation to debt instrument issuances and bond investments.
- Perform test of operating effectiveness of the identified relevant controls.
- Perform substantive analytical procedures on the interests generated from Investments and Creditors.

### *Other matter relating to comparative information*

The annual accounts of the Company for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those annual accounts on 18 March 2020.

### *Other information*

The Board of Directors is responsible for the other information. The other information comprises the information stated in the annual report including the management report and the Corporate Governance Statement but does not include the annual accounts and our report of “Réviseur d’Entreprises agréé” thereon.

Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

### *Responsibilities of the Board of Directors for the annual accounts*

The Board of Directors is responsible for the preparation and fair presentation of the annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Board of Directors is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### *Responsibilities of the Réviseur d’Entreprises agréé for the audit of the annual accounts*

The objectives of our audit are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of “Réviseur d’Entreprises agréé” that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "Réviseur d'Entreprises agréé" to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "Réviseur d'Entreprises agréé". However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

#### ***Report on other legal and regulatory requirements***

We have been appointed as "Réviseur d'Entreprises agréé" by the Shareholders on 18 March 2020 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is one year.

The management report is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement is included in the management report. The information required by Article 68ter paragraph (1) letter c) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in the EU Regulation No 537/2014 were not provided and that we remained independent of the Company in conducting the audit.

Luxembourg, 15 March 2021

KPMG Luxembourg  
Société coopérative

Cabinet de révision agréé

Stéphanie Smets

Partner

BELFIUS FINANCING COMPANY S.A.

Société Anonyme

**BALANCE SHEET**

As at December 31, 2020

(expressed in EUR)

**Annual Accounts Helpdesk :****Tel. :** (+352) 247 88 494**Email :** centralebilans@statec.etat.lu

RCSL Nr. : B156767

Matricule : 2010 2227 922

eCDF entry date :

**BALANCE SHEET**Financial year from 01/01/2020 to 31/12/2020 in EUR )

Belfius Financing Company

20, Rue de l'Industrie  
L-8399 Windhof**ASSETS**

	Reference(s)	Current year	Previous year
<b>A. Subscribed capital unpaid</b>	1101 <u>7</u>	101 <u>981.000,00</u>	102 <u>981.000,00</u>
I. Subscribed capital not called	1102 <u></u>	103 <u>981.000,00</u>	104 <u>981.000,00</u>
II. Subscribed capital called but unpaid	1105 <u></u>	105 <u></u>	106 <u></u>
<b>B. Formation expenses</b>	1107 <u>3</u>	107 <u></u>	108 <u></u>
<b>C. Fixed assets</b>	1109 <u></u>	109 <u>14.141,31</u>	110 <u>8.965,81</u>
I. Intangible assets	1111 <u></u>	111 <u></u>	112 <u></u>
1. Costs of development	1113 <u></u>	113 <u></u>	114 <u></u>
2. Concessions, patents, licences, trade marks and similar rights and assets, if they were	1115 <u></u>	115 <u></u>	116 <u></u>
a) acquired for valuable consideration and need not be shown under C.I.3	1117 <u></u>	117 <u></u>	118 <u></u>
b) created by the undertaking itself	1119 <u></u>	119 <u></u>	120 <u></u>
3. Goodwill, to the extent that it was acquired for valuable consideration	1121 <u></u>	121 <u></u>	122 <u></u>
4. Payments on account and intangible assets under development	1123 <u></u>	123 <u></u>	124 <u></u>
II. Tangible assets	1125 <u>4</u>	125 <u>14.141,31</u>	126 <u>8.965,81</u>
1. Land and buildings	1127 <u></u>	127 <u></u>	128 <u></u>
2. Plant and machinery	1129 <u></u>	129 <u></u>	130 <u></u>

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	Reference(s)	Current year	Previous year
3. Other fixtures and fittings, tools and equipment	1131 _____	131 14.141,31	132 8.965,81
4. Payments on account and tangible assets in the course of construction	1133 _____	133 _____	134 _____
III. Financial assets	1135 _____	135 _____	136 _____
1. Shares in affiliated undertakings	1137 _____	137 _____	138 _____
2. Loans to affiliated undertakings	1139 _____	139 _____	140 _____
3. Participating interests	1141 _____	141 _____	142 _____
4. Loans to undertakings with which the undertaking is linked by virtue of participating interests	1143 _____	143 _____	144 _____
5. Investments held as fixed assets	1145 _____	145 _____	146 _____
6. Other loans	1147 _____	147 _____	148 _____
<b>D. Current assets</b>	1151 _____	151 9.274.112.857,54	152 10.792.037.606,08
I. Stocks	1153 _____	153 _____	154 _____
1. Raw materials and consumables	1155 _____	155 _____	156 _____
2. Work in progress	1157 _____	157 _____	158 _____
3. Finished goods and goods for resale	1159 _____	159 _____	160 _____
4. Payments on account	1161 _____	161 _____	162 _____
II. Debtors	1163 _____ 5	163 223.058,00	164 228.222,00
1. Trade debtors	1165 _____	165 _____	166 _____
a) becoming due and payable within one year	1167 _____	167 _____	168 _____
b) becoming due and payable after more than one year	1169 _____	169 _____	170 _____
2. Amounts owed by affiliated undertakings	1171 _____	171 _____	172 _____
a) becoming due and payable within one year	1173 _____	173 _____	174 _____
b) becoming due and payable after more than one year	1175 _____	175 _____	176 _____
3. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests	1177 _____	177 _____	178 _____
a) becoming due and payable within one year	1179 _____	179 _____	180 _____
b) becoming due and payable after more than one year	1181 _____	181 _____	182 _____
4. Other debtors	1183 _____	183 223.058,00	184 228.222,00
a) becoming due and payable within one year	1185 _____	185 223.058,00	186 228.222,00
b) becoming due and payable after more than one year	1187 _____	187 _____	188 _____

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	Reference(s)	Current year	Previous year
III. Investments	1180	9.270.868.049,12	10.789.261.476,76
1. Shares in affiliated undertakings	1181		
2. Own shares	1209		
3. Other investments	1195 6	9.270.868.049,12	10.789.261.476,76
IV. Cash at bank and in hand	1197	3.021.750,42	2.547.907,32
E. Prepayments	1198	9.196,92	6.725,16
<b>TOTAL (ASSETS)</b>		9.275.117.195,77	10.793.034.297,05

RCSL Nr.: B156767

Matricule: 2010 2227 922

**CAPITAL, RESERVES AND LIABILITIES**

	Reference(s)	Current year	Previous year
<b>A. Capital and reserves</b>			
I. Subscribed capital	1201 7	301 4.616.612,98	302 4.627.449,33
II. Share premium account	1203	303 3.094.004,00	304 3.094.004,00
III. Revaluation reserve	1205	305	306
IV. Reserves	1207	307	308
1. Legal reserve	1209	309 1.007.286,17	310 886.954,45
2. Reserve for own shares	1211	311 299.586,17	312 270.404,45
3. Reserves provided for by the articles of association	1213	313	314
4. Other reserves, including the fair value reserve	1215	315	316
a) other available reserves	1429	429 707.700,00	430 616.550,00
b) other non available reserves	1431	431	432
V. Profit or loss brought forward	1433	433 707.700,00	434 616.550,00
VI. Profit or loss for the financial year	1319	319 88.434,16	320 62.856,52
VII. Interim dividends	1221	321 426.888,65	322 583.634,36
VIII. Capital investment subsidies	1223	323	324
	1225	325	326
<b>B. Provisions</b>	1331	331	332 223.069,28
1. Provisions for pensions and similar obligations	1333	333	334
2. Provisions for taxation	1335	335	336 223.069,28
3. Other provisions	1337	337	338
<b>C. Creditors</b>	1425	425 9.270.362.035,86	436 10.788.102.747,21
1. Debenture loans	1427	427	438
a) Convertible loans	1429	429	440
i) becoming due and payable within one year	1441	441	442
ii) becoming due and payable after more than one year	1443	443	444
b) Non convertible loans	1445	445	446
i) becoming due and payable within one year	1447	447	448
ii) becoming due and payable after more than one year	1449	449	450
2. Amounts owed to credit institutions	1255	355	356
a) becoming due and payable within one year	1257	357	358
b) becoming due and payable after more than one year	1259	359	360



RCSL Nr. : B156767

Matricule : 2010 2227 922

	Reference(s)	Current year	Previous year
3. Payments received on account of orders in so far as they are not shown separately as deductions from stocks	1361 _____	361 _____	362 _____
a) becoming due and payable within one year	1363 _____	363 _____	364 _____
b) becoming due and payable after more than one year	1365 _____	365 _____	366 _____
4. Trade creditors	1367 _____	367 _____	368 _____
a) becoming due and payable within one year	1369 _____	369 _____	370 _____
b) becoming due and payable after more than one year	1371 _____	371 _____	372 _____
5. Bills of exchange payable	1373 _____	373 _____	374 _____
a) becoming due and payable within one year	1375 _____	375 _____	376 _____
b) becoming due and payable after more than one year	1377 _____	377 _____	378 _____
6. Amounts owed to affiliated undertakings	1379 _____	379 _____	380 _____
a) becoming due and payable within one year	1381 _____	381 _____	382 _____
b) becoming due and payable after more than one year	1383 _____	383 _____	384 _____
7. Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests	1385 _____	385 _____	386 _____
a) becoming due and payable within one year	1387 _____	387 _____	388 _____
b) becoming due and payable after more than one year	1389 _____	389 _____	390 _____
8. Other creditors	1451 _____ 8	451 _____ 9.270.362.035,86	452 _____ 10.788.102.747,21
a) Tax authorities	1393 _____	393 _____ 240.212,91	394 _____ 106.671,56
b) Social security authorities	1395 _____	395 _____ 10.530,11	396 _____ 10.579,73
c) Other creditors	1397 _____	397 _____ 9.270.111.292,84	398 _____ 10.787.985.495,92
i) becoming due and payable within one year	1399 _____	399 _____ 1.473.905.265,14	400 _____ 3.014.272.444,44
ii) becoming due and payable after more than one year	1401 _____	401 _____ 7.796.206.027,70	402 _____ 7.773.713.051,48
<b>D. Deferred Income</b>	1403 _____	403 _____ 138.546,93	404 _____ 81.031,23
<b>TOTAL (CAPITAL, RESERVES AND LIABILITIES)</b>		405 _____ 9.275.117.195,77	406 _____ 10.793.034.297,05

BELFIUS FINANCING COMPANY S.A.

Société Anonyme

**PROFIT AND LOSS ACCOUNT**

For the year ended December 31, 2020

(expressed in EUR)

**Annual Accounts Helpdesk :**

Tel. : (+352) 247 88 494

Email : centralebilans@statec.etat.lu

RCSL Nr.: B156767

Matricule: 2010 2227 922

eCDF entry date :

**PROFIT AND LOSS ACCOUNT**Financial year from <sup>01</sup> 01/01/2020 to <sup>02</sup> 31/12/2020 /in <sup>03</sup> EUR /

Belfius Financing Company

20, Rue de l'Industrie  
L-8399 Windhof

	Reference(s)	Current year	Previous year
<b>1. Net turnover</b>	1701 _____	701 _____	702 _____
<b>2. Variation in stocks of finished goods and in work in progress</b>	1703 _____	703 _____	704 _____
<b>3. Work performed by the undertaking for its own purposes and capitalised</b>	1705 _____	705 _____	706 _____
<b>4. Other operating income</b>	1713 _____	713 13.612,13	714 _____
<b>5. Raw materials and consumables and other external expenses</b>	1671 _____	671 -683.684,82	672 -792.405,32
a) Raw materials and consumables	1601 _____	601 _____	602 _____
b) Other external expenses	1603 9	603 -683.684,82	604 -792.405,32
<b>6. Staff costs</b>	1605 13	605 -286.250,33	606 -305.096,65
a) Wages and salaries	1607 _____	607 -244.616,42	608 -260.171,54
b) Social security costs	1609 _____	609 -30.638,42	610 -31.307,96
i) relating to pensions	1653 _____	653 -20.069,66	654 -20.550,84
ii) other social security costs	1655 _____	655 -10.568,76	656 -10.757,12
c) Other staff costs	1613 _____	613 -10.995,49	614 -13.617,15
<b>7. Value adjustments</b>	1657 _____	657 -2.742,49	658 -7.953,15
a) in respect of formation expenses and of tangible and intangible fixed assets	1659 3,4	659 -2.742,49	660 -7.953,15
b) in respect of current assets	1661 _____	661 _____	662 _____
<b>8. Other operating expenses</b>	1621 12	621 -19.532,60	622 -19.530,00

The accompanying notes form an integral part of these annual accounts.

RCSL Nr.: B156767

Matricule : 2010 2227 922

	Reference(s)	Current year	Previous year
<b>9. Income from participating interests</b>	1715	715	716
a) derived from affiliated undertakings	1717	717	718
b) other income from participating interests	1719	719	720
<b>10. Income from other investments and loans forming part of the fixed assets</b>	1721	721	722
a) derived from affiliated undertakings	1723	723	724
b) other income not included under a)	1725	725	726
<b>11. Other interest receivable and similar income</b>	1727	727	728
a) derived from affiliated undertakings	1729	729	730
b) other interest and similar income	1731	731	732
<b>12. Share of profit or loss of undertakings accounted for under the equity method</b>	1663	663	664
<b>13. Value adjustments in respect of financial assets and of investments held as current assets</b>	1665	665	666
<b>14. Interest payable and similar expenses</b>	1627	627	628
a) concerning affiliated undertakings	1629	629	630
b) other interest and similar expenses	1631	631	632
<b>15. Tax on profit or loss</b>	1635	635	636
<b>16. Profit or loss after taxation</b>	1667	667	668
<b>17. Other taxes not shown under items 1 to 16</b>	1637	637	638
<b>18. Profit or loss for the financial year</b>	1669	669	670

The accompanying notes form an integral part of these annual accounts.

BELFIUS FINANCING COMPANY S.A.

Société Anonyme

**NOTES TO THE ACCOUNTS**

As at December 31, 2020

(expressed in thousands of EUR)

## NOTE 1 - GENERAL

Belfius Financing Company S.A. (the "Company") is a wholly-owned subsidiary of Belfius Bank S.A./N.V.

Belfius Financing Company S.A. falls under the requirements of Luxembourg rules and regulations applicable to companies issuing debt securities having no voting rights on the regulated market of the Luxembourg Stock Exchange.

The current debt issuance programmes of the Company are:

*a) Long Term: Notes Issuance Programme (NIP)*

The limit of the Notes Issuance Programme amounts to EUR 20.000.000.000. The debt securities issued under this program are guaranteed by Belfius Bank S.A./N.V. Notes may be issued on a preferred senior basis. The Notes are not listed and are governed by Belgian law and are mainly placed with retail investors.

*b) Short Term: Euro-Commercial Paper Programme (ECP)*

The Euro-Commercial Paper Programme amounts to maximum EUR 10.000.000.000. These debt securities issued under this programme are not listed and are guaranteed by Belfius Bank S.A./N.V. and have a minimum maturity of one day and a maximum maturity of 364 days.

Although issues under the two current programs are not listed, there is still an older issue listed on the Luxembourg Stock Exchange, which will mature in 2022.

According to Article 4 of its restated articles of association, the purpose of the Company is: "(a) to hold shareholdings and stakes, in any form whatsoever, in any commercial, industrial, financial or other Luxembourg or foreign company or undertakings, as well as to manage and optimize these stakes, (b) to acquire by way of participations, contributions, guarantees, acquisitions or options, negotiation or any other means, securities, rights, patents, licenses and other assets, provided the Company considers it appropriate to do so, and in general to hold, manage, optimize, sell or transfer the aforementioned, in whole or in part; (c) to take part in commercial, financial or other transactions and to grant to any holding company, subsidiary, associated or affiliated company or any other company belonging to the same corporate group as the Company any financial assistance, loan, advance or guarantee; (d) to borrow, raise funds by any means whatsoever (including without limitation the issuance of preferred equity certificates (PECs) (nonconvertible or convertible into shares), loans, bonds, acknowledgements of debt and any other form of debt or type of instrument) and to ensure the reimbursement of any borrowed amount; to perform all operations directly or indirectly related to this purpose.

The Company may grant pledges, guarantees, liens, mortgages and any other type of security (surety), as well as any form of compensation, to Luxembourg or foreign entity (ies) in relation to its own obligations and debts, or in relation to the obligations and debts of subsidiaries, associated or affiliated companies or any company belonging to the same corporate group.

The Company may acquire immovable property located abroad or in Luxembourg.

The Company may moreover perform any commercial, technical or financial transactions, involving movable or immovable property, which are directly or indirectly related to the abovementioned purpose."

## **NOTE 1 – GENERAL (CONTINUED)**

The Company is registered with the Luxembourg Register of Commerce and Companies under number B 156 767.

The financial year of the Company runs from January 1 until December 31 of each year.

The Company is not required to draw up consolidated accounts in accordance with Article 1711-1 of the commercial Law of August 10, 1915, as amended.

Its registered office is established in the municipality of Koerich, at 20, rue de l'Industrie, L-8399 Windhof, Grand-Duchy of Luxembourg.

The Company's annual accounts are included in the consolidated accounts of Belfius Bank S.A./N.V., incorporated under the Law of Belgium. These can be obtained from Belfius Bank S.A./N.V., Place Charles Rogier 11, B-1210 Brussels, Belgium.

## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **General principles**

These annual accounts are prepared in accordance with generally accepted accounting principles and in accordance with the laws and regulations in force in the Grand-Duchy of Luxembourg and on a going concern basis.

External expenses were reclassified from "Other operating expenses" to "Other external expenses" for the year ended December 31, 2019 in the amount of KEUR 792.

### Translation of currencies

The Company maintains its accounting records in euro (EUR) and the annual accounts are prepared in this currency.

Assets and liabilities denominated in currencies other than EUR are translated at rates of exchange applicable at the balance sheet date. Transactions denominated in other currencies are translated at the approximate rates applicable at the time of the transactions. Exchange gains and losses are credited or charged to the profit and loss account. This, as well, applies to all current assets and liabilities considering the intrinsic economic link between these positions.

### Formation expenses and similar expenses

The formation expenses and similar expenses are amortized linearly over a period of 5 years. Similar expenses include debt issuance costs.

### Tangible assets

Office Equipment is carried at its acquisition cost less any accumulated depreciation and any accumulated impairment losses. Office equipment is depreciated on a reducing balance basis over a period of 9 years.

IT materials are amortized linearly on a period of 5 years.

### Debtors

Loans defined as debtors are stated in the balance sheet at their acquisition value. The carrying value of the loans includes the interest accrued. Incidental costs related to new loans are expensed in the financial year in which they are incurred.

Other debtors and receivables are stated at nominal value which includes interest which is due or accrued.

They are subject to value adjustments where their recovery is compromised or in case of durable depreciation in value according to the opinion of the Board of Directors.

### Investments

Bonds are stated in the balance sheet at their acquisition value determined according to the principle of the individualized price or the average acquisition price. Incidental costs related are expensed in the financial period in which they are incurred.

The carrying value of the bonds includes the interest accrued.

The bonds do not expose the Company to market risk and therefore, value adjustments are made in respect of these investments in case of durable depreciation in value according to the opinion of the Board of Directors.

### Provisions

At the end of each period, provisions are recorded to cover all foreseeable liabilities and charges related to events which occurred before period end.

Provisions relating to previous periods are regularly reviewed and released if the reasons for which the provisions were recorded have ceased to apply.

### Creditors

Amounts payable represented by promissory notes are stated at their net proceeds corresponding to the repayment value. The carrying value includes the interests which are due or accrued.

Amounts payable represented by promissory notes for which the repayment value differs from the issue price are stated at their reimbursement value considering the application of the following rule: the positive difference (premium) or negative difference (discount) between the issue price and the reimbursement price is amortized over the period between issue date and maturity date.

### Other interest receivable and similar income

Other interest receivable and similar income are recognised on an accrual basis.

### Interest payable and similar expenses

Interest payable and similar expenses are recognised on the accrual basis.

### Taxes

Taxes are accounted for on an accrual basis.



### NOTE 3 - FORMATION EXPENSES

The caption includes costs in relation with the ECP and NIP programmes which have been activated in 2013 and 2014 respectively. They are amortized on a period of five years straight line.

	<b>Cost</b> <b>EUR '000</b>	<b>Amortization</b> <b>EUR '000</b>	<b>Net book value</b> <b>EUR '000</b>
Costs activated in relation to the ECP	195	195	0
Costs activated in relation to the NIP	99	99	0
	<b>294</b>	<b>294</b>	<b>0</b>

### NOTE 4 - TANGIBLE ASSETS

This caption includes costs in relation with the acquisition of Office Equipment and IT materials. Office Equipment are depreciated over a period of nine years and on a reducing balance basis while IT materials are depreciated linearly on a period of five years.

	<b>Cost</b> <b>EUR '000</b>	<b>Amortization</b> <b>EUR '000</b>	<b>Net book value</b> <b>EUR '000</b>
Office Equipment	10	3	7
IT Materials	8	1	7
	<b>18</b>	<b>4</b>	<b>14</b>

## NOTE 5 - DEBTORS

As at December 31, 2020, debtors consist of prepayments made to the Tax Authorities.

The carrying value of the debtors is as follows:

	<b>2020</b>	<b>2019</b>
	<b>EUR '000</b>	<b>EUR '000</b>
Within one year	223	228
After one year and within five years	0	0
More than five years	0	0
<b>TOTAL</b>	<b>223</b>	<b>228</b>

In the opinion of the Board of Directors, no durable depreciations exist to justify a value adjustment on the debtors.

## NOTE 6 - INVESTMENTS

As at December 31, 2020, investments consist of bonds issued by Belfius Bank S.A./N.V. which are repayable at nominal value.

The carrying value of the investments includes the related accrued interest and is as follows:

	<b>2020</b>	<b>2019</b>
	<b>EUR '000</b>	<b>EUR '000</b>
Within one year	1.474.031	3.014.866
After one year and within five years	4.683.556	4.957.139
More than five years	3.113.281	2.817.256
<b>TOTAL</b>	<b>9.270.868</b>	<b>10.789.261</b>

In the opinion of the Board of Directors, no durable depreciations exist to justify a value adjustment on the bonds.

## NOTE 7 - CAPITAL AND RESERVES

The movements in capital and reserves during the year were as follows:

	<b>Subscribed capital</b>	<b>Legal reserve</b>	<b>Other reserves</b>	<b>Profit brought forward</b>	<b>Profit for the financial year</b>
	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>
Balance as at January 1, 2020	<b>3.094</b>	<b>270</b>	<b>617</b>	<b>63</b>	<b>584</b>
Allocation of prior year result	0	30	91	463	(584)
Dividend paid	0	0	0	(438)	0
Result for the year	0	0	0	0	427
<b>Balance as at December 31, 2020</b>	<b>3.094</b>	<b>300</b>	<b>708</b>	<b>88</b>	<b>427</b>

### Subscribed capital and results brought forward

As at December 31, 2020, the share capital of the Company amounts to EUR 3.094.004, fully subscribed and paid up to the extent of the aggregate amount of EUR 2.113.004, represented by 251 shares without par value, held by its Sole Shareholder, Belfius Bank S.A./N.V.

### Legal reserve

In accordance with Luxembourg Company Law, the Company is required to transfer a minimum of 5% of its net gain for each financial year to a legal reserve. This requirement ceases to be necessary once the balance of the legal reserve reaches 10% of the issued share capital. The legal reserve is not available for distribution to the Sole Shareholder.

### Other reserves

For the year ended December 31, 2020, the Company reduced its wealth tax liability in accordance with tax legislation by setting up a special reserve (classified under “reserves”) in an amount equal to five times the amount of the payable wealth tax.

This reserve shall be maintained during the period of five years from the year following that during which the wealth tax was reduced.

## NOTE 8 - CREDITORS

As at December 31, 2020, creditors are composed of long-term debts in relation with the NIP programme and of short-term debts in relation with the ECP programme fully and irrevocably guaranteed by Belfius Bank S.A./N.V. Reference is made to note 10 in relation to the interest payable and similar expenses.

The creditors, due and payable within one year, include also the trade creditors and tax and social security debts for a total amount of EUR 250.743 (2019: EUR 117.251).

The carrying value of creditors includes the related accrued interest, as follows:

	<b>2020</b>	<b>2019</b>
	<b>EUR '000</b>	<b>EUR '000</b>
Within one year	1.474.156	3.014.389
After one year and within five years	4.683.167	4.956.663
More than five years	3.113.039	2.817.050
<b>TOTAL</b>	<b>9.270.362</b>	<b>10.788.102</b>

The movements on debts occurring during the year ended December 31, 2020 are attributable to new issues made under the ECP and NIP programmes net of repayments during the year.

## NOTE 9 – OTHER EXTERNAL EXPENSES

As at December 31, 2020, other external expenses are composed as follows:

	2020 EUR '000	2019 EUR '000
Occupancy fees	27	27
Service providers		
Accounting / administrative fees	270	400
Technology & system fees	137	132
Legal & tax fees	56	37
External statutory audit fees	29	34
Rating agencies fees	101	106
Professional associations costs	18	16
Training fees	2	1
Bank fees & assimilated	35	31
Other fees	9	8
<b>TOTAL</b>	<b>683</b>	<b>792</b>

## NOTE 10 - INTEREST PAYABLE AND SIMILAR EXPENSES

Interest payable and similar expenses are composed as follows:

	2020 EUR '000	2019 EUR '000
Interest payable and similar expenses on notes payable ( <i>NIP programme</i> )	133.985	140.477
Interest payable and similar expenses on notes payable ( <i>ECP programme</i> )	830	3.900
Other financial expenses	6	0
<b>TOTAL</b>	<b>134.821</b>	<b>144.377</b>

## NOTE 11 - TAXATION

The Company is subject to the common tax law applicable to Luxembourg commercial companies.

## NOTE 12 - EMOLUMENTS, ADVANCES AND LOANS GRANTED TO THE MEMBERS OF THE ADMINISTRATIVE MANAGERIAL AND SUPERVISORY BODIES

The Company granted Directors' fees of EUR 19.530 (2019: EUR 19.530) in total to the independent members of the Board of Directors for the services rendered during the year.

## NOTE 13 - EMPLOYEES

The Company has employed 4 people during the financial year (2019: 4 people).

## NOTE 14 - OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

Other interest receivable and similar income are composed as follows:

	2020 EUR '000	2019 EUR '000
Interest income and similar income concerning affiliated undertakings <i>(bonds in relation with ECP programme)</i>	926	4.057
Interest income and similar income concerning affiliated undertakings <i>(loans and bonds in relation with NIP programme)</i>	135 465	142.235
Other financial income	1	17
<b>TOTAL</b>	<b>136.392</b>	<b>146.309</b>

#### **NOTE 15 - FEES TO THE RÉVISEUR D'ENTREPRISES AGRÉÉ**

The fees to the *Réviser d'Entreprises Agréé* accounted for the year ended December 31, 2020 are equal to the amount to EUR 33.170 inclusive of VAT (2019: EUR 33.613).

#### **NOTE 16 - COVID-19 - IMPACT**

Economic developments in 2020 were dominated by the Covid-19 crisis. The outbreak of the pandemic in the eurozone and the subsequent lockdowns resulted in a heavy decline in GDP in the second quarter of 2020. The economic impact of the Covid-19 crisis in the eurozone differs greatly among member states.

Luxembourg has been severely affected by the Covid-19. The authorities announced in March 2020 a nationwide lockdown, requesting individuals to stay at home and companies to implement homeworking whenever possible. Luxembourg went into deconfinement at the beginning of May 2020. Since then, the authorities have regularly adapted the measures and restrictions, depending on the evolution of the situation.

The Company reacted very early to the Covid-19 situation regarding, on the one hand the operational risks, especially for safeguarding the health of our staff and the business continuity and on the other hand the global financial risks.

On the closing date of the Company's accounts by the Board of Directors, the latter was not aware of any significant uncertainties which call into question the Company's ability to continue operating, therefore no impact linked to this crisis health is taken into account in the Company's annual accounts at December 31, 2020.

Covid-19 is not expected to have a significant impact on the entity and the ability to continue as a going concern. The Board of Directors closely follows the situation as it evolves.

#### **NOTE 17 – SUBSEQUENT EVENTS**

There have been no material subsequent events which would require disclosure in the Company's annual accounts as at December 31, 2020.

**REGISTERED OFFICE OF**

**Belfius Bank SA/NV**

Place Charles Rogier 11

B-1210 Brussels

Belgium

**REGISTERED OFFICE OF**

**Belfius Financing Company SA**

20 rue de l'Industrie

L-8399 Koerich

Grand Duchy of Luxembourg

**FISCAL AGENT, PRINCIPAL PAYING AGENT**

**Banque Internationale à Luxembourg, société anonyme**

69 route d'Esch

L-2953 Luxembourg

Grand Duchy of Luxembourg

**DOMICILIARY AGENT, PRINCIPAL PAYING AGENT, PAYING AGENT,  
CALCULATION AGENT, GUARANTOR**

**Belfius Bank SA/NV**

Place Charles Rogier 11

B- 1210 Brussels

Belgium

**AUDITORS**

**To Belfius Bank SA/NV**

*For the financial year ended 31 December 2019*

**Deloitte Bedrijfsrevisoren BV o.v.v.e. CVBA**

Berkenlaan 8B

1831 Diegem

Belgium

*For the financial year ended 31 December 2020*

**KPMG Reviseurs d'Entreprises SCRL**

Gateway building, Luchthaven Nationaal 1 K

1930 Zaventem

Belgium

**To Belfius Financing Company**

*For the financial year ended 31 December 2019*

**Deloitte Audit Sàrl**

560, rue de Neudorf

L-2220 Luxembourg

Grand Duchy of Luxembourg

*For the financial year ended 31 December 2020*

**KPMG Luxembourg**

36, Avenue John F. Kennedy,

L-1855 Luxembourg

Grand Duchy of Luxembourg



**LEGAL ADVISOR**

**Linklaters LLP**

Rue Brederode 13  
1000 Brussels  
Belgium

**FIRST SUPPLEMENT DATED 17 AUGUST 2021  
TO THE BASE PROSPECTUS DATED 25 MAY 2021**



**BELFIUS FINANCING COMPANY SA**

(Incorporated with limited liability under the laws of the Grand Duchy of Luxembourg)

**Issuer**

**BELFIUS BANK SA/NV**

(Incorporated with limited liability under the laws of Belgium)

**Issuer, Guarantor, Domiciliary Agent, Principal Paying Agent, Paying Agent and Calculation Agent**

**BANQUE INTERNATIONALE A LUXEMBOURG,**

**SOCIETE ANONYME**

**Fiscal Agent and Principal Paying Agent**

**NOTES ISSUANCE PROGRAMME**

**EUR 20,000,000,000**

This first supplement (the “**First Supplement**”) is supplemental to, and should be read in conjunction with, the Base Prospectus dated 25 May 2021 (the “**Base Prospectus**”) prepared in relation to the Programme and prepared in respect of the issuance of Belfius Bank Notes and Belfius Financing Company Notes. On 25 May 2021, the Belgian Financial Services and Markets Authority (the “**FSMA**”) approved the Base Prospectus as a base prospectus for the purposes of Article 8 of Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”).

The FSMA approves this First Supplement on 17 August 2021 as supplement to the Base Prospectus for the purposes of Article 23 of the Prospectus Regulation.

The Issuers accept responsibility for the information contained in this First Supplement. The Issuers declare that, having taken all reasonable care to ensure that such is the case, the information contained in this First Supplement is, to the best of their knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information.

Unless the context otherwise requires, terms defined in the Base Prospectus shall have the same meaning when used in this First Supplement. The Base Prospectus and the First Supplement are available on the internet site [www.belfius.be](http://www.belfius.be) and a copy can be obtained free of charge in the offices of Belfius Bank SA/NV.

In case of inconsistency between (a) statements in this First Supplement and (b) any other statement in or incorporated by reference in the Base Prospectus, as supplemented, the First Supplement will prevail.

On 6 August 2021, Belfius Bank published its half-yearly results for the period ending 30 June 2021 (the “**Half-Yearly Report 2021**”), available on <https://www.belfius.be/about-us/en/investors/results-reports/results>.

The First Supplement has been prepared for the purposes of incorporating by reference the Half-Yearly Report 2021 of Belfius.

Save as disclosed in this Supplement and any supplement to the Base Prospectus, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus since the publication of the Base Prospectus.

In accordance with article 23 paragraph 2a of the Prospectus Regulation, investors who have, before the publication of this First Supplement, already agreed to purchase or subscribe notes which are not yet settled at the date of such publication, have the right to revoke their acceptance until 20 August 2021 (included). This right of revocation relates to the following Notes:

- Belfius Financing Company (LU) Step Up Liquidity 09/2027
- Belfius Financing Company (LU) Multicall Be= Long 09/2031
- Belfius Financing Company (LU) Opti Performer Banks 09/2026
- Belfius Financing Company (LU) Memory Private Notes 09/2029
- Belfius Financing Company (LU) Move 95 10/2027
- Belfius Financing Company (LU) Cure, Health & Wellbeing 90 10/2027
- Belfius Financing Company (LU) NOK 09/2021-09/2025
- Belfius Financing Company (LU) Callable Interest 07/10/2031

## 1. Results in the first half of 2021 of Belfius Bank SA/NV

The section 5. “Documents incorporated by reference” on page 28 is amended as follows:

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

- the audited consolidated accounts of Belfius Bank for the years ended 31 December 2019<sup>1</sup> and 31 December 2020<sup>2</sup>, as well as Belfius Bank half early report for the period ending 30 June 2021<sup>3</sup>, including the reports of the statutory auditors in respect thereof;
- the disclosure document on alternative performance measures (“APM”) for the year ended 31 December 2019<sup>4</sup>; and
- the disclosure document on APMs for the year ended 31 December 2020<sup>5</sup>,
- the disclosure document on APMs for the period ended on 30 June 2021<sup>6</sup>,

each of 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.

This Base Prospectus should also be read and construed in conjunction with the audited accounts of Belfius Financing Company for the years ended 31 December 2019 and 31 December 2020, including the reports of the statutory auditors in respect thereof, each as incorporated in Annex 5 of this Base Prospectus.

In accordance with Article 8 (1) of the Prospectus Regulation, this Base Prospectus should also be read and construed in conjunction with the form of the Final Terms, the relevant Final Terms and the relevant Terms and Conditions of the Notes from the previous base prospectus relating to the Programme which was approved by the FSMA on 22 September 2020 (and which was replaced and superseded by this Base Prospectus) (with respect to any Notes offered to the public and which offer continues after the expiration of such previous base prospectus under which it was commenced), which are incorporated by reference in 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 the website of Belfius Bank (<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, (xi) APMs of Belfius Bank for the financial years ended 31 December 2019 and 31 December 2020 and (xii) information on the COVID-19 crisis for the years ended 31 December 2019 and 31 December 2020 and of Belfius Bank and;
- (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) audit report on the consolidated

<sup>1</sup> Available on [https://www.belfius.be/about-us/dam/corporate/investors/ratios-en-rapporten/belfius-reports/en/bel\\_RA2019\\_eng.pdf](https://www.belfius.be/about-us/dam/corporate/investors/ratios-en-rapporten/belfius-reports/en/bel_RA2019_eng.pdf)

<sup>2</sup> Available on [https://www.belfius.be/about-us/dam/corporate/investors/ratios-en-rapporten/belfius-reports/en/bel\\_RA2020\\_eng.pdf](https://www.belfius.be/about-us/dam/corporate/investors/ratios-en-rapporten/belfius-reports/en/bel_RA2020_eng.pdf)

<sup>3</sup> Available on <https://www.belfius.be/about-us/dam/corporate/investors/ratios-en-rapporten/belfius-reports/en/Belfius%201H21%20Half-year%20report.pdf>

<sup>4</sup> Available on [https://www.belfius.be/about-us/dam/corporate/investors/ratios-en-rapporten/belfius-reports/en/APM\\_1H-2019\\_final.pdf](https://www.belfius.be/about-us/dam/corporate/investors/ratios-en-rapporten/belfius-reports/en/APM_1H-2019_final.pdf)

<sup>5</sup> Available on [https://www.belfius.be/about-us/dam/corporate/investors/ratios-en-rapporten/belfius-reports/en/bel\\_APM\\_2020.pdf](https://www.belfius.be/about-us/dam/corporate/investors/ratios-en-rapporten/belfius-reports/en/bel_APM_2020.pdf)

<sup>6</sup> Available on <https://www.belfius.be/about-us/dam/corporate/investors/ratios-en-rapporten/belfius-reports/en/Belfius%201H21%20APM.pdf>

accounts, (vii) notes to the consolidated financial statements of Belfius Bank for the period ended 30 June 2021 as set out in the Half-Yearly Report 2021, (viii) APMs of Belfius Bank for the financial the period ended on 30 June 2021, and (ix) information on the COVID-19 crisis, as set out in the Half-Yearly Report 2021 and;

- (c) the accounting policies, notes and auditors' reports of Belfius Financing Company for the financial years ended 31 December 2019 and 31 December 2020 (each as also incorporated in Annex 5 of this Base Prospectus).

Information contained in the documents incorporated by reference or incorporated in Annex 5 (as applicable) 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 balance sheet and statement of income of Belfius Financing Company can be found in the section headed "6. Belfius Financing Company SA" of this Base Prospectus.

### **Belfius Financing Company**

*(refer to pages of the Report(s))*

	<b>Annual Report 2019 Audited</b>	<b>Annual Report 2020 Audited</b>
Balance Sheet	6	6
Statement of Income	8	12
Audit Report on the Accounts	1	1
Notes to the Accounts	10	15

The consolidated balance sheet and consolidated statement of income of Belfius Bank can be found in the section headed "7. Belfius Bank SA/NV" of this Base Prospectus.

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

*(refer to pages of the Report(s))*

	<b>Annual Report 2019 (English version) audited</b>	<b>Annual Report 2020 (English version) audited</b>	<b>Half-Yearly Report 2021 (English version) Unaudited - condensed</b>
Consolidated balance sheet	176	194	80
Consolidated statement of income	178	196	82
Consolidated statement of comprehensive income	180	198	84
Consolidated statement of change in equity	182	200	86
Consolidated cash flow statement	187	205	91
Audit report on the consolidated accounts	326	344	153
Notes to the consolidated financial statements	189	208	94
Non-consolidated balance sheet	336	352	N/A
Non-consolidated statement of income	339	355	N/A
Audit report on the non-consolidated accounts	341	357	N/A
Information on the COVID-19 crisis	N/A	15 to 18,117, 124 to 145, 207	12, 48 to 60, 93

(refer to pages of the documents)

	<b>Alternative performance measures 2019</b>	<b>Alternative performance measures 2020</b>	<b>Alternative performance measures June 2021</b>
common equity tier 1 ratio	1	1	1
tier 1 ratio	1	1	1
total capital ratio	1	1	1
leverage ratio	1	2	2
solvency II ratio	2	2	2
net interest margin	2	3	3
cost-income ratio	3	3	3
asset quality ratio	3	3	3
coverage ratio	3	4	4
liquidity coverage ratio	2	2	2
net stable funding ratio	2	2	2
return on equity	4	4	4
total savings and investments	5-6	5	5
total loans to customers	6	6	6
ALM liquidity bond portfolio	6	6	6
ALM yield bond portfolio	6	6	6
credit guarantee portfolio	7	6	6
funding diversification	7-8	7	7
adjusted results	10-13	9-10	9-10